



2023 HEALTHCARE AND EMPLOYEE BENEFITS

Benchmarking Report

Published July 2023

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2023 Employee Benefits Benchmarking Report

After the past few years of turmoil, the headline of this year's fourth annual Alera Group Healthcare and Employee Benefits Benchmarking Survey brings a bit of relief as the country trends back to "business as usual." With the uncertainty from the pandemic subsiding and the Great Resignation slowing down, organizations are looking at healthcare and employee benefits through a more precise lens. Alera Group's *2023 Healthcare and Employee Benefits Benchmarking Survey* is particularly valuable, enabling you to leverage the data and plan with greater confidence.

The results of this year's survey reflect the continuing challenges of healthcare and pharmacy affordability, particularly as inflation lingers and household budgets remain tight. In the face of rate increases, there is a trend toward employers implementing plans and programs designed to target top drivers of healthcare utilization. Employers continue to focus on retention, offering supplemental benefits and expanded telehealth services for behavioral health and substance abuse.

As you work with your Alera Group broker to finalize your health and benefits strategy, we encourage you to leverage the data in this report. Benchmarking is more essential than ever to ensure your plan is competitive and that you're getting the most from your healthcare and employee benefits plans.

Best regards,

Sally Prather
Executive Vice President
National Employee Benefits Practice Leader



Key findings

Rates increased as predicted.

The majority of survey respondents indicated they've experienced a much-anticipated rate increase on their medical plans, averaging about 8% year over year for comparable plans, even if they had no changes to their plan design.

Employer funding mechanisms vary by size.

Smaller employers continue to fully fund their medical plans, while larger companies are more likely to self-insure. That said, only 62% of companies with over 1,000 lives surveyed self-insure.

PPO plans and HSAs dominate.

Consistent with prior years, preferred provider organization (PPO) plans continue to be the dominating plan type across most industries, with larger employers offering more plan choice. When offering a qualified high-deductible health plan (HDHP), the majority of employers offer a health savings account (HSA) to help offset the cost of deductibles for employees.

Pharmacy specialty tiers are trending.

As pharmacy costs continue to skyrocket, particularly with respect to specialty medications, it's worth noting that more than half of survey respondents offer four or more tiers in their pharmacy plans. The majority of plans (87%) do not cover "new drug" therapies.

Behavioral health coverage has become more common.

Reflecting the continued uptick of behavioral health challenges and substance abuse disorders, they are the most often covered treatments. When it comes to disease management, the more prevalent conditions are most commonly covered, including diabetes, hypertension and high cholesterol.

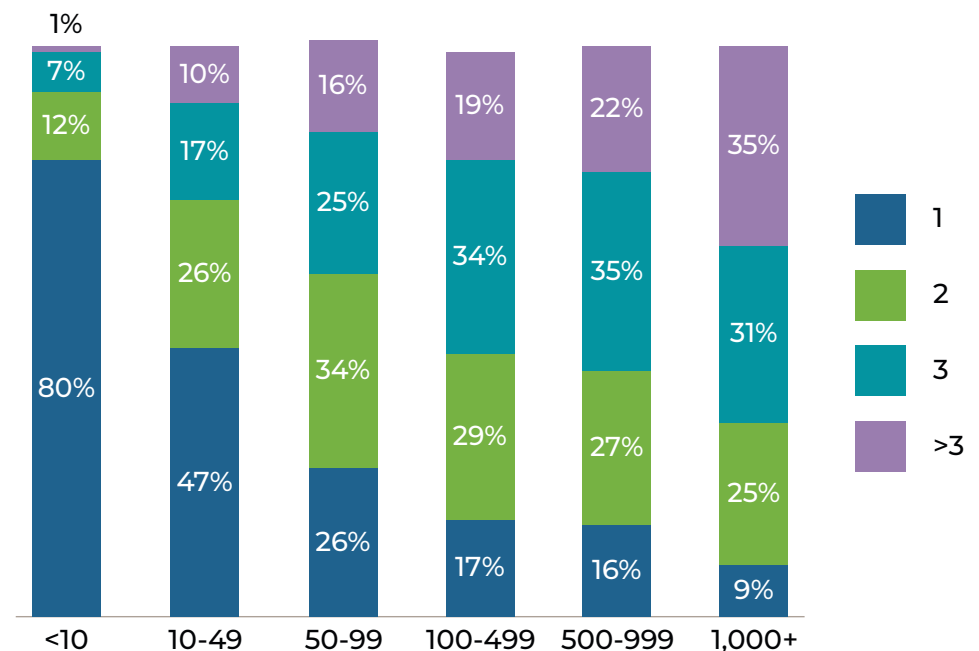
More employers are offering Life and Disability protection.

With respect to ancillary coverage, larger employers are providing peace of mind by offering Life and Disability coverage. Over 75% of larger employers surveyed offer Life Insurance, and over 75% offer protection for long- and short-term disability. As in prior years, almost all employers continue to offer Vision and Dental Insurance, with 56% including Orthodontic coverage.

Medical plans

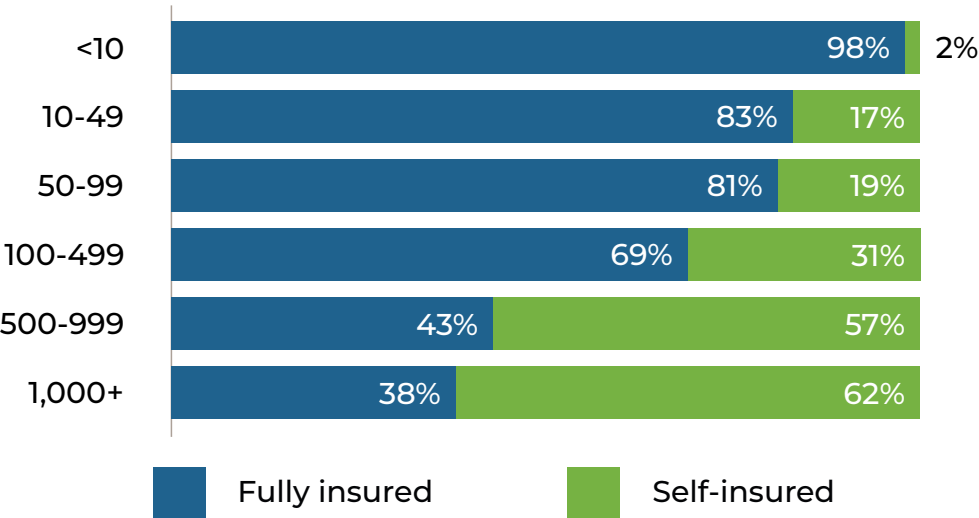
When it comes to medical coverage, it's not surprising that 99% of the participants in our survey offer at least one medical plan. Only 6% of the participants offer a monetary incentive for employees who opt out of medical insurance. Consistent with prior years, the size of the organization influences the number of medical plans offered. The larger the organization, the more likely the company will offer three or more plans compared to smaller companies.

Medical plans

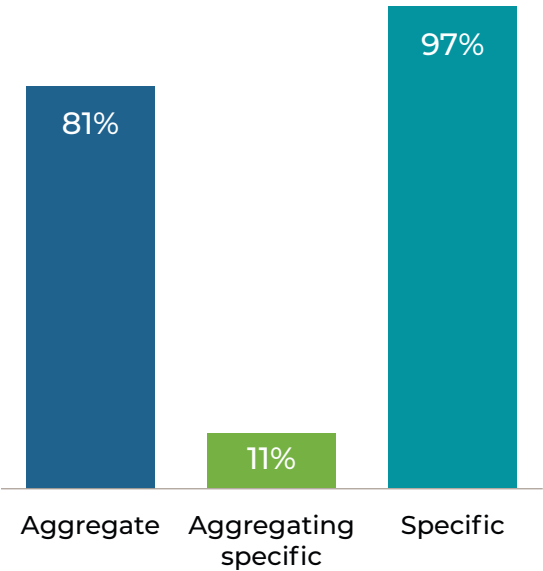


The size of the organization also impacts whether it's fully insured or self-funded. Smaller companies are significantly more likely to fully insure than larger companies.

Funding method



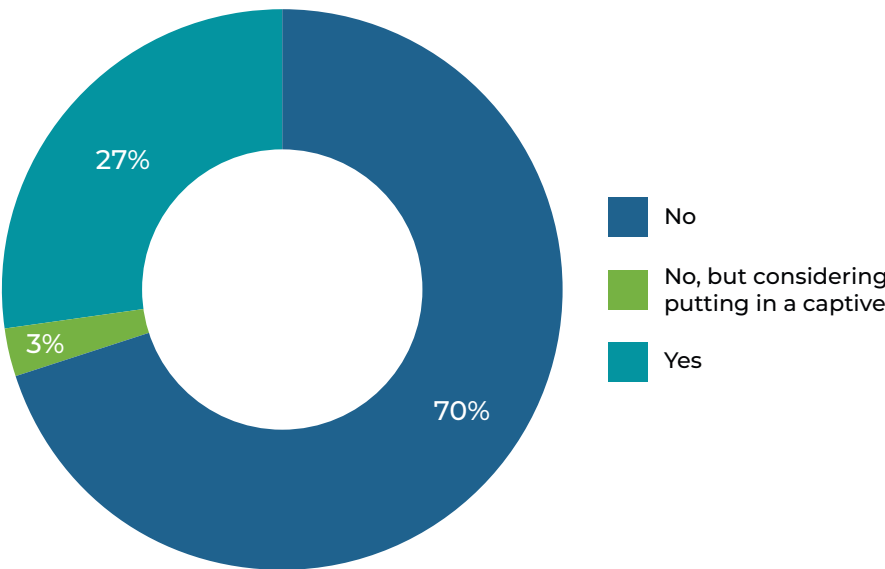
Provision covered by stop-loss policy*



*Employers can have more than one stop-loss provision

Plans that are self-insured typically utilize stop-loss (66%) and are not part of a captive (73%).

Usage of captive



Sixty-one percent of participants reported their medical plans cover domestic partners. The percentage of participants offering medical insurance to retirees remains low, with only 4% of participants surveyed offering retiree medical plans.

61%

of participants reported their medical plans cover domestic partners

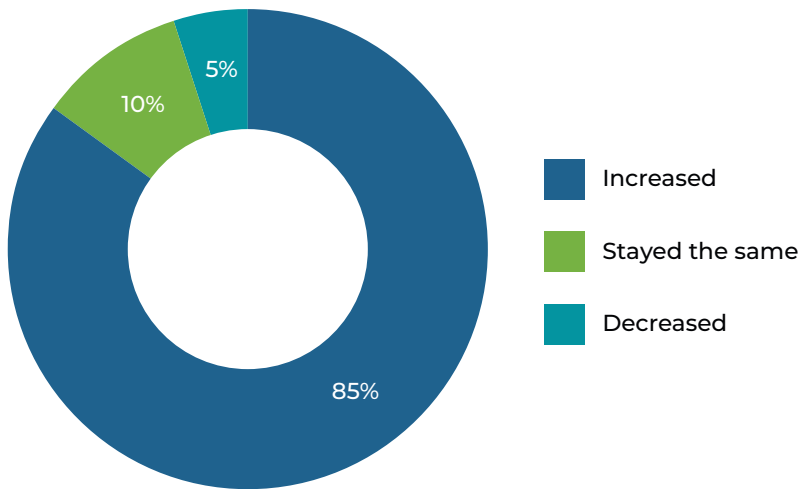
4%

of respondents offer retiree medical plans

Majority experienced rate increases

As predicted for 2023, the majority of respondents surveyed experienced a rate increase. Data indicates that, for plans of the same design as 2022, 85% experienced a rate increase. Those plans experienced a median increased cost of 8%.

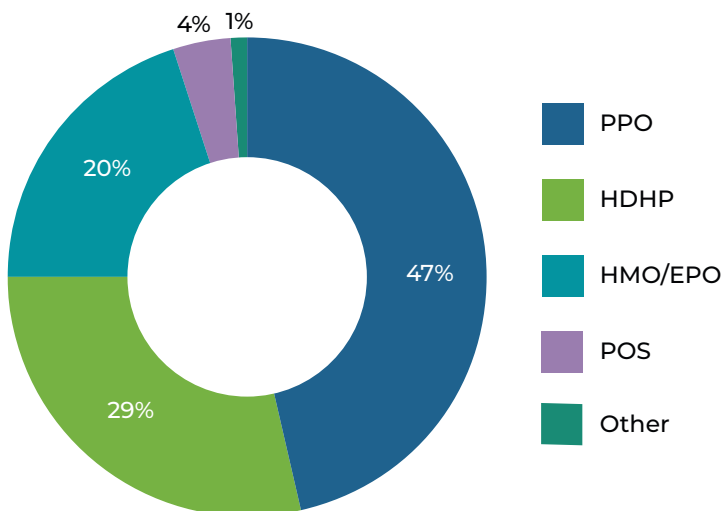
Rate change



PPO plans most common

The prevalence of PPO plans is also consistent with prior year results. PPO is the most popular type of medical plan, and nearly half of the plans included in the survey were defined as PPO. Results indicate that PPOs are also the plan of choice for companies offering just one plan.

Medical plans (types of plans offered)



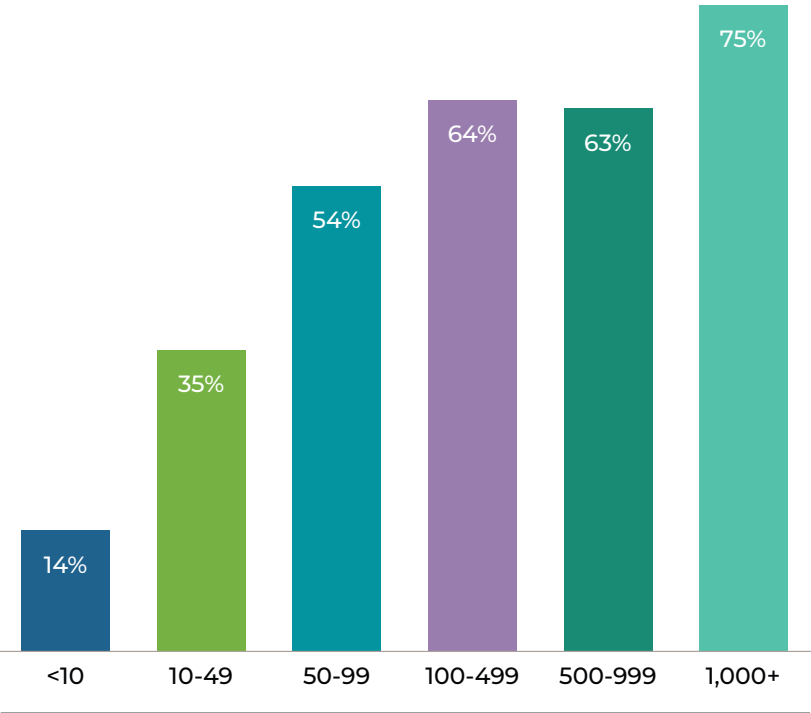
"We're seeing companies moving away from high-deductible health plans to a PPO in part to help remove barriers to primary care."

MARY DELANEY
POPULATION HEALTH
PRACTICE LEADER,
ALERA GROUP

As the size of an employer increases, the greater the likelihood the employer will include at least one HDHP among their other plan offerings.

It's important to note that HDHPs, while not the most popular option, are commonly offered by employers, especially among large employers. As the size of an employer increases, the greater the likelihood the employer will include at least one HDHP among their other plan offerings.

Medical plans – usage of HDHP
Percentage of participants offering HDHP:



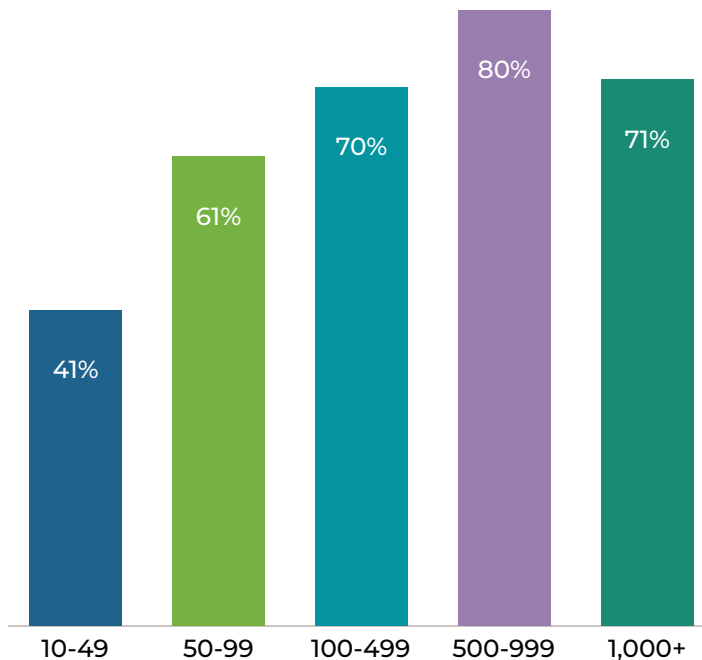
High-deductible health plans frequently tied to an HSA

Among plans that qualify as a high-deductible health plan, 82% include an HSA, with 60% of these including an employer contribution to the HSA.

Data indicates that the smaller the company, the less likely the employer is to contribute. A health reimbursement account (HRA), or health reimbursement arrangement, is another tool offered by employers and not limited to only HDHP. Eleven percent of the medical plans in our survey include an HRA account, and the most commonly offered contribution is \$1,000.

Medical plans

Percentage of plans with an HSA and employer contribution:



“There is a strong regulatory element to offering an HSA. As new innovative benefit solutions come to the market, some employers are reconsidering their HDHP+HSA plan offering in order to add additional benefit solutions to their major medical plan that would render individuals HSA-ineligible.”

DANIELLE CAPILLA

VICE PRESIDENT OF COMPLIANCE, EMPLOYEE BENEFITS, ALERA GROUP

\$500

most common employer
HSA contribution amount
for employee-only coverage

Of those HSA plans with an employer contribution, the most common contribution amounts are **\$500 for employee-only** and **\$1,000 for family coverage**.

	HSA EE ONLY	HSA FAMILY	HRA
Median	\$900	\$1,500	\$2,000
Mode	\$500	\$1,000	\$1,000

\$1,000

most common employer
HSA contribution amount
for family coverage

HSA plans are often offered by the employer to help offset the cost of the deductible. To understand the relationship, we compared the HSA employer contribution to the deductible for an individual in network. For plans with an HSA contribution, the contribution amount typically covers about 33% of the deductible.

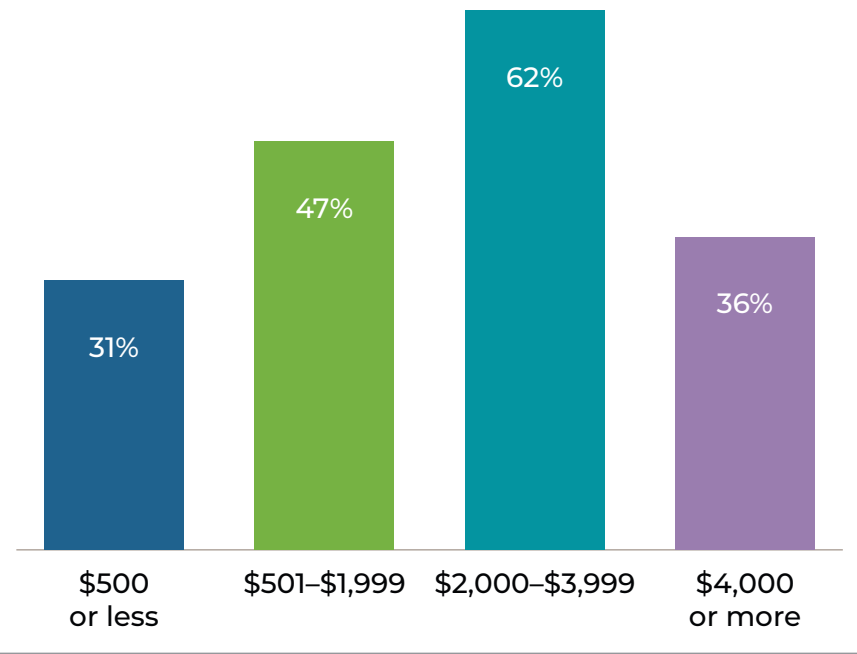
“The goal of the HSA contribution is to remove any barrier to primary care utilization. Since most people will use primary care two to three times a year, and the typical fee is \$150 per visit, these contributions can cover that cost and the cost of associated lab work.”

MARY DELANEY
POPULATION HEALTH PRACTICE LEADER, ALERA GROUP

Participants offer a variety of different deductible plans. The most common plans have a deductible between \$2,000 and \$3,999. Over half (62%) of the participants offer at least one plan with a deductible in this range. On a lesser scale, 31% of the participants offer at least one plan that has an in-network deductible of \$500 or less.

Medical plans

Percentage of accounts offering a plan with an in-network, individual deductible of ...



Snapshot of plan designs

Following is a snapshot of plan designs based on individual coverage among survey respondents.

HMO PLAN DESIGN

Medians for HMO plans for individual coverage:

	IN-NETWORK
Deductible	\$1,500
Coinsurance	88%
Out-of-pocket max	\$6,350
Office visit copay	\$25
Specialist copay	\$45
ER visit	\$250
Urgent care	\$40

PPO PLAN DESIGN

Medians for PPO plans for individual coverage:

	IN-NETWORK	OUT-OF-NETWORK
Deductible	\$1,500	\$4,000
Coinsurance	80%	50%
Out-of-pocket max	\$6,250	\$10,000
Office visit copay	\$25	N/A
Specialist copay	\$50	N/A
ER visit	\$250	N/A
Urgent care	\$50	N/A

HDHP PLAN DESIGN

Medians for HDHP plans for individual coverage:

	IN-NETWORK	OUT-OF-NETWORK
Deductible	\$3,000	\$6,000
Coinsurance	90%	60%
Out-of-pocket max	\$6,000	\$11,000
Office visit copay	\$30	N/A
Specialist copay	\$50	N/A
ER visit	\$250	N/A
Urgent care	\$50	N/A

POINT OF SERVICE (POS) PLAN DESIGN

Medians for POS plans for individual coverage:

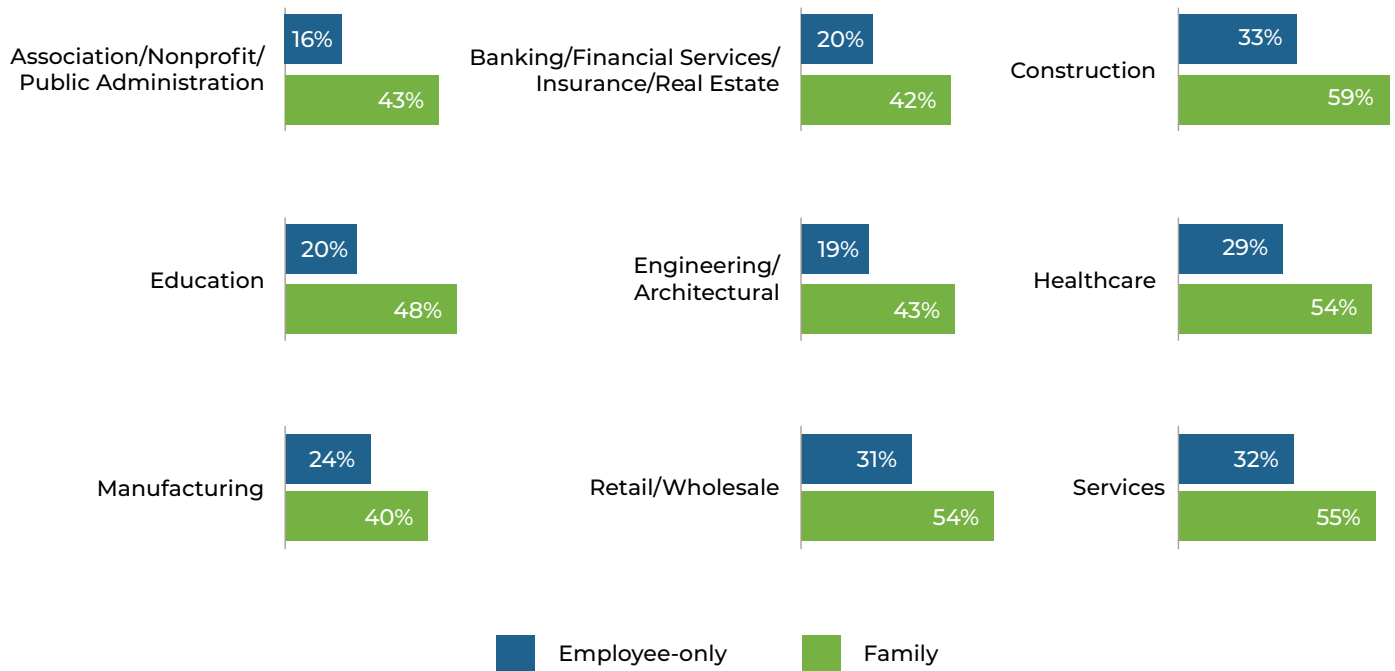
	IN-NETWORK	OUT-OF-NETWORK
Deductible	\$1,000	\$4,000
Coinsurance	80%	50%
Out-of-pocket max	\$6,000	\$12,500
Office visit copay	\$25	N/A
Specialist copay	\$50	N/A
ER visit	\$350	N/A
Urgent care	\$50	N/A

Industry view of employee contributions

Data indicates that, when paying for healthcare, employees contribute, on average, 25% of the cost for employee-only rates. Employees working in the association/public administration industry contribute the least, averaging 16%, while those working in the construction, services and retail/wholesale industries average the highest percentage.

For the cost of a family plan, the average contribution was higher, at 49%. Construction required the greatest contribution, with 59% of the premium covered by the employee.

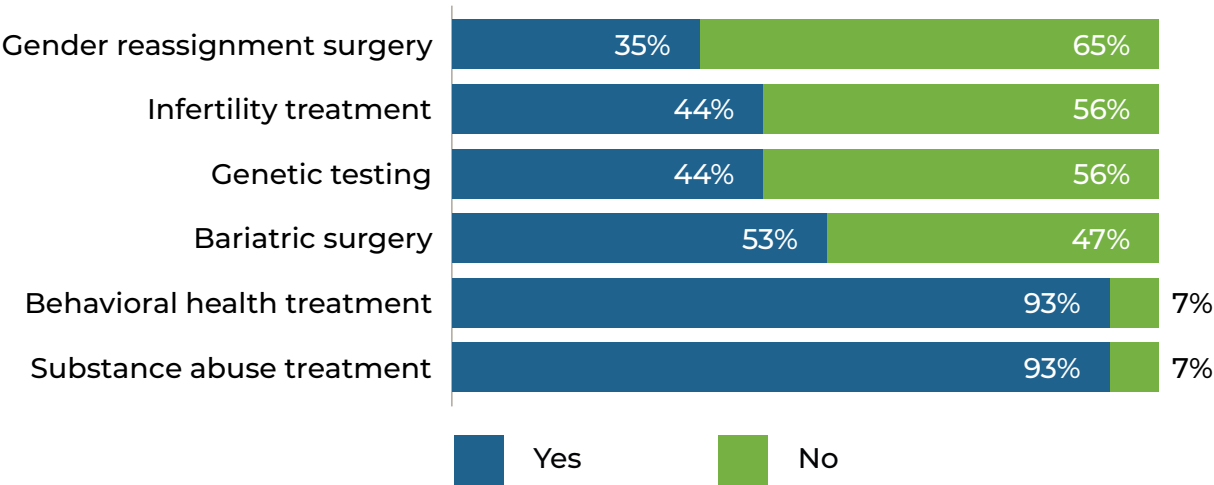
Employee contributions



Health and productivity

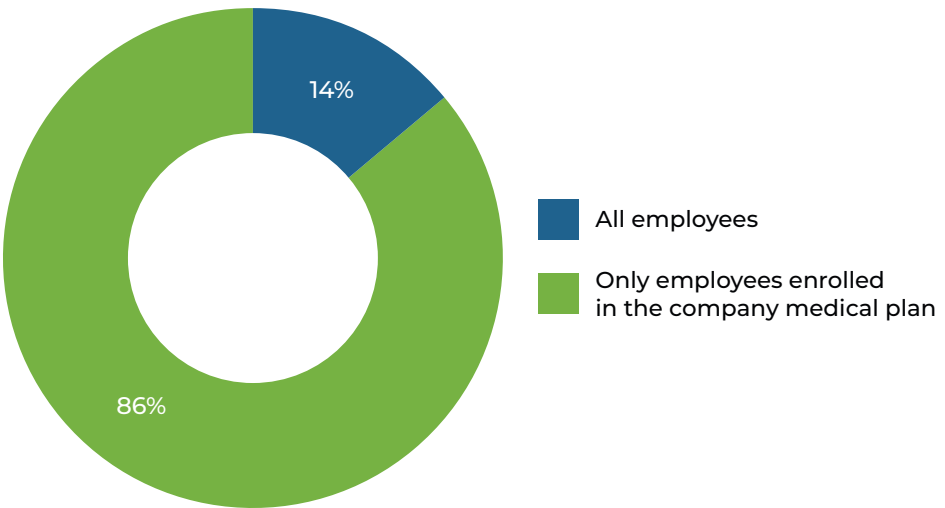
Of the more specialized service options a company can provide, behavioral health and substance abuse treatments are the most commonly covered treatments for employers surveyed. Gender reassignment surgery is the least common provision, although it will be interesting to track this over time to see how coverage evolves.

Percentage of plans with specialized services



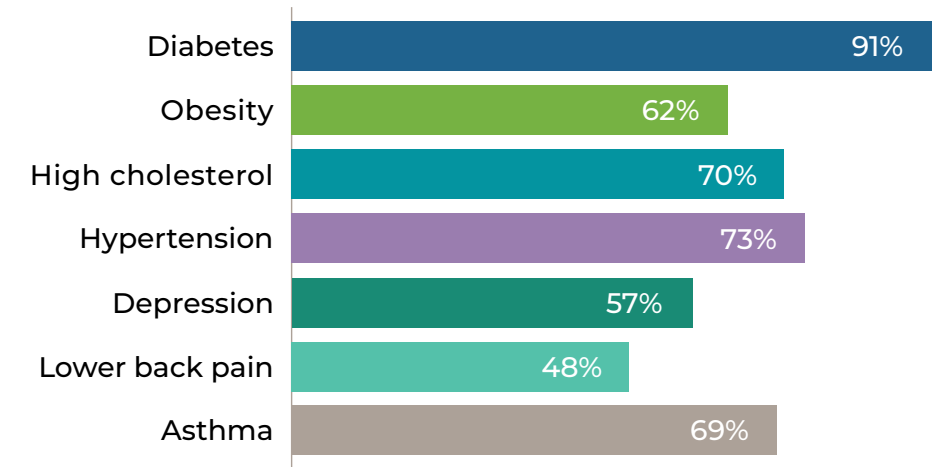
The trend toward offering telemedicine continues to be an option for cost and time savings. The majority of participants in our survey offer telemedicine, but telemedicine is typically restricted to the employees who have enrolled in the employer's medical plan.

Employees eligible for telemedicine



Wellness programs are offered by almost half (47%) of the participants, but only 39% of those offering them reported offering an incentive. When disease management programs are offered, they are typically targeted toward common conditions that drive healthcare spending, including diabetes, hypertension and high cholesterol.

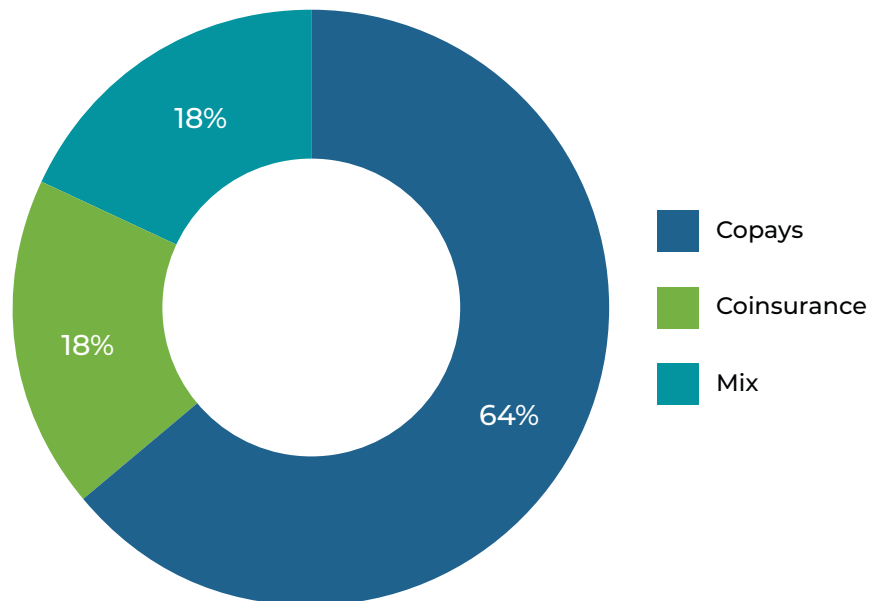
Type of disease management programs offered



Pharmacy (Rx) plan

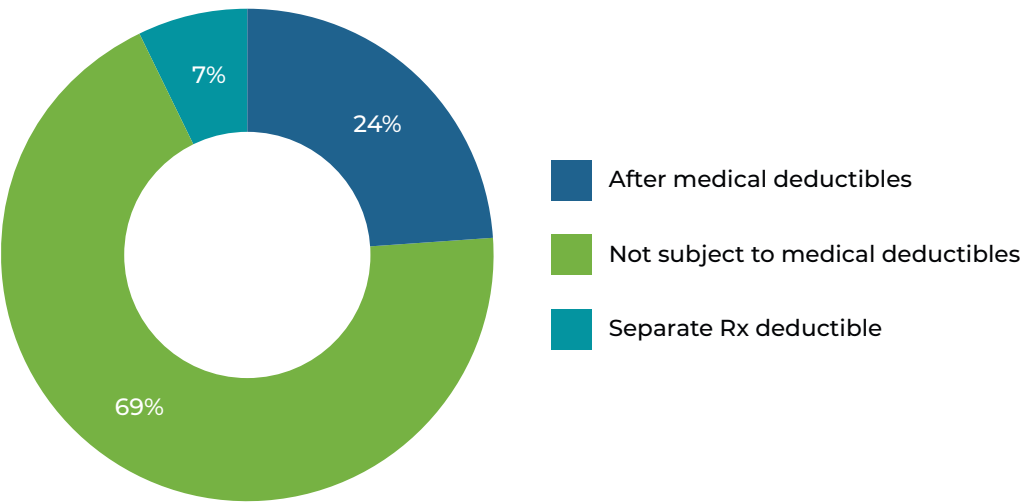
Ninety-six percent of the participants reported their plan was a “carve-in,” meaning pharmacy coverage is part of their health plan. Most of the offered plans require a copay (64%) versus using coinsurance (18%).

Percentage of Rx plans



Percentage of copay plans

Just under one third of the copay plans is subject to the medical deductible.



Mail order copays are typically 2-2.5 times that of retail.

Rx COPAYS

	GENERIC		BRAND FORMULARY		BRAND NON-FORMULARY		SPECIALTY PREFERRED	
	Retail	Mail	Retail	Mail	Retail	Mail	Retail	Mail
Mode	\$10	\$25	\$35	\$100	\$70	\$150	\$250	\$625
Median	\$10	\$25	\$40	\$90	\$70	\$160	\$150	\$300

In terms of plan structure, over half (57%) of the Rx plans included in the benchmarking survey have four or more tiers.

NUMBER OF Rx TIERS

TIERS	% OF Rx PLANS
1	4%
2	1%
3	39%
4	47%
5	10%

“As specialty drug costs continue to increase, more employers are adding a fourth-tier copay specifically for them. It’s important that the copay doesn't deter members from getting their prescriptions filled.”

BOB EISENDRATH
PHARMACY PRACTICE LEADER, ALERA GROUP



Pharmacy coverage highlights

Coverage highlights from our respondents:

- Based on the skyrocketing cost of pharmaceuticals, it's surprising that **generic drugs** are mandatory for only 21% of Rx plans included in the survey.
- Ninety-seven percent of plans cover **birth control**.
- Ninety-three percent of plans use **step therapy**.
- Eighty-seven percent of plans do not cover **“new” drug therapies**. Of those that do, the most common therapies offered are biosimilars and gene therapy.

“Over the last six months, GLP-1 medications (Type 2 diabetes and obesity) have experienced a meteoric rise in utilization, resulting in increased costs for employers. At a minimum, all employers should implement prior-authorization and step therapies to try to reduce improper utilization.”

BOB EISENDRATH
PHARMACY PRACTICE LEADER, ALERA GROUP

91%

of respondents offer their employees dental insurance

Dental Plan

Dental Insurance consistently scores high in terms of the number of respondents who offer coverage. This year, 91% of participants in the survey offer their employees dental insurance. Eighty-nine percent of respondents offered the same plan as the prior year, and 29% of those respondents experienced a rate increase.

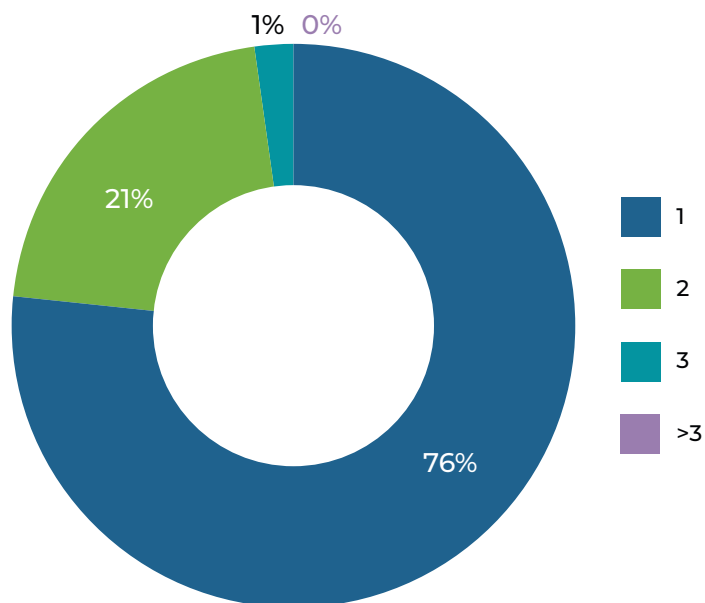
89%

of respondents offer the same plan as the prior year

29%

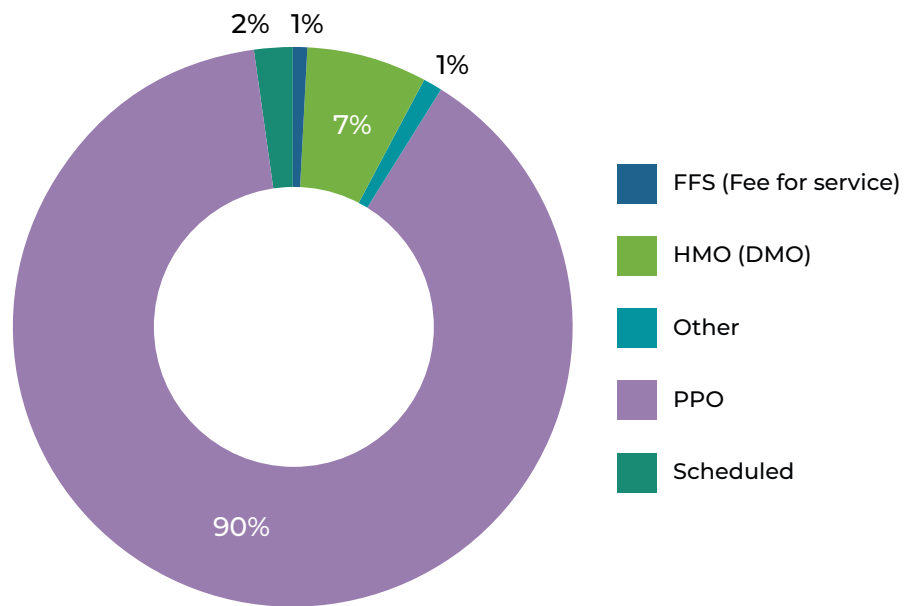
of plans experienced a rate increase

Number of Dental plans offered



Type of Dental plans offered

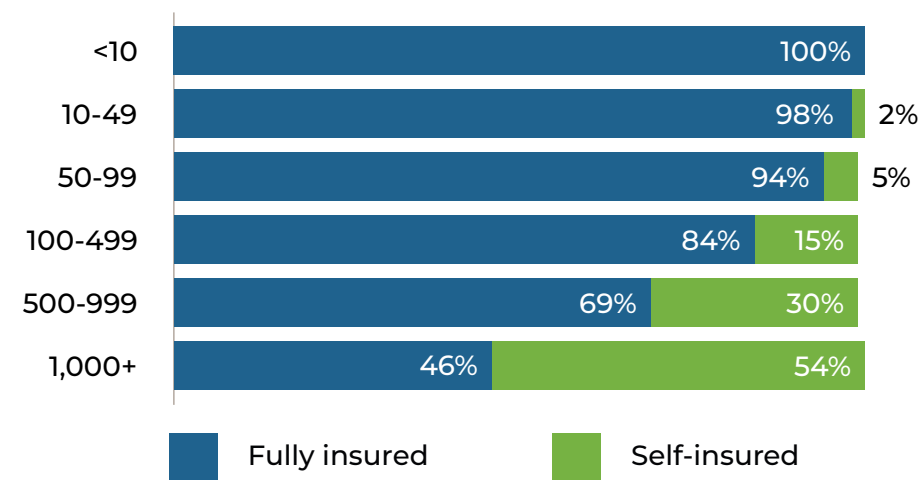
In terms of plan types, the most common is a PPO. Few employers offer more than one dental plan.



As with medical, the larger the company, the greater the chance the plan is self-insured.

Dental plan funding method

As with medical, the larger the company, the greater the chance the plan is self-insured.

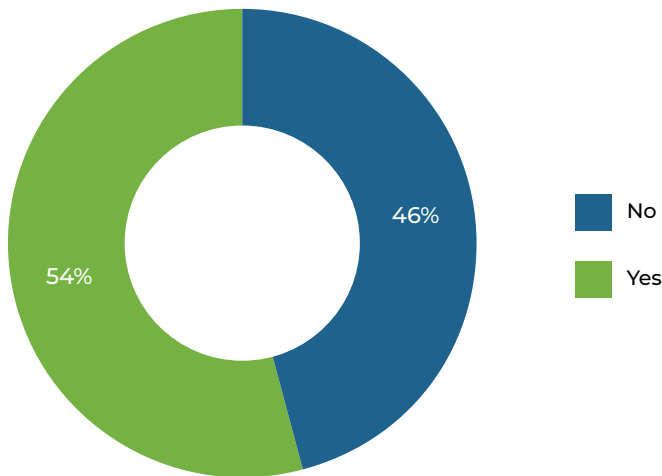


Split on orthodontic coverage

Approximately half (54%) of the dental plans in the survey included orthodontic coverage, with 93% of these plans restricted to a lifetime maximum.

Dental

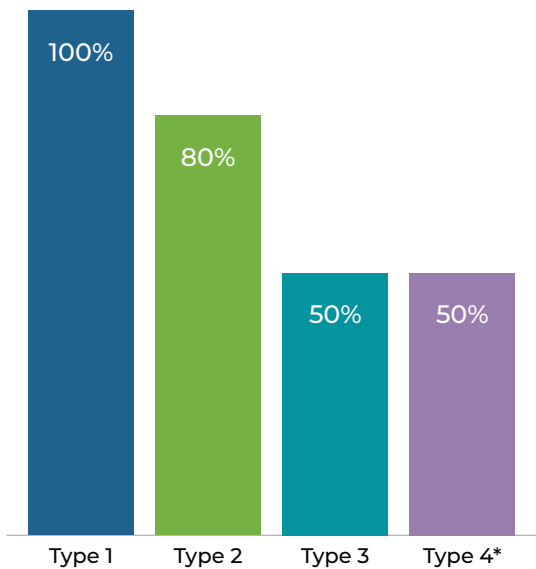
Include orthodontic coverage (percentage of plans):



The median lifetime maximum is \$1,250. Outside of orthodontia, most plans have an annual maximum benefit between \$1,000-\$1,500.

Dental

Most common coinsurance:

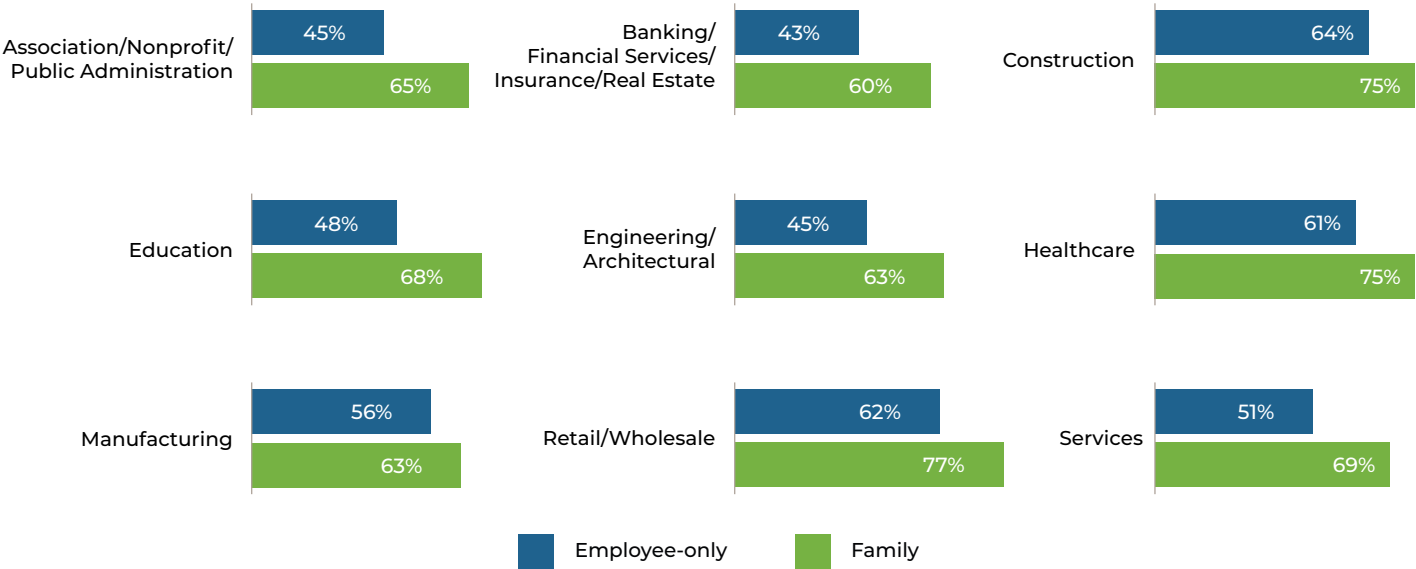


*for only those plans offering orthodontia

Employee contributions to Dental

On average, employees contribute 52% of the cost of the employee-only rate and 67% of the cost for the family plan. As with medical coverage, results vary by industry. **For dental coverage, construction, retail/wholesale and healthcare require the highest employee contribution.**

Employee contributions

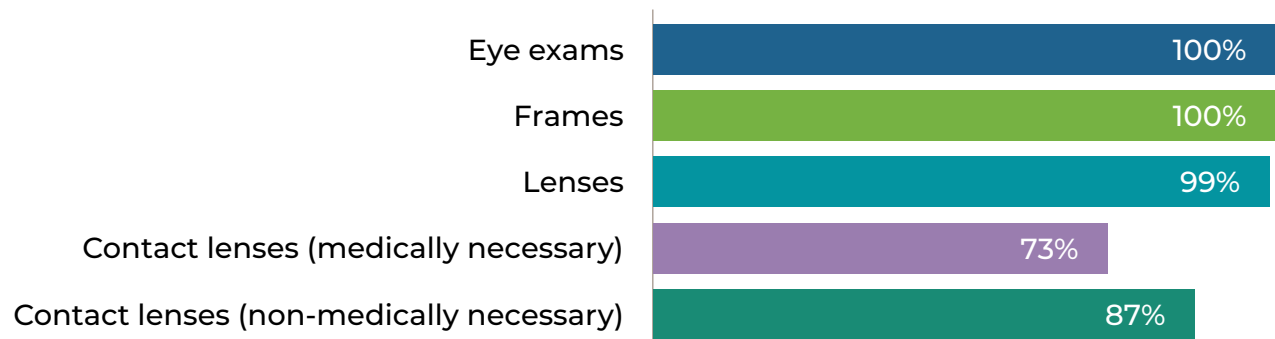


Vision Plan

Vision Insurance is also common, with 81% of the participants in the survey offering vision coverage. More than half of the smaller companies in the survey (under 10 employees) offer Vision Insurance. Ninety-six percent of participants offer a stand-alone vision plan **that's not part of their medical plan.**

Most of the Vision plans surveyed cover the following.

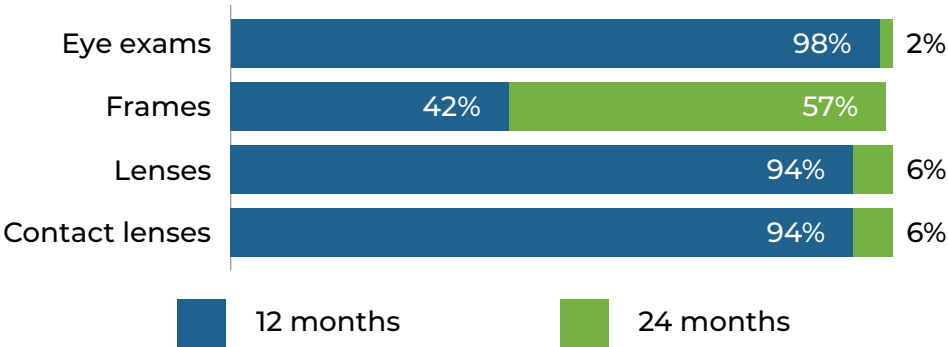
Included in vision coverage



The majority of Vision plans allow members an eye exam every 12 months, with the exception of payment for frames, which more than half of the plans allow every 24 months.

Vision

Frequency period (percentage of vision plans)



Vision plans commonly offer an in-network allowance of \$130 for both frames and contacts.

Employee contributions

Of employers surveyed, 58% offer Vision as a voluntary product requiring the employee to pay 100% of the premium cost for employee-only and family vision plans. Eighty-nine percent of employers renewed their vision plan without changes. Contrary to medical insurance, 85% did not experience a rate increase.

Life and AD&D Benefits

Life and Accidental Death and Dismemberment (AD&D) coverage continue to be considered valuable employee benefits. By offering these benefits through the workplace, employers and employees can leverage group pricing, guaranteed issue and ease of enrollment. Life Insurance coverages continue to evolve, with additional benefits including Long-Term Care features and will-preparation services.

Seventy-six percent of the participants in the survey offer Life Insurance and most participants who offer Life Insurance offer some level of basic Life with AD&D. As with other products, the smallest participants in the survey (<10 employees) were less likely to offer Life Insurance, at just 28%. This is significantly below that of the large companies (1,000+ employees), with 95% offering some type of Life Insurance.

76%

of the participants
in the survey offer
Life Insurance

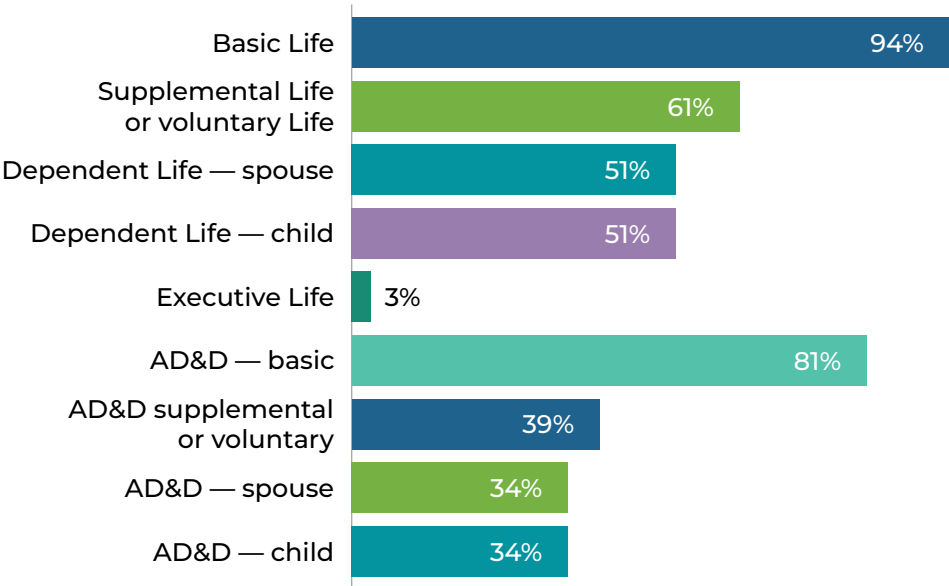
28%

of small companies
(under 10 employees)
surveyed offer
Life Insurance

95%

of large companies
(1000+ employees)
surveyed offer
Life Insurance

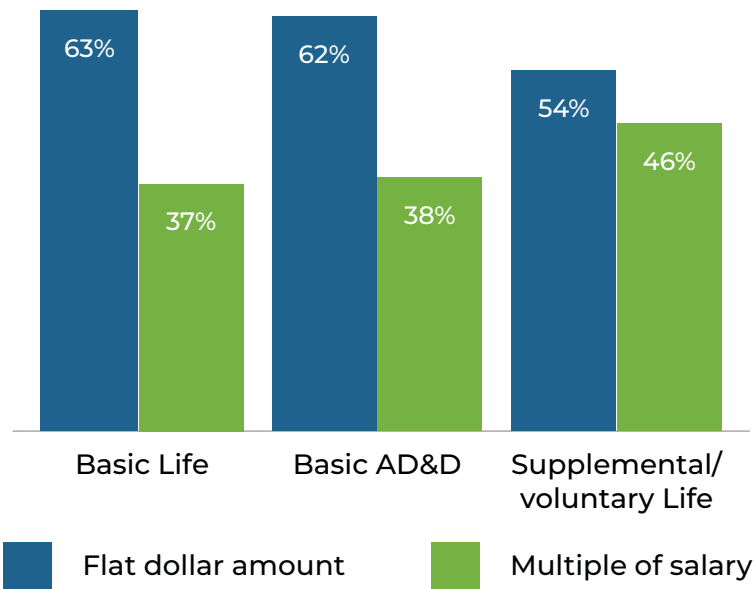
Types of Life/AD&D benefits offered



Basic Life and Basic AD&D are often offered in tandem with both most offered as a flat dollar amount. When offered as a flat dollar amount, the most common maximum amount is \$25,000.

Life Insurance

How is the benefit offered?



Supplemental/voluntary Life Insurance is more evenly mixed. Fifty-four percent offer a flat dollar amount and 46% as a multiple of salary. In both scenarios, however, the amount offered for voluntary insurance is higher, at a maximum of 5x salary — or, if a flat dollar amount, at a most common max of \$500,000.

LIFE INSURANCE

Most commonly offered amounts:

	IF MULTIPLE OF SALARY	IF FLAT DOLLAR AMOUNT
Basic Life	1x salary	\$25,000
Supplementary/ voluntary Life	5x salary	\$500,000
Basic AD&D	1x salary	\$25,000

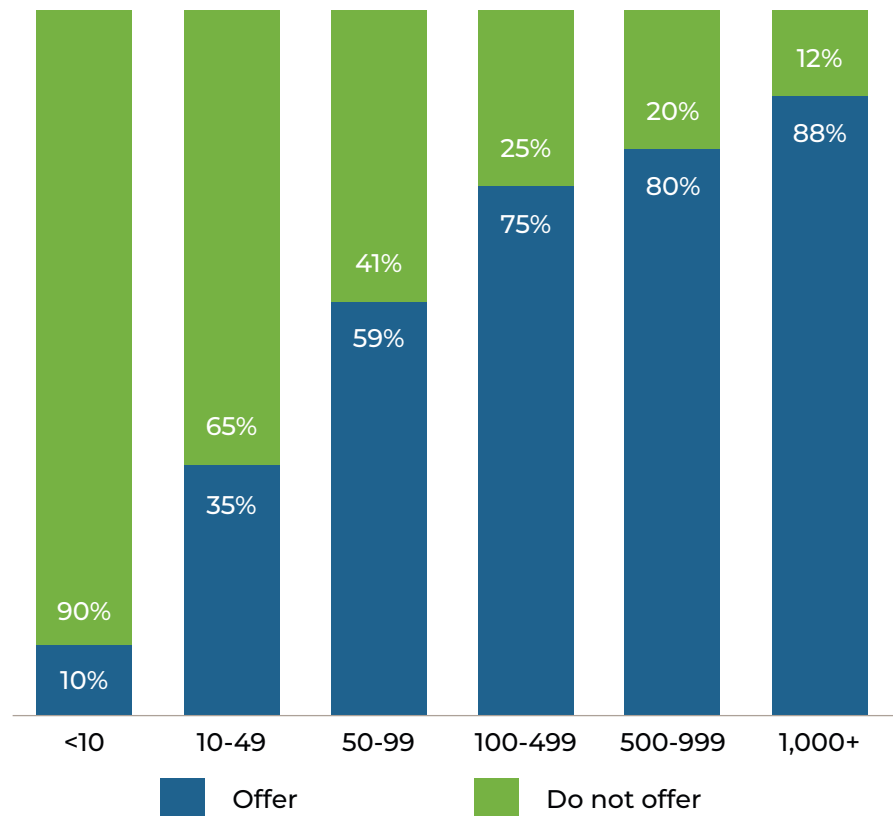
"Life and AD&D coverage continue to be considered valuable employee benefits. By offering these benefits through the workplace, employers and employees can leverage group pricing, guaranteed issue and ease of enrollment. Life Insurance coverages continue to evolve, with additional benefits including Long-Term Care features and will-preparation services."

TINA SANTELLI
VICE PRESIDENT, VOLUNTARY BENEFITS AND ENROLLMENT SOLUTIONS

Short-Term Disability

Fifty-five percent of the participants in this survey offer Short-Term Disability (STD) Insurance. The propensity to offer STD increases with employer size, up to 88% for employers with 1,000+ lives.

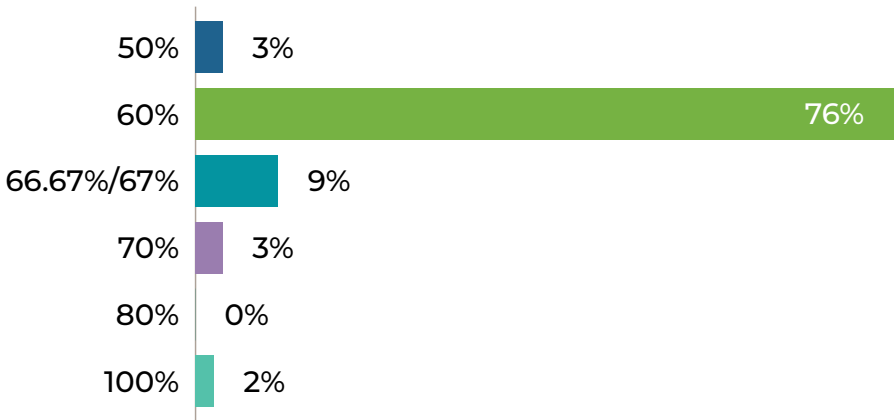
Percentage of participants offering STD



Sixty-four percent of the participants reported paying 100% for the benefit. The most-offered STD benefit amount is 60% of an employee’s salary, to a maximum of \$1,000 per week, increasing to \$1,500 at 1,000 or more lives.

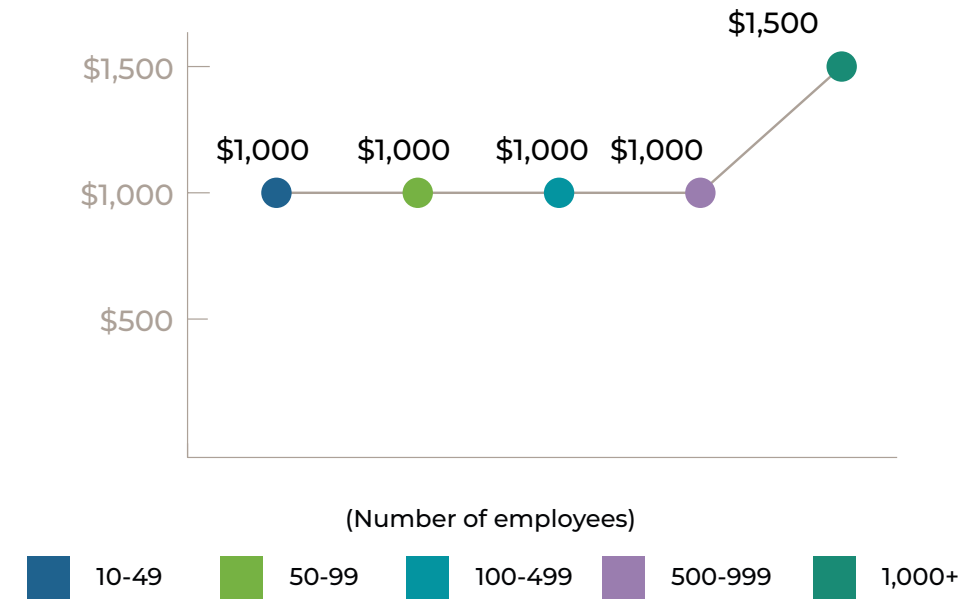
Short-Term Disability

Benefit amount percentage:



Maximum benefit amount per week for Short-Term Disability

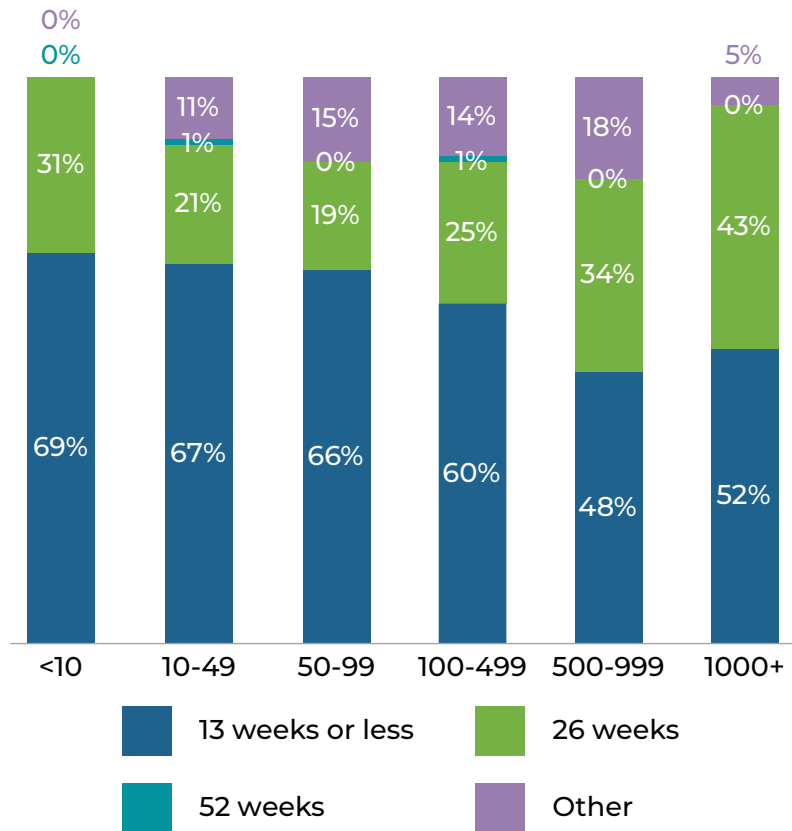
Median numbers



Most (47%) STD plans have an elimination period of seven calendar days. Maximum STD duration varies by employer size with 13 weeks more common for employers with fewer than 1,000 employees and 26 weeks more typical for employers with 1,000+ employees.

Short-Term Disability

Maximum benefit duration:



“As the goal of disability coverage is to provide income protection while incentivizing employees to return to work, the data reflects a long-standing trend of employers providing a 60% benefit amount. It also shows the most common weekly STD and monthly LTD benefit maximums, which should be compared to salary levels before setting what is appropriate for the organization.”

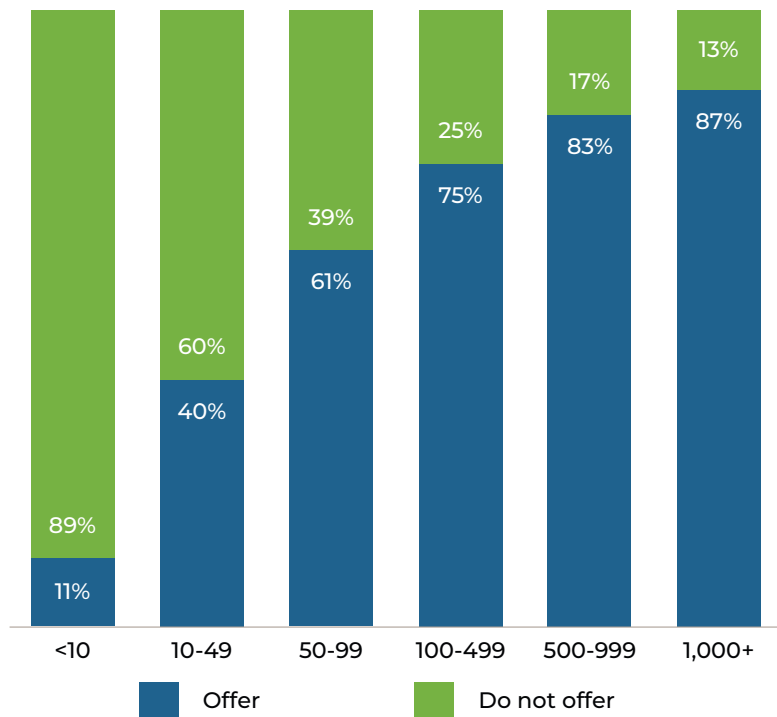
KAREN ENGLISH

SENIOR VICE PRESIDENT, ALERA GROUP

Long-Term Disability

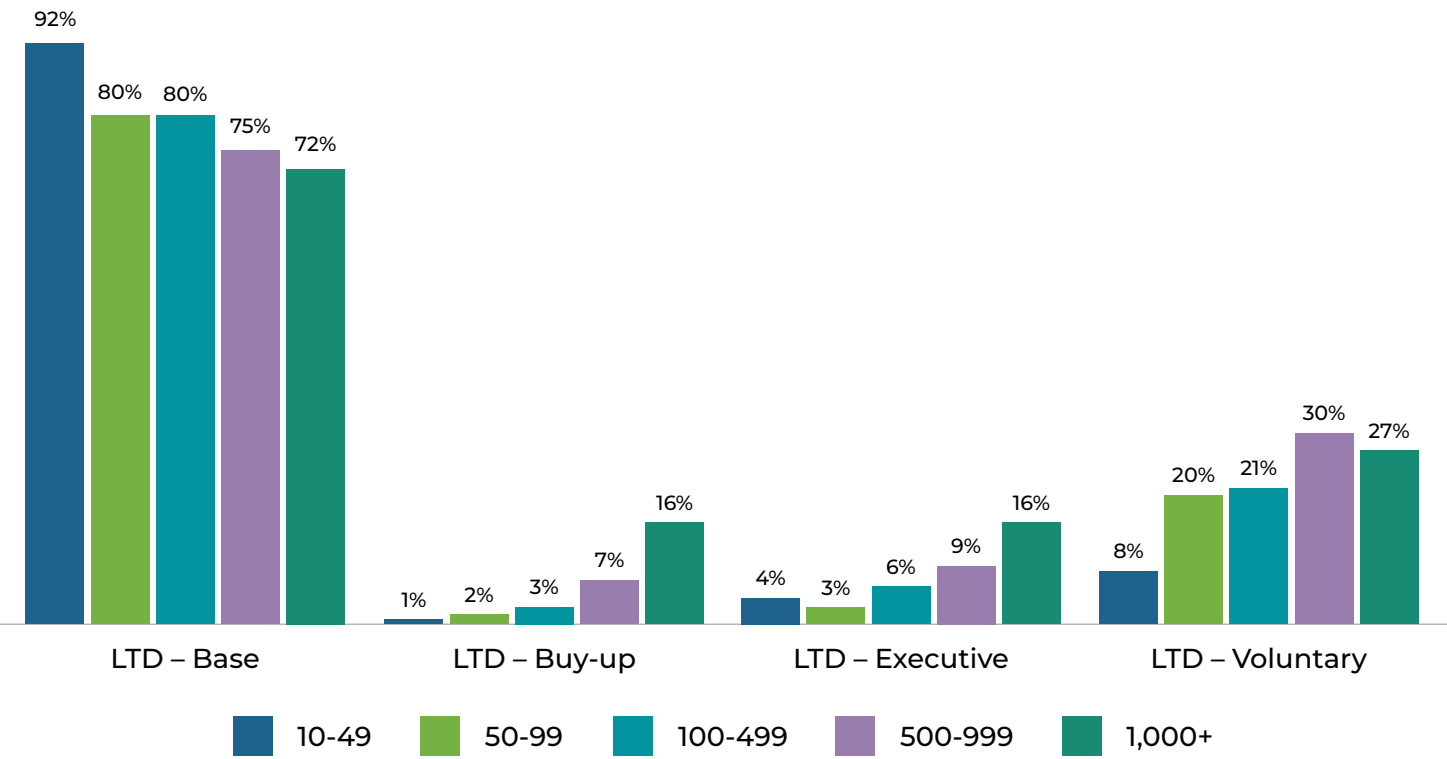
Long-Term Disability (LTD) Insurance is offered by 58% of the participants in the survey. The propensity to offer LTD increases with employer size, up to 87% for employers with 1,000+ lives.

Percentage of participants offer Long-Term Disability



The larger the employer, the more likely it is to offer a buy-up or executive LTD, especially at 1,000+ employees.

Types of Long-Term Disability offered*



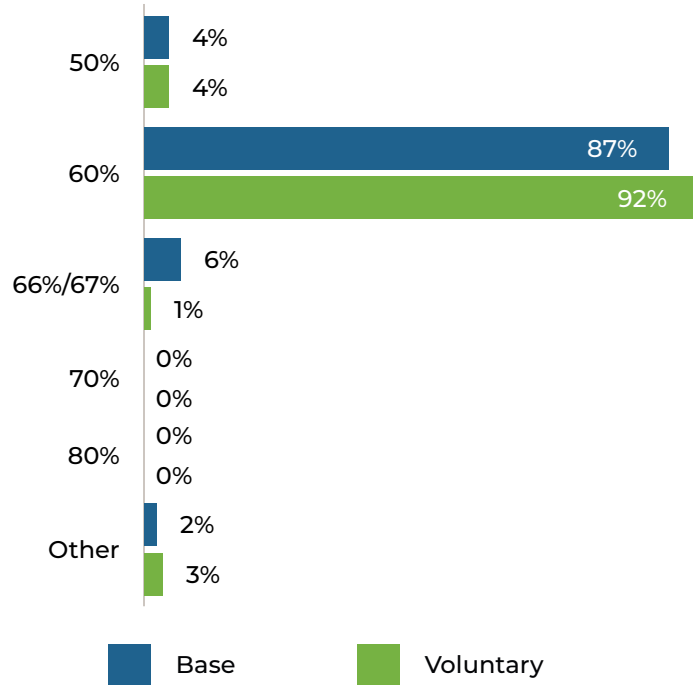
* Under 10 sample size too small for results to be credible

76%

of employers cover the full cost of the base LTD benefit

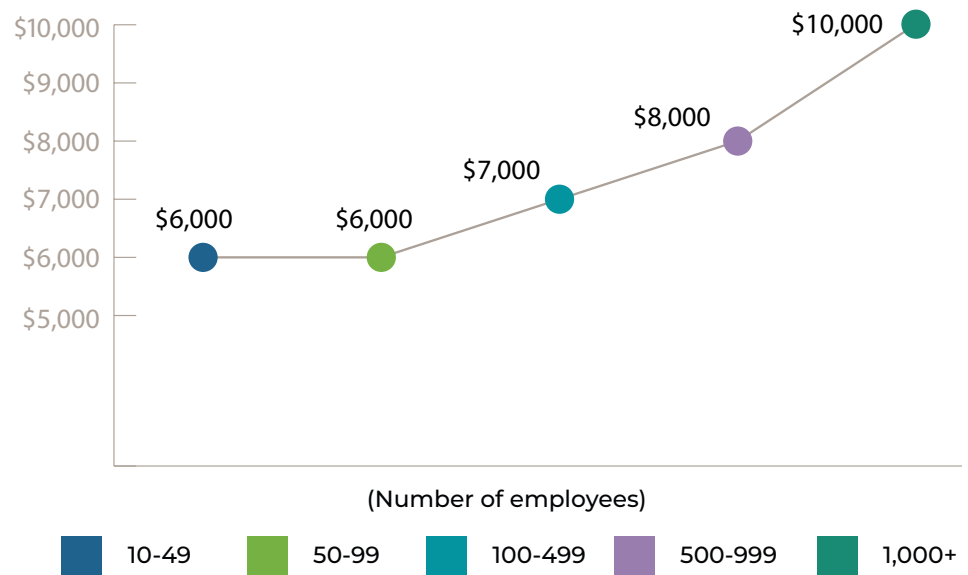
The majority (76%) of employers cover the full cost of the base LTD benefit. Whether the LTD plan is a base plan or voluntary, the most-offered benefit amount is 60%, with the monthly maximum increasing from a median of \$6,000 to \$10,000 at 1,000 lives or more.

Benefit amount



Monthly maximum for LTD base plan

Median numbers

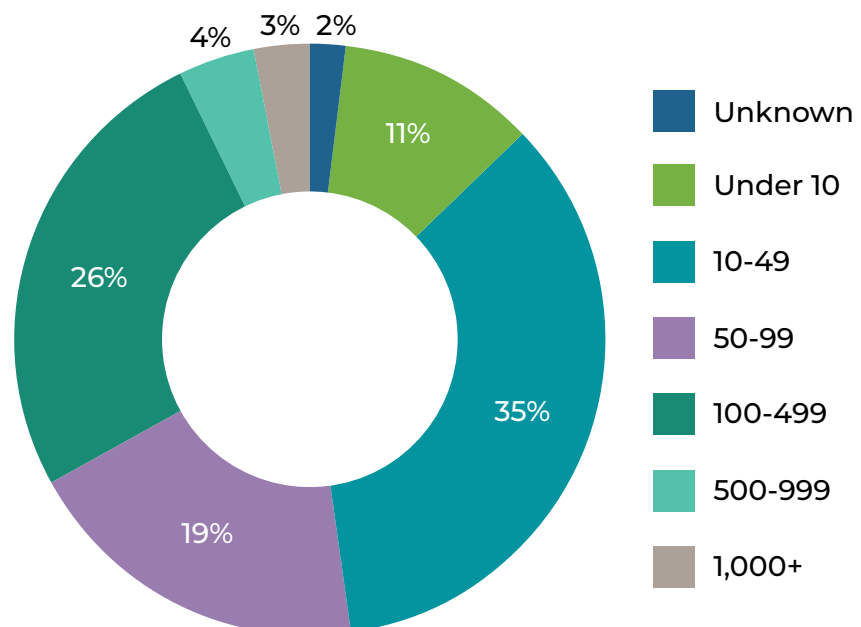


LTD benefits are most typically paid until Social Security normal retirement age (SSNRA).

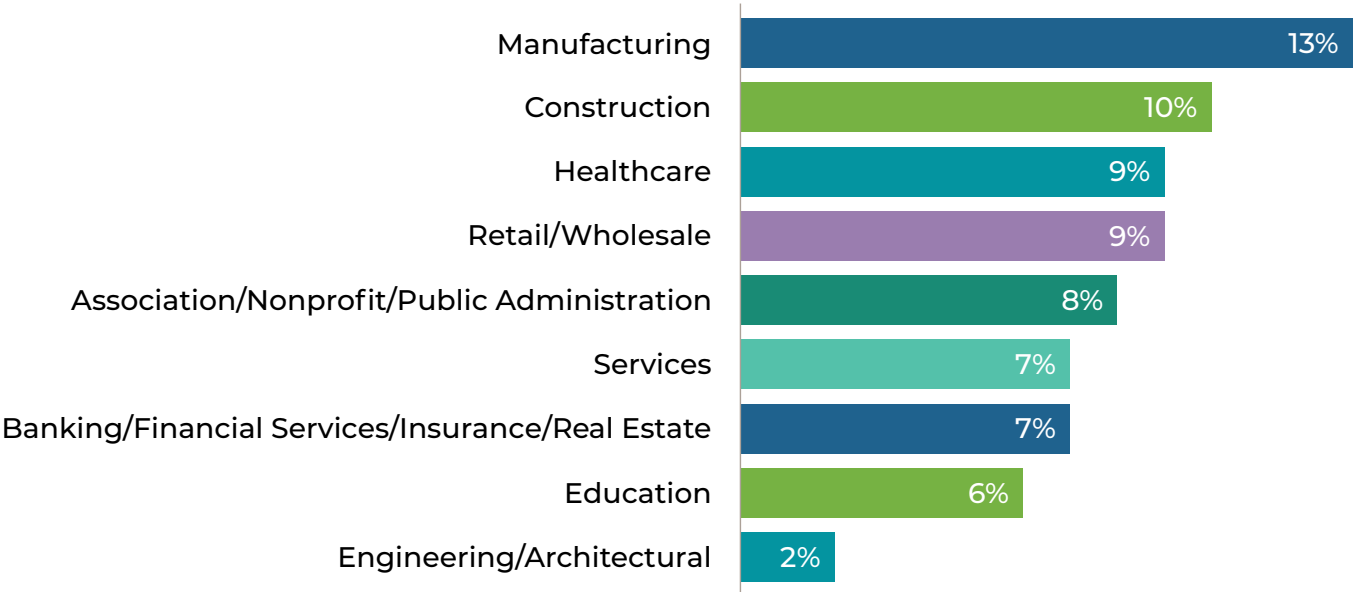
Respondent profile

It was a record-breaking year for survey responses. The data reflects over 5,000 participants representing over 990,000 full-time employees from diverse backgrounds of sizes and industries, resulting in a broad cross section of benefit and plan trends. The survey was conducted online from November 1, 2022-May 1, 2023. This report is a summary of the key findings based on the aggregate data, segmented by employer size, industry and region where there are notable differences and sufficient sample sizes.

Participants and eligibility



Industries most represented



Regardless of the size or industry, most participants (91%) limit eligibility to full-time employees.



About Alera Group

Alera Group is an independent, financial services firm with more than \$1.1 billion in annual revenue, offering comprehensive property and casualty insurance, employee benefits, wealth services and retirement plan solutions to clients nationwide. By working collaboratively across specialties and geographies, Alera Group's team of more than 4,000 professionals in more than 180 locations provides creative, competitive services that help ensure a client's business and personal success. For more information, visit [aleragroup.com](https://www.aleragroup.com) or follow us on [LinkedIn](#). As of March 31, 2023.

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