

# Executive Perspectives

What Today's Business Owner Needs To Know

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## In This Issue:

- Survey Examines Financial Impact of ACA on Employers
- Six Essential Strategies for Driving Employee Participation This Fall Benefits Enrollment Season
- Satisfaction Levels Rise for Consumer-Driven Health Plans, Slip for Traditional Coverage
- Most U.S. Employees Likely to See Changes When Enrolling in Health Benefits This Year

## Survey Examines Financial Impact of ACA on Employers

A new survey released by the International Foundation of Employee Benefits Plans found that more than two-thirds of employers currently providing health benefits (69%) have analyzed how the Affordable Care Act (ACA) will affect their health care plan costs. Additionally, of those who conducted a cost analysis, half (50.2%) were able to pinpoint the cost change in 2013 due to the ACA.

The results of the survey found that the most common ways that employers plan to deal with increased costs due to ACA are shifting costs to employees (53%) and encouraging participant health by increasing wellness and value-based health care initiatives (36%).

"This push for employee participation in wellness programs is a trend we have been tracking for several years now," said Julie Stich, Research Director with the International Foundation. "Our 2012 survey on

wellness found that seven in 10 U.S. employers currently offer wellness programs as a benefit to employees and with ACA implementation only months away, trends indicate this number will only continue to increase as employers look for ways to rein in costs."

Key findings from the survey include:

- About one in seven (14%) organizations with knowledge of their cost trends, report no change or a decrease in costs for 2013 due to ACA. Very few medium and large employers with knowledge of their cost trends are experiencing cost increases beyond 5%, but a considerable portion of smaller employers are experiencing 2013 cost increases beyond 15% due to ACA.
- Employers identified the top three ACA provisions impacting 2013 health benefit costs as the Patient-Centered Outcomes Research Institute (PCORI) fee (38%), general ACA administrative costs (35%) and explaining ACA provisions to participants (28%).
- Future provisions that will most increase costs were identified as the 2014 transitional reinsurance fee (18%) and the cost of providing health insurance to individuals who previously were not offered coverage in order to comply with coverage requirements (13%).

The survey is a companion to another recent survey from the Foundation, *2013 Employer-Sponsored Health Care: ACA's Impact*, which covered employer concerns regarding plan design and funding, methods for communicating with employees, grandfathered plan status, reactions to health insurance exchanges and cost management initiatives.

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see’ has come and gone. Our survey found that more employers are looking into the direct costs of implementing the ACA, how it will impact their bottom line and ways to cut costs,” Stich said.

Those asked to participate in the survey were single employer plans (including corporations) in the databases of the International Foundation and the International Society of Certified Employee Benefit Specialists (ISCEBS). Survey responses were received from 728 human resources and benefits professionals, and other industry experts. Those surveyed represent a wide base of U.S. employers from nearly 20 different industries. Insurance and related fields (24%), manufacturing and distribution (12.6%), and health care and medicine (12.4%) are most represented. The organizations range in size from fewer than 50 employees to more than 10,000.

## Six Essential Strategies for Driving Employee Participation This Fall Benefits Enrollment Season

To help employers achieve a successful Fall Enrollment season, insights from *MetLife’s 11<sup>th</sup> Annual Employee Benefits Trends Study* reveal six simple strategies that can help increase employee participation and deliver a better return on a company’s benefits investment.

“Our research indicates that the majority of employees are on ‘autopilot’ when it comes to enrolling in the employee benefits provided to them through work. As a result, when employees simply roll-over the previous year’s selections, they are often missing out on important new coverage options and potentially leaving money on the table,” said Michael Fradkin, Senior Vice President of MetLife. “There are also

significant advantages for organizations when their employees take a more active role in their benefits enrollment. Employees who actively engage in reviewing and evaluating their workplace benefits options are three times more likely to be satisfied with their jobs, and more than twice as likely to recognize and value the benefits offered through their employer.”

### Six Key Strategies to Drive Employee Enrollment & Encourage Employees to “Stop. Watch. Enroll.”

Nearly one-in-three employees are not engaging in their annual benefits enrollment, and less than half (42%) of employers are very satisfied with employee participation in voluntary benefits. MetLife analyzed data from the study to identify several strategies that employers can use to drive participation during this enrollment season.

- 1. Upgrade the Enrollment Experience:** Employers that recognize the importance of a good customer experience during benefits enrollment and upgrade their experience to meet the expectations of today’s employees will see increased engagement. Nearly half of employees who are engaged in benefits enrollment say that their employer’s benefit enrollment process offers a customer experience comparable to the best online shopping experience.
- 2. Use a Simple and Straightforward Enrollment Process:** Complicated processes can deter employees from participating in benefits enrollment. Companies that focus on making the process simple and accessible, with easy-to-use decision-making tools, can see a payoff in the form of increased engagement.



3. **Aim for Online Enrollment:** Forty-two percent of employees say they prefer online enrollment, yet only 35% had the opportunity to do so at their company. Online enrollment is more likely to be characterized as simple and straightforward compared to paper or phone enrollment.
4. **Communicate Clearly:** Communications are compelling when they demonstrate that the company knows its employees. More than half (54%) of engaged employees say it's very helpful when benefits materials provide personalized information reflecting their needs and life stage.
5. **Communicate Frequently:** Engagement increases when employers communicate about benefits throughout the year, with 43% of engaged employees saying that ongoing education about how to use their benefits would be very helpful.
6. **Foster Feedback:** Proactively seeking – and incorporating – employee feedback on the enrollment process can foster greater employee engagement. Four in ten engaged employees indicated that their employers obtain feedback on how to improve benefits communication and processes compared to just 17% of non-engaged employees.



Based on seven years of surveys, the EBRI/MGA 2012 Consumer Engagement in Health Care Survey finds that traditional plan enrollees were more likely than those in consumer-driven health plans (CDHPs) and high-deductible health plans (HDHPs) to be extremely or very satisfied with the overall plan in all years of the survey. However, satisfaction levels trended up in most years of the survey among CDHP enrollees and trended down among traditional-plan enrollees.

Enrollees in CDHPs and HDHPs were much more likely to report that they were not too or not at all satisfied with their health plan, but those dissatisfaction levels appeared to be trending downward in most years of the survey, said Paul Fronstin, director of EBRI's Health Research and Education program, and author of the report.

## Satisfaction Levels Rise for Consumer-Driven Health Plans, Slip for Traditional Coverage

Americans with health insurance appear to be warming up to so-called consumer-driven health plans, even as the traditionally greater popularity of traditional health plans is slipping, according to new research from the nonpartisan Employee Benefit Research Institute (EBRI).

"Dissatisfaction with out-of-pocket costs may have been driving these overall satisfaction trends," Fronstin explained. In 2012, 44 percent of traditional-plan participants were extremely or very satisfied with out-of-pocket costs for health care services other than for prescription drugs, while 18 percent of HDHP enrollees and 27 percent of CDHP participants were extremely or very satisfied.

"Satisfaction rates for out-of-pocket costs were much higher among those with traditional coverage than among those with either an HDHP or CDHP, though regardless of plan type, satisfaction with out-of-pocket costs was consistently low," noted Fronstin. "However, satisfaction rates do appear to be trending upward for those with a CDHP".

*"...satisfaction levels trended up in most years of the survey among CDHP enrollees and trended down among traditional-plan enrollees."*

Yet, in 2012, the survey continued to find that individuals in a CDHP or an HDHP were less likely than those in a traditional plan both to recommend their health plan to friends or co-workers and to say they would stay with their current plan if they had the



opportunity to switch. Those findings may have been driven more by out-of-pocket spending than by quality or access to care, noted Fronstin.

## Most U.S. Employees Likely to See Changes When Enrolling in Health Benefits This Year

Workers who plan to automatically default into the same health plan in which they were enrolled the previous year would be wise to rethink that strategy for the 2014 annual enrollment season, according to Aon Hewitt. Employees can expect to see a number of changes to their health benefits driven by rising health costs and the Patient Protection and Affordable Care Act (PPACA). Employees are urged to do their homework this year to understand the impact of these changes and make informed benefits elections for them and their families.

Some of the most notable changes employees may see include:

- **A more expensive price tag** – Research shows that most employers plan to subsidize employees' health coverage at the same percentage rate as last year. However, as health care costs increase overall, the amount of money employees will need to contribute out of their paychecks is continuing to climb. In addition, almost one in five employers has increased surcharges for adult dependents with access to coverage elsewhere.
- **More options for coverage** – Starting in 2014, all Americans will be required to have health care coverage or risk paying a penalty. Some employees—particularly those who are not offered health coverage through their employer—may wish to purchase individual coverage through the new state and federal marketplaces.
- **A higher probability of being in a consumer-driven health plan** – Consumer-driven health plans (CDHPs) continue to rise in popularity and have surpassed HMOs as the second most offered plans by employers. In fact, a growing number of employers are offering CDHPs as the only plan option. While just 10 percent of companies do so today, another 44 percent are considering it in the next three to five years.

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- **Programs that promote health awareness and education** – With employers facing the impacts of rising health care costs and declining health of the population, employees can expect to see more employers offering programs that encourage them to take a more active role in managing their health. For example, 75 percent of employers offer health risk questionnaires (HRQs) and 71 percent offer biometric screenings such as blood pressure and cholesterol.
- **More incentive opportunities for exhibiting healthy behaviors** – Workers can also expect to see an increasing number of employers providing an incentive—either through a reward or a penalty—related to completion of programs such as HRQs and biometric screenings. Eighty-three percent of employers have such an incentive in place now.
- **New eligibility rules** – Employers may be making changes to rules that determine which employees are eligible for health coverage, particularly as they evaluate requirements of the “employer mandate” provision of PPACA (which was delayed until 2015). In addition, the recent Supreme Court decision that resulted in federal recognition of same-sex marriages may mean more dependents will now be eligible for benefits coverage.

Employees typically spend very little time choosing their health benefits each year. This year, that can be a risky—and potentially costly—strategy. In some cases, not making an active decision during enrollment means employees could get defaulted into a health care plan that doesn't meet their needs—or even worse—leaves them and their families with no coverage at all. It's up to employees to read the fine print and take an active role in understanding if and how these changes may impact them.