



# Health Benefits for Local Government

**Findings from 2011 ICMA-CIGNA Study**

## Research Findings

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### Introduction

CIGNA recently collaborated with the International City/County Management Association (ICMA) on a groundbreaking, nationwide survey to better understand one of the most significant challenges facing local governments – providing comprehensive, cost-effective health care benefits to employees.

Findings from the survey show that the cost of providing benefits is a significant concern for local governments, regardless of size or geographic location. Despite these cost pressures, the majority of local governments say they have no plans to reduce, delay or cancel program design enhancements, including health promotion efforts.

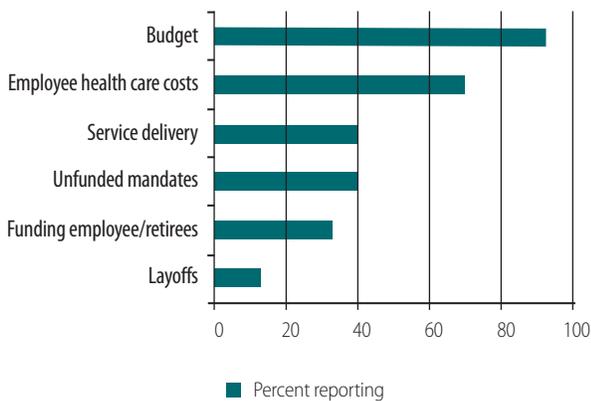
While many would benefit from establishing programs to address workforce health care concerns, the survey showed that the majority are not taking full advantage of health improvement and benefit changes that could improve employee health conditions and health spending, and help lower their benefit costs.

This paper will share insights into the survey findings. We will examine current benefit practices in local governments across the U.S., and look at emerging trends and benefit strategies being employed to help local governments deliver the most cost-effective workforce benefit solutions.

### Top Operating Concerns

Budget worries top the list of local government concerns, with the expense of employee and retiree health care benefits and unfunded mandates weighing heavily on the minds of local government administrators as their top concerns. Not surprisingly, service delivery – their ability to effectively serve the needs of their constituents given the intense expense pressures they face – ranked third among administrator concerns.

Figure 1: Top Three Operating Concerns



## Top Workforce Health Concerns

The survey collected information to assess specific workforce health concerns. Overall, obesity/weight was, by far, the top concern, followed by stress management and fitness.

Figure 2: Top Workforce Health Concerns



Local governments identified several obstacles impeding their ability to develop a healthy workforce. The following five were cited as their biggest concerns:

- Lack of employee participation
- Insufficient financial incentives to encourage participation in programs
- Inadequate budget to support health management programs
- Too many other demands on employees
- Lack of organizational structure/staffing to support it

There are, however, a few differences among the population groups.

The local governments in the over 1,000,000 population group identified “lack of evidence about which practices work best” (30%) and “poor or inadequate communication of health management programs” (30%) as more concerning than “lack of organization structure/staffing to support it.” Those with a population of 500,000 to 1,000,000 cited “lack of senior management support” (33%) equally as concerning as “lack of organization structure/staffing to support it” (33%).

Figure 3: Obstacles to Developing a Healthy Workforce

Obstacle	% reporting
Lack of employee engagement	64%
Lack of sufficient financial incentives to encourage participation in programs	62%
Lack of adequate budget to support effective health management programs	59%
Too many other demands on employees/not enough time	53%
Lack of organization structure/staffing to support it	40%
Lack of adequate internal staff	34%
Lack of evidence about which practices work best	23%
Lack of appropriate tools to be successful	21%
Lack of senior management support	10%
Poor or inadequate communication of health management programs	10%
Lack of actionable data/information from insurance administrator	10%

## Paying for Health Insurance

### Employee Costs

The majority (75%) of local governments share the premium cost of benefits with active employees. Nearly one-third (30%) report paying the full premium cost for all and/or some of their active employees.

For retirees, both early retirees (pre-65) and traditional retirees, payment for health insurance varies. Overall, roughly one-third make coverage available “at cost,” but require the retiree to pay in full.

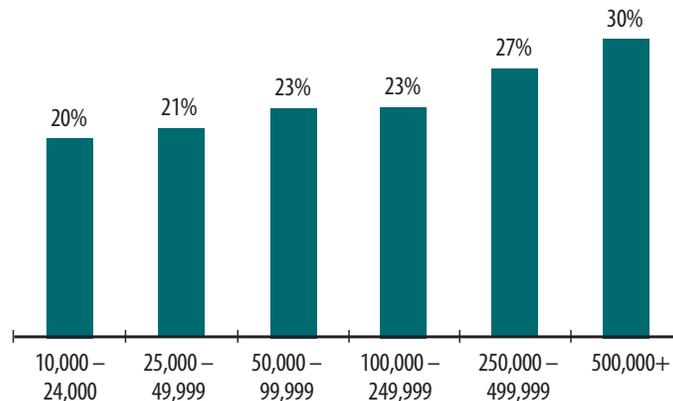
Figure 4: Paying for Health Insurance

Employee/retiree groups	Fully paid by local government	Premium is shared between employer and employee	Available at cost, paid solely by the employee or retiree	Local government does not offer
Current employees	30%	75%	0.2%	0%
Early retirees (pre-65)	11%	34%	36%	23%
Retirees (Medicare-eligible)	10%	23%	33%	37%

*Note: Percentages add up to more than 100% due to some local governments having more than one payment method in place.*

A slight majority have **increased the share of health costs paid by employees**, and another 30% plan to do so in the next two years. Overall, local governments with the largest populations require employees to pay the highest share of health costs.

Figure 5: Average Percent of Premium Employee Pays by Size of Population



### Employer Funding

A slight majority of local governments report they are fully insured. However, among local governments with large populations of over 500,000, the majority are self-funded. Among governments with populations of 500,000 to 1,000,000, 43% offer a combination of funding.

## Current Benefit Approaches

Overwhelmingly, local governments report having plans in place for medical, pharmacy and dental coverage for active employees, with the majority also offering an Employee Assistance Plan (EAP) and disability insurance.

Overall, about a quarter of local governments (26%) are currently offering account-based high-deductible health plans, either health savings accounts (HSAs) or health reimbursement accounts (HRAs). However, prevalence of these plans does increase to 40% among local governments with populations of 500,000 to 1,000,000.

Figure 6: Current Employee Plans

Type of plan	% with plan
Medical insurance	99%
Pharmacy	92%
Dental	92%
Employee Assistance Plan (EAP)	75%
Disability insurance	73%
High-deductible plan with an HRA or HSA (CDHPs)	26%

**More than 40% of local government with populations greater than 500,000 offer CDHP plans.**

Most local governments (75%) continue to offer medical coverage for early retirees – those under age 65. Far fewer offer pharmacy and dental coverage. Only a very small percentage (4%) offer a stand-alone high-deductible health reimbursement account (HRA).

Figure 7: Early Retiree Plans

Type of plan	% with plan
Medical insurance	75%
Pharmacy	52%
Dental	40%

The majority of local governments (60%) provide the same medical coverage for retirees as current employees, with 24% offering Medicare Supplement plans and 9% offering Medicare Advantage. Overall, just 22% provide Dental coverage, and even fewer offer some kind of pharmacy coverage, either Medicare Part D Pharmacy (12%) or some other pharmacy plan (11%).

Figure 8: Retiree Plans

Type of plan	% with plan
Same Medical Insurance As Active Employees	60%
Medicare Supplement	24%
Dental	22%
Medicare Part D Pharmacy	12%
Other Pharmacy Plan	11%
Medicare Advantage	9%

## Cost-saving Strategies

In all but a few categories, the majority of local governments report that no action has been taken to reduce health care expenses/claims costs, and in some instances, that may not be a bad thing. For example:

- 89% have not reduced or eliminated **health promotion programs**, and they do not plan to do so.
- 76% have not delayed or canceled **new health care and productivity program offerings**, and do not intend to do so.
- 71% have not delayed or canceled program **design enhancements**, such as including a health-coaching program or adding a disease-management program.

In other benefit cost-saving areas, local governments have been more active than inactive:

- 65% have taken or are planning to take action to **significantly increase pharmacy copays, deductibles or coinsurance**.
- 61% are actively **communicating/educating employees on health care costs and living healthier lifestyles** or plan to do so in the future.
- 60% report having programs in place, or plan to add programs in the future, to **audit or review eligibility or enrollment** in their health plans.
- About half (48%) have taken action, or plan to take action, to **create incentives to encourage employees to use high-quality/low-cost hospitals and physicians**.
- 41% have taken action, or plan future action, to **reduce plan options**.

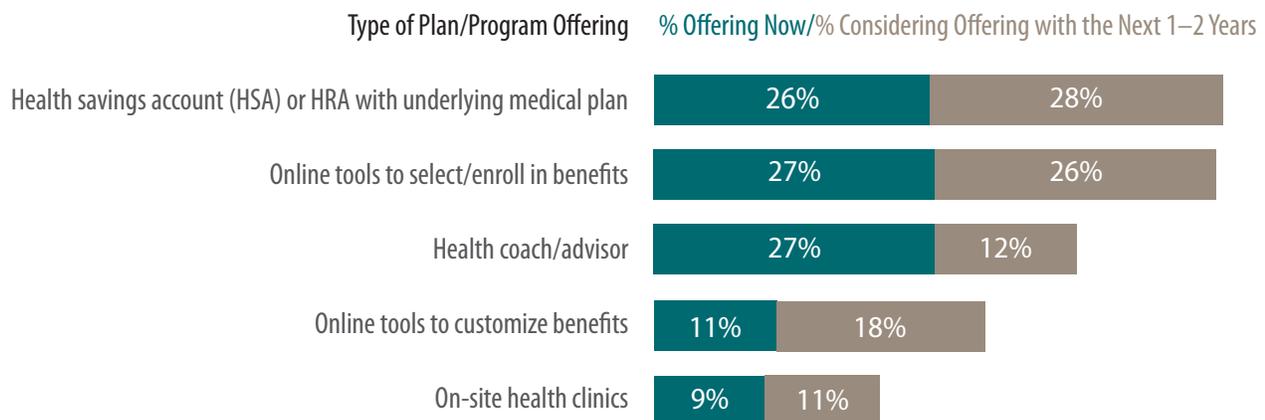
Local government action to help employees maintain their health and reduce health risks is mixed:

- Almost two-thirds (63%) have already integrated employee participation in wellness programs with health plan data or they are planning to do so in the next two years.
- A majority (61%) have taken action or are planning future action so that employees will complete a health risk appraisal, although the percentages decrease among the smaller population groups.
- Just over half (51%) have taken action, expect to take further action and/or plan to take initial action in the next two years to have employees participate in disease management programs.
- 47% have taken action or plan to take action in the next two years to encourage employees to complete biometric screenings, which can help determine their risk for certain diseases; these programs appear more prevalent in larger local governments (population 250,000 and over).
- 43% already have programs to encourage completion of adult health exams or plan to add programs in the future.
- 36% have taken action or plan to take future action to help employees **maintain target-level blood pressure**, because of the health risks high blood pressure presents. The responses to maintaining **cholesterol levels** are similar to the responses to maintaining blood pressure.

- 36% report taking action or planning future action to **reward/penalize employees based on their tobacco-use status**.
- 34% already have, or are planning to take, future action to help employees **maintain their body mass index (BMI)** within target levels.
- One third (33%) have taken action, or plan to take action within the next two years, to add programs aimed at improving **compliance with an evidence-based course of treatment**. However, a majority of respondents in the three largest population groups indicate they have already taken, or plan to take, action within the next two years.
- One-quarter (25%) have taken action, or are planning future action, to **integrate health and disability/absence management programs** with a single vendor.
- 14% have taken action or are planning future action to **provide different disability benefit levels (incentive) based on health management program participation**.

As local governments look to future plan and program design enhancements to improve health and lower costs, several untapped opportunities appear to exist. For example, very few are now offering, or planning to offer, consumer-driven health plans, on-site and personal coaching services, and online benefit selection tools.

Figure 9: Untapped Plan/Program Opportunities



Local governments with the largest populations appear more willing to offer these plans and programs.

Of local governments with a population over 1,000,000, 46% currently offer an **on-site clinic**. Overall, the percentages reporting that they are considering an on-site clinic are higher among larger local governments.

60% with populations over 500,000 currently offer a **health coach/advisor program**.

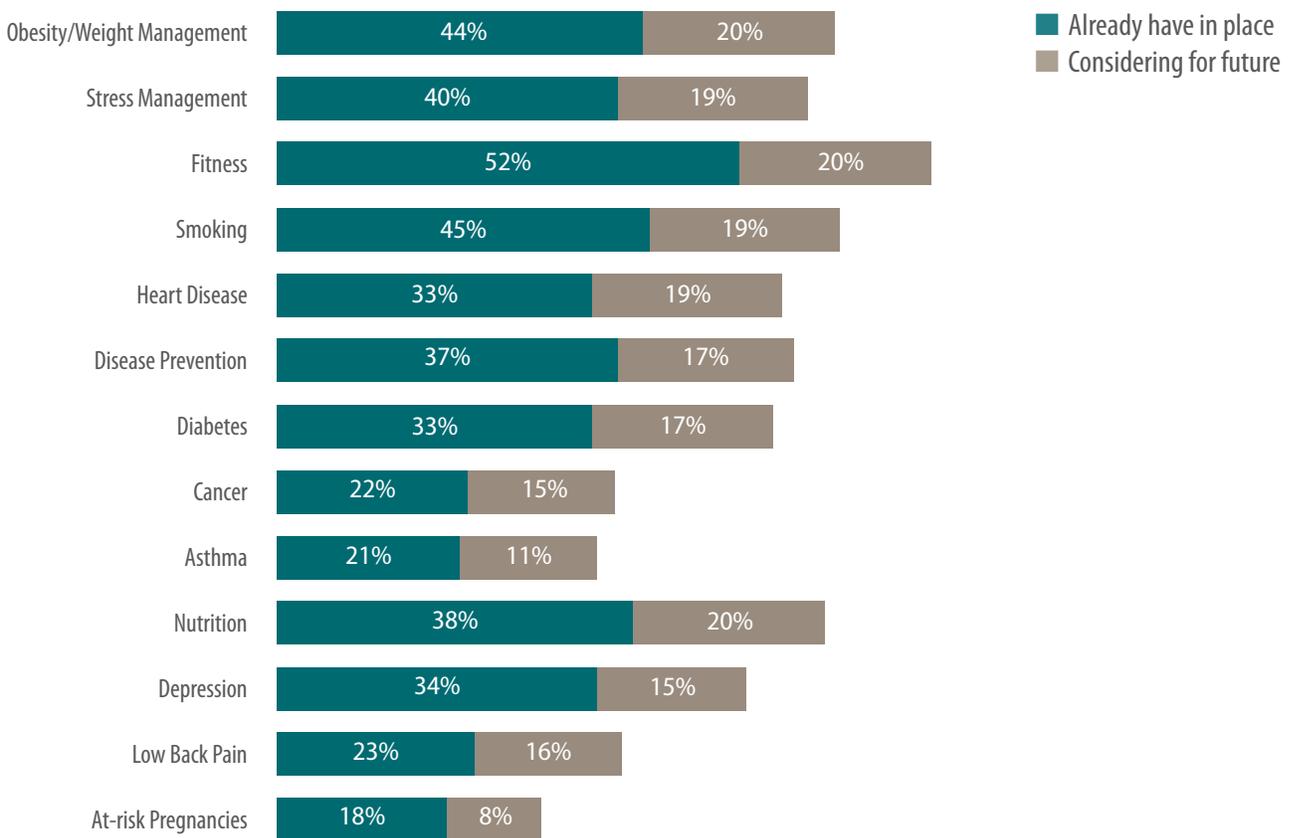
The majority with populations over 250,000 currently **offer online enrollment tools**.

## Health Management Program Trends

The survey collected information on local governments' use of targeted health improvement programs to address specific workforce health concerns. It also looked at current programs in place, and plans to expand these programs in the future.

Overall, the majority of local governments currently do not have health improvement programs in place to address common health risks – even among their top health concerns. However, many are considering adding programs in the future.

Figure 10: Workforce Health Concerns (listed in order of top concerns)



### Did You Know?

According to the CDC, more than 75% of health care costs are due to chronic conditions.

Chronic diseases – such as heart disease, diabetes and obesity – are the most common and costly of all health problems. Today, nearly one in two adults is living with at least one chronic illness.

But the good news is that chronic diseases are also the most preventable.

Four common, health-damaging, but modifiable behaviors – tobacco use, insufficient physical activity, poor eating habits and excessive alcohol use – are responsible for much of the illness, disability and premature death related to chronic diseases.

## Obesity/Weight Management

Overall, 44% of local governments have programs in place and another 20% are considering obesity/weight management programs.

## Stress Management

40% of localities report offering a stress management program, and 19% indicate that they are considering adding a program in the future.

## Fitness and Nutrition

A slight majority (52%) of local governments report offering a fitness program, and another 20% report that they are adding a program in the future. Thirty-eight percent offer nutrition programs, with an additional 20% planning to add a nutrition program.

## Tobacco Use/Smoking

45% of local governments offer a program now, and 19% are considering offering one.

## Heart Disease

The U.S. Centers for Disease Control and Prevention (CDC) estimate that people with diagnosed heart disease make over 30 million visits to doctors, hospitals and emergency rooms each year (*CDC, FastStats*, <http://www.cdc.gov/nchs/fastats/heart.htm>). Yet only one-third (33%) of local governments report having a program in place to prevent heart disease, with 19% saying they are considering a program for the future.

## Disease Prevention

Overall, only 37% are offering programs, with another 17% considering a program for the future.

Despite rising rates of chronic conditions and disease in the U.S., we found few local governments with programs in place to address these costly health issues in their populations.

## Better Health. Guaranteed.®

CIGNA uses a unique combination of risk identification, health improvement interventions and financial incentive services to help shift a targeted percentage of high-/medium-risk employees to medium-/low-risk within 14 months. If we don't, we'll invest \$1,100 in health services for every employee who doesn't reduce their risk.

## Diabetes

The American Diabetes Association reported 25.8 million adults and children in the U.S. – or 8.3% of the population – have diabetes (Source: <http://www.diabetes.org/diabetes-basics/diabetes-statistics/>). Yet only one-third (33%) of local governments report having a program in place to help treat diabetes, and only just 17% considering one for the future.

## Cancer

The National Cancer Institute (<http://seer.cancer.gov/statfacts/html/all.html#incidence-mortality>) estimates that one in two men and women will be diagnosed with cancer during their lifetime. However, less than one-quarter (22%) of local governments have a program in place to help prevent cancer, and only 15% are considering one for the future.

## Asthma

According to the Asthma and Allergy Foundation of America, an estimated one in 15 Americans suffer from asthma, making it one of the most prevalent chronic health issues for adults and children (<http://www.aafa.org/display.cfm?id=9&sub=42#fast>). Despite that, only 21% of local governments report having a program to address asthma concerns, and only 11% are considering adding programs in the future.

## Depression

A recent study sponsored by the World Health Organization and the World Bank found unipolar major depression to be the leading cause of disability in the United States

([http://www.depressionperception.com/depression/depression\\_facts\\_and\\_statistics.asp](http://www.depressionperception.com/depression/depression_facts_and_statistics.asp)). Yet, only slightly more than one-third (34%) of local governments have a program currently in place to manage depression, with another 15% considering adding a program in the future.

## Impact of Health Care Reform

The majority of local governments (64%) report that they only partially understand the impact of new health care reform legislation. Respondents indicated that webinars, e-newsletters and publications would be helpful to them for gaining a better understanding of health care reform legislation.

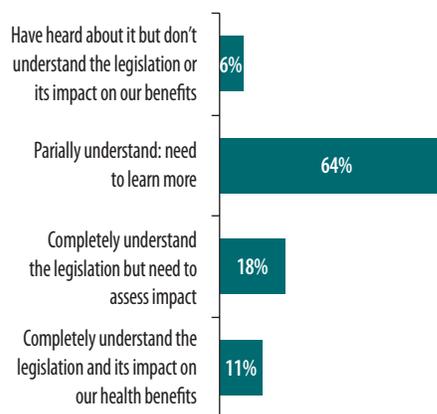
An overwhelming majority (97%) have not conducted the cost/benefit analysis of moving to a state health insurance exchange, which will be offered in 2014.

Virtually all (99%) say they will wait and see how the legislation unfolds or plan to make no changes to their plans at this time.

### Informed on Reform

CIGNA provides ongoing consultative guidance to help local governments stay ahead of emerging trends, and legislative and regulatory changes that impact their business. To learn more about the new Patient Protection and Affordable Care Act and how it may impact your organization, visit [HealthierGov.com](http://HealthierGov.com) and click on "Trends and Best Practices."

Figure 11:  
Understanding of Health Care Reform Legislation



## Health Plan Decision-making

Overall, 61% of local governments report using a broker or consultant for guidance on developing a benefit plan request for proposal (RFP).

When it comes to choosing a health plan, 59% of local governments report that the elected official/governing body makes the final decision. Among local governments with populations of fewer than 250,000, 22% reported that the city/county manager makes the final decision.

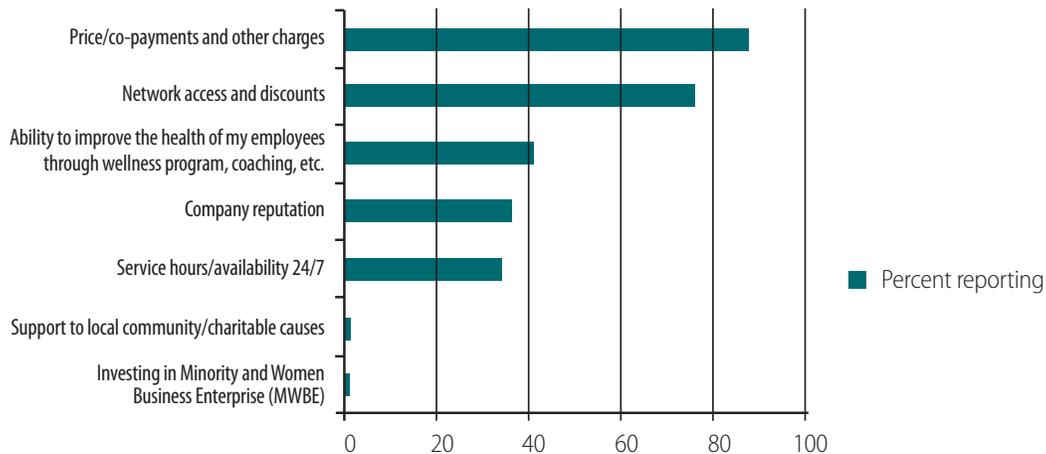
On average, 60% of local governments report purchasing health insurance plans independently. Among governments with populations of 500,000 or more, approximately 80% purchase independently, as do 78% of those with a population of 250,000–499,999 – well above the average. Those with a population of fewer than 50,000 most often report purchasing insurance through an association/coalition.

## Top Purchasing Considerations

Regardless of their size and geographic location, local governments consistently identified these three top considerations when evaluating a health plan:

- Price/copays and other charges
- Network access and discounts
- Ability to improve employee health through wellness programs

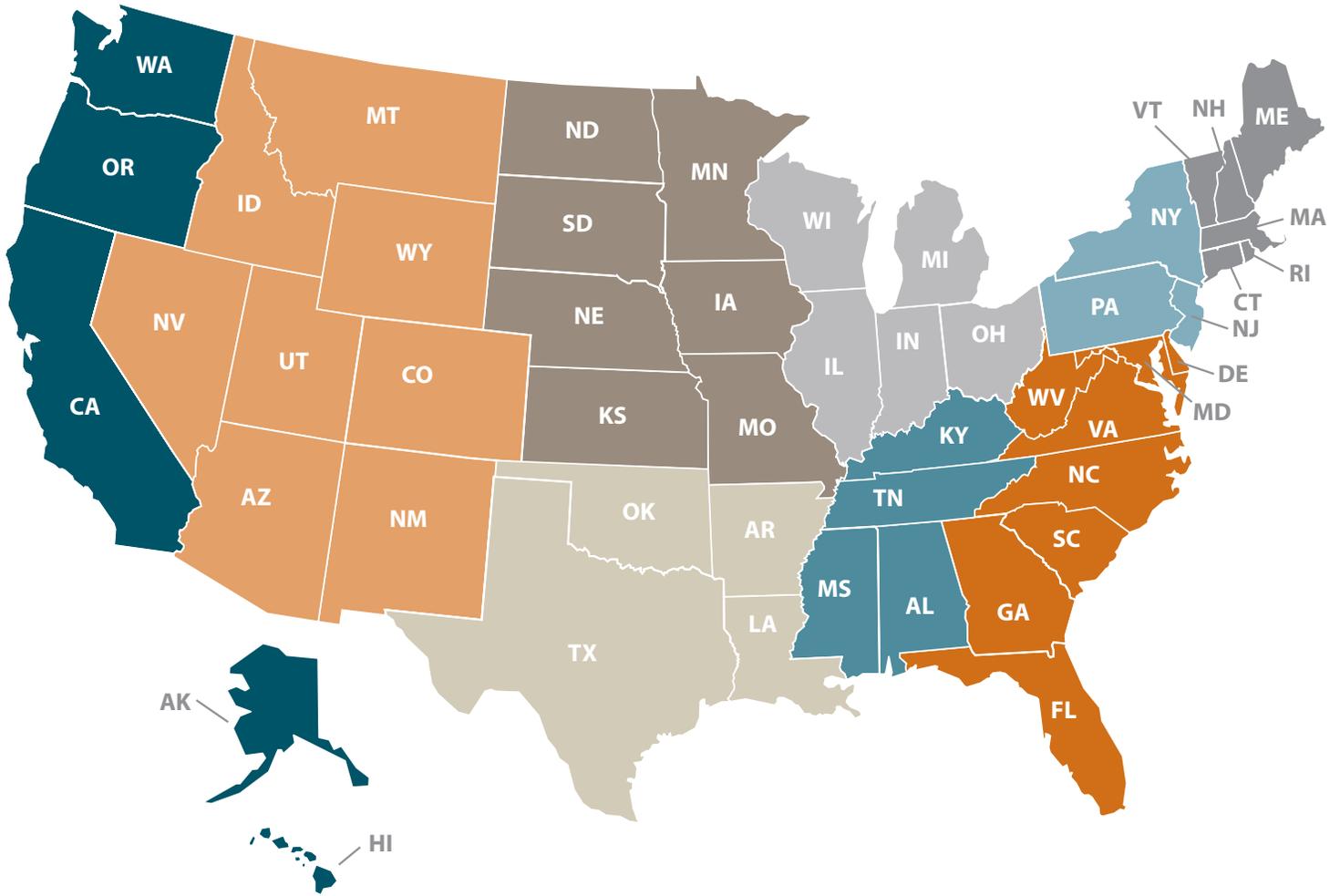
Figure 12: Top Three Purchasing Considerations



## Research Methodology

In February 2011, CIGNA partnered with the International City/County Management Association (ICMA) to develop a survey to better understand one of the most significant challenges facing local governments, providing comprehensive, cost-effective health care benefits to employees. The survey was mailed across the U.S. to all 5,664 cities and counties with a population of 10,000 and above. The survey response rate was 20%, with 1,138 local governments responding. A second survey was mailed to non-respondents from the first mailing. Participants were offered the option of mailing back the paper survey or completing the survey online.

## Percentage of Respondents by Geographical Division



Geographic Division	Percent of Respondents
New England	4.9%
Mid-Atlantic	8.3%
East North-Central	19.6%
West North-Central	12.0%
South Atlantic	20.8%
East South-Central	5.4%
West South-Central	8.6%
Mountain	7.7%
Pacific Coast	12.7%
<b>Total</b>	<b>100%</b>

Total Number of Respondents 1,138

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