

Quantifying the Need

LIMITED BENEFIT PLAN FACT SHEET



Causal Link Between Offering Benefits Like Limited Med Plans and Retention

- By meeting the diverse needs of their workforce with benefits, employers not only help their workers take the necessary action, but they can also improve employee retention, cited by 54% of employers surveyed as a top benefits objective.
- This year's study shows that employers recognize a causal link between benefits and retention. More than half (58%) of employers believe that benefits are very important in retaining their employees.
- When asked to identify the importance of work-related elements that give employees a feeling of loyalty to their employers, 81% of employees surveyed cite health benefits as important, second only to salary/wages, while only 60% of employers say the same.
- Similarly, among employees, retirement benefits are tied with advancement opportunities as an important factor in loyalty, cited by 72% of those surveyed compared to just 41% of employers.¹

- Boomers rate having appropriate health insurance more important than do Gen-X'ers and Millennials (90% saying "highly important" vs. 85% and 80%, respectively).
- Maintaining a healthy lifestyle is also more important to Boomers as compared to Gen-X'ers and Millennials (63% saying "highly important" vs. 49% and 53%, respectively).
- Boomers rate medical insurance the highest in importance when deciding to take a job (other generations rate salary the highest).²

Escalating Medical Costs Make Health Coverage Among Workers An Imperative

- The Millman Medical Index estimates the total annual medical costs for 2008 for the typical American Family of four at \$15,609 up from \$14,500 in 2007.
- This is an increase of 7.6% over the 2007 MMI. The 2007 rate of increase was 8.4%
- Overall costs trends have declined over the last five years from around 10% to the current 7.6%.³

Small Firms Are Good Targets For Limited Medical Plans

- The likelihood that a firm offers health benefits to its workers varies considerably with the firm's characteristics, such as firm size, the proportion of lower-wage workers, the proportion of part-time workers in the firm, and whether workers are unionized.
- The smallest firms are least likely to offer health insurance. Only 49% of firms with 3 to 9 workers offer coverage, compared with 78% of firms with 10 to 24 workers, and 90% of firms with 25 to 49 workers. Over 95% of firms with 50 or more employees offer health insurance coverage.
- Firms with fewer lower-wage workers (where less than 35% of workers earn \$22,000 or less annually) are significantly more likely to offer health insurance than firms with many lower-wage workers (where 35% or more of workers earn \$22,000 or less annually). Sixty-eight percent of firms with fewer lower-wage employees offer health benefits, compared with 40% of firms with many lower-wage workers.⁴

45.7 Million Uninsured Americans in 2007

- Both the percentage and number of people without health insurance decreased in 2007. The percentage without health insurance was 15.3 percent in 2007, down from 15.8 percent in 2006, and the number of uninsured was 45.7 million, down from 47.0 million.
- The number of people with health insurance increased to 253.4 million in 2007 (up from 249.8 million in 2006). The number of people covered by private health insurance (202.0 million) in 2007 was not statistically different from 2006, while the number of people covered by government health insurance increased to 83.0 million, up from 80.3 million in 2006.
- The percentage of people covered by private health insurance was 67.5 percent, down from 67.9 percent in 2006. The percentage of people covered by employment-based health insurance decreased to 59.3 in 2007 from 59.7 percent in 2006. The number of people covered by employment-based health insurance, 177.4 million, was not statistically different from 2006.
- In 2007, the percentage and number of children under 18 years old without health insurance were 11.0 percent and 8.1 million, lower than they were in 2006—11.7 percent and 8.7 million. Although the uninsured rate for children in poverty decreased to 17.6 percent in 2007, from 19.3 percent in 2006, children in poverty were more likely to be uninsured than all children.⁵

Small Businesses Consider Dumping Health Coverage

- About one in 10 small businesses are considering dumping their health coverage.
- More than half the 365 small businesses surveyed in a recent National Association of Professional Employer Organizations (NAPEO) survey indicated their premiums rose as much as 10% in 2007, about 10% say they are considering dropping coverage.
- Beginning about 1996, more small companies with fewer than 200 workers began offering health benefits.
- Then, from 2000 to 2005, the percentage dropped, according to the Kaiser Family Foundation, from 68% to 59% – back to the same level as in 1996.
- NAPEO's survey shows 71% will continue to insure their workers in the coming year – but another 5% remain unsure about continuing.
- NAPEO surveyed members' clients in November and found that health care costs were their second-biggest worry after attracting workers.⁶

- 1 "MetLife Employee Benefits Study," MetLife, 2008.
- 2 "Prudential Study of Employee Benefits: 2008 & Beyond," Prudential Insurance, 2008.
- 3 "2008 Millman Medical Index," Millman Research Report, 2008.
- 4 "Employer Health Benefits: Annual Survey," Kaiser Family Foundation, 2008.
- 5 "Health Insurance Coverage In America, 2007," U.S. Census Bureau, 2008.
- 6 "One in 10 small businesses would drop health coverage because of cost," Insurance & Financial Advisor, December 17, 2007

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