



Rhode Island Area Employer-Sponsored Health & Welfare Benefits Survey 2009





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Bluff Head Enterprises is pleased to present our 2009 Rhode Island Area Employer-Sponsored Health & Welfare Benefits Survey. This is the eighth year of our local survey.

This year 52 employers responded. Collectively, they provide benefits to approximately 323,000 employees nationwide and 63,000 employees in the Rhode Island area. This is the largest and most detailed employee benefit survey of Rhode Island employers.

Our survey provides detailed cost, employee contribution and benefits information for 2009 for medical and dental benefits, as well as cost comparisons against our findings since 2002. In addition, we provide comparisons against national and regional cost averages for our 2008 findings. The national and regional data for 2008 is provided by the Mercer National Survey of Employer-Sponsored Health Plans 2008. Due to the timing of the Mercer survey (they generally publish about six months later than we do), we will not have national and regional comparative data for 2009 until the spring of 2010.

We hope that you will find this year's survey to be informative, and that it will be useful in helping you to manage your health and welfare benefit programs. If you have any questions, feel free to give us a call at (401) 782-1250.

We wish to thank all of you who took time from your busy schedules to participate!

Sincerely,

A handwritten signature in black ink that reads "Patrick J. Canavan". The signature is written in a cursive style.

Patrick Canavan
Vice President
Bluff Head Enterprises, Inc.

Table of Contents

<i>Introduction.....</i>	<i>2</i>
<i>Survey Highlights & RI Area Trends</i>	<i>3</i>
<i>Profile of Participating Companies</i>	<i>6</i>
<i>Medical Benefits Findings.....</i>	<i>8</i>
<i>Dental Benefits Findings.....</i>	<i>13</i>
<i>Life Insurance & Long Term Disability Benefits Findings</i>	<i>15</i>
<i>Rhode Island Cost Comparison 2002 - 2009</i>	<i>17</i>
<i>National Cost Comparison - 2008</i>	<i>19</i>
<i>Controlling Medical and Dental Costs</i>	<i>22</i>
<i>Wellness Programs.....</i>	<i>24</i>
<i>Additional Findings: Eligibility & Benefit Innovations</i>	<i>26</i>
<i>Survey Overview and Methodology.....</i>	<i>28</i>
<i>Glossary</i>	<i>29</i>
<i>List of Participating Companies</i>	<i>31</i>



Introduction

Never in the history of this country has health care captured as much attention as it is right now. From a national perspective, healthcare costs now account for about 16% of Gross Domestic Product (GDP) according to 2009 estimates from the Congressional Budget Office. The Obama administration seems committed to introducing substantial legislation this year.

For employers, health care costs continue to pose a major challenge as they have for the last decade. Employee benefits are typically the second or third highest business expense for most employers and in these trying economic times, they are a critical business expense for employer to manage. Furthermore, the future of health care and the form it is going to take in this country or state is uncertain and this uncertainty weighs on the minds of business decision makers.

While overall health care cost increases have been smaller in recent years, they have still outpaced the rate of inflation. Employers in the Rhode Island area have seen lower average increases than much of the country in the last three years. As employers react to rising health care costs and attempt to redesign their benefit plans to meet these challenges, credible benchmarking data becomes more and more important. As employers consider various solutions and decide which options to pursue, it is important to know what other companies are doing.

Our survey is conducted locally and funded 100% by Bluff Head Enterprises, Inc. All individual responses are treated with strict confidentiality. Responding employers receive a complimentary copy of the results as their only incentive to participate. Of the 52 responding employers, six are current clients of our firm. We expend significant resources to conduct and publish this survey and are confident it represents an independent and highly credible source of data about costs, employee contributions, benefits, and trends in employer-sponsored health and welfare benefits in the Rhode Island area.



Survey Highlights & RI Area Trends

Survey Highlights

As we review the data presented in this year's survey we note the following key findings:

- In aggregate, the *average total gross cost of medical coverage for all respondents is \$10,573 Per Employee Per Year (PEPY)*, which is a *5% increase compared to last year*. This is consistent with the 4% and 5% increases in 2008 and 2007 respectively.
- The average total gross cost of medical coverage PEPY in 2009 is *\$9,846 for private sector employer plans and \$13,493 for public sector (governmental) plans*. This represents an increase of 5% for private sector employer plans and 7% for the public sector.
- According to our 2009 survey respondents, *group medical costs have increased an average of 21% over the last three years (+4.6% in 2009, +6.4% in 2008 and +8.4% in 2007)*. Our data shows a 5% medical cost increase over last year which is consistent with the reported average increase of 4.6%.
- In aggregate the *average Rhode Island area employee paid \$1,937 PEPY* toward the cost of their group medical benefits which represent 18% of the medical gross cost PEPY average. The average PEPY employee contributions is 16% higher than last year's average PEPY employee contribution of \$1,676.
- On average, *employees of private companies paid \$1,918 PEPY* toward the cost of their group medical benefits, or *19% of gross cost*. Rhode Island state and municipal employees paid an average of \$2,012 PEPY toward the cost of their group medical benefits, or *15% of gross cost*. This is the first year of our survey in which the public sector PEPY employee contribution is higher than the private sector PEPY employee contribution.
- Large employers pay a higher percentage of the total costs than small employers. Large employers pay on average 82% of the gross cost of medical coverage whereas small employers pay 78% of the gross cost of medical coverage.
- As compared to 2008 national and regional averages, Rhode Island employers in 2008 had *higher gross costs and lower employee contributions*. For the seventh year in a row, it appears that Rhode Island area employers incur higher net costs than their national and regional counterparts.
- As compared to 2008 national averages for the Government industry sector only, the Rhode Island Government industry sector in 2008 had *45% higher medical gross costs*.
- *28% of respondents* indicated that they *changed carriers* within the last year. This is dramatically higher than in years past. Possible explanations for this shift might include the addition of a third carrier in Rhode Island as well as economic concerns.
- *47% of respondents* indicated that they *increased employee contributions* within the last year, while 65% of respondents increased employee contributions within the last three years.
- *86% of respondents* have implemented a *wellness program*. The most common wellness program components include flu shots, health risk assessments and health fairs.

Rhode Island Area Trends

As we consider the information presented in the following pages, we want to take note of any interesting local trends. Where appropriate, we will highlight areas where Rhode Island is unique in comparison with Employer-Sponsored Medical and Dental programs in other parts of the United States.

Income Sensitive Employee Contributions

As employers have increased employee costs, they are becoming concerned about affordability. This year's data includes responses of 16 plans from 10 employers (representing 39% of the employee population) who utilize income sensitive employee contributions. Income sensitive employee contributions generally involve higher contributions from higher paid employees. To demonstrate how this works, consider that our 2009 data shows an average annual employee contribution of \$2,484 for family coverage among private-sector employers. For someone who makes \$10 per hour (or approximate \$20,800 per year), this is 12% of gross compensation. For someone who earns \$70,000 per year the same contribution is less than 4% of gross pay. We believe that income sensitive contributions are more prevalent in Rhode Island than the rest of the country as the 2008 Mercer National Survey of Employer-Sponsored Health Plans Mercer survey shows only 13% of large employers using income sensitive contributions nationwide.

Cost Shifting

A national trend that is reflected in our data is the tendency of employers to respond to increases in cost by shifting costs to employees. 69% of respondents changed benefits in the last three years (45% within the last year) and 47% of participating employers increased employee contributions within the last year.

Richness of Medical Benefits

One of the reasons that Rhode Island has higher than average medical plan costs is the richness of benefits offered in our home state. While employers have adjusted benefits in recent years to help stem cost increases as mentioned above, the average level of benefits here in Rhode Island is still more generous than what national surveys suggest to be average for the United States as a whole. For example, when we compare the average PPO office visit copay for an in-network primary care physician, the Rhode Island median copay is \$15 whereas the median copay nationally is \$20 (based on the 2008 Mercer National Survey of Employer-Sponsored Health Plans, PPO Plans, All Employers).

Waiver Credits

42% of participating employers offer a "waiver credit" with a median waiver credit of \$1,300. A waiver credit is generally a cash payment to employees who elect not to participate in an employer's medical plan. Where employers require contributions to medical benefits, waiver credits are much less common in other parts of the country. From a consultative perspective, this increases costs and is a more generous way to go.

Waiver Percentage

The number of employees waiving coverage has actually decreased slightly compared to last year. Survey respondents indicate 16% of eligible employees waive out of medical coverage. This is consistent with national survey findings.

Employee Contributions to Dental

In our data, Rhode Island area employees of private employers pay 48% of all dental costs, whereas the same group of employees contributes only 18% of medical costs. This is one area where Rhode Island employers may be less generous than the national averages.

Wellness Program Information

86% of respondents offer a wellness program to their employees. Regarding wellness program incentives and disincentives, almost half (47%) of the employers with wellness programs offered rewards for participation such as gift cards or additional paid time off. However, the majority (86%) of employers did not offer employee contribution incentives or disincentives to employees not willing to participate in the wellness program.



Prescription Drug Design

We have seen significant changes in prescription drug plan over the past few years. Some of the more popular trends include four-tier formularies, coinsurance-based plans and hybrid (copay and coinsurance based) plans. Hybrid plans provide fixed copay for generics (and sometimes preferred brand drugs) while all other drugs are subject to coinsurance. An example of this would be \$10 copay for generic drugs, 30% coinsurance for preferred brand drugs and 50% coinsurance for non-preferred drugs. This design gives the same benefits of coinsurance-based plans with cost certainty for the more cost effective drugs.

In Rhode Island, 18% of responding employers have adopted the hybrid or coinsurance plan design which exceeds national adoption rates (9% of all employers nationally according to the 2008 Mercer National Survey of Employer-Sponsored Health Plans).

Flexible Benefits

With more cost shifting toward employees, resulting in more out-of-pocket expenses, more and more Rhode Island employers are offering Flexible Spending Accounts (FSA's) as a way to help employees control the cost of unreimbursed health care and dependent care expenses. 78% of Rhode Island employers offer a Healthcare FSA with 28% average participation and 77% offer a Dependent Care FSA with only 4% average participation. The percentage of employers offering FSA's is much higher than the national averages of 27% and 23% for Healthcare FSA's and Dependent Care FSA's respectively (2008 Mercer National Survey of Employer-Sponsored Health Plans).

Another aspect of flexible benefit plans is to offer more than one plan. 61% of respondents offer more than one medical plan, with one respondent offering over ten medical choices.

Domestic Partner Coverage

71% of all responding employers offer some form of domestic partner coverage. The majority of employers (66%) offer coverage to any domestic partner (versus same sex only or opposite sex only). To compare against national data the 2008 Mercer National Survey of Employer-Sponsored Health Plans shows only 24% of employers offering domestic partner coverage to same-sex domestic partners whereas 57% of employers in Rhode Island offer domestic partner coverage to same-sex domestic partners.

Self Insurance

Self insurance among survey respondents has grown steadily over the past few years. The prevalence of some form of self insurance in Rhode Island is 40% for medical benefits and 32% for dental benefits. However, this still lags somewhat behind national averages.

Of those employer respondents who cover over 1,000 employees, all of them have partially or completely self funded medical plans. 71% of employer respondents who cover over 1,000 employees self fund their dental benefits. Given the presence of annual maximums in most dental plans, we are surprised that more employers are not self funding their dental benefits.

We anticipate that the 1.75% medical and dental premium tax in Rhode Island that was implemented in 2009 will cause many medium to large employers to consider self insurance in part to avoid the premium tax. In a self insured environment, this tax is not applied to self funded claims which substantially reduces its impact.

State of Competition

A final trend we would draw attention to is the state of competition in our marketplace. In the past year, we have witnessed Tufts Health Plans enter into the market. As our survey has reflected over the past few years, employers have been seeking more competition in the marketplace and nearly all are happy to see a new player enter the market. You will see in our survey responses, Tufts has made great strides in Rhode Island given their limited time in our market.

However, neighboring states generally have up to a half dozen (or more) realistic health plan vendors to choose among, so we believe we in Rhode Island could benefit from even more competition.

Where regionally and nationally most communities have many dental plan vendors to choose from, here in Rhode Island we realistically have only Delta Dental and Blue Cross Blue Shield of RI. According to our survey data, the dominance of two vendors is much more prevalent in the dental marketplace with 98% of employees covered by either Delta Dental or Blue Cross Blue Shield of RI.

Profile of Participating Companies

This year, 52 employers took part in the survey. Of these companies, 78% maintain operations at more than one site.

Public Sector (Governmental) Plans vs. Private Sector (Non-Governmental) Plans

In most of the following exhibits, we have presented data for all respondents with and without the State of Rhode Island and local municipalities' plans. The reason for this is that we feel the public sector health care plans are an anomaly when compared to most other employers within our area. On average, the public sector plans have richer benefits and higher average costs. State and municipal employees also contribute less (as a percentage) to acquire coverage and a much higher percentage of public sector employees elect dependent coverage (75% for public sector employees versus 59% for the private sector employers).

In order to allow our private sector employer respondents to compare themselves to a realistic universe of similar employers, we believe it is important to breakdown our data in this manner.

Industry

The Manufacturing industry represents the largest percentage of respondents (27%), however Retail has the largest percentage of employees (66%) nationally largely due to a single Rhode Island employer with numerous retail locations and employees.

Industries Represented	Number of Respondents	Total Number of Employees
Manufacturing	14 (27%)	9,619 (3%)
Education	6 (12%)	13,147 (4%)
Health Care	5 (10%)	14,086 (4%)
Finance & Insurance	9 (17%)	30,739 (10%)
Professional Services	2 (4%)	319 (>1%)
Retail	3 (6%)	211,985 (66%)
Other Non-Manufacturing	10 (19%)	28,569 (9%)
Government	3 (6%)	14,325 (4%)
Total		
All Respondents	52 (100%)	322,789 (100%)

Number of Employees

The chart to the right illustrates the breakdown of respondents by the number of employees they cover.

The number of employees at each company range from five to 209,000, and the median group size is 252 employees. As with past surveys, we will group respondents into two categories by size: large employers with over 250 employees and small employers with 250 or fewer employees. While this does not correlate with the definition of "small employer" according to the RI Office of Health Insurance Commissioner (OHIC) – they assume under 50 employees – we believe it is statistically correct given our current group of respondents.

Number of Employees	Number of Companies
Under 100	11 (22%)
100 to 249	14 (27%)
250 to 499	5 (10%)
500 to 999	3 (6%)
1,000 to 4,999	12 (24%)
5,000 or more	6 (12%)



Number of Medical Plan(s) Offered

Most local employers appear to have embraced flexible benefits in one form or another. As an example of this finding, 61% of respondents offer more than one medical plan. Please note that there were no respondents that have ceased to offer medical benefits to their employees.

	One	Two	Three or More
All Respondents	39%	35%	26%
Under 250 Employees	48%	40%	12%
Over 250 Employees	31%	31%	38%

There is a disparity in the number of plans offered at small employers versus large employers with only 52% of small employers offering two or more plans whereas 69% of large employers offer two or more plans.

Waivers and Dependent Concentration

As the cost of group insurance rises, many employers are forced to pass along all or part of the increased cost to their employees via increased employee contributions. As contributions have increased, most employees now elect to cover themselves and their dependents under one plan only. Since many families have both parents in the work force, there are often two sets of employer plans to choose from. Some employers also offer waiver credits or cash incentives to employees to encourage them to elect coverage through a spouse's plan.

	% Waiving Coverage	% with Single Coverage	% with Dependent Coverage
Private Sector Employers	18%	34%	48%
Public Sector Employers	7%	24%	69%
Manufacturing	15%	32%	53%
Education	15%	34%	51%
Health Care	17%	23%	60%
Finance & Insurance	19%	37%	44%
Professional Services	24%	29%	47%
Retail	27%	35%	38%
Other Non-Manufacturing	16%	39%	45%
Government	7%	24%	69%
Under 250 Employees	16%	31%	53%
Over 250 Employees	16%	32%	52%
Total			
All Respondents	16%	32%	52%

As employee contributions continue to increase, we believe that coverage waivers are also now beginning to come from employees without other insurance coverage. Studies have shown that a growing number of uninsured individuals here in Rhode Island (and throughout the United States) actually have coverage available through their employer but choose not to elect it. We are pleased to report however that the waiver percentage actually declined slightly from 2008 to 2009.

Rhode Island (and throughout the United States) actually have coverage available through their employer but choose not to elect it. We are pleased to report however that the waiver percentage actually declined slightly from 2008 to 2009.



Medical Benefits Findings

Gross Costs for Medical Coverage

Premium costs vary widely in the Rhode Island area. The single and family gross rates, as well as the **per employee per year (PEPY)** gross costs, are shown below for medical coverage (including prescription drug benefits). The PEPY cost is a weighted average using each plan's actual rates and the number of covered employees. This means that the plans covering the greatest number of people have the biggest impact on survey findings in this area.

Some notable findings are:

- PEPY gross costs range from \$3,991 to \$16,741, with an average PEPY gross cost of \$10,573. The wide disparity between the high and low end of PEPY gross costs reflects not only basic demographic differences, but also differences in plan design, total group size and dependent election concentration.
- Monthly rates for single coverage range from \$247 to \$693 with an average of \$440 per month.
- Monthly rates for family coverage range from \$611 to \$1,770 with an average of \$1,152 per month.
- By industry, Manufacturing had the lowest average PEPY costs, followed by Retail, Finance & Insurance, Other Non-Manufacturing, Professional Services, Education, Health Care and Government.
- HDHP plans have the lowest average rates, followed by POS, PPO and HMO plans, respectively.

	Average Monthly Cost		Average Cost Per Employee Per Year
	Single	Family	
All Private Employers	\$434	\$1,092	\$9,846
Public Sector Employers	\$480	\$1,342	\$13,493
Manufacturing	\$350	\$922	\$8,520
Education	\$506	\$1,238	\$11,361
Health Care	\$585	\$1,310	\$13,273
Finance & Insurance	\$411	\$1,002	\$8,769
Professional Services	\$411	\$1,064	\$9,795
Retail	\$399	\$1,025	\$8,715
Other Non-Manufacturing	\$417	\$1,123	\$9,512
Government	\$480	\$1,342	\$13,493
Under 250 Employees	\$455	\$1,098	\$10,305
Over 250 Employees	\$440	\$1,154	\$10,582
HMO Plans	\$473	\$1,196	\$11,212
POS Plans	\$422	\$1,049	\$9,291
PPO Plans	\$439	\$1,155	\$10,562
HDHP Plans	\$348	\$885	\$8,286
Total			
All Respondents	\$440	\$1,152	\$10,573

Employee Contributions for Medical Coverage

A summary of our findings:

- For all plans, PEPY employee contributions range from \$0 to \$7,813, with an average PEPY of \$1,937.
- Monthly employee contribution rates for single coverage range from \$0 to \$432 with an average of \$87.
- Monthly employee contribution rates for family coverage range from \$0 to \$993 with an average of \$207.
- On average, employees at small companies (under 250 employees) pay slightly more in employee contributions (5% more) than employees of large private sector employers.
- Other Non-Manufacturing employers have the lowest average employee contributions followed by Health Care, Education, Manufacturing, Finance & Insurance, Government, Professional Services and Retail.
- Not surprisingly, employee contributions by plan type are lowest for HDHP plans. One common approach for employers that offer HDHP's is to have low, or even no, contributions for the cost of the plan and the employee would fund the high deductible portion of the plan through an HSA.

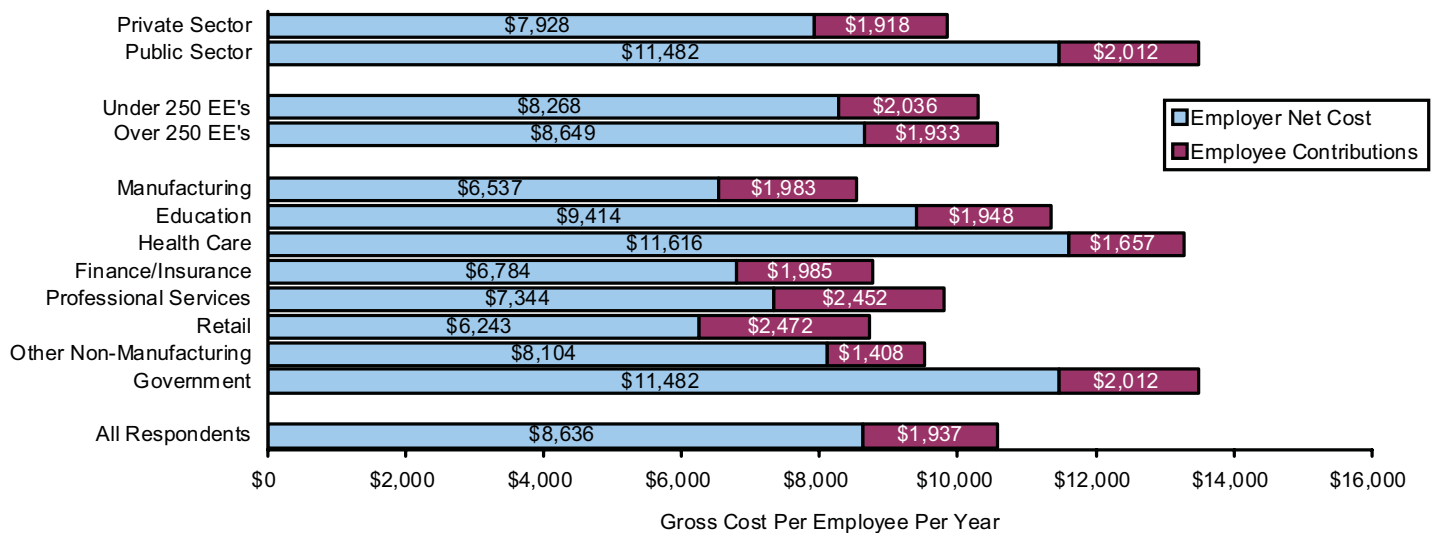


	Average Cost			Percent of Gross Premium		
	Single (Monthly)	Family (Monthly)	Per Employee Per Year	Single	Family	Average Per Employee
Private Sector Employers	\$89	\$210	\$1,918	20%	18%	18%
Public Sector Employers	\$72	\$200	\$2,012	15%	15%	15%
Manufacturing	\$79	\$216	\$1,983	23%	23%	23%
Education	\$93	\$208	\$1,948	18%	17%	17%
Health Care	\$82	\$160	\$1,657	14%	12%	12%
Finance & Insurance	\$97	\$223	\$1,985	24%	22%	22%
Professional Services	\$76	\$283	\$2,452	18%	27%	25%
Retail	\$89	\$313	\$2,472	22%	31%	28%
Other Non-Manufacturing	\$61	\$166	\$1,408	15%	15%	15%
Government	\$72	\$200	\$2,012	15%	15%	15%
Under 250 Employees	\$96	\$213	\$2,036	21%	19%	20%
Over 250 Employees	\$86	\$207	\$1,933	20%	18%	18%
HMO Plans	\$92	\$242	\$2,253	19%	20%	20%
POS Plans	\$130	\$311	\$2,783	31%	30%	30%
PPO Plans	\$87	\$204	\$1,912	20%	18%	18%
HDHP Plans	\$51	\$151	\$1,383	15%	17%	17%
Total						
All Respondents	\$87	\$207	\$1,937	20%	18%	18%

Net Cost Comparison for Medical Coverage

What most employers are concerned about are the net costs of the medical coverage they provide. The net cost is the actual gross cost less any employee contributions required. Although waiver credits are part of an employer's benefit costs, we have not included these costs in our calculation. When we remove the employee contribution piece from the gross costs, the results are dramatic. The average public sector net costs are 45% higher than the net cost of the average private sector employer.

Large employers had net costs that were 5% higher than small employers. Within the private sector employers, Retail employers had the lowest net costs by industry type with Health Care having the highest net costs by industry type.



Plan Design Features

For the fourth year in a row, we have included a summary of benefit design information. We have broken out the plan design features by the type of plan (HMO, POS, HDHP and PPO). We have also provided a breakdown by size of employer for PPO plans. There was not sufficient information to provide an employer size breakdown for the other plan types.

In many cases, the benefit information includes the median value and the 1st and 3rd quartile values. These statistical measurements are defined as:

- Median – The middle value of the entire responding group
- 1st Quartile – The value at the 25th percentile of the responding group divided into four equal parts
- 3rd Quartile – The value at the 75th percentile of the responding group divided into four equal parts

HMO Plans**Doctor Office Visits (In-Network Only)**

	<i>Primary Care Physician Office Visit Copay</i>			<i>Specialist Office Visit Copay</i>		
	1 st Quartile	Median	3 rd Quartile	1 st Quartile	Median	3 rd Quartile
All Employers	\$15	\$15	\$20	\$20	\$25	\$25

Inpatient Hospital Coverage (In-Network Only)

	<i>Deductible & Coinsurance</i>		<i>Inpatient Hospital Copay</i>		<i>Hospital Covered in Full</i>
	% of Plans	Median Deductible	% of Plans	Median Copay	% of Plans
All Employers	38%	\$250	12%	\$300	50%

POS Plans**Doctor Office Visits (In-Network Only)**

	<i>Primary Care Physician Office Visit Copay</i>			<i>Specialist Office Visit Copay</i>		
	1 st Quartile	Median	3 rd Quartile	1 st Quartile	Median	3 rd Quartile
All Employers	\$15	\$15	\$15	\$15	\$15	\$15

Inpatient Hospital Coverage (In-Network Only)

	<i>Deductible & Coinsurance</i>		<i>Inpatient Hospital Copay</i>		<i>Hospital Covered in Full</i>
	% of Plans	Median Deductible	% of Plans	Median Copay	% of Plans
All Employers	67%	\$250	0%	N/A	33%

Out-of-Network Coverage

	<i>Annual Deductible Amount</i>			<i>Coinsurance Amount</i>		
	1 st Quartile	Median	3 rd Quartile	1 st Quartile	Median	3 rd Quartile
All Employers	\$200	\$1,000	\$1,000	70%	70%	80%



HDHP Plans

In-Network Coverage

	Annual Deductible			Coinsurance Amount		
	1 st Quartile	Median	3 rd Quartile	1 st Quartile	Median	3 rd Quartile
All Employers	\$1,500	\$1,500	\$2,000	90%	100%	100%

Out-of-Network Coverage

	Annual Deductible			Coinsurance Amount		
	1 st Quartile	Median	3 rd Quartile	1 st Quartile	Median	3 rd Quartile
All Employers	\$1,500	\$2,300	\$3,000	60%	60%	80%

PPO Plans

Doctor Office Visits (In-Network Only)

	Primary Care Physician Office Visit Copay			Specialist Office Visit Copay		
	1 st Quartile	Median	3 rd Quartile	1 st Quartile	Median	3 rd Quartile
All Employers	\$15	\$15	\$20	\$20	\$25	\$30
Under 250 Employees	\$15	\$15	\$15	\$15	\$25	\$25
Over 250 Employees	\$15	\$15	\$20	\$20	\$25	\$30

Inpatient Hospital Coverage (In-Network Only)

	Deductible & Coinsurance		Inpatient Hospital Copay		Hospital Covered in Full
	% of Plans	Median Deductible	% of Plans	Median Copay	% of Plans
All Employers	62%	\$500	19%	\$250	26%
Under 250 Employees	52%	\$500	20%	\$500	34%
Over 250 Employees	68%	\$500	18%	\$250	22%

Out-of-Network Coverage

	Annual Deductible Amount			Coinsurance Amount		
	1 st Quartile	Median	3 rd Quartile	1 st Quartile	Median	3 rd Quartile
All Employers	\$250	\$500	\$1,000	60%	80%	80%
Under 250 Employees	\$250	\$500	\$1,000	70%	80%	80%
Over 250 Employees	\$250	\$500	\$1,000	60%	80%	80%

Prescription Drug Plans (For All Medical Plan Types)

Type of Coverage

	Rx Plan Design			
	2 Tier Fixed Copay	3 Tier Fixed Copay	4+ Tier Fixed Copay	Hybrid/Coinsurance
All Employers	2%	64%	16%	18%
Under 250 Employees	4%	68%	24%	4%
Over 250 Employees	0%	60%	8%	32%

3 Tier Prescription Drug Copays (Retail Only)

	Generic Copay			Preferred Brand Copay			Non-Preferred Brand Copay		
	1 st Quartile	Median	3 rd Quartile	1 st Quartile	Median	3 rd Quartile	1 st Quartile	Median	3 rd Quartile
All Employers	\$7	\$7	\$10	\$25	\$30	\$30	\$40	\$50	\$50
Under 250 Employees	\$7	\$7	\$7	\$25	\$30	\$30	\$40	\$50	\$50
Over 250 Employees	\$7	\$7	\$10	\$25	\$25	\$30	\$40	\$45	\$50

Prescription Drug Design Trends

Prescription drug benefits have been one of the most dynamic benefits in medical plan design. The following are some of the trends we have noticed in recent years:

- **Coinsurance based Rx plans** – The coinsurance based prescription drug plans vary from a flat coinsurance percentage (i.e., 20% coinsurance for all Rx drugs) to varying the coinsurance percentage by the drug tier (i.e., 10% coinsurance for generic drugs, 20% coinsurance for preferred brand drugs and 35% coinsurance for non-preferred drugs).
- **Hybrid (copay and coinsurance based) Rx plans** – Hybrid plans provide fixed copay for generics while all other drugs are subject to coinsurance. An example of this would be \$10 copay for generic drugs, 30% coinsurance for preferred brand drugs and 50% coinsurance for non-preferred drugs. This design gives the same benefits of coinsurance-based plans with cost certainty for the more cost effective drugs.
- **Specialty Drugs** – Many plans are now offered on a four-tier basis where specialty drugs are broken out into a separate (and typically higher) copay tier. In addition to the higher copays, specialty drugs are commonly subject to a smaller pharmacy network and a strict case management program. The case management is performed to ensure compliance in administering the medication, measuring outcomes and potentially adjusting dosages. On average, a one-month supply of a specialty drug averages over \$1,500; with specialty drug trends projected at over 20% for the next few years, this is an area of cost containment that employers should consider to effectively manage their drug spending.

Medical Plans by Vendor

When comparing medical plans by vendor, Blue Cross Blue Shield of Rhode Island continues to maintain their market share in the Rhode Island group medical marketplace based on number of plans. However, the number of covered employees is relatively evenly distributed among the three main carriers based on our survey results. Among our respondents, Blue Cross Blue Shield of RI covers 35% of all covered employees while United covers 30% and Tufts covers 32%.

	# Plans	# Covered Employees
Blue Cross Blue Shield of RI	56 (56%)	25,319 (35%)
United Healthcare	27 (27%)	21,496 (30%)
Tufts Health Plan / CIGNA	11 (11%)	23,213 (32%)
Other Vendors	6 (6%)	1,600 (2%)
Total	100 (100%)	71,628 (100%)

We believe the respondent data is an anomaly and that the breakdown by # of plans is more indicative of the actual membership breakdown within the state. Among our respondents, Blue Cross Blue Shield of RI covers 56% of all plans while United covers 27% and Tufts covers 11%.



Dental Benefits Findings

This year, dental benefits are offered to employees at all of our responding employers. Additionally, 14 of the 52 employers that offer dental benefits offer more than one plan.

Gross Costs for Dental Coverage

A summary of the results:

- The average PEPY gross cost for all respondents was \$761 with a range of \$191 to \$1,237. The wide disparity is primarily attributable to big differences in the quality of the coverage and dependent election patterns.
- Monthly rates for single coverage range from \$8 to \$54 with an average of \$31 per month.
- Monthly rates for family coverage range from \$25 to \$139 with an average of \$84 per month.
- Gross costs were higher at public sector employers versus private sector employers.
- Small companies (under 250 employees) had higher average costs than large employers.
- Retail companies had the lowest average rates, followed by Finance & Insurance, Manufacturing, Education, Government, Other Non-Manufacturing, Health Care and Professional Services.

	Average Monthly Cost		Average Cost
	Single	Family	Per Employee Per Year
Private Sector Employers	\$31	\$86	\$757
Public Sector Employers	\$28	\$78	\$777
Manufacturing	\$30	\$83	\$753
Education	\$31	\$84	\$764
Health Care	\$30	\$91	\$838
Finance & Insurance	\$33	\$87	\$752
Professional Services	\$33	\$103	\$914
Retail	\$24	\$64	\$533
Other Non-Manufacturing	\$38	\$91	\$797
Government	\$28	\$78	\$777
Under 250 Employees	\$28	\$87	\$788
Over 250 Employees	\$31	\$84	\$760
Total			
All Respondents	\$31	\$84	\$761

Employee Contributions for Dental Coverage

A summary of findings:

- PEPY employee contribution costs range from \$0 to \$927, with an average of \$319.
- Monthly employee contributions for single coverage range from \$0 to \$49 with an average of \$15 per month.
- Monthly employee contribution for family coverage range from \$0 to \$92 with an average of \$34 per month.
- Of the 69 dental plans, 8 are truly voluntary (where employees pay 100% of dental premium).
- Government has the lowest average employee contribution, followed by Retail, Health Care, Professional Services, Manufacturing, Other Non-Manufacturing, Education and Finance & Insurance.



	Average Cost			Percent of Gross Premium		
	Single (Monthly)	Family (Monthly)	Per Employee Per Year	Single	Family	Average Per Employee
Private Sector Employers	\$16	\$41	\$367	51%	48%	48%
Public Sector Employers	\$4	\$12	\$112	15%	14%	14%
Manufacturing	\$13	\$34	\$312	43%	41%	41%
Education	\$15	\$44	\$395	48%	53%	52%
Health Care	\$8	\$27	\$243	25%	30%	29%
Finance & Insurance	\$21	\$51	\$451	65%	58%	60%
Professional Services	\$7	\$30	\$254	21%	29%	28%
Retail	\$13	\$27	\$242	53%	43%	45%
Other Non-Manufacturing	\$14	\$47	\$381	37%	52%	48%
Government	\$4	\$11	\$112	15%	14%	14%
Under 250 Employees	\$10	\$23	\$218	35%	26%	28%
Over 250 Employees	\$15	\$34	\$322	47%	41%	42%
Total						
All Respondents	\$15	\$34	\$319	47%	41%	42%

Plan Design Features

We have broken out the plan design features for all dental plans. We have provided a breakdown by size of employer and by industry.

Annual Deductible, Annual Benefit Maximum & Orthodontia

	Annual Deductible (Individual)			Annual Benefit Maximum			Orthodontia % of Plans
	1 st Quartile	Median	3 rd Quartile	1 st Quartile	Median	3 rd Quartile	
All Employers	\$0	\$0	\$50	\$1,200	\$1,200	\$1,500	65%
Under 250 Employees	\$0	\$0	\$50	\$1,000	\$1,200	\$1,200	52%
Over 250 Employees	\$0	\$25	\$50	\$1,200	\$1,500	\$1,500	75%

Coinsurance by Type of Service

	Preventive Services (Type I)			Basic Restorative Services (Type II)			Major Restorative Services (Type III)		
	1 st Quartile	Median	3 rd Quartile	1 st Quartile	Median	3 rd Quartile	1 st Quartile	Median	3 rd Quartile
All Employers	100%	100%	100%	80%	80%	100%	50%	50%	50%
Under 250 Employees	100%	100%	100%	80%	80%	100%	50%	50%	50%
Over 250 Employees	100%	100%	100%	80%	80%	100%	50%	50%	50%

Dental Plans by Vendor

When comparing dental plans by vendor, once again two vendors dominate the Rhode Island marketplace: Delta Dental of Rhode Island and, to a lesser extent, Blue Cross Blue Shield of Rhode Island. The following is a table detailing the breakdown of dental plans by vendor.

	# Plans	# Covered Employees
Delta Dental	54 (78%)	71,756 (94%)
Blue Cross Blue Shield of RI	10 (14%)	2,841 (4%)
Other Vendors	5 (7%)	1,385 (2%)
Total	69 (100%)	75,982 (100%)

Life Insurance & Long Term Disability Benefits Findings

Basic Life Insurance and Accidental Death & Dismemberment (AD&D)

Most employers in Rhode Island offer basic life and accidental death & dismemberment (AD&D) benefits. Not surprisingly, the prevalence is more common in large employers (92%) than small employers (80%).

	Offer Basic Life Insurance	Offer Basic AD&D
All Employers	86%	82%
Under 250 Employees	80%	80%
Over 250 Employees	92%	84%

In terms of benefits, there is not as much variation between large and small employers as we would have expected. The following tables list the median basic life and AD&D benefits for Rhode Island employers that offer these benefits:

	Hourly Employees					Salaried Employees / Executives				
	Flat Dollar Benefit		Multiple of Salary Benefit			Flat Dollar Benefit		Multiple of Salary Benefit		
	% of Plans	Median Benefit	% of Plans	Median Multiple of Salary	Median Max Benefit	% of Plans	Median Benefit	% of Plans	Median Multiple of Salary	Median Max Benefit
All Employers	22%	\$20,000	78%	2X Salary	\$400,000	16%	\$50,000	84%	2X Salary	\$400,000
Under 250 Employees	21%	\$20,000	79%	2X Salary	\$200,000	21%	\$50,000	79%	2X Salary	\$300,000
Over 250 Employees	25%	\$10,000	75%	2X Salary	\$500,000	13%	\$50,000	87%	2X Salary	\$500,000

The rates for basic life & AD&D plans can vary widely based on a company's industry, demographics and coverage amounts. Also affecting the rate is the amount of premium or volume under the policy, which results in lower average rates for larger companies. The following table gives the basic life and AD&D monthly rate information shown "per \$1,000 of benefit":

	Basic Life Rate			Basic AD&D Rate		
	1 st Quartile	Median	3 rd Quartile	1 st Quartile	Median	3 rd Quartile
All Employers	\$0.110	\$0.160	\$0.220	\$0.020	\$0.020	\$0.030
Under 250 Employees	\$0.156	\$0.193	\$0.220	\$0.020	\$0.020	\$0.030
Over 250 Employees	\$0.093	\$0.120	\$0.185	\$0.020	\$0.020	\$0.030

Supplemental Life Insurance and AD&D

A way for employers to add to their benefits package without adding additional costs (outside of the cost of administration) is to add employee-paid supplemental life insurance and AD&D. As benefit cuts in other areas occur, many employers (especially large employers) are adding these voluntary benefits to their overall benefits package.

	Offer Employee Supplemental Life Insurance	Offer Dependent Supplemental Life Insurance	Offer Supplemental AD&D
All Employers	71%	57%	47%
Under 250 Employees	46%	38%	21%
Over 250 Employees	80%	68%	56%



Long Term Disability (LTD)

While not as popular as basic life and AD&D coverage, long term disability (LTD) coverage is offered on some level (either company-paid or employee-paid) for 88% of the respondents. Some employers offer both employer paid and voluntary (employee paid) LTD.

	Offer Any LTD Coverage	Offer Basic Employer-Paid LTD Coverage	Offer Voluntary Employee-Paid LTD Coverage
All Employers	88%	78%	27%
Under 250 Employees	79%	67%	21%
Over 250 Employees	96%	88%	28%

In terms of benefits, there is some variation between Hourly employees and Salaried employees / Executives. The following tables list the median LTD benefits for our survey respondents:

	Hourly Employees				Salaried Employees / Executives			
	Median Benefit Percentage	Median Maximum Monthly Benefit	Median Elimination Period	Median Benefit Duration *	Median Benefit Percentage	Median Maximum Monthly Benefit	Median Elimination Period	Median Benefit Duration *
All Employers	60%	\$7,750	180 days	24 months	60%	\$10,000	180 days	24 months
Under 250 Employees	60%	\$7,500	180 days	24 months	60%	\$10,000	180 days	24 months
Over 250 Employees	60%	\$8,000	180 days	24 months	60%	\$10,000	180 days	24 months

* Benefit duration applies to the period in which the disabled employee is unable to perform the duties of their "own occupation."

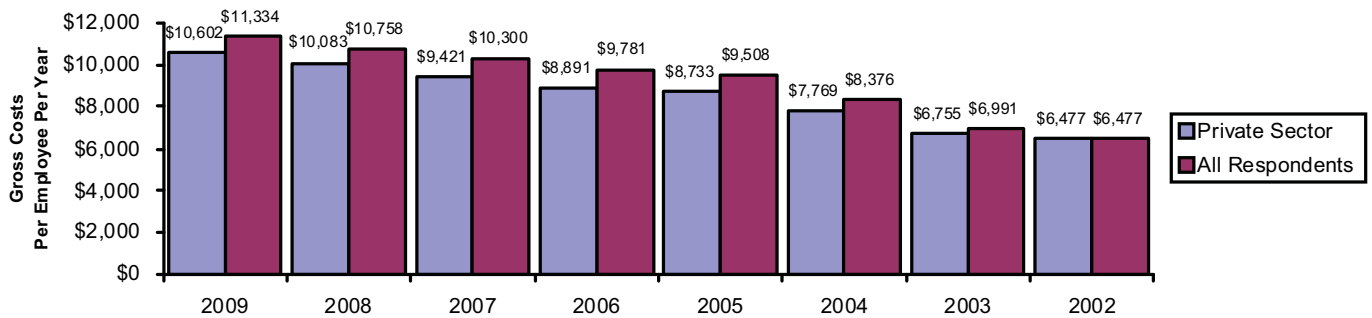
The rates for basic LTD (company-paid) also vary widely based on a company's industry, demographics and coverage amounts. Surprisingly, this year's data shows that small employers have slightly lower average rates. The following table gives the basic LTD monthly rate information shown "per \$100 of covered monthly payroll".

	Basic LTD Rate		
	1 st Quartile	Median	3 rd Quartile
All Employers	\$0.255	\$0.320	\$0.468
Under 250 Employees	\$0.268	\$0.320	\$0.475
Over 250 Employees	\$0.200	\$0.310	\$0.423

Rhode Island Cost Comparison 2002 – 2009

Medical and Dental Benefit Cost Comparison

This is the eighth year we have conducted this survey. As a result, we are now able to provide an eight-year historical comparison of costs. The following chart shows the average medical and dental costs on a per employee per year (PEPY) basis over the last eight years. We have reflected costs for all respondents and private sector respondents only in order to demonstrate the rate of change experienced by private sector employers.



	2009	2008	2007	2006	2005	2004	2003	2002
All Respondents								
Gross Costs PEPY	\$11,334	\$10,758	\$10,300	\$9,781	\$9,508	\$8,376	\$6,991	\$6,477
% Change (from Previous Year)	+5%	+4%	+5%	+3%	+14%	+20%	+8%	N/A
Private Sector								
Gross Costs PEPY	\$10,602	\$10,083	\$9,421	\$8,891	\$8,733	\$7,769	\$6,755	\$6,477
% Change (from Previous Year)	+5%	+7%	+6%	+2%	+12%	+15%	+4%	N/A

Medical and Dental Benefit Cost Comparison by Industry

When we break down the cost comparisons by industry, the increases by category generally parallel overall cost trends. Some of the larger fluctuations tend to be a result of the increase in survey participants over the years. Please note that 2002 Rhode Island costs by industry are provided for Manufacturing and Non-Manufacturing only, while Professional Services was added as a category in 2005 and Retail was added as a category in 2007.

	2009	2008	2007	2006	2005	2004	2003	2002
Manufacturing	\$9,274	\$9,533	\$9,279	\$8,929	\$8,194	\$7,615	\$7,091	\$6,624
Education	\$12,125	\$11,874	\$11,377	\$10,106	\$9,633	\$8,242	\$7,776	N/A
Health Care	\$14,111	\$11,846	\$11,245	\$10,532	\$9,701	\$8,626	\$7,671	N/A
Finance & Insurance	\$9,521	\$8,853	\$8,314	\$7,747	\$8,054	\$6,967	\$5,893	N/A
Professional Services	\$10,709	\$12,043	\$5,843	\$9,848	\$11,746	N/A	N/A	N/A
Retail	\$9,248	\$6,662	\$6,482	N/A	N/A	N/A	N/A	N/A
Other Non-Manufacturing	\$10,309	\$8,546	\$10,919	\$9,200	\$7,975	\$8,511	\$6,122	\$6,310
Government	\$14,270	\$13,411	\$13,487	\$12,481	\$11,303	\$9,951	\$9,062	N/A

Medical Benefit Cost Comparison by Plan Type

From 2008 to 2009, costs for HMO plans increased 2.4%, while POS plans increased 7.2% and PPO plans increased 5.9%. When we look at the seven-year change increase for the period of 2002 to 2009, the results are dramatic: HMO plans increased 91%, POS plans increased 70% and PPO plans increased 73% over the seven-year period.

	2009	2008	2007	2006	2005	2004	2003	2002
HMO	\$11,212	\$10,945	\$9,946	\$9,077	\$8,743	\$7,454	\$6,323	\$5,862
POS	\$9,291	\$8,666	\$7,715	\$7,491	\$7,492	\$6,405	\$6,393	\$5,478
PPO	\$10,562	\$9,976	\$9,583	\$9,023	\$8,859	\$8,421	\$6,398	\$6,114
Indemnity	ID	\$15,895	\$10,662	ID	\$11,003	\$10,451	\$8,055	\$7,084
HDHP	\$8,286	\$6,773	\$5,423	ID	ID	ID	ID	ID

ID indicates insufficient data.

Employee Contribution Comparison

Please note that in order to better match the employee contribution calculation methodology employed in the Mercer survey, we are examining only those employers with contributory medical plans in this section and the following section of our survey. In the other sections of the survey, we have included the non-contributory plans in the employee contribution calculation.

Medical Monthly Employee Contribution Comparison – Single Coverage

	2009	2008	2007	2006	2005	2004	2003	2002
All Plans	\$87	\$92	\$88	\$82	\$67	\$71	\$69	\$55
Under 250 Employees	\$96	\$92	\$119	\$102	\$91	\$88	\$79	\$67
Over 250 Employees	\$86	\$92	\$87	\$81	\$66	\$70	\$67	\$51

Medical Monthly Employee Contribution Comparison – Family Coverage

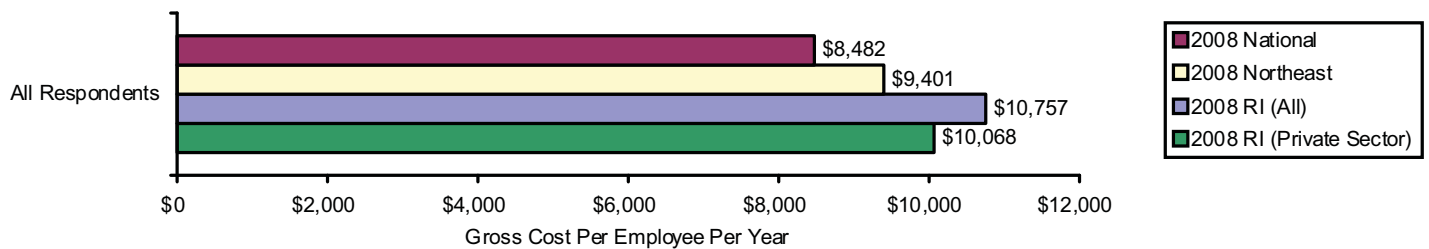
	2009	2008	2007	2006	2005	2004	2003	2002
All Plans	\$207	\$180	\$181	\$170	\$150	\$171	\$156	\$182
Under 250 Employees	\$200	\$199	\$329	\$276	\$260	\$260	\$184	\$215
Over 250 Employees	\$210	\$179	\$179	\$168	\$146	\$166	\$153	\$159

National Cost Comparison – 2008

Please note that the following section reflects cost data from 2008 and not 2009

Medical and Dental Benefit Cost Comparison

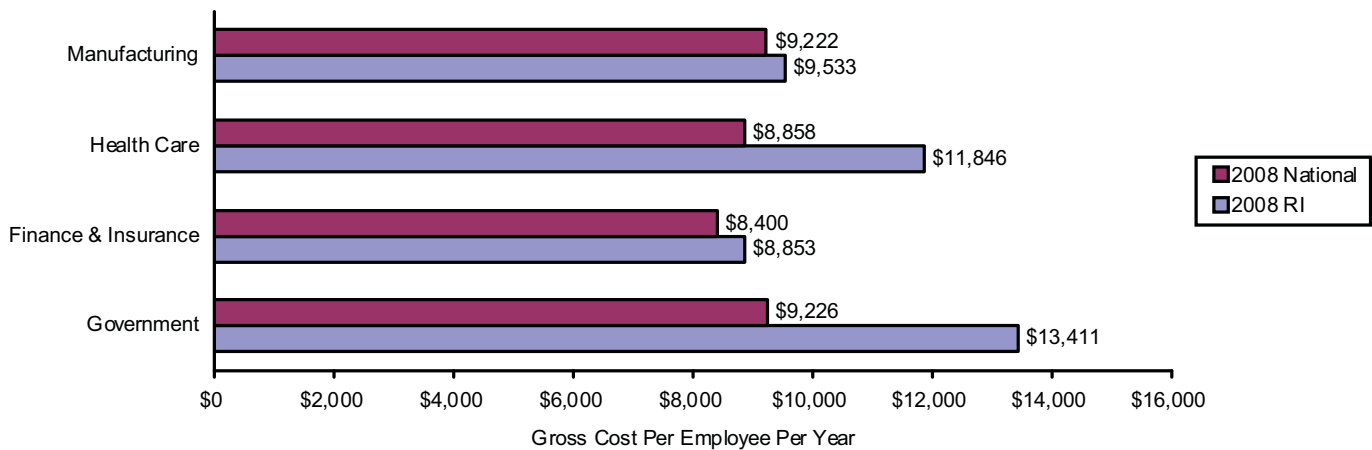
While it is interesting to compare Rhode Island area cost data to historic Rhode Island area cost data, we believe that it is also important to benchmark our local Rhode Island area costs against national and regional averages. National and regional cost data have been drawn from the *Mercer National Survey of Employer-Sponsored Health Plans 2008*. Please note that the Mercer Northeast data only reflects large employers (500 or more employees) while their national data is reflective of all employers.



You will notice that Rhode Island employers are paying more for health insurance than the national and regional averages. The 2008 Rhode Island averages (for all employers) are 27% higher than the national average and 14% higher than the northeast average. While the average Rhode Island costs are inflated by the inclusion of the public sector, this trend exists even when we isolate the private sector employers. The 2008 Rhode Island private sector averages are 19% higher than the national average and 7% higher than the Northeast regional average.

Medical and Dental Benefit Cost Comparison by Industry

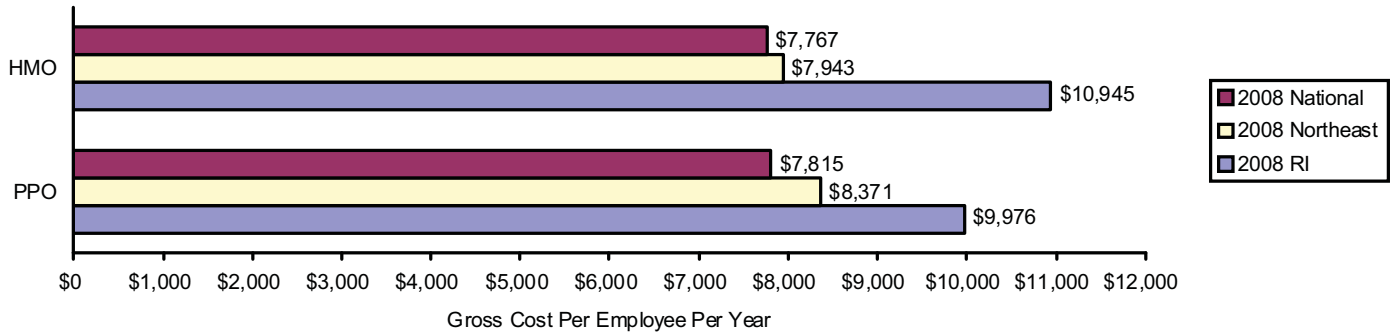
The following chart shows how costs in the key industries compare to national averages. Average costs per employee vary significantly by industry; however, you will notice that the Rhode Island average is higher in every instance. Please note that 2008 national cost breakdown from Mercer is not provided for Education, Professional Services and Other Non-Manufacturing. It is interesting the degree to which Government in Rhode Island pays 45% more than Government respondents nationwide.



Medical Cost Comparison by Plan Type

One of the more dramatic findings of this survey is the disparity in costs by plan type. Rhode Island employers' average 2008 HMO costs were 40% higher than the national average and 33% higher than the Northeast regional average. Similarly, Rhode Island employers' average 2008 PPO costs were 16% higher than the national average and 11% higher than the Northeast regional average.

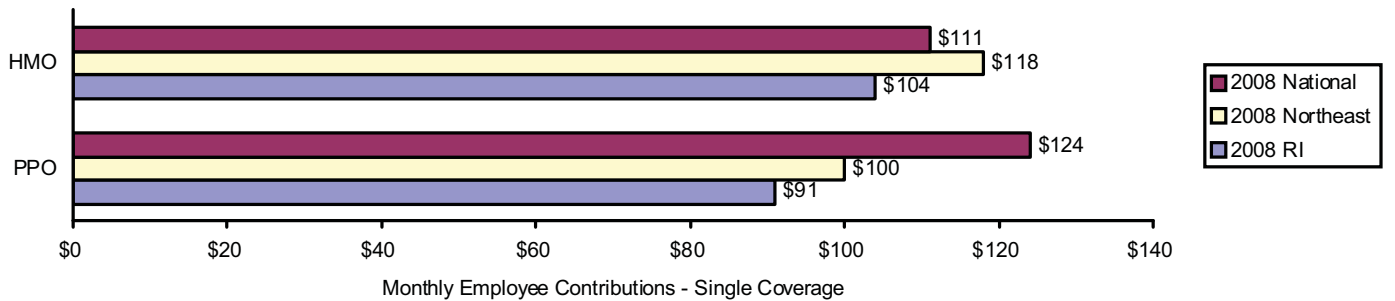
Please note that we have omitted a POS plan comparison for 2008 due to the fact that the Mercer survey no longer breaks out POS plans separately.



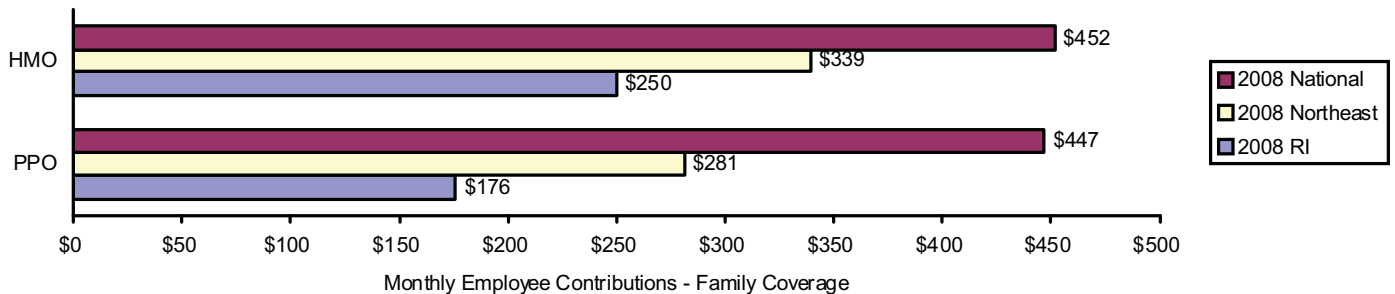
Employee Contribution Comparison

As indicated in the previous section, please note that in order to better match the employee contribution calculation methodology employed in the Mercer survey, we are examining in this section of our survey only those employers with contributory medical plans. In the other sections of the survey, we have included the non-contributory plans in the average employee contribution calculation.

Medical Employee Contribution Comparison, by Plan Type (Single Coverage)



Medical Employee Contribution Comparison, by Plan Type (Family Coverage)

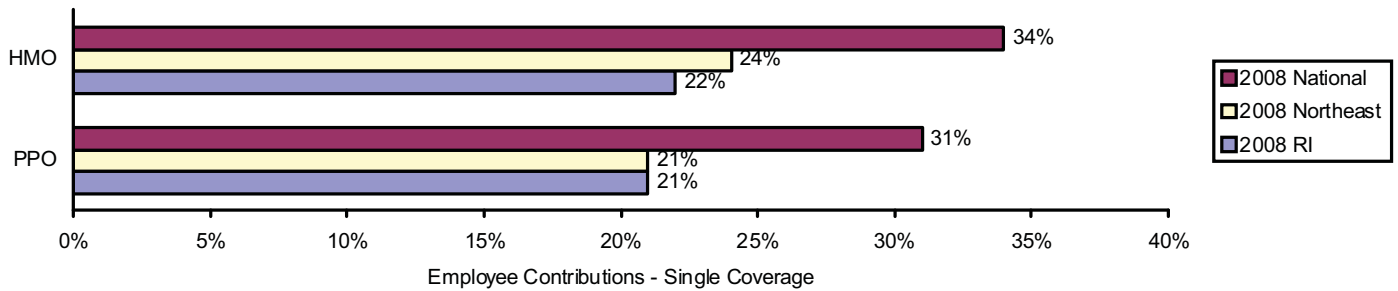


Employee contributions vary widely locally, regionally and nationally. The previous two charts detail the average employee contributions by plan type for single and family coverage. In all cases, Rhode Island employee contributions are below the national and regional averages in 2008.

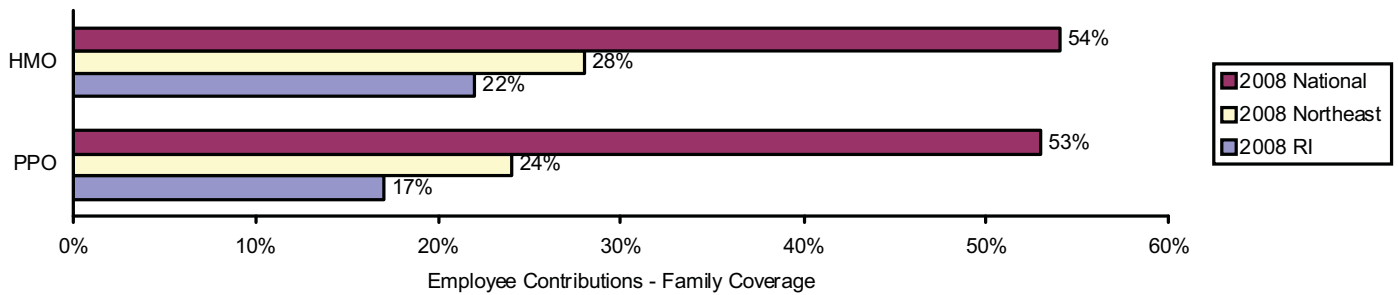


The combination of higher than average gross costs and lower than average employee contributions indicates that Rhode Island area employers pay more for coverage and charge their employees less than their regional and national competitors. This results in Rhode Island employers incurring a significantly higher net cost. This is also reflected in the following two charts with Rhode Island area employee contributions as a percentage of premiums being lower than national and regional averages in most categories.

**Medical Employee Contribution Comparison as a Percentage of Premium,
by Plan Type (Single Coverage)**



**Medical Employee Contribution Comparison as a Percentage of Premium,
by Plan Type (Family Coverage)**



Controlling Medical and Dental Costs

Average Annual Increases in Medical and Dental Premiums

Survey respondents reported the following annual increases in the costs of medical and dental benefits for the previous three years:

	Medical			Dental		
	2009 vs. 2008	2008 vs. 2007	2007 vs. 2006	2009 vs. 2008	2008 vs. 2007	2007 vs. 2006
All Respondents	4.6%	6.4%	8.4%	3.7%	4.8%	5.4%
Manufacturing	6.8%	6.1%	5.0%	2.7%	4.2%	4.9%
Education	5.7%	10.2%	7.9%	4.9%	5.2%	4.2%
Health Care	11.3%	7.5%	7.3%	7.5%	7.0%	9.0%
Finance & Insurance	0.1%	6.2%	10.0%	0.9%	6.3%	5.6%
Professional Services	1.3%	6.7%	12.5%	3.8%	6.0%	6.0%
Retail	0.0%	7.3%	20.3%	2.7%	3.0%	4.0%
Other Non-Manufacturing	3.6%	3.3%	7.5%	5.8%	2.4%	5.4%
Government	5.6%	6.0%	9.9%	3.9%	6.0%	5.2%
Under 250 Employees	3.5%	5.8%	9.4%	3.8%	5.7%	5.3%
Over 250 Employees	5.8%	7.0%	7.4%	3.6%	4.1%	5.5%

Steps Taken to Control Costs

The most common methods to control employer costs include increasing employee contributions and changing benefits. However, there was a significant increase in the number of respondents who changed carriers versus last year's data (28% versus 15%). We believe the presence of a third major insurer in Rhode Island has impacted that figure.

	Within Last Year	Within Last 3 Years
Changed Carriers	28%	39%
Changed Benefits	45%	69%
Eliminated Benefits	6%	10%
Increased Employee Contributions	47%	65%
Implemented Consumer Driven Health Plan	8%	18%

Employer Perception of Health Care Premium Increases

When asked "How would you rank the following in terms of their contribution to recent dramatic increases in group health insurance costs in Rhode Island?" respondents answered as shown in the chart to the right. Consistent with prior years' data, more respondents perceive prescription drug manufacturers' profit margin and the lack of competition in Rhode Island as the most important factors driving rising healthcare costs.

	Very Important	Important	Not Very Important	Not At All Important
Improvements in medicine that drive up life expectancy	30%	54%	15%	0%
Lack of competitive carriers offering group health insurance	57%	33%	9%	2%
An inefficient and wasteful bureaucracy	44%	53%	2%	0%
Doctors are making too much money	7%	36%	40%	18%
Prescription drug manufacturers are making too much money	54%	39%	4%	2%
Cost sharing from government plans (Medicare, Medicaid, etc.)	23%	65%	12%	0%

Employee Understanding of Cost Environment

52% of respondents felt that their employees have a good understanding of their medical and dental benefit costs. This is a significant increase over the 38% figure last year.

Yes	No	Undecided
52%	36%	12%

Perception of Rhode Island Health Insurance Competitive Market

A vast majority of respondents believe that the cost of group health insurance in Rhode Island would be lower if we had more group health insurers competing in our marketplace. With the presence of a third major carrier, we will be able to witness first hand how the rates of increase in Rhode Island compare against regional and national trends in the years to come.

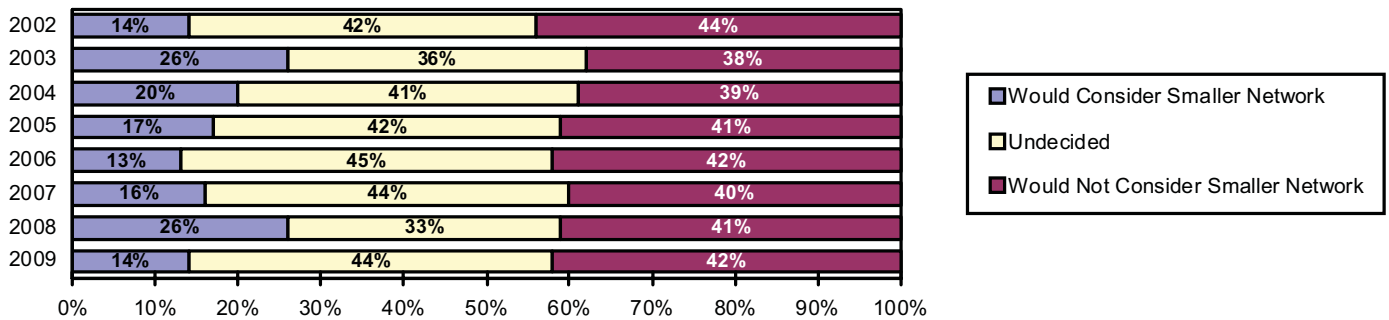
Yes	No	Undecided
72%	8%	20%

Small Network Plans Not Desirable

When asked, “Would you consider a health plan option that offered lower costs but had fewer participating providers?” only 14% of employers indicated that they would. 42% would not consider a smaller network at a lower cost, while 44% were undecided.

Yes	No	Undecided
14%	42%	44%

While it is clear that respondents feel that the Rhode Island marketplace needs more competition (see the previous section), a significant percentage do not want to sacrifice the breadth of their current provider network to save costs. The trend over the last few years is as follows:



Wellness Programs

Employers have tried many different ways to control healthcare costs. A popular trend toward controlling costs is the implementation of wellness programs.

In the Rhode Island area, 86% of respondents offer a wellness program as part of their overall health & welfare plan. The extent of these wellness programs vary greatly from company to company. The most common wellness initiatives offered by more than half of all respondents include Flu Shots (98%), Health Risk Assessments (79%) and Health Fairs (68%).

	Percentage with Wellness Programs	Of Those with Wellness Programs, Percentage with the Following Features:								
		Health Risk Appraisal	Flu Shot	Fitness Center	Smoking Cessation Program	Disease Management	Health Coach	Health Fairs	Lifestyle Classes	Weight Loss
Manufacturing	100%	93%	100%	31%	43%	36%	43%	85%	43%	29%
Education	83%	20%	100%	80%	60%	60%	40%	40%	40%	40%
Health Care	80%	Insufficient Data								
Finance & Insurance	67%	83%	83%	83%	33%	50%	17%	50%	17%	50%
Professional Services	100%	Insufficient Data								
Retail	67%	Insufficient Data								
Other Non-Manufacturing	78%	86%	100%	57%	29%	29%	29%	86%	14%	29%
Government	100%	Insufficient Data								
Total										
All Respondents	86%	79%	98%	44%	49%	37%	33%	68%	32%	44%

Participation

Of those organizations that reported a known participation level in the wellness programs (nearly half of respondents who offered wellness programs), they experienced 28% of their eligible workforce participating in some form of the wellness program varying from a low of 10% to a high of 80%.

Return on Investment

Results on these initiatives are difficult to quantify. The two main areas with expected improvements are reduced paid time off and lower medical claim costs. Regarding paid time off, nearly 78% of respondents offering a wellness program were unsure if it had had a positive impact on absenteeism while 76% of respondents were also unclear if short term disability occurrences had been reduced.



The survey results pertaining to healthcare costs were surprising. Companies with wellness programs experienced only slightly lower average healthcare cost trend (average rate increase) compared to companies without wellness programs. The difference was an average three-year increase of 20.9% for those with wellness programs versus 21.3% for those without wellness programs.

The actual healthcare costs for plans with wellness programs were higher than those without wellness programs (\$10,580 PEPY for those with wellness programs versus \$9,528 for those without wellness programs). There are many factors that may affect this finding including plan design, demographics of group, dependent concentration, etc.

Carrots and Sticks

Employers electing to implement wellness programs frequently choose to incent participation in the wellness programs. They can take the forms of a reward for participation (the “carrot” approach) and/or penalize non-participation (the “stick” approach). Using the “carrot” approach, nearly half (47%) of respondents offered rewards for participation such as gift cards or additional paid time off.

Not as many respondents applied disincentives (i.e., the “stick” approach) however the number has increased over last year. 24% of respondents currently use the “stick” approach compared to last year’s figure of 13%.

Objective of Wellness Programs

In terms of the objective in implementing a wellness programs, the most popular responses were “reducing healthcare costs” and “reducing absenteeism” with very important responses of 79% and 58% respectively. Other objectives considered very important include workplace safety (49%), worker productivity (47%), workforce morale (42%), and attracting/retaining employees (42%).

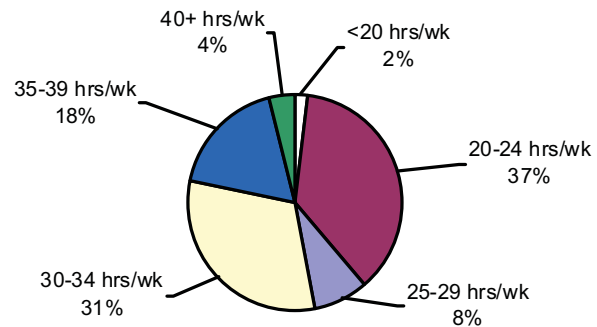
	Very Important	Important	Not Very Important	Not At All Important
Improving workforce morale	42%	54%	5%	0%
Improving worker productivity	47%	51%	2%	0%
Reducing employee absences due to sickness or disability	58%	40%	5%	0%
Attracting and retaining employees	42%	44%	14%	0%
Reducing health care costs	79%	19%	2%	0%
Improving workplace safety	49%	42%	9%	0%
Promoting corporate image or brand	25%	51%	20%	5%
Fulfilling social responsibility	31%	55%	14%	0%

Additional Findings: Eligibility & Benefit Innovations

We asked employers to share some information regarding their eligibility provisions and whether they have adopted some of the newer innovations into their health and welfare benefit plans.

Full Time Equivalent Definition

There is a lot of variation in how Rhode Island area employers define “full time”. The majority of employers utilize a 20-24 hour minimum per week (37%) or a 30-34 hour minimum per week (31%) requirement to define full time status.



FSA’s, HRA’s and HSA’s

With most employers requiring increased cost sharing through benefit design changes and increased employee contributions, many employers are looking for other ways to help employees afford their healthcare. One way to accomplish this is through the use of Flexible Spending Accounts (FSA), Health Reimbursement Arrangements (HRA) and Health Savings Accounts (HSA). As can be seen in the following chart, FSA’s are very common in Rhode Island while HRA’s and HSA’s are not as widely used. However HRA’s and HSA’s have grown in popularity in the past year.

	Health Care FSA		Dependent Care FSA		Offer HRA?	Offer HSA?
	Offer?	Average Participation?	Offer?	Average Participation?		
All Employers	78%	28%	77%	4%	12%	16%
Under 250 Employees	68%	33%	64%	5%	12%	16%
Over 250 Employees	89%	21%	89%	3%	12%	15%

Waiver Credit

Employers will sometimes offer a waiver credit as a means to compensate those employees who maintain their medical and/or dental benefits elsewhere. While the effectiveness of a waiver credit as a means of managing benefit costs may be debatable, it is clearly popular with Rhode Island area employers. This year, 42% of our survey respondents indicated that they offer medical waiver credit. For those employers who offer medical credits, they range from a low of \$240 per year to a high of \$3,300 per year, with a median waiver credit of \$1,300. Dental waiver credits are less popular with only 16% of employers offering them. Of those, the median dental waiver credit is \$166 per year.

	Offer Medical Waiver Credit	Offer Dental Waiver Credit
All Employers	42%	16%
Under 250 Employees	24%	12%
Over 250 Employees	58%	19%



Domestic Partner Coverage

Over the last decade, many employers have decided to offer benefits to domestic partners. Depending on the employer, these benefits may be offered to same-sex domestic partners only, opposite-sex domestic partners only, or any domestic partner.

	Offer Domestic Partner Coverage	Do not offer Domestic Partner Coverage
All Employers	71%	29%
Under 250 Employees	56%	44%
Over 250 Employees	87%	13%

The first table shows the prevalence of domestic partner coverage (any type) while the second table shows the type of domestic partner coverage that is offered for those employers that extend domestic partner benefits.

	Same Sex Partner Only	Opposite Sex Partner Only	Any Domestic Partner
All Employers	14%	20%	66%
Under 250 Employees	0%	29%	71%
Over 250 Employees	24%	13%	63%

Self Insurance

As employers search for ways to control benefit costs, we are observing a growing trend among Rhode Island employers toward self insurance in one form or another. While we have noticed an increase in the number of Rhode Island employers who self insure, we believe that self insurance is still less prevalent in the Rhode Island area than it is in other parts of the nation. 68% of large employers in the Rhode Island area self insure all or part of their benefits. Self insurance can range from a small employer purchasing a plan with a \$500 hospital copay and reimbursing employees for all or part of the copay amount, to a fully self funded approach where the employer pays 100% of all claims with explicit administrative fees and, possibly, reinsurance.

	Self Insure Medical Benefits	Self Insure Dental Benefits
All Employers	40%	32%
Under 250 Employees	13%	16%
Over 250 Employees	68%	48%

It is interesting to observe that there are more employers self insuring all or part of their medical benefits as opposed to their dental benefits. Dental costs are typically limited by annual maximums and the claim dollars are much lower on a per employee basis than medical claim dollars (usually 10% to 12% of medical claim amounts). Given that there is much less risk in self funding dental benefits, we would expect it to be more common than it apparently is.

With the implementation of the premium tax in Rhode Island, we believe medium and large employers will consider self insurance as a means to help control and monitor their medical and dental spend.

Survey Overview and Methodology

The 2009 Rhode Island Area Health & Welfare Benefits Survey was mailed in February 2009 to 343 employers doing business in the Rhode Island area. The survey requested detailed information on medical and dental benefits programs, costs, employee contributions, plan designs, cost-control measures, and general questions related to medical, dental, life insurance and long term disability benefits. Three written follow up letters were issued to non-responding employers and numerous follow up calls were made to encourage participation from prior year respondents.

Data was compiled and recorded in a database that was subsequently used to develop the various survey findings. Database entries were peer reviewed by different members of our staff to ensure accuracy. In some instances, companies gave only partial responses to different parts of the survey. Reported survey findings in any given area represent only those companies providing the necessary data to make a complete calculation in that particular aspect of the survey.

Total cost data reflect the fully insured medical and dental premium rates. For most companies with self insured medical and/or dental benefits, the total cost data were determined through the use of COBRA rates (less the 2% administrative load). For a few respondents who reimburse some portion of a high deductible or high hospital services copay, we adjusted actual premium rates to account for the cost of the reimbursement provided. The adjustment utilized was based on the employer's and/or insurer's projection of additional cost. Per employee per year (PEPY) cost data are weighted average calculations reflecting current rates and headcounts by coverage category. All rates and coverage headcounts are for 2009.

Our comparison of Rhode Island area plans to national and regional averages (as provided in the *Mercer National Survey of Employer-Sponsored Health Plans 2008*) required us to calculate employee contributions differently from what is provided in other sections of the survey. While our standard is to analyze all employee contributions equally, the Mercer survey only analyzes employee contributions for contributory plans. In the cost comparison sections of our survey, we have modified our data to look at only contributory plans. Also, the Mercer survey is exclusively directed at employers with 10 or more employees and employs a different breakdown of industries than the industry categories in this survey. Our survey responses dictated our breakdown of industries. In our view, the Mercer survey is one of the longest running and most credible national surveys of employer-sponsored medical and dental benefits. Wherever possible, we have attempted to match Mercer's methodology.

The available data were compiled and analyzed in a variety of ways to maximize the survey's usefulness. The survey presents general findings, based on all responses. Responses of individual companies remain confidential.



Glossary

CDHP	Consumer Driven Health Plans – A type of employer-sponsored health benefits plan that seeks to give employees greater responsibility for choosing their own health care and provides incentives for them to seek the most cost-effective care. Internet-based plan administration and Internet use by employees for personal health management is often part of these plans. CDHP's can incorporate Flexible Spending Accounts, Health Reimbursement Arrangements and/or Health Savings Accounts.
FSA	Flexible Spending Accounts – A pre-tax account that can be offered to reimburse qualified expenses for health care, dependent care and/or transportation. Under current IRS law, unused balances are forfeited at the end of the plan year. FSA's are typically funded by employees however employers are allowed to contribute to FSA's.
HDHP	High Deductible Health Plan – A health benefit plan that has a minimum deductible of \$1,150 for individuals and \$2,300 for families for 2009, which applies to all health care benefits except preventive care. Out-of-pocket expense requirement cannot be more than \$5,800 for single coverage or \$11,600 for family coverage for 2009. These plans are qualified by the federal government with limits inflation-adjusted annually. A HDHP is required in order for an employer to offer a HSA.
HMO	Health Maintenance Organization – A managed care plan that requires members to access non-emergency care within a specified provider network. HMO's commonly include a gatekeeper referral requirement for any care not provided by a participant's primary care physician. HMO's generally do not provide coverage for out of network care.
HRA	Health Reimbursement Arrangement – A type of Consumer Driven Health Plan where the employer reimburses employees for some or all of the HDHP deductible. Employer funding is not vested to the employee and any money remaining in the account is not portable (retiring and/or terminating employees cannot take HRA money with them). The IRS-qualified HDHP requirement does not apply to HRA's.
HSA	Health Savings Account – A tax-exempt trust or custodial account created to pay for the qualified medical expenses of the account holder and their dependents. Available to individuals covered by a high deductible health plan (HDHP), funds can be carried over from year to year. Interest and investment income accrue tax-free. Money funded by employers into HSA's is immediately vested to the employees and these accounts are portable. The IRS requires that a qualified HDHP be offered to those wanting to participate in a HSA.
PEPY	Per Employee Per Year – A way of reporting costs and employee contributions based on a weighted-average.
POS	Point-of-Service Plan – Managed care plan that allows members to choose, at the point where care begins, to receive services from a participating or non-participating network provider, usually with a financial disincentive for going outside the network. Many POS plans have a gatekeeper referral requirement, however non-gatekeeper plans (referred to as "open access" POS plans) are becoming increasingly popular.

PPO	Preferred Provider Organization – Managed care plan that allows members to choose, at the point where care begins, to receive services from a participating or non-participating network provider, usually with a financial disincentive for going outside the network. PPO plans typically do not require gatekeeper referrals for receiving care.
Waiver Credit	Compensation provided to employees who decline participation in a medical and/or dental plan. In most cases, employees must provide proof of other coverage in order to receive the waiver credit.
Wellness Program	A broad range of initiatives and activities designed to promote good health among employees. The purpose is to increase worker health and morale and reduce the costs of accidents and ill health such as absenteeism, lower productivity and health care costs. Examples of wellness programs include physical fitness programs, smoking cessation, health risk appraisals, diet information, weight loss, stress management and high blood pressure screening.

List of Participating Companies

The following is a list of those companies who participated in the 2009 Rhode Island Area Health & Welfare Benefits Survey. Respondents were given the option not to be listed.

AAA Southern New England	Hexagon Metrology, Inc.
American Mathematical Society	Johnson & Wales University
Amica Mutual Insurance Company	KVH Industries, Inc.
Amtrol, Inc.	Lighthouse Computer Services, Inc.
A.T. Cross Company	Mahr Federal
Bay View Academy	The Moore Company
Beacon Mutual Insurance Company	Newport Harbor Corp.
Blue Cross Blue Shield of Rhode Island	Nortek, Inc.
Bluff Head Enterprises, Inc.	Nulco Lighting
Brown University	On Semiconductor
Care New England	Ocean State Job Lot
Child & Family Services	Pilgrim Title Insurance Company
Citizens Financial Group, Inc.	Providence College
Conanicut Marine	Providence Mutual Fire Insurance Co.
Cox Communications	Providence Washington Insurance Solutions
Cranston Print Works Company	Rhode Island Economic Development Corp.
CVS	Rhode Island Medical Imaging
Delta Dental of Rhode Island	South Coast Health
Douglas Lumber	South Shore Mental Health
Dryvit Systems, Inc.	State of Rhode Island
Ferland Corporation	Stedman & Kazounis
Gem Plumbing	Toray Plastics (America), Inc.
Gilbane Building Company	Town of South Kingstown
GTECH Corporation	Tradesource, Inc.
Harmony Hill School	Westerly Hospital
Hasbro, Inc.	

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