

EMPLOYER HEALTH BENEFITS  
2012 ANNUAL SURVEY

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Employer  
Opinions and  
Health Plan  
Practices

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SECTION

14

## EMPLOYER OPINIONS AND HEALTH PLAN PRACTICES

EMPLOYERS PLAY A SIGNIFICANT ROLE IN HEALTH INSURANCE COVERAGE – SO THEIR OPINIONS AND EXPERIENCES ARE IMPORTANT FACTORS IN HEALTH POLICY DISCUSSIONS. EMPLOYERS WERE ASKED HOW THEY VIEW DIFFERENT APPROACHES TO CONTAINING COST INCREASES, THE PREVALENCE OF FLEXIBLE SPENDING ACCOUNTS (FSA) AND SECTION 125 PLANS, AND WHETHER THEY SHOPPED FOR A NEW INSURANCE CARRIER RECENTLY.

### EMPLOYER OPINIONS ON COST CONTAINMENT

Firms offering health benefits were asked to rate how effective several different strategies, such as tighter managed care restrictions, higher employee cost sharing, or disease management programs, would be in reducing the growth of health insurance costs. Relatively few firms rate any of the suggested strategies as “very effective” at controlling costs (between 15% and 25%, depending on the strategy). Roughly one third of firms (between 28% and 37%) report that each of the approaches we asked about would be “somewhat effective” at controlling cost growth (Exhibit 14.1).

### SHOPPING FOR HEALTH COVERAGE

More than one-half (54%) of firms offering health benefits reported shopping for a new health plan or a new insurance carrier in the past year, suggesting that the market is quite dynamic (Exhibit 14.4). Among firms that shopped, 18% changed insurance carriers and 27% reported changing the type of health plan provided to employees. There were no significant differences between small firms (3 to 199 workers) and larger firms on any of these measures (Exhibit 14.5).

### PRE-TAX PREMIUM CONTRIBUTIONS

Forty-one percent of small firms (3 to 199 workers) and 91% of larger firms have a plan under section 125 of the Internal Revenue Service Code (sometimes called a premium-only plan) to allow employees to use pre-tax dollars to pay for their share of health insurance premiums (Exhibit 14.2).

### FLEXIBLE SPENDING ACCOUNTS

Seventeen percent of small firms (3 to 199 workers) and 76% of larger firms offer employees the option of contributing to a flexible spending account (or FSA). FSAs permit employees to make pre-tax contributions that may be used during the year to pay for eligible medical expenses (Exhibit 14.2).

### WORKPLACE HEALTH CLINICS

Twenty-two percent of firms with 1,000 or more employees have an on-site health clinic at at least one of their major locations to treat employees for work-related or non-work-related conditions. Among firms with health clinics, about 3 in 4 (76%) provide treatment for non-work-related medical conditions (Exhibit 14.6).

## EXHIBIT 14.1

Among Firms Offering Health Benefits, Distribution of Firms' Opinions on the Effectiveness of the Following Strategies to Contain Health Insurance Costs, by Firm Size, 2012

	Very Effective	Somewhat Effective	Not Too Effective	Not At All Effective	Don't Know
<b>Tighter Managed Care Restrictions*</b>					
All Small Firms (3–199 Workers)	16%	28%	23%	29%	4%
All Large Firms (200 or More Workers)	8	41	32	17	2
<b>ALL FIRMS</b>	<b>15%</b>	<b>28%</b>	<b>24%</b>	<b>29%</b>	<b>4%</b>
<b>Consumer-Driven Health Plans (Ex: High-Deductible Plan Combined with a Health Savings Account)</b>					
All Small Firms (3–199 Workers)	25%	37%	21%	10%	6%
All Large Firms (200 or More Workers)	29	40	18	11	2
<b>ALL FIRMS</b>	<b>25%</b>	<b>37%</b>	<b>21%</b>	<b>10%</b>	<b>6%</b>
<b>Higher Employee Cost Sharing*</b>					
All Small Firms (3–199 Workers)	17%	29%	25%	25%	4%
All Large Firms (200 or More Workers)	21	34	29	15	<1
<b>ALL FIRMS</b>	<b>17%</b>	<b>29%</b>	<b>25%</b>	<b>25%</b>	<b>4%</b>
<b>Disease Management Programs</b>					
All Small Firms (3–199 Workers)	24%	37%	23%	11%	5%
All Large Firms (200 or More Workers)	32	42	19	6	1
<b>ALL FIRMS</b>	<b>24%</b>	<b>37%</b>	<b>23%</b>	<b>11%</b>	<b>5%</b>

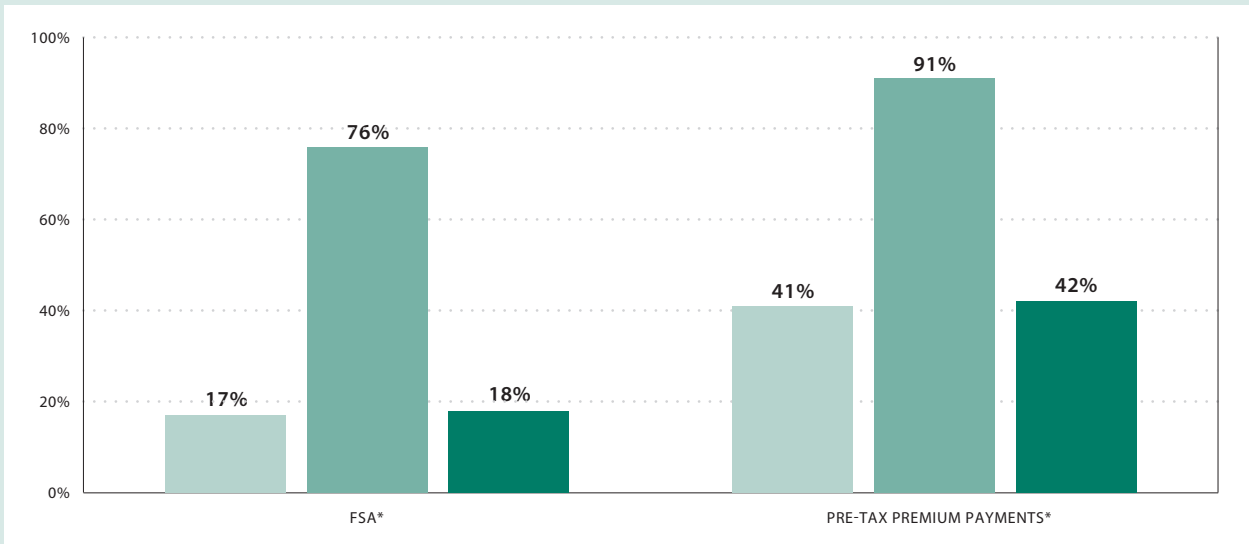
## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

\* Distributions are statistically different between All Small Firms and All Large Firms within category ( $p < .05$ ).

EXHIBIT 14.2

Among Firms Offering Health Benefits, Percentage of Firms Offering Flexible Spending Accounts and Pre-Tax Employee Premium Contributions, By Firm Size, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

- ALL SMALL FIRMS (3-199 WORKERS)
- ALL LARGE FIRMS (200 OR MORE WORKERS)
- ALL FIRMS

\* Estimate is statistically different between All Small Firms and All Large Firms within category ( $p < .05$ ).

Note: Section 125 of the Internal Revenue Code permits employees to pay for health insurance premiums with pre-tax dollars. Section 125 also allows the establishment of flexible spending accounts (FSAs). An FSA allows employees to set aside funds on a pre-tax basis to pay for medical expenses not covered by health insurance. Typically, employees decide at the beginning of the year how much to set aside in an FSA, and their employer deducts that amount from the employee's paycheck over the year. Funds set aside in an FSA must be used by the end of the year or are forfeited by the employee. FSAs are different from HRAs and HSAs. Nineteen percent of firms responded "not applicable" when asked if they allow the establishment of a section 125 plan. For example, some firms may pay for 100 percent of the cost of coverage.

## EXHIBIT 14.3

Among Firms Offering Health Benefits, Percentage of Firms Offering Flexible Spending Accounts and Pre-Tax Employee Premium Contributions, By Firm Size, 2007, 2010, and 2012

Offers Flexible Spending Accounts (FSAs)			
	2007	2010	2012
All Small Firms (3–199 Workers)	13%	12%	17%
All Large Firms (200 or More Workers)	70%	74%	76%
<b>ALL FIRMS</b>	13%	13%	18%
Pre-Tax Employee Premium Contributions			
	2007	2010	2012
All Small Firms (3–199 Workers)	38%	40%	41%
All Large Firms (200 or More Workers)	91%	90%	91%
<b>ALL FIRMS</b>	39%	41%	42%

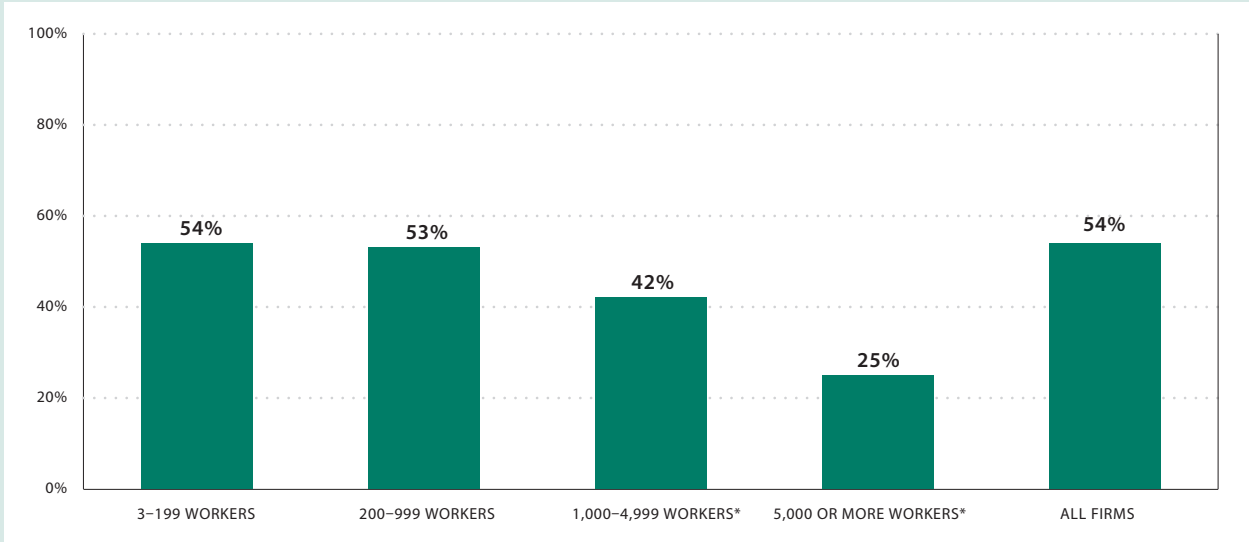
## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007, 2010, and 2012.

Note: Tests found no statistical difference from previous year shown ( $p < .05$ ). Section 125 of the Internal Revenue Code permits employees to pay for health insurance premiums with pre-tax dollars. Section 125 also allows the establishment of flexible spending accounts (FSAs). An FSA allows employees to set aside funds on a pre-tax basis to pay for medical expenses not covered by health insurance. Typically, employees decide at the beginning of the year how much to set aside in an FSA, and their employer deducts that amount from the employee's paycheck over the year. Funds set aside in an FSA must be used by the end of the year or are forfeited by the employee. FSAs are different from HRAs and HSAs. Nineteen percent of firms responded "not applicable" when asked if they allow the establishment of a section 125 plan. For example, some firms may pay for 100 percent of the cost of coverage.

EXHIBIT 14.4

Percentage of Firms Offering Health Benefits That Shopped For a New Plan or Health Insurance Carrier in the Past Year, by Firm Size, 2012



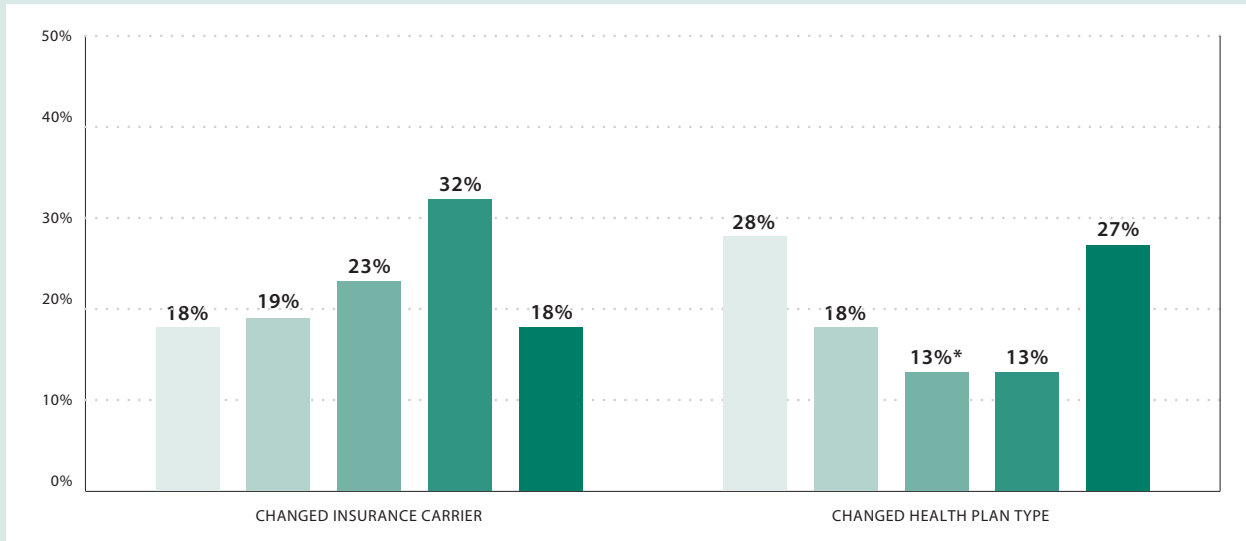
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

\* Estimate is statistically different within size category from estimate for firms not in the indicated size category (p<.05).

EXHIBIT 14.5

Among Firms Offering Health Benefits That Shopped for a New Plan or Insurance Carrier, Percentage Reporting That They Changed Insurance Carrier and Health Plan Type in the Past Year, by Firm Size, 2012

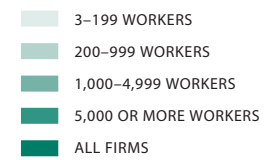


SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

\* Estimate is statistically different within category from estimate for firms not in the indicated size category (p<.05).

Note: The survey considers a firm to have changed health plan types when the plan switches one of the following categories: Conventional, HMO, PPO, POS, HDHP/SO.



## EXHIBIT 14.6

Among Offering Firms with 1,000 or More Employees, Percentage with On-Site Health Clinic, by Firm Size and Region, 2012

	Offers On-Site Health Clinic	At On-Site Clinic, Employees Can Receive Treatment for Non-Work-Related Illness <sup>‡</sup>
<b>FIRM SIZE</b>		
1,000–4,999 Workers	19%*	73%
5,000 or More Workers	33*	83
<b>REGION</b>		
Northeast	27%	69%
Midwest	24	72
South	23	84
West	10*	NSD
<b>ALL LARGE FIRMS (1,000 or More Workers)</b>	<b>22%</b>	<b>76%</b>

## SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

\* Estimate is statistically different from all firms not in the indicated size or region category ( $p < .05$ ).

<sup>‡</sup> Among firms that have an on-site health clinic at any of their locations.

NSD: Not Sufficient Data.