

# The Effect of the Economic Crisis on Health Care Programs

## Selected Findings From the 14<sup>th</sup> Annual National Business Group on Health/Watson Wyatt Survey Report – 2009

### About the Survey

The 14th annual “National Business Group on Health/Watson Wyatt Employer Survey on Purchasing Value in Health Care” tracks employers’ opinions and practices, and the results of their efforts to provide and manage health benefits for their workforce. The participants include 489 employers that collectively employ 7.8 million employees and spend \$56 billion on health benefits. Responses were completed between November 2008 and January 2009. The full report including best-performers analysis will be published in March 2009.

### Executive Summary

With the recession in full swing and health care cost increases continuing to rise at 6 percent per year, many companies are looking for ways to contain their health care benefit costs. As a result, a majority of companies will revamp their health care strategies, and many intend to implement consumer-directed health plans (CDHPs). While companies remain positive about their ability to offer health care benefits in the future, their confidence is declining.

## Health care cost increases hold steady at 6 percent

Annual median cost increases for health care have held at the rate of 6 percent per year, *still nearly twice the rate of inflation*. Trends are expected to remain at 6 percent during 2009, as shown in Figure 1. Respondents spend an average of \$7,173 per employee per year on health care costs.

**Figure 1** | Median PEPY Medical and Pharmacy Expense Increase for Actively Enrolled Employees

Plan Cost Changes/Year	Median
2007 to 2008	6%
2008 to 2009 (Expected)	6%
2009 to 2010 (Expected)	6%

Health care cost increases are holding steady.

## Despite today's economic uncertainty, companies are staying with current strategies, and few have made contingency plans should the economy continue to slide.

Many benefit plan strategies may have already been in place before the financial crisis fully took hold.

**Figure 2** | Actions Organizations Are Taking Regarding Their Health Care Programs, Given the Recent Events in the Economy

Actions Taken	Have already taken action	Expect to take action	No action expected
Delay/cancel planned changes in plan design	6%	7%	87%
Delay/cancel planned program offerings	5%	8%	86%
Develop contingency plan for midyear changes	1%	13%	86%
Increase employee cost sharing	34%	23%	44%
Revamp health care strategy	30%	30%	41%

Companies are not delaying changes to their plans and have not made contingency plans for midyear changes.

**Figure 3** | Selected Health Care Strategies in Place or Planned for 2010 (Highlights)

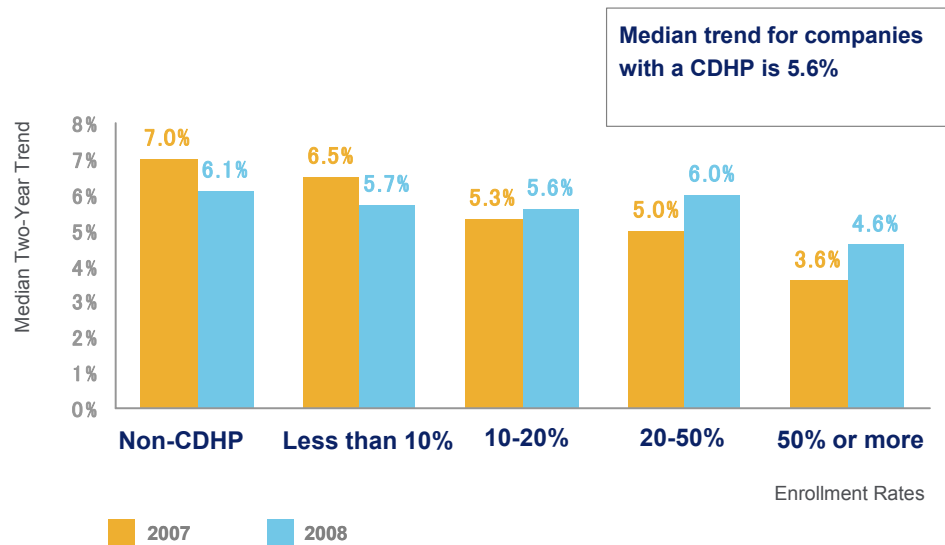
Employers are focusing on eligibility audits to manage costs, with cost sharing just keeping pace with trend.

Strategies Planned for 2010	In Place Now or in 2009	Planned for 2010	Neither in Place nor Planned
Audit or review eligibility and enrollment in your health plan	61%	20%	20%
Significantly increase employee premium contributions	23%	10%	67%
Significantly increase deductibles in all/most plan options	18%	14%	68%
Use spousal waivers or surcharges	18%	8%	74%
Significantly increase employee copays or coinsurance	16%	9%	74%
Significantly increase pharmacy copays, deductibles or coinsurance	17%	9%	74%
Restrict eligibility	16%	5%	78%

**Adoption of CDHPs continues to be a major focus, and enrollment is on the rise. Companies save substantially with CDHPs compared with other plan types. Employees also pay less for their share of the premium.**

- Today, 51 percent of companies have a CDHP in place – nearly a 9 percent increase over last year. Another 8 percent of respondents without a CDHP today are expected to adopt one in 2010 – increasing adoption to 59 percent.
- The percentage of companies with CDHP enrollment of more than 20 percent has increased from 39 percent in 2008 to 43 percent in 2009.

**Figure 4 | Higher CDHP Enrollment Is Linked to Lower Median Trend**



- Companies that offer total replacement or have been successful at growing CDHP enrollment at a steady pace report lower health care costs compared with companies adding new enrollees more slowly.
- The cost of coverage for CDHPs is considerably lower than for either preferred provider organization/point of service (PPO/POS) plans or health maintenance organization (HMO) plans for 2009. Employee-only coverage for CDHPs is \$852 lower than for other plan types. For family coverage, CDHP rates are \$2,146 below the median PPO/POS plan rates and \$2,350 lower than the average HMO plan costs.

### The biggest challenge companies face is the poor health habits of their employees.

As shown in Figure 5, nearly two-thirds of respondents cited poor health habits as a considerable challenge to managing their health care costs. Other major obstacles included under use of preventive services, high-cost catastrophic cases and end-of-life care, and poor employee understanding of how to use the plan.

**Figure 5** | Biggest Challenges for Organizations to Maintain Affordable Benefit Coverage

Challenges	Percent
Employees' poor health habits	67%
Under use of preventive services	42%
High-cost catastrophic cases and end-of-life care	36%
Poor employee understanding of how to use the plan	30%
Poor information on provider costs	24%
Higher costs due to new medical technologies	21%
Overuse of care through employees seeking inappropriate care	21%
Poor information on provider quality	16%
Changes in workforce demographics	13%
Overuse of care through providers recommending too many services	12%
Poor quality or misuse of care because primary, specialty and facility care are not integrated	14%

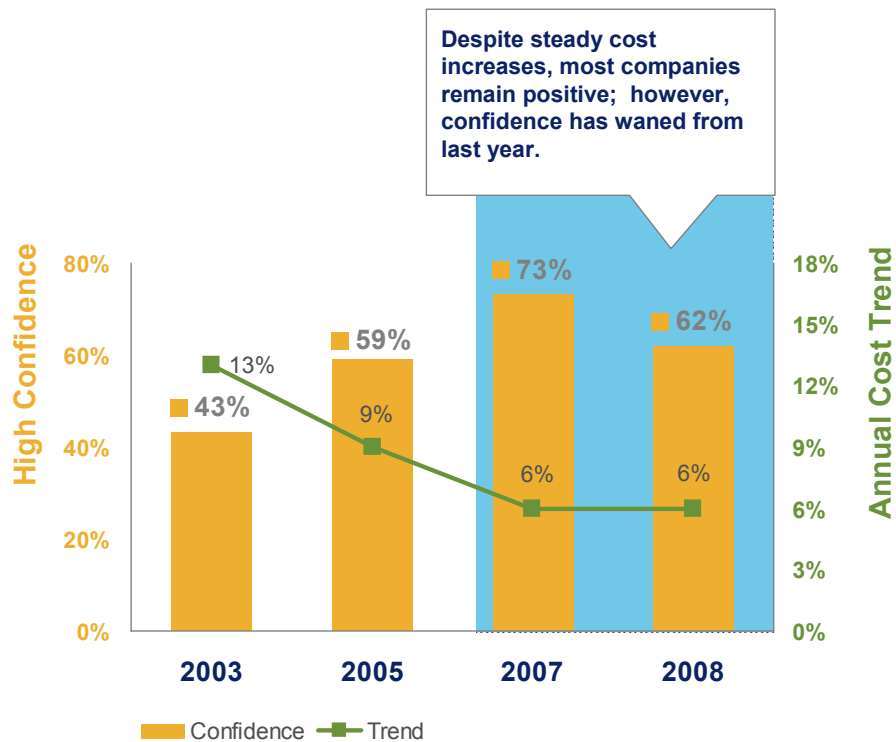
Poor health habits is biggest challenge by a wide margin.

Note: Respondents were asked to name three biggest challenges.

**Companies remain confident – though less so than last year – that their organization will continue to offer health care benefits in the future.**

Despite the current climate of rising costs and other economic challenges, 62 percent of companies are very confident that they will continue to offer health care benefits to employees 10 years from now. Confidence has slipped, however, from last year’s level of 73 percent, due to economic concerns (e.g., affordability of COBRA extension) and uncertainty about the implications of potential health care reform.

**Figure 6** | Confidence That Organization Will Continue to Offer Health Care Benefits to Its Employees in 10 Years, With Cost Trend





## Conclusion

Companies have undergone a significant transformation in their health care programs during the last few years. Many of these changes have been directly connected to the advance of consumer-directed health care strategies and other methods to increase employee engagement. As the financial crisis adds more pressure for companies to slow cost increases, employers are continuing to promote employee responsibility and accountability for their own health and look for ways to increase health and productivity. By using these tactics now, employers are preparing themselves for the road ahead.

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## About National Business Group on Health

The National Business Group on Health is the nation's only non-profit, membership organization of large employers devoted exclusively to finding innovative and forward-thinking solutions to their most important health care and related benefits issues. The NBGH identifies and shares best practices in health benefits, disability, health and productivity, related paid time off and work/life balance issues. NBGH members provide health coverage for more than 50 million U.S. workers, retirees and their families. For more information about the NBGH, visit [www.businessgrouphealth.org](http://www.businessgrouphealth.org).

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