



All Employers — Oregon, West, National

A special report from the Mercer National Survey of Employer-Sponsored Health Plans 2003

After a fifth straight year of accelerating health benefit cost, employers stepped up cost management activities, slowing the overall increase in average per-employee cost to 10.1 percent (among employers with 10 or more employees), compared with an 14.7 percent increase in 2002. Still, general inflation for 2003 barely cracked 2 percent. Total health benefit cost averaged \$6,215 per employee in 2003, and is predicted to increase by 13 percent in 2004.

Number of participants

Oregon	57
West	539
National	2,981

Cost-shifting to employees was the primary source of savings, particularly among employers with the more generous plan designs. Employers added in-network PPO deductibles (70 percent require a deductible, up from 64 percent in 2002). The average HMO office visit copay reached \$15 with 20 percent of employers requiring copays of \$20 or higher. Employers requiring no employee contribution for employee-only PPO coverage fell from 46 to 43 percent, while those requiring none for HMO coverage fell from 46 to 38 percent.

Geographic regions used in survey



Using a scientific random sample and supplemental convenience sample, we collected data from 2,981 employers with 10 or more employees. The national and regional results are based on the random sample only and are weighted to be projectable. However, results from city, state, and their other special employer groups include the convenience sample and are unweighted. Results from those smaller samples are, therefore, valid only for the employers who responded, not for the entire population of these employer groups.

EMPLOYER PROFILE

1 Demographics

	Oregon	West	National
Average employee age	40	37	38
Percent of female employees	51%	54%	44%
Percent of union employees	18%	3%	4%

2 Coverage eligibility, election

	Oregon	West	National
Offer same-sex domestic partner coverage	52%	27%	15%
Percent of employees waiving coverage	8%	19%	19%

Percent of employees electing dependent coverage:

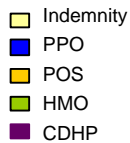
	Oregon	West	National
In traditional indemnity plan	80%	50%	47%
In Preferred Provider Organization (PPO)	53%	36%	45%
In Point-Of-Service (POS)	58%	36%	41%
In Health Maintenance Organization (HMO)	64%	39%	38%

MEDICAL PLAN PREVALENCE

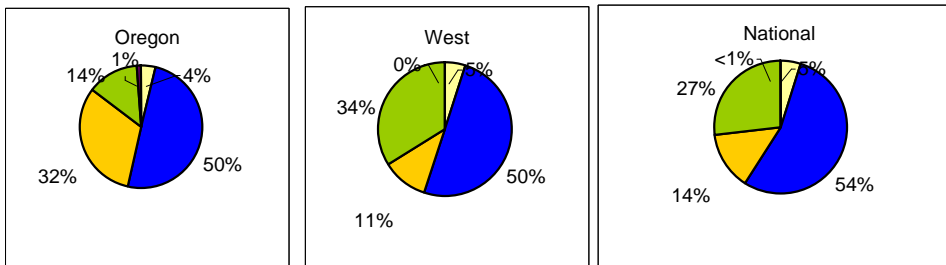
3 Prevalence and enrollment, by medical plan type

Percent of employers offering each type of medical plan

	Oregon	West	National
Indemnity	18%	9%	8%
PPO	77%	58%	57%
POS	23%	15%	21%
HMO	51%	41%	33%
Consumer-directed health plan (CDHP)	4%	0%	1%

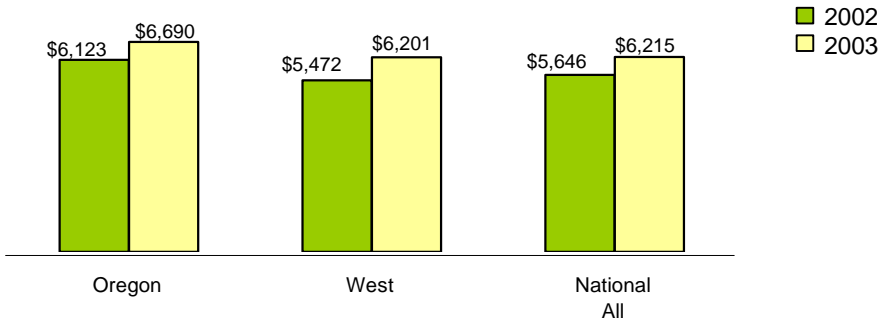


Percent of all covered employees enrolled in each type of medical plan



TOTAL HEALTH BENEFIT COST

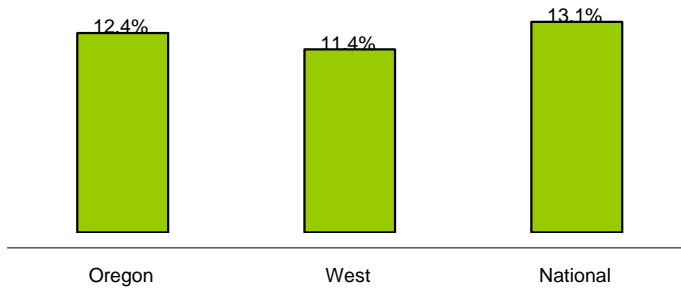
4 Average total health benefit cost* per employee



5 Expected average increase in total health benefit cost for 2004

Oregon	West	National
13.7%	14.6%	13.0%

6 Average total health benefit cost as a percentage of payroll for 2002



*Note: Total health benefit cost includes medical, dental, vision, prescription drug, and specialty benefits.

EMPLOYEE CONTRIBUTIONS

7 Individual coverage

Average monthly contribution for individual coverage (\$)

	Oregon	West	National
Indemnity	\$34	\$94	\$148
PPO	\$45	\$107	\$82
POS	\$64	\$95	\$115
HMO	\$26	\$105	\$101
Dental	\$19	\$18	\$22

Average monthly contribution for individual coverage (% of premium)

	Oregon	West	National
Indemnity	29%	42%	45%
PPO	18%	29%	27%
POS	33%	44%	39%
HMO	12%	37%	35%
Dental	48%	73%	72%

8 Family coverage*

Average monthly contribution for family coverage (\$)

	Oregon	West	National
Indemnity	\$151	\$204	\$275
PPO	\$224	\$390	\$381
POS	\$215	\$335	\$364
HMO	\$143	\$328	\$352
Dental	\$56	\$72	\$51

Average monthly contribution for family coverage (% of premium)

	Oregon	West	National
Indemnity	29%	38%	46%
PPO	37%	64%	58%
POS	35%	46%	54%
HMO	30%	60%	57%
Dental	58%	77%	74%

*Note: Family coverage is defined as coverage for employee, spouse and two children

STRATEGIC PLANNING

9 Changes to employee cost-sharing planned for 2004

Percentage of premium/plan cost contributed by employee

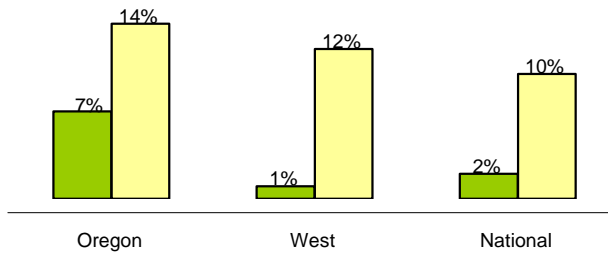
	Oregon	West	National
Will increase employee contribution percentage	42%	20%	25%
Will decrease employee contribution percentage	2%	2%	3%
No change	56%	78%	72%

Cost-sharing provisions – deductibles, copay/coinsurance, out-of-pocket maximum

	Oregon	West	National
Will increase cost-sharing provision amount(s)	38%	15%	23%
Will decrease cost-sharing provision amount(s)	2%	3%	2%
No change	60%	82%	75%

10 Offer online enrollment for 2004

- Only method
- Along with other methods

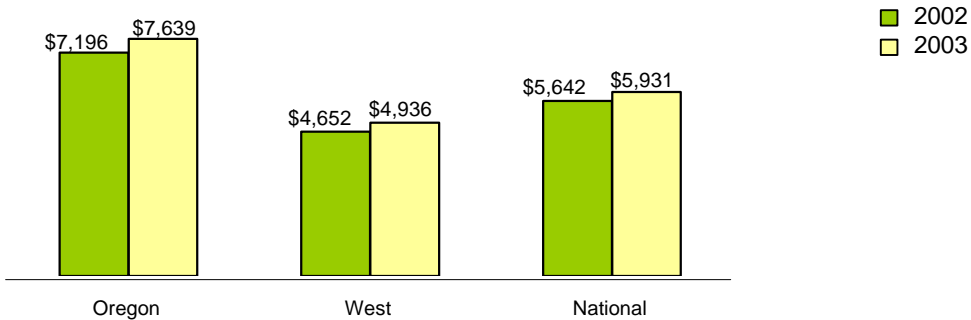


11 Other cost-management tactics

	Oregon	West	National
Participate in collective purchasing	7%	8%	9%
Utilize "networks within networks"	14%	12%	7%
Promote health care consumerism	44%	31%	39%

TRADITIONAL INDEMNITY PLANS

12 Average traditional indemnity plan cost per employee, for active employees



13 Traditional indemnity plan design

Comprehensive plan coinsurance — % employers requiring

	Oregon	West	National
None	20%	2%	11%
Less than 20%	20%	2%	5%
20%	60%	47%	60%
More than 20%	0%	50%	23%

Deductible for individual coverage

	Oregon	West	National
Median amount	\$275	ID ¹	\$500
% with no deductible	10%	22%	16%

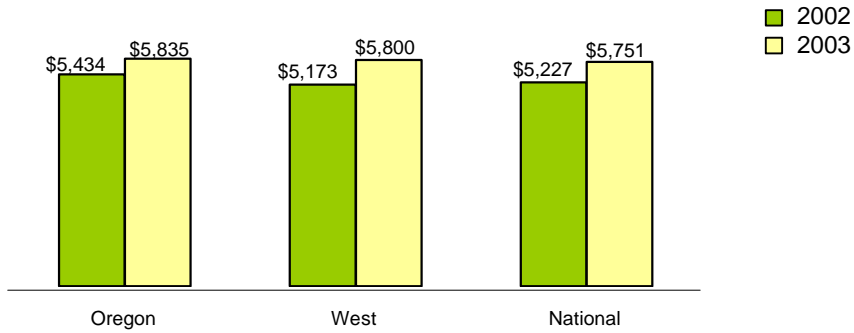
14 Median out-of-pocket limit for individuals



¹ ID = insufficient data

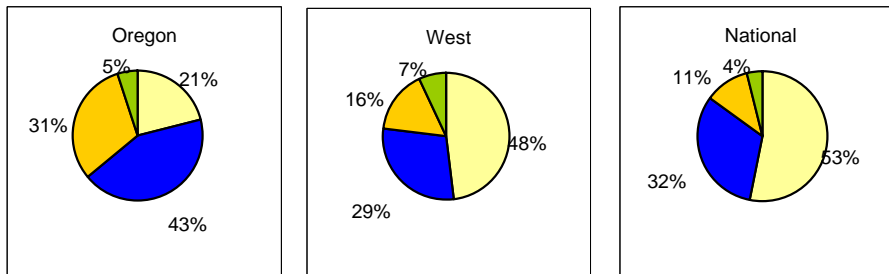
PREFERRED PROVIDER ORGANIZATION (PPO) - COST AND FUNDING

15 Average PPO cost per employee, for active employees



16 PPO funding method

- Conventionally insured
- Experience-rated
- Self-funded with stop loss
- Self-funded without stop loss



PREFERRED PROVIDER ORGANIZATION (PPO) - PLAN DESIGN

17 PPO plan design and administration

In-network physician visit cost sharing

	Oregon	West	National
Percent requiring copay	56%	80%	90%
Percent requiring coinsurance	39%	18%	8%
No cost sharing is required	5%	2%	3%
Median copay amount	\$15	\$20	\$15

Out-of-network physician visit cost sharing

	Oregon	West	National
Percent requiring coinsurance	93%	82%	78%
No cost sharing is required	0%	8%	5%
Median coinsurance amount	30%	30%	30%

18 Deductibles

Individual deductible

	Oregon	West	National
Percent requiring for in-network services	79%	76%	70%
Median in-network deductible	\$250	\$500	\$500
Percent requiring for out-of-network services	88%	70%	83%
Median out-of-network deductible	\$250	\$500	\$500

Family deductible

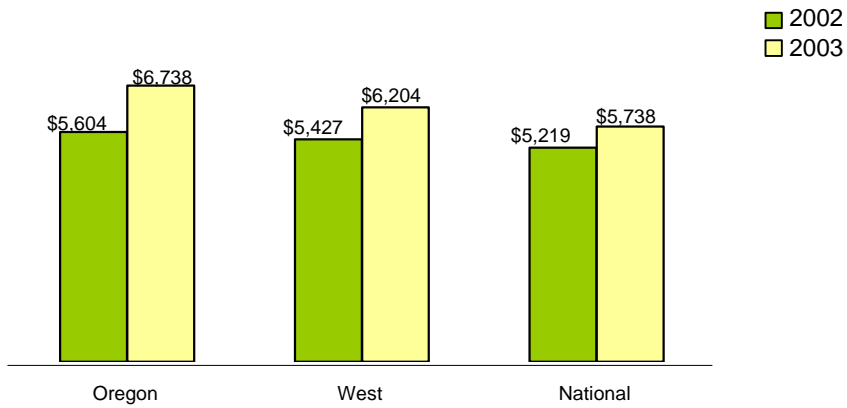
	Oregon	West	National
Percent requiring for in-network services	78%	78%	67%
Median in-network deductible	\$600	\$1,000	\$1,000
Percent requiring for out-of-network services	88%	67%	80%
Median out-of-network deductible	\$750	\$1,000	\$1,200

19 Out-of-pocket maximums for individuals

	Oregon	West	National
Median for in-network services	\$1,500	\$2,300	\$2,000
Median for out-of-network services	\$3,000	\$4,500	\$3,000

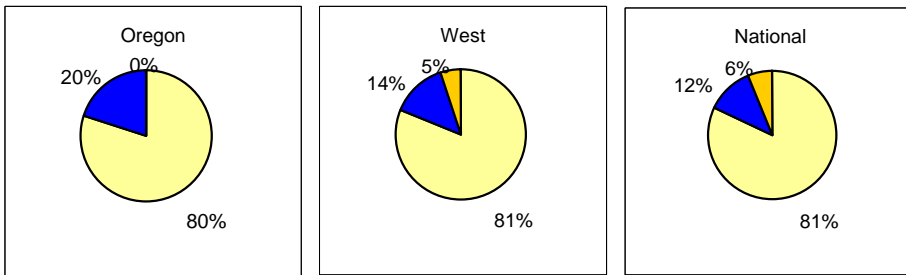
POINT-OF-SERVICE PLANS (POS) - COST AND FUNDING

20 Average POS plan cost per employee, for active employees



21 POS plan funding method

- Insured
- Self-funded
- Hybrid



POINT-OF-SERVICE PLANS (POS) - PLAN DESIGN

22 POS plan design and administration

In-network physician visit cost sharing

	Oregon	West	National
Percent requiring copay	100%	98%	95%
Percent requiring coinsurance	0%	0%	2%
No cost sharing is required	0%	2%	3%
Median copay amount	\$15	\$15	\$15

Out-of-network physician visit cost sharing

	Oregon	West	National
Percent requiring coinsurance	77%	53%	62%
No cost sharing is required	0%	22%	12%
Median coinsurance amount	30%	40%	25%

23 Deductibles

Individual deductible

	Oregon	West	National
Percent requiring for in-network services	31%	36%	40%
Median in-network deductible	\$100	ID ¹	\$500
Percent requiring for out-of-network services	69%	49%	72%
Median out-of-network deductible	\$250	\$500	\$500

Family deductible

	Oregon	West	National
Percent requiring for in-network services	31%	53%	41%
Median in-network deductible	\$300	ID ¹	\$1,000
Percent requiring for out-of-network services	69%	43%	70%
Median out-of-network deductible	\$750	\$1,000	\$1,000

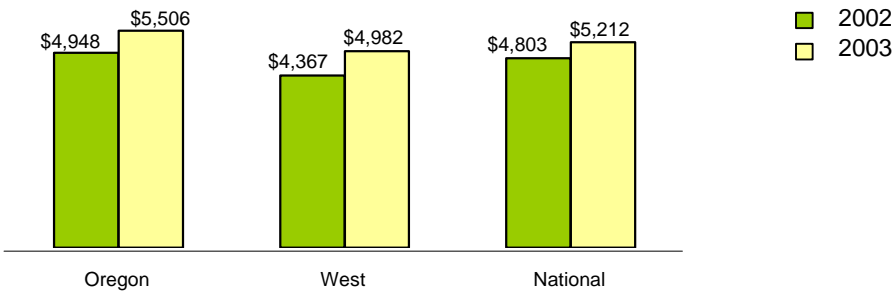
24 Out-of-pocket maximums for individuals

	Oregon	West	National
Median for in-network services	\$1,000	\$1,000	\$1,500
Median for out-of-network services	\$2,550	\$3,000	\$2,500

¹ ID = insufficient data.

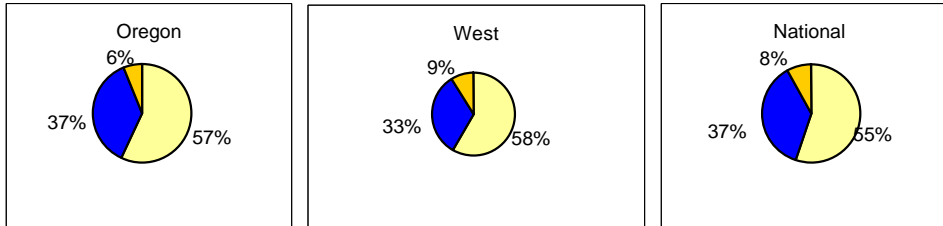
HEALTH MAINTENANCE ORGANIZATION (HMO)

25 Average HMO cost per employee, for active employees



26 HMO funding method

- Insured – community-rated
- Insured – experience-rated
- Self-funded



27 Average percent of employees enrolled in HMOs among employers offering HMOs

Oregon	West	National
49%	84%	82%

28 HMO copays and deductibles

Physician copays

	Oregon	West	National
Percent requiring physician copay	97%	100%	99%
Average copay amount	\$12	\$14	\$15

Emergency room visit copay

	Oregon	West	National
Percent requiring emergency room visit copay	97%	81%	87%
Median copay amount	\$50	\$50	\$50

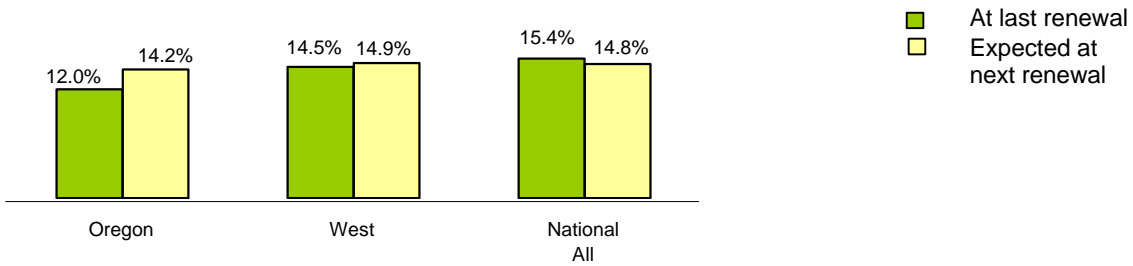
Hospital deductible

	Oregon	West	National
Percent requiring hospital deductible	46%	48%	50%
Median deductible amount	\$250	\$300	\$250

*among employers offering HMO(s)

PRESCRIPTION DRUG (RX) PLANS*

29 Cost change for prescription drug benefit



30 Offer a prescription drug plan

	Oregon	West	National
Retail card	55%	60%	69%
Mail-order	90%	75%	80%

31 Employee cost-sharing requirements for prescription drug plans

Retail card

	Oregon	West	National
One copay for all drugs	4%	4%	8%
2 copays: generic, brand	12%	24%	28%
3 copays: generic, formulary, non-formulary	44%	47%	50%
Coinsurance	36%	7%	6%
Other	4%	18%	8%

Mail-order

	Oregon	West	National
One copay for all drugs	14%	8%	9%
2 copays: generic, brand	19%	24%	26%
3 copays: generic, formulary, non-formulary	40%	49%	52%
Coinsurance	21%	4%	4%
Other	7%	15%	9%

32 Copayments in prescription drug plans

Average copayment among employers with three-tier plans

Retail card

	Oregon	West	National
Generic	\$12	\$11	\$11
Brand-name formulary	\$22	\$24	\$22
Brand-name non-formulary	\$33	\$38	\$38

Mail-order

	Oregon	West	National
Generic	\$14	\$14	\$14
Brand-name formulary	\$27	\$30	\$29
Brand-name non-formulary	\$46	\$52	\$51

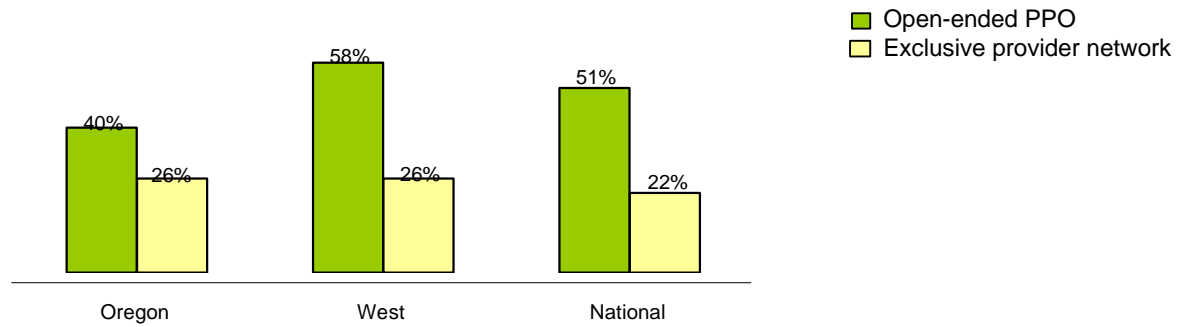
*In employers' primary plan

DENTAL AND OTHER BENEFITS

33 Average cost of dental coverage, per employee



34 Type of dental plan offered



35 How dental coverage is provided

	Oregon	West	National
Part of medical plan	25%	35%	28%
Freestanding plan	77%	65%	73%

36 Provide employee assistance program

	Oregon	West	National
	68%	17%	19%

37 Offer vision coverage

	Oregon	West	National
	70%	35%	25%

DENTAL AND OTHER BENEFITS contd**38 Long-term care (LTC) coverage**

Offer LTC coverage to:

	Oregon	West	National
Active employees	32%	10%	8%
Retired employees	11%	2%	1%
Parents of actives or retirees	16%	0%	1%
No LTC coverage offered	67%	89%	92%

39 Flexible spending accounts (FSA)**Health care FSA**

	Oregon	West	National
% offering health FSA	73%	26%	23%
Average participation	29%	38%	36%

Dependent care FSA

	Oregon	West	National
% offering dependent care FSA	76%	27%	21%
Average participation	6%	14%	14%

40 Infertility coverage

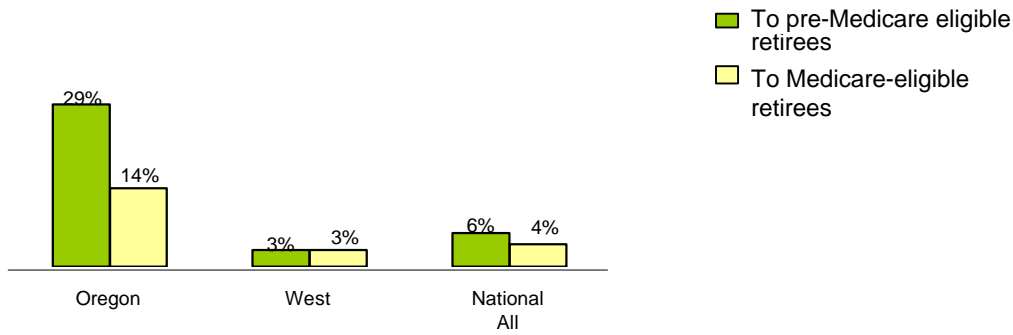
	Oregon	West	National
Evaluation by a specialist	48%	26%	28%
Drug therapy	27%	16%	18%
In vivo fertilization	18%	5%	9%
In vitro fertilization	16%	6%	9%
Advanced reproductive procedures	5%	3%	4%
No infertility services are covered	50%	72%	70%

41 Alternative medicine therapies

	Oregon	West	National
Acupressure/acupuncture	35%	33%	22%
Biofeedback	11%	9%	6%
Chiropractic	59%	60%	72%
Homeopathy	13%	16%	10%
Massage therapy	13%	12%	13%
No alternative medicine therapies are covered	31%	32%	25%

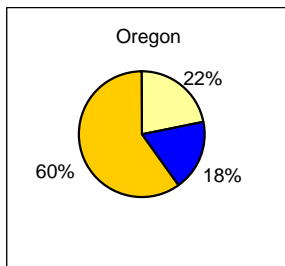
RETIREE HEALTH CARE

42 Offer retiree coverage*



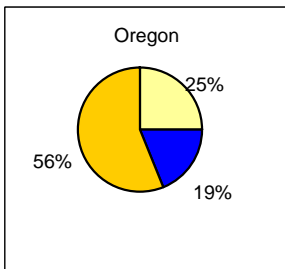
43 Contribution requirements for retiree-only coverage

Pre-Medicare eligible¹



- Employer pays all
- Cost is shared
- Retiree pays all

Medicare-eligible retirees¹



*to most retirees, on an ongoing basis (new hires will be eligible)

¹ West All and National All — insufficient data

RETIREE HEALTH CARE (contd)

44 Coverage provided

	Oregon	West	National
Outpatient prescription drug	100%	ID	ID
Dental - pre-Medicare-eligible	83%	ID	ID
Dental - Medicare-eligible	44%	ID	ID
Vision - pre-Medicare-eligible	88%	ID	ID
Vision - Medicare-eligible	62%	ID	ID

Definitions

1 **Total health benefit cost per employee** is the total gross cost for all medical, dental, prescription drug, MH/SA, vision and hearing benefits for all active employees and their covered dependents, divided by the total number of covered employees only. Total gross annual cost includes employee contributions but not employee out-of-pocket expenses.

2 **Medical plan cost per employee** is the total gross cost for medical plans, divided by the total number of covered employees. Prescription drug, mental health, vision and hearing benefits for all active employees and their covered dependents are included if part of the plan. Dental benefits, even if a part of the plan, are not included in these costs.

3 In a **Consumer-Directed Health Plan**, employees use employer-funded spending accounts to purchase routine health care services. Non-routine expenses are covered by traditional insurance. Online health and financial tools are provided.