



GUARDIAN®



BENEFITS & BEHAVIOR:

Spotlight on Group Medical

Introduction

American consumers have health care matters on their minds, but many still lack a clear understanding of their insurance coverage. This study of consumer attitudes and beliefs about health, wellness and medical insurance suggests opportunities to educate employees about various avenues to engage in their health plans and achieve healthy lifestyles.

Demographic and political trends continue to alter the health insurance market, as new products and approaches such as consumer-driven health care begin to mature. There is significant awareness among employees of health care innovations such as wellness programs and consumer-driven health plans, but the study shows disparities between worker knowledge and behavior.

For example, despite claiming to value wellness programs, many employees do not participate. Likewise, most cite saving for retirement as their top financial challenge, yet few are prepared to meet their health care needs in retirement. They are also baffled by the health care “alphabet” that includes FSA (Flexible Spending Account), HSA (Health Savings Account), and HRA (Health Reimbursement Arrangement) programs.



EMPLOYEES BELIEVE IN — BUT DON'T OFTEN USE — WELLNESS PROGRAMS

Two-thirds of all employees say that wellness programs are very effective in promoting good health. However, actual participation is low, showing that employees may not always practice what they believe when it comes to wellness programs. Only 3 in 10 employees currently participate — or have participated in the past three years — in a wellness program.

Introduction (continued)

Employees with higher income and more education are most likely to have participated in a wellness program. Participation rates are highest among those with household incomes of \$50,000 or more. For example, 37% of those with incomes of \$50,000 or more currently participate in a wellness program or have done so in the past three years, compared to 17% of those with incomes between \$25,000 and \$35,000. Likewise, 39% of college grads have participated, compared to 22% of those with only a high school degree.

WIDE SUPPORT OF ALTERNATE MEDICINE TREATMENTS

Overall, 76% of employees would like alternative medicine to be included in their health plan.

Employees with higher education tend to favor the coverage of alternative medicine in health insurance plans. (Eighty percent of workers with a college degree and 83% of those with some college think health plans should cover alternative medicine treatments.) Meanwhile, 66% of high school graduates express the same wish.

Chiropractic benefits (72%), nutritional counseling (71%), acupuncture (57%), and herbalism/botanical medicine (49%) are the most favored types of treatment. In general, Baby Boomers (those in the 45–64 age range) are significantly more likely to express a wish for alternative medicine treatments to be covered in their health plan than those aged 25–44 or those 65 and older.

UNIVERSAL COVERAGE UNDER SUSPICION — ESPECIALLY BY MALES

While many employees support expanding specific treatments in health insurance plans, support is not overwhelming for universal health coverage. Just 51% of respondents believe universal coverage is a good solution. It is negatively viewed as leading to greater bureaucracy, lower quality of care, limited choice, and higher taxes. Twice as many men (31%) as women (16%) consider universal health care to be a “poor” idea. Nevertheless, 67% of employees say they would pay more taxes in order to guarantee health coverage for both children and the elderly. Moreover, roughly one-third (35%) of respondents say they will only support a presidential candidate that shares their views on health care. High school graduates (44%) were more likely to express this view than were those who had some college (40%) or a college degree (28%).



Introduction (continued)



CONSUMER-DRIVEN HEALTH CARE — A MORE POPULAR CONCEPT

Consumer-driven health care wins more support among survey respondents than does universal health care, especially from those with a college degree. Overall, 64% of employees think consumer-driven health care is an “excellent” or “good” idea. What’s more, 54% of respondents feel it is “extremely” or “very” important to have a health plan that promotes a healthy lifestyle, requiring employees to eat properly and exercise — and to provide evidence of that behavior.

Workers also say health plan incentives would encourage them to adopt healthier behaviors such as quitting smoking, exercising, and eating well. Overall, 68% agree this approach would be motivating. Those most likely to believe so are in the 45–64 age range (72%) and the 25–44 age range (70%). Those in the 65+ age range (45%) and the 18–24 age range (56%) were less likely to say the same.

The single-most important factor perceived as the top driver of increasing health care costs is drug company profits (28%). However, a higher proportion of respondents (33%) points to a combination of demographic and behavioral factors (poor health, aging, smoking, and obesity) as the cause of rising costs. This finding suggests employees are aware of their own potential culpability in the health care cost challenge and, perhaps, may be open to behavior modification programs to stay as healthy as they can for as long as they can.

HEALTH PLAN CONFUSION

Most employees (67%) say that health care plans are generally difficult to understand. Likewise for health care coverage and benefits (66%) and out-of-pocket health care costs (55%). Moderate awareness, at best, exists of alternative health care spending plans, with HRAs less well known than either FSAs or HSAs. Just over half (53%) of employees know about FSAs and HSAs, while just 39% are aware of HRAs. Those most likely to be familiar with these plans are workers whose health insurance premiums are completely or mostly paid by their employer. College graduates are also more likely to know about them.

Among those who are aware of FSAs, 70% say they could explain the plan to a co-worker. Likewise, 68% of those aware of HSAs say the same. Finally, 56% of those familiar with HRAs say they could explain them.

Introduction (continued)

UNDER-PREPAREDNESS FOR MEETING RETIREMENT HEALTH CARE NEEDS

Just 20% of workers say their finances are in the right shape to meet their retirement health care needs. Another 26% say they are currently planning for this, while 32% say they have not started but will. But 19% of respondents say they have no plans to do so. Even among Baby Boomers alone, this percentage is consistent: 19% have not planned for retirement health care needs and do not intend to do so now.

Women and employees with higher incomes are most likely to have done some retirement health care planning. Among respondents with earnings of \$50,000 or more, fully half (52%) have started planning for their health care needs in retirement. In comparison, 33% of those earning \$25,000 to \$35,000 have done so. Females (51%), moreover, are more likely than males (42%) to have started preparing to meet their health care needs in retirement.

PAYING FOR HEALTH CARE

Paying for health care costs is a substantial but second-tier concern for most Americans. Employees cite “saving for retirement” (63%) as the top financial challenge they face today. This challenge is followed by “balancing work and home obligations” (56%), “saving for emergencies” (55%), “paying for health care premiums/OOP costs” (52%), “saving for college” (52%), and “saving for a house” (52%). Some employees have a harder time than others paying for health

care premiums and out-of-pocket costs. Women (58%) are more likely than men (47%) to cite health care costs as a challenge, as are high school graduates (65%) and those with some college (61%) compared to college graduates (40%).

Most respondents (88%) believe *employers* should offer health benefits. Workers are more likely to expect large firms to offer such benefits (82%) than small firms (72%). Just 59% of employees surveyed say their employer pays full or mostly for their health insurance coverage. Ten percent have no coverage at all. They, along with workers who pay full freight for their own health insurance, are far more likely to forego recommended medical care, doctor visits, and prescription drug treatments due to rising costs.

EMPLOYERS' UNIQUE OUTREACH OPPORTUNITY

The Guardian study suggests that employers have a unique opportunity to help workers learn more about their health and wellness plans. In particular, employees need help understanding the nuts-and-bolts of various health programs (FSA, HSA, HRA). They also may benefit from better guidance on the specifics of their group coverage. Study findings indicate they may be more open than ever to incentives for participating in wellness plans and maintaining healthy lifestyles. Finally, retirement planning education appears ripe to begin including matters of how to meet health care needs in retirement.

Background and Methodology

METHODOLOGY

A nationally representative sample of 1,000 consumers age 18 and older were contacted by telephone. Of those, 473 qualified to be interviewed for this study by being employed full or part time.

Question areas included:

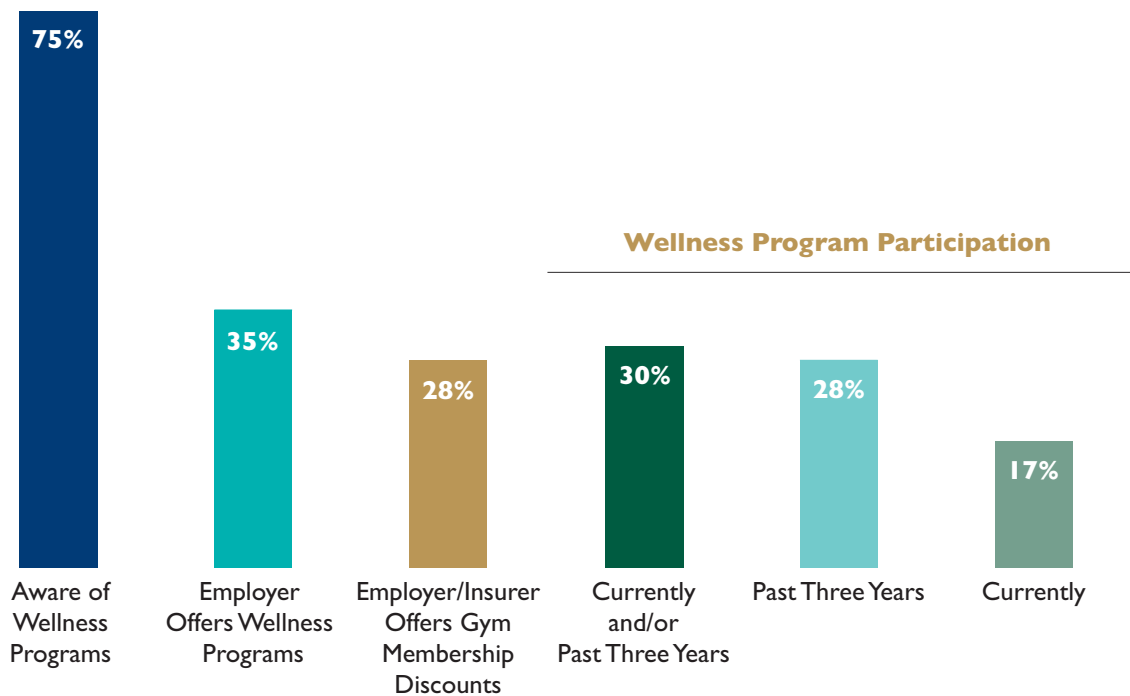
- Attitudes toward wellness and alternative medicine
- Health care costs and plans
- Financial challenges

The interviews were conducted from October 26–29, 2007.

Wellness programs generally have broad-based awareness, but employees may not be fully aware of initiatives offered by their employers. When employees are aware of these programs they appear, at least for a time, to take advantage of them.

- Three-quarters of employees have heard of wellness programs, but only one-third say that their employer offers a program.
- Three in ten employees either currently participate and/or have participated in a wellness program in the past three years. However, only about half of these employees are still active in a wellness program.

AWARENESS OF AND PARTICIPATION IN WELLNESS PROGRAMS

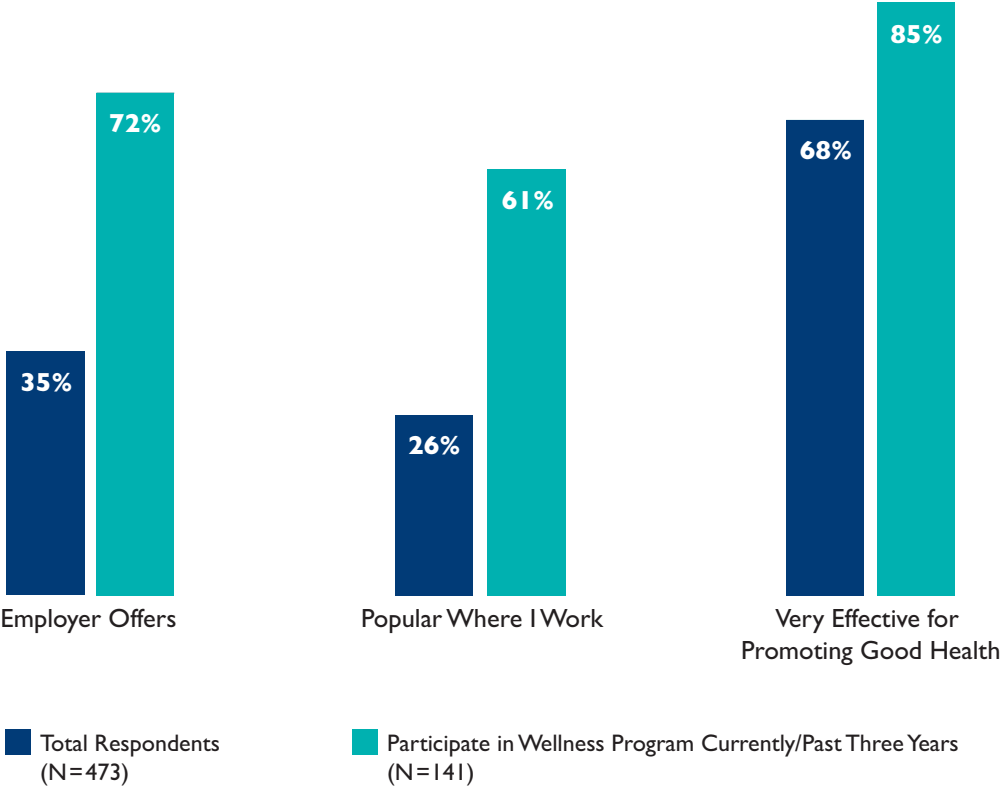


Base: Total Respondents (N=473)

Employees, especially those who participate, believe that wellness programs promote good health.

Two-thirds of all employees and 85% of those who are currently or have participated in a wellness program in the past three years say that wellness programs are very effective in promoting good health.

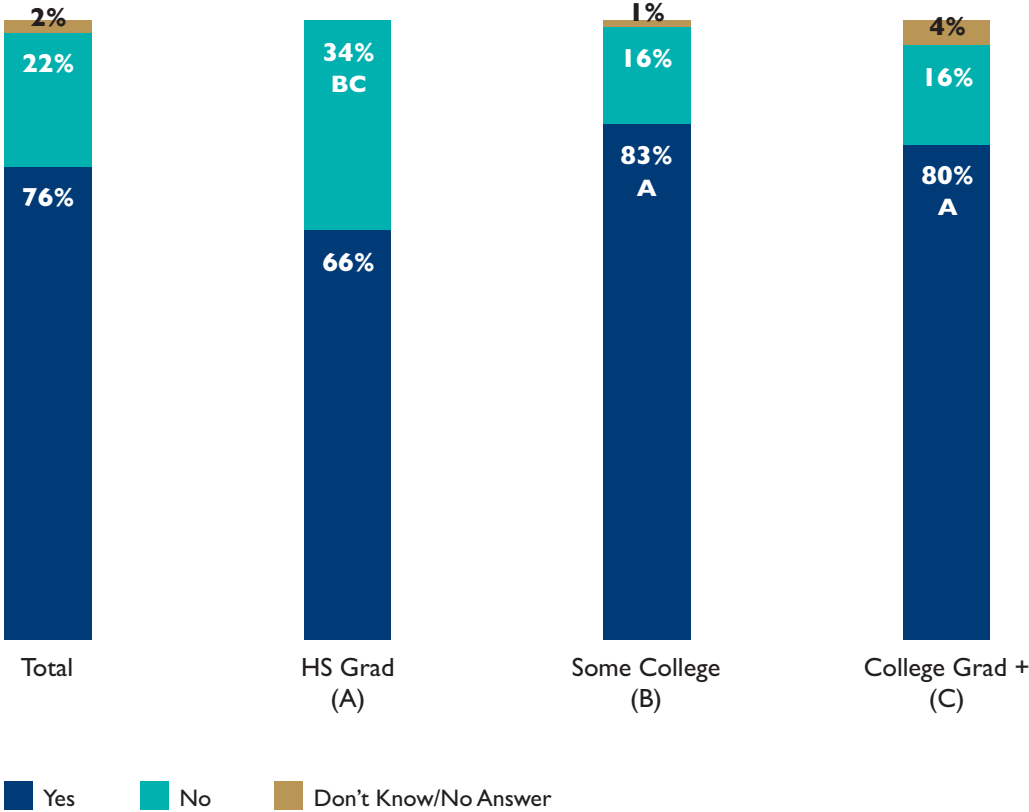
ATTITUDES TOWARD WELLNESS PROGRAMS



Employees, especially those with a college education, believe that health insurance should cover alternative medicine techniques.

- Three-quarters of all employees believe that alternative medicine techniques should be covered by health insurance.
- Those with at least some college education are significantly more likely than others to feel this way.

BELIEVE HEALTH INSURANCE SHOULD COVER ALTERNATIVE MEDICINE



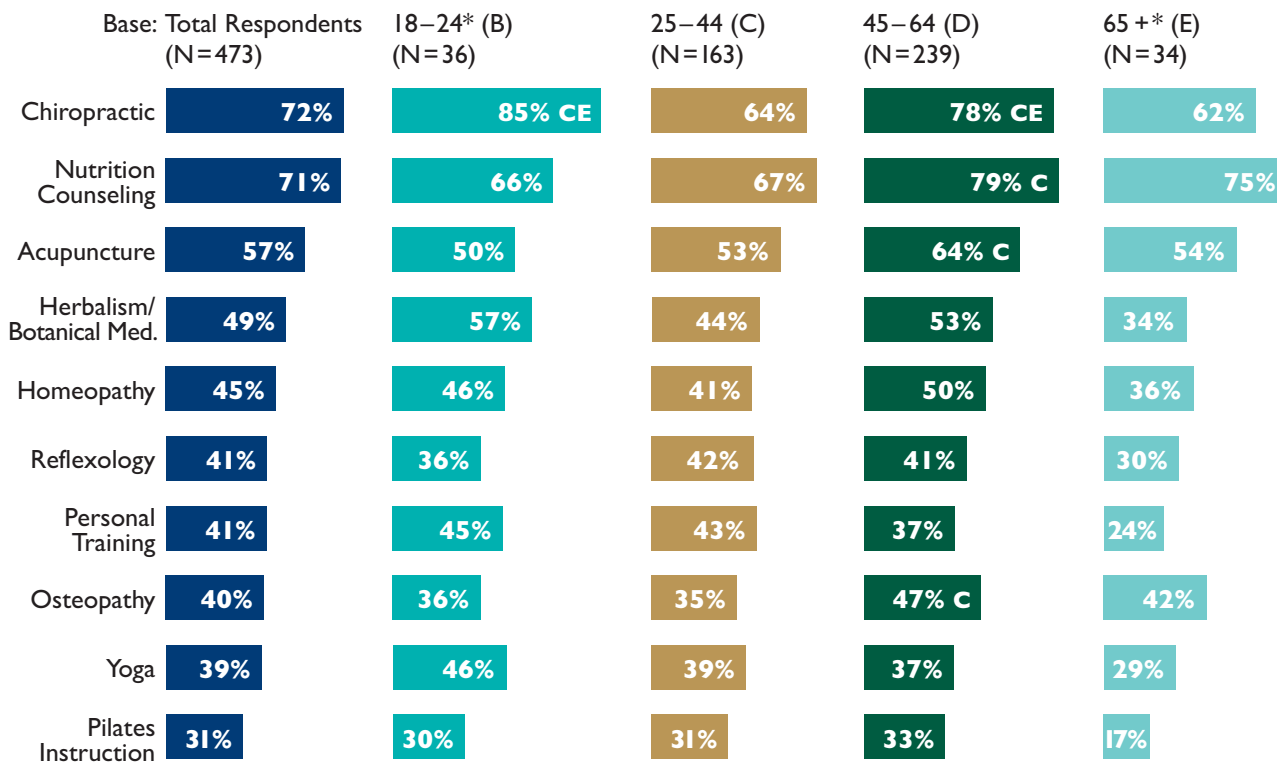
Base: Total Respondents (N=473)

A/B/C/D: Significantly higher at the 95% confidence level

Chiropractic and nutrition counseling have widespread support for insurance coverage, although there is substantial interest in several other alternative medicine techniques.

Boomers are significantly more likely than others to believe that several alternative medicine techniques — chiropractic, nutrition counseling, acupuncture and osteopathy — should be covered by medical insurance.

ALTERNATIVE MEDICINE TECHNIQUES WHICH SHOULD BE COVERED BY HEALTH INSURANCE



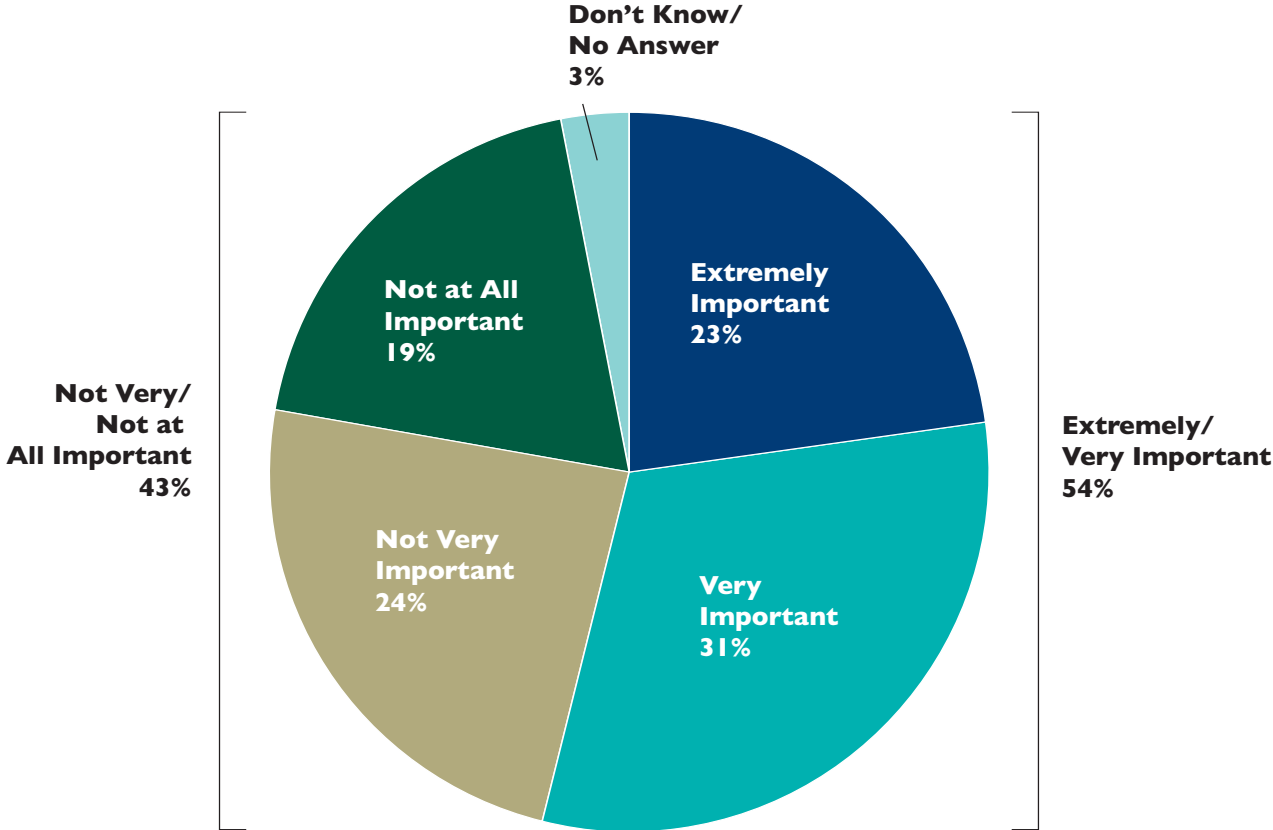
B/C/D/E: Significantly higher at the 95% confidence level

*View with caution; small base

A slight majority of employees favor a health care plan that requires employees to be responsible for and provide evidence of a healthy lifestyle.

Just over half of employees feel that it is extremely or very important to have a health care plan that requires employees to eat properly and exercise and to provide evidence of that behavior.

IMPORTANCE OF HAVING A HEALTH CARE PLAN WHERE EMPLOYEES ARE RESPONSIBLE FOR EFFORTS TO MAINTAIN GOOD HEALTH BY PROVIDING EVIDENCE OF EATING PROPERLY AND EXERCISING

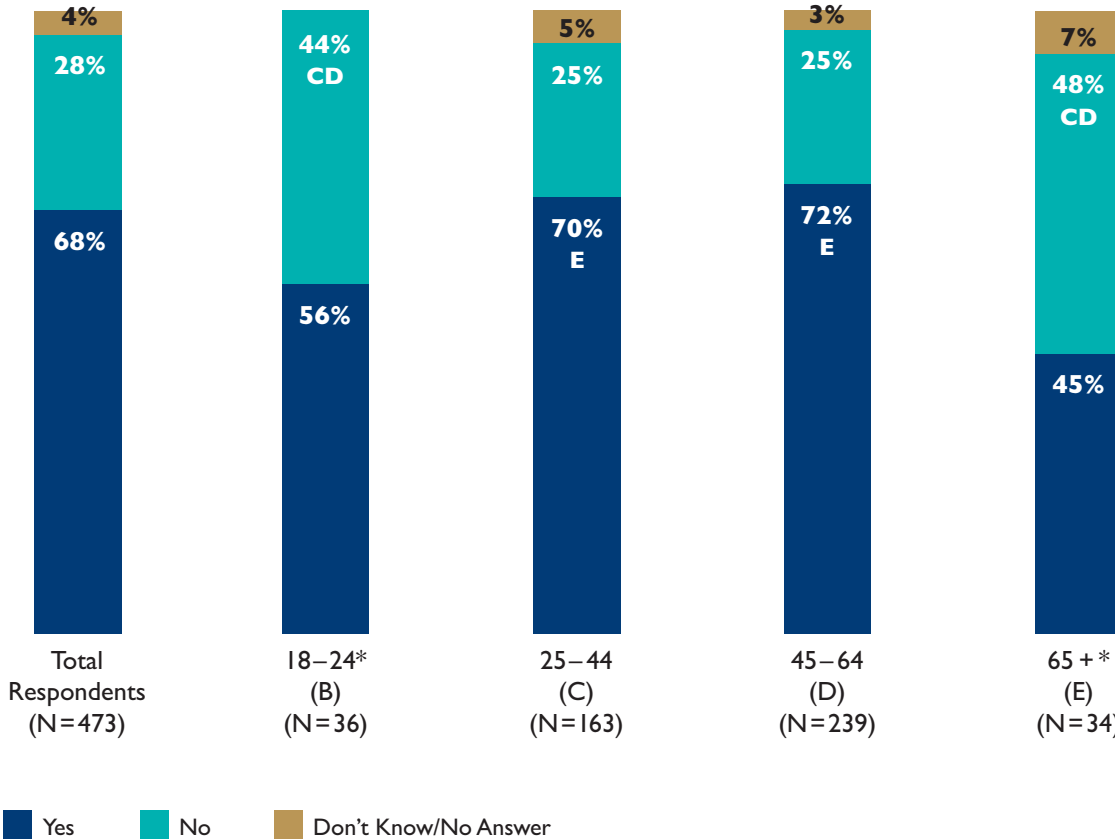


Base: Total Respondents (N=473)

Employees believe that incentives would encourage them to adopt healthier behaviors.

However, the oldest and the youngest employees are less likely to believe that cash, gift or extra vacation incentives will motivate behavioral changes.

BELIEVE EMPLOYER INCENTIVES MOTIVATE EMPLOYEES TO STOP SMOKING, EXERCISE OR EAT PROPERLY



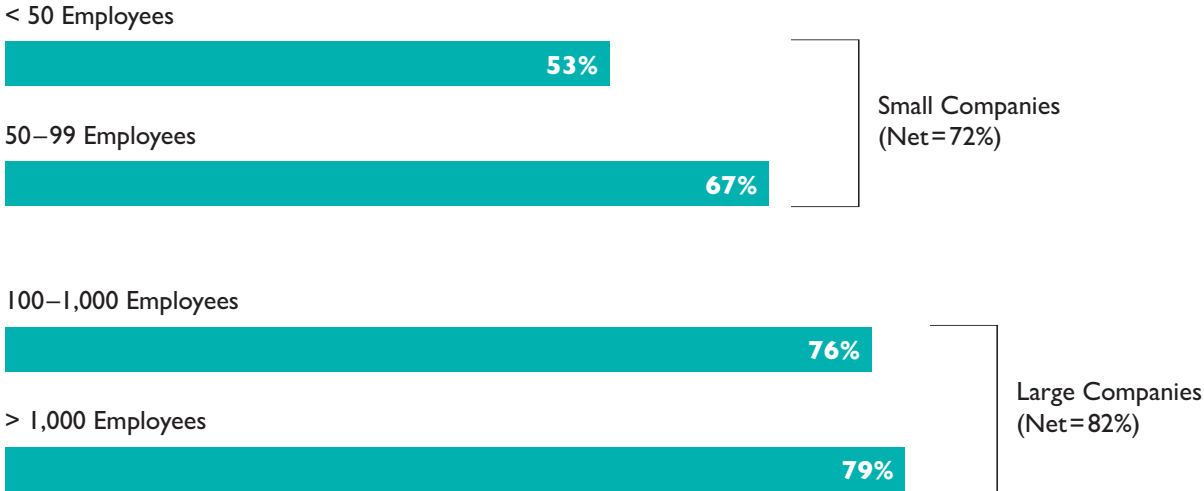
B/C/D/E: Significantly higher at the 95% confidence level

*View with caution; small base

Employees hold larger companies to a higher standard with regard to requiring them to provide health insurance coverage.

- Nearly 90% of respondents believe that companies should be required to provide health insurance for employees.
- The larger the company, the more employees believe that the company should be required to provide health insurance coverage. Employees give smaller companies more latitude, with only half believing that providing health coverage should be mandatory.

COMPANIES SHOULD BE REQUIRED TO PROVIDE EMPLOYEE HEALTH INSURANCE

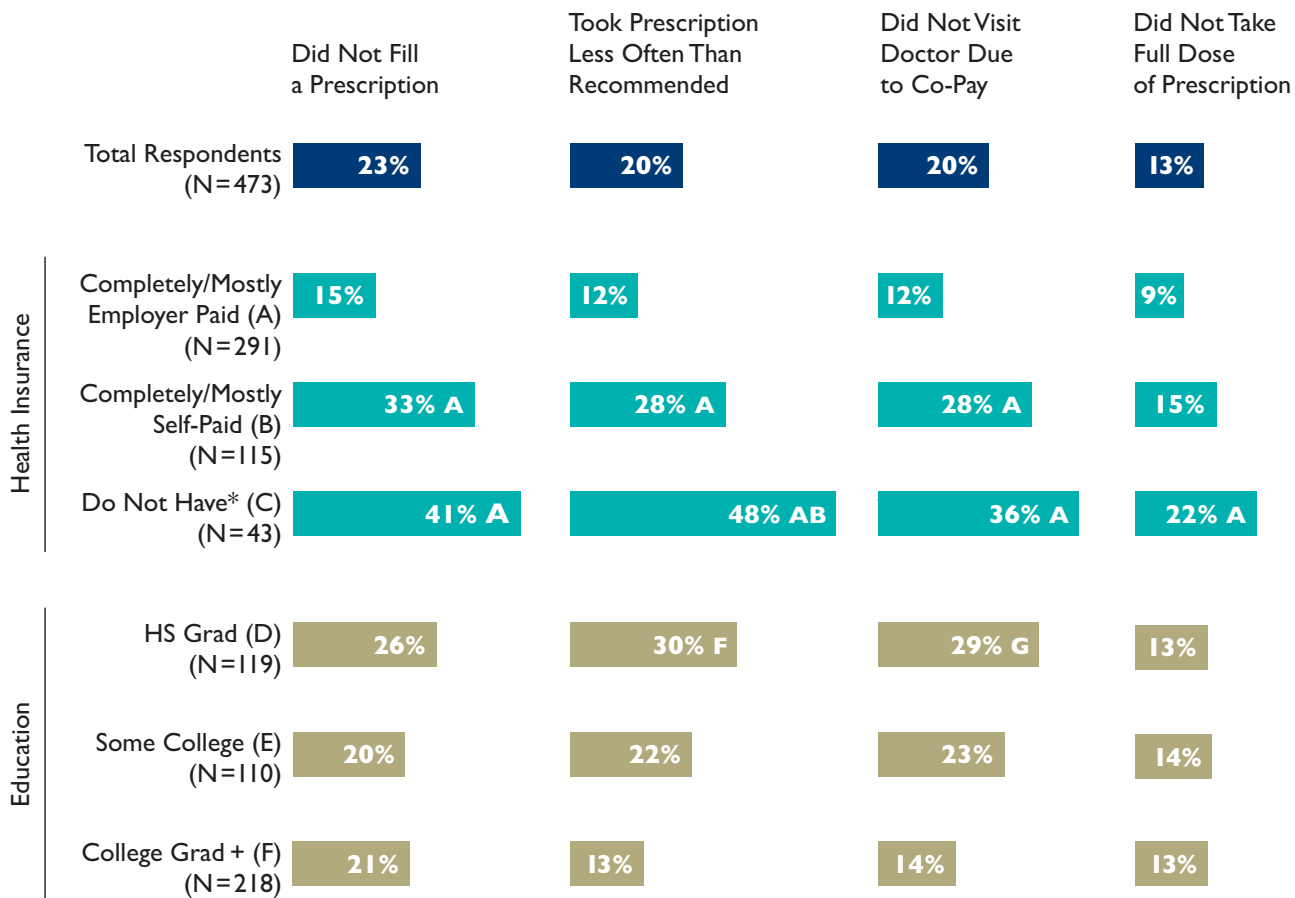


Base: Total Respondents (N=473)

Not filling a prescription or taking medications less often than prescribed are most frequently mentioned as means of coping with the costs of health care.

Those whose health insurance premiums are completely/mostly employer-paid are the least likely to have had to forego medication or a doctor visit due to cost.

ACTIONS TAKEN DUE TO COSTS



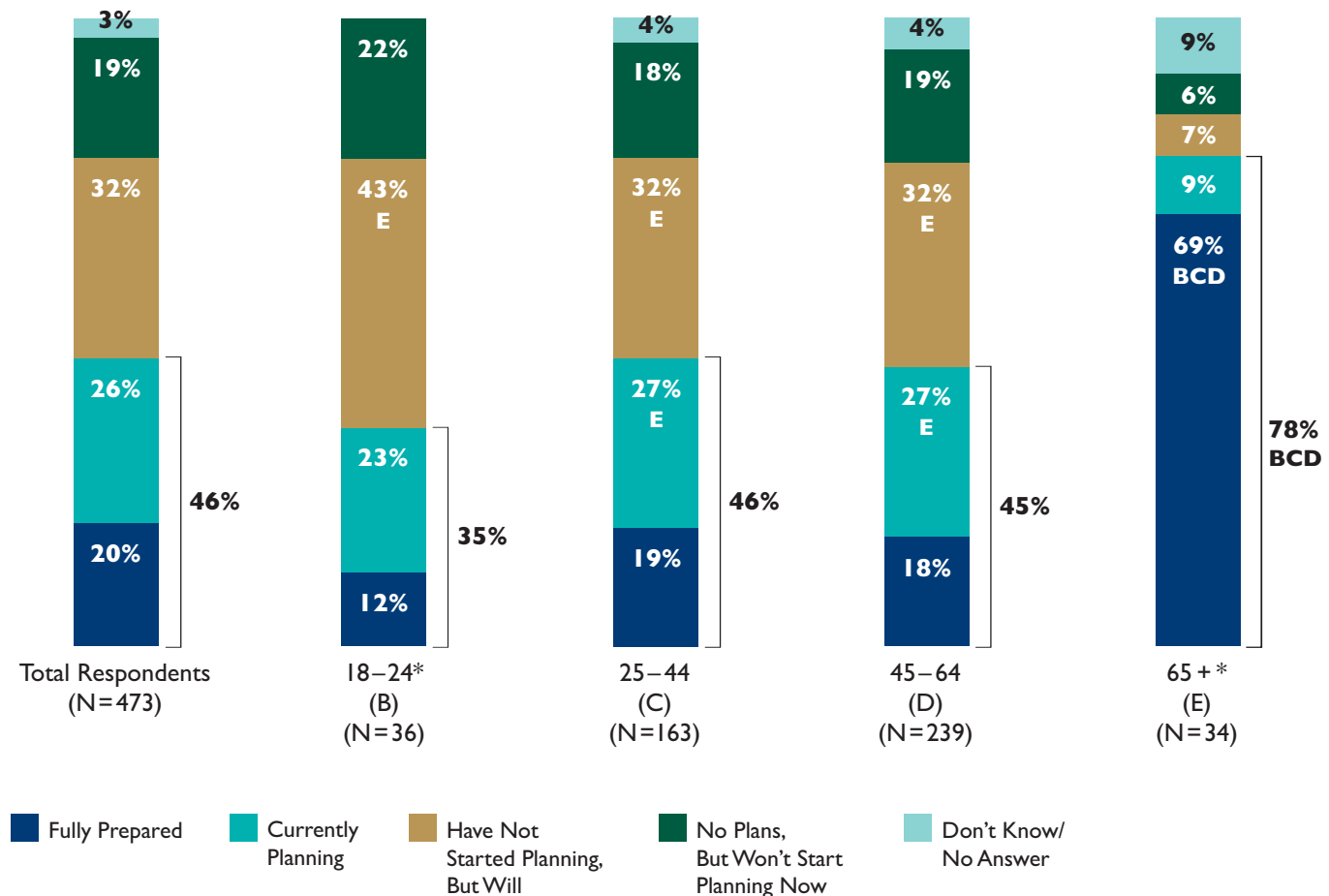
A/B/C, D/E/F: Significantly higher at the 95% confidence level

*View with caution; small base

Fewer than half of employees have started planning financially for their retirement health care needs. Boomers are no more likely than younger employees to have planned.

Only one in five employees is totally prepared financially for their retirement health care needs. Even among boomers, one in five has not planned and does not intend to do so now.

FINANCIAL PREPAREDNESS FOR RETIREMENT HEALTH CARE NEEDS



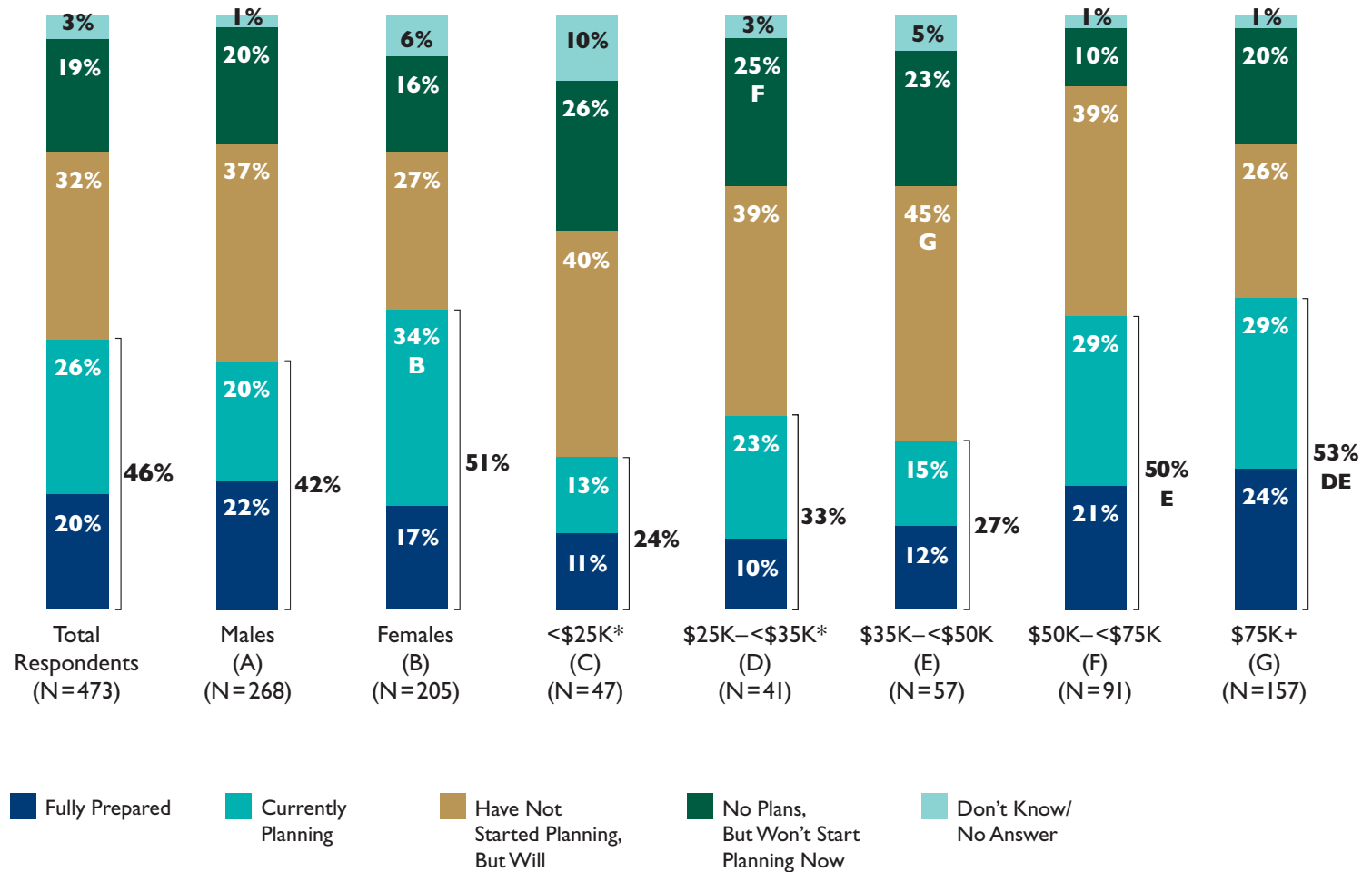
B/C/D/E: Significantly higher at the 95% confidence level

*View with caution; small base

Women and higher income employees are most likely to have done some retirement health care planning.

Half of those with incomes of \$50,000 or more have at least started to plan for their retirement health care needs, compared to one-third or fewer of those with lower income.

FINANCIAL PREPAREDNESS FOR RETIREMENT HEALTH CARE NEEDS



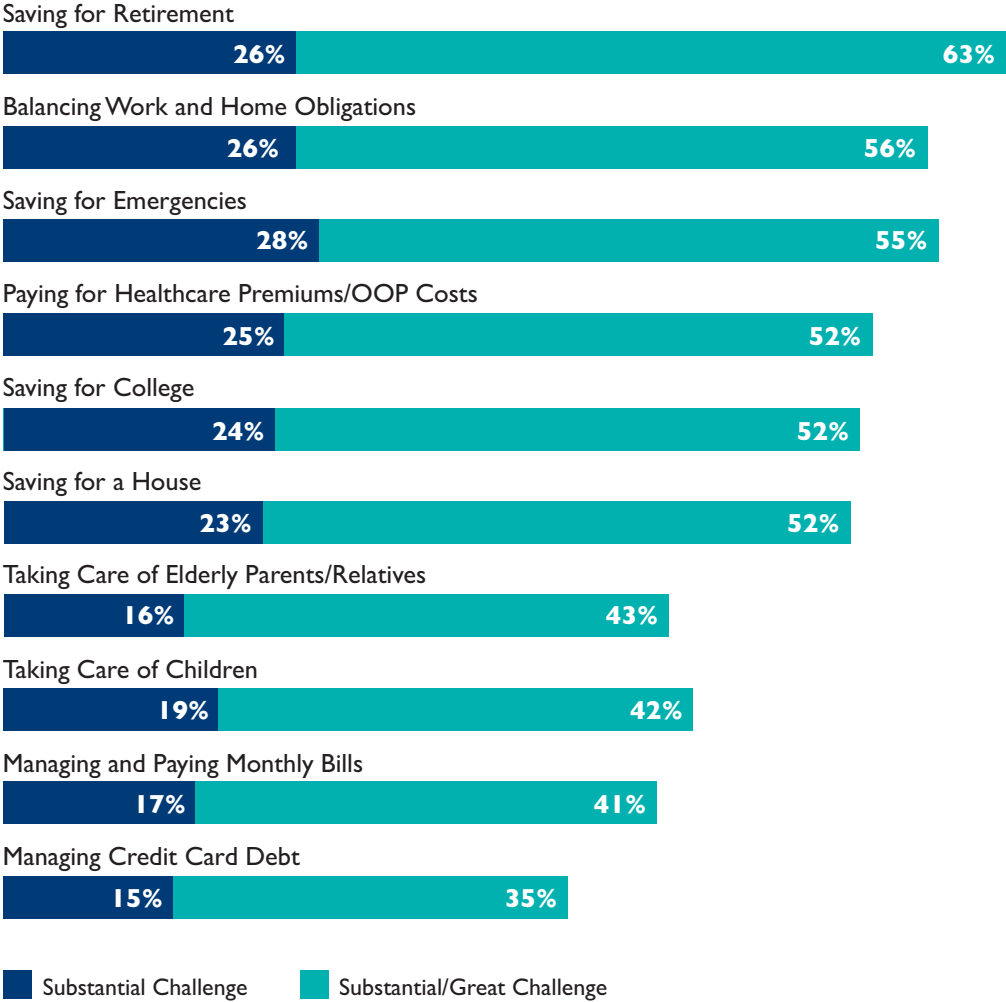
A/B, C/D/E/F/G: Significantly higher at the 95% confidence level

*View with caution; small base

Saving for retirement is the number one challenge facing employees. Paying for health care premiums and out-of-pocket costs is in the second tier of challenges faced.

Just over half of employees say that paying for health care premiums and out-of-pocket costs is a substantial or great challenge, on a par with balancing home and work obligations and saving for emergencies, college, or a house.

SUBSTANTIAL/GREAT CHALLENGES FACED



Base: Total Respondents (N=473)

Drug company profits are perceived to be the primary factor impacting health care costs.

- Drug company profits are mentioned at least twice as often as any other factor as being most responsible for increasing health care costs.
- However, population factors, taken together, are perceived to be more to blame than drug company profits, cited by one-third of employees.

FACTOR MOST RESPONSIBLE FOR INCREASING COSTS OF HEALTH CARE

Population Factors (Poor Health, Obesity, Aging, Smoking)

33%

Profits of Drug Companies

28%

Lawsuits Against Physicians

14%

Physician Fees and Salaries

9%

Poor Health of Population

10%

Obesity

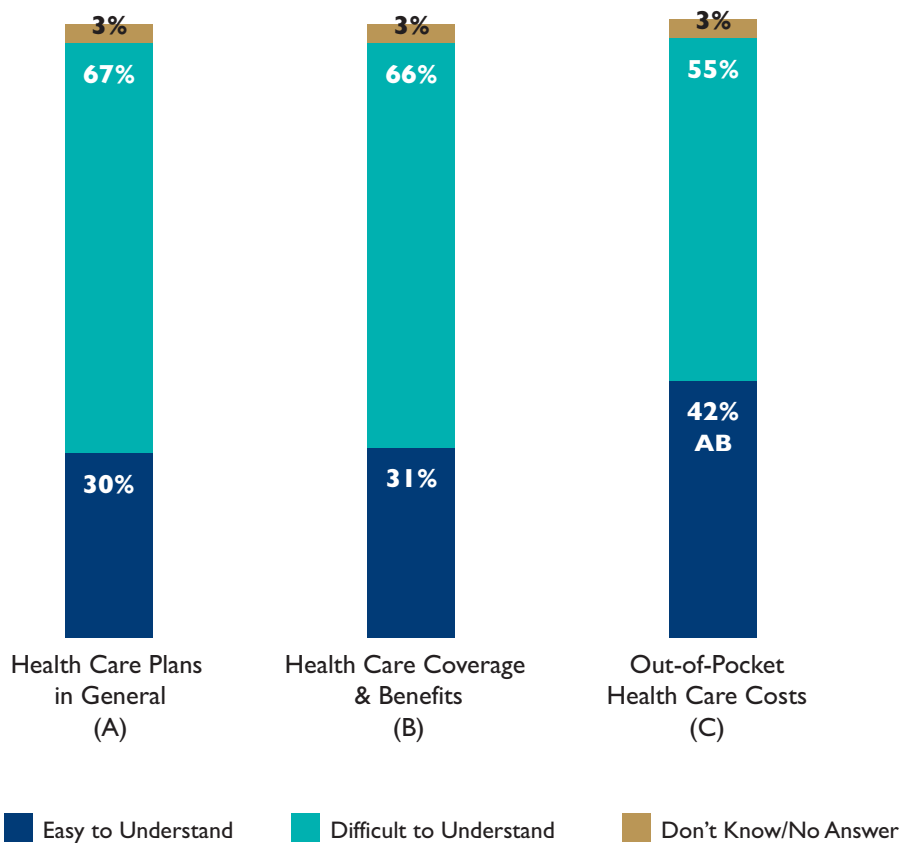
9%

Base: Total Respondents (N=473)

Employees find health care-related issues difficult to understand.

- The majority of employees say it is difficult to understand health care plans in general as well as the specific benefits/coverage and out-of-pocket costs.
- While still less than half, more employees say it is easy to understand out-of-pocket costs than health care plans in general or health care coverage and benefits.

EASE OF COMPREHENSION



Base: Total Respondents (N=473)

A/B/C: Significantly higher at the 95% confidence level

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