UBA HealthPlanSurvey

2014 EXECUTIVE SUMMARY

Benefit Plan Design and Cost Benchmarking Key Results

UBA United Benefit Advisors
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INTRODUCTION

Since 2005, United Benefit Advisors® (UBA) has surveyed thousands of employers across the nation regarding their health plan offerings, their ongoing plan decisions in the face of significant legislative and marketplace changes, and the impact of these changes on their employees and businesses. The UBA survey represents the nation's largest health plan benchmarking survey and the most comprehensive source of reliable benchmarking data.

As always, the survey revealed several noteworthy trends and developments that bear scrutiny and the ongoing attention of employers interested in making the most informed health care plan decisions possible. For example, among the most striking trends revealed by the survey, employers have overwhelmingly opted for early renewals of their plans—a delay tactic that helped them avoid costly Patient Protection and Affordable Care Act (PPACA)-compliant plans and manage costs. Another cost management tactic employers are using is to increase out-of-pocket costs for employees, with a "new normal" emerging for these higher cost thresholds.

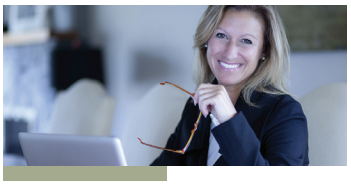
Employers typically continue to offer one preferred provider organization (PPO) health plan option to employees, while also still widely offering family coverage. In addition, wellness program adoption seems to be in a holding pattern, as pending litigation and regulatory changes swirl on these offerings. Among employers providing wellness programs, health risk assessments and incentives are increasingly common offerings.

Plans in the Northeast U.S. continue to be the richest—and most expensive—and are at risk of being subject to the looming Cadillac tax. Government employees have the most generous plans with the highest costs—and they pay the least toward their overall coverage costs. Conversely, construction industry employees cost the least to cover but those employees pay the most toward costs.

Regarding cost increases, the smallest employers (0 to 49 employees) saw the lowest increases, a surprising break for them due to an unusual option they had over larger employers to remain with non-PPACA-compliant plans. In short, this was a reprieve for a group that usually faces the highest increases. Self-funding of plans, particularly among small employers, has not yet surged, but is still anticipated to do so as employers run out of other avoidance strategies.

The prevalence of consumer-driven health plans (CDHPs) continues to grow, as does employee enrollment in these plans, despite lower contributions to health savings accounts (HSAs) (which are often tied to CDHPs to entice participation). And, finally, prescription drug plans are increasingly offering four or more tiers, along with ever-increasing copays—a trend that might fall off as they must all eventually tie to out-of-pocket maximums under PPACA.

For more information on how the 2014 survey was conducted, its scope and who participated, see page 19, "About This Survey."



SURVEY HIGHLIGHTS & KEY FINDINGS

Health Plan Options Offered to Employees

1 Plan = **55.1%**

2 Plans = **28.6%**

3+ Plans = **16.3%**

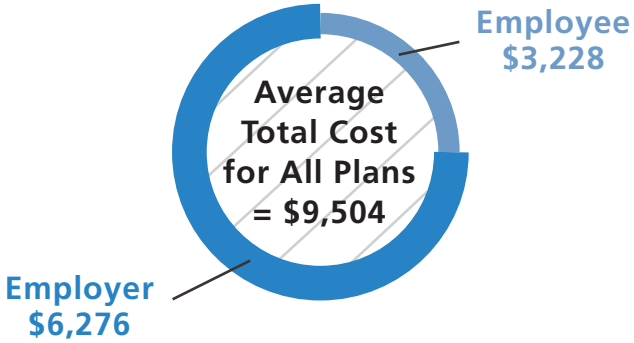
The following are 15 selected highlights and key findings from the 2014 survey responses.

1. Health Plan Options—More than half (55.1%) of all employers offer one health plan to employees, while 28.6% offer two plan options, and 16.3% offer three or more options.

2. Health Plan Costs—The average annual health plan cost per employee for all plan types is $9,504, with an average employer cost of $6,276 per employee, and an average employee cost of $3,228.

Plan Type	Total Cost	Employee Cost	Employer Cost
PPO	$9,828	$3,339	$6,489
HMO	$9,072	$3,022	$6,049
POS	$10,018	$3,898	$6,120
CDHP	$8,919	$2,883	$6,036
EPO	$10,346	$3,747	$6,599
All Plans (Average)	$9,504	$3,228	$6,276

As you can see from the table above, health maintenance organizations (HMOs) have lower annual costs per employee than the average plan; to be specific, HMOs are 4.7% less expensive. On the other hand, point of service (POS) plans, exclusive provider organizations (EPOs), and PPOs all have higher annual costs per employee than the average plan: PPO plan costs are 3.4% higher, POS plan costs are 5.3% higher, and EPO costs are 8.5% higher. Despite this, PPOs continue to dominate the market in terms of plan distribution and employee enrollment.



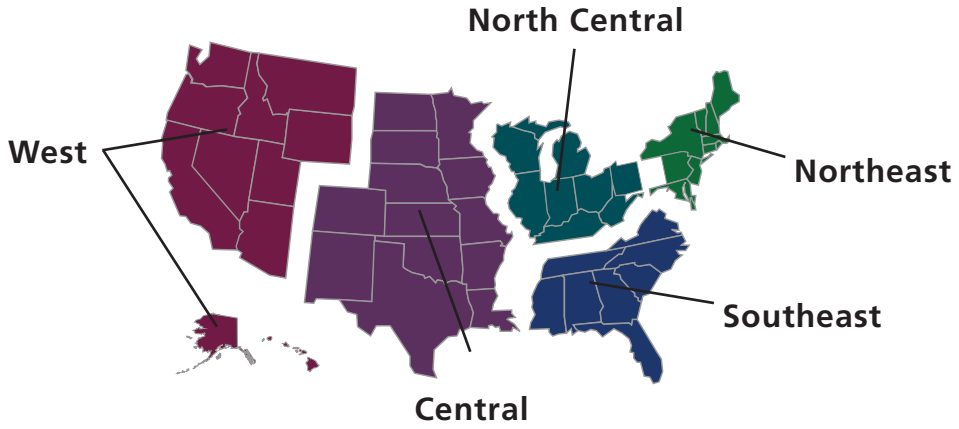
3. Costs and Contributions by Industry—Total costs per employee for the construction, retail, and hospitality sectors are 5.5% to 20% lower than the average, making employees in these industries among the least expensive to cover. By contrast, government plans have the highest average cost per employee ($11,329 or 17.5% higher than average) and employee contributions are 45.1% less ($2,040) than the average employee contribution of $3,228. Employees in the construction sector contributed approximately 11.4% more ($3,620) toward plan costs than average.

4. Out-of-Pocket Costs—While average in-network deductibles remained fairly level at $1,901, out-of-pocket maximums for 2014 increased more than 6% over last year. The median single out-of-pocket maximum is $3,500 (an increase of $500), and median family out-of-pocket maximum is $8,000 (an increase of $1,000).

5. Delay Tactics—Premiums renewal rates increased an average of 5.6% for all plans—up very slightly from last year's 5.5% increase. However, there was a nearly 322% increase in the number of plans utilizing an early renewal strategy, which delayed many effects of PPACA.

6. Prevalence of Plan Type by Region—PPO plans are most prevalent in the Central U.S. while CDHPs are most prevalent in the Northeast.

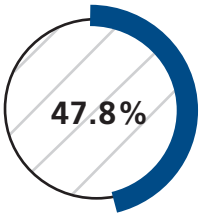
Plan Type	Northeast	Southeast	North Central	Central	West
PPO	25.1%	39.1%	54.4%	63.6%	50.6%
HMO	21.4%	12.9%	12.2%	6.5%	32.7%
POS	13.4%	20.8%	3.8%	7.8%	1.0%
CDHP	30.2%	26.3%	29.3%	21.0%	15.0%
EPO	9.8%	0.6%	0.2%	1.0%	0.7%

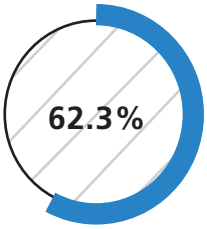


7. Enrollment by Plan Type by Region—PPO plans have the greatest enrollment in the West, while CDHPs see the most enrollment in the North Central U.S.

Plan Type	Northeast	Southeast	North Central	Central	West
PPO	36.6%	44.4%	56.8%	67.6%	76.0%
HMO	18.1%	16.5%	9.9%	5.8%	13.1%
POS	12.1%	12.4%	2.5%	4.0%	0.7%
CDHP	26.2%	18.5%	29.4%	21.9%	7.8%
EPO	6.9%	7.2%	1.4%	0.7%	2.3%

8. Dependent Coverage—47.8% of all covered employees also elect dependent coverage, with the highest percentage being covered by CDHP, POS, and PPO plans. The dependent coverage percentages have remained essentially the same for the past three years, which means that there hasn't been a rush to drop family coverage as some pundits had predicted.





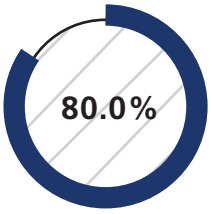
9. Spouse/Partner Coverage—62.3% of all employers provide no domestic partner benefits (a trend that has remained unchanged for the past three years), 28.4% provide coverage for both same-sex and opposite-sex domestic partners, 5.5% provide same-sex coverage only, and 3.7% provide opposite-sex domestic partner benefits only.

10. Infertility Services—In 2014, 34.1% of all plans provided no benefits for infertility services, as opposed to 33.5% in 2013. In 2014, 36.8% of plans provided benefits for evaluation only (which is an increase from last year), and 29.1% provided benefits for evaluation and treatment (a slight decrease from last year).

11. Comprehensive Wellness Programs—18.4% of all employers offered comprehensive wellness programs, which is a 0.8% decline from last year. Of these employers, 80.3% included health risk assessments, 67% offered employee incentives for participation, 63.4% offered biometric screening or physical exams, 51.9% included on-site or telephone coaching for high-risk employees, and 40.3% included seminars or workshops.

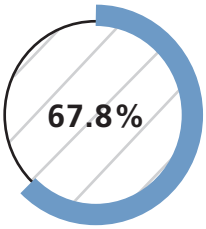
12. Bonuses To Waive Coverage—3.2% of employers offered a bonus to employees to waive medical coverage in 2014; this is a slight drop from 3.5% in 2013. The average annual single bonus in 2014 was $1,596, which is a slight increase from $1,524 in 2013.

13. Grandfathering—Only 8.2% of plans are considered grandfathered plans.



14. Self-Funding—Overall, 11.1% of all plans are self-funded. By contrast, 80% of all large employer (1,000+ employees) plans are self-funded. Many UBA Partners believe that self-funding will be increasingly desirable to employers of all sizes in the coming years as a way to avoid various cost and compliance aspects of health care reform.

15. Prescription Drug Plans—67.8% of prescription drug plans utilize copays. Plans with four or more tiers grew 15.2% to defray the cost of more expensive drugs. Median retail copays are: $10/$30 for two-tier plans; $10/$35/$55 for three-tier plans; and $10/$35/$55/$100 for four-tier plans. Tier four median copays have grown by 25%.



This section delves deeper into the major findings of the 2014 survey, calling your attention to the most significant data and trends, as well as the possible implications of these findings and their potential impact on the future.

MAIN SURVEY FINDINGS

1. IMPACT OF PPACA

Premiums increased an average of 5.6% for all plans—up very slightly from last year's 5.5% increase. However, this increase is only part of the story.

Plan Type	Renewal Rate Increase
CDHP	5.6%
Non-CDHP	5.7%
PPO	5.8%
HMO	5.3%
POS	6.3%
EPO	4.5%
Overall Average	5.6%

Rate Trends and Delay Strategies

There was a nearly 322% increase in the number of plans utilizing an early renewal strategy on December 1, 2013, which delayed many effects of PPACA until December 1, 2014. Of the employers who postponed their renewal date, 94% were small businesses that employ fewer than 100 employees.

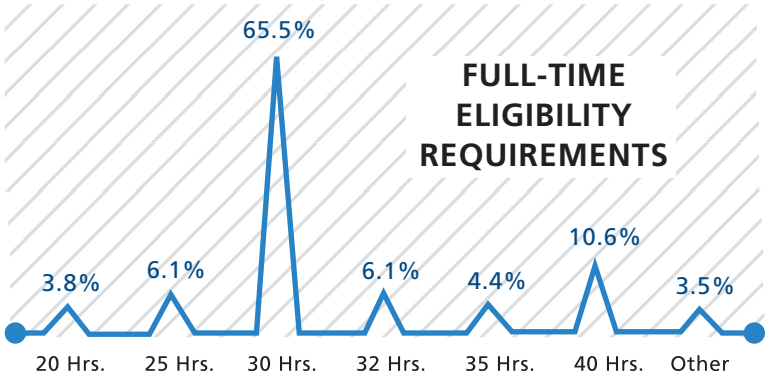
These early renewal strategies did keep rates in check, and rate increases were delayed even further in states, such as Nebraska, Michigan, North Carolina, and Florida, that allowed "grandmothering." Grandmothering refers to existing plans that do not meet the 2014 PPACA requirements, but which have been allowed by the federal government and state insurance department to be renewed through October 1, 2016. Even though grandmothering was permitted at the federal level, each state had the ultimate power to determine whether or not it would allow the extension. Adding yet another layer of complexity, carriers were not required to allow this extension. In other words, even though the states may have permitted grandmothering, some carriers required employers to transition to PPACA-compliant plans. The grandmothering extension is permitted for policy years beginning on or before October 1, 2016. Expect to see further delays into 2017.

Future rate trends remain unknown due to renewal delays and grandmothering, but an early indicator of rate trends can be seen in states that did not permit grandmothering and among large employers who moved to PPACA plans. These employers are coping with record renewal price increases. Based on current renewal rates coming in from carriers, in the states that did not allow renewal of pre-PPACA plans, many small employers are facing rate increases of 30% to 160%. In the category of employers with 50 or fewer employees, the results are staggering: in 2012, there were 507 employers with a December 1 renewal date; in 2013, that number escalated 412.4% to 2,598 employers. These changes will have a ripple effect for years to come in the small group market.

While it remains to be seen if all employers will experience the increases emerging in late 2014, one thing is certain: employers continue to shift a greater share of expenses to employees through out-of-pocket cost increases and reductions in family benefits. The average annual employee contribution was $3,228 in 2014 compared to $3,184 in 2013. (For information on the deductibles, copays, and out-of-pocket maximums that employees are facing, see **Out-of-Pocket Cost Benchmarking Snapshot** below in section #3, below).

Eligibility for Coverage

Less than 10% of employers provide coverage to employees working fewer than 30 hours per week. While this number is always low, employer generosity is decreasing even more in this area. Interestingly, nearly 25% of plans require employees to work more than 30 hours per week to be eligible for medical coverage. This means a significant number of plans have yet to be amended to cover all employees working 30 hours or more; these amendments will need to take place for these plans to be in compliance with PPACA. In other words, employers offering these plans have yet to face the full costs of coming into compliance with PPACA.

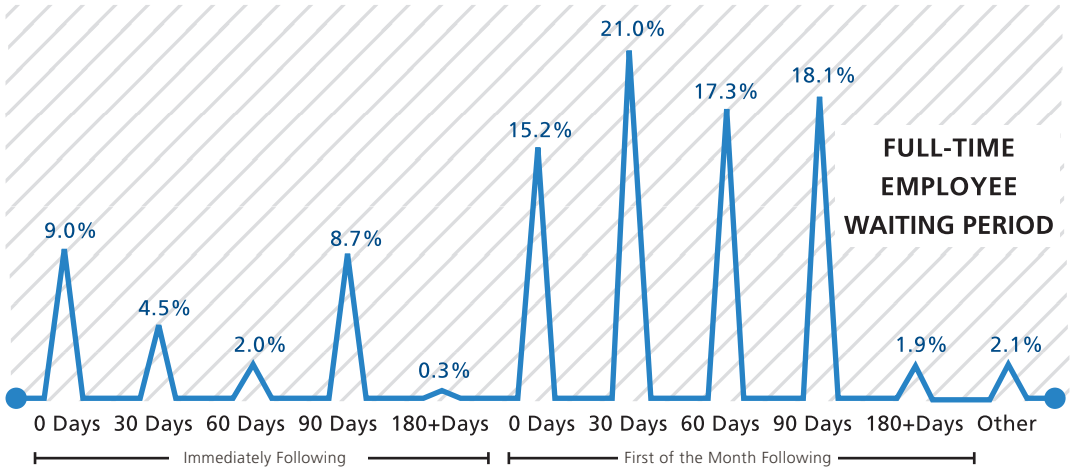


Self-Funding

The 2014 survey shows that, overall, only 11.1% of plans are self-funded. However, smaller employers are increasingly considering self-funding to avoid various cost- and compliance-related aspects of PPACA. While self-funding among small employers (those with 1 to 199 employees) increased a modest 1.7%, this will be an important number to watch in upcoming survey years, especially since self-funded plans don't have to adhere to community rating rules and state-mandated benefits.

An Emerging Compliance Issue

A shift in the employee waiting period is starting to show, as some groups are already required to comply with a waiting period of no more than 90 days. This is most evident in the "first of the month following 60 days" category (which complies with PPACA), with a 52% increase in the number of plans moving to this waiting period definition at their renewal date. Also, if you take the changes for first of the month following 90 and 180+ days, it's a 64% decrease in that category. This shows more evidence of compliance, as participation in these noncompliant categories is shrinking.

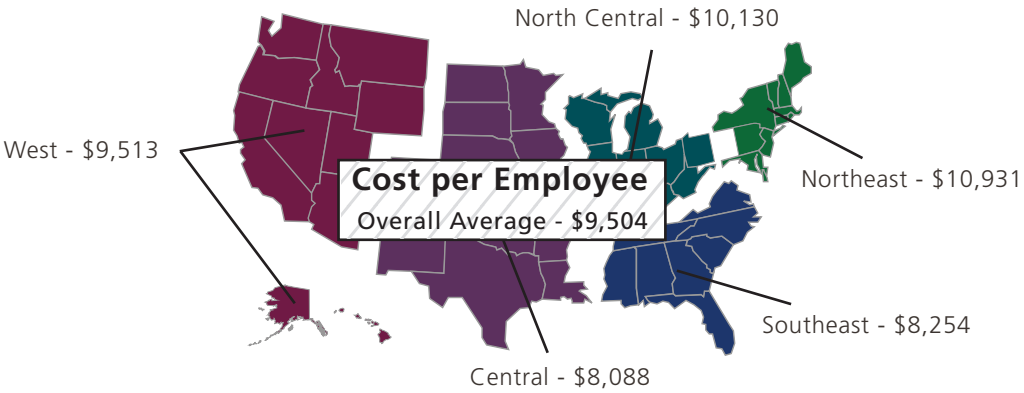


2. COSTS BY REGION, INDUSTRY, AND SIZE

Given the fluid nature of implementing PPACA, it's essential that businesses benchmark their medical plan costs. Therefore, the benchmark data below are broken out by region, industry, and organization size.

Costs by Region

Overall, there wasn't a substantial change to average costs from a regional perspective. The following are the regional averages:



As we've seen in the past, the averages above show a significant difference between the cost to insure an employee in the Northeast versus the West, and the differences are even greater between the Northeast and the Southeast and Central regions.

Plans in the Northeast continue to cost the most since they typically have low or no deductibles, contain more state-mandated benefits, and feature higher in-network coinsurance, among other factors. As a result, employers in the Northeast will need to be particularly mindful of the "Cadillac tax." Though it doesn't take effect for a few years, forward-thinking employers should consider taking action sooner rather than later to avoid dramatic changes on the tax implementation date.

Costs by Industry

The following are industry average costs in descending order.

Industry	Average Cost per Employee
Government, Education, Utilities	$10,809
Financial, Insurance, Real Estate	$10,014
Professional, Scientific, Technology Services	$9,725
Manufacturing	$9,488
Health Care, Social Assistance	$9,313
Construction, Agriculture, Transportation	$9,119
Wholesale, Retail	$8,935
Information, Arts, Accommodations & Food	$8,748
All Plans	$9,504

Under PPACA, plans that cost more than $10,200 for individuals, and more than $27,500 for families, will face a 40% tax on the amount over the threshold.

The costs per employee for the manufacturing, health care, construction, retail, and hospitality services sectors are all lower than the overall industry average costs. Construction, retail, and hospitality are 4% to 8% lower than average, making employees in these industries the least expensive to cover. By contrast, government plans have the highest average cost ($11,329 or 17.5% higher than average) and are potentially "Cadillac plans," putting taxpayers at risk of facing the forthcoming "Cadillac tax."

Also striking, as shown by the data in the table below, is that government (Public Administration) plans have the lowest employee contribution: $2,040, which is 45% less than the average employee contribution of $3,228. And this already low contribution is a whopping 39.7% lower than two years ago. Compare this to employees in the construction sector, who contributed approximately 11% more toward plan costs than average, which is the highest contribution among the industries examined. It is interesting to note that while construction employees are the least expensive to cover, these employees are asked to cover more of the costs.

Employer/Employee Contribution by Industry:

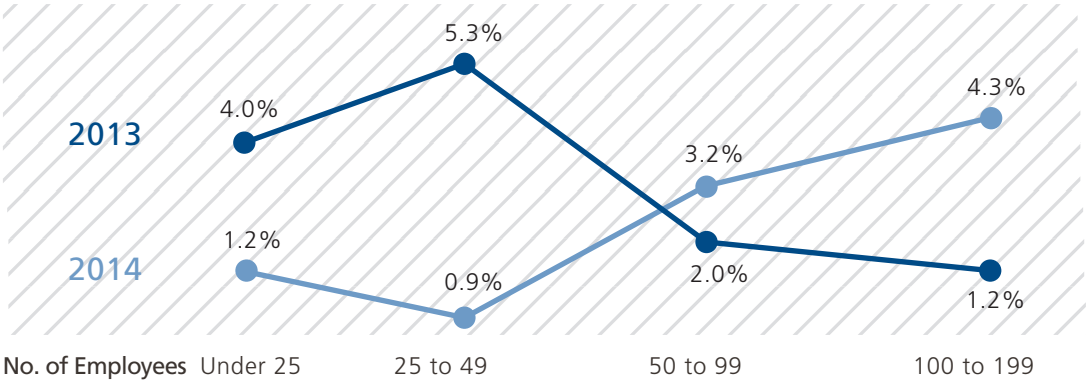
By Industry Average Contribution in 2014	Employer	Employee
Accommodation and Food Services	$4,658	$3,120
Administrative, Support, Waste Management, and Remediation Services	$5,404	$3,316
Agriculture, Forestry, Fishing, and Hunting	$5,351	$3,497
Arts, Entertainment, and Recreation	$5,189	$2,964
Construction	$5,373	$3,620
Educational Services	$7,587	$2,778
Finance and Insurance	$7,103	$3,066
Health Care and Social Assistance	$6,206	$3,107
Information	$6,640	$3,340
Management of Companies and Enterprises	$7,409	$3,012
Manufacturing	$6,401	$3,086
Mining, Oil and Gas Extraction	$6,388	$3,472
Other Services	$6,505	$3,213
Professional, Scientific, and Technical Services	$6,248	$3,477
Public Administration	$9,289	$2,040
Real Estate and Rental and Leasing	$6,237	$3,441
Retail Trade	$4,880	$3,559
Transportation and Warehousing	$5,798	$3,462
Utilities	$8,459	$2,783
Wholesale Trade	$5,949	$3,438

Costs by Organization Size

Average costs by organization size (number of employees) are presented in descending order.

Organization Size	Average Cost per Employee
500 to 999 Employees	$10,362
200 to 499 Employees	$10,290
1,000+ Employees	$10,189
100 to 199 Employees	$9,852
50 to 99 Employees	$9,354
Fewer than 25 Employees	$9,269
25 to 49 Employees	$9,043
Overall Average	$9,504

Looking at the smallest employer groups, the 2014 findings show an interesting flip in rate increase patterns. Contrast this with last year's findings, which showed the following increases over 2012 among the same groups.

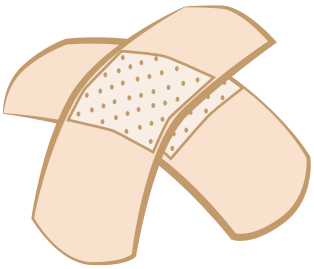


Historically, employers with 1 to 49 employees felt the brunt of increases, which ranged from 4% to 5% or more. However, in this year's survey results, these groups saw more modest increases of approximately 1%. Conversely, employers with 50 to 199 employees have historically had more modest increases of 1% to 2%, while this year they saw increases of approximately 3% to 4%.

The ability for small groups to "renew as is" (by grandmothering or by delaying renewals) is having a huge impact on keeping their rates level, at least at this point. Many small groups had the choice of moving to a PPACA-compliant plan or staying with the plans they had (thanks to grandmothering in some states and other delay tactics). Healthy groups tended to stay with the plans they had, which often was the most cost-effective approach. As these groups move to PPACA-compliant plans and become subject to community rating, they will likely see significant cost increases.

3. OUT-OF-POCKET COST BENCHMARKING SNAPSHOT

Average in-network and out-of-network deductibles, out-of-pocket maximums, copays, and prescription copays.

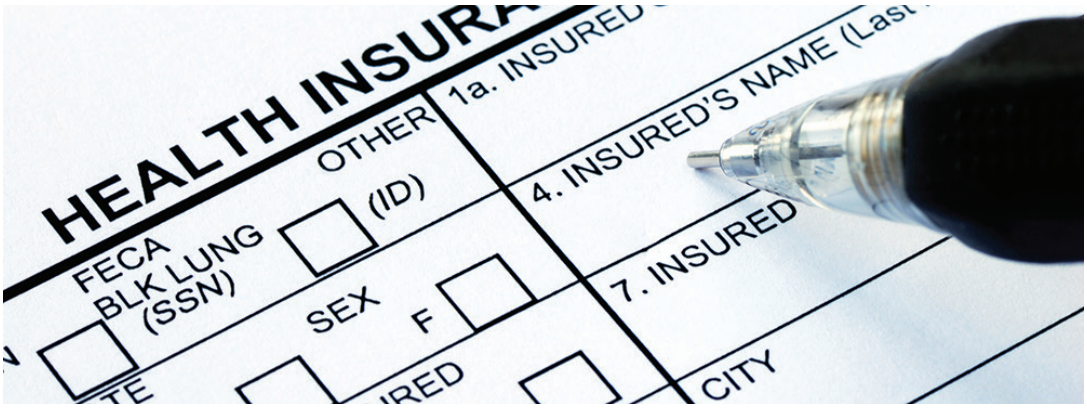


Costs (All Plans)	2014	2013	% Change
Average In-Network Deductible—Single	$1,901	$1,852	2.6%
Average In-Network Deductible—Family	$4,256	$4,225	0.7%
Median In-Network Deductible—Single	$1,500	$1,500	--
Median In-Network Deductible—Family	$4,000	$3,500	14.3%
Average In-Network Out-of-Pocket Maximum—Single	$3,883	$3,641	6.6%
Average In-Network Out-of-Pocket Maximum—Family	$8,327	$8,043	3.5%
Median In-Network Out-of-Pocket Maximum—Single	$3,500	$3,000	16.7%
Median In-Network Out-of-Pocket Maximum—Family	$8,000	$7,000	14.3%
Average Out-of-Network Deductible—Single	$3,449	$3,169	8.8%
Average Out-of-Network Deductible—Family	$7,712	$7,257	6.3%
Median Out-of-Network Deductible—Single	$3,000	$2,500	20.0%
Median Out-of-Network Deductible—Family	$6,000	$6,000	--
Average Out-of-Network Out-of-Pocket Maximum—Single	$8,676	$8,163	6.3%
Average Out-of-Network Out-of-Pocket Maximum—Family	$18,679	$17,812	4.9%
Median Out-of-Network Out-of-Pocket Maximum—Single	$8,000	$7,000	14.3%
Median Out-of-Network Out-of-Pocket Maximum—Family	$16,000	$15,000	6.7%
Average Primary Care Physician (PCP) Copay	$26	$26	--
Average Specialty Care Physician (SCP) Copay	$39	$37	5.4%
Average Urgent Care Center Copay	$53	$52	1.9%
Average Emergency Room Copay	$163	$152	7.2%
Average Per Admission Copay	$422	$421	0.2%
Tier 1 Average Rx Retail Copay in 4-Tier Plan	$9	$9	--
Tier 2 Average Rx Retail Copay in 4-Tier Plan	$31	$31	--
Tier 3 Average Rx Retail Copay in 4-Tier Plan	$55	$53	3.8%
Tier 4 Average Rx Retail Copay in 4-Tier Plan	$106	$101	5.0%

While average in-network deductibles remained fairly level at $1,901, out-of-pocket maximums for 2014 increased more than 6% over last year. The median single out-of-pocket maximum is $3,500 (an increase of $500), and median family out-of-pocket maximum is $8,000 (an increase of $1,000). The increase in medians was more than double the increase in average out-of-pocket maximums for single and family, both of which rose less than $300.

It's worth noting, however, that the average out-of-pocket costs and deductibles only tell part of the story. Median figures show a significant increase because expenses at the lower end of the scale are dropping off (i.e., a "new normal" is emerging in terms of higher out-of-pocket costs).

Average out-of-network deductibles and out-of-pocket maximums increased more than those in-network. Out-of-network expenses are not subject to PPACA limitations, which means they'll likely continue to skyrocket.



4. SPOTLIGHT ON KEY PLAN TRENDS

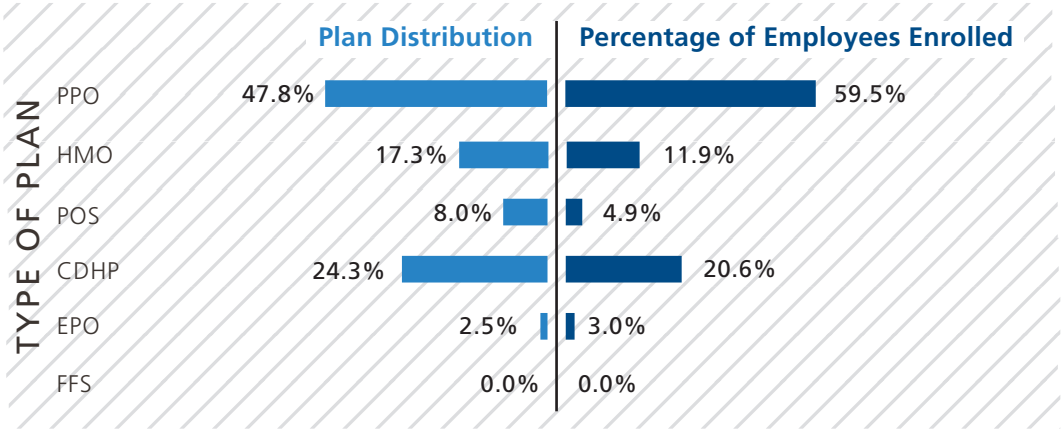
Trend #1: 2014 data show that certain plan types and features are becoming extinct.

- **Plans offering 100% coinsurance:** The number of plans offering 100% coinsurance in-network has dropped over the last two years by more than 14%. In 2014, only 36.2% of plans offered 100% coinsurance in-network for individuals and only 1.4% of plans offered 100% coinsurance out-of-network.
- **Plans with no in-network deductible:** The percentage of plans with no in-network deductible decreased from 21% for an individual in 2013 to 20% in 2014, and from 22.5% for a family in 2013 to 20.8% in 2014.
- **Plans with no out-of-network deductible:** The number of plans with no out-of-network deductible also decreased from 3.9% for individuals in 2013 to 2.8% in 2014, and from 5.7% for a family in 2013 to 4% in 2014.
- **Fee-for-service (indemnity) plans and Exclusive Provider Organizations (EPOs):** These have now essentially disappeared from the marketplace, with only 2.5% of employers offering them and only 3% of employees enrolled in them.
- **Plans with no out-of-network benefits:** Only 14.9% of employees are enrolled in plans that do not offer any benefits for receiving care from out-of-network providers (HMOs and EPOs).

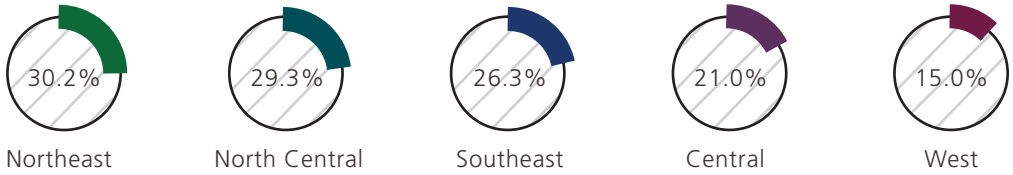
Trend #2: The balance between PPOs and HMOs continues to shift to PPOs.

- **PPOs continue to dominate the market:** 47.8% of plans offered are PPOs, an increase of 1.3% from 2013. 59.5% of all eligible employees are enrolled in a PPO.
- **HMO plans continue to wane:** In 2012, 19.1% of plans offered were HMOs; in 2013 that figure fell to 18.4%; and in 2014, it fell to 17.3%.
- **Together PPOs, HMOs, and CDHPs comprise 89.4% of all plans offered by employers,** versus 89.7% in our 2013 results. These plans cover 92% of all employees enrolled in employer-sponsored plans, a slight decrease from 2013 (92.3%).

Predominance of Plan Types



Trend #3: CDHPs continue to grow – up 8% from 2012 through 2014. Regionally, consumer-driven health plans account for the following percentage of plans offered:

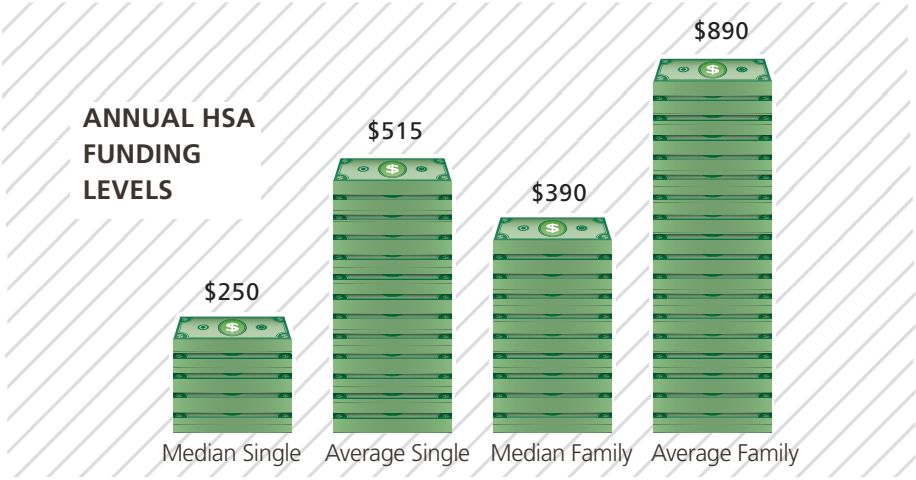


The number of employers offering CDHPs didn't always correlate to the number of employees who chose to enroll in them. These plans are seeing enrollment increases of more than 30% in the last two years (15.6% to 20.6%), despite decreases in employer contributions to HSAs; a common way to entice more participation.

Average HSA Single Contribution

Trend #4: The rise of HSAs and HRAs:

- 33.6% of all plans offered an HSA or HRA.
- The average employer contribution for an HRA was $1,750 for a single employee and $3,461 for a family.
- The average employer contribution to an HSA was $515 for a single employee and $890 for a family.
- The average single contribution to HSA plans decreased 10.4% from two years ago.
- There was a significant increase in the number of individuals enrolled in HSAs (38.6%), likely due to the increase in CDHP enrollment.



Trend #5: Private Insurance Exchanges

As employers continue to seek solutions to better manage increasing health care costs, many are looking to private health insurance exchanges as an option. Private health insurance exchanges may offer employers the potential to reduce costs, decrease administrative responsibilities, and increase the benefit choices they offer to covered employees. Employers benefit from fixed costs, known as defined contributions, by choosing how much they will contribute – a strategy gaining popularity for its ability to control benefits expenses through fixed costs.

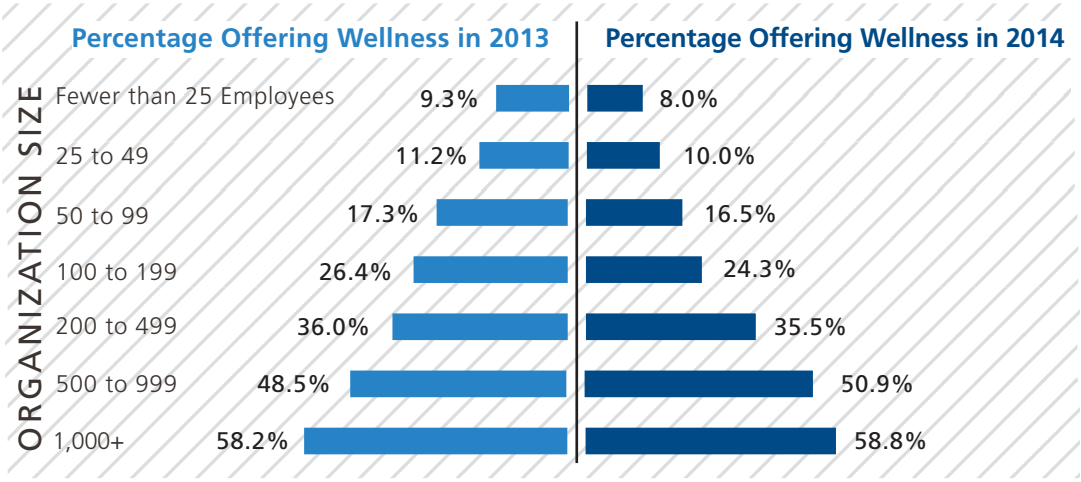
UBA launched two private insurance exchanges in 2013: The UBA Benefits Passport® (for employers with more than 50 employees) that offers affordable insurance, a choice of multiple plans, the ability to define a level contribution, 24/7access and emergency support, and mitigates the burden of administration and compliance risk. The benefitbay™ private exchange system (for employers with fewer than 50 employees) provides a simplified enrollment and administration platform, online employee guides, medical benefits with a wide choice of carriers, and proprietary ancillary benefit options, while allowing subsidy-eligible employees to go to government exchanges.

As research regarding private health insurance exchanges and defined contributions becomes available, results may reveal more about private health insurance exchange adoption, funding, and usage. The 2015 UBA Health Plan Survey, available mid-year 2015, will include additional private health insurance exchange research to help employers build benefit strategies to manage costs and obtain an advantage in acquiring and retaining employees.

5. WELLNESS PROGRAM DATA

As one might expect, the highest percentage (58.8%) of plans offering wellness benefits came from employers with 1,000 or more employees. The next two largest percentages—50.9% and 35.5%—came from organizations with 500 to 999 employees and 200 to 499 employees, respectively. The lowest percentage (8%) of plans offering wellness benefits came from organizations employing fewer than 25 people.

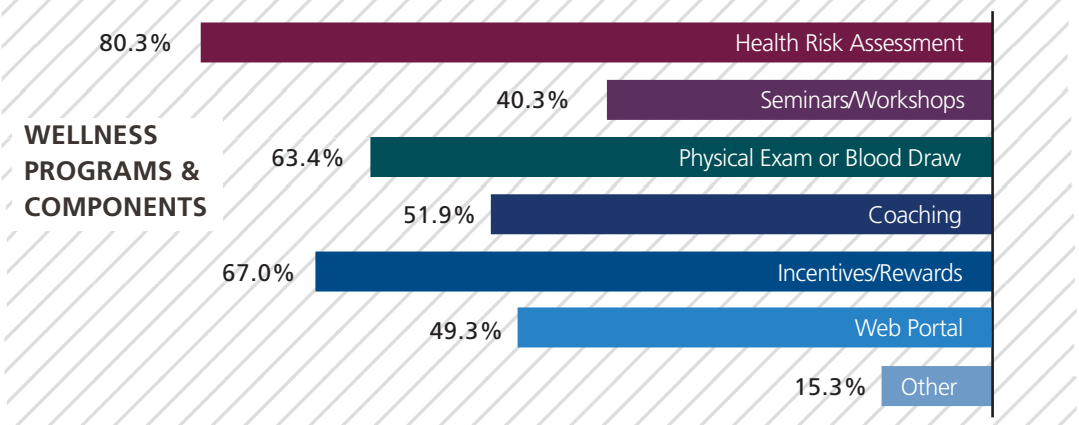
Wellness programs are down in almost all categories from last year. On average they are down by 1.3%.



At the time of this report, major lawsuits are pending against wellness programs and the regulatory environment is becoming increasingly restrictive. We're also seeing employers become more focused on health care reform rather than on supplemental programs such as wellness. Additionally, the health of an employee population is no longer a rating factor for smaller employers, so this also adds to a decrease in their adoption of wellness programs.

Even though there was a slight decrease in the overall adoption of wellness programs from 2013 to 2014, they remain a viable option for employers and employees to save money in the long run if they are designed well and communicated properly. Aside from the cost and productivity benefits employers experience with programs offered by independent resources, employer participation in programs offered directly through insurance carriers can provide premium incentives that can translate to discounts during enrollment.

Of those employers offering wellness, the overwhelming majority of plans offer health risk assessments. Programs with health coaching decreased more than 7%, while programs with health incentives and rewards increased 7%.



6. PRESCRIPTION PLAN DATA

Copays and Coinsurance: 66.9% of prescription drug plans utilize only copays, 3.4% utilize only coinsurance, and 26.4% use varying combinations of copays and coinsurance.

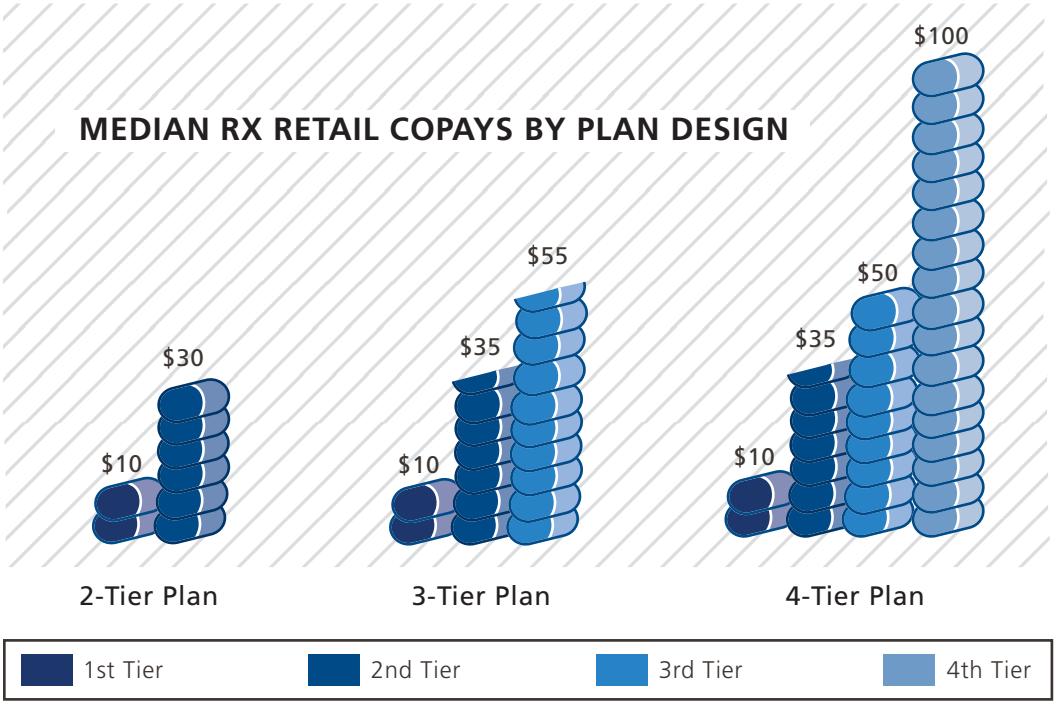
Deductibles: 28.3% of plans treat prescriptions as any other medical expense (subject to plan deductibles and coinsurance). 11.3% of plans have a separate prescription drug deductible, with an average single employee deductible of $191 and an average family deductible of $429.

Tiers: 57.1% of prescription drug plans utilize three tiers (generic, formulary brand, and non-formulary brand), 6.8% retain a two-tier plan, and 32.9% offer four tiers or more. The number of employers offering drug plans with four tiers or more increased 15.2% from 2013 to 2014, with 32.9% of employers now using this pharmacy plan design element. The fourth tier (and additional tiers) pays for biotech – or the highest cost drugs – enabling employers to pass along a little more of the cost of the most expensive drugs to employees by segmenting these drugs into another category with significantly higher copays.

Median retail copays for two-tier plans are $10/$30, three-tier plans are $10/$35/$55, and four-tier plans are $10/$35/$50/$100. While tier four median copays have grown by 25% since 2012, these copay increases might shift since the prescription copays and deductibles must all eventually track to the out-of-pocket maximums under PPACA.

Brands vs. Generics: 56.6% of plans require employees to pay more when they elect brand-name drugs over an available generic drug, with 34.4% of those plans requiring the added cost even if the physician notes "dispense as written." 0.3% of plans offer no coverage for brand-name drugs if generics are available and 41% offer no added cost coverage.

Drug Supplies and Mail Order: 36.7% of prescription drug plans provide a 90-day supply at a cost of two times retail (30-day supply) copays. Only 5.3% of plans require a single retail copay for mail order, and 4% of plans now provide no reduced copay incentive for using mail order.



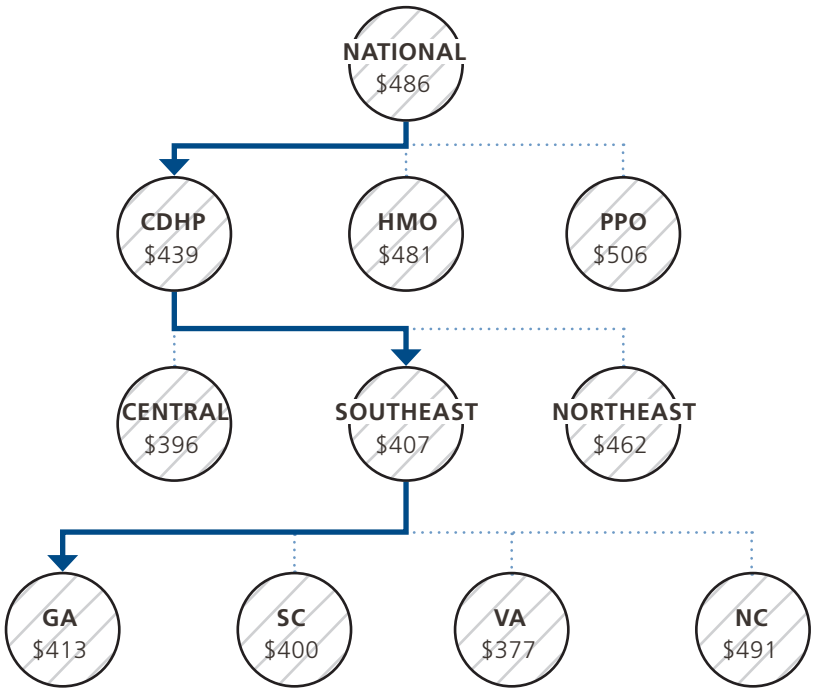
MORE GRANULAR IS MORE ACCURATE

"We're located just outside of Atlanta, Ga., and we are a midsize design firm competing with other private-sector companies in the state for quality employees. Do you have a way of demonstrating the value of our plan with more focus on my market instead of only national numbers?" ***Yes, we can!***

The size of the 2014 UBA Health Plan Survey provides employers with the data they need to benchmark their plans based on plan type, region, employee size, and industry category. Allowing employers to have access to more granular data gives them the best opportunity to see how their plan stacks up against competitors' plans so they can better understand and communicate the value of their benefits to their employees.

This Georgia design firm's single cost as an employer is $409. Compare this with the benchmarks for all plans and you can see that it is $77 per month less than the national average. When compared with other CDHPs in the Southeast region, this employer's cost is actually $2 per month more expensive than the average. This employer's cost appears to be higher or lower compared with national and regional benchmarks, depending on which benchmark is used. Yet,this employer's cost is actually lower than its closest peers' costs when using the state-specific benchmark, which in Georgia is $413 – meaning this employer's monthly single premium is actually $4 less than its competitors in the state.

If you were an employer in Georgia with a CDHP, how would your plan compare with more granular data? The illustration demonstrates how a key piece of health plan information can change and become more relevant to a specific employer as it becomes more granular.



ABOUT THIS SURVEY

Data in the 2014 UBA Health Plan Survey are based on responses from 9,950 employers sponsoring 16,467 health plans nationwide. This unparalleled number of reported plans is nearly three times larger than the next two of the nation's largest health plan benchmarking surveys *combined*. The resulting volume of data provides employers of all sizes more detailed—and therefore more meaningful—benchmarks and trends than any other source.

The national scope of the survey allows for regional, industry-specific, and employee size differentials to emerge from the data. In addition, the exceptionally large number of plans included allows for both a broader range of categories by plan type than traditionally reported and a larger number of respondents in each category.

Historically, benchmarking data of this kind were unavailable to small and midsize employers. For larger employers, the survey provides benchmarking data on a more detailed level than ever before. By using this data, the independent benefit advisory firms that comprise UBA can help employers more accurately evaluate costs, contrast the current benefit plan's effectiveness against competitors' plans, and adjust accordingly. This gives employers a distinct competitive edge in recruiting and retaining a superior workforce.

HOW WE CONDUCT OUR HEALTH PLAN SURVEY

The employer respondent group comprises a nonprobability sample, in which a factor other than probability—employers' shared contact with UBA in this case—determines which population sample elements will be included.

Using a nonprobability sample does not mean the sample is unrepresentative of the larger employer population. It simply means UBA cannot formally calculate sampling error, a less consequential source of total error than human error. The full survey provides highly accurate benefit data for employers within narrow industry, size, and region subsets.

We devote significant resources to reducing errors, individually reviewing and validating the data from each health plan respondent. All questionable data were either verified, re-recorded, or eliminated.

Additionally, we compared key variables from the 2014 UBA Health Plan Survey with those of three national employer health benefit benchmark surveys that are widely considered to contain accurate population representations. We have consistently produced results well within comparable and acceptable credibility ranges.

UBA PARTNER FIRMS

ALASKA
The Wilson Agency, LLC - Anchorage

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the bagnall company - Phoenix

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OakBridge Advisors, Inc. - Newport Beach
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ILLINOIS
Byrne, Byrne and Company - Chicago
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Mesirow Financial - Chicago
R.W. Garrett Agency, Inc. - Lincoln
RJLee & Associates, LLP - Moline
Williams-Manny Insurance Group - Rockford

INDIANA
Benefits 7, Inc. - Vincennes, Evansville
LHD Benefit Advisors, LLC - Indianapolis
The Shaner Agency, Inc. - Merrillville

IOWA
Frank Berlin & Associates - West Des Moines
TrueNorth Companies, LLC - Cedar Rapids

KANSAS
Creative Planning Benefits, LLC - Leawood
Group Benefit Specialists, Inc. - Wichita

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Schwartz Insurance Group - Louisville

LOUISIANA
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Dwight Andrus Insurance - Lafayette

MAINE
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MARYLAND
Avery Hall Benefit Solutions, Inc. - Salisbury, Easton
Independent Benefit Services - Rockville
Insurance Solutions - Annapolis

MASSACHUSETTS
Borislow Insurance - Methuen
EBS Capstone - Newton

MICHIGAN
BenePro - Royal Oak
CIC Benefit Consulting Group - Cadillac, Rockford, Manistee
Employee Benefits Agency, Inc. - Marquette
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NEW JERSEY
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Dillingham Benefits, LLC - Oklahoma City

OREGON
Davidson Benefits Planning, LLC - Tigard
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PENNSYLVANIA
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Cowden Associates, Inc. - Pittsburgh
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Lehigh Valley Benefits Group, Inc. - Allentown
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The MEGRO Benefits Company - Conshohocken

RHODE ISLAND
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SOUTH CAROLINA
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KeenanSuggs BowersElkins, LLC - Columbia

TENNESSEE
Benefit Consulting Services, Inc. - Jackson
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Russ Blakely & Associates - Chattanooga
Trinity Benefit Advisors - Knoxville

TEXAS
AMCORP Inc. - San Antonio
Brinson Benefits, Inc. - Dallas, Fort Worth
Brinson-RFG, Inc. - Austin
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CSG Companies, Inc. - Ft. Worth
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Shepard Walton Life - Austin, Harlingen, McAllen
Upshaw Insurance Agency - Amarillo

UTAH
Fringe Benefit Analysts, LLC - Layton

VERMONT
The Richards Group - Brattleboro, Norwich, Williston, Bellows Falls, Rutland

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Diversified Insurance Solutions - Brookfield
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Hierl Insurance, Inc. - Appleton, Fond du Lac

WYOMING
Wyoming Benefits & Services, Inc. - Casper

CANADA
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UNITED KINGDOM
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UBA PARTNER FIRM SERVICES

Services provided by UBA Partner Firms include, but are not limited to:

- Consultative and Strategic Plan Design Analysis
- Health and Welfare Plan and Qualified Plan Brokerage
- Renewal Pricing Evaluation and Plan Cost Forecasting
- Medical Stop Loss, IBNR, and Reserve Calculations
- Health Care Cost-Containment Strategies
- Medical Claims Analysis and Individual Predictive Modeling
- Actuarial Consulting: Medical, Retiree Medical, and Pension Plans
- FSA, HRA, HSA, and COBRA Administration
- HR Consulting
- HIPAA Compliance
- Health Care Claims Auditing Solutions
- Worksite Marketing Programs and Voluntary Product Placement
- Executive Compensation and Benefits Planning
- Personal Financial Planning and Asset Management
- Customized Employee Benefits Website and Document Library
- Web-based Employee Enrollment Systems
- Daily Benefits and HR Updates, Legislative Guides, Document Center, and Links Library
- Merger and Acquisition Due Diligence
- Compliance Webinars, Alerts, and Quarterly Newsletters
- PPACA Resource Center
- Private Exchange Solutions
- Wellness Consulting
- Employee Assistance Programs
- Total Compensation Statements
- Prescription Drug Management

HOW TO OBTAIN ADDITIONAL DATA, RESOURCES, AND EXPERTISE

The purpose of the UBA Health Plan Survey is to provide employers with comparative data regarding plan costs, employee contributions, and plan designs that will allow them to benchmark their plan against those of similar employers and help them strategize more effectively. The significant strength of this study is its unique ability to support subgroup analyses. That evaluation can be based on employers with similar numbers of employees, employers in a similar industry, or employers in a similar geographic area.

This report contains only a portion of the total data collected. If you would like the full range of data that we compiled during the 2014 survey, would like a custom benchmarking study, compliance consultation, or are interested in acquiring additional health plan advisory resources and expertise, please contact your UBA Partner Firm listed in the previous pages.

ABOUT UBA

United Benefit Advisors is the nation's leading independent employee benefits advisory organization with more than 200 offices throughout the United States, Canada, and the United Kingdom. As trusted and knowledgeable advisors, UBA Partners collaborate with more than 2,000 fellow professionals to deliver expertise, thought leadership and best-in-class solutions that positively impact employers and make a real difference in the lives of their employees and families. Employers, advisors, and industry-related organizations interested in obtaining powerful results from the shared wisdom of our Partners should visit UBA online at www.UBAbenefits.com.

SHARED WISDOM. POWERFUL RESULTS.®

With the shared knowledge and expertise of thousands of other UBA benefits professionals, UBA Partner Firms can meet the needs of any size business. UBA Partners help more than 32,000 employers design competitive medical plan strategies to clearly identify cost savings opportunities and encourage employee acquisition and retention. UBA Partners educate nearly 2 million employees and their families to become better health care consumers and lead healthier lives, easing the strain on health care claims and costs. UBA Partners saved employers, on average, 5% on the most recent medical plan renewals.

OUR MISSION

At UBA, we believe in service and genuine sharing through mutual trust. Our culture is one of honesty, transparency, and making others better. It is defined by the values of integrity, collaboration, care for others, innovation, and operational excellence.

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