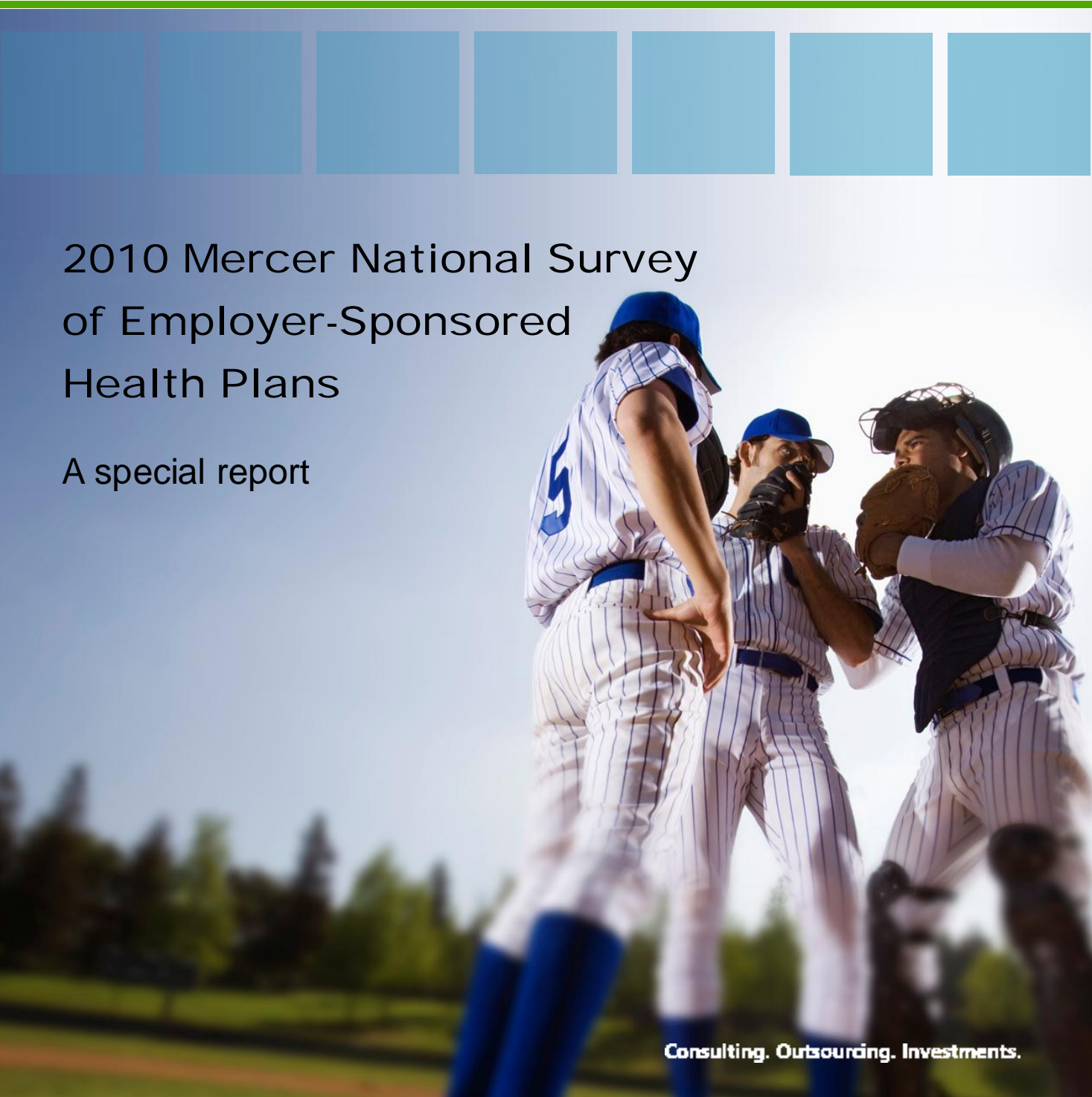


William Rainey Harper College

2010 Mercer National Survey
of Employer-Sponsored
Health Plans

A special report



MERCER

A special report from the 2010 Mercer National Survey of Employer- Sponsored Health Plans

Growth in the average total health benefit cost per employee, which had slowed last year to 5.5%, picked up steam, rising 6.9% to \$9,562, the biggest increase since 2004. Employers expect high cost increases again in 2011. They predicted that cost would rise by about 10% if they made no health program changes, with roughly two percentage points of this increase coming solely from changes mandated by health reform for 2011. However, employers expect to hold their actual cost increase to 6.4% by making changes to plan design or changing plan vendors.

Employers did a little of everything to hold down cost increases in 2010. They raised deductibles and dropped HMOs, which were more costly than PPOs. Large employers – especially very large employers – added consumer-directed health plans. Just over half of employers with 20,000 or more employees offered a CDHP in 2010, with 15% of their covered employees enrolled in them. The appeal of these plans is clear: HSA-based CDHP coverage costs almost 25% less than PPO coverage. Employers also took steps to improve workforce health by providing employees with financial incentives to use health management programs or to reward health-conscious behavior.

With health care reform now a reality, employers were asked how likely they are to drop their health plans once state-run insurance exchanges become operational in 2014 and make it easier for individuals to buy coverage. For the great majority, the answer was “not likely.” Large employers remain committed to their role of health plan sponsor, with just 6% of those with 500 or more employees saying they are likely to terminate their health plans. While one-fifth of employers with 10-499 employees say they are likely to drop coverage, this hasn't happened in Massachusetts, where insurance exchanges have been operating under state-based health reform for over three years.

Using a scientific random sample and supplemental convenience sample, we collected data from 2,833 employers with 10 or more employees. The national and regional results are based on the random sample only and are weighted to be projectable. However, results for city, state and other special employer groups include the convenience sample and are unweighted. In cases where there are too few data to report, "ID" (insufficient data) appears instead of a figure.

NUMBER OF PARTICIPANTS

GEOGRAPHIC REGIONS USED IN THIS SURVEY

William Rainey Harper College	1
Peer Group 2010	8
Peer Group 2011	8
Colleges and	16



*All peer group colleges used the same tier ratio as Harper College.

Consulting. Outsourcing. Investments.

EMPLOYER PROFILE

Demographics

	William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities <500
Average employee age	47			46
Average % of female employees	56%			53%
Average % of union employees	63%			6%

MEDICAL PLAN PREVALENCE

Type of medical plan offered

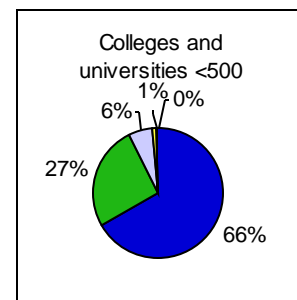
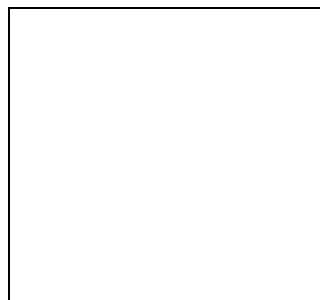
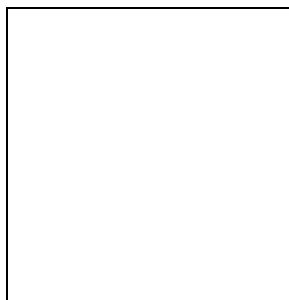
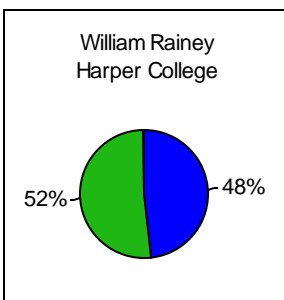
Percent of employers offering each type of medical plan

	William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities <500
PPO/POS	Yes	100%	100%	94%
HMO	Yes	75%	86%	38%
HSA-eligible CDHP	No	No	No	13%
HRA-based CDHP	No	No	No	13%
Either type of CDHP	No	No	No	13%
Indemnity	No	No	No	0%

Employee enrollment

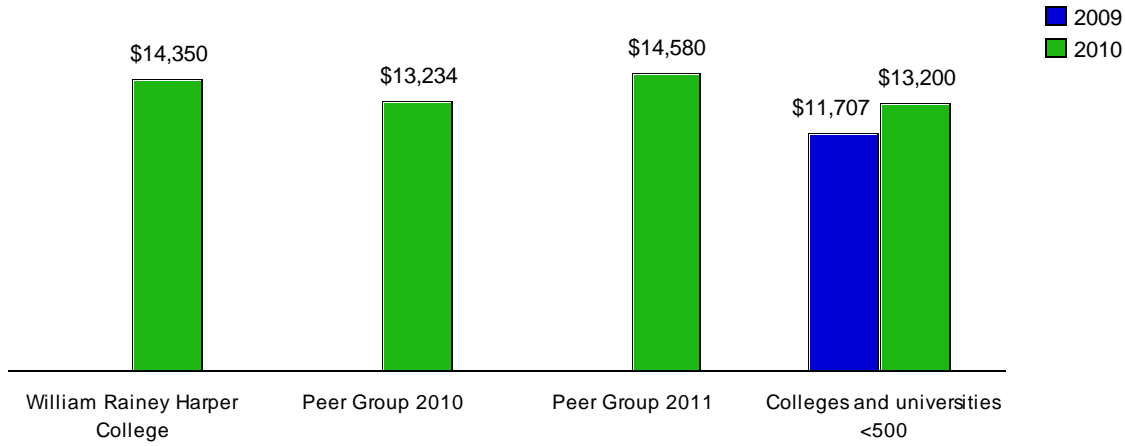
Percent of all covered employees enrolled in each type of medical plan

■ PPO/POS
 ■ HMO
 ■ HSA-eligible CDHPs
 ■ HRA-based CDHPs
 ■ Indemnity



TOTAL HEALTH BENEFIT COST

Average total health benefit cost* per employee

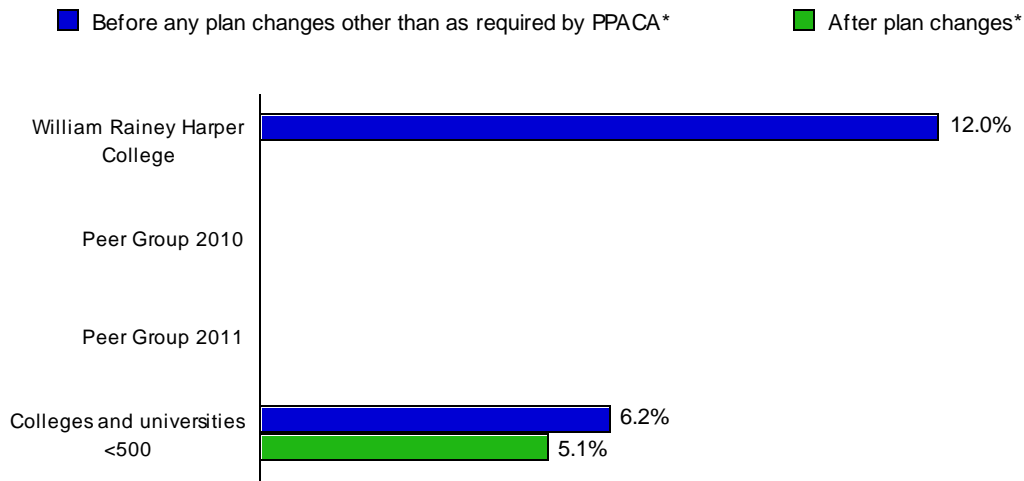


*Total health benefit cost includes medical, dental, Rx, vision and hearing benefits

*William Rainey Harper College total cost is Medical and Dental only

*Peer group 2010 and 2011 total cost is Medical only

Expected average increase in total health benefit cost per employee for 2011



*Changes to plan design or health plan vendor

EMPLOYEE CONTRIBUTIONS

Individual coverage

Median monthly contribution for individual coverage (\$)

	William Rainey Harper College	Peer Group 2010	Peer Group 2011	and universities <500
PPO/POS	\$144	\$63	\$61	\$208
HMO	\$90	\$31	\$39	\$97
HSA-eligible CDHP	N/A	N/A	N/A	ID
HRA-based CDHP	N/A	N/A	N/A	ID
Dental	\$0			\$23

Median contribution for individual coverage as a % of premium

	William Rainey Harper College	Peer Group 2010	Peer Group 2011	and universities <500
PPO/POS	20%	9%	9%	33%
HMO	18%	7%	8%	23%
HSA-eligible CDHP	N/A	N/A	N/A	18%
HRA-based CDHP	N/A	N/A	N/A	18%
Dental	0%			83%

Family coverage*

Median monthly contribution for family coverage (\$)

	William Rainey Harper College	Peer Group 2010	Peer Group 2011	and universities <500
PPO/POS	\$428	\$226	\$191	\$446
HMO	\$268	\$201	\$131	\$607
HSA-eligible CDHP	N/A	N/A	N/A	ID
HRA-based CDHP	N/A	N/A	N/A	\$767
Dental	\$63			\$102

Median contribution for family coverage as a % of premium

	William Rainey Harper College	Peer Group 2010	Peer Group 2011	and universities <500
PPO/POS	20%	13%	8%	42%
HMO	18%	13%	9%	39%
HSA-eligible CDHP	N/A	N/A	N/A	50%
HRA-based CDHP	N/A	N/A	N/A	50%
Dental	60%			83%

*Family coverage is defined as coverage for employee, spouse and two children

COVERAGE ELIGIBILITY, ELECTION

	William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities
Average % of employees waiving own coverage	9%			16%
% of employers offering incentive to waive coverage	No			27%

Dependent coverage

Include provisions concerning spouses with other coverage	No			7%
Average % of employees electing dependent coverage	61%			56%
Offer same-sex domestic partner coverage	Yes			53%

Part-time employees

Offer coverage to part-time employees*	Yes			69%
Average number of hours / week needed to qualify	30			25
Benefits, contributions are same for covered PTEs and FTEs	Yes			63%

Employ seasonal / temporary employees who may work 30 or more hours per week

Yes, and they are eligible for health benefits	No			17%
Yes, but they are not eligible for health benefits				42%

Offer mini-med or limited health plan

No				0%
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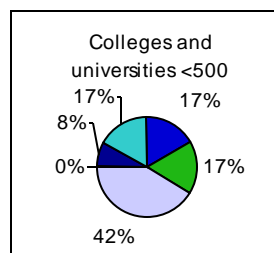
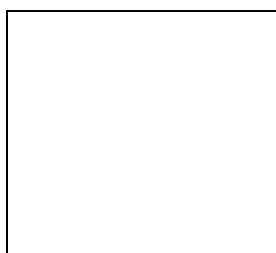
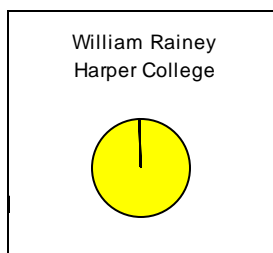
*Among employers that have part-time employees

HEALTH REFORM

Projected spending increase attributable solely to 2011 PPACA requirements¹

Percent of employers

■ Less than 1%
 ■ 1-2%
 ■ 3-4%
 ■ 5% or more
 ■ Don't know
 ■ No expected increase



Dependent eligibility¹

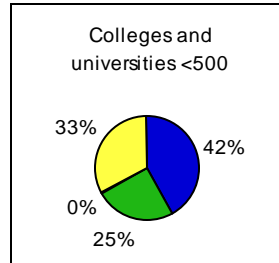
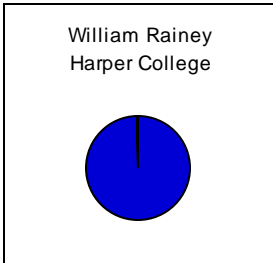
	William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities
Extended coverage for 2011 plan year when required	No			55%
Extended coverage for 2010 plan year <u>before</u> required	Yes			18%
Already in compliance, no change needed	Yes			27%
Likely to require verification of no other employer coverage	Yes			43%

¹ Based on employers with 50 or more employees

HEALTH REFORM, CONTINUED

Most likely action with regard to excise tax for high-cost plans¹

- Will do whatever is necessary to bring plan cost below threshold amounts
- Will attempt to bring cost below the threshold amounts, but it may not be possible
- Believe plan(s) are unlikely to ever trigger the tax
- threshold



Likelihood of terminating medical plan(s) after some or all PPACA provisions go into effect

Very likely
Likely

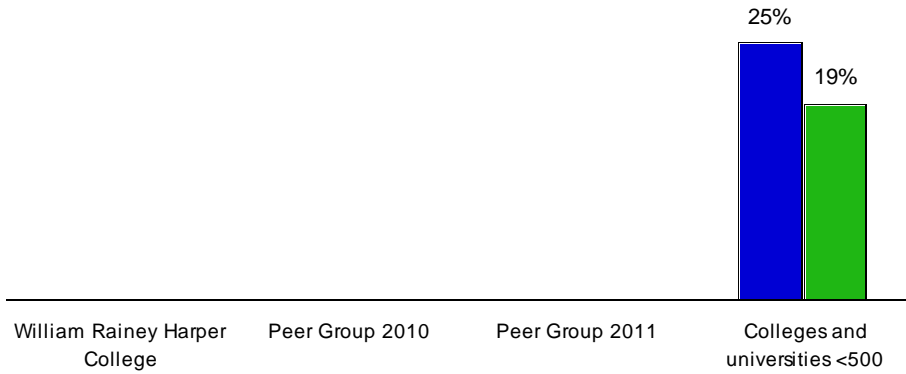
	William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities
Very likely	TBD			8%
Likely				0%

¹Based on employers with 50 or more employees; ²Based on employers with 500 or more employees; ³Based on employers with 200 or more employees

STRATEGIC PLANNING

Very likely to offer account-based CDHP in 2011

- With a Health Savings Account
- With a Health Reimbursement Arrangement



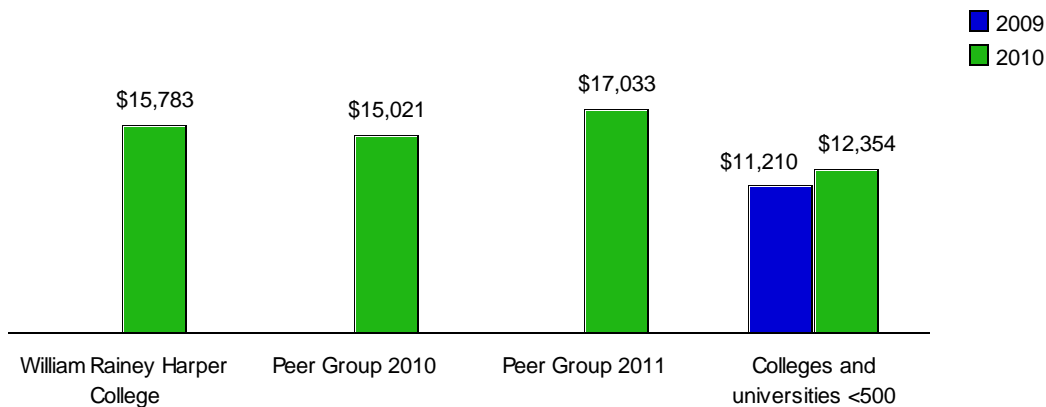
Expect to offer an account-based CDHP in next five years

As the only type of plan offered
 Alongside other medical plan choices

	William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities
As the only type of plan offered	TBD			6%
Alongside <u>other</u> medical plan choices	TBD			50%

PREFERRED PROVIDER ORGANIZATION (PPO) / POINT-OF-SERVICE PLANS (POS)

Average PPO / POS cost per employee, for active employees



Physician visit cost-sharing

In-network physician visit cost-sharing

	William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities <500
PPO / W PPO				
% requiring copay	Yes / Yes	33%	29%	79%
% requiring coinsurance	No / No	16%	14%	36%
No cost-sharing is required	No / No	0%	0%	0%
Median copay amount	\$10 / \$15	\$23	\$23	\$20

Out-of-network physician visit cost-sharing

	William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities <500
% requiring copay	No			8%
% requiring coinsurance	Yes / Yes			92%
No cost-sharing is required	No / No			0%
Median coinsurance amount	30% / 40%			40%

Preventive care coverage

	William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities <500
Covered 100%, not subject to cost-sharing	No			43%
Covered 100% after PCP cost-sharing	Yes			7%
Covered the same as other benefits	No			36%
Covered some other way				14%

PREFERRED PROVIDER ORGANIZATION (PPO) / POINT-OF-SERVICE PLANS (POS), CONTINUED

Deductibles

Individual deductible

	William Rainey Harper College PPO / W PPO	Peer Group 2010	Peer Group 2011	Colleges and universities <500
% requiring for in-network services	Yes	100%	100%	79%
Median in-network deductible	\$250 / \$500	\$250	\$200	\$500
% requiring for out-of-network services	Yes	100%	100%	83%
Median out-of-network deductible	\$500 / \$1500	\$500	\$400	\$1,000

Family deductible

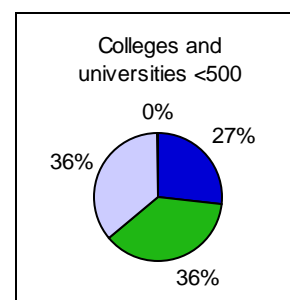
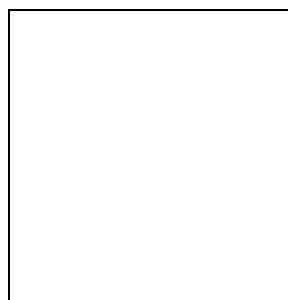
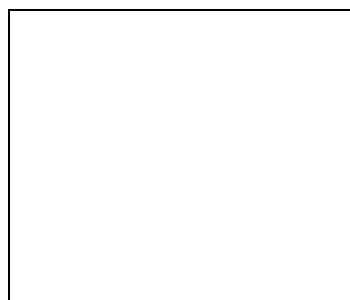
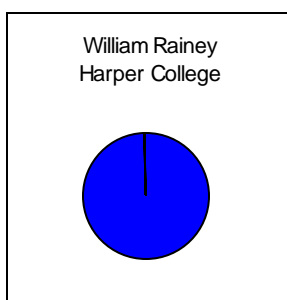
	William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities <500
% requiring for in-network services	Yes	100%	100%	79%
Median in-network deductible	\$750 / \$1500	\$400	\$400	\$1,000
% requiring for out-of-network services	Yes	86%	86%	82%
Median out-of-network deductible	\$1500 / \$4500	\$1,150	\$600	\$2,400

Out-of-pocket maximums for individuals

	William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities <500
Median for in-network services	\$750 / \$1500	\$800	\$575	\$2,000
Median for out-of-network services	\$5000 / \$5000	\$3,000	\$1,750	\$5,000

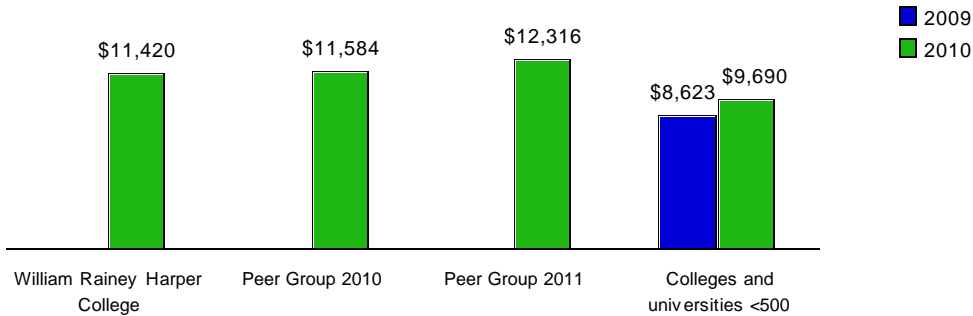
PPO / POS funding method

- Conventionally insured
- Experience-rated
- Self-funded with stop-loss
- Self-funded without stop-loss



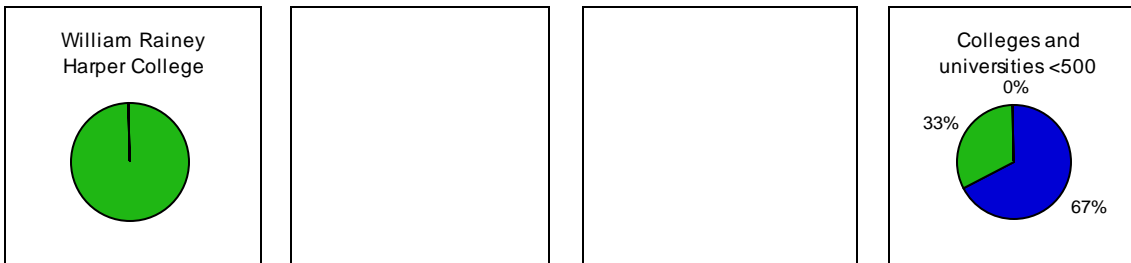
HEALTH MAINTENANCE ORGANIZATION (HMO)

Average HMO cost per employee, for active employees



HMO funding method

■ Insured – community-rated
 ■ Insured – experience-rated
 ■ Self-funded



Average % of employees enrolled in HMO*

William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities <500
52%			71%

*among employers offering HMO(s)

HMO copays and deductibles

	William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities <500
PCP office visit copay (median)	\$15	\$13	\$10	\$20
Emergency room visit copay				
% requiring emergency room visit copay	Yes	100%	100%	100%
Median copay amount	\$100	\$75	\$50	\$100
Inpatient hospital deductible				
% requiring hospital deductible	Yes	33%	0%	83%
Median deductible amount	\$250	\$250	\$0	\$250
Outpatient surgery deductible				
% requiring outpatient surgery deductible	No			40%
Median deductible amount	n/a			\$75

HSA-ELIGIBLE CONSUMER-DIRECTED HEALTH PLANS (CDHP)

Average % of eligible employees enrolled in HSA-eligible CDHP when offered as an option

William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities <500
			5%

CDHP Plan design

Employee-only coverage

% of employers making an account contribution
 Median employer contribution to account*
 Median deductible for overlaying insurance
 Median out-of-pocket maximum

William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities <500
			50%
			\$1,320
			\$3,354
			\$3,000

Family coverage

Median employer contribution to account*
 Median deductible for overlaying insurance
 Median out-of-pocket maximum

William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities <500
			ID
			\$6,000
			\$10,000

Cost-sharing for in-network physician visits

% requiring copay
 % requiring coinsurance
 Median coinsurance amount

William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities <500
			50%
			0%
			ID

*among employers making an account contribution

Funding schedule for employer account contributions

- Fully pre-fund
- Fund every paycheck
- Fund monthly or on other schedule

100%



William Rainey Harper College Peer Group 2010 Peer Group 2011 Colleges and universities <500

HRA-BASED CONSUMER-DIRECTED HEALTH PLANS (CDHP)

Average % of eligible employees enrolled in HRA-based CDHP when offered as an option

William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities <500
			5%

CDHP Plan design

Employee-only coverage

	William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities <500
Median employer contribution to account				\$1,320
Median deductible for overlaying insurance				\$3,000
Median out-of-pocket maximum				\$4,125

Family coverage

	William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities <500
Median employer contribution to account				\$2,640
Median deductible for overlaying insurance				\$6,000
Median out-of-pocket maximum				\$8,250

Cost-sharing for in-network physician visits

	William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities <500
% requiring copay				50%
% requiring coinsurance				0%
Median coinsurance amount				ID

PRESCRIPTION DRUG (RX) BENEFITS*

Employee cost-sharing requirements for prescription drug plans

Retail

Same level for all drugs
 2 levels: generic, brand
 3 levels: generic, formulary, non-formulary
 4 or more levels
 Use coinsurance for 1 or more drug categories

William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities <500
No	0%	0%	13%
No	17%	17%	40%
Yes	83%	83%	33%
No	0%	0%	13%
No	0%	0%	8%

Mail-order

Same level for all drugs
 2 levels: generic, brand
 3 levels: generic, formulary, non-formulary
 4 or more levels
 Use coinsurance for 1 or more drug categories

No	0%	0%	8%
No	17%	17%	54%
Yes	83%	83%	31%
No	0%	0%	8%
No	0%	0%	8%

Copayments in prescription drug plans

Average copayment among plans with 3 payment levels

Retail

Generic
 Brand-name formulary
 Brand-name non-formulary

William Rainey Harper College	Peer Group 2010 PPO / HMO	Peer Group 2011 PPO / HMO	Colleges and universities <500
\$10 / \$15	\$10 / \$10	\$10 / \$9	\$6
\$20 / \$30	\$23 / \$23	\$20 / \$15	\$30
\$50 / \$60	\$40 / \$40	\$33 / \$28	\$56

Mail-order

Generic
 Brand-name formulary
 Brand-name non-formulary

\$10 / \$15		\$10 / \$10	\$12
\$20 / \$30		\$20 / \$24	\$53
\$50 / \$60		\$33 / \$55	\$67

HEALTH MANAGEMENT PROGRAMS, CONTINUED

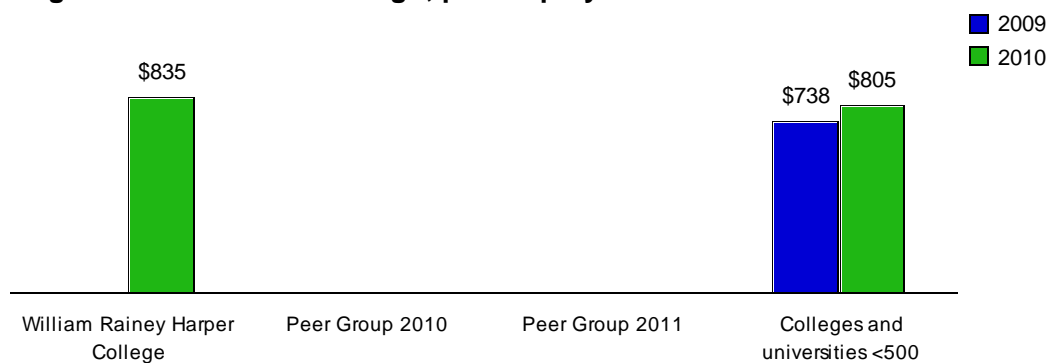
Health management incentives / penalties

	William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities
Use incentives or penalties to encourage participation in:				
Health risk assessment (HRA), when offered	No			17%
Disease management, when offered	No			0%
Behavior modification, when offered	No			0%
Type of HRA incentive used				
Cash / gift cards	N/A			0%
Financial contribution to HRA, HSA, FSA	N/A			0%
Lower premium contributions	N/A			100%
status				0%

SPECIAL COVERAGES

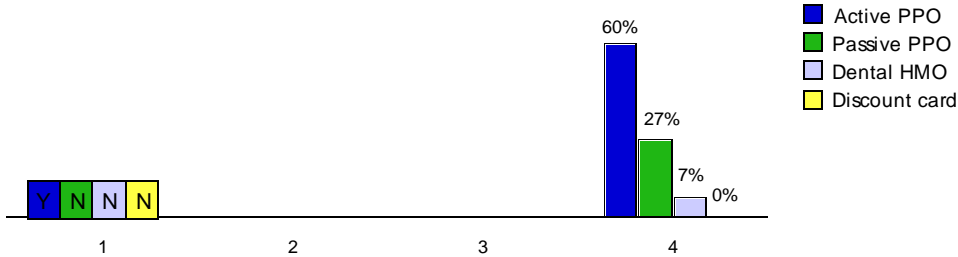
DENTAL BENEFITS

Average cost of dental coverage, per employee



DENTAL BENEFITS, CONTINUED

Type of dental plan offered



Dental plan design*

	William Rainey Harper College Peer Group 2010	Peer Group 2011	Colleges and universities <500
Median deductible	\$30	\$50	\$50
Median maximum annual benefit	\$1,200*	\$1,500	\$1,250
Includes lifetime maximum benefit for orthodontic services (% of employers)	Yes	71%	87%

-Among employers with dental PPOs or fee-for-service plans

*Roll over available to a max of \$2,400

OTHER BENEFITS

Voluntary insurance benefits offered

	William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities <500
Vision	No		14%	69%
Disability	No		43%	81%
Accident	No			56%
Term Life	No		71%	50%
Cancer / critical illness	No			38%
Hospital indemnity	No			25%
Long-term care	No		14%	31%
Auto / homeown ers	No			6%
Travel	No			6%

Flexible spending accounts (FSA)

Health care FSA

	William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities <500
% offering health care FSA	Yes		100%	94%
Average employee participation	21%			33%

Dependent care FSA

	William Rainey Harper College	Peer Group 2010	Peer Group 2011	Colleges and universities <500
% offering dependent care FSA	Yes		100%	88%
Average employee participation	6%			7%