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CONTACT:

Mary Ann Miller, APR
Mary Ann Miller Communications, LLC
for Henderson Brothers
(O) 412-366-6122 (c) 412-600-6367
maryann@maryannmiller.net

Jim Stewart, PHR
Benefits Division Manager
Henderson Brothers, Inc.
(o) 412-261-1842
jjstewart@hendersonbrothers.com

**CONSUMER DIRECTED HEALTH PLANS GROW IN POPULARITY; AREA BENEFIT
PLANS STILL PROVIDE MORE FOR THE MONEY THAN NATIONAL AVERAGE IN 2010**
*Annual Henderson Brothers Survey Analyzes Health Care Expenditures
for Mid-Sized Companies; Provides Options for Savings*

PITTSBURGH – October 6, 2010 – Although Pennsylvania ranks as one of the Top 10 states with the highest usage of sleep disorder medications in the country,* employees in Western Pennsylvania should sleep a *bit* better, knowing their money goes further here than in other parts of the country when it comes to healthcare costs, according to findings just released in the **Henderson Brothers' Sixth Annual Mid-Market Benefits Survey**.

This year, the average Preferred Provider Organization (PPO) healthcare plan, representing 70 percent of plans offered in the area, is six percent more generous in terms of value than the national plan average. Consumer Directed Health Plans (CDHP) are 13.3 percent more generous than those offered nationally, although PPO plans are .8 percent lower in value this year as compared to last, while CDHPs are lower by .7 percent than in 2009. Regionally, CDHPs are growing in popularity with 27 percent of companies now offering the plans, and some 33 percent considering offering them in 2011. CDHPs involve employees in the process of shopping and comparing the cost of health care services, which drive employees to spend more carefully and generally result in a reduction in overall spending.

* **Sleep Deprivation: Hidden Consequences, Hidden Costs.** *Medco Drug Trend Report (2010)*

Henderson Brothers, Inc.

920 Fort Duquesne Blvd.

Pittsburgh, PA 15222

T • 412 261 1842

F • 412 261 4149

E • info@hendersonbrothers.com



Page Two

The average monthly premiums for PPO plans in Western Pa. and nationally are listed below. Rates for PPOs increased locally and nationally this year by about seven percent, as compared to 2009. Rates for CDHPs rose at a lesser percentage. Deductibles for in-network and out-of-network services for both PPOs and CDHPs, however, were significantly less expensive regionally as compared to national rates – from a low of about 17 percent for out-of-network services in a CDHP, to 50 percent less for out-of-network services in a PPO.

PPO PREMIUMS REGIONALLY

\$388 for an individual
\$1,166 for a family

PPO PREMIUMS NATIONWIDE

\$413 for an individual
\$1,194 for a family

Generally, Western Pa. employees are paying \$78 of the \$388 for individual coverage and \$292 of the \$1,166 for family coverage. Employee contributions may go higher in 2011, however, as there is much uncertainty with regard to the impact of national health care reform on health care costs for the region. Of those surveyed, 29 percent expect an increase of 1 to 5 percent, while 30 percent expect rates to jump 6 to 10 percent and another 30 percent anticipate a rise of 11 to 15 percent in 2011.

Employer Cost-Saving Strategies

Employers are working hard to maintain the value provided to employees by their benefit programs, but many are finding they have to increase employee contributions, due to the continuing rise in costs. Nationally, on average, employers shoulder just under 60 percent of the cost for health care, with employees paying the remainder through employee contributions and out-of-pocket expenses.

Regionally, employers are using a number of strategies to cut cost:

- Nearly 40 percent of survey participants reduced costs by negotiating better rates with their current carrier
- 23 percent were able to keep costs down by changing providers
- More than a third has increased employee deductibles (34 percent)
- 43 percent has increased the percentage that employees pay toward their premiums
- Employee contributions for doctors office visits and prescription co-pays have increased 19 and 18 percent, respectively

Additional Findings

The Henderson Brothers Mid-Market Benefits Survey also found that more regional employers were providing additional benefits as compared to their national counterparts (followed by the percentage above the national findings) in a number of specific areas, including:



Page Three

- Vision care: +12
- Free Parking: +11
- University Tuition: +8
- Long-term disability: +7
- Flex time: +6
- Short-term disability: +5
- More medical information provided to employees through wellness programs: +5
- Paid time off: +4

Among the key issues impacting overall costs for health care benefits regionally and nationally are obesity:

- Adult obesity rates now exceed 25 percent in 31 states and 20 percent in 49 states
- Two-thirds of American adults are either obese or overweight
- The percentage of overweight children is at or above 30 percent in 30 states

...and an aging population:

- According to the Bureau of Labor Statistics, the proportion of older workers (55+) will increase from 12 percent in 2000 to 20 percent by 2025
- A 60-year-old worker requires eight times more light to see their work than a 20-year-old
- Approximately four in five health care dollars (78 percent) are spent on people with chronic conditions
- Over 60 percent of Medicare spending goes towards patients that have chronic conditions such as diabetes and heart disease, with the majority of money spent on hospitalizations

About the Survey

The 2010 Mid-Market Survey, conducted by the nation's largest actuarial firm in conjunction with regional firms such as Henderson Brothers, had more than 4,000 companies participate nationwide, representing more than 2.2 million employees in a variety of industries from healthcare, to manufacturing, transportation, education, finance and others, in 52 major markets across the country. Total healthcare spending for the group was \$22.7 billion. The 2010 survey will remain open to local employers through mid-October, who can still secure personalized benchmarking results for their company at no cost. To participate in the survey, go to the [2010 Mid-Market Benefits Survey](http://www.hendersonbrothers.com) at www.hendersonbrothers.com.

About Henderson Brothers

Henderson Brothers, founded in 1893 in Pittsburgh, was formed primarily to serve the insurance needs of the river industry. Since that time, the company has diversified into virtually all areas of insurance and risk management, employee benefits and all lines of commercial, personal property and casualty insurance. The company offers insurance and services through nearly 100 of the nation's largest and most respected insurance companies. For more information about Henderson Brothers, visit www.hendersonbrothers.com.

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