



Perceptions of Health Benefits in a Recovering Economy: A Survey of Employees

National Press Club
July 26, 2012

Helen Darling
President & CEO

Karen Marlo
Vice President, Benchmarking & Analysis





Why we conducted this survey

- Over three years of recession and a slow recovery have left many employers and the overall economy struggling.
- Yet employers continue to make a significant investment in the health of their employees: they pay on average almost \$9,000 per active employee per year* for health care as well as dedicate additional resources for wellness programs focused on improving employee health.
- With the recent Supreme Court ruling upholding the Affordable Care Act and a future that will now include insurance exchanges, employers are further challenged to assess their health benefits investment, especially in the context of total rewards.



Why we conducted this survey (continued)

- The National Business Group on Health commissioned Mathew Greenwald and Associates to understand:
 - How important are health benefits to employees compared to other elements of total compensation?
 - What do employees value most about their benefits and specifically their health coverage – low cost sharing, low premiums, choice of plans or other options?
 - How knowledgeable are employees about the investment that their employer makes?
 - How satisfied are employees with their health benefits? and
 - How do employees view the additional investment that employers are making through a variety of wellness programs?

Study methodology

- Mathew Greenwald & Associates, Inc. was responsible for drafting the questionnaire, managing the data collection, tabulating and analyzing the results and preparing this report of study findings.
- Some questions were repeated from The National Business Group on Health's 2007 *Employees and their Health Benefits: Perceptions, Values and Trade-offs*, in order to analyze trends in employee attitudes.
- The 2012 survey was conducted online using ResearchNow's panel and included 1,545 total respondents.
- Respondents were screened to ensure that:
 - Each has health insurance coverage from their employer or union
 - Work for an employer with at least 2,000 employees
 - Are involved in health care decision making in their household
 - Between the ages of 22 and 69

Demographics of respondents

		<u>National</u> (n=1,545)			<u>National</u> (n=1,545)
Gender	Male	51%	Education	High school or less	5%
	Female	49		Some college/ trade school	27
Age	22 to 29	16%	Household income	College degree (4-yr)	41
	30 to 39	22		Graduate degree	27
	40 to 49	26		Under \$50,000	16%
	50 to 59	25		\$50,000 - \$74,999	20
	60 to 69	10		\$75,000 - \$99,999	19
Ethnicity*	African-American	11%	\$100,000 - \$149,999	21	
	Asian	6%	\$150,000 or more	15	
	Hispanic	11%	(Declined to answer)	8	
	White	74%			
	Other	2%			

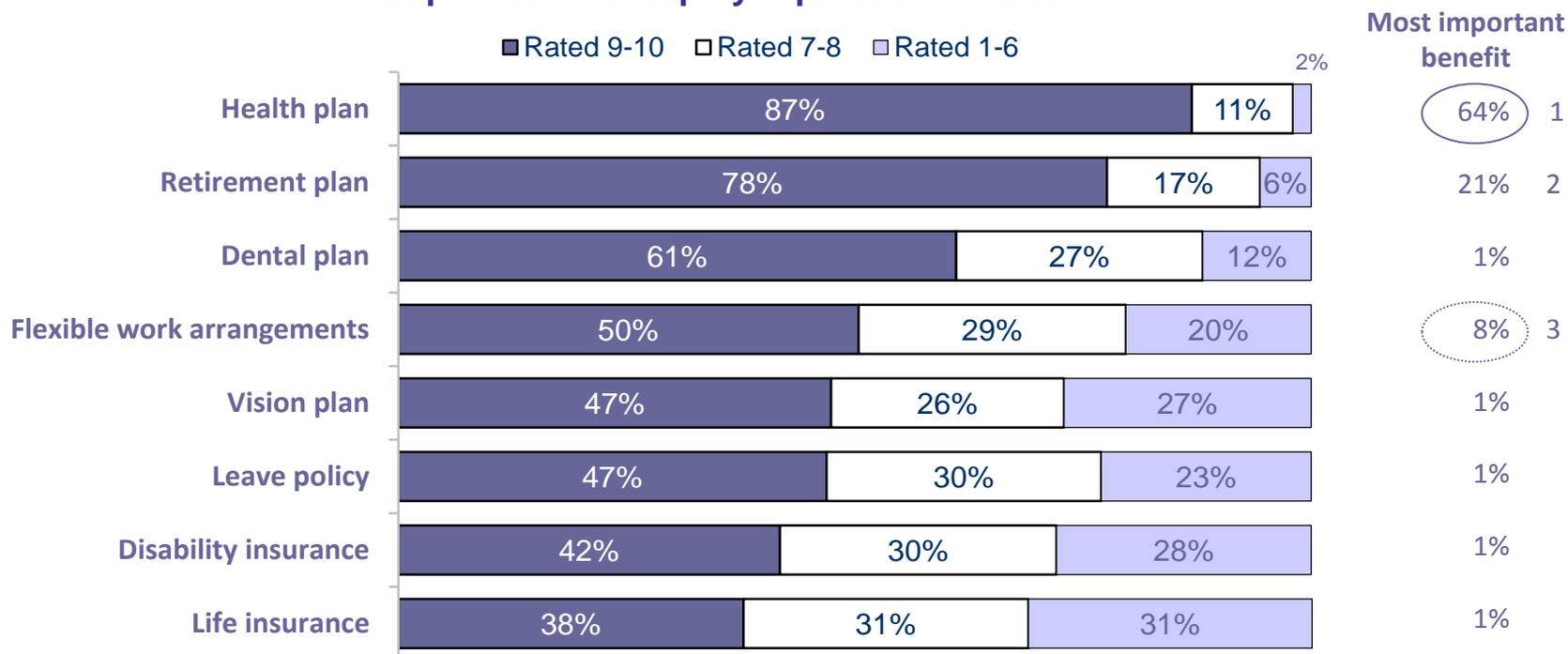
* Multiple responses allowed

How important are health benefits to employees compared to other elements of total compensation?

- The importance of good benefits has grown since 2007 and benefits remain a key factor for employees' decision about taking a job or staying in a job.
 - 79% of respondents rated good benefits as a very Important aspect of their job, compared to 74% in 2007.
 - 78% indicated competitive salary is very important, up from 68% in 2007.
- Similar to 2007, health coverage remains the most important employee benefit.
 - 87% of employees rated their health plan as very or extremely important, similar to the 84% who did so in 2007.
 - 78% of respondents rated retirement plan as extremely/very important, up 63% in 2007.

How important are health benefits to employees compared to other elements of total compensation?

Importance of employer-provided benefits



What do employees value most about their health coverage? Are there trade-offs?

- Only one in three employees has any appetite for reducing health benefits to improve retirement benefits.
 - 36% are at least somewhat willing to accept a reduction in health benefits to increase retirement benefits. Only 27% were willing to reduce retirement benefits to increase health benefits.
- Employees more likely to accept reduced health benefits to increase their salaries (44%) than reduce salaries to improve health benefits (21%).
- Employees are most willing to reduce retirement benefits, least willing to have salaries reduced.
 - 46% of respondents preferred reduce retirement benefits to either a salary reduction or health benefit reduction. 32% preferred the reduction to be in health benefits and 22% a reduction in salary.

What do employees value most about their health coverage?

- Employees prefer low premium costs over reduced cost-sharing or choice of plans
 - 54% of respondents preferred low premium costs to low copays for doctor visits or low copays for prescriptions.
 - 60% preferred low premium costs to a choice of health plans.
- Three features tied to satisfaction with health coverage: Very good coverage for serious illness; Reasonable premium; Reasonable out-of-pocket for doctor visits
 - Over 90% of the extremely satisfied respondents indicated their plan had these features.

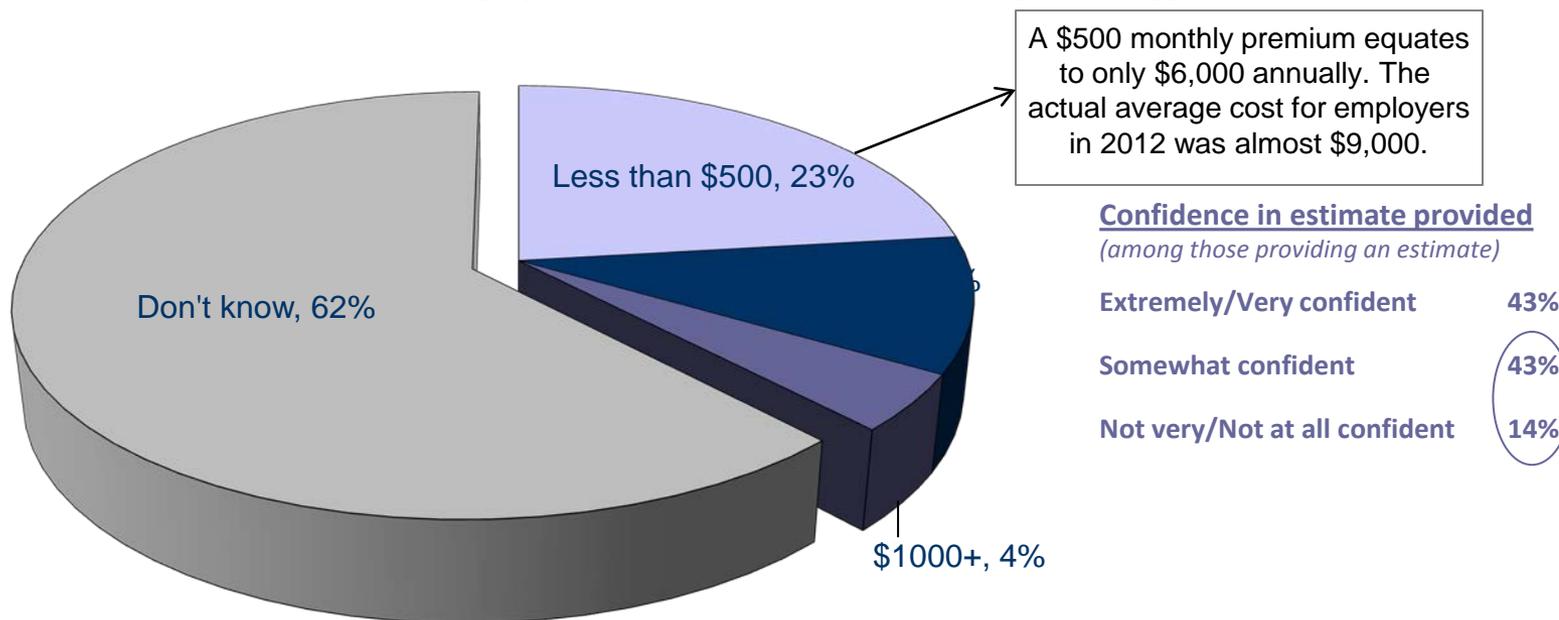
How knowledgeable are employees about the investment that their employer makes?

- Most employees (62%) are unable to estimate how much their employers pay for their health benefits.
 - 23% think it is less than \$500 per month.
 - Of the approximately 40% who could estimate coverage, the majority were only somewhat confident in their ability to estimate.
- Employees were more confident in estimating their own monthly health care costs.
 - Only 15% were unable to estimate costs and of those who estimated cost, less than 30% were not very confident in their estimate.

How knowledgeable are employees about the investment that their employer makes?

Just four in ten can estimate their employer's contribution to their health care premium. Most of those are, at best, somewhat confident in their estimate.

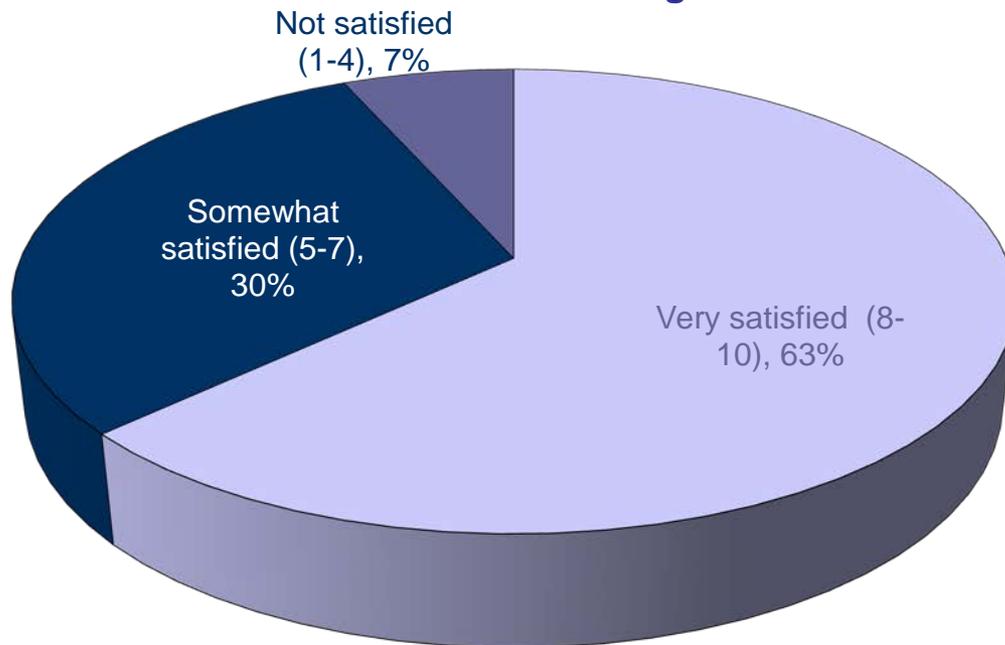
Amount employer pays for health care premium (monthly)



How satisfied are employees with their health benefits?

Over 60% are very satisfied with their health plan, less than 10% of respondents are not satisfied.

Overall satisfaction with current employer-provided health coverage



Overall satisfaction rating

10 -Extremely satisfied	17%
9	25%
8	21%
7	18%
6	7%
5	5%
4	4%
3	2%
2	1%
1 – Extremely dissatisfied	1%



How satisfied are employees with their health benefits?

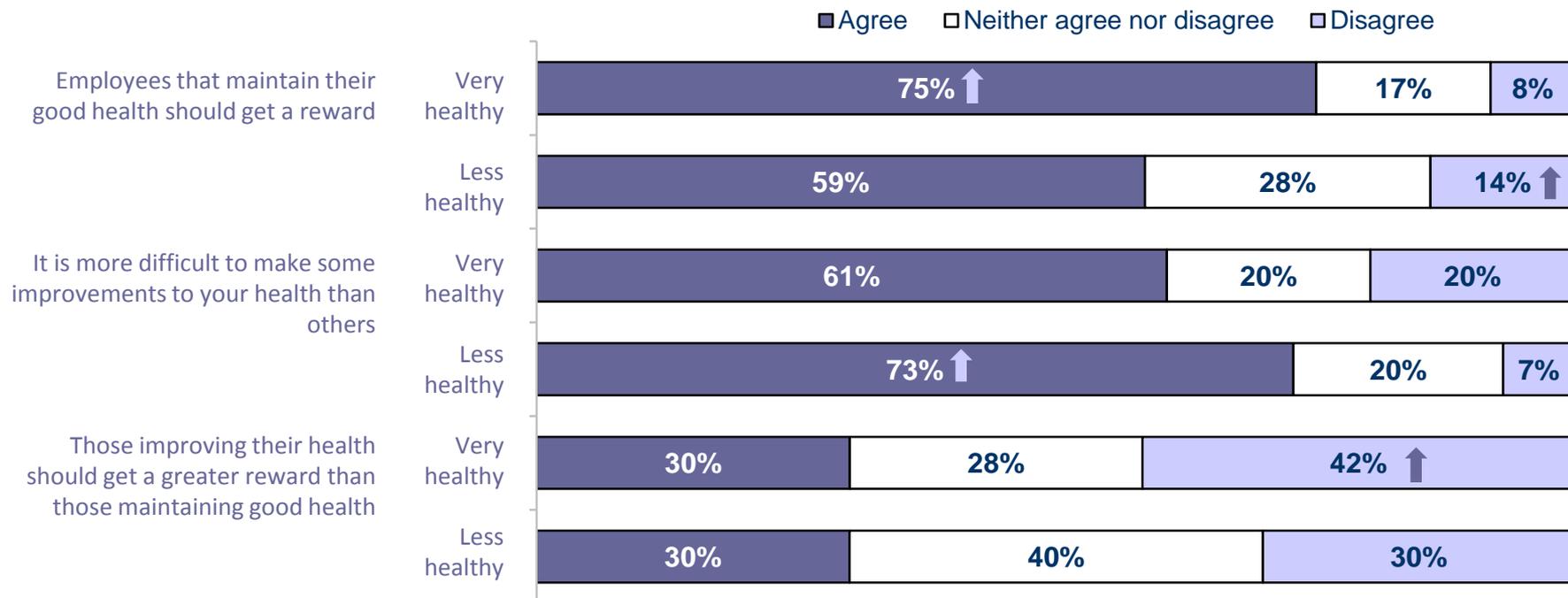
- Despite higher premium costs and high out-of-pocket costs, compared to three years ago:
 - 35% had higher satisfaction levels with their health coverage.
 - 53% had similar satisfaction.
- A third of employees are not confident in their ability to shop for any insurance on their own:
 - 53% not confident that they could purchase the same or better insurance on their own.

How do employees view the additional investment that employers are making through a variety of wellness programs?

- Biometric screenings are the most important wellness programs, but others are valued similarly.
 - 39% of employees rated biometric screenings as very important, 31% valued exercise programs and on-site fitness centers as very important.
 - However, 35% do not consider any of these programs to be very important.
 - Interestingly, less healthy employees see many of the programs as more important than those in excellent health.
- Employees accept the employer's role in offering wellness programs. 77% agree that employers are right to offer wellness programs in an effort to control health care costs.

How do employees view the additional investment that employers are making through a variety of wellness programs?

The less healthy employees are highly sensitive to the difficulties of changing some health habits. However, they are not convinced that those making health improvements should be rewarded more than those maintaining good health.



↑↑ result significantly higher than for comparison group.

The Health Index is based on responses to a series of questions including height/weight – converted to BMI, current smoker, frequency of exercising, have a chronic health condition, and take Rx for at least 3 months.

Question: Do you agree or disagree with the following statements about wellness programs...?

(2012 Very healthy n=373, Less healthy n=567)

Source: National Business Group on Health, Perceptions of Health Benefits in a Recovering Economy, 2012.



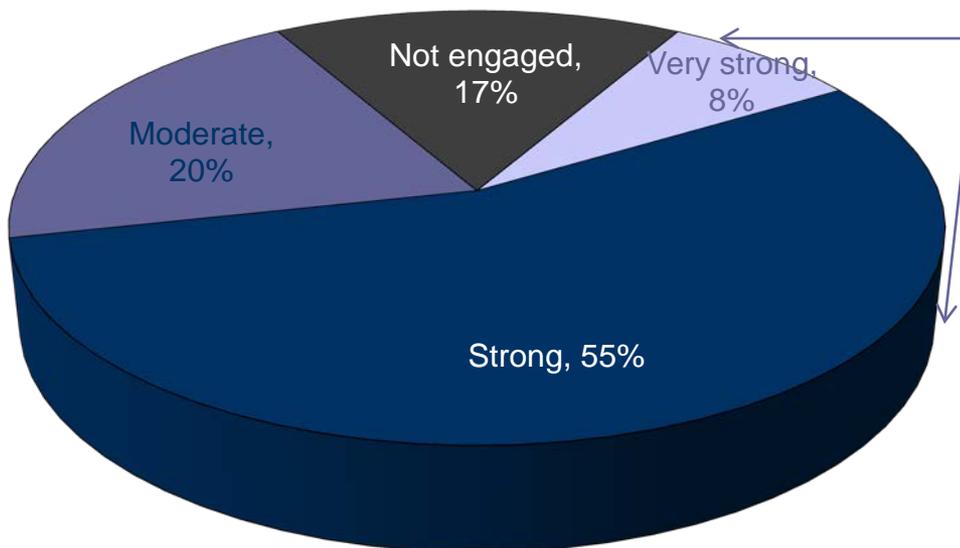
How do employees view the additional investment that employers are making through a variety of wellness programs?

- Employees oppose linking the cost of their health plan to wellness program participation or improved health.
 - 62% of employees oppose charging employees more for health coverage if they do not participate in wellness programs.
 - Over 80% of employees favor offering a financial reward to employees that meet specific health goals but only 29% favor charging employees more for health coverage if they don't meet health goals.
 - 68% oppose requiring employees to participate in a wellness program in order to qualify for health insurance.

Engagement index

Satisfaction with one's health coverage has a clear relationship to employee engagement. As engagement levels fall, satisfaction also falls.

Index of Employee Engagement



Net 63%
strongly
engaged

**Satisfaction with health coverage
by Engagement Index**

<u>Engagement Index</u>	<u>Mean satis- faction</u>
Very strongly engaged	8.7
Strongly engaged	8.0
Moderately engaged	7.3
Not engaged	7.1

The Index of Employee Engagement is based on the mean of all responses to the battery of 8 questions regarding aspects of their connection to their work, with 1 meaning very strongly engaged and 5 meaning not at all engaged. The classifications shown above are defined as: Less than 1.5=Very strong, 1.5-2.49 = Strong, 2.5-2.9=Moderate, and 3+ = Low.

Source: National Business Group on Health, Perceptions of Health Benefits in a Recovering Economy, 2012.

What employers can do

- Employers have long believed that health benefits are important to recruitment and retention of talent, as part of total rewards for employees.
- It is still likely that competition for talent, especially for skills that are hard to find, means that employers must provide good health benefits. But given how expensive health benefits have become, employers will want to weigh carefully the value proposition and balance cash wages, health benefits, retirement options and other benefits.
- With the recent deterioration in employee retirement funds and home values, retirement benefits increased in importance from 2007 to 2012.
- Employers should routinely review their Total Rewards strategy and do more focused assessment of what their own workforce would find motivating.

What employers can do (continued)

- Given that employees are paying more and more of the tab for health benefits, it is surprising that they do not fully understand the costs they are bearing or their employers are paying in lieu of wages or other benefits. Employers need to educate employees about the total investment they are making in their health, including the true cost of health insurance and the additional wellness programs they offer.
- Moreover, given that we know that health services and thus their costs may not add value to the employee and may even be harmful or risky, employees would undoubtedly benefit from knowing a) more about the costs and thus foregone wages and other benefits of health care and b) how much of those costs are not improving their health.
- Even so, despite not understanding the true cost of health benefits, employees are satisfied with health insurance coverage and skeptical of their own ability to find good coverage on their own.
 - The idea of moving to state run exchanges would not be appealing to these respondents.

What employers can do (continued)

- Employees see a role for employers in wellness programs.
 - Messages that make the connection between healthy employees and lower health care costs will resonate with employees.
- Employers also need to make a case for the importance of wellness programs and lifestyle changes and how poor health not only hurts the people directly affected but also drives up everyone's costs, making care increasingly unaffordable.