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## Summary

This final section of the Medical Cost Reference Guide highlights benefit programs offered by employers, including trends to implement new consumer-directed health plans and Health Savings Accounts.

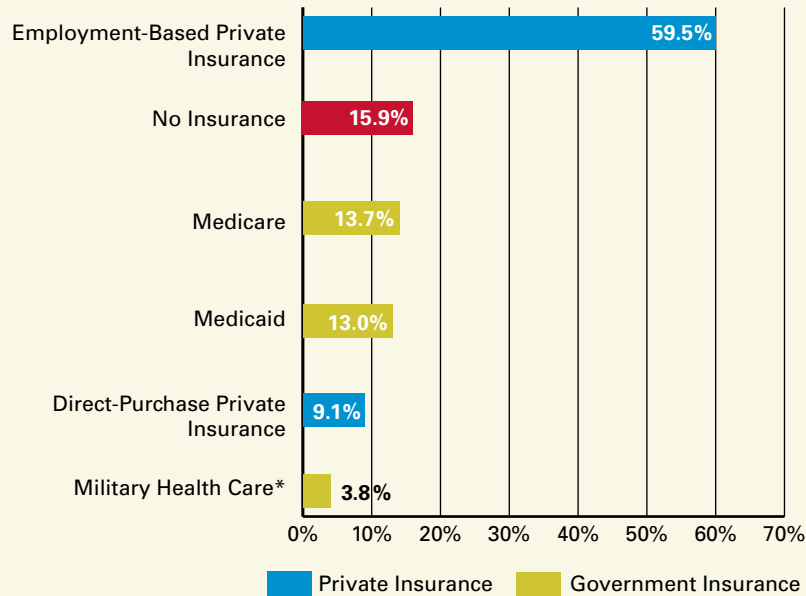
The data show, for example, that a surprisingly high percentage of small employers – those employing fewer than 10 workers – often do not offer health insurance to their employees.

While cost is a major factor, the data also examine other factors employers take into consideration when evaluating health plan options for their workers – such as wellness, preventive care and health education programs.

There also is information looking at factors and programs employers think are important to help their employees become better, more knowledgeable healthcare consumers.

### Health Insurance Coverage, 2005

The majority of the U.S. population is covered by employer health insurance plans.



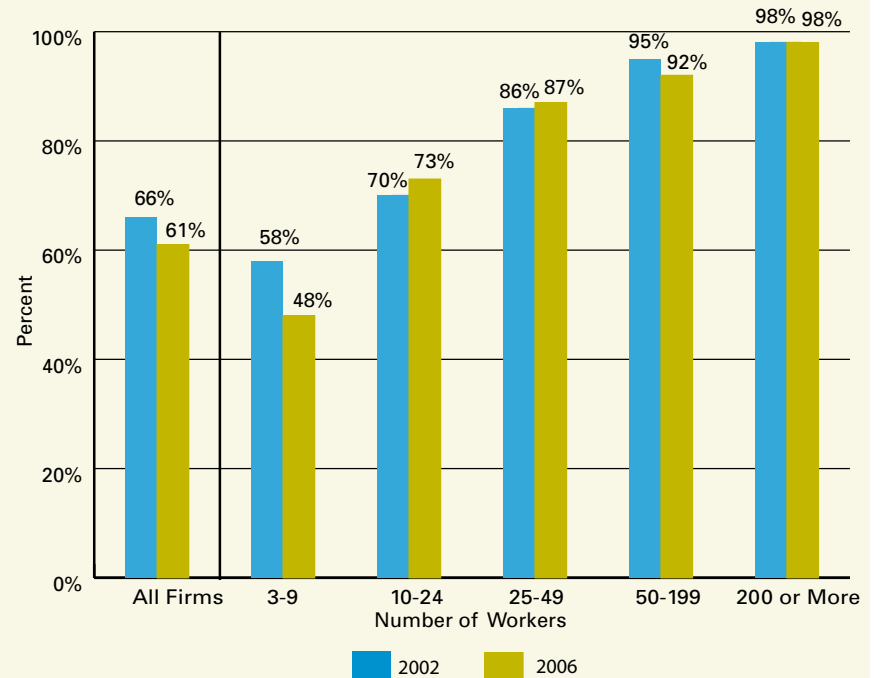
\*Military healthcare includes CHAMPUS (Comprehensive Health and Medical Plan for Uniformed Services)/TRICARE and CHAMPVA (Civilian Health and Medical Program of the Department of Veterans Affairs), as well as care provided by the Department of Veterans Affairs and the military.

Note: The estimates by type of coverage are not mutually exclusive; people can be covered by more than one type of health insurance during the year.

Source: U.S. Census Bureau (2006) Income, Poverty, and Health Insurance Coverage in the United States: 2005

### Percent of Firms Offering Health Benefits, 2002 and 2006

More than 87 percent of firms with 25 or more workers offer health benefits, while small businesses of fewer than 10 workers often do not.

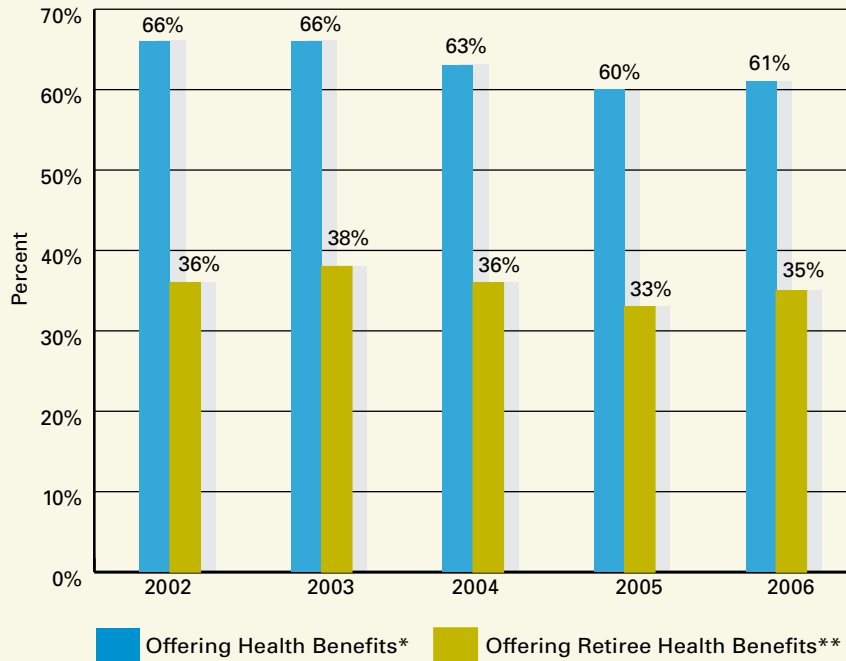


Source: "Employer Health Benefits 2006 Annual Survey," (#7527), The Henry J. Kaiser Family Foundation and Health Research and Educational Trust, September 2006

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**Percent of Employers Offering Health Benefits to Employees and Retirees, 2002-2006**

While there has been a steady decline in employer-offered health benefits for current employees, retiree health benefit offerings have remained somewhat static.



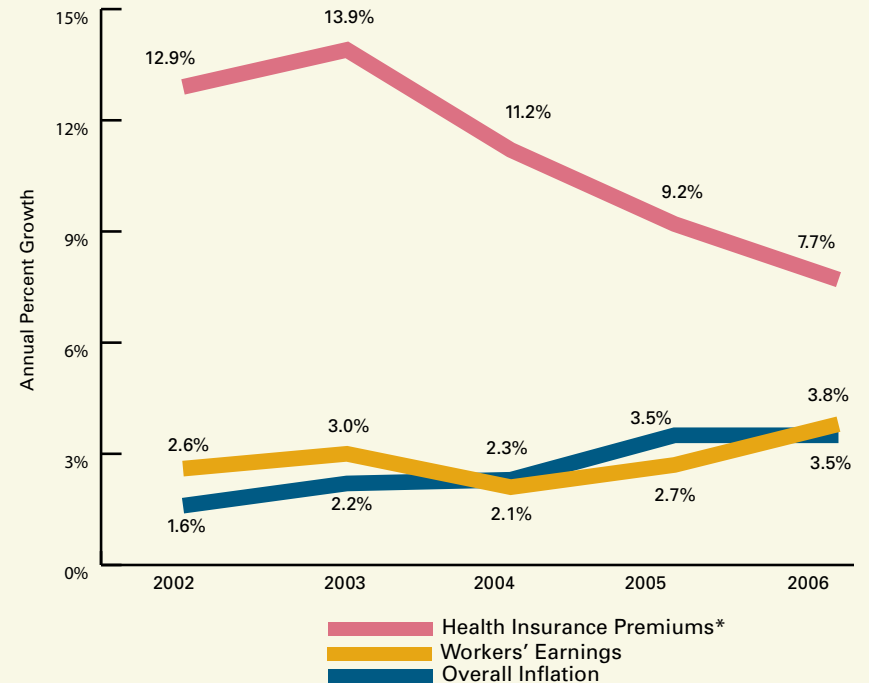
\*Among all firms.

\*\*Among all firms with 200 or more workers offering health benefits to active workers.

Source: "Employer Health Benefits 2006 Annual Survey," (#7527), The Henry J. Kaiser Family Foundation and Health Research and Educational Trust, September 2006  
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**Growth Rates of Health Insurance Premiums, Overall Inflation and Workers' Earnings, 2002-2006**

In 2002, growth in health insurance premiums outpaced workers' earnings by nearly 5:1. By 2006, it had declined to 2:1.

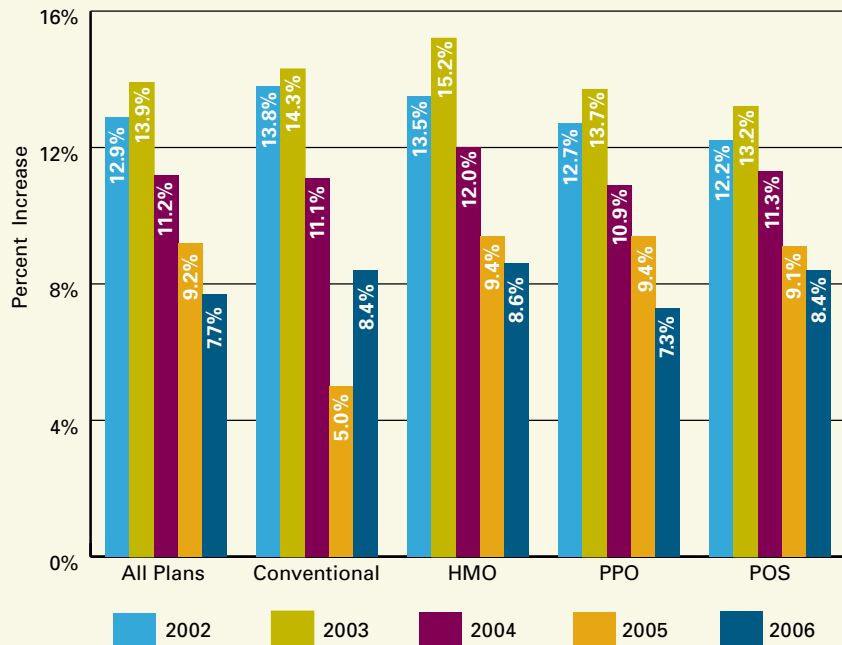


\*Data on premium increases reflect the cost of health insurance for a family of four.

Source: Calculated based on "Employer Health Benefits 2006 Annual Survey," (#7527), The Henry J. Kaiser Family Foundation and Health Research and Educational Trust, September 2005  
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**Growth Rates In Health Insurance Premiums by Plan Type, 2002-2006**

Across all plan types, the growth in insurance premiums has slowed since 2005.

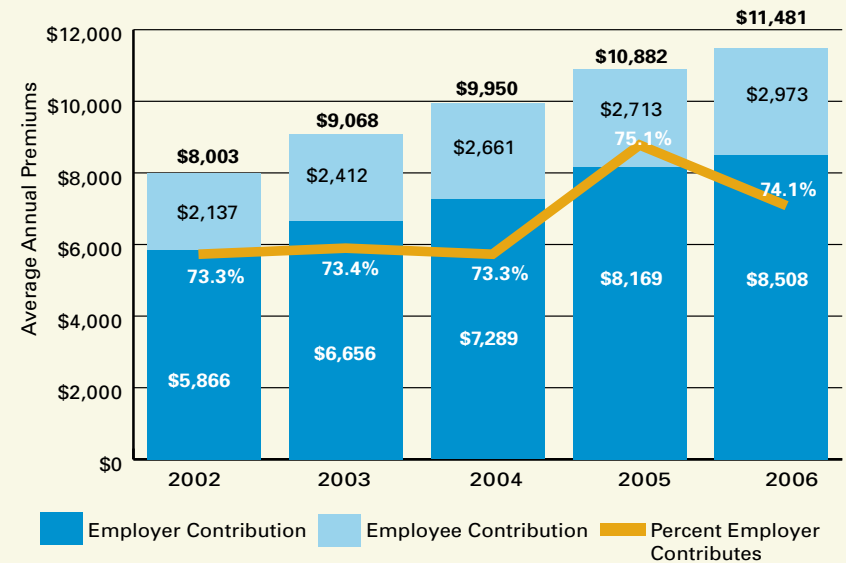


Note: Data on premium increases reflect the cost of health insurance for a family of four.

Source: "Employer Health Benefits 2006 Annual Survey," (#7527), The Henry J. Kaiser Family Foundation and Health Research and Educational Trust, September 2006  
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**Average Annual Premium Contribution for Family Coverage, 2002-2006**

Employers account for about 75 percent of total annual health insurance premium contributions.

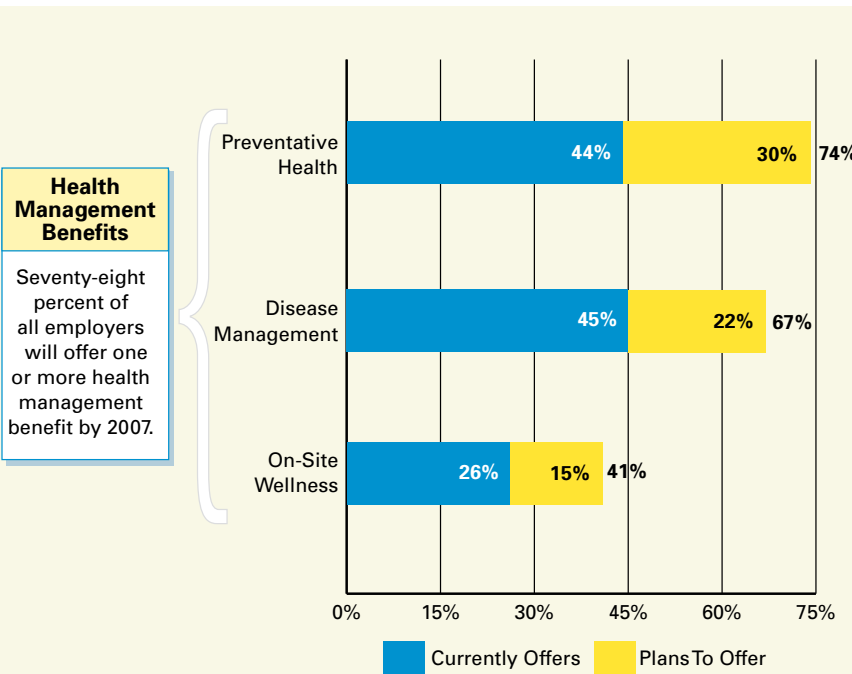


Note: Coverage is for a family of four.

Source: Calculated based on "Employer Health Benefits 2006 Annual Survey," (#7527), The Henry J. Kaiser Family Foundation and Health Research and Educational Trust, September 2006  
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**Percent of Employers Offering Health Management Benefits, 2005**

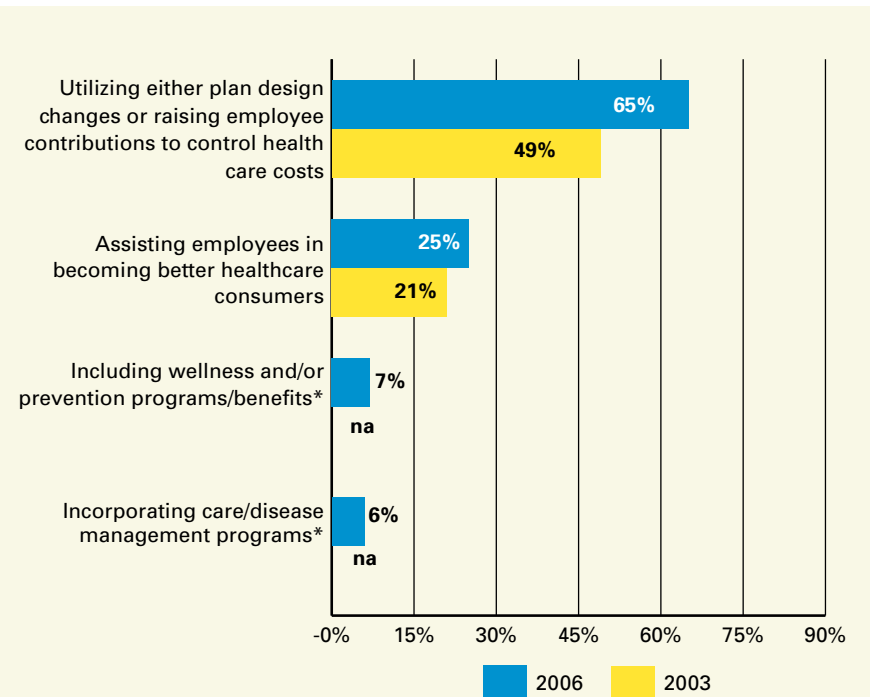
Employers are offering more health management benefits, including wellness and preventive health programs.



Source: Health Management Tops CDHP in Employers' Plans, Forrester Research, Inc., January 2006

**Strategic Direction for Controlling Healthcare Costs, 2003 and 2006**

Employers are assisting employees to become healthier and better healthcare consumers.

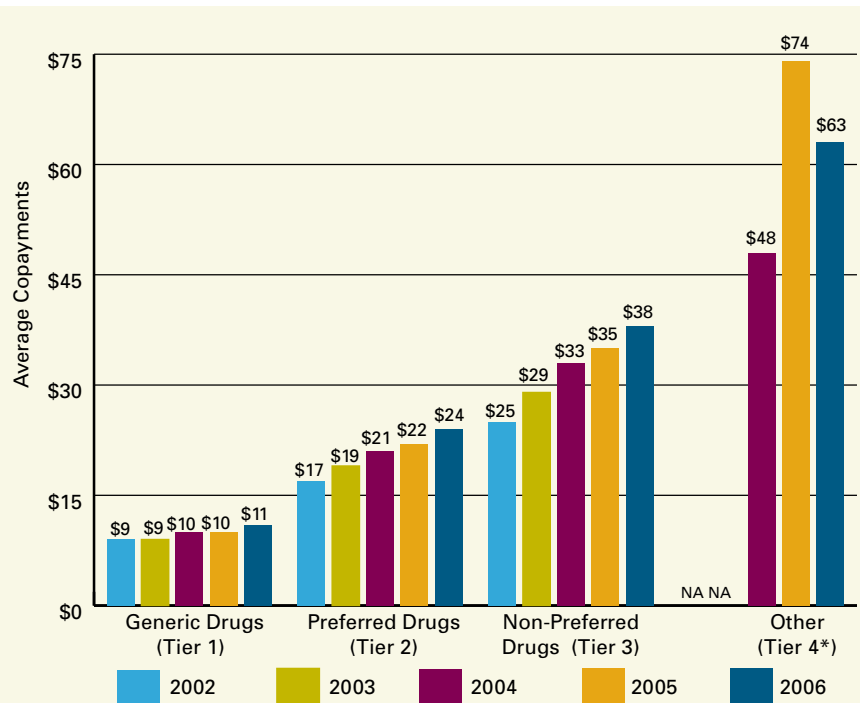


\*Not asked in 2003 survey.

Source: Reducing Corporate Health Care Costs Survey 2006," conducted by the Deloitte Center for Health Solutions in conjunction with the ERISA Industry Committee. Copyright © 2006 Deloitte Development LLC. All right reserved.

**Average Consumer Pharmacy Copayments, by Tier, 2002-2006**

Copayments for generic drugs have been relatively stable, but copayments for other drug tiers have increased.

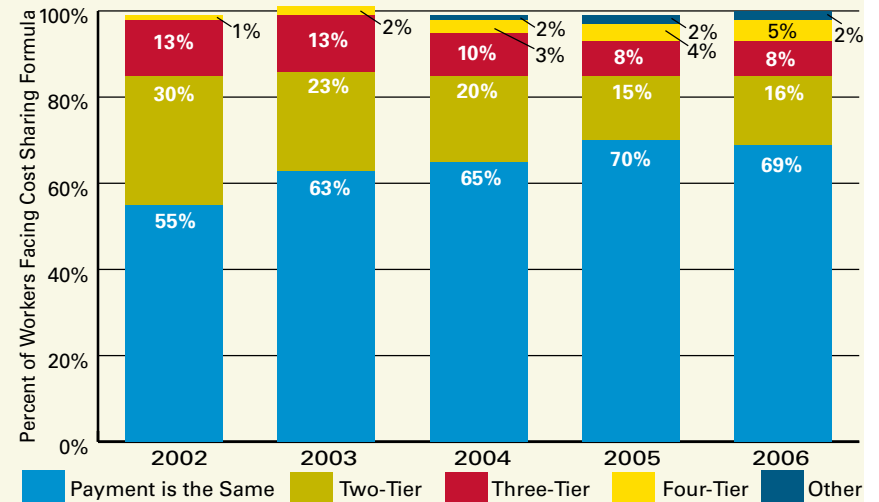


\* Four-tier drugs are drug products, such as lifestyle or injectable drugs, that are paid for using new types of cost-sharing arrangements that typically have higher copayments or coinsurance. The average copayment for fourth-tier drugs is calculated using information from only those plans that have a fourth-tier copayment amount.

Source: "Employer Health Benefits 2006 Annual Survey," (#7527), The Henry J. Kaiser Family Foundation and Health Research and Educational Trust, September 2006  
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**Distribution of Covered Workers Facing Different Cost Sharing Formulas for Prescription Drug Benefits, 2002-2006**

The growth in two-, three-, and four-tier formularies indicates that insured beneficiaries are facing higher prescription cost structures.



	Percent Change 2002-2006
Payment is the Same	-5%
Two-Tier	-14%
Three-Tier	14%
Four-Tier	n/a
Other	1%

Source: "Employer Health Benefits 2006 Annual Survey," (#7527), The Henry J. Kaiser Family Foundation and Health Research and Educational Trust, September 2006

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**Characteristics of Consumer Directed Health Plans (CDHPs)**

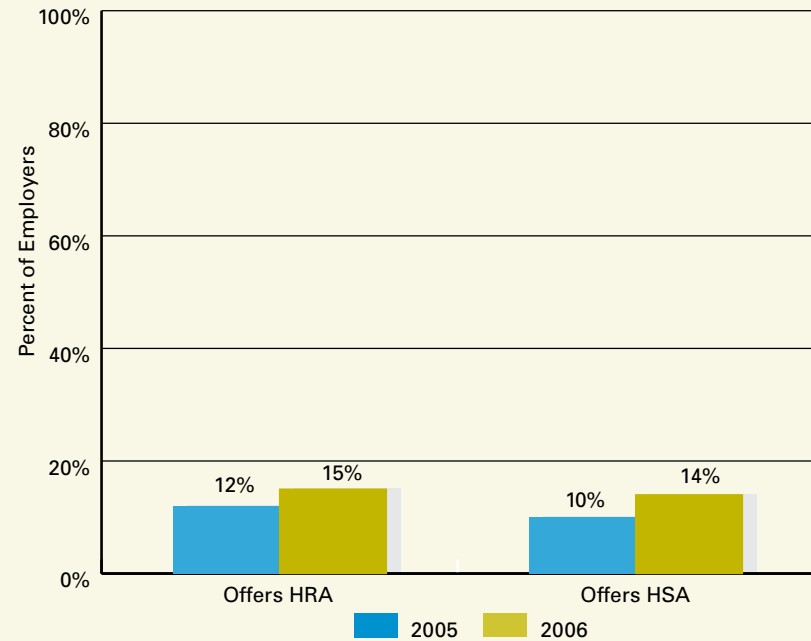
Both employers and consumers are showing increased interest in consumer directed health plans (CDHPs).

- CDHPs are health plan offerings that combine a high-deductible health plan (HDHP) with a health reimbursement arrangement or savings option.
- CDHPs are currently offered with two tax-advantaged arrangements/savings options. These are used to pay enrollees' health-care expenses until funds are exhausted. These arrangements include:
  - **Health reimbursement accounts (HRAs)** – employer owned account designed to reimburse enrollees for qualified medical expenses that occur prior to meeting the deductible. HRA contributions are made only by the employer. HRAs are administered by the employer or an insurance carrier. Since an HRA is not employee-owned, funds cannot be retained upon changing jobs.
  - **Health savings accounts (HSAs)** – similar to HRAs but are an employee owned account. Since an HSA is owned by the employee, employees, too, can make contributions to the account. Furthermore, HSAs can accrue balances without limit and are fully portable.
- CDHPs are structured to reward prudent healthcare purchasers.
- Annual deductibles can be paid with funds from the HRA/HSA or out-of-pocket.
- To support CDHP enrollees, health plans are developing more sophisticated decision support tools to engage consumers and aid them in making better healthcare purchasing decisions.

Source: Government Accountability Office, "Consumer-Directed Health Plans," April 2006

**Employers Offering CDHPs, 2005-2006**

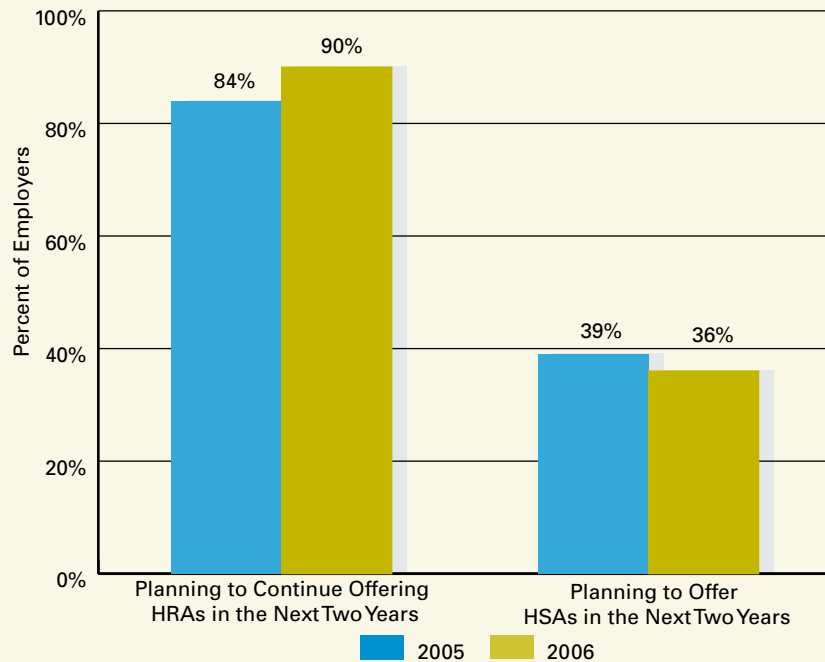
Employers are expanding their CDHP offerings.



Source: Blue Cross and Blue Shield Association (2006) National Account Resource Guide

**Employers' Plans To Offer CDHPs In Next Two Years, 2005-2006**

Employers plan to expand their CDHP offerings in the near future.



Source: Blue Cross and Blue Shield Association (2006) National Account Resource Guide

**Comparison of Health Plans, 2006**

CDHP enrollment may be driven by lower premiums and lower premium increases.

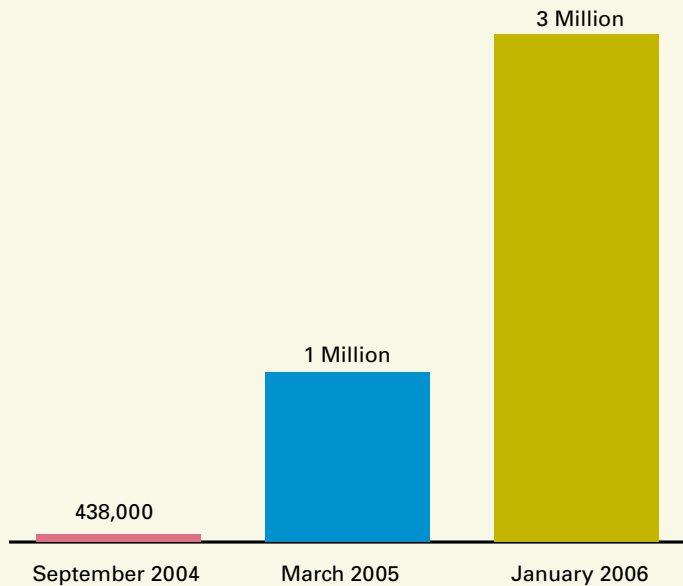
	PPO	HMO	POS	CDHP	Conventional
Enrollment	60%	20%	13%	4%	3%
Percent Increase In Health Insurance Premiums Over Prior Year	7.3%	8.6%	8.4%	4.8%	8.4%
Average Annual Premiums (Single Coverage/Family Coverage)	\$4,385/ \$11,765	\$4,049/ \$11,278	\$4,168/ \$11,107	\$3,405/ \$9,484	N/A
Average Annual Deductible* (Single Coverage/Family Coverage)	\$473/ \$1,034	\$352/ \$751	\$553/ \$1,227	\$1,715/ \$3,511	N/A

\*Among covered workers with a general annual health plan deductible.

Source: "Employer Health Benefits 2006 Annual Survey," (#7527), The Henry J. Kaiser Family Foundation and Health Research and Educational Trust, October 2006. This information was reprinted with permission from the Henry J. Kaiser Family Foundation. The Kaiser Family Foundation, based in Menlo Park, California, is a nonprofit, independent national health care philanthropy and is not associated with Kaiser Permanente or Kaiser Industries.

**CDHP Enrollment Growth, 2006**

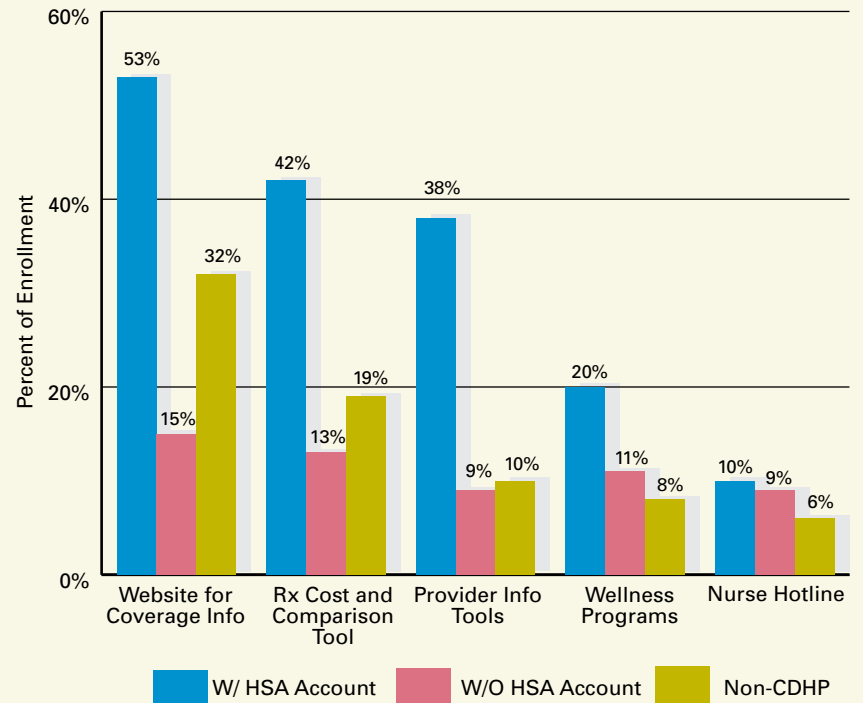
Although the CDHP market is small, in the past year there has been a three-fold increase in CDHP enrollment.



Source: Lee, C (2006) Health Plans Raise Concerns. The Washington Post – October 24, 2006 (c) 2006, The Washington Post. Reprinted with Permission.

**Top Features Used in Conjunction with Health Coverage, 2006**

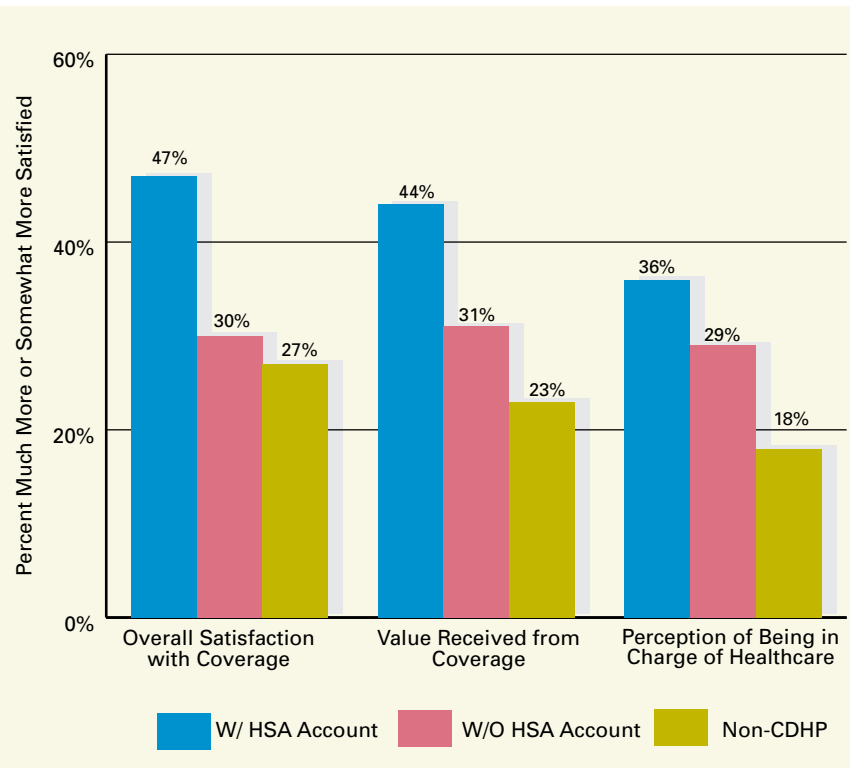
CDHP enrollees with HSA accounts show far more interest than other enrollees in obtaining healthcare quality and cost information.



Source: Blue Cross and Blue Shield Association (2006) HSA Member Experience Survey

**Health Savings Account-Eligible Consumer Satisfaction Levels, 2006**

Satisfaction of CDHP enrollees with their coverage, the value of their coverage, and being in charge of their healthcare exceeds that of other enrollees.



Source: Blue Cross and Blue Shield Association (2006) HSA Member Experience Survey