



NEWS RELEASE

3rd Annual Arizona Employee Benefits Benchmarking Survey Highlights Concerns of Mid-Size Employers

-- 44 percent Expect 2017 Medical Plan Costs to Increase 6-10 percent or More

-- ROI on Wellness Programs Still an Unknown for 69 percent of Employers

Seminar Presentation by Mayo Clinic Doctor: Is Sitting the New Smoking?

Scottsdale, AZ, June 7, 2016 – The results of the 3rd annual Arizona Employee Benefits Benchmarking Survey of mid-size employers (50-5,000 employees), presented today at a seminar held at the Arizona Biltmore, showed that these employers in our state again expect health plan costs to increase significantly in 2017. In addition, while many of the employers surveyed exceed national averages in offering specific wellness programs, the vast majority do not know what their return on investment in wellness will be over the next five years.

This benchmarking survey, conducted by Benefit Commerce Group, a Scottsdale-based employee benefits firm, is in its third year of data collection. The survey was developed by Milliman, one of the world's largest and most respected actuarial firms, and is in its 14th year nationally.

"In these three years, over 500 Arizona employers have participated in this survey," said Scott Wood, Principal and CEO of Benefit Commerce Group, which hosted the Results Seminar. "For most employers, healthcare is their 2nd or 3rd highest cost of business, so understanding, strategizing and controlling this cost item is critical to their success."

"The data through this survey provides mid-size employers a powerful tool in measuring, developing and maintaining their benefit programs to be valuable to employees and competitive in the marketplace," Wood added.

Arizona employers can continue to participate in this survey through October by visiting:
www.AZBenefitsBenchmarking.com.

The seminar today featured:

--Ron Cornwell, FSA, MAAA, FCA, Principal and Consulting Actuary at Milliman, presented the survey results.

--Dr. James Levine, M.D., Ph.D., Mayo Clinic, Professor of Medicine (Endocrinology) and inventor of the Treadmill Desk, presented information, backed by scientific research, on the dangers of a sedentary lifestyle and what actions individuals and employers can take.

Nearly 250 Arizona employers have completed this year's benchmarking survey to-date, and that number is expected to increase in the next several months. The survey represents 170,000 employees at companies and organizations throughout the state, with total healthcare dollars spent exceeding \$1.5 billion.

Each employer that completes the survey receives an Individual Custom Report, comparing key components of its employee benefits against the other Arizona employers in the survey and against national medians of thousands of employers.

"This data is very important and actionable for mid-size employers in Arizona, as they plan their benefit programs for next year and work to engage their employees," said Johnny Angelone, Principal of Benefit Commerce Group. "Even for employers that did not change their benefits significantly this year, the employers they compete with probably have made changes. Data shows that over 80% of employers are making changes."

Healthcare cost increases

For 2017, 44 percent of the Arizona employer survey participants expect medical plan costs to increase 6 to 10 percent or more, after benefit buy downs. For 2016, the majority of survey participants reported healthcare inflation of 4 to 10 percent after all plan design changes made to help control costs.

Nationally, according to the 2016 Milliman Medical Index:

- A typical family of four with an employer-sponsored PPO plan had annual healthcare costs of \$25,826. This is an increase from \$24,671 in 2015.
- Employees paid 43% of these medical costs, through their premium contributions (26%) and out-of-pocket expenses (17%).

In this 2016 Arizona employer survey, average employee contributions were about the same as the national average for employee-only coverage and significantly higher than the national average for family coverage.

Wellness Programs and ROI

One area of good news is that Arizona employers surveyed exceeded the national averages in offering wellness programs such as blood pressure and cholesterol screenings, flu shots, web-based resources for healthy living and employee assistance programs.

However, 69 percent of the Arizona employers surveyed do not know their expected return on investment (ROI) on wellness programs within the next 5 years. Those that did know their ROI showed very positive impact: 26 percent of the participants stated that they expect their ROI to be from 2:1 to 4:1.

Other cost control measures: HDHPs and self-funding

High deductible health plans (HDHPs, also known as consumer-driven health plans, CDHPs) and self-funding strategies are two other methods of health plan cost control that were explored in this survey.

The use of HDHPs among mid-size Arizona employers that participated in this survey stayed about the same as last year, at 45 percent for 2016. This was above the national median of 38 percent offering HDHPs.

The use of partial self-funding strategies decreased for Arizona employers with 50-500 employees, compared to last year. Only 14.6 percent of participating Arizona employers with 50-199 employees and 31.9 percent of those with 200-499 employees were self-funded. There was a slight increase to 66.7 percent self-funding of those with 500-999 employees.

“Although some employers may be initially reluctant to consider partial self-funding, it’s important to note that with proper analysis and placement of stop-loss insurance, employers actually have better control of their healthcare plans, and many can reduce their costs significantly -- without taking on more risk,” said Chris Hogan, President of Benefit Commerce Group.

“Newer product designs now available make partial self-funding a very real and viable option for mid-size employers,” Hogan added.

According to Milliman, this funding method can save many employers an average of 10 percent on their health plan premiums.

Self-funding or partially self-funding is a strategy with increased advantages for mid-size employers as health reform costs have added to the total costs for fully insured plans. The advantages of self-funding include:

- No Premium Tax
- No Affordable Care Act (ACA) Insurer Fee
- No Profit Margin
- Interest on Reserves
- Greater Plan Design Flexibility

Dr. Levine’s Presentation

Dr. James Levine used his wide background in medicine and his experience and knowledge gained as a world-renowned leader in obesity research to present a compelling story of the

dangers of excessive sitting and what individuals and employers can do to combat this important health factor. Facts he presented included:

- ***The bad news: Your chair is killing you.***
 - Sitting is tied directly to obesity, lower neurological drive, and increases in chronic diseases such as diabetes, cardiovascular ailments, arthritis, breast cancer and depression.
 - Chewing gum actually burns 4 times as many calories per hour as sitting.

- ***The good news: You can do something about it.***
 - There are many new technologies to measure your non-sitting activity.
 - Office environments and furniture that encourage standing and walking can be utilized.
 - Walking meetings
 - Treadmill desks, standing desks

For more information about the Arizona Employee Benefits Benchmarking Survey or the survey results, contact Benefit Commerce Group at 480-515-5010 or info@benefitcommerce.com.

ABOUT Benefit Commerce Group

Benefit Commerce Group is an innovative and award-winning employee benefits consulting firm that is changing the health care cost paradigm, one company at a time. We provide employers with sustainable strategies to lower health care costs first-year and long-term and enhance productivity. Benefit Commerce is a “game-changer” for companies striving to control one of their highest expense items: employee benefits costs. We are not your typical benefits firm, and we are not offering typical cost-shifting techniques. Our strategies yield real savings for both employer and employee and also integrate meaningful consumer-focused employee health and wellness programs. Our technology enhancements also set us apart, as we offer methods to streamline HR functions from enrollment through ongoing employee communication and administration. Through our proven programs, Benefit Commerce Group has helped our clients receive recognition from the Phoenix Business Journal’s “Healthiest Employers” program, the Wellness Council of Arizona and The Institute for HealthCare Consumerism, a national organization. The company conducts an annual Arizona Employee Benefits Benchmarking survey for mid-size employers across the state. The success of our strategies is illustrated by our ranking in the top 25 percent of the 2015 Inc. 5000 list of fastest-growing private companies in America. Principals of the firm include Scott Wood, Johnny Angelone and Chris Hogan. For more information on Benefit Commerce Group, call us at 480-515-5010 or visit our website www.benefitcommerce.com.

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