

EMPLOYER HEALTH BENEFITS
2014 ANNUAL SURVEY

Employer
Opinions and
Health Plan
Practices

SECTION

14

EMPLOYER OPINIONS AND HEALTH PLAN PRACTICES

EMPLOYERS PLAY A SIGNIFICANT ROLE IN HEALTH INSURANCE COVERAGE – SO THEIR OPINIONS AND EXPERIENCES ARE IMPORTANT FACTORS IN HEALTH POLICY DISCUSSIONS. EMPLOYERS CONTINUE TO INNOVATE ON HOW THEY OFFER, STRUCTURE, AND DELIVER THEIR BENEFITS. A CONSIDERABLE NUMBER OF EMPLOYERS HAVE DEVELOPED STRATEGIES TO REDUCE COST OR IMPROVE QUALITY THROUGH CHANGES TO THEIR PLAN'S PROVIDER NETWORKS.

EMPLOYER OPINIONS ON COST CONTAINMENT

Firms offering health benefits were asked to rate how effective several different strategies would be in reducing the growth of health insurance costs.

- ▶ Twenty-eight percent of firms offering health benefits stated that "wellness programs" would be very effective at containing health insurance costs, more than the percentage of firms indicating "tighter managed care restrictions", "higher employee cost sharing", "disease management programs", "tiered provider networks" and "narrow networks". The percentage of firms offering health benefits who thought that wellness programs would be very effective at containing health insurance costs was similar to the percentage who thought that consumer driven health plans would be very effective (28% and 22%, respectively) (Exhibit 14.1).
- ▶ Just six percent of firms offering health benefits stated that narrow networks would be very effective at containing health insurance costs (Exhibit 14.1). More firms offering health benefits indicated that narrow networks would be not at all effective at containing costs than any other strategy.
- ▶ Ten percent of firms offering health benefits thought that "tighter managed care restrictions" and 11% stated that "tiered provider networks" would be very effective at containing health care costs. Fewer employers offering health benefits thought these strategies would be very effective than either "Consumer-Driven Health Plans" or "Wellness Programs" (Exhibit 14.1).

SHOPPING FOR HEALTH COVERAGE

More than one-half (58%) of firms offering health benefits reported shopping for a new health plan or a new insurance carrier in the past year, suggesting that the market is quite dynamic (Exhibit 14.3). The largest firms, those with a 1,000 to 4,999 employees or firms were with more than 5,000 workers, were less likely to shop for a new plan or carrier.

- ▶ Among firms that offer health benefits and shopped for a new plan or carrier, 27% changed insurance carriers. There were no significant differences between small firms (3 to 199 workers) and larger firms (Exhibit 14.4).

TIERED NETWORKS

A tiered or high performance network is one that groups providers in the network together based on quality, cost, and/or the efficiency of the care they deliver. These networks encourage patients to visit preferred doctors by either restricting networks to efficient providers, or by having different copayments or coinsurance for providers in different tiers in the network.

- ▶ Nineteen percent of firms that offer health benefits include a high performance or tiered provider network in the health plan with the largest enrollment (Exhibit 14.5). This is similar to the 23% reported in 2013 and the 20% reported in 2011.
- ▶ Employers may use different criteria to determine which providers are included in which tiers. Fifty-nine percent of offering firms whose largest plan includes a high performance or tiered provider network stated that the network tiers were determined both by providers' "quality and cost/efficiency". Large firms (200 or more workers) were most likely to indicated that the tiers are determined by both "quality and cost/efficiency" than any other response option, including "cost/efficiency" alone (15%) (Exhibit 14.6).

NARROW NETWORK PLANS

Firms with 50 or more employees offering health benefits were asked about the prevalence of narrow or skinny networks. Narrow networks are plans which limit the number of providers who can participate to reduce costs. Typically narrow network plans include fewer providers than a typical PPO or HMO network.

- ▶ Eight percent of offering firms with 200 or more workers indicated that they offered a plan they considered to be a narrow network plan (Exhibit 14.8).
- ▶ Six percent of offering firms with 200 or more employees said that the carrier (or firm) eliminated a hospital or health system from a provider network in order to reduce costs (Exhibit 14.8).

REFERENCE PRICING

Reference pricing is a system in which plans pay a set amount for a service and the enrollee is responsible for paying the difference between the service and the cost the provider charges. Reference pricing is intended to encourage enrollees to shop among providers for lower cost and/or higher value care. The survey asked employers with 50 or more employees if their plan with the largest enrollment used reference pricing for ANY service.

- ▶ The largest health plan at 13% of offering firms with 50 or more employees includes reference pricing for at least a service (Exhibit 14.7).

RETAIL CLINICS

Retail clinics treat minor illnesses and provide preventive care at locations such as retail stores, pharmacies, and supermarkets. Among firms offering health benefits, over half (57%) cover care received at retail clinics in their plan with the largest enrollment. Among these firms covering care at retail clinics, 8% offer financial incentives to receive care at a retail clinic location rather than at a physician's office (Exhibit 14.9).

- ▶ Large firms (200 or more workers) are more likely than small firms to both cover care received at a retail clinic and offer financial incentives to seek care at retail locations (Exhibit 14.9).
- ▶ The percentage of firms offering health benefits whose largest plan covers care at a retail clinic and who offer financial incentives for doing so is statistically unchanged from 2013.

PRIVATE EXCHANGES AND DEFINED CONTRIBUTIONS

Recently there has been considerable interest in private exchanges. An exchange is a marketplace for health insurance. Private exchanges allow employees

to choose from several health benefit options offered on the exchange. A private exchange is created by a consulting company, rather than a governmental entity. There is considerable variation in the types of exchanges currently offered; some exchanges allow workers to choose between multiple plans offered by the same carrier, while in other cases multiple carriers participate. The exchange operator may establish strict standards for the plans offered or allow the insurers more flexibility in determining their plan offerings.

Private exchanges may or may not include a defined contribution for premiums. A defined contribution is a set dollar amount offered to the employee by the employer. Employees may then select one of several plans, paying the difference between the defined contribution and the cost of their chosen health insurance plan. This permits an employer to offer a larger variety of health plans to employees and to structure contributions or other rules to encourage employees to choose more efficient plans.

- ▶ Three percent of covered workers at large firms (200 or more workers) are enrolled at a firm which is currently offering health benefits through a private exchange (Exhibit 14.12).
- ▶ Thirteen percent of large firms (200 or more workers) offering health benefits are considering offering benefits through a private exchange. Among offering firms with at least 5,000 workers, 20% are considering offering benefits through the exchange (Exhibit 14.11).
- ▶ The percentage of large firms (200 or more workers) offering health benefits that are considering offering benefits through a private exchange is unchanged from last year. The percentage of firms with at least 5,000 workers considering a private exchange is down from 29% last year.
- ▶ Currently 12% of covered workers are employed at a firm that is considering moving to a private exchange.
- ▶ Twenty-three percent of large firms (200 or more workers) offering health benefits are considering using a defined contribution approach (Exhibit 14.11).

EXHIBIT 14.1

Among Firms Offering Health Benefits, Distribution of Firms' Opinions on the Effectiveness of the Following Strategies to Contain Health Insurance Costs, by Firm Size, 2014

	Very Effective	Somewhat Effective	Not Too Effective	Not At All Effective	Don't Know
Wellness Programs*					
All Small Firms (3–199 Workers)	28%	43%	17%	10%	2%
All Large Firms (200 or More Workers)	25	59	13	3	1
ALL FIRMS	28%	43%	17%	10%	2%
Tighter Managed Care Restrictions*					
All Small Firms (3–199 Workers)	10%	42%	21%	20%	7%
All Large Firms (200 or More Workers)	6	59	24	9	2
ALL FIRMS	10%	43%	21%	20%	7%
Consumer-Driven Health Plans (Ex: High-Deductible Plan Combined with a Health Savings Account)					
All Small Firms (3–199 Workers)	22%	46%	14%	12%	5%
All Large Firms (200 or More Workers)	21	57	12	7	3
ALL FIRMS	22%	47%	14%	12%	5%
Higher Employee Cost Sharing*					
All Small Firms (3–199 Workers)	13%	34%	27%	19%	7%
All Large Firms (200 or More Workers)	13	50	25	10	1
ALL FIRMS	13%	34%	27%	19%	7%
Disease Management Programs*					
All Small Firms (3–199 Workers)	17%	52%	13%	12%	7%
All Large Firms (200 or More Workers)	29	53	13	3	1
ALL FIRMS	17%	52%	13%	12%	7%
Tiered Provider Networks*					
All Small Firms (3–199 Workers)	11%	43%	16%	20%	10%
All Large Firms (200 or More Workers)	15	52	20	6	7
ALL FIRMS	11%	43%	16%	19%	10%
Narrow Networks*					
All Small Firms (3–199 Workers)	6%	27%	19%	43%	6%
All Large Firms (200 or More Workers)	7	27	38	24	5
ALL FIRMS	6%	27%	19%	43%	6%

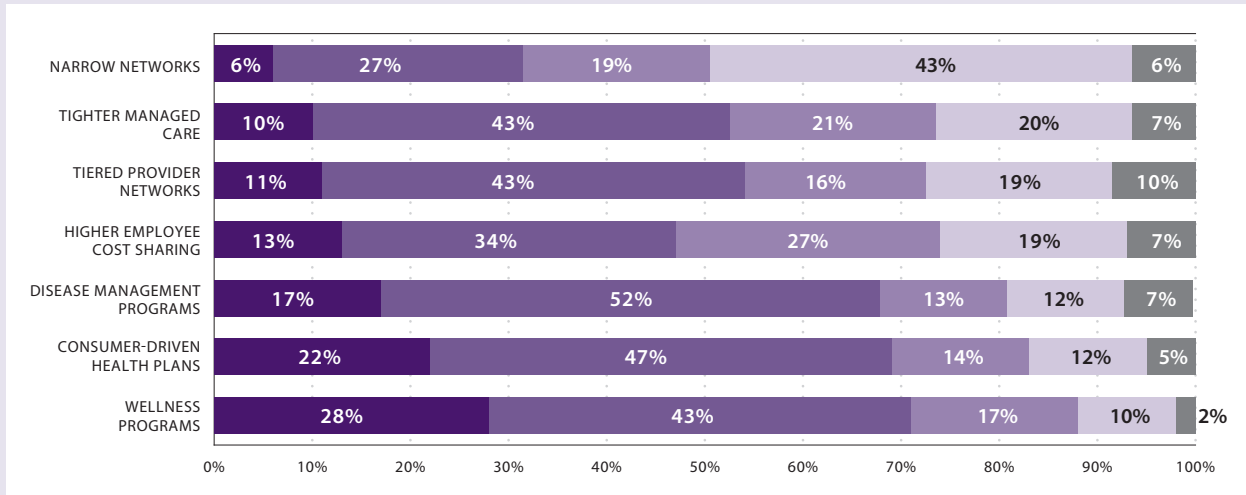
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

* Distributions are statistically different between All Small Firms and All Large Firms within category ($p < .05$).

EXHIBIT 14.2

Among Firms Offering Health Benefits, Distribution of Firms' Opinions on the Effectiveness of the Following Strategies to Contain Health Insurance Costs, 2014



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

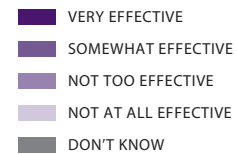
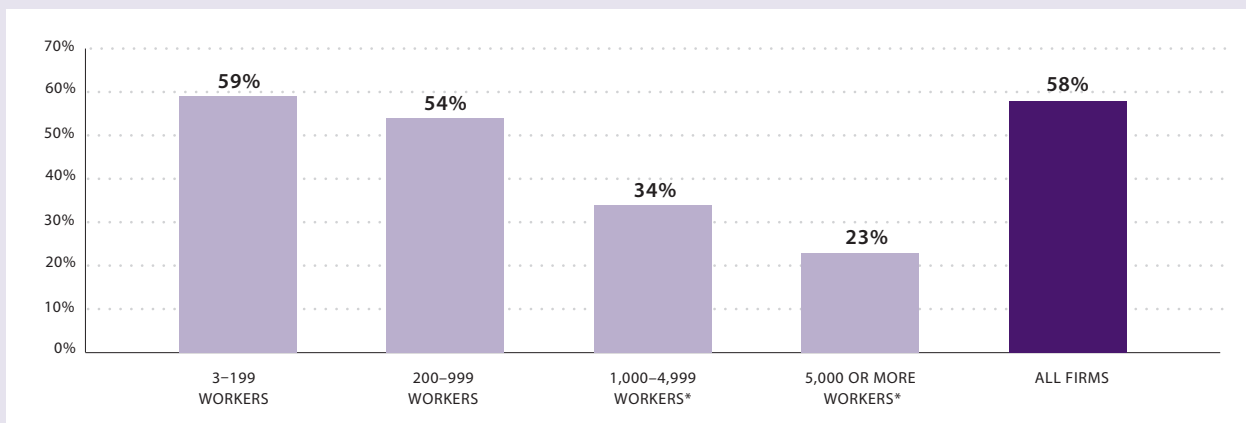


EXHIBIT 14.3

Among Firms Offering Health Benefits, Percentage of Firms That Shopped for a New Plan or Health Insurance Carrier in the Past Year, by Firm Size, 2014



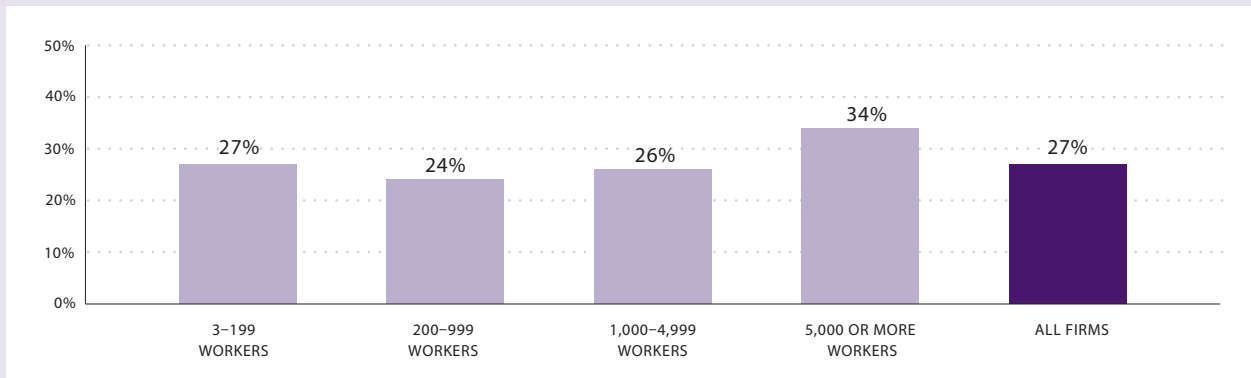
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

* Estimate is statistically different within size category from estimate for firms not in the indicated size category (p<.05).

EXHIBIT 14.4

Among Firms Offering Health Benefits That Shopped for a New Plan or Insurance Carrier, Percentage Reporting That They Changed Insurance Carriers, by Firm Size, 2014



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

NOTE: Testing found no statistical difference between size categories ($p < .05$).

EXHIBIT 14.5

Among Firms Offering Health Benefits, Percentage of Firms Whose Largest Plan Includes a High-Performance Provider Network, by Firm Size and Region, 2007- 2014

Health Plan Includes a High-Performance Network/Tiered Provider Network	2007	2010	2011	2013	2014
FIRM SIZE					
200-999 Workers	9%	16%	17%	22%	17%
1,000-4,999 Workers	13	21	19	32	20
5,000 or More Workers	16	30*	24	33*	23
All Small Firms (3-199 Workers)	15%	16%	20%	23%	19%
All Large Firms (200 or More Workers)	10%	17%	18%	24%	18%
REGION					
Northeast	15%	15%	19%	29%	27%
Midwest	13	17	12	15	8*
South	18	16	16	23	17
West	13	18	33	25	24
ALL FIRMS	15%	16%	20%	23%	19%

SOURCE:

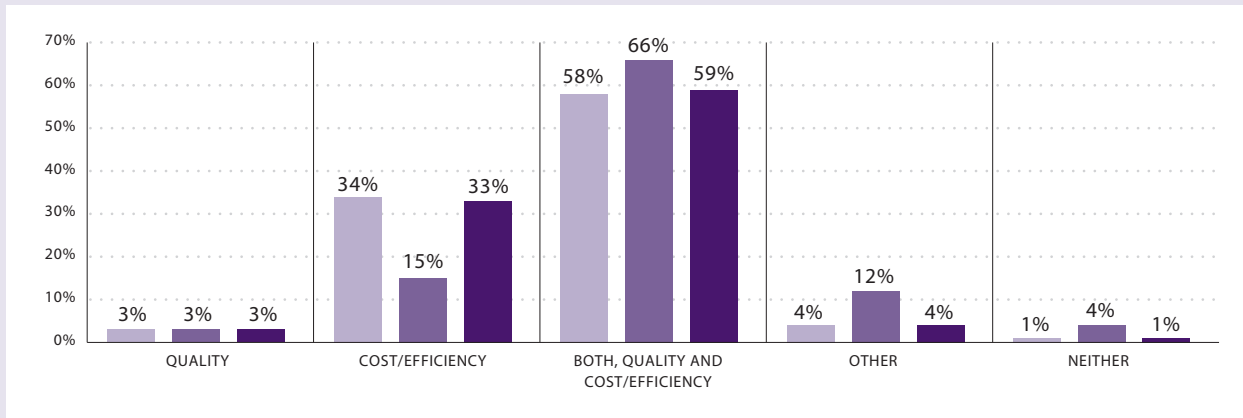
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007- 2014.

* Estimates are statistically different from estimate for all other firms not in the indicated size or region ($p < .05$).

NOTE: The overall percentage of firms whose largest plan includes a high performance provider network is not significantly different between 2014 and 2013 ($p < .05$). A high performance network is one that groups providers within the network based on quality, cost, and/or efficiency of care they deliver.

EXHIBIT 14.6

Among Offering Firms Whose Largest Plan Includes a High-Performance Provider Network, What Criteria Determines Tiers, by Firm Size, 2014



SOURCE:

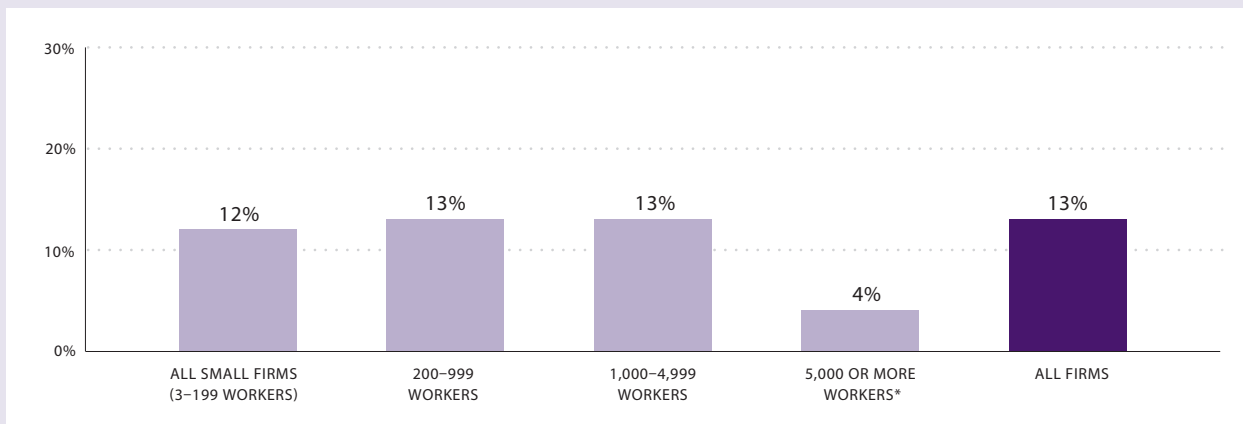
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

NOTE: Tests found no statistical difference for estimates by firm size ($p < .05$).

- ALL SMALL FIRMS (3-199 WORKERS)
- ALL LARGE FIRMS (200 OR MORE WORKERS)
- ALL FIRMS

EXHIBIT 14.7

Among Firms Offering Health Benefits With More than 50 Employees, Percentage of Firms Whose Largest Plan Includes Reference Pricing for Any Service, by Firm Size, 2014



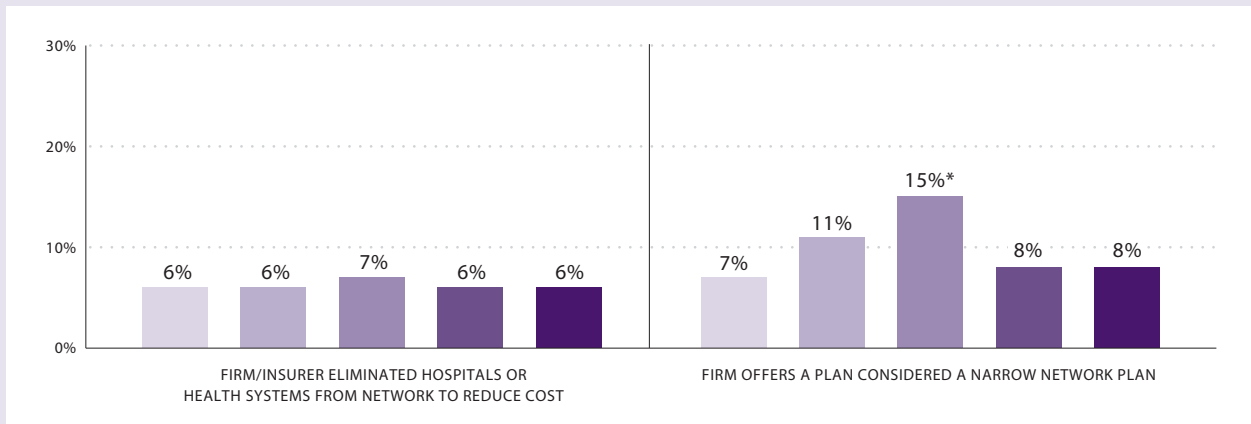
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

* Estimate is statistically different within size category from estimate for firms not in the indicated size category ($p < .05$).

EXHIBIT 14.8

Among Firms Offering Health Benefits With 200 or More Employees, Percentage of Firms Who Offer a Narrow Network Plan, by Firm Size, 2014



SOURCE:

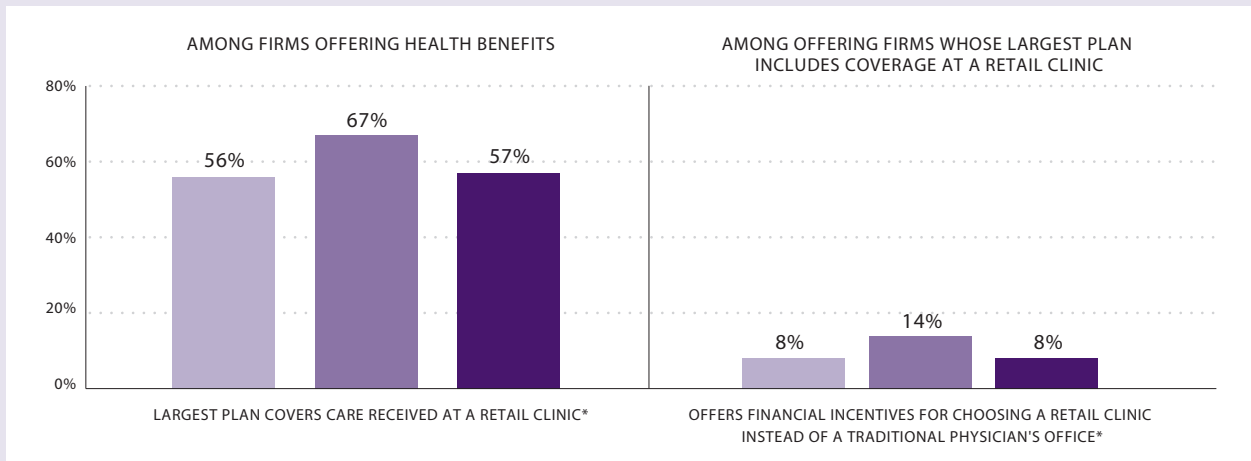
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

* Estimate is statistically different within category from estimate for firms not in the indicated size category (p<.05).

- 200-999 WORKERS
- 1,000-4,999 WORKERS
- 5,000 OR MORE WORKERS
- ALL LARGE FIRMS
- ALL FIRMS

EXHIBIT 14.9

Percentage of Offering Firms Whose Largest Plan Covers Care Received at Retail Clinics and, of Those, Percentage of Firms Who Offer a Financial Incentive To Do So, by Firm Size, 2014



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

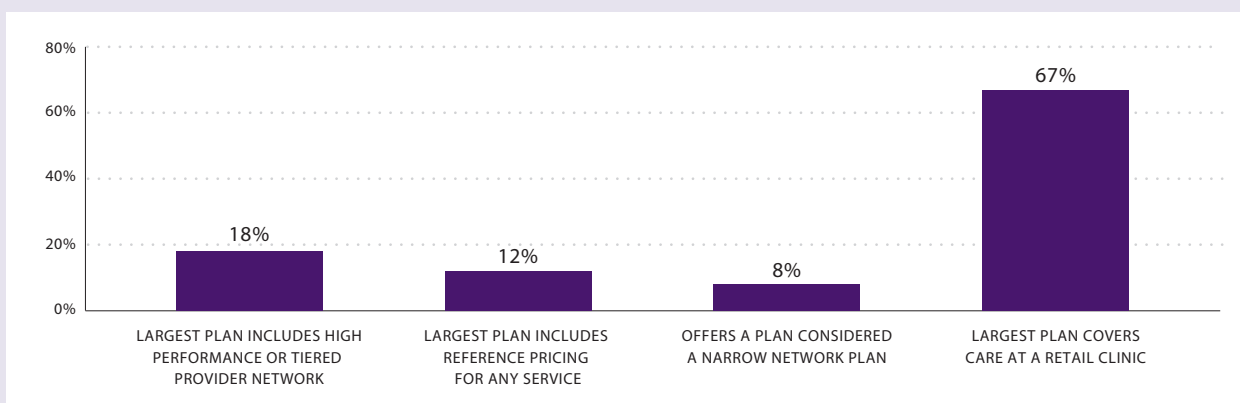
* Estimates are statistically different between All Small Firms and All Large Firms within category (p<.05).

NOTE: A retail clinic is a health care clinic located in retail stores, supermarkets and pharmacies that treats minor illnesses and provides preventive health care services, such as flu shots. The percent of firms whose largest plan covers care at a retail clinic and who offer financial incentives is statistically unchanged from 2013.

- ALL SMALL FIRMS (3-199 WORKERS)
- ALL LARGE FIRMS (200 OR MORE WORKERS)
- ALL FIRMS

EXHIBIT 14.10

Among Large (200 or More Employees), Offering Firms, Percentage of Firms Whose Largest Plan Has Various Features, 2014



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

EXHIBIT 14.11

Among Large (200 or More Employees) Offering Firms, Percentage Considering Offering Benefits Through a Private Exchange, by Firm Size and Region, 2014

	Yes, Considering Offering Benefits through a Private Exchange	No, Not Considering Offering Benefits through a Private Exchange	Don't Know	Yes, Considering a Defined Contribution	No, Not Considering a Defined Contribution	Don't Know
FIRM SIZE						
200–999 Workers	12%	86%	2%	23%	73%	3%
1,000–4,999 Workers	18	80	2	24	74	2
5,000 or More Workers	20	77	4	25	74	1
REGION						
Northeast	17%	82%	1%	25%	75%	1%
Midwest	10	86	4	18	79	3
South	17	79	3	30	65	5
West	7	92	1	20	77	3
ALL LARGE FIRMS (200 or More Workers)	13%	84%	2%	23%	73%	3%

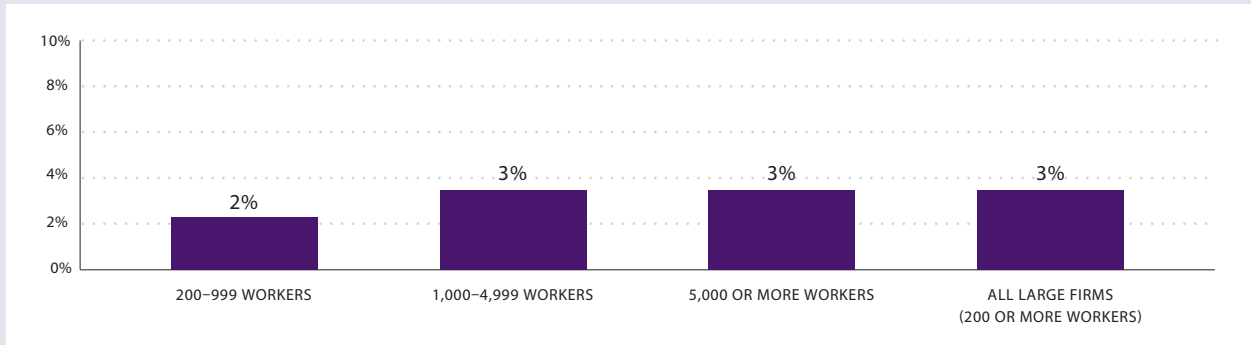
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

NOTE: A private exchange is one created by a consulting company, not by either a state or federal government. Private exchanges allow employees to choose from several health benefit options offered on the exchange. A defined premium contribution is a set dollar amount offered to the employee. Employees may then select one of several plans and the employee pays the difference between the defined contribution and the cost of the health insurance option that they choose. Tests found no statistical differences within by firm size or region category ($p < .05$).

EXHIBIT 14.12

Among Large Firms (200 or More Workers), Percentage of Covered Workers Enrolled at a Firm Offering Benefits Through a Private or Corporate Exchange, by Firm Size, 2014



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

NOTE: A private exchange is one created by a consulting company, not by either a federal or state government. Private exchanges allow employees to choose from several health benefit options offered on the exchange. Two percent of large firms (200 or more workers) offered health benefits through a private or corporate exchange.

EXHIBIT 14.13

Among Firms Offering Health Benefits, Percentage of Firms Which Provide Additional Incentives to Employees Based on Their Enrollment Decisions, by Firm Size and Region, 2014

	Additional Incentives if Employees Do Not Participate in Benefits	Additional Incentives if Employees Enroll on a Spouses' Plan
FIRM SIZE		
200-999 Workers	19%*	14%*
1,000-4,999 Workers	16*	11
5,000 or More Workers	17	9
All Small Firms (3-199 Workers)	9%*	7%*
All Large Firms (200 or More Workers)	18%*	14%*
REGION		
Northeast	9%	8%
Midwest	14	10
South	3*	5
West	13	5
ALL FIRMS	9%	7%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

* Estimate is statistically different from estimate for all other firms not in the indicated size or region category (p<.05).