

CIGNA/ICMA Local Government Employee Health Insurance Survey

Summary of Key Findings, March 2007

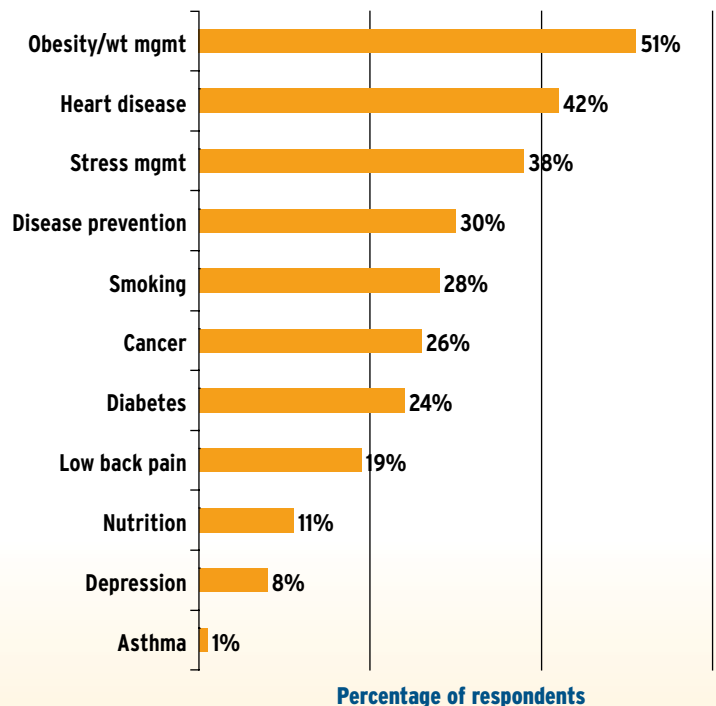
In 2006, ICMA conducted a survey of local governments to determine the goals, needs, and concerns they have regarding their employee health insurance plans. CIGNA sponsored the survey as part of its ongoing commitment to provide assistance to local governments on employee health care issues. The survey was fielded as one of the initiatives of the ICMA Health Care Advisory Group, which was launched in 2006 to help local government managers assess and address what has become, for many, one of the biggest costs in their budget. More than 2,200 local governments responded to the survey. The following is a summary of the survey results.



The Top Three Health Concerns

The top three health concerns nationally are obesity/weight management, heart disease and stress management, although this varies by geographic region and population size.

Top Health Concerns

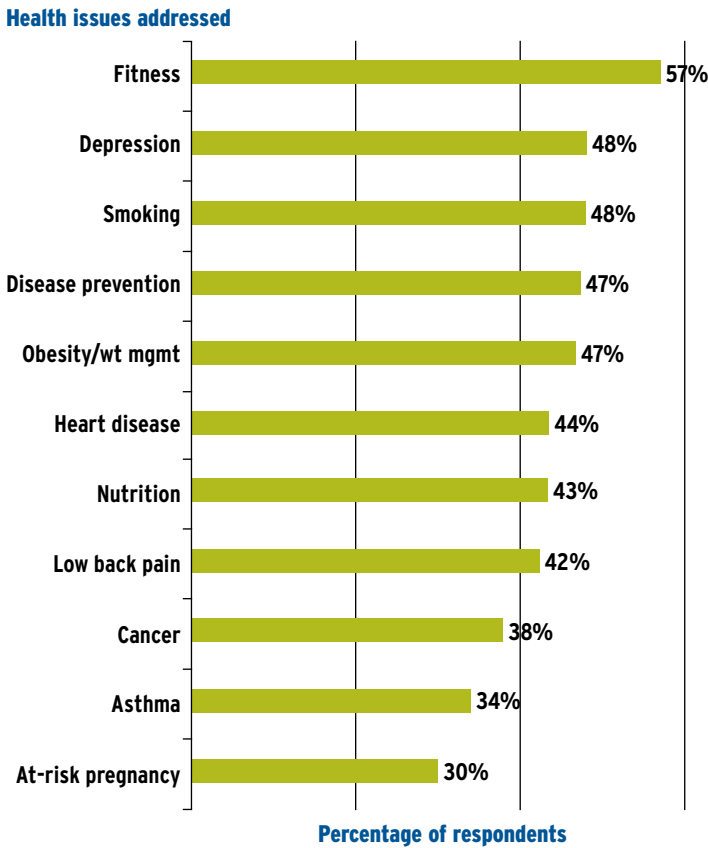


Percentage of respondents

Preventive and Disease Management Programs Offered

Although rising health care costs are a primary concern among municipalities and counties, most jurisdictions do not offer preventive and disease management programs targeting their stated top health concerns; such programs could improve health and reduce costs. A number of local governments reported that they are unsure about what preventive and disease management programs are currently being offered or about plans to offer these programs. The percentages shown below are calculated on the basis of those who reported specific programs. The respondents who were “unsure” have been removed from the calculations.

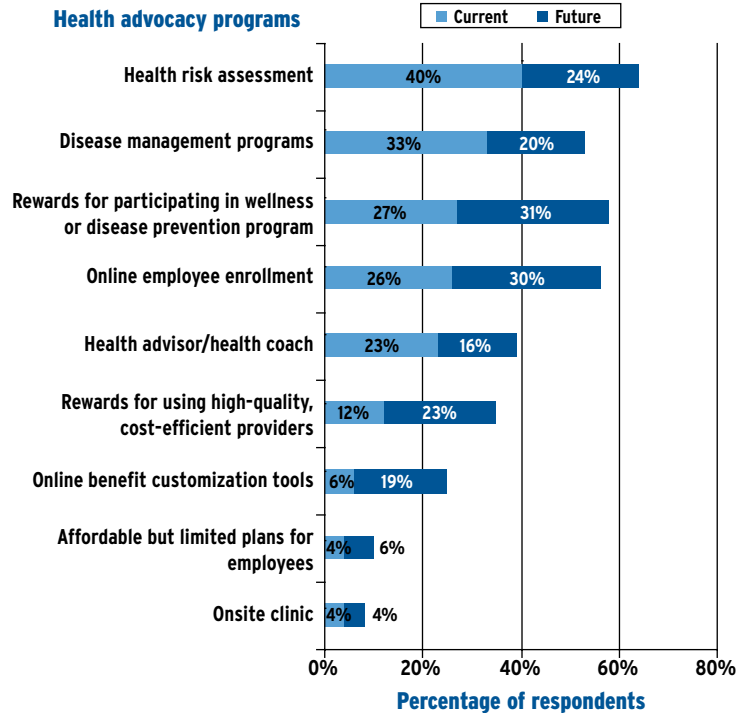
Percentage Now Offering Programs to Address Health Issues



Municipalities and counties are considering adding programs to foster better health within the next five years. The percentages below reflect the responses of those who reported specific information. Again, those who indicated “unsure” have been removed from the calculations.

- Thirty-one percent plan to offer rewards for participating in wellness or disease prevention programs.

- Twenty-four percent plan to offer health risk assessments.
- The percentage of municipalities that offer rewards for using high-quality, cost-efficient providers will nearly double from the current rate of 12% to 23% within the next five years.



Health Risk Assessments

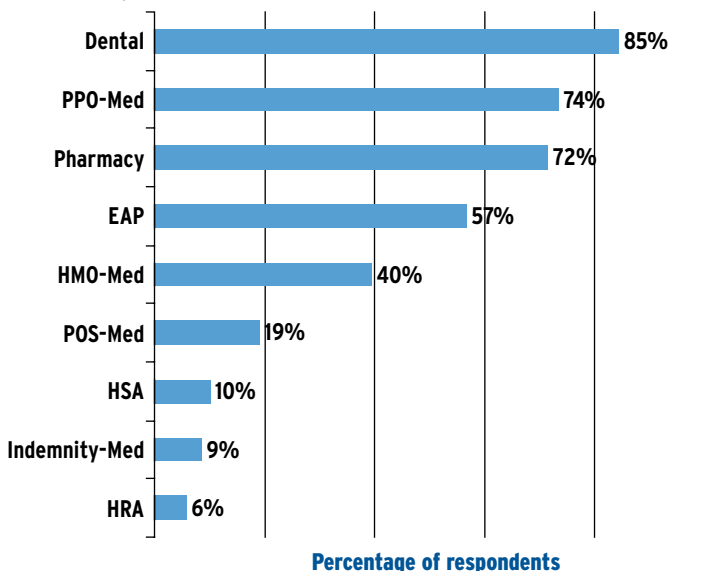
Overall, 40% of local governments report the use of Health Risk Assessments. Of those, the majority report that employee participation in the assessments is voluntary rather than mandatory. Those who provided information on the incentives used to encourage employees to complete an assessment offer the following:

- A reduction in their insurance premiums (eleven percent)
- Cash rewards (thirty-four percent)
- Gift cards (nineteen percent)
- Other incentives (thirty-six percent)

Health Care Products Offered to Current Employees

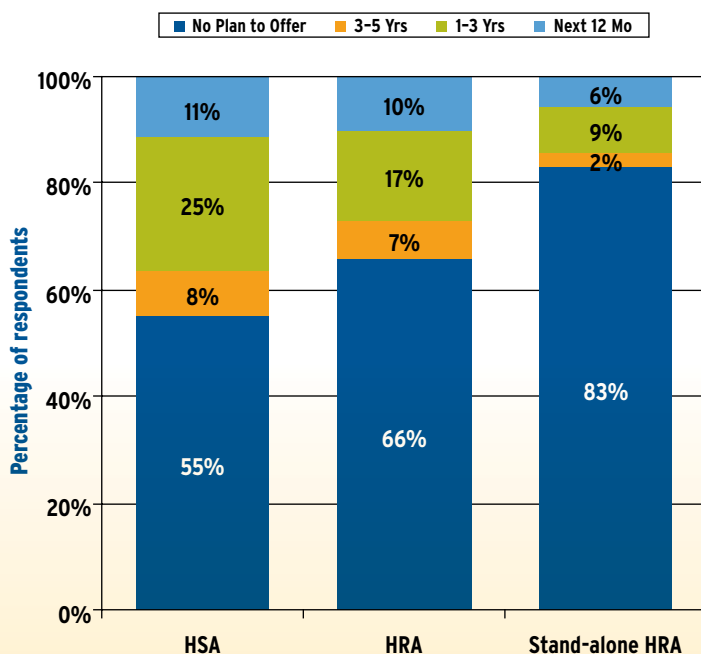
Ninety-nine percent of the local governments surveyed currently offer health insurance to their employees, with preferred provider organization (PPO) plans by far the most common option.

Health care products offered



Although relatively few jurisdictions offer consumer-directed health plan options, 30% of local governments indicated that they plan to offer Health Reimbursement Arrangement (HRA) or Health Savings Account (HSA) plans within the next five years. Again, those who reported they were “unsure” have been removed from the calculations.

HSA and HRA to be Offered within Five Years



Approaches for Managing GASB Liability

Despite the potential impact of Government Accounting Standards Board (GASB) regulations on retiree health benefits, most respondents said that their local government does not have a strategy in place to address the proposed regulations. When those that reported “unsure” are removed, we see that among those stating that they have a plan in place, the top three future strategies are funding HRAs or HSAs, prefunding retiree medical liability, and discontinuing early retiree medical benefits for new hires.

Strategies

Option	Offer now	Plan to offer	Do not plan to add
Discontinue early retiree medical benefits for ...			
New hires	12%	20%	68%
Current employees	8%	9%	82%
Current retirees	6%	5%	89%
Discontinue 65+ retiree medical benefits for ...			
New hires	9%	16%	76%
Current employees	9%	10%	81%
Current retirees	8%	5%	87%
Substitute current retiree plan with voluntary plan that retirees can access through the local government for ...			
New hires	7%	11%	82%
Current employees	6%	10%	84%
Current retirees	6%	7%	87%
Funding an HRA or HSA for ...			
New hires	13%	30%	57%
Current employees	13%	29%	58%
Current retirees	4%	17%	79%
Reduce retiree benefits for ...			
New hires	7%	15%	78%
Current employees	6%	14%	79%
Current retirees	6%	11%	83%
Health coaching for current employees	19%	19%	62%
Prefund retiree medical liability	10%	24%	66%

About the Study

The study, developed in conjunction with the ICMA Health Care Advisory Group, was conducted by ICMA and sponsored by CIGNA.

- The survey was mailed to 8,013 local governments—all municipalities with a population of 2,500 and above and all counties with an elected executive or a chief appointed official.
- More than 2,200 local governments responded to the survey, representing a response rate of 28%.

About ICMA

ICMA is the premier local government leadership and management organization. Its mission is to create excellence in local governance by developing and advocating professional management of local government worldwide. ICMA provides member support; publications, data, and information; peer and results-oriented assistance; and training and professional development to more than 8,200 city, town, and county experts and other individuals around the world.

About CIGNA

CIGNA provides benefits and other services to public and private sector employers around the globe. CIGNA's operating subsidiaries offer a full portfolio of medical, dental, behavioral health, pharmacy, and vision care benefits and group life, accident, and disability insurance.

The company is particularly focused on initiatives that help improve health and well-being for all. Areas of special consideration include women, families, and children; obesity awareness; healthy mind and body; health literacy; and disparities in health care.

About the ICMA Health Care Advisory Group

The ICMA Health Care Advisory Group was formed in 2006 to help determine what information and tools local governments need to adapt to changes in health coverage.

Because many local governments rank among their region's largest and most high-profile employers, they can serve as models in establishing healthy living and wellness and can help lead the transition to a very different way of thinking about health care.



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