



Press Release

Scott Benefit Services 2014 Mid-Market Benefits Survey: Health Care Costs Increase 5-7% in 2014 for a Family of Four

Employers Migrating to Alternative Funding Strategies and Plan Designs to Manage Rising Costs

Lynchburg, Va., July 31, 2014 – For the sixth consecutive year, health care costs climbed for a family of four in Virginia and North Carolina as reported in Scott Benefit Services' recently released 2014 Mid-Market Benefits Benchmarking Survey results. Regionally, families continue to contribute a high amount for coverage with annual medical expenditures increasing 7% in Virginia and 5% in North Carolina. Nationally health care costs climbed to \$23,215 for a family of four in 2014, the ninth straight year costs rose more than \$1,100, according to the Milliman Medical Index.

As health care costs continue to escalate, the survey results show that employers are utilizing cost control methods and strategies that can have a major impact on minimizing increases and providing quality health care for their employees.

“Employers continue to seek ways to offset continued high levels of medical inflation coupled with increased costs due to ACA taxes and fees,” noted Josh McGee, Vice President Financial Risk Management. “Survey trends highlight that more employers are leveraging strategies that include the transition to self-insurance and Consumer Driven Health Plans (CDHP) where they are better able to control the cost and risks.”

Self-Insurance

To manage rising costs, more mid-market companies with 50-500 employees are migrating to self-insured options. Survey data illustrates companies leveraging this alternative funding strategy are saving an average of 5-8% over traditional plans. Advantages of a self-insurance plan to the employer include:

- Greater plan design flexibility
- Lower premium taxes
- Lower Affordable Care Act (ACA) fees
- Lower profit margins

“Employers that can tolerate the additional risk and cash flow implications will benefit significantly over the long term by converting to a self-funded arrangement. In addition to the above mentioned savings, employers will benefit financially from lower than market trends due to the deployment of health risk management tools and resources,” explained McGee.

Consumer Driven Health Plans (CDHP)

CDHPs continue to take on a larger role as companies develop plans to balance rising costs and provide quality health care for their employees. CDHP is a tiered health care plan that allows members to pay routine health care costs using a health savings accounts or similar payment product versus a fixed health insurance benefit.

The Southeast has the highest concentration with 31% of employers choosing CDHP in 2013. Virginia and North Carolina rank high in the nation compared to other states in CDHP participation.

- In Virginia, employers offering CDHP grew 7%, from 34% in 2013 to 41% in 2014.
- North Carolina follows closely behind with 39% of participating employers currently offering CDHPs, a 7% increase from last year.

About Scott Benefit Services' Mid-Market Benefits Benchmarking Survey

For the tenth year, Scott Benefit Services has offered its annual mid-market benefits survey with the help of a highly respected actuarial consulting firm. The survey provides customized benchmarking data for mid-market size companies' benefit plans (50 – 1,000 employees) on both a regional and national level. It is the largest benefits survey of its kind in the U.S. with ~200 mid-market Virginia, North Carolina and Tennessee area companies participated and 4,900 companies nationally.

About Scott Insurance

Scott Insurance is one of the largest providers in the Southeast of Property and Casualty, Employee Benefits, Bonds, and Private Risk. The company has offices in Greensboro, Raleigh and Charlotte, North Carolina; Knoxville and Nashville, Tennessee; and Lynchburg, Roanoke, and Richmond, Virginia, as well as Captive Insurance operations in the Grand Cayman and Vermont.

Scott Insurance and Scott Benefit Services, divisions of James A. Scott & Son, Inc.

SOURCE: 2014 Scott Benefit Services Mid-Market Benefits Benchmarking Survey and Milliman Medical Index

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