New Benchmarking Data for Employers and Plan Sponsors

According to a recent publicly available benchmarking report from the United Benefit Advisors group (UBA) from the fall of 2016, the average annual health plan cost per employee for all plan types was $9,727 in 2016, a slight decrease from 2015, when the average cost was $9,736. Though overall costs are holding nearly steady, employers are shifting more of the cost to employees, lowering their share from $6,403 in 2015 to $6,350 in 2016. Employees have seen their average costs edge up from $3,333 in 2015 to $3,378 in 2016 (**Table 1**).

Table 1. Healthcare cost breakdowns for employers and employees, by plan type, 2016

Plan type	Total cost	Employee cost	Employer cost
PPO	$10,164	$3,520	$6,614
HMO	$8,886	$3,186	$5,700
POS	$10,248	$4,207	$6,041
CDHP	$9,391	$2,979	$6,412
EPO	$10,141	$3,567	$6,574
All plans (average)	$9,727	$3,378	$6,350

Source: UBA, October 2016

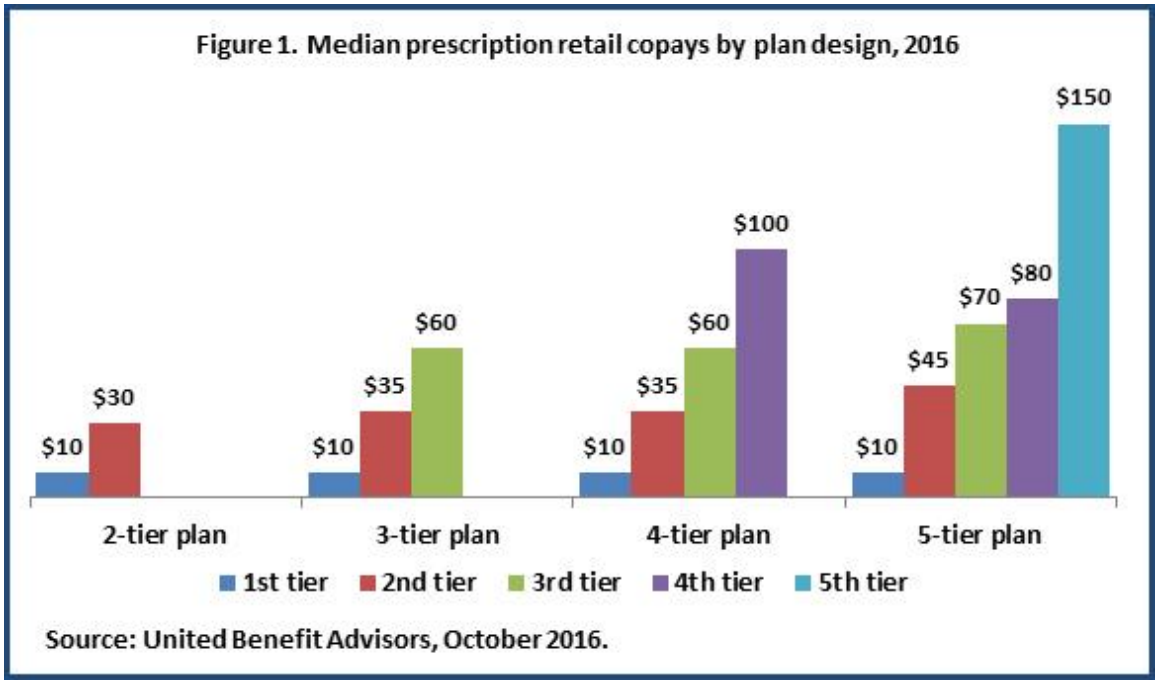
Further, more than half (53.4%) of all employers offer one health plan to employees, while 28.3% offer two plan options, and 18.3% offer three or more options. The percentage of employers now offering three or more plans (up 4.5% from 2015) is of particular interest since it represents nearly a 22.7% increase over the past five years.

Here are further important highlights from the survey that may be beneficial:

- Health maintenance organizations (HMOs) are 9% less costly than the average plan, and their costs actually have decreased 6% from 2015. This produces significantly more savings from 2015 when HMOs were only 3% less expensive than the average plan. However, HMO prevalence and enrollment has remained flat for the last three years, indicating that neither employers nor employees are flocking to these offerings.
- Conversely, consumer-directed health plan (CDHP) costs have risen 2% from 2015. So while they are still 3.5% less costly than the average plan, they offered more savings in 2015 when they were 5.6% less than the average plan.
- Preferred provider organizations (PPOs) continue to cost more than the average plan – 4% more in 206, up from 3% in 2015. Despite this, PPOs still dominate the market in terms of plan distribution and employee enrollment (though they have seen a 4% decrease in prevalence and a 9.2% decrease in enrollment in three years).

- Only 1.7% higher than the average plan cost in 2015, point of service (POS) plans are a full 5.2% more expensive than average in 2016. Representing a very small percentage of the market, POS plans have seen no growth in three years.
- Total costs per employee for the retail, construction, and hospitality sectors are 4.3% to 10.7% lower than the average, making employees in these industries among this workforce combined with less rich plans. It's noteworthy, however, that in 2016 these perennial cost leaders didn't have the same savings as in 2015, when they were 8.6% to 21.2% less expensive than average, indicating that costs are rising even in this sector. Employees in the retail and construction sectors pay 6.5% and 7.1% above the average employee contribution, respectively, so employers bear less of the already low costs in these industries; hospitality employees pay slightly less than the average employee contribution.
- The government sector again has the priciest plans, costing on average $11,443 per employee. In addition to offering the richest plans, government employers also passed on the least cost to employees – government employees' average contribution is 21% less than average. But this actually includes a significant increase – their contributions, which were 45.2% below average in 2015, jumped 26.6%. This change may demonstrate that even government employers can't continue to fund their historically generous offerings.
- Median in-network deductibles for singles and families across all plans remain steady at $2,000 and $4,000, respectively. When out of network, families again are being hit hardest; their median deductible has risen from $6,000 in 2014 to $7,000 in 2015 to $8,000 in 2016. Singles, who had seen no increase for two years at a $3,000 median out-of-network deductible, are now seeing a 13.3% increase to $3,400. Both singles and families are facing continued increases in median in-network out-of-pocket maximums (up $440 and $300, respectively, to $4,400 and $9,000).
- Premium renewal rates (the comparison of similar plan rates year over year) have increased an average of 5.9% for all plans – up from 2015's 5.6% increase. Average premiums for all employer-sponsored plans are $509 for single coverage and $1,236 for family coverage. For an employee electing single coverage, employers cover 71% of the monthly premium; meanwhile, employers are only covering 54% of a family premium.
- Almost half; 45.2% of all covered employees elect dependent coverage, a 5.4% decrease over the last two years. Health care employers have the highest percentage of employees with dependent coverage (51%), while the technology sector has the least (37%).
- Domestic partner benefits are not provided by 57.3% of all employers, the first decrease (6.5%) seen in four years. More than one-third (35.8%) of all plans provide coverage for both same-sex and opposite-sex domestic partners, a 19.3% increase from 2015. Larger employers (1,000-plus employees) provide the most same-sex domestic partner coverage, with 48.5% of their plans offering this benefit. The hospitality and technology industries also provide the most same-sex domestic partner coverage (46.7%, 46%, and 67.9%, respectively).
- More than half (53.6%) of prescription drug plans have four or more tiers, while 46.4% have three or less. Increased tiering defrays the cost of more expensive drugs, so it's not surprising that it's a rapidly growing cost-control strategy.
- Employers are also moving away from copay-only payment structures, favoring coinsurance and blended copay/coinsurance models to further contain costs. A little more than half (54.5%) of prescription drug plans utilize copays only, down from 61.5% in 2015, while nearly 40% of plans have coinsurance/blended models, an increase of nearly 16% from 2015.
- Median retail copays have remained unchanged: $10/$30 for two-tier plans, $10/$35/$60

for three-tier plans, and $10/$35/$60/$100 for four-tier plans (**Figure 1**).



In 62.7% of plans, employees are required to pay more when they elect brand-name drugs over an available generic drug (a 7% increase from 2014); 39.1% of those plans require the added cost even if the physician notes “dispense as written.” And 34% of plans offer no added cost coverage for brand name drugs (down 8.6% from 2015).

Please contact your Conner Strong & Buckelew account representative toll free at 1-877-861-3220 with any questions.