

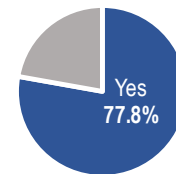
Local Government Employee Health Insurance Programs, 2016 Summary Report of Survey Results

Introduction

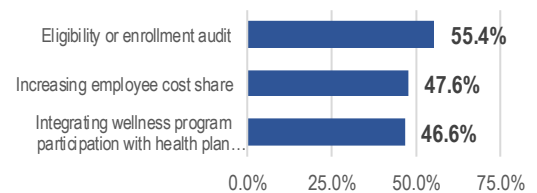
The International City/County Management Association (ICMA), in collaboration with Cigna, an ICMA Strategic Partner, launched a national survey in the summer of 2016 to learn about the current state of local government employee health insurance programs. ICMA and Cigna conducted this research in follow-up to a similar survey conducted in 2011. The 2016 survey was sent via postal mail to a sample of 3,110 local governments. An online submission option was also made available. The sampling frame for the survey included all U.S. local governments with populations of 10,000 or higher. A 1 in 2.2 sample was selected at random among all local governments with populations less than 250,000; and all local governments with populations of 250,000 or higher were included in the survey sample. The survey was addressed to the Human Resources Director of each selected local government. The response rate was 23.0%, with 714 local governments responding. With this response, the margin of error is +/- 3.5% at the 95% confidence level.

Survey Highlights

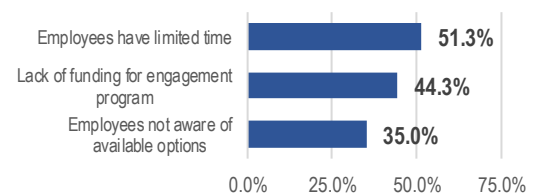
- More than three-fourths of responding governments that do not already do so may offer a **high-deductible medical plan, with a health savings account (HSA)** in the next one or two years.



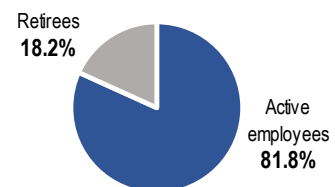
- The three most common approaches being implemented by responding governments to **reduce their health care costs** are auditing or reviewing health plan eligibility or enrollment; increasing the total share of health care costs paid by active employees, through premiums, copays, deductibles, etc.; and integrating employee participation in wellness programs with health plan data.



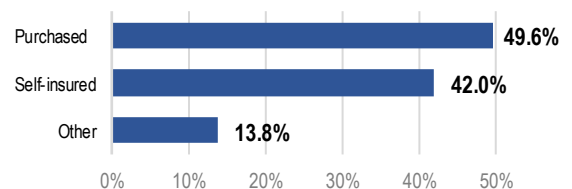
- The three most commonly identified reasons for low **employee engagement in health-related activities** are limited employee time for engagement; lack of funding to properly implement an employee engagement program; and lack of awareness of available options.



- On average, **retirees account for almost one-fifth** of the total number of individuals receiving medical coverage from responding local governments.



- Almost half of local governments that offer health insurance **purchase plans from an insurance underwriter**, while 42.0% offer **self-insured plans**.



Summary of Survey Results

Does your local government offer health insurance to employees? (n=704)

Yes: **98.7%** No: **1.3%**

Please indicate if your local government purchased the health insurance plan from an insurance underwriter or is it self-insured¹. (Select all that apply.) (n=681)

a. Purchased: **49.6%** b. Self-insured: **42.0%** c. Other (Please specify): **13.8%**

For each group below, if your local government **offers** insurance benefits, please check the box for the benefits that are offered. (n=700)

Current employee plans	Yes	If yes, the local government pays for some or all of the benefit.
a. Medical insurance	99.7%	88.6%
b. High deductible plan with an HRA or an HSA ² .	42.9%	36.1%
c. Pharmacy	91.9%	73.3%
d. Dental	96.7%	69.7%
e. EAP (Employee Assistance Program)	73.7%	62.4%
f. Disability insurance	73.4%	44.7%
g. Other (please specify):	30.9%	18.6%
Early retiree plans (pre age 65)		
h. Medical insurance	60.6%	29.4%
i. Stand-alone HRA (without medical plan)	5.7%	3.7%
j. Pharmacy	50.6%	25.1%
k. Dental	47.4%	15.1%
l. Other (please specify):	12.6%	4.9%
Retiree plans (age 65 and older)		
m. Same medical insurance as active employees	32.9%	11.7%
n. Medicare Advantage	10.3%	6.4%
o. Medicare Supplement	21.4%	12.0%
p. Stand-alone HRA (without medical plan)	3.4%	2.3%
q. Medicare Part D Pharmacy	13.3%	8.0%
r. Other pharmacy plan	11.0%	6.1%
s. Dental	29.4%	8.6%
t. Other (please specify):	8.3%	3.1%

Are any of your employees members of a union? (n=678) Yes: **57.7%** No: **42.3%**

If yes, what percent are union members? (n=370) **53.1% (average)**

Please indicate below the number of current and retired employees in each category.

	Total number (average)	Number eligible for health insurance (average)	Number electing medical coverage through your local government (average)
a. Current employees (n=608)	473	379	338
b. Early (pre-65) retirees (n=352)	65	63	65
c. Retirees 65 and older (n=330)	101	90	93

¹ Purchased from an insurance underwriter: (Fully-insured) Coverage is purchased from an insurance company or other underwriter who assumes the risk for the enrollees' medical expenses.

Self-insured: Local government assumes the risk for the enrollees' medical expenses and may charge a premium to employees. This plan may be administered by a third party and may employ supplemental stop-loss insurance to limit unanticipated losses.

² A Stand-alone Health Reimbursement Account (HRA) is an account funded by the employer for the employee's health care expenses during retirement. An employer can elect to contribute funds pre-retirement, upon retirement, or post-retirement and in addition to or in lieu of coverage. A Health Savings Account (HSA) is an account funded by the employee for future health care expenses. The employee can use the fund for current or future health expenses.

Please answer this question if you **do not** currently offer a Health Savings Account (HSA) or a Health Reimbursement Arrangement (HRA). If you **do** offer a HSA or a HRA, skip to the next question.

Please indicate whether your local government is likely to consider any of the following offerings in the next 1-2 years. (n=171)

Plan offerings	May offer in the next 1-2 years
a. A high deductible medical plan with a Health Savings Account (HSA)	77.8%
b. Health Reimbursement Arrangement (HRA) <u>with</u> underlying medical plan	41.5%
c. Stand-alone Health Reimbursement Arrangement (HRA) (<u>without</u> medical plan)	12.9%

Please identify the status of the health plan and product offerings listed below. (Select one box for each row.)

Plan and product offerings	Offer now	Are considering	Do not offer/not considering
a. Onsite clinic (n=653)	10.9%	8.0%	81.2%
b. Health advisor/health coach (n=653)	33.4%	10.4%	56.2%
c. Online health plan enrollment for employees (n=659)	29.4%	24.9%	45.7%
d. Online tools to help employees select a plan and allow them to enroll online (n=658)	27.2%	24.5%	48.3%
e. Online tools to allow employees to customize their benefits (choose copays, deductibles, maximums, etc.) (n=654)	8.0%	13.8%	78.3%

Reducing healthcare costs has been identified as a concern for most local governments. What approaches are you taking to reduce your health care expenses/claim costs? (Select only one box for each row.)

Local government approaches	Have already acted and expect to take further action	Have already acted but no further action expected	Have not acted but expect to take action in the next 2 years	No action taken and none expected
a. Reward/penalize based on smoker, tobacco-use status (n=662)	6.2%	8.8%	18.4%	66.6%
b. Replace ineffective medical plan administrators (n=642)	5.1%	10.1%	7.3%	77.4%
c. Consolidate/Integrate health and disability/absence management programs with single vendor or health plan (n=649)	2.9%	5.4%	6.9%	84.7%
d. Increase the share of total health care costs paid by active employees (e.g., copays, premiums, deductibles, etc.) (n=662)	31.4%	16.2%	22.4%	30.1%
e. Delay/cancel benefit plan design enhancements (645)	4.7%	6.0%	7.6%	81.7%
f. Complete a biometric screening (determines risk for certain diseases including diabetes, heart disease, asthma, and other medical conditions) (n=659)	27.5%	18.1%	13.5%	41.0%
g. Create incentives to encourage employees to use high quality/low cost hospitals and physicians (n=657)	16.4%	15.2%	22.1%	46.3%
h. Maintain BMI (body mass index), blood pressure, and cholesterol within target levels (n=655)	14.0%	11.8%	16.8%	57.4%
i. Actively manage vendor-prepared communication/ education on health care costs and living a healthier lifestyle (n=653)	27.9%	18.5%	18.8%	34.8%
j. Participate in disease management program for those with chronic condition (n=656)	24.1%	17.4%	13.6%	45.0%
k. Audit or review eligibility or enrollment in your health plan (n=654)	31.7%	23.7%	11.0%	33.6%
l. Integrate employee participation in wellness programs with health plan data (n=665)	29.8%	16.8%	22.6%	30.8%
m. Comply with evidence-based course of treatment (n=632)	8.9%	8.1%	12.2%	70.9%

(Continued from previous page) Reducing healthcare costs has been identified as a concern for most local governments. What approaches are you taking to reduce your health care expenses/claim costs? (Select only one box for each row.)

Local government approaches	Have already acted and expect to take further action	Have already acted but no further action expected	Have not acted but expect to take action in the next 2 years	No action taken and none expected
n. Provide different disability benefit levels based upon health management program participation (n=642)	1.4%	1.9%	8.1%	88.6%
o. Implement a plan that will reduce the government subsidy for future retiree health benefits (n=637)	5.8%	7.7%	8.2%	78.3%
p. Other (Please specify) (n=81)	3.7%	3.7%	2.5%	90.1%

Lack of employee engagement has been identified on past surveys as a challenge. As an HR director, what do you think the reasons might be for lack of employee engagement? (Please select all that apply). (n=635)

- a. Employees have limited opportunities for engagement: **26.8%**
- b. Employees have limited time to engage in health related activities: **51.3%**
- c. Employees are not aware of all options available to them: **35.0%**
- d. Lack of funding to properly implement an employee engagement program: **44.3%**
- e. Other (please specify): **22.0%**

Please rank the usefulness of the resources you refer to for employee health benefits information. (Please select one box for each row.)

	Extremely Useful	Very Useful	Moderately Useful	Slightly Useful	Not at all Useful	N/A
a. Industry Publications (n=627)	11.3%	23.3%	28.7%	13.7%	4.8%	18.2%
b. Internet Search Engines (n=633)	15.2%	25.1%	28.8%	12.2%	3.8%	15.0%
c. Industry Associations (n=621)	11.4%	20.0%	27.1%	11.9%	6.0%	23.7%
d. Social Media (n=625)	5.8%	9.0%	21.0%	17.1%	15.4%	31.8%
e. Brokers (n=640)	34.8%	24.1%	16.3%	7.3%	4.2%	13.3%

What resources do you refer to for Health Care Reform information? (Select all that apply.) (n=629)

- a. ICMA Website: **7.5%**
- b. Healthcare.gov: **42.0%**
- c. Your current insurance provider: **79.0%**
- d. Other (Please specify): **41.3%**

For additional information about the 2016 Local Government Employee Health Insurance Programs Survey, please contact ICMA Survey Research at surveyresearch@icma.org.