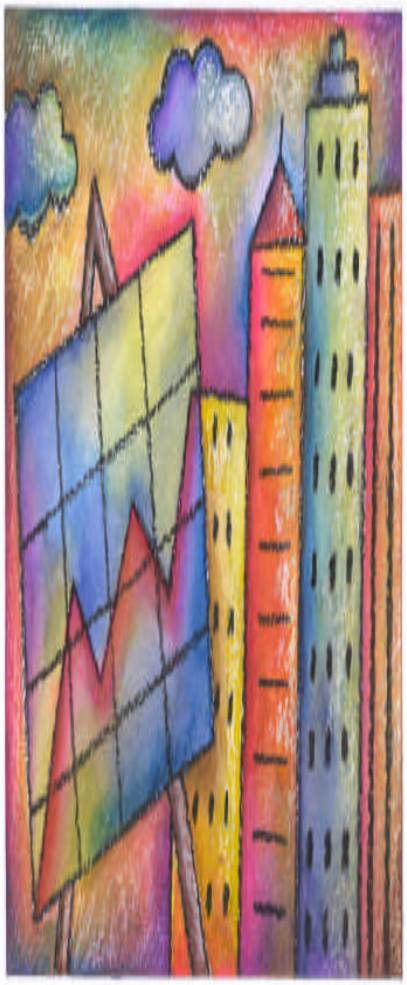

2011

EMPLOYEE BENEFITS SURVEY FOR NEW ENGLAND HEALTHCARE ORGANIZATIONS

Gallagher Surveys
a Division of Gallagher Benefit Insurance Services

Olney / HRadvantage

2011 EMPLOYEE BENEFITS SURVEY FOR NEW ENGLAND HEALTHCARE ORGANIZATIONS

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2011 EMPLOYEE BENEFITS SURVEY FOR NEW ENGLAND HEALTHCARE ORGANIZATIONS EXECUTIVE SUMMARY

Introduction

Olney/HRadvantage, a division of Gallagher Benefits Services, is pleased to present the 2011 Employee Benefits Survey for New England Healthcare Organizations. This annual comprehensive benefits survey provides regional employers with important benchmarking tools with which to assess their own employer-sponsored benefit offerings and to identify emerging trends. Once again the survey met with success, with 78 hospitals participating. We would like to thank the Connecticut Hospital Association and the Hospital Association of Rhode Island for their continued cooperation and support.

Methodology and Structure

The information contained in this report was collected from the participating organizations during the months of April, May and June, 2011. The questions asked in this year's survey were identical or similar to the ones asked in the 2010 survey. We now have six years of data from which to make comparisons on many key questions. Olney/HRadvantage and Gallagher Benefits Services have taken great care to verify the data provided. In instances where we questioned the validity of responses and could not confirm the accuracy of the data submitted, we did not report the data. However, we make no representation regarding the accuracy of the data submitted by survey respondents. Moreover, it should be noted that the sample of participants was not randomly selected; therefore, we do not ascribe statistical significance to our findings.

A total of 78 organizations participated in the survey, down from 83 organizations in 2010. Forty percent of participants were from Connecticut followed by 37% from Massachusetts. Hospitals ranged in size from under 500 to over 4,000 full-time equivalents (FTEs). There are 2% more organizations in the $150 million to $300 million and 4% more in the $300 million to $500 million Operating Expense Budget organizational size categories, probably reflecting the continuing impact of mergers and acquisitions. This summary presents the key findings and trends of the survey and their implications.

The full report that follows is organized in sections covering core and non-core benefits as follows:

- Core Benefits
  - Healthcare
    - Medical
    - Dental
    - Vision
  - Pharmacy
  - Paid Time Off
  - Life Insurance
- Disability Insurance
  - Short-term Disability
  - Long-term Disability
- Retirement Plans
  - Defined Benefit Plan
  - Defined Contribution Plans
- Non-core Benefits
  - Dependent Care
  - Adoption Assistance
  - Education Assistance
  - Miscellaneous Benefits

General Observations
There are some differences in some key statistics year to year, but overall there are no major changes in the survey trends of recent years except as noted below.

The most significant trend captured in this year's survey is that the threshold number of hours worked for a part-time employee has increased for all types of benefits eligibility. Benefits as a percentage of total rewards are still proportionately higher for part-time employees compared to full-time employees.

Of note, the number of Medical plans offered by employers has declined.

There is a trend towards increased self-funded plans for all plan types, except HDHP.

Coverage for domestic partners increased 3%.

The mix of benefits offered to union employees has increased and the number of organizations with collective bargaining units participating in the survey has increased. Included is an increase in union employees eligible for reimbursement of professional association dues and in increased dollar limits on Tuition Reimbursement.

Tuition Reimbursement dollar limits have increased marginally but do not approach the IRS allowable amount of $5250.

Wellness initiatives have increased markedly across the board for nearly all categories.

Childcare referral service increased 5.4% and Eldercare assistance increased 8.2%.

Health Care Choices and More Cost Shifting
Health Maintenance Organizations (HMOs) remained the most popular platform for health coverage delivery and Blue Cross Blue Shield the most popular carrier for HMOs. CIGNA did gain 3% of utilization. There was a discernable trend towards lower utilization of HMOs (-4%) and a higher utilization of High Deductible Health Plans (+2%).

Employee Contributions for medical premiums for all plans have increased. However, employers have not shifted costs proportionately to premium increases. Deductibles have increased (9%), Co-payments and Co-insurance, and out of pocket maximums have increased, following the established trend of the past few years and further increases are under consideration.

- For hospitals, high deductible plans are becoming more prevalent, offsetting employee out-of-pocket exposures with additional domestic tier incentives. The use of HSAs has increased by 10% when in tandem with HDHP

- Tiered contributions based on pay grade have increased 2%

- The number of HMOs with deductibles increased 10%

- The number of hours required of part-time employees to be benefits eligible has increased and the employee contribution amounts vary more by full-time versus part-time classification

- For vision plans, the cost of office visit co-pays has increased 20% for a $15 median payment

Median Premium Increases by Plan Design Category

For 2011, the premium increases at renewal were 8 % for HMO and PPO, 9% for POS, and for HDHP plans.

Retiree Medical
The prevalence of offering retiree medical coverage continues to decline and as in last year's survey, no organization is continuing to offer it.

Prescription Benefits
The cost of non formulary prescriptions has increased 12.5% at both retail and mail order outlets. Only one organization out of 28 reporting requires that the in-house pharmacy be used. It would appear that a potential source of cost savings is being overlooked with this practice.

Life and Disability Coverage
For 2011 as in prior years, 100% of the respondents offered some basic employer-paid life insurance. There have been modest premium increases for life and disability coverage. The maximum weekly payment amounts have increased for both short and long-term disability. As with other benefits studied, part-time benefit eligibility requires that more hours are worked on a regular basis.

Paid Time Off
There are longer waiting periods for traditional separate programs for sick and vacation eligibility across the board.

Retirement
As reported in prior recent years, we can begin our discussion of retirement plans by noting that virtually all of the respondents still offer some type of qualified retirement benefit. This year only 45% respondents offer defined benefit plans. This is one of the most significant ongoing trends in this survey. 60% of defined benefit plans are now frozen or closed, an increase of 9.5% over 2010.

Nearly all respondents offer some type of defined contribution plan (profit-sharing, 401(k) and/or a 403(b) plan.

In fact, with few exceptions, the 2011 survey results (in the retirement arena) very much mirrored the 2009 and 2010 surveys. However, the prevalence of providing supplemental executives retirement plans has increased by 3.5%

Core contributions to defined contribution plans have increased by 3.3%, with a median contribution by the employer of 3%. This correlates to the median matching contribution of 3% for all defined contribution plans.

Synopsis of Healthcare Reform Impact on Employers

Healthcare Reform (H.R. 3950, the Patient Protection and Affordable Care Act and H.R. 4872, the Health Care and Education Reconciliation Act of 2010) will have a disparate impact on individuals, employees, plan sponsors and industries, with employers likely to respond in a variety of ways to the new legislative requirements.

The healthcare legislation is detailed in nearly 2,600 pages with a myriad of requirements through 2018; but that will impact healthcare plan sponsors. Presented below is a readable updated synopsis on Healthcare Reform (HCR).

Financial Impact: Near-Term

- Increased costs for: coverage of expansion mandates, reporting and disclosure, and administration
- Decreased costs for: early retiree reinsurance, small employer tax credit, and small employer wellness grants

Cost Shifting Likely to Get Worse for Employer-Sponsored Programs

- Providers subsidized by commercial payers
  - 15-22 million new Medicaid enrollees due to Health Care Reform
  - HCR funding proposes $313 million in Medicare/Medicaid cuts over 10 years
- If group enrollment declines, employers offering coverage lack choice
  - Unhealthy workers will be attracted to employers offering health coverage

State Government Initiatives

- Reviewing possible formations of health insurance exchanges

Provider Initiatives

- Legislation grants and incentives given to alternative care models like Accountable Care Organizations and Patient-Centered Home
- Consolidation and more structured hospital and physician alliances will ensue
  - Many obstacles in coordinating care
  - Direct Provider Services

Insurance Market Response

- Short-term changes priced into premiums between 2% and 5%
- Incentive-based and or tiered provider compensation arrangements
- Meeting minimum loss ratio requirements

Employer Responses

- Impact will vary across industries and region
  - Less impact on comprehensive programs with high participation rates
- Designs will push the minimum coverage levels and promote more employee accountability
- Health care management critical to plan sustainability

Planning

- Benefits and employee medical coverage is human capital investment discussion
  - Cost of employer-sponsored medical coverage will increase
  - Long-range financial modeling is required
  - Decide whether to continue to offer traditional group coverage

Respectfully submitted,

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PARTICIPANT PROFILE

	#	%
Organization Size (Operating Expense Budget)		
Under $50 Million	5	6%
$50 to $150 Million	19	24%
$150 to $300 Million	28	36%
$300 to $500 Million	12	16%
Over $500 Million	14	18%
Total	78	
Organization Size Based on FTEs		
Under 500	8	10%
500 to 999	15	19%
1,000 to 1,999	25	32%
2,000 to 3,999	17	22%
4,000 and over	13	17%
Total	78	
Percent of Part-Time Employees		
< 5%	1	1%
5% to 10%	4	5%
11% to 19%	6	8%
20% to 29%	19	24%
Over 30%	48	62%
Total	78	
Acute Care versus Other		
Acute	41	53%
Non-Acute	37	47%

HEALTHCARE BENEFITS GENERAL

	#	%
Offer Medical Benefits		
Yes	77	100%
No	0	0%
Eligibility requirement for PT employees		
Under 20 hours	8	10.5%
20 to 24 hours	55	72.4%
25 to 32 hours	10	13.2%
33 to 36 hours	2	2.6%
37 to 40 hours	0	0.0%
PT employees not eligible	1	1.3%
Management new hires waiting period for eligibility		
Immediate	11	14.7%
1st of month following hire	25	33.3%
1st of month following 30 days srvc	31	41.3%
1st of month following 60 days srvc	4	5.3%
1st of month following 90 days srvc	4	5.3%
Over 90 days	0	0.0%
Non-Management new hires waiting period for eligibility		
Immediate	11	14.7%
1st of month following hire	24	32.0%
1st of month following 30 days srvc	31	41.3%
1st of month following 60 days srvc	4	5.3%
1st of month following 90 days srvc	4	5.3%
Over 90 days	1	1.3%
Union new hires waiting period for eligibility		
Immediate	6	12.8%
1st of month following hire	17	36.2%
1st of month following 30 days srvc	17	36.2%
1st of month following 60 days srvc	3	6.4%
1st of month following 90 days srvc	3	6.4%
Over 90 days	1	2.1%

HEALTHCARE BENEFITS GENERAL – continued

	#	%
Type of medical plans offered		
HMO	45	60.0%
PPO	43	57.3%
POS	28	37.3%
Indemnity	2	2.7%
High deductible health plan	20	26.7%
Number of medical plans offered		
One	12	15.8%
Two	30	39.5%
Three to five	32	42.1%
Six to ten	2	2.6%
Over ten	0	0.0%
Type of plans with most employees enrolled		
HMO	34	45.3%
PPO	25	33.3%
POS	12	16.0%
Indemnity	0	0.0%
High deductible health plan	4	5.3%
Incentives offered for using hospital or services		
Yes	55	72.4%
No	21	27.6%
Benefits provided for employees who Opt-out of coverage (for example, to use spouse's plan)		
Yes	22	29.0%
No	54	71.0%
If cash provided in case of opt-out, monthly amount paid in lieu of medical coverage		
Median monthly amount: $79.50	22	--
Proof of access to another source of medical insurance required before employee receives benefits for opting-out		
Yes	23	41.1%
No	33	58.9%