

BENCHMARK STUDY

2016 Healthcare Benefits Trends

Background

The Healthcare Trends Institute, an educational platform focused on the rapidly changing healthcare benefits industry, conducted its annual employer healthcare benefits study from June through December 2015. The national survey went to more than 250 human resources (HR) executives, benefit specialists and other benefit decision-makers from organizations ranging in employee size from less than 50 to over 2,500. Employer-sponsored benefit trends continue to evolve in the era of healthcare reform and Affordable Care Act (ACA) compliance requirements. Organizational goals remain reflected in the types of benefits they offer their employees, as well as their promotion of healthcare consumerism and wellness initiatives backed by incentives.

This survey includes findings and insights that formed the basis for the 2016 Healthcare Benefits trends report on the following topics:

CURRENT HEALTHCARE BENEFIT OFFERINGS:

Identifies current employer health and wellness programs and measures the impact of new healthcare reform initiatives on companies' strategic areas of focus.

INTEREST IN AND USE OF HIGH DEDUCTIBLE HEALTH PLANS, HEALTH SAVINGS ACCOUNTS, WELLNESS PROGRAMS, DEFINED CONTRIBUTION PLANS, AND PRIVATE EXCHANGES:

Explores employers' views on implementing HDHPs and HSAs, adopting wellness programs and new wellness incentives, moving to a defined contribution plan and private exchange platform in an effort to reduce costs, promote healthy lifestyles, and stay in compliance.

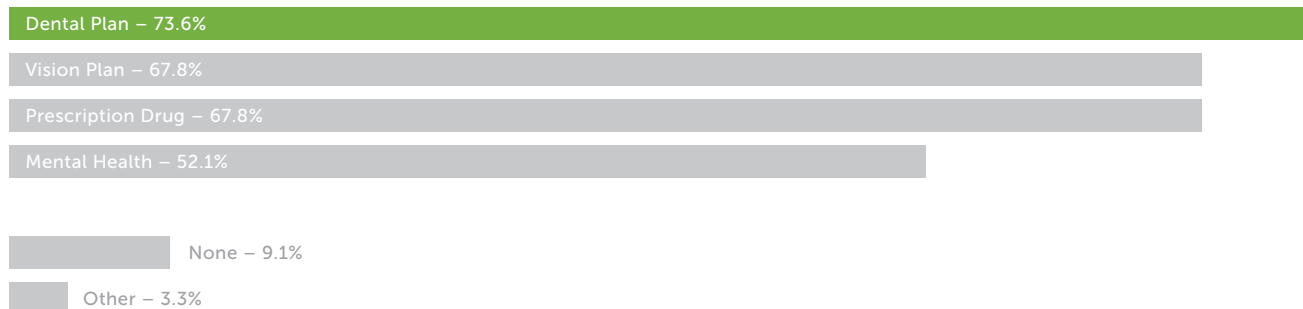
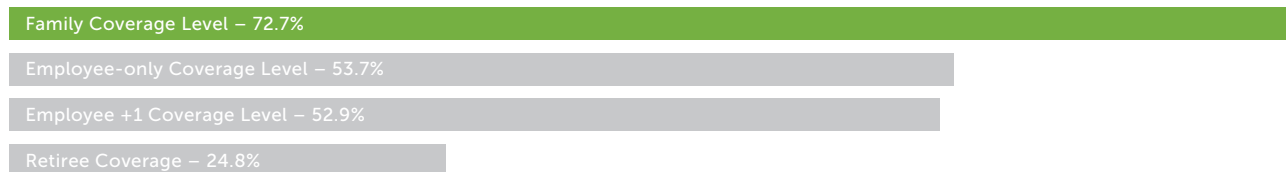
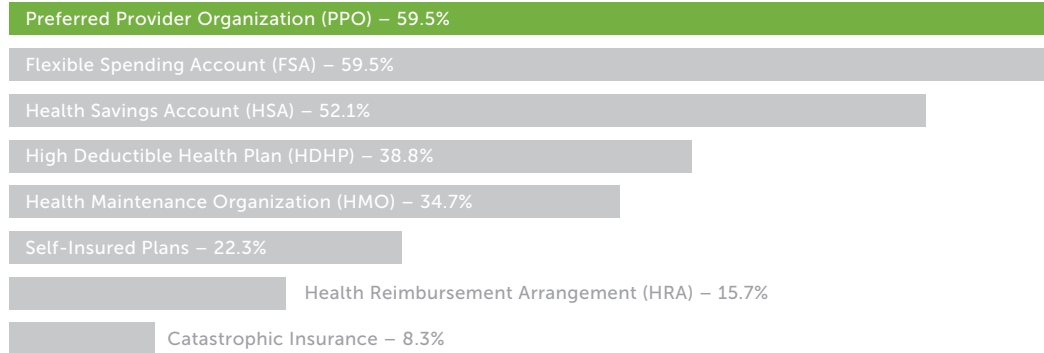
HEALTHCARE BENEFIT TRENDS - LOOKING FORWARD:

Recognizes new approaches and timelines employers are considering in the selection and adoption of future health and wellness benefit offerings.

Study Highlights

- *Employers remain committed to offering health benefits and believe benefit offerings are important to attracting and retaining talented employees*
- *Continued interest grows among employers to learn and understand more about Defined Contribution Plans*
- *Employers are already exploring and adopting wellness and healthy lifestyle programs, while others are continuing to consider for the future*
- *Although there is some concern for the impending 2018 Cadillac Tax (delayed to 2020 following the completion of the survey), the majority of employers are not making any changes as of yet*
- *Employers are looking to insurance brokers and benefit consultants to learn more about new health benefit designs and distribution models*
- *Helping employees better understand the value of provided benefits and making cost-conscious benefit decisions continues to remain important to employers*

What employee benefits do you currently offer?



Findings:

- The majority of employee health benefit programs offered by respondents' companies include dental (73.6%), family (72.7%), vision (67.8%), and prescription drug (67.8%)
- Catastrophic insurance (8.3%) was the least offered health benefit program by responding organizations

Insights:

In 2015 organizations' top three benefit offerings were dental insurance, health coverage and vision insurance. Dental insurance was offered by almost three quarters of the employers surveyed and vision by almost 68 percent. These findings correlate with national averages reported by the Bureau of Labor Statistics that put about 71 percent companies in the Midwest offering these benefits. Dental and vision plans are usually stand-alone plans that have been largely insulated by the Affordable Care Act and rising healthcare costs. Due to their relatively low cost these plans tend to get renewed easily each year and provide employers with a very affordable way to positively impact their employees' overall health and productivity.

How many different group health insurance plan options do you give employees?

Findings:

- *Of those whose companies offered employee health benefits, a majority (40.5%) of the respondents indicated their company offers 3 or more health insurance plan options*
- *24% reported offering one health plan option, with similar results (24%) for offering two health plan options*

Insights:

About 40 percent of companies are still providing their employees with a choice of three or more health insurance plan options. As reported in this study those options continue to usually be a PPO plan, HDHP plan, and lastly a HMO plan. According to Kaiser Family Foundation (Kaiser) and the Health Research & Educational Trust (HRET) 2015 Annual Employer Health Benefits Survey results that match this trend as well and find similar employees trends in predominately choosing PPO plans more than any other types of coverage. In addition, employees are choosing to embrace HDHP plans (39%) over HMO plans (35%).



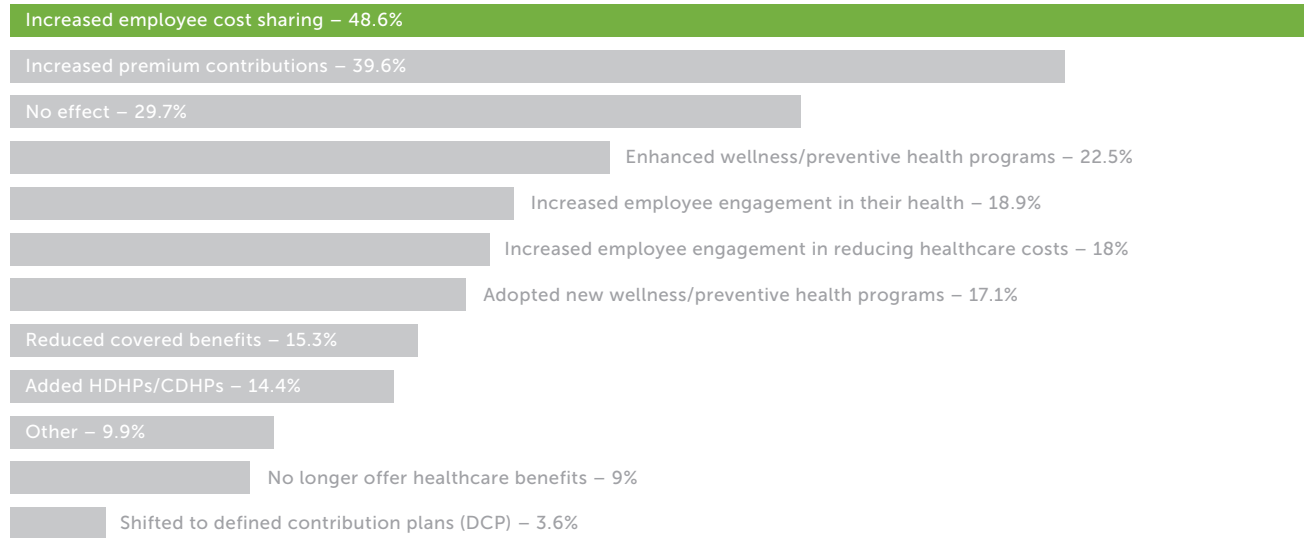
None currently- 11.5%

1 - 24%

2 - 24%

3 or more - 40.5%

How has healthcare reform impacted your employee benefits package?



Findings:

- Respondents indicated healthcare reform will impact their employee benefits packages by increasing employee cost-sharing (48.6%) and increasing premium contributions (39.6%)
- Small portion (3.6%) indicated it would shift their company towards a defined contribution plans (DCPs)
- 9% indicated reform would impact them to no longer offer healthcare benefits

Insights:

Approximately half of the employers surveyed reported that increased employee cost-sharing remains the top healthcare reform impact of employee benefits packages. Another 40 percent said the next biggest impact took the form of increased premium contributions. Every year employee cost-sharing has risen over the past 10 years. The ACA has definitely impacted benefits offerings in the past couple years. In addition, employers and the medical industry have been required to deal with other ACA implications such as the employer mandate and new compliance reporting that has caused an increase in capital and human resources.

How important are your health benefits offerings to...

Retain and attract quality employees - **Average Rating 4.06**



Improve employee morale and satisfaction - **Average Rating 3.96**



Improve employee health, reduce absenteeism, improve productivity - **Average Rating 3.77**



Findings:

- The majority of respondents (77.6%) indicated health benefits offerings were important to very important for retaining and attracting quality employees, while only 9.2% felt they were not important
- In addition, more than half of respondents indicated health benefits were important to very important for improving employee morale and satisfaction (72.5%) and improving employee health, reducing absenteeism, and improving productivity (66.7%)



Insights:

This year's results indicate that 78 percent of employers feel health benefits are most important for retaining and attracting employees. They also feel strongly by a showing of 72 percent that health benefit offerings can improve morale and satisfaction. Health benefits continue to take on a dual purpose in many organizations as companies look to differentiate themselves among the competition and provide employees with a pleasing workplace experience.

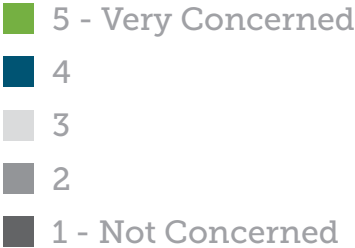
Is your company concerned about the impending 2018 Cadillac Tax?*

Is your company concerned about the impending 2018 Cadillac Tax?* - **Average Rating 2.81**



Findings:

- 35% of the respondents are expressing a high concern about the impending 2018 Cadillac Tax
- An additional 25% are somewhat concerned, while 30% are expressing no concern about the impending tax



Insights:

The impending 2018 Cadillac Tax is a prevalent challenge for employers with 35 percent noting their concern about it and another 25 percent acknowledging it is on their minds at times. The ACA 40% excise tax will be imposed on the portion of group health plan premiums that exceed specified thresholds. The concern for this tax may be more regional in nature as it has the potential to be triggered in parts of the country where healthcare costs are high and less likely to be triggered in parts of the U.S. with below average healthcare costs.

* The Cadillac Tax was delayed to 2020 following the completion of the survey

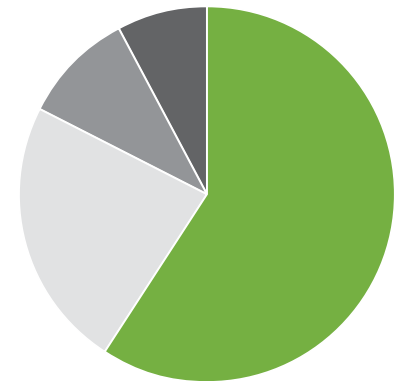
Has your company made changes to your 2016 benefits in advance of the Cadillac Tax?

Findings:

- 61% of respondents are making no changes to their benefits in light of the impending Cadillac Tax
- On the other hand, 18% reported they have changed plans to avoid the Cadillac Tax

Insights:

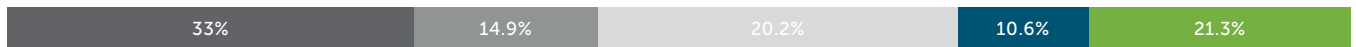
Recent news reports along with lobbying efforts on behalf of employer and benefits groups may be influencing the 61 percent of companies who are deciding to continue their wait and see approach regarding their benefit offerings and the Cadillac Tax. Employers may be watching reports and the 2017 federal budget proposal that is believed to contain changes to this aspect of the healthcare reform law. In addition, some respondents may have already made changes in prior years.



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- No changes - 61%
 - No changes, but expect changes to 2017 plans - 24%
 - Changed plans to prepare for adjustments to avoid Cadillac Tax - 10%
 - Changed plans to avoid Cadillac Tax - 8%
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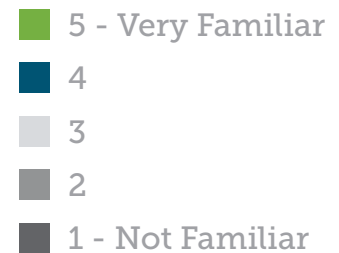
How familiar are you with defined contribution health benefit plans (DCPs) and private exchanges

How familiar are you with the defined contribution health benefit plans (DCPs) and private exchanges? - **Average Rating 2.72**



Findings:

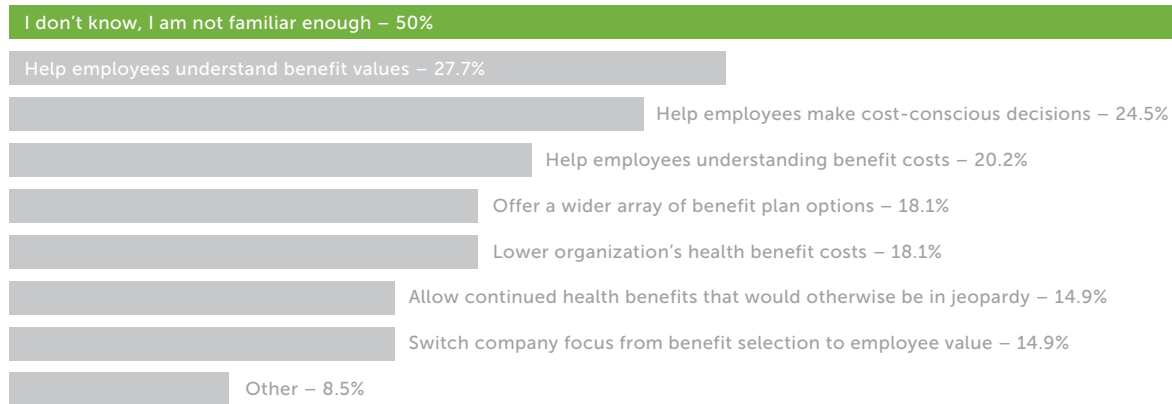
- 31.9% of respondents indicated they have some familiarity with defined contribution health benefit plans (DCPs) and private exchanges
- 33% of respondents indicated they were not familiar with Defined Contribution Plans (DCPs) and private exchanges



Insights:

Employers continue to learn more about defined contribution plans and private exchanges with approximately 35 percent reporting they are familiar with them. This is an increase of about 5 percent over last year's results. While familiarity is increasing slowly, a large number of employers are still not very familiar with these arrangements.

Do you think offering a defined contribution plan (DCP) would:



Findings:

- 27.7% of respondents indicated they believed exchanges will lead employees to a better understanding of benefit values. Furthermore, 24.5% of these respondents indicated a DCP offering would also lead to help employees make more cost-conscious benefit decisions
- Helping employees understand benefit costs was reported at 20.2%, and offering a wide array of benefit plan options was reported at 18.1%

Insights:

Approximately 50 percent of employers aren't sure how a DCP would impact their company. On the flip side a meaningful percentage of employers who believe a DCP would help employees understand their benefit values and help them make cost-conscious decisions. With a DCP approach employers provide employees with a specific dollar amount to shop for health and ancillary benefits, allowing employees to choose from an array of options that best meet their specific healthcare needs. Studies have indicated that employers experience reduced healthcare costs when they move to this type of benefit platform

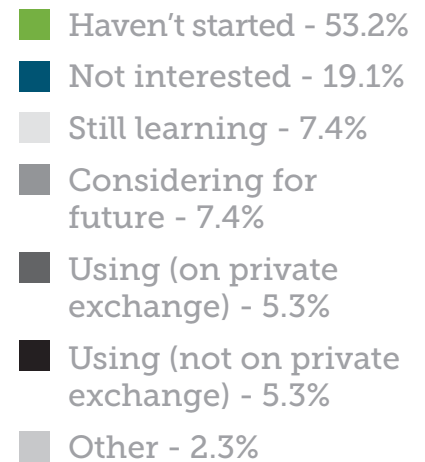
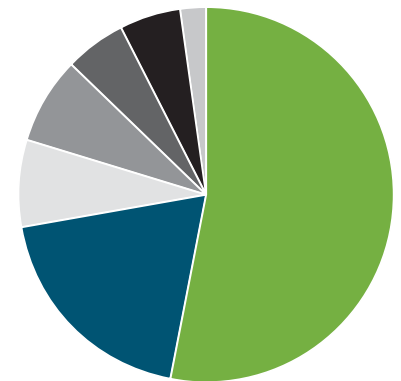
Where are you in the process of exploring/adopting defined contribution plans (DCPs) to offer on a private exchange?

Findings:

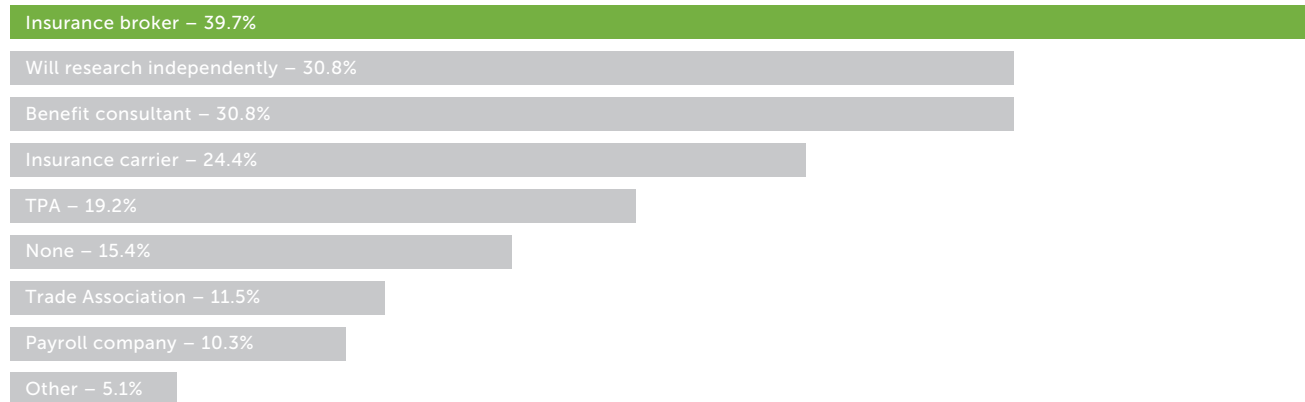
- 5.3% of respondents were using DCPs (not on a private exchange), while same number of respondents were using DCPs on a private exchange
- 7.4% were considering exploring/adopting defined contribution plans (DCPs) to offer on a private exchange in the future
- 53.2% of respondents have not begun to explore defined contribution plans

Insights:

Again, correlating with the previous survey findings over half of employers respond that they haven't begun the process of adopting a DCP. Although an additional 25% of companies are reporting being interested in learning and using DCPs in the future. Through education employers will learn the benefits of using a private exchange and DCP approach includes, simplified administration, more choices for employees, employee cost-consciousness and reduced financial exposure.



What partners would you depend on to help you learn about new health benefit designs and distribution models?



Findings:

- *Insurance brokers (39.7%) and benefit consultants (30.8%) were top external partners respondents reported they would depend on to learn about new health benefit models, such as defined contribution plans (DCPs) and private exchanges*
- *30.8% of respondents reported they would do the research independently*
- *Payroll companies (10.3%) are the least used resource for learning about new health benefit designs and distribution models*

Insights:

Nearly 40 percent of employers are relying on help from insurance brokers to learn about new health benefit designs and platforms. The ACA has created a dynamic marketplace in which brokers have a front row seat navigating in this new era. Human Resource professionals as well have had added responsibilities due to new ACA reporting requirements and the employer mandate therefore, 30 percent of them are looking for help from benefit consultants. However, the same percentage (30%) are researching independently, which is a slight increase from the previous year (26%).

Please rank the employer utilities you would value in offering health plans in an “exchange” environment

Health spending accounts - Average Rating 3.62



COBRA compliance - Average Rating 3.47



Carrier integration - Average Rating 3.42



Premium payment automation - Average Rating 3.4



Payroll integration - Average Rating 3.35



Findings:

- Most respondents (61.6%) indicate that health spending accounts within an insurance exchange environment are somewhat to very important
- Carrier integration (58.4%), COBRA compliance (56.4%), and premium payment automation (52.6%) were also considered to be somewhat to very important



Insights:

If employers move to a private exchange environment, they are looking for this platform to provide many solutions in regards to HR and benefit administration by including health spending accounts (62 percent), carrier integration (58 percent), cobra compliance (56 percent), premium automation payment (51 percent), and payroll integration (50 percent). Private exchanges are initially turned to in an effort to control costs and increase employee choices, which is why employers most frequently noted that they are looking for health spending accounts. If employees are now shopping for health plans many will choose coverage based on price. Exchanges need to be offering consumer directed healthcare coverage such as HDHPs, HSAs and HRAs. The trend to incorporate these product types helps private exchanges create a competitive marketplace that can ultimately result in cost-savings to employees and employers.

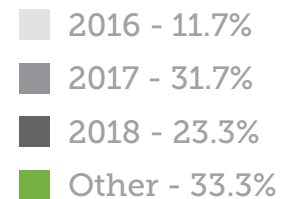
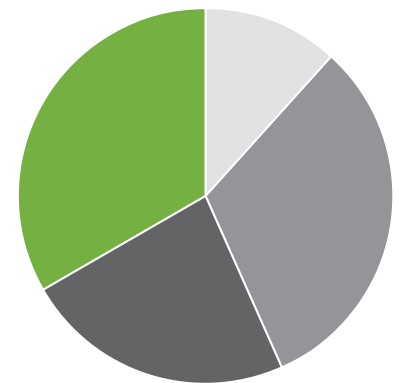
If considering exploring/adopting defined contribution plans (DCPs) for the future, when?

Findings:

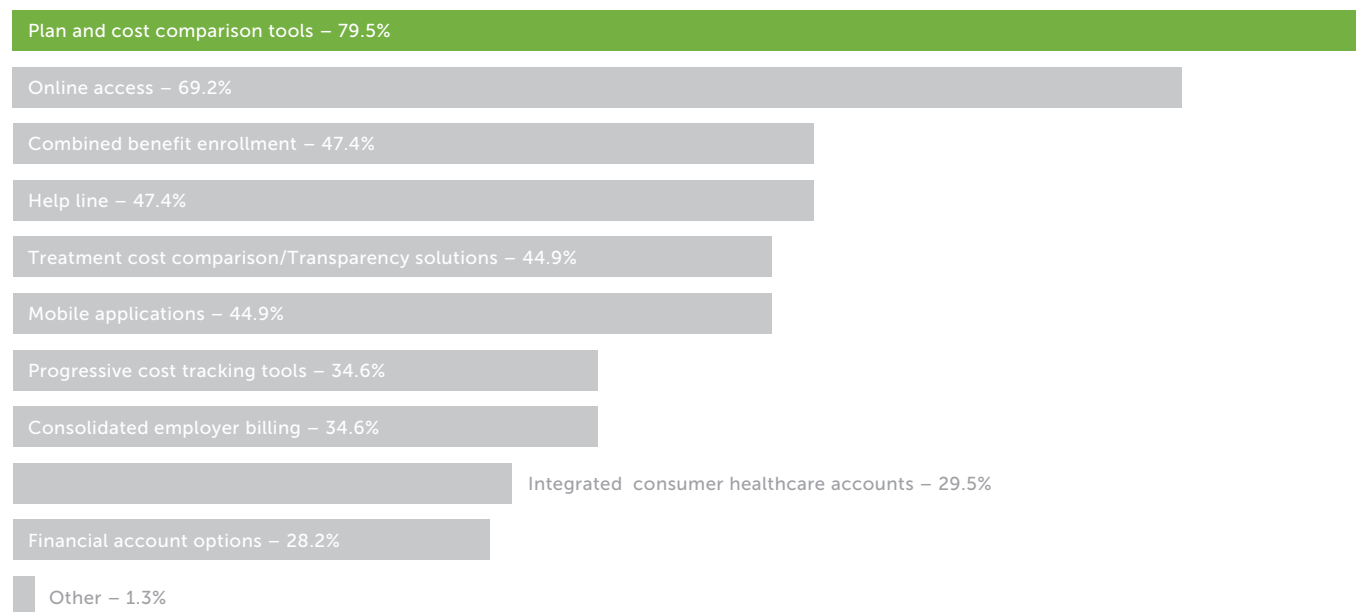
- *Of those respondents who indicated they were interested in DCPs for the future, 31.7% reported they were considering for 2017*
- *Only 11.7% indicated considering DCPs before the end of 2016*

Insights:

Of those employers considering exploring or adopting a DCP, 55 percent responded they would do so in 2017 or 2018. This suggests that near term adoption will be gradual, but as the benefits of DCPs become better known, the adoption curve may steepen.



If you choose or could design a benefit offering using an insurance exchange environment, what employee features would you include?



Findings:

- Most respondents (79.5%) are looking for plan and cost comparison tools in a benefit offering within an insurance exchange environment
- Online access (69.2%) and combined benefit enrollment (47.4%) are also features respondents want to see included
- The least selected feature was financial account options (28.2%)

Insights:

Employers overwhelmingly agree with 80 percent responding that they're number one private exchange priority for their employees is plan and cost comparison tools to help enrollees with their shopping. Employers realize that in order for the exchange environment to work well for employees it needs to engage and educate its employees through things like online access (69 percent), transparency tools (45 percent), and mobile applications (45 percent). For a private exchange to succeed it needs to provide broad choices and help participants during their selection process to ensure quality outcomes and satisfaction for both employees and employers.

Please rank features in an exchange that are most important to you

The exchange is privately-run (i.e. a private exchange) - **Average Rating 4.42**



A large choice of health plans is available at your company's targeted benefit level (Bronze, Silver, Gold, Platinum) - **Average Rating 3.58**



A large choice of other benefit plans is available (dental, vision, account-based products, disability insurance, etc.) - **Average Rating 3.33**



The exchange allows any plan that meets the exchange's minimum standards to participate on the exchange - **Average Rating 3.20**



The exchange is provided by your preferred health plan - **Average Rating 3.17**



The exchange is provided by your current broker/consultant - **Average Rating 3.09**



The exchange actively screens and restricts the number of plans that may participate according to price and quality - **Average Rating 3.00**



The exchange is government-run (either federal or state) - **Average Rating 1.18**



Findings:

- 83.3% of respondents answered that the most important feature in an exchange was that it was privately-run

Insights:

Employers rank several private exchange features important to them starting with the exchange remaining a separate entity from the public exchanges (83 percent), providing a large selection of plan choices at targeted benefit levels (58 percent), and being provided by their current broker or benefit consultant (55 percent). These findings indicate the broad choice is more important than who is running the exchange (broker vs. carrier).



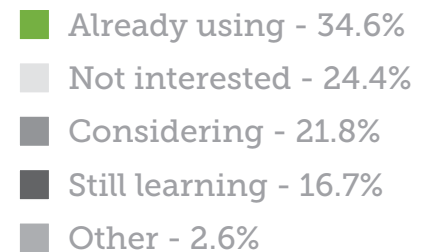
Where are you in the process of exploring/adopting a healthy lifestyle incentive/program?

Findings:

- 34.6% are already using some type of healthy lifestyle incentive/program
- The smallest majority (16.7%) indicated they are still learning about adopting a healthy lifestyle incentive/program, while 21.8% are considering for the future

Insights:

Healthy lifestyle programs continue to gain interest as more employers (35 percent) responded that they have initiatives in place compared to (30 percent) last year. And another 22 percent said they are considering implementing a program in the future. As employers continue to look for ways to reduce healthcare costs, more may turn to wellness strategies to help their employees maintain a positive work/life balance and stay healthy. A healthy workforce can yield returns beyond just reduced healthcare costs, but also lower absenteeism rate and higher productivity.



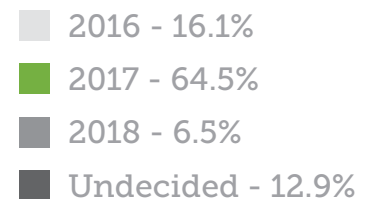
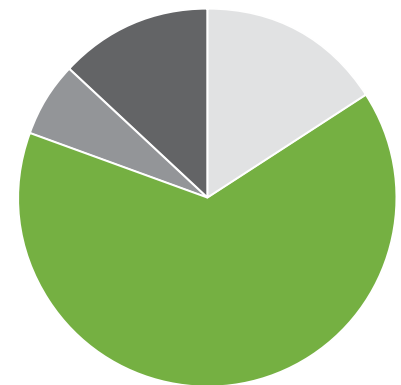
If you are considering exploring/adopting a healthy lifestyle incentive/program in the future, please indicate when

Findings:

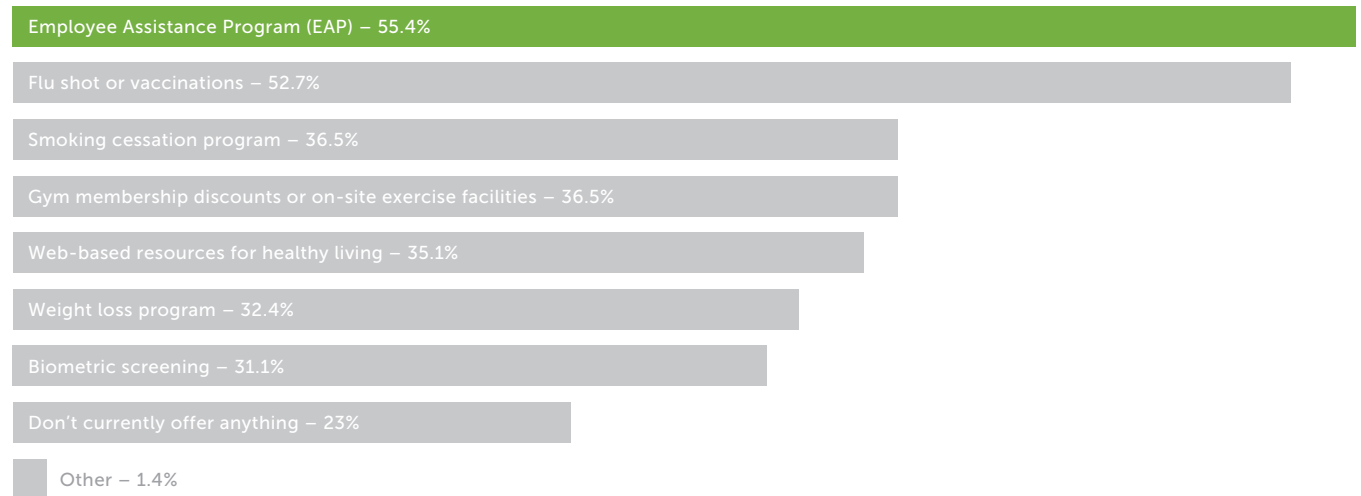
- 64.5% of respondents are considering exploring/adopting a healthy lifestyle incentive/program in 2017
- 16.1% have expressed adopting by the end of 2016

Insights:

Employers interested in healthy lifestyle programs, but that don't yet have one, reported that about 71 percent of them are looking to put some measures in place over the next two years. Organizations just beginning their programs should consider these factors that have been proven to increase participation, such as leadership communicating support, targeting employee health risks, getting employee feedback and including spouses and children in their wellness efforts.



What specific wellness programs/ services do you offer employees?



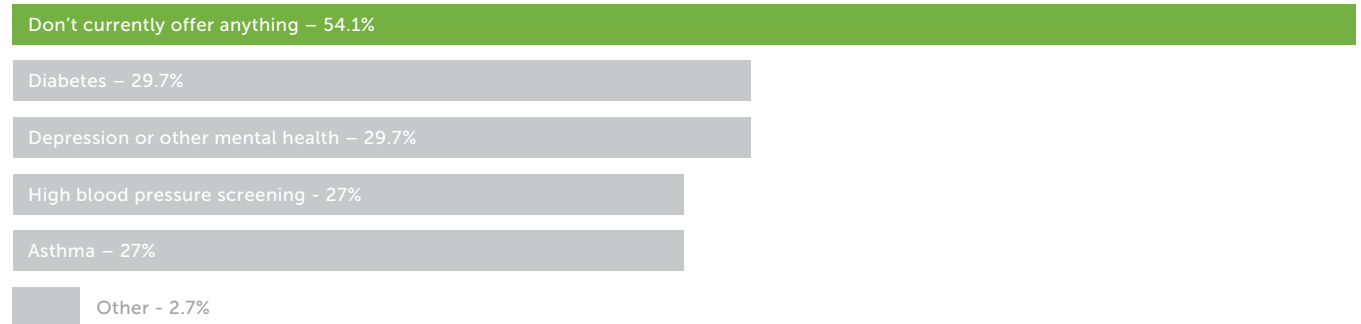
Findings:

- *Of those offering wellness programs or services, 55.4% offer an Employee Assistance Program (EAP), and 52.7% offer flu shots or vaccinations, and 36.5% offer a smoking cessation program*
- *23% of companies surveyed don't offer any wellness programs or services*

Insights:

Wellness initiatives can take on many forms today. The main resources that responding employers are providing employees are EAP services (55 percent) and flu shots (53 percent). Employees today have many stressors, including chronic medical conditions, financial worries, and childcare issues all of which can affect their absenteeism rate and productivity. EAP programs that provide financial literacy services and mental health assistance can help create a supportive atmosphere that helps employees handle today's challenges.

Does your company offer disease management tools for those with chronic conditions?



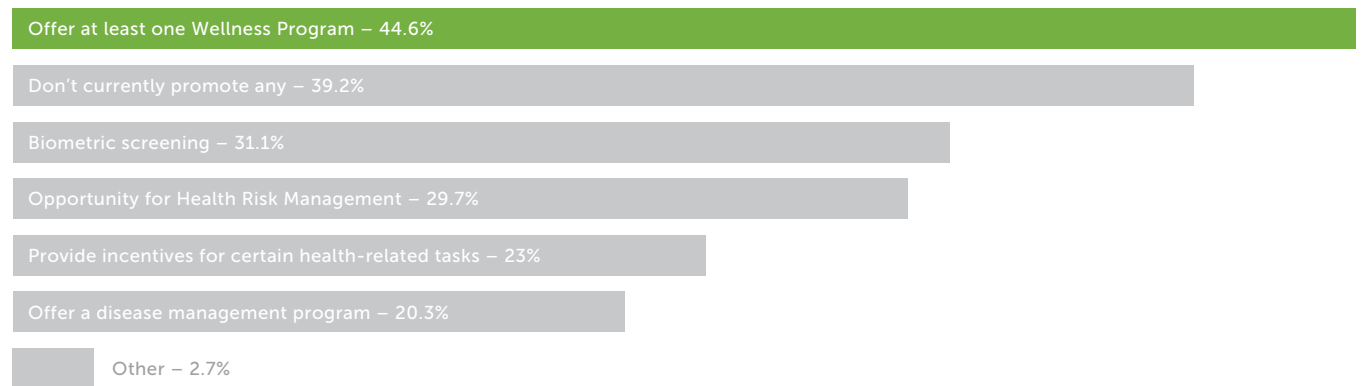
Findings:

- *The disease management tools offered the most by respondents were for diabetes (29.7%) and depression or other mental health (29.7%)*
- *54.1% of companies don't currently offer any disease management tools*

Insights:

Over half (54 percent) of surveyed organizations are not currently offering employees any disease management tools at this time. Some employers (30 percent) though are providing services for diabetes and mental health conditions. A new trend companies may want to consider is patient empowerment. Employers can adopt elements of this strategy into their wellness program to help employees develop responsibility for their own health outcomes; seeing as the CDC reported in 2010 that 86 percent of all health care spending was for chronic medical conditions. Employers wanting to make a positive difference in the lives of many of their employees can experience what a growing body of evidence is showing that when employees are empowered to manage their own chronic illnesses, companies can lower their costs.

How do you promote positive health outcomes at your company?



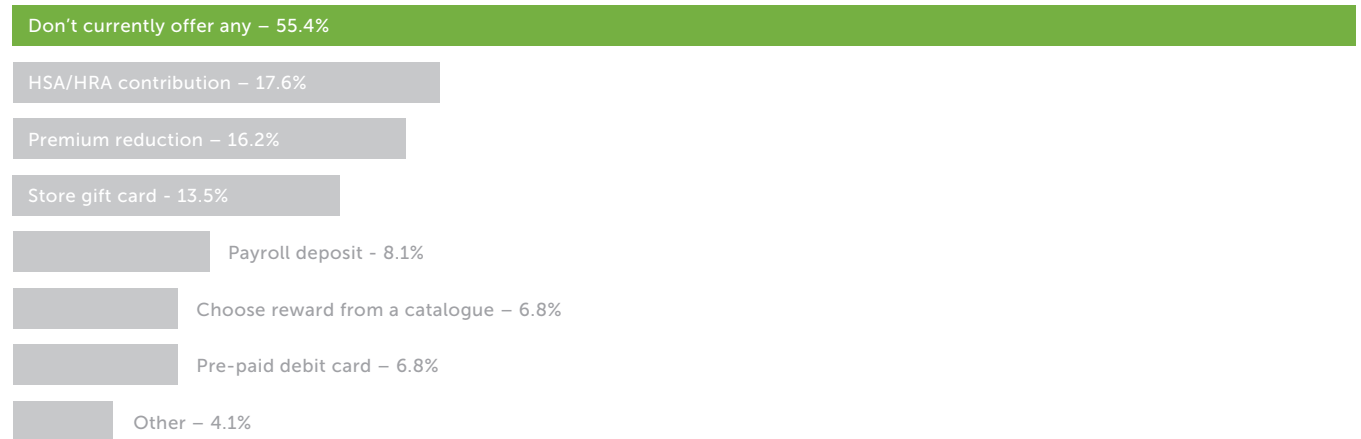
Findings:

- *To promote positive health outcomes, 44.6% of companies offer at least one wellness program and 31.1% offer employees biometric screening*
- *Offering a disease management program was the least popular way employers chose to promote positive health with 20.3%*

Insights:

More companies (44 percent) than not (39) have at least one wellness initiative in place to promote positive health outcomes in their workplace. Organization interested in providing wellness opportunities to employees can consider using a broad value proposition that takes into account the positive impact a program may have across a number of dimensions including productivity, absenteeism, turnover, retention, and recruitment. Including these factors into the ROI discussion can help demonstrate additional savings a company could incur with the introduction of a company-wide strategy.

What incentives/rewards for certain health-related tasks do you provide to your participating employees?



Findings:

- *HSA/HRA contribution (17.6%) and premium reduction (16.2%) were top incentives/rewards for health-related tasks by respondents*
- *55.4% of respondents don't currently offer any incentives/rewards for certain health-related tasks*

Insights:

Over half of the organizations surveyed (55 percent) are not currently offering any incentives for performing certain health-related tasks while 34 percent are offering insurance-based wellness incentives. Insurance-based incentives continue to become more popular as a growing number of providers and insurers are offering wellness services. Companies today who implement insurance-based incentives are motivated by rewarding, not penalizing employees and are reporting positive experiences with this type of benefit trend.

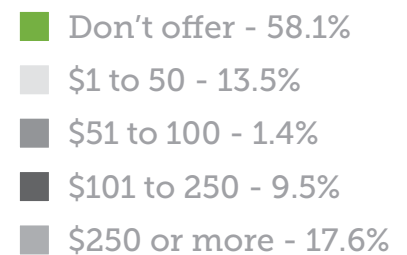
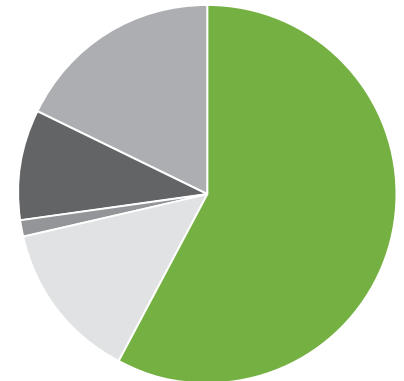
What is the value of incentives provided to employees for health-related tasks?

Findings:

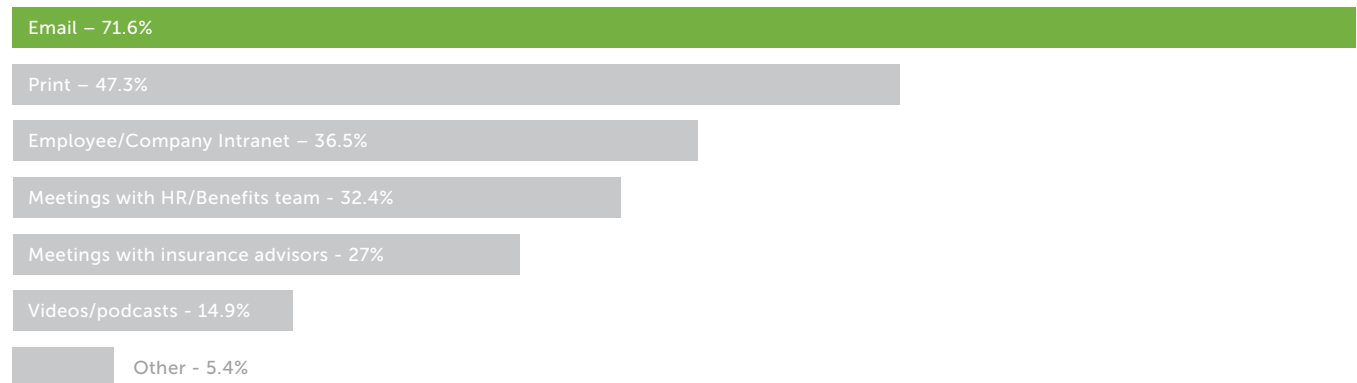
- 17.6% of organizations are offering \$250 or more of incentives to employees for health-related tasks
- \$101-250 (9.5%) and \$1-50 (13.5%) were common values of incentives provided to employees

Insights:

Companies are split on whether or not they offer any wellness incentives with 58 percent not providing any rewards to employees and 42 percent offering some type of incentive in varying monetary amounts to participate. The value of the incentives provided remains relatively modest. Incentives are one strategy employers can use to support health and wellness goals. Companies interested in wellness incentives can use the ACA as a guide as the expansion of incentive limits has grown under healthcare reform laws.



How do you currently communicate to employees about their health benefits?



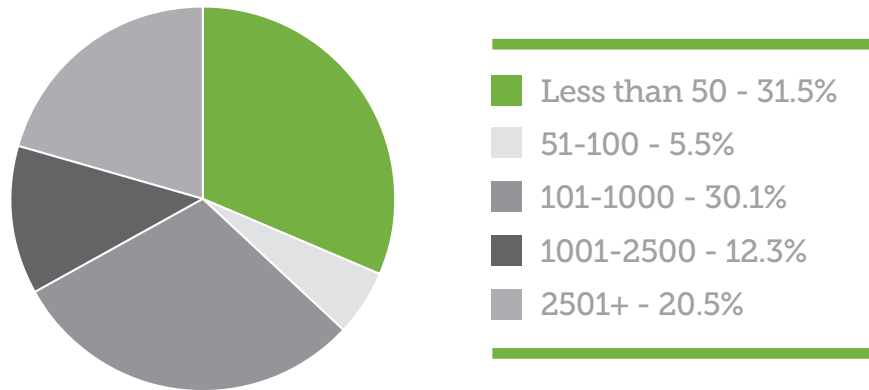
Findings:

- *Email (71.6%) is the most popular form of communication to employees about their health benefits*
- *Print (47.3%), employee/company intranet (36.5%), and meetings with HR (32.4%) were also noted as common forms of communication*

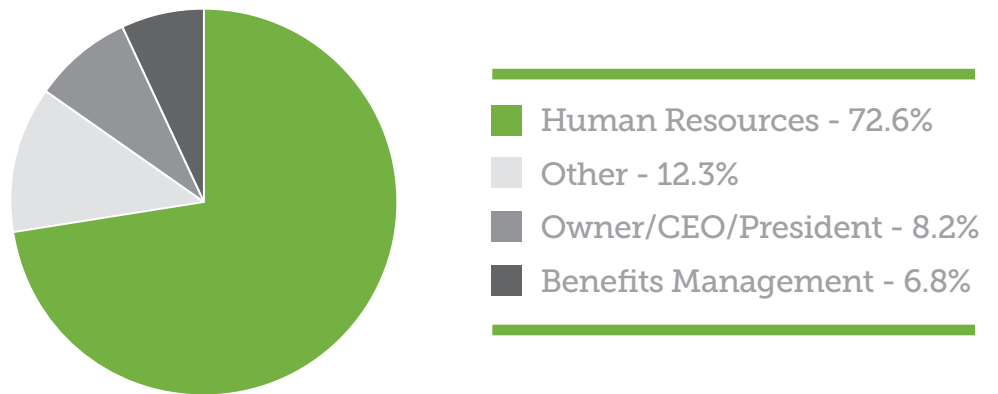
Insights:

Communication remains a key strategy in the effectiveness of reaching health and wellness program goals. The majority of surveyed employers are relying on email (72 percent) as at least one way to reach employees, with print at 47 percent being the next utilized form of communication. Employers will be compelled over the next few years to continue moving communication online and through mobile applications just as many of their industries are requiring of them. They also have a huge opportunity to strategically provide communication that increases the awareness, value, and education of the benefits and services they are providing so their employees can ultimately be able to make healthy choices, change their behaviors and save money.

Approximately how many full-time employees are in your company/ organization?



What is your role in the organization?



Survey Summary/Conclusion

- *Companies are looking for their health and wellness offerings to attract and retain quality employees. This approach may lead more organizations to look for platforms that provide more options and benefit offerings that meet the expanding needs of their workforce.*
- *Currently, organizations continue to consider their benefit options while determining how and if the impending Cadillac Tax will affect them. Their wait and see approach toward the excise tax is impacting their decisions to remain with their current health plan approach, which for many companies that already includes HDHPs and HSAs.*
- *Organizations consistently show interest in learning more about how defined contribution plans and private exchanges can positively impact their companies. Adoption continues to be gradual but is expected to increase as the benefits of DCPs become more broadly known.*
- *Brokers and benefit consultants remain a relevant and trusted source for employers. They have the potential to spearhead the movement to new health and benefit platforms. Their ability to demonstrate and communicate proven results will help increase employer comfort levels with making a change.*
- *Wellness programs are continuing to evolve. Many are now including insurance-based incentives with the next step including built-in flexibility that rewards individual employee goals and behaviors and not just prescribed actions.*
- *Future trends may also demonstrate a shift towards more personalized benefit communication that is reflective of the very diversified workforce within companies today. Organizations looking to reach their health and wellness goals will implement a strategic communications plan that effectively reaches their employees through online and mobile tools with messaging important to their specific needs.*

About the Healthcare Trends Institute

The Healthcare Trends Institute is an educational platform to help employers, third-party administrators, health plans, brokers, banks, payroll providers, consumers, and other stakeholders keep up with the rapidly changing healthcare benefits industry. It covers a range of topics related to the administration and management of healthcare benefits. To ensure all content and programs achieve the highest level of quality and relevancy, the Institute is guided by an Editorial Advisory Board comprised of subject-matter experts that represent diverse aspects and perspectives within the healthcare benefits industry. More information is available at www.healthcaretrendsinsitute.org



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