

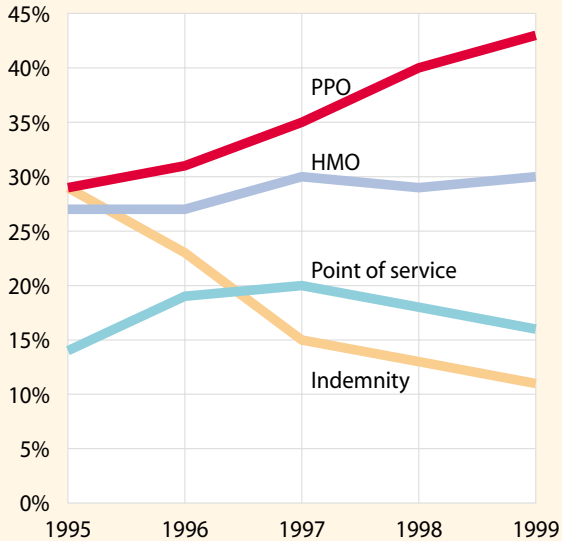
MANAGED CARE OUTLOOK

PPOs continue to make enrollment gains

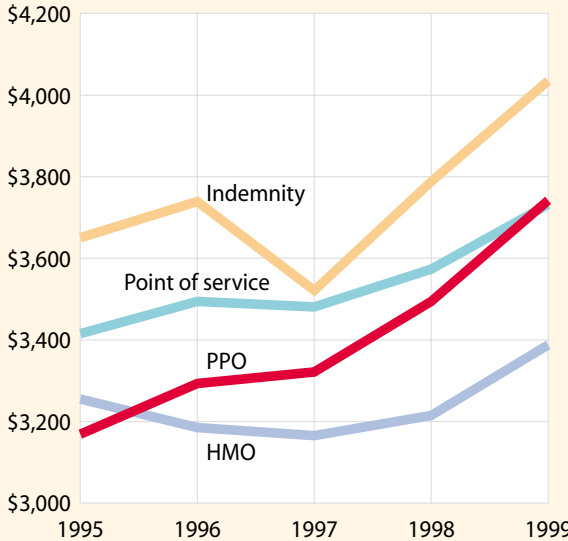
Despite a widening gap between the expense of HMO and PPO plans, more employers than ever offer PPOs — and their employees are taking them up on it. Nationwide, the share of people who have employer-sponsored insurance and who are enrolled in PPOs rose 3 percentage points from 1998 to 1999, while the share enrolled in HMOs remained flat. This occurred even though the average cost of PPOs increased 7 percent per member per year, compared to a 5-percent hike in the cost of an HMO.

Employers are eager to please workers and court prospective employees with rich benefit packages, and are hesitant to pass increased costs along to them in a tight labor market. Instead, purchasers are changing benefit designs to try to cushion increases in the cost of providing health coverage.

Among people who have employer-sponsored coverage, percentage enrolled each type of plan

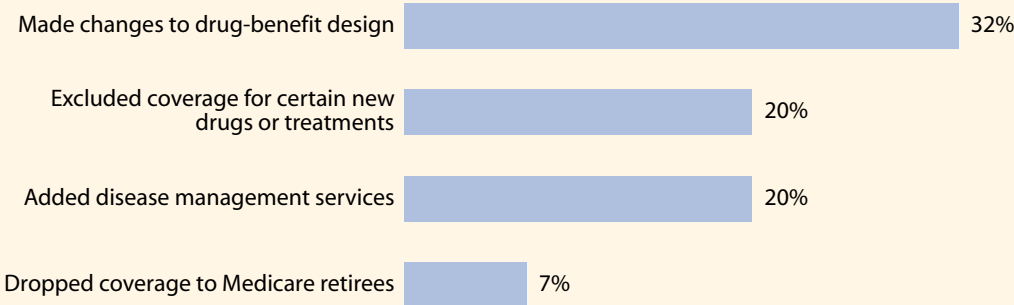


Average plan cost, per employee per year



Employers use benefit design to control costs

Boosting employee contributions was less popular than implementing plan-design objectives. Percent of employers who:



SOURCE: MERCER/FOSTER HIGGINS NATIONAL SURVEY OF EMPLOYER-SPONSORED HEALTH PLANS, DECEMBER 1999