

**CORPORATE HEALTH CARE POLICY FORECAST SURVEY**  
**SEPTEMBER 2008**

**MILLER  
CHEVALIER**  


Miller & Chevalier Chartered

  
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# Executive Summary

With the upcoming Presidential and Congressional elections, the public can expect candidates to focus on health care issues and reforms, including proposals that would fundamentally change employer-sponsored health benefits and potentially increase costs for companies and their workers.

In light of the critical issues involved, the **Miller & Chevalier/American Benefits Council Corporate Health Care Policy Forecast** survey was designed to measure the perspectives of leading corporate benefit executives on the direction of health care policy in 2009. This survey includes respondents from a broad cross-section of large U.S.-based companies, 75% of which are Fortune 500 and/or Global 100 businesses.

The conclusions of the survey are dramatic. Regardless of their company's size, geography, industry or even the respondent's own political affiliation, corporate benefit executives say they are concerned about three crucial health care policy matters. Industry professionals:

- overwhelmingly support maintaining ERISA's strong preemption framework;
- want a greater focus on health care quality and cost; and
- worry about the negative effect of altering the tax treatment for their employees' health benefits.

## Highlights of the Miller & Chevalier/American Benefits Council 2008 Corporate Health Care Policy Forecast include:

- Employers understand that continuing to provide health care to their employees is very important. 87% of respondents think employees would prefer to get health insurance through employers even if similarly priced options were available through other sources.
- **Respondents overwhelmingly support maintaining ERISA standards (91%) and oppose regulation of employer-sponsored health plans at the state level (84%).**
- Although the Presidential candidates have spent a considerable and appropriate amount of time discussing health care coverage issues, respondents say **they would like to see more focus on cost (58%) and quality (74%) issues.**
  - In an open-ended question asking respondents to identify their company's single biggest health care burden, 47% of respondents cite cost-related concerns.
- Respondents overwhelmingly point to improvements in health care quality, such as disclosure of medical outcomes and "pay for performance" (76%), and promotion of information technology (64%) as the areas that could have the most positive impact on their workforce.
- Corporate benefit executives would like to see some help from the government in the reporting of health care quality outcomes and cost transparency (38% of respondents) and health information technology (21%).
- **92% of respondents said their companies have adopted wellness or chronic care programs.**
- While respondents say they expect to comply with new mental health parity requirements if enacted, they can not independently shoulder all the costs. **39% of respondents said their company will increase employee premium contributions, 24% will make other adjustments to offset any cost increase, and 11% will do both.**
- 46% of respondents say requiring employers to "pay or play" (a proposal of Democratic Presidential Candidate Barack Obama) would have a strong negative affect on their workforce.
- 74% of respondents say that a repeal of the employee tax exclusion for employer-sponsored health coverage (a proposal of Republican Presidential Candidate John McCain) would have a strong negative impact on their workforce.
- **Respondents clearly rejected the assertion that altering the tax exclusion for employer provided health coverage would not affect employer sponsorship of plans.** Only 4% of all respondents said the current tax treatment for workers is of "little or no importance" in continuing employer provided coverage.
- If employees would be taxed on the cost of health insurance over a certain threshold, **respondents indicated that employers would be compelled to reduce the level of coverage for workers. 32% believe their companies would either immediately or gradually reduce benefits and 59% responded that their companies would offer a new plan option with less generous benefits.**

# Verbatims

In an open forum for comment and feedback, respondents were asked to share their thoughts on the biggest health care burdens to their company. Overwhelming, the responses related to concerns about health care cost and quality issues. The following represent select verbatims received from survey respondents.

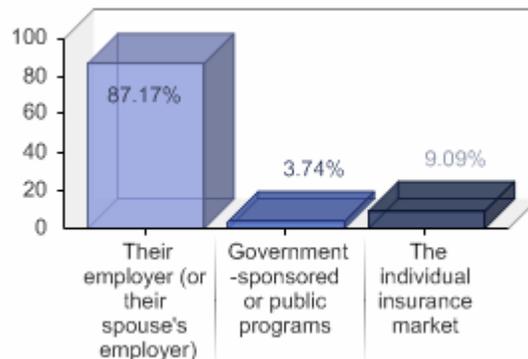
- *Let's go back to the basics -- simple, appropriate care, quality care and healthy lifestyles with risk mitigation strategy.*
- *There are limited affordable options in the market for pre-65 retirees, and the problem of coverage for this group is only going to get worse as this population grows.*
- *Stop overregulating the health care field. The cost of complying increases the cost of delivering services.*
- *There lacks a cohesive approach to providing health care services that gets patients to the correct services quickly and avoids unnecessary diagnosis and unjustified and defensive treatments that often create worse problems for the patient. We are somewhat out of control at the moment.*
- *There is no interest or financial reason for the healthcare system to correct errors and eliminate waste.*
- *There is a lack of transparency. It is imperative that employees and employers have robust quality and cost data.*
- *It is crucial that reform address the issue of why health care is so expensive. Merely expanding access doesn't get at the issue of why people can't afford to have coverage.*
- *There are unrealistic expectations promised by candidates for office without fully disclosing the longer-term impact their solutions will have on taxes and the overall economy.*
- *Obesity is the biggest burden on our health care costs.*
- *Designing a plan that is both sufficient and cost-efficient is a challenge. Offering a plan with all the "bells and whistles" would be ideal but at what point does the employer cut off coverage? Do you place a million dollar cap on your plan, just when it is most obvious that that is when the employee needs the coverage the most? This ethical/moral question is the hardest to answer.*
- *It would help if there were access to a government-run health program for early retirees (e.g., at age 55 let early retirees buy-in to Medicare).*
- *Allow employers more flexibility to tie financial incentives and hiring practices to lifestyle behaviors.*
- *Create a true national market instead of state markets.*

# Corporate Health Care Policy Forecast Results

Respondents were asked to complete a short questionnaire designed to measure their thoughts and perspectives on the direction of health care policy for business in 2009. The following charts represent the collective input of 187 respondents to the survey. A full overview of the survey methodology can be found at the end of this report.

## 1. Assuming the cost to the employee was about the same, through what source do you think your employees would prefer to get health coverage? (Select one option)

Responses	%
Their employer (or their spouse's employer)	87.17%
Government-sponsored or public programs	3.74%
The individual insurance market	9.09%

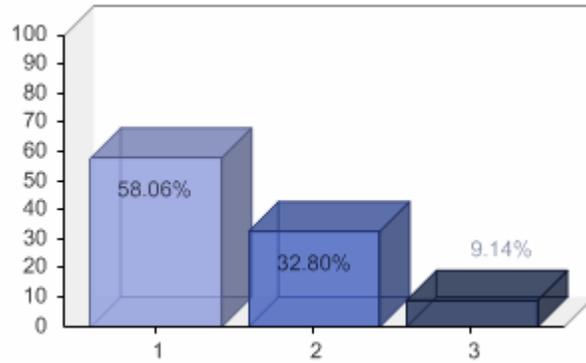


- Consistent with other recent surveys saying employees are highly satisfied with the value of their coverage, most respondents (87%), regardless of their company's size, location, industry or the respondent's political affiliation believe employees prefer to get health coverage through their employer or their spouse's employer.
  - 84% of respondents from large companies (more than 50,000 covered lives) and 83% of respondents from small companies (fewer than 1,000 covered lives) agree, demonstrating the broad consensus on this issue.
  - As further corroboration, a 2007 National Business Group on Health survey found that about three in four employees would prefer to get health benefits through their employer rather than getting additional salary to purchase their own.
  - The Employee Benefit Research Institute 2007 Health Confidence Survey reported that few Americans who currently have employment-based health benefits are confident they could afford coverage on their own, even if their employer gave them the money it currently spends on their insurance to help them pay for it.
  
- When it comes to the type of coverage employees expect, one respondent said *"There is a wide diversity in associate expectations - reflected in our geographic dispersion across the country, differences in treatment, purchasing preferences, family structure and status, as well as varying preferences. Some prefer lavish coverage and low or no contributions or point of purchase cost sharing. Others are oriented towards consumerism and prefer to minimize the portion of their total rewards spent on coverage. Still others prefer to source coverage from a spouse's employer's plan and use any available company financial support for other purposes."*

## 2. Health care reform

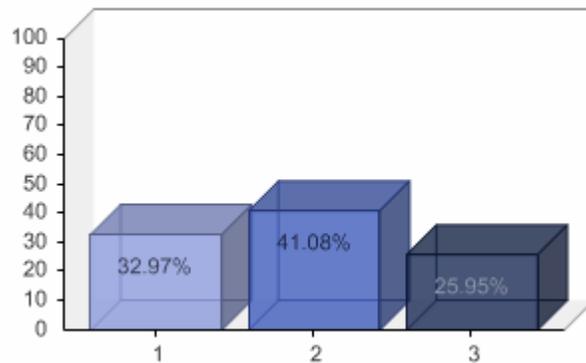
### 2(a). Do you think the current focus on health care cost is:

Responses	%
1 - Not enough	58.06%
2 - Appropriate	32.80%
3 - Too much	9.14%



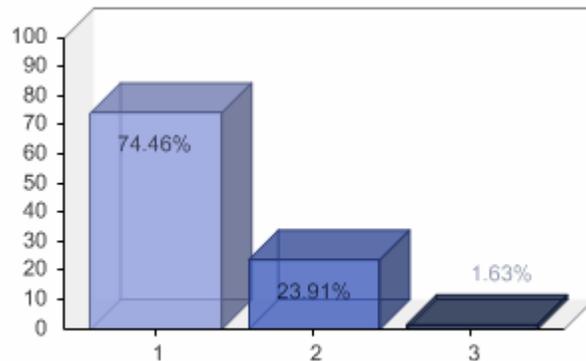
### 2(b). Do you think the current focus on health care coverage is:

Responses	%
1 - Not enough	32.97%
2 - Appropriate	41.08%
3 - Too much	25.95%



### 2(c). Do you think the current focus on health care quality is:

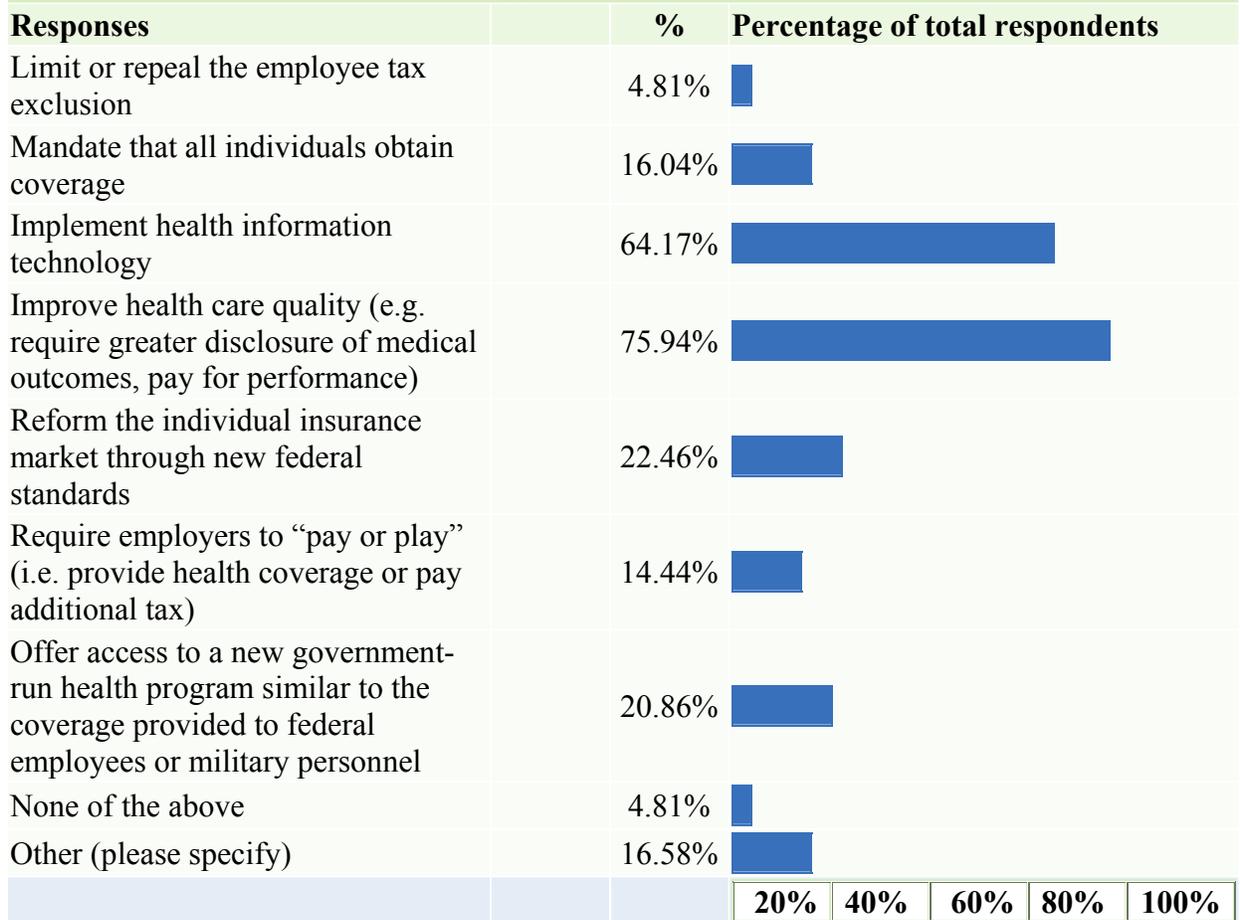
Responses	%
1 - Not enough	74.46%
2 - Appropriate	23.91%
3 - Too much	1.63%



- **Although political candidates have spent a considerable amount of time on health care coverage issues, corporate benefit professionals say that they would like to see more focus on cost and quality issues.**
  - A plurality of respondents say there has been an appropriate amount of discussion on health care coverage issues. However, the other two elements need greater attention.
- Significantly, of respondents from companies with a large number of covered lives in Massachusetts, which has recently implemented comprehensive health care reform, 45% say there is not enough attention on health care cost, 26% say there is not enough attention on health care coverage, and 76% say there is not enough attention on health care quality.

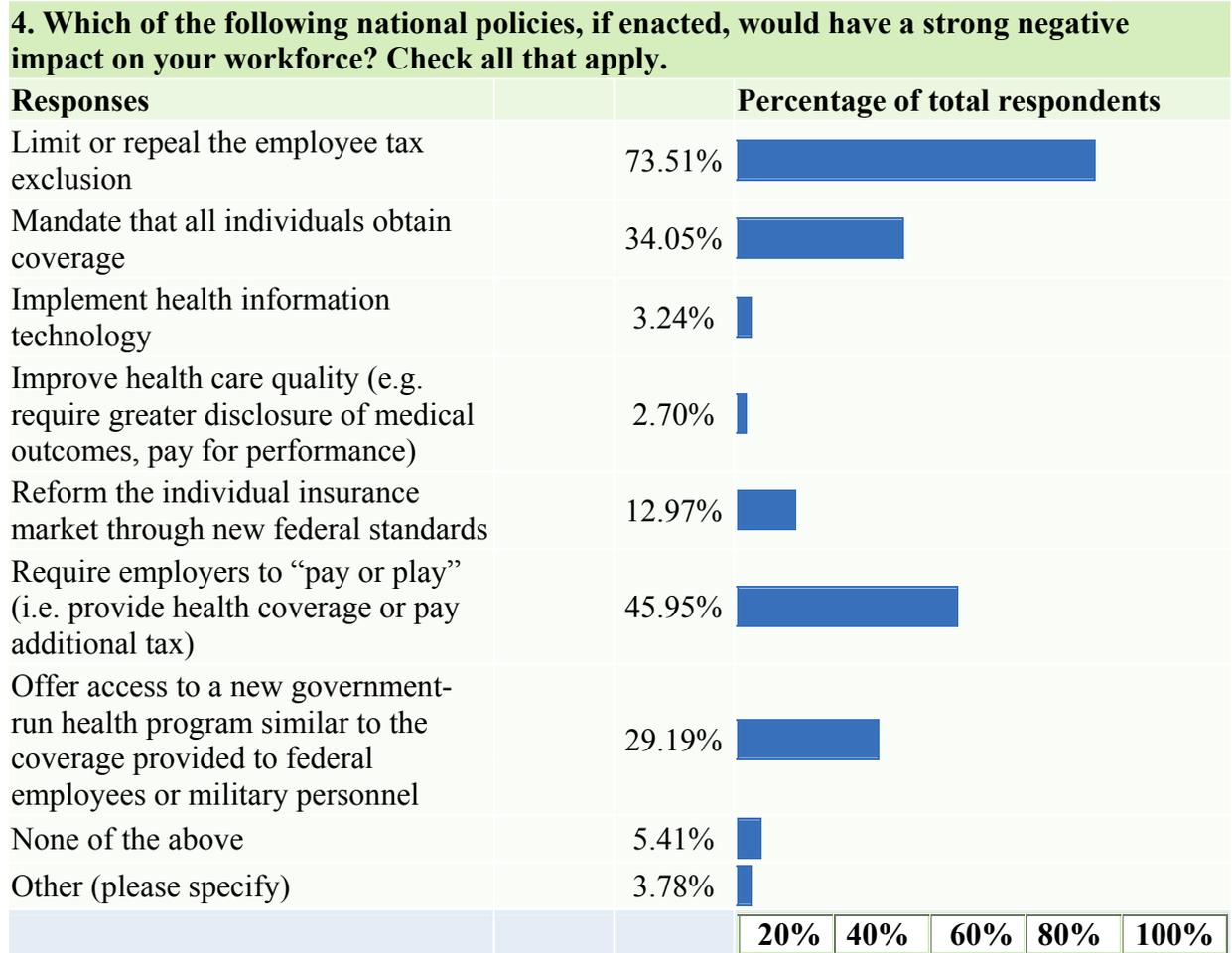
- **By a two to one margin, Democratic respondents are more concerned than Republican respondents about the amount of discussion on health care coverage. Only 23% of respondents identifying themselves as Republicans say there is not enough focus on coverage compared to 44% of those identifying themselves as Democrats and 41% of those identifying themselves as Independents.**
  - Respondents across the political spectrum are virtually identically aligned on the issue of health care quality, with 75% of Republicans, 75% of Democrats and 76% of Independents saying there should be greater discussion of quality issues.
- Evidently corporate benefits executives from larger companies are more attuned to quality issues than their counterparts in smaller companies. Of those respondents from companies with more than 50,000 covered lives, 80% say there is not enough discussion about quality issues; whereas just half (50%) of those from companies with 1 to 1,000 covered lives hold the same view.
- **In an open-ended question asking respondents to describe their company's single biggest health care burden, 47% cite cost-related concerns.**

**3. Which of the following national policies, if enacted, would have a strong positive impact on your workforce? Check all that apply.**



- **Respondents overwhelmingly point to improving health care quality, such as disclosure of medical outcomes and “pay for performance”(76%) and promotion of information technology (64%) as the areas that could have the most positive impact on their workforce.**
  - 22% of respondents point to reform and expansion of the individual market (an initiative supported by both Obama and McCain) as beneficial. Nearly twice the percentage (13%) who felt it would have a negative impact (see question #4).
- 87% of respondents with a significant number of covered lives in Massachusetts, a state which has recently implemented comprehensive health care reform, say that employing health information technology would make a significantly positive impact on their workforce.
- Large employers appear to be much more cognizant of the value of health information technology than their counterparts in smaller companies – presumably because of the greater use of health IT among bigger companies. Of those respondents identifying their company as a Fortune 500 or Global 100 company, 75% and 88%, respectively, say implementing health information technology would have a strong positive impact on their workforce, compared to 45% of respondents from companies with 1 to 1,000 covered lives.

- Two verbatim responses noted the need to change health policy incentives:
  - *Reform how providers are paid to reduce reverse incentives (i.e., paid for more services instead of getting and keeping patients well).*
  - *Measuring quality and adhering to national treatment protocols is not easy to determine. If we could cut out the waste and bureaucracy in the system, we'd be able to fund a first-class private health care system. Instead, we've created inflated pricing that we discount when we should determine fair pricing for services. We pay doctors and hospitals for poor service, mistakes and hospital acquired infections. This puts an unnecessary financial burden on the healthcare system that should be focusing on appropriate care and value based purchasing.*

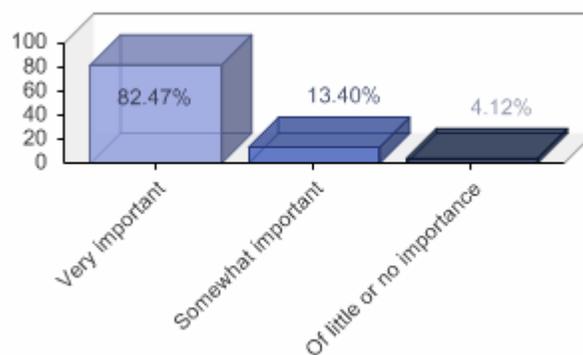


- **74% of respondents say that a repeal of the employee tax exclusion for employer-sponsored health coverage (a proposal of Republican Presidential Candidate John McCain) would have a strong negative effect on their workforce.**
  - Companies small and large alike agree that such a repeal should not be implemented. 65% of respondents from companies with fewer than 1,000 lives and 72% from companies with more than 50,000 lives think this repeal would cause significant harm to their workforces.
- **46% of respondents say requiring employers to “pay or play” (a proposal of Democratic Presidential Candidate Barack Obama) would have a strong negative impact on their workforce; more than three times the number (14%) who said it would have a strong positive impact on their workforce (see Question # 3).**
  - Of those respondents identifying their company as a Fortune 500 company, 55% say requiring employers to “pay or play” would have a strong negative impact.

- 34% of respondents believe requiring all individuals to have coverage would have a strong negative impact on their workforce.
  - Respondents identifying themselves as Independents perceive less of a negative impact from mandating individual coverage than either Republicans or Democrats. Only 23% of Independents say that mandating all individuals to obtain coverage would have a strong negative impact, compared to 47% of Republicans and 34% of Democrats. In the previous question (#3), 29% of Independents said mandating coverage would have a strong positive impact on their workforce, compared to just 10% of Republicans and 16% of Democrats.
- A roughly equal number of respondents believe that access to a new government-run health program similar to the coverage provided to federal employees or military personnel, (an Obama proposal) would have a strong positive impact (21% -- see Question #3) as those who believe it would have a strong negative impact (29%).
  - However, opinions on this matter differ greatly based on political affiliation. By a three to one margin, Republican respondents believe it would strongly negatively impact their workforce compared to 13% of Democratic respondents who hold the same view.
  - One respondent said: *"Name one government run healthcare program that works as promised and operates within budget,"* indicative of the skepticism of those concerned that government-run health programs mean increased costs and reduced services.
- Other verbatim responses discussing the policy changes that would have a strong negative impact on a company's workforce include:
  - *What is the penalty if we mandate coverage and the associate and/or company can't afford to pay for it?*
  - *Our workforce would be hurt by any policy disrupting the physician/patient relationship.*
  - *Eroding ERISA preemption would be the most negative to our workforce.*

**5. How important is maintaining the current employee tax exclusion for continuing employer-provided health care coverage? (Select one option)**

Responses	%
Very important	82.47%
Somewhat important	13.40%
Of little or no importance	4.12%
(Did not answer)	0%



- **Respondents said it is very important to maintain the current tax exclusion. Only 4% of all respondents said this benefit is of “little or no importance” in continuing employer-provided coverage. (Republican Presidential Candidate John McCain proposes to repeal the exclusion and replace it with a tax credit).**
  - Although Independents, Democrats and Republicans all believe, by significant majorities that maintaining the tax exclusion for workers is crucial, that sentiment was not quite as strong among Independents (72%) as is was among than Democrats (84%) and Republicans (88%).
  - Both small and large companies agree on the continuation of the tax exclusion, with 91% of respondents from companies with fewer than 1,000 covered lives and 94% of respondents from companies with more than 50,000 lives calling the provision somewhat or very important.

**6. If employees would be taxed on the total cost of health coverage over a certain threshold and the coverage you currently offered was over that threshold, how would your company respond? Check all that apply.**

Responses	%	Percentage of total respondents
We would immediately reduce health benefits to avoid tax to the employees	10.22%	
We would work to gradually bring our health benefits under the threshold	23.12%	
We would keep our health benefits the same and provide additional cash compensation to gross up employees for any tax they would owe	4.30%	
We would keep our health benefits the same but not provide any additional cash compensation to help employees pay any tax they would owe	48.39%	
We would add a new health plan option that would be under the threshold	59.14%	
Other (please specify)	10.22%	
		

- If employees are taxed on the total cost of health coverage over a certain threshold, which is under the level of current coverage, respondents say it will result in less generous benefits for employees.
  - **One third of respondents believe their company would reduce health benefits either immediately or gradually;**
  - **One half of respondents believe their company would retain the benefit package and not provide additional compensation to pay the tax owed; and**
  - **59% of respondents believe their company would also provide an option for a benefit plan with less comprehensive coverage.**
  - **The bottom line is such legislation will lead to less comprehensive coverage for workers.**
  
- **The notion that employers will pick up the tab for their employees is misguided. Only 4% of all respondents said they would keep current health benefits and provide additional cash compensation to help employees with any tax owed.**
  - Respondents from companies with fewer than 1,000 covered lives were almost twice as likely as respondents from companies with more than 50,000 covered lives to say they would keep health benefits the same but not provide any additional cash compensation to help employees pay any tax they would owe (61% compared to 34%). Responses from the benefits professionals from small and large companies were closely aligned on the other possible responses to a change in the tax treatment of health coverage.

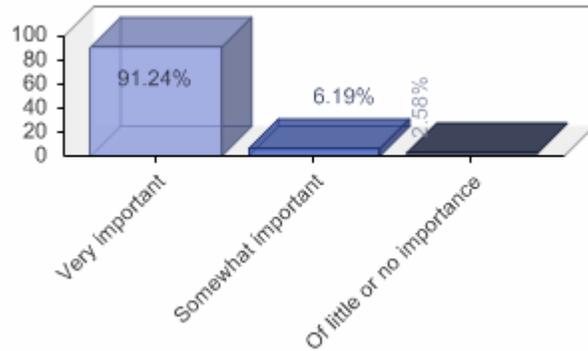
**7. Assuming that Congress adopts mental health parity requiring your company to have the same cost-sharing, deductibles, out-of-network benefits and day/visit limits on mental health that it does for medical/surgical benefits, what changes would your company likely make? Check all that apply.**

Responses	%	Percentage of total respondents
Lower the cost sharing for mental health benefits to match the current cost sharing for medical/surgical benefits	21.86%	
Increase the cost sharing for medical/surgical benefits to match the current cost sharing for mental health benefits	8.74%	
Eliminate the day/visit limits on mental health services	32.24%	
Add day/visit limits to medical/surgical benefits	4.37%	
Increase employee premium contributions	39.34%	
Increase out-of-network benefits for mental health to match out-of-network benefits for medical/surgical	18.58%	
Would not make any changes to plan design - the plan already has full parity (i.e., all benefits for mental health are EXACTLY the same as those currently offered for medical/surgical)	20.22%	
Make other adjustments to the health plan or total compensation to offset any cost increases resulting from required mental health parity (Please specify below)	23.50%	
Other (please specify)	11.48%	
		

- *“Mental health parity is yet another example of health plan solutions based on politics,”* said one survey respondent about the law expected to be passed in the coming weeks. A compromise measure currently pending in Congress would establish new requirements for companies offering mental health and addiction treatment coverage, specifically affecting the definition of mental health benefits, plan medical management practices, out-of-network coverage and applicability to state laws and remedies.
- **While respondents say their companies will comply with new mental health parity requirements, they can not independently shoulder the costs. 39% of respondents said their company will increase employee premium contributions, 24% will make other adjustments to offset any cost increase, and 11% will do both.**

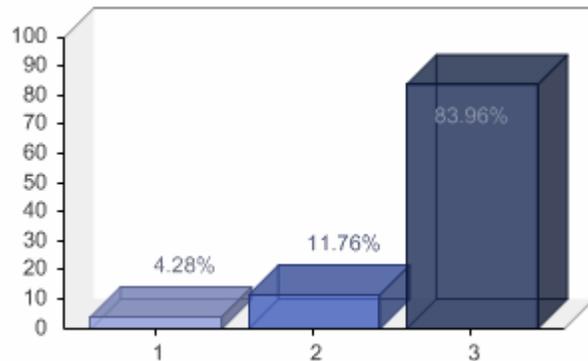
**8. How important is it to your company to maintain ERISA’s national standards (as opposed to allowing state or local governments to also regulate ERISA plans)? (Select one option)**

Responses	%
Very important	91.24%
Somewhat important	6.19%
Of little or no importance	2.58%



**9. Rating: Permit states and localities, pursuant to an ERISA waiver, to establish new standards for all employer-sponsored plans (e.g. information reporting, premium taxes, remedies, etc.), but any other regulation would continue to be governed by ERISA**

Responses	%
1 - Support	4.28%
2 - Neutral	11.76%
3 - Oppose	83.96%



- **Reviewing the responses to questions #8 and #9 together, the general conclusion is that respondents overwhelmingly support maintaining ERISA standards (91%) and oppose regulation of employer-sponsored health plans at the state level (84%).**
  - Support for ERISA cuts across industry, political party affiliation, company size, and geographic lines. Any way you slice the data, the answer is the same: employers depend on ERISA preemption to ensure that coverage can be offered uniformly nationwide while attempting to keep costs as low as possible for employers and workers.
- **Further showcasing the broad-based support for ERISA, 98% of Republicans and 91% of Democrats think maintaining national ERISA standards is somewhat or very important.** Of companies with significant covered lives in Massachusetts and California, states which have been the focus of the perhaps the most extensive recent state health reform efforts, 97% and 99%, respectively, agree.

**10. What initiatives are you currently using to improve health care quality for your health plan participants? Check all that apply.**

Responses	%	Percentage of total respondents					
Adopt high performance network strategies that encourage plan participants to use providers with the highest quality and the lowest cost	41.99%						
Use provider incentive and reward programs, such as direct financial incentives, for providers who demonstrate superior performance	20.99%						
Wellness or chronic care programs	91.71%						
Request that health insurers, third party administrators and/or providers use and publicly report measures of provider quality	45.86%						
Offer a consumer-directed health plan with a health savings account or health reimbursement arrangement	54.14%						
Request health insurers, third party administrators and/or providers to adopt health IT (e.g., e-prescribing and electronic medical records)	38.12%						
Participate in regional or national public-private collaboratives to establish and support uniform standards for measuring and reporting cost or price information	45.30%						
Other (please specify)	6.08%						
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20%	40%	60%	80%	100%			

- One individual said: *“We need to address direct and indirect costs resulting from avoidable diseases, i.e. those resulting from poor diet, lack of exercise, poor adherence to medications and lack of participation in preventive screenings.”* **92% of the respondent’s peers agree, reporting that their companies have adopted wellness or chronic care programs.**
  - Other widely-used initiatives include offering health savings accounts and health reimbursement arrangements, requesting public reports on provider quality, participation in public-private collaboratives and adopting strategies to encourage use of the lowest cost/highest quality providers.
  
- Not surprisingly, large companies have advanced more initiatives than small companies to improve health care quality for their health plan participants.
  - Of those respondents identifying their company as a Fortune 500 company, 58% report that their company is currently adopting high performance network strategies that encourage plan participants to use providers with the highest quality and the lowest cost, and 32% are using provider incentive and reward programs, such as direct financial incentives, for providers who demonstrate superior performance. 100% have wellness or chronic care programs and 60% request that health insurers, third party administrators and/or providers publicly report and use measures of provider quality.

- Among smaller companies with 1 to 1,000 covered lives, only 54% of respondents have wellness or chronic care programs, and 18% request that health insurers publicly report measures of provider quality.
  - Although some health policy experts and lawmakers assumed that health savings accounts and other consumer directed plans would be primarily attractive to small companies, Fortune 500 companies have led the way in adopting these arrangements and are three times as likely as the smallest companies to have installed these plans (75% to 23%).
- 71% of respondents from companies with a significant number of covered lives in Massachusetts – a state which has recently implemented comprehensive health care reform – offer a consumer-directed health plan with a health savings account or health reimbursement arrangement. Massachusetts specifically protected such plans as meeting the terms of its health care reform law that took effect July 2007.

**11. Regardless of how national health care reform is structured, having Congress promote which one of the following would most help your company improve health care quality?**

Responses	%	Percentage of total respondents
Incentive-based provider reimbursements	4.30%	
Reporting of medical errors	3.76%	
Wellness or chronic care programs	12.90%	
Reporting of quality outcomes and cost transparency	38.17%	
Consumer-driven health plans	6.99%	
Health IT (e.g., e-prescribing and electronic medical records)	20.97%	
Establish a national center for comparative effectiveness research	11.29%	
Other (please specify)	1.61%	
		

- **Although employers have already taken a number of steps to reduce their health care costs, they would like to see some help from the government in the reporting of health care quality outcomes and cost transparency (38% of respondents) and health information technology (21%).**
- Respondents identifying themselves as Independents are more open to the establishment of a national center for comparative effectiveness research. 18% noted it is the single most important health care initiative for Congress to promote, compared to 7% of Republicans and 9% of Democrats.

## Methodology

In August of 2008, Miller & Chevalier and the American Benefits Council distributed a survey via e-mail to 3,146 leading corporate benefit executives at a broad cross-section of U.S.-based corporations. The survey was completed by 187 respondents, representing a 5.94 percent response rate.

71% of respondents work at companies with U.S. health plans that cover more than 10,000 individuals. 27% cover more than 50,000 individuals. Respondents have a significant number of covered employees in all 50 states. Professionals representing a broad range of industry sectors were surveyed, including finance, manufacturing, pharmaceutical, retail, utilities, telecommunication, healthcare and transportation. 46% of respondents identified themselves as Republicans, 25% identified themselves as Democrats and 30% identified themselves as Independents.

Due to rounding, all percentages used in all questions may not add to 100 percent. A few small edits were made to select verbatim responses to correct spelling and verb tense.

Percentages added may exceed 100 on questions 3, 4, 6, 7 and 10 since a participant could select more than one answer for those questions.