



LAMBERT & CARNEY
BENEFITS GROUP, LLC

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BENEFITS
EXPERT

**2007 Lambert & Carney Benefits Group
Survey of Employee Benefit Plans**

Executive Summary

We are pleased to share the results of the 21st annual Lambert & Carney Benefits Group Employee Benefit Survey of Northeastern employee benefit plans. This survey encompasses healthcare benefits (medical, dental, vision and prescription drug), life, disability and other ancillary benefits. This year we received 450 responses from employers in Northeast.

Our 2007 survey confirms that healthcare benefits, including medical, dental, vision and prescription drug benefits, are still the cornerstone of most employee benefit plans. All of this year's respondents, as in each year we have conducted this survey, offer their employees medical coverage.

The average cost of a medical plan that hasn't been changed has increased by nearly 55% over the past four years. As employers grapple with controlling dramatically rising healthcare costs, the trend toward shifting the burden to employees is evident in a number of ways:

- In 2007, over 92% of companies require employee contributions for medical benefits vs. 58% in 1987. 84% include employee contributions for dental (vs. 56% in 1987).
- The size of employee contributions continues to rise as well with 42% of respondents requiring contributions of 25% or more.
- Out of network deductibles have grown significantly with nearly 36% of plans having a deductible over \$1,000 compared to just 22% in 2004.
- For the first time we have recorded over half the companies offering at least one plan with in network deductibles.
- More than half the plans have copays of \$20 or more

In addition to health insurance, which obviously commands the greatest amount of attention given the dollars spent, the annual Lambert & Carney Benefits Group Employee Benefit Survey also gathers information on other benefits offered by employers. These benefits, including life, disability, dependent day care, Section 125 plans and long term care have not been adversely affected by rising cost and a greater number of employers are now offering these benefits than they did when the survey began in 1987.

Life insurance and disability coverage continue to be core elements of most benefit plans with over 97% of respondents offering life insurance and 96% offering some form of disability coverage. In fact, 76% of organizations offer both short and long term disability.

Our results also uncover the increasing role of voluntary benefits within the region's employee benefit offerings.

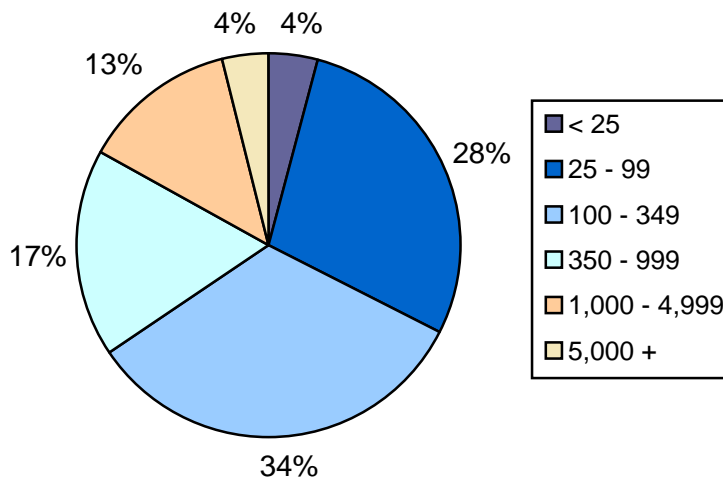
2007 Lambert & Carney Benefits Group Survey

Lambert & Carney Benefits Group, LLC is pleased to present our twenty-first annual survey of group employee benefit plans. Over these years, there have been many changes in the way benefits are delivered. Our database this year includes survey responses from over 500 regional employers. The majority of employers are headquartered in Connecticut, Massachusetts, New Jersey, New York, and Rhode Island. Breakdowns of respondents are detailed below.

Respondent Profile

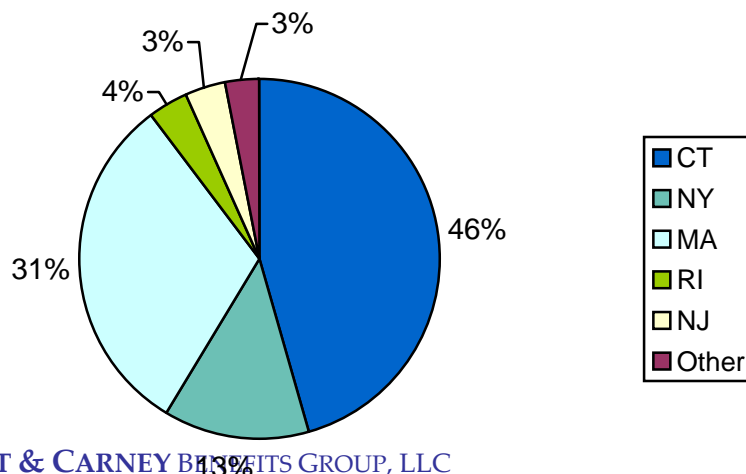
Size:

The following chart indicates the size of the respondents.



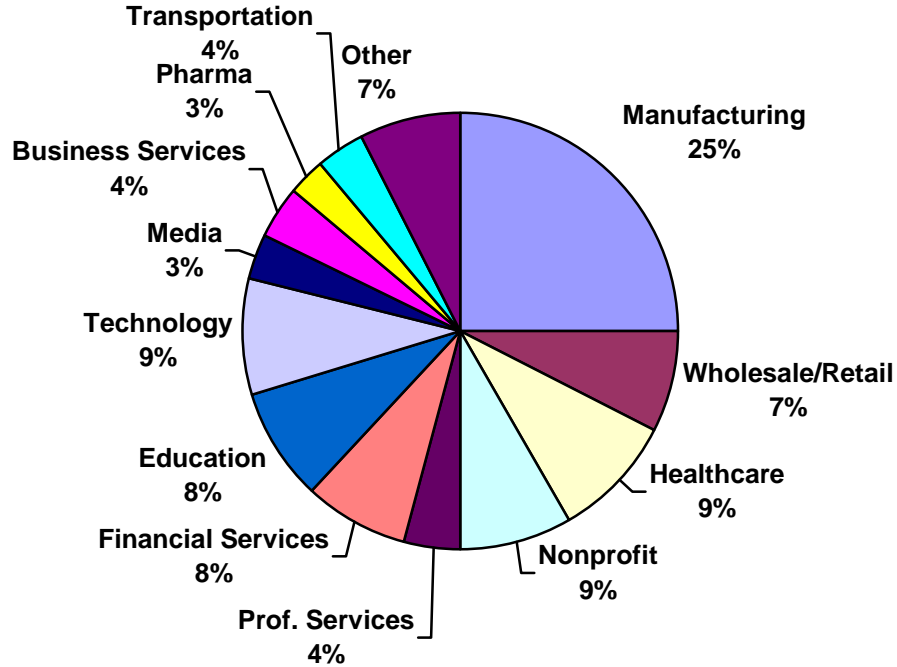
Location:

The following chart indicates where the respondents are headquartered. Keep in mind that many of these companies have employees throughout the country.



Industry:

Respondents came from a wide range of industries. The three largest groups were manufacturers followed by healthcare services and nonprofit organizations.



If you are interested in receiving a detailed comparison of how your organization fairs within companies your size, industry and state, please let us know and we can prepare a complete benchmark analysis.

When reviewing the results, keep in mind that this report reflects those employers who offer some type of benefit coverage. Companies, who offer no benefits at all, are not reflected in this study.

Lambert & Carney provides this benchmarking tool to help its clients and participants position their benefit plans and employee communications to the organization’s advantage. Please call us at (800) 357-1840 if you have any questions about the survey data or methods.

Health Insurance

Healthcare benefits covered by our survey include medical, dental, vision and prescription drug benefits. 100% of this year's respondents, as in each year we have conducted this survey, provide employees with medical coverage. We realize that not all companies provide medical benefits, therefore these results are based strictly on those that do.

Four major trends have emerged in healthcare coverage.

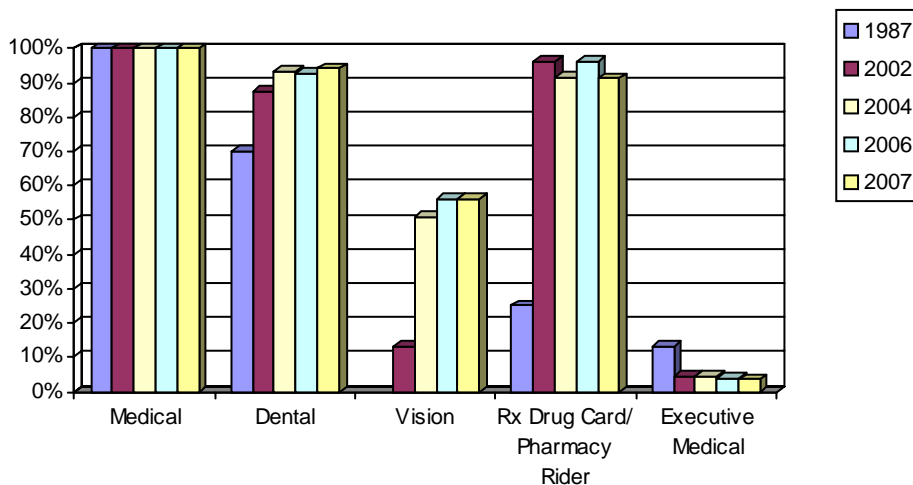
First, employers are continuing to shift a larger share of the rising cost of their medical coverage to their employees. This appears in the form of higher levels of employee contributions, higher deductibles, and increased copays, employers are shifting more of the cost of health coverage to employees.

Second high deductible health plans combined with health reimbursement or health savings accounts are continuing to be adopted by more employers.

Third, more companies are offering a choice of healthcare options than we have previously found. Currently two thirds of area employers have more than one medical plan to choose from.

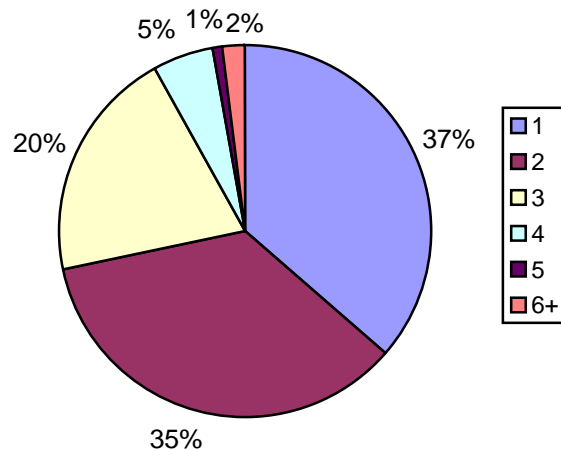
Fourth, employers continue to bolster their benefit plans by offering more voluntary benefits. This allows an employer to expand coverage with minimal cost.

H1- Healthcare coverage- Medical coverage continues to be the cornerstone of employee benefit plans. In each of the years we have conducted this survey, all participants indicated that they offer their employees medical coverage. Additionally, other health coverages such as dental and vision have plateaued over the past few years. Prescription drug cards have dropped off slightly reflecting a change in medical plan structure that includes more Health Saving Accounts. The prevalence of executive medical plans remains down from 1987 levels

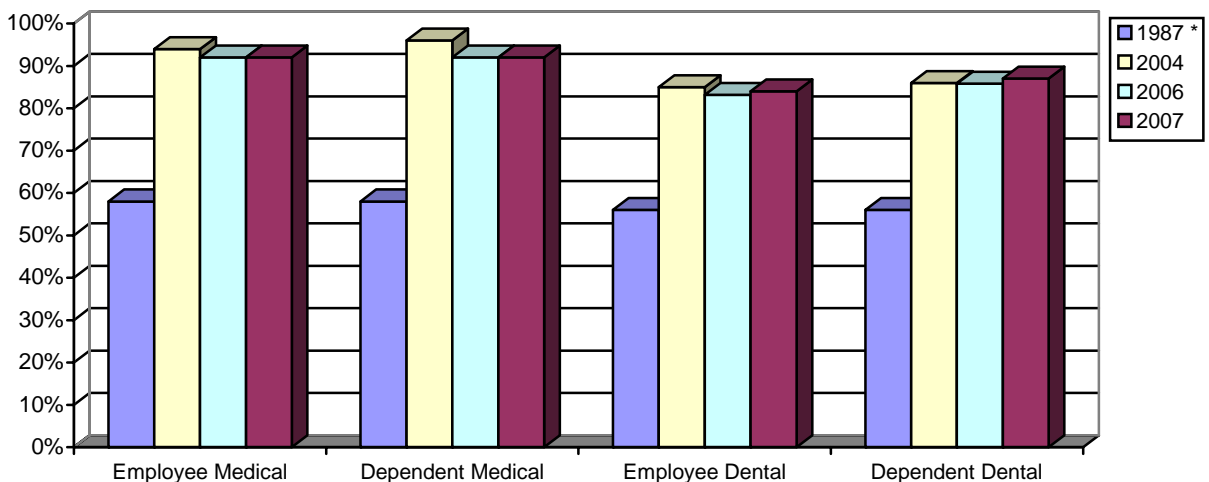


H-2 – Nearly two-thirds of companies offer plan choices – A majority of companies offer employees more than one plan. However there may be a trend back towards offering a single plan as the number of companies with just one plan increased from 33% last year to 37% this year.

Number of Plans Available to Employees:



H-3 – Most employees pay for coverage– The vast majority of companies continue to require contributions to their medical and dental plans. Over the past six years more than nine out of ten companies have required contributions for their medical benefits. Employers with fewer than 100 employees are less likely to require a contribution for employee medical coverage (12% vs. 8% overall). Six out of seven require a contribution for dental coverage.



- The 1987 survey did not breakout employee or dependent contributions.

H-4 – Employees paying a higher portion of cost- In addition to more companies requiring contributions over the years, they have been increasing the level of contributions required in both dollar terms and in the percentage of the plans' premiums. This year fifteen percent of employers reported requiring a contribution of at least 35% of premium compared to just eight percent ten years ago. The most common employee medical contribution level is between 15% and 24% of cost.

The following tables indicate what percentage of the cost for medical and dental coverage is borne by the employee in the company's plan that enrolls the most employees. It is based on the companies that indicated that contributions are required.

	Employee Medical				Dependent Medical			
	<u>1998*</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>1998</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Under 15%		19%	17%	18%		12%	12%	13%
15% to 24%	70%	41%	42%	40%	59%	34%	37%	33%
25% to 34%	22%	26%	30%	27%	26%	26%	27%	27%
35% to 49%		6%	6%	8%		9%	9%	10%
50% to 74%	5%	7%	3%	5%	7%	10%	9%	10%
75% or more	3%	2%	2%	2%	8%	9%	6%	8%

	Employee Dental				Dependent Dental			
	<u>1998*</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>1998</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Under 15%		19%	15%	16%		14%	12%	17%
15% to 24%	65%	31%	33%	27%	57%	27%	30%	22%
25% to 34%	20%	17%	20%	20%	22%	17%	18%	18%
35% to 49%		6%	8%	7%		8%	9%	7%
50% to 74%	9%	11%	10%	15%	11%	12%	13%	14%
75% or more	6%	16%	14%	15%	11%	22%	19%	20%

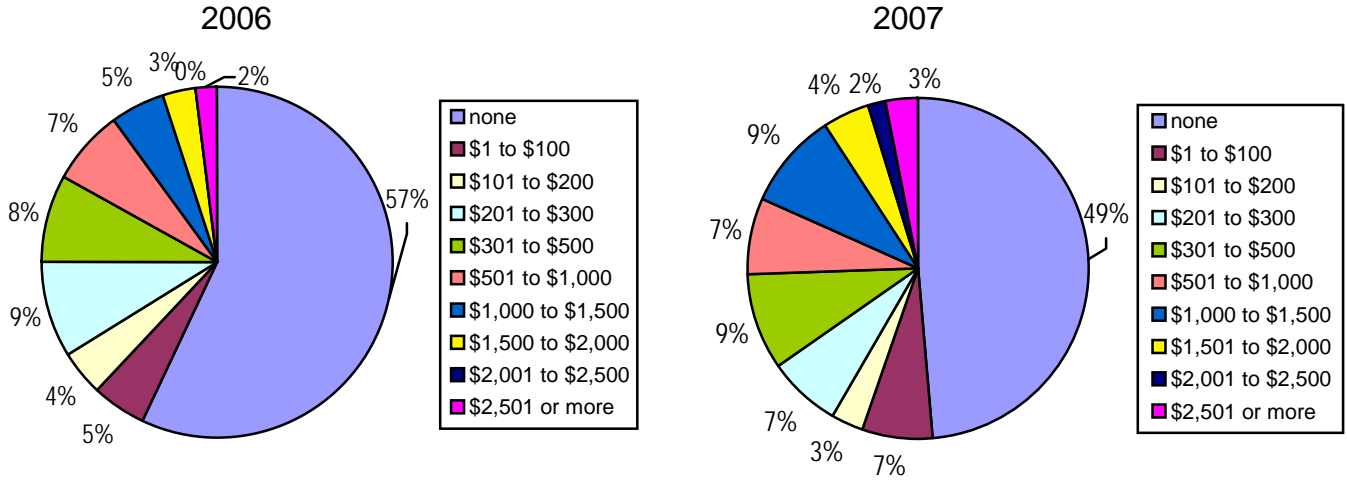
* In 1998 we asked if contributions were less than 25%; 25% to 49%, 50% to 74%; or 75% or more.

H-5 – Companies with more than one plan- for employees to choose from used the same contribution percentage across all plans 46% of the time. 26% of the companies pegged contributions off the lowest cost plan with employees paying the difference in a buy up. Other arrangements were used 28% of the time. These alternative contribution strategies included flat dollar amounts paid by the company, buy downs, pay based contributions, years of service and location to name a few.

It should be noted that the results show that the number of employers pegging contributions off of the lowest cost plan has increased while companies that contribute the same percentage level of premium for each plan has gone down.

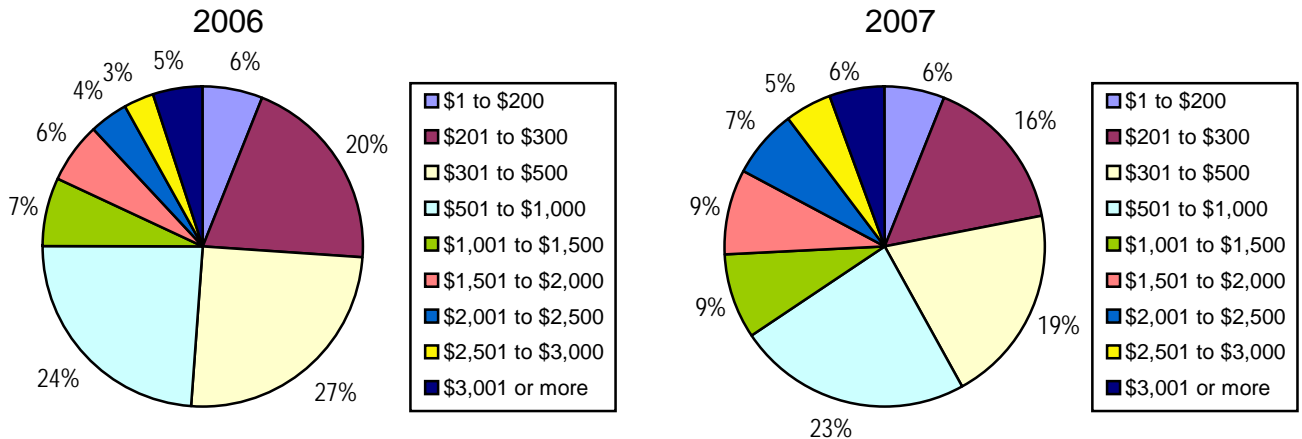
H-6 – Companies are utilizing in-network deductibles - In recent years companies have adopted plans with in-network deductibles, as well as out-of-network deductibles. This is the fourth year we gathered information on in-network deductibles. Employers were given the opportunity to respond based on each of the plans they offered. Since 2004 the number of plans that have an in network deductible increased by 13%.

In Network Deductible

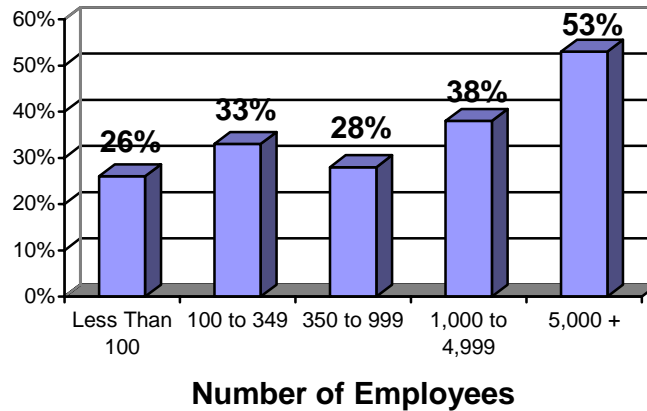


H-7 – Higher out of network deductibles Out of network deductibles have also increased. Nearly 60% of benefit plans have out of network deductibles in excess of \$500. This reflects companies shifting more cost to employees while trying to drive participants to in network providers. It also reflects the increase in consumer driven benefit plans.

Out of Network Deductible

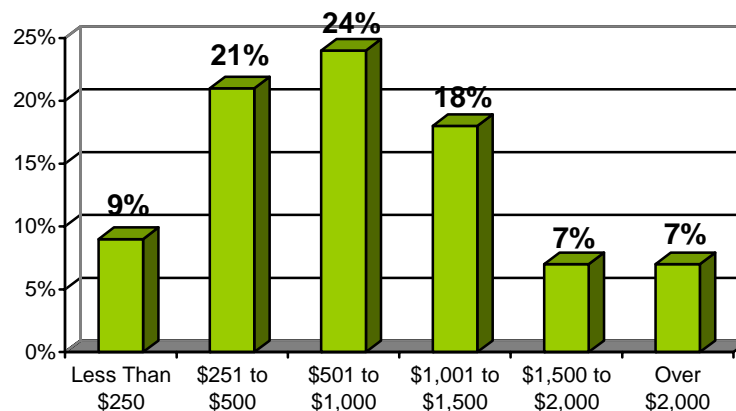


H-8 – Health Reimbursement Accounts are one of two consumer driven models of healthcare coverage that have taken a foothold in the region. HRA's are used by 31% of companies. Some of these plans make use of employer funds to reimburse employees in plans with higher hospital copays. The following illustration indicates the percentage of employers that have indicated using HRA's based on the companies' size.



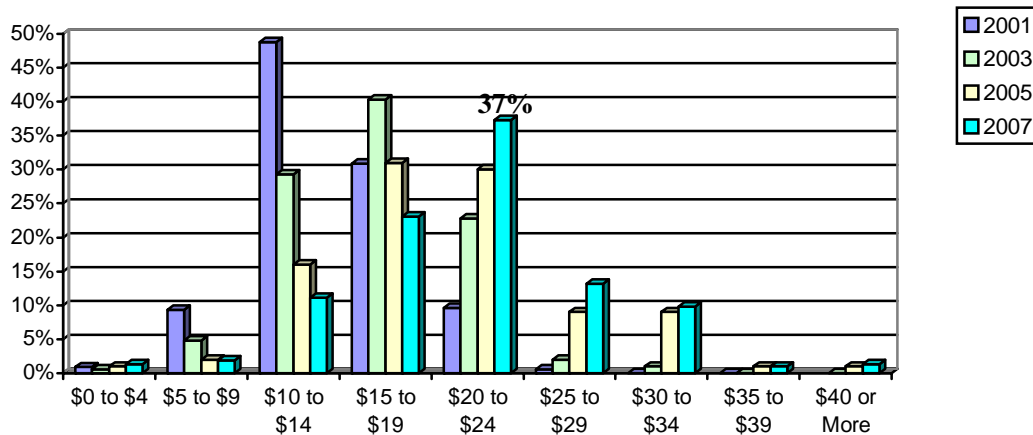
H-9 – Health Savings Accounts are the other consumer driven model that is gaining momentum in the region. 7% of companies that responded to our 2005 survey indicated that they offered an HSA. This year 16% of companies have adopted this type of plan.

H-10 – Employer Funding Of HRA's and HSA's- In the following illustration we have indicated the funding level employers provide as part of their HRA's and HSA's. This illustration is based on those companies that have indicated a funding amount. When HRAs or HSAs are being used, employers are funding approximately 60% of the in network deductibles.

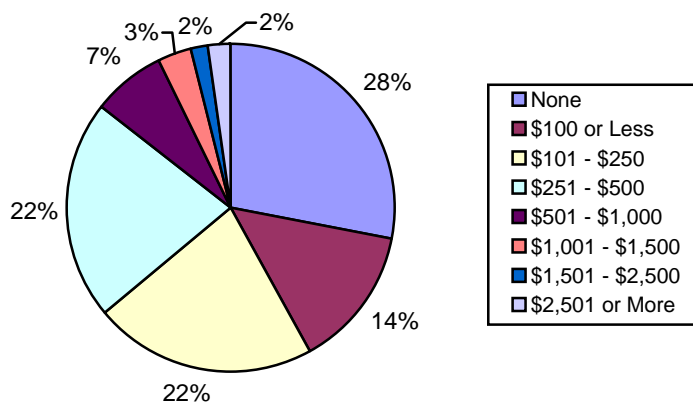


H-11 – Employees face higher office copays- In 2001 nearly 60% of companies had copays of less than \$15. Since then, there has been a significant shift to higher out of pocket employee cost. Today only 14% of companies offer a medical plan with office copays that are less than \$15 per visit. The most common copay level reflected in 37% of the plans is \$20. More than half the plans to have copays of \$20 or more.

Office Visit Copays by Year



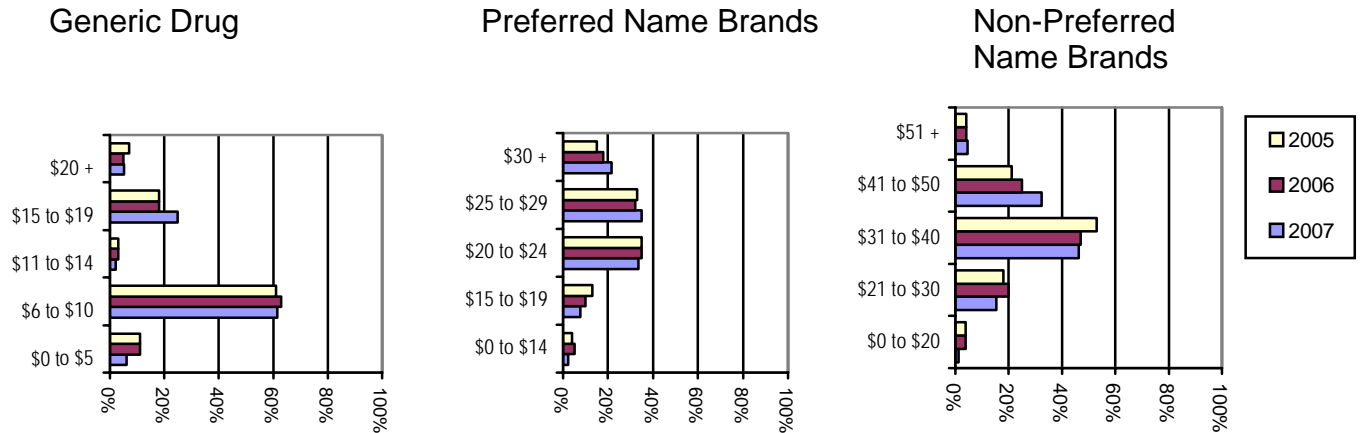
H-12 – Nearly three quarters of the plans now have Hospital Copays- The most popular hospital copay levels are between \$101 and \$500.



H-13 – Prescription Drug Plans are continuing to increase- Employers continue to react to the rising cost of prescription drugs by increasing copays and encouraging employees to utilize less costly generic and formulary drugs. This year, each of the three tiers increased their average copay level. 93% of companies that use copays for their prescription drugs

have three tiers of coverage with significantly lower copays for generic drugs. This is the first year that Preferred Name Brand prescriptions had copays of \$25 to \$29 appear more often than any other level. Third tier (non-preferred) drugs currently have copays over \$40 37% of the time. This is significantly higher than in previous years.

Copays

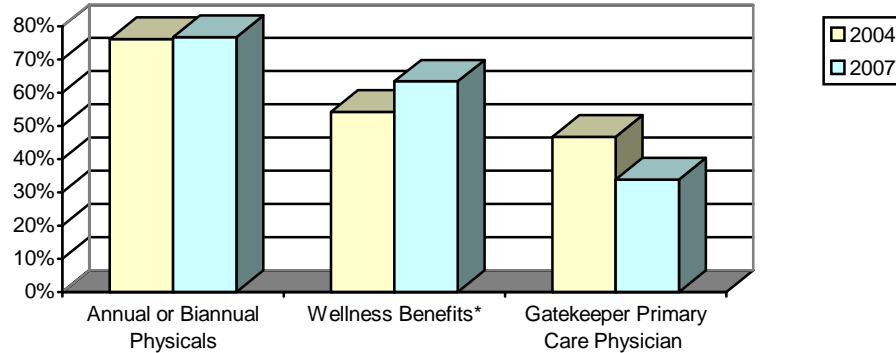


Four percent of companies base their prescription drug program on *coinsurance* levels and not copays.

H-14 – Mail Order Drugs- Ninety-seven percent of plans offer mail order features to help reduce the cost of their prescription drug benefits.

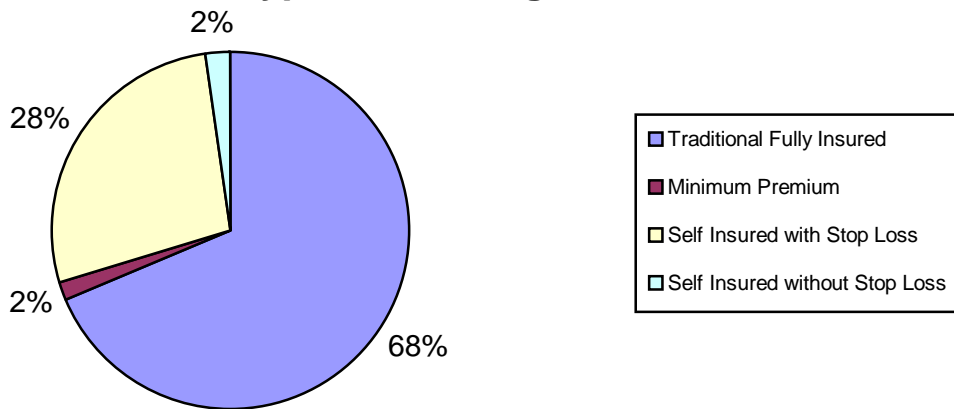
H-15 – More wellness fewer gated plans- A greater number of companies are reporting that they have wellness benefits while the number of plans requiring a primary care physician gatekeeper has actually dropped during the past three years.

Medical Plan Components

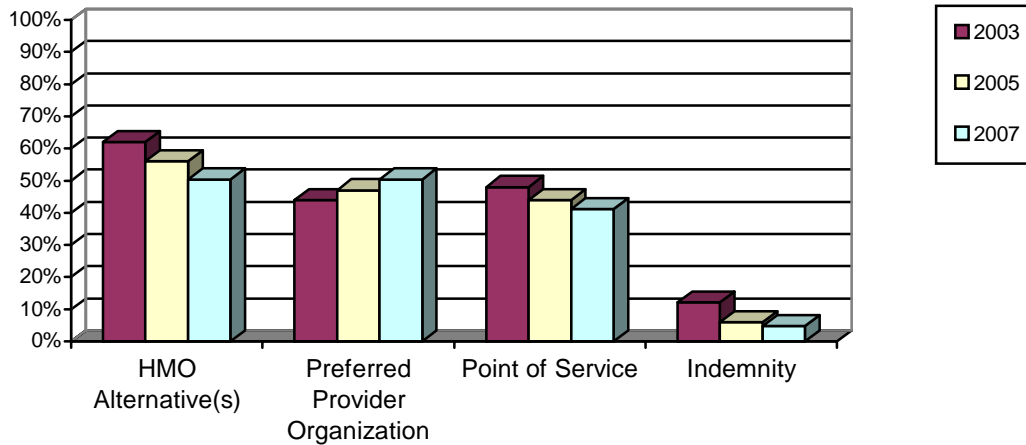


H-16 – Most companies choose to fully insure their plans - In 1994, 64% percent of the respondents indicated that they self insured their medical benefit plans. Today, 68% of all respondents indicated that their plans are fully insured, however two-thirds of employers with over 1,000 employees self fund their benefits.

Type of Funding

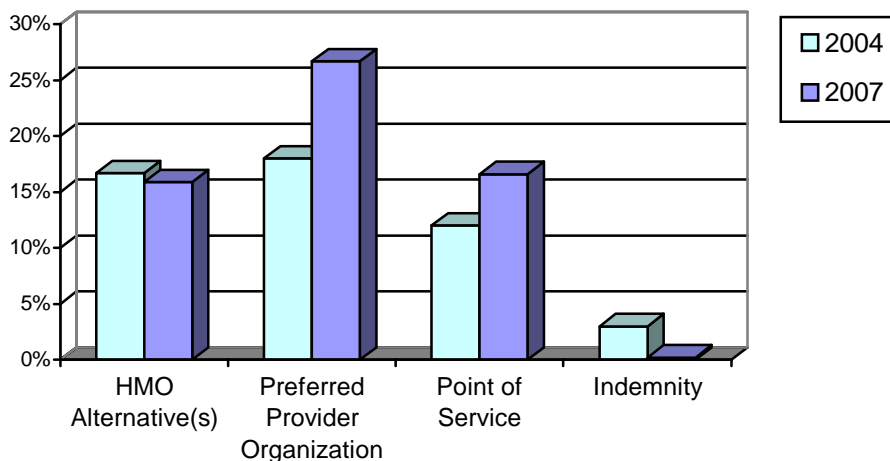


H-17 – Most companies offer multiple types of plans for employees to choose from – Both Health Maintenance Organizations and Preferred Provider Organizations are offered by 50% of the respondents. As can be seen from the chart below PPO arrangements have continued to increase in popularity. The following illustration indicates the types of plans offered by respondent companies. Keep in mind that some employers offer multiple options within a category.

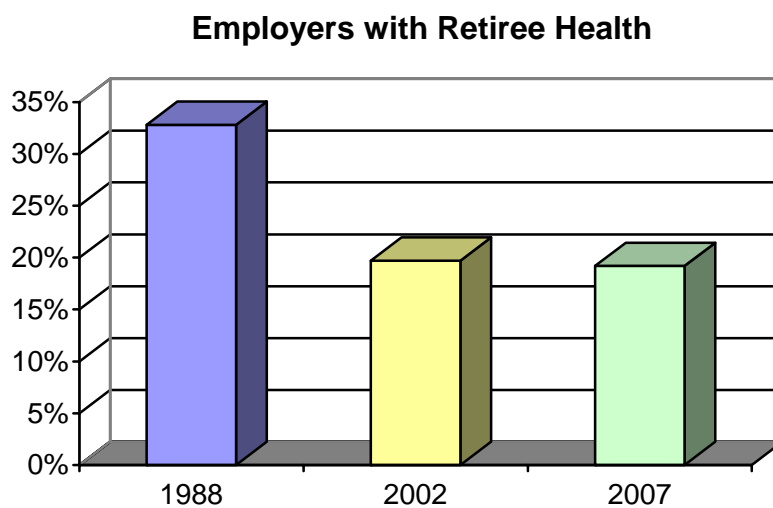


H-18 – Sixty percent of the companies reported offering only one type of plan – Of those companies that offer only one type of plan, 27% offered a PPO option followed by POS plans with 17%.

Single Plan Type



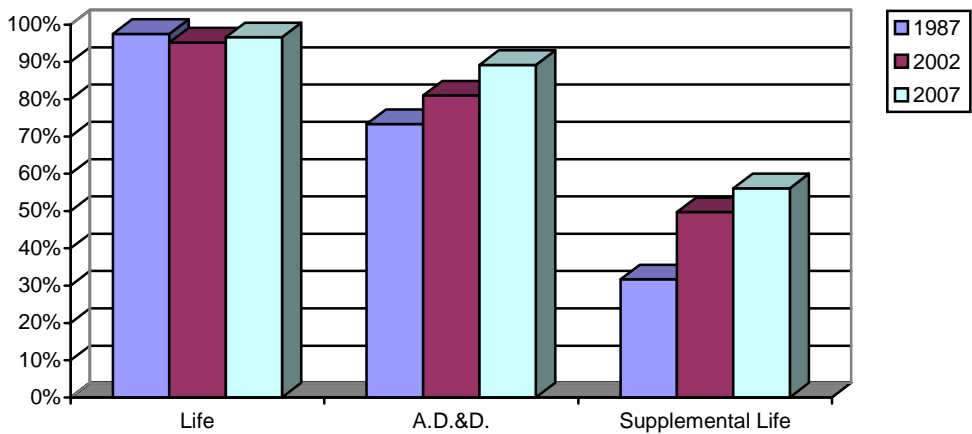
H-19 – Retiree health benefits decline – For the past six years only one in five companies have been offering retiree medical coverage.



Life Insurance

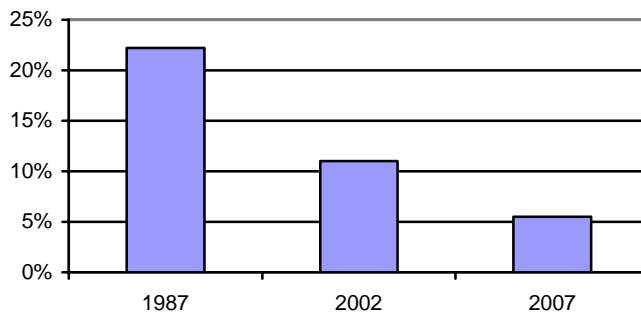
Life insurance continues to be another core benefit offered by most employers. As opposed to health insurance, most employers pay the entire cost of basic life insurance coverage.

L-1 – Group Life Insurance continues to be offered by most employers – Since the inception of this survey, life insurance has consistently been offered by over 95% of companies. In recent years, an increasing number of companies also offer voluntary supplemental life insurance coverage. Fifty-six percent of companies allow their employees to purchase additional coverage.



L-2 – Most employers pay the entire cost of basic life insurance coverage – In contrast to health insurance, the number of employers that require employee contributions for life insurance has declined over time.

Employee Life Ins. Contrib. Required



L-3 – Most plans determine life insurance benefit levels based on employee’s earnings– A majority of plans are based on a percentage of employee’s earnings rather than based on employee position or flat amount. The most frequent coverage level provides a benefit equal to less than 2 times an employee’s earnings.

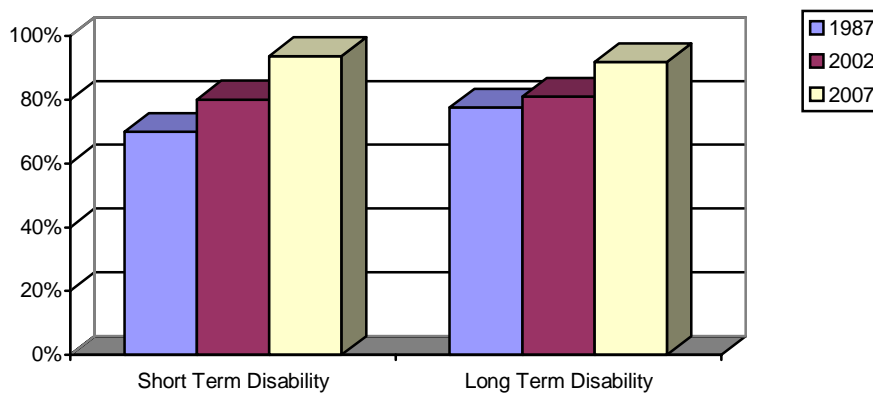
	<u>1987</u>	<u>2002</u>	<u>2007</u>
Based on Less Than 2 Times Salary	27%	39%	44%
Based on 2 Times or Salary More	27%	24%	26%
Position or Class	35%	13%	10%
Flat Amounts Equal to \$20,000 or less	11%	11%	10%
Flat Amounts Equal to More Than \$20,000	3%	11%	10%
Amounts Based on Flexible Benefits Choice	*	2%	1%

* Not asked in 1987 survey.

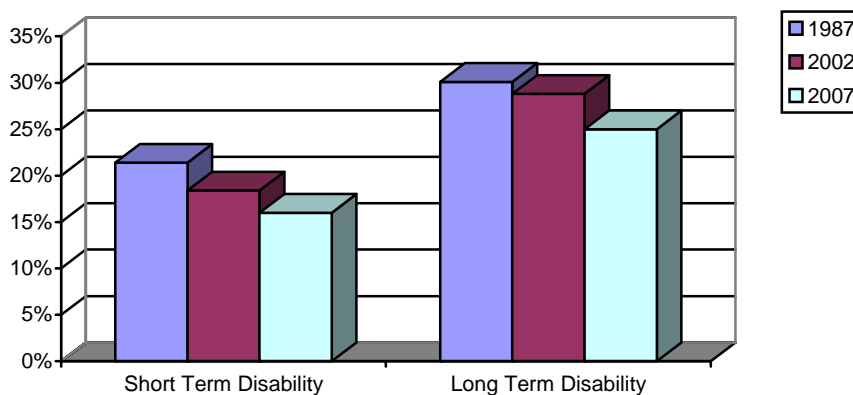
Disability

Our survey reflects that disability plans are another key component of a benefit plan. They are an important part of the overall protection of a workforce. Employees are more likely to need disability coverage during their working lifetime than they are to use Life insurance. Disability coverage has increased steadily since 1987.

D-1 – Disability plans continue to grow in popularity – Ninety-six percent of employers offer some form of disability benefit, while 76% offer both.



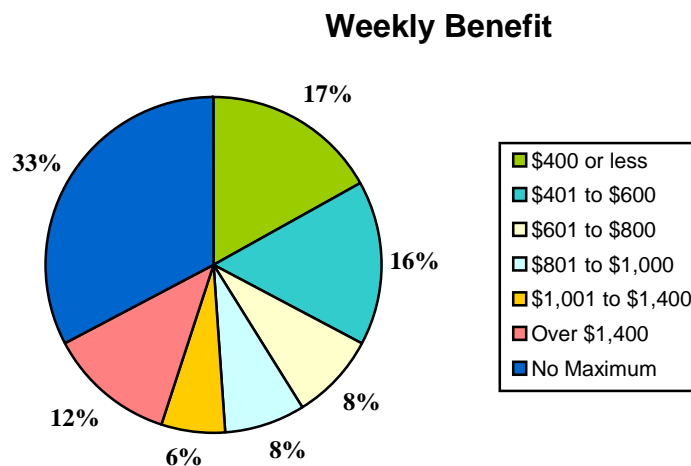
D-2 – The number of companies requiring employee contributions has decreased over time- Approximately 16% of companies require employee contributions for short term disability and 25% for long term disability.



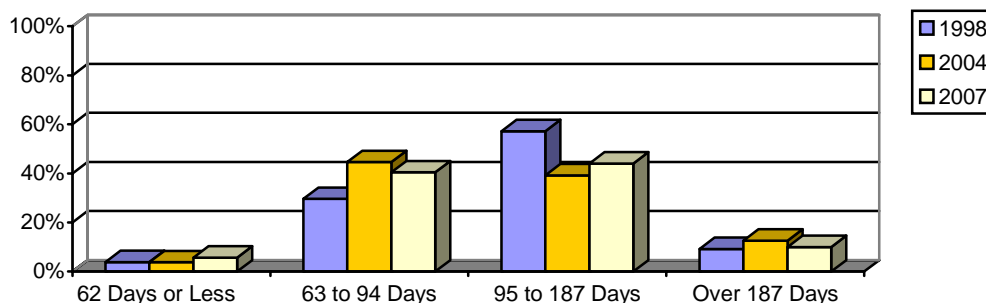
D-3 – Short Term disability plans have different features – Of companies that offer STD benefits, a partial salary benefit is the most popular program. Due to the limited duration of this benefit many larger firms will self insure this benefit. In fact, 65% of companies with more than 350 employees self insure this coverage although 70% use third party assistance to administer their programs.

Full Salary Continuation	19%
Partial Salary Benefit	81%
Insured Benefit	49%
Self Insured Benefit	51%
Administered In House	33%
Administered by Third Party	67%

D-4 – Maximum Weekly Short Term Disability Benefit is fairly evenly split above and below \$1,000 – Short term disability plans with no limit are the most common maximum benefit level. There is a greater likelihood that the no limit benefit maximum and the self insured plans are found with employers that have over 350 employees.

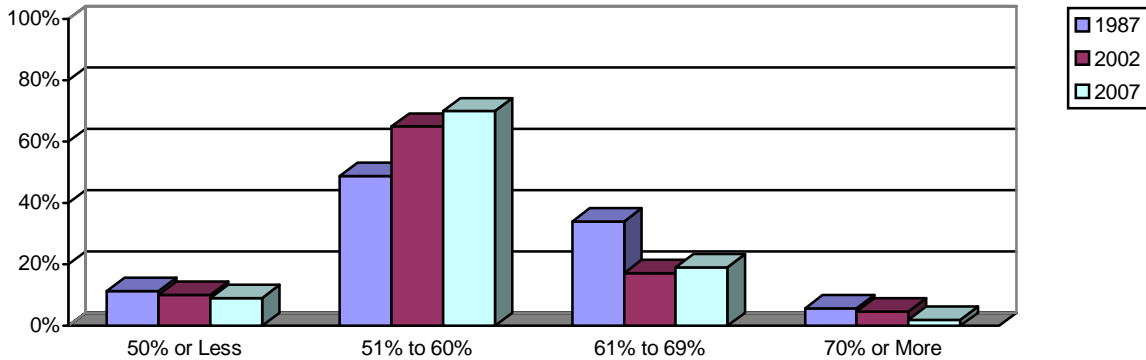


D-5 – Employees are usually provided with LTD plans that have elimination periods of 3 months (90 days) or 6 months (180 days) – The most common elimination periods for benefits are 6 months followed closely by 3 months.



D-6 – Long Term Disability benefits are typically offered as a percentage of earnings - The most common benefit level covers between 51% and 60% of earnings. Seventy percent of LTD plans fall into this category.

Percentage of Salary



D-7 – LTD Maximums have consistently increased over the past two years - Over the years that we have tracked Long Term Disability monthly maximum benefits, we have had to adjust our questions to keep pace with the increasing maximum benefit levels. The increased coverage levels have typically kept pace with increases in corporate payroll levels.

Max. Monthly Benefit

	<u>2002</u>	<u>2007</u>
\$4,000 or Less	18%	11%
\$4,001 to \$7,000	34%	35%
\$7,001 to \$9,000	14%	11%
Over \$9,000*	27%	**
\$9,001 to \$12,000	**	26%
\$12,001 to \$15,000	**	9%
\$15,001 or more	**	4%
No Maximum	7%	5%

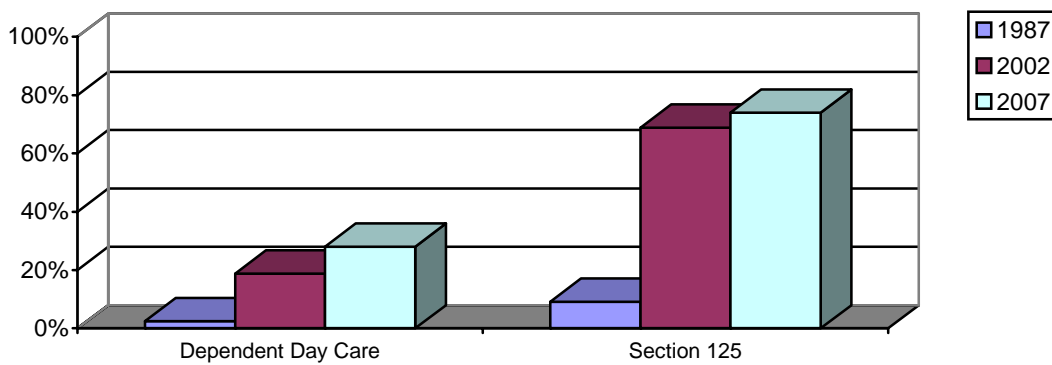
** Answer not offered this year.

D-8 – Additional LTD coverage – While only 19% of employers allow employees to supplement their base LTD benefit with additional voluntary coverage, this amount increases to 51% of plans that have a 50% or less base benefit level.

Other Benefits

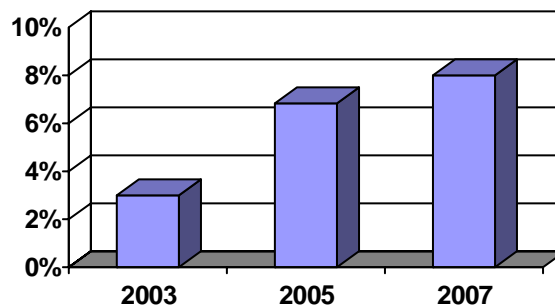
Employers offer a wide variety of benefits to their employees. Section 125 Flex Plans have seen tremendous growth over the past 20 years. Dependent Day Care and Long Term Care benefits have grown significantly since 1987 but have recently leveled off.

O-1 – Day Care and Section 125 Flex Plans have grown in popularity - Section 125 plans have seen a dramatic rise in popularity since the first years of this survey but have actually plateaued in the past few years and are now offered by about 70% of companies. Dependent day care benefits are utilized by 28% of companies.



O-2 – Prepaid Legal benefits are beginning hovering at same level – t Following a big marketing push, the number of companies offering Prepaid Legal benefits more than doubled from 3% in 2003 to 7% in 2004. Since then it has reached 8%.

Prepaid Legal



O-3 – Group Long Term Care is offered in 14% of corporate benefit plans - The popularity of this benefit increased dramatically in the 1990's. Since then the coverage has increased at a more moderate level. 81% of Long Term Care plans are made available on a voluntary basis.

	<u>1989</u>	<u>2002</u>	<u>2004</u>	<u>2007</u>
Long Term Care	1%	9%	13%	14%

O-4 – Group auto and homeowners insurance plans tend to be offered by larger companies - 18% of all survey participants offer this benefit, but for groups over 350 lives, the percentage is substantially greater.

Offer Group Auto/Homeowners Insurance (by number of employees)

<u>Less Than 25</u>	<u>25 – 99</u>	<u>100 – 349</u>	<u>350 – 999</u>	<u>1,000 – 4,999</u>	<u>5,000 or More</u>
0%	7%	13%	28%	46%	35%

Lambert & Carney Benefits Group, LLC is an independent group insurance brokerage and consulting firm specializing in the development, implementation and ongoing servicing of corporate benefit plans.

In addition to these capabilities, we offer our clients:

Benefit Website
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Flexible Spending Accounts
Employee Benefit Statements
Annual Plan Evaluation
5500 Preparation
Plan Compliance
ERISA Audit



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