Trends & Plan Strategies for 2017 & Beyond

Employee Benefit Coverages
Trends and Plan Strategies

- Health Plan Benchmarks ... Design, Cost Share, Innovation
- Employers ↔ Employees...Actual vs. Presumed Wants
- Defined Contribution ... Contributing a Definition
Benchmarks... Enter the Survey Data
All Are Not Created Equal

Convenience Samples
- Willis Towers Watson Emerging Trends in Health Care 400+ Mid to Large employers
- Aon Hewitt Health Care Survey with 1,000 large employers

Projectable Samples
- Mercer National Survey of Employer Sponsored Health Plans with 2,100+
- Kaiser Family Foundation/HRET Employer Health Benefits Survey with 2000 employers

Other
- Milliman Medical Index is an actuarial viewpoint on healthcare costs in premiums, contributions, and out of pocket costs
- Best Practices surveys, such as Mercer/HERO, Gallagher Best in Class Benchmarking
Average Annual Increases in Health Benefit Costs Per Employee 1993-2015

Average Annual Increases in Health Benefit Costs for Employees and Employers 2001-2015

Source: Milliman Medical Index, May 2016
## Average Annual Worker and Employer Contributions to Premiums and Total Premiums for Family Coverage, 1999-2016

<table>
<thead>
<tr>
<th>Year</th>
<th>Worker Contribution</th>
<th>Employer Contribution</th>
<th>Annual Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>$1,543</td>
<td>$4,247</td>
<td>$5,791</td>
</tr>
<tr>
<td>2000</td>
<td>$1,619</td>
<td>$4,819*</td>
<td>11%</td>
</tr>
<tr>
<td>2001</td>
<td>$1,787*</td>
<td>$5,274*</td>
<td>10%</td>
</tr>
<tr>
<td>2002</td>
<td>$2,137*</td>
<td>$5,866*</td>
<td>13%</td>
</tr>
<tr>
<td>2003</td>
<td>$2,412*</td>
<td>$6,657*</td>
<td>13%</td>
</tr>
<tr>
<td>2004</td>
<td>$2,661*</td>
<td>$7,289*</td>
<td>10%</td>
</tr>
<tr>
<td>2005</td>
<td>$2,713</td>
<td>$8,167*</td>
<td>9%</td>
</tr>
<tr>
<td>2006</td>
<td>$2,973*</td>
<td>$8,508*</td>
<td>6%</td>
</tr>
<tr>
<td>2007</td>
<td>$3,281*</td>
<td>$8,824</td>
<td>5%</td>
</tr>
<tr>
<td>2008</td>
<td>$3,354</td>
<td>$9,325*</td>
<td>5%</td>
</tr>
<tr>
<td>2009</td>
<td>$3,515</td>
<td>$9,860*</td>
<td>5%</td>
</tr>
<tr>
<td>2010</td>
<td>$3,997*</td>
<td>$9,773</td>
<td>3%</td>
</tr>
<tr>
<td>2011</td>
<td>$4,129</td>
<td>$10,944*</td>
<td>9%</td>
</tr>
<tr>
<td>2012</td>
<td>$4,316</td>
<td>$11,429*</td>
<td>4%</td>
</tr>
<tr>
<td>2013</td>
<td>$4,565</td>
<td>$11,786</td>
<td>4%</td>
</tr>
<tr>
<td>2014</td>
<td>$4,823</td>
<td>$12,011</td>
<td>4%</td>
</tr>
<tr>
<td>2015</td>
<td>$4,955</td>
<td>$12,591*</td>
<td>3%</td>
</tr>
<tr>
<td>2016</td>
<td>$5,277</td>
<td>$12,865</td>
<td>3%</td>
</tr>
</tbody>
</table>

*Estimate is statistically different from estimate for the previous year shown (p < .05).

Average Annual Workplace Family Health Premiums Rise Modest 3% to $18,142 in 2016;

- More Workers Enroll in High-Deductible Plans With Savings Option Over Past Two Years – leaving traditional PPOs;

- Average Deductible Rises 12% to $1,478 Annually for Covered Workers Who Have Them;

- At Small Firms, Average Deductibles Now Top $2,000
Cumulative Premium Increases
Covered Workers with Family Coverage, 2001-2016

* Percentage change in family premium is statistically different from previous five year period shown (p < .05).

Cumulative Increases
Health Insurance Premiums, Workers’ Contributions to Premiums, Inflation, and Workers’ Earnings, 1999-2016

Average Annual Worker and Employer Contributions to Premiums and Total Premiums for Single and Family Coverage, by Firm Size, 2016

*Estimate is statistically different between All Large Firms and All Small Firms estimate (p < .05).

Average Percentage of Premium Paid by Covered Workers for Single and Family Coverage, 1999-2016

*Estimate is statistically different from estimate for the previous year shown (p < .05).

Percentage of Covered Workers Enrolled in an HDHP/HRA or an HSA-Qualified HDHP, 2006-2016

* Estimate is statistically different from estimate for the previous year shown (p < .05).

NOTE: Covered Workers enrolled in an HDHP/SO are enrolled in either an HDHP/HRA or a HSA-Qualified HDHP. For more information, see the Survey Methodology Section. The percentages of covered workers enrolled in an HDHP/SO may not equal the sum of HDHP/HRA and HSA-Qualified HDHP enrollment estimates due to rounding.

Average Annual Firm and Worker Premium Contributions and Total Premiums for Covered Workers for Single and Family Coverage, by Plan Type, 2016

*Estimate is statistically different from All Plans estimate by coverage type (p < .05).


* Estimate is statistically different from estimate for the previous year shown (p<.05).

NOTES: Average general annual deductible is among all covered workers. Workers in plans without a general annual deductible for in-network services are assigned a value of zero.

Cumulative Increases in Health Insurance Premiums, General Annual Deductibles, Inflation, and Workers’ Earnings, 2011-2016

NOTE: Average general annual deductible is among all covered workers. Workers in plans without a general annual deductible for in-network services are assigned a value of zero.

Percentage of Covered Workers Enrolled in a Plan with a General Annual Deductible of $1,000 or More for Single Coverage, by Firm Size, 2009-2016

* Estimate is statistically different from estimate for the previous year shown (p< .05).

NOTE: These estimates include workers enrolled in HDHP/SO and other plan types. Average general annual health plan deductibles for PPOs, POS plans, and HDHP/SOs are for in-network services.

Percentage of Covered Workers Enrolled in a Plan with a General Annual Deductible of $1,000 or More for Single Coverage After any HRA/HSA Contributions, by Firm Size, 2009-2016


<table>
<thead>
<tr>
<th>Account Contribution Greater Than or Equal To Deductible</th>
<th>Deductible After Contribution Is $1,000 or Less</th>
<th>Deductible After Contribution Is More Than $1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>All HDHP/SO Plans</td>
<td>9%</td>
<td>34%</td>
</tr>
<tr>
<td>HSA-Qualified HDHP</td>
<td>7%</td>
<td>28%</td>
</tr>
<tr>
<td>HDHP/HRA</td>
<td>14%</td>
<td>47%</td>
</tr>
</tbody>
</table>

NOTE: The net liability for covered workers enrolled in a plan with an HSA or HRA is calculated by subtracting the account contribution from the single coverage deductible. HRAs are notional accounts, and employers are not required to actually transfer funds until an employee incurs expenses. General annual deductibles are for in-network services.

Among Firms Offering Health Benefits, Percentage That Offer to Spouses, Dependents and Partners, 2016

NOTE: “Not encountered” refers to firms where no workers requested domestic partner benefits and there is no corporate policy on coverage for that classification of domestic partners.

Eligibility, Contributions, Incentives

ADDITIONAL COST MANAGEMENT ACTIONS
Among Firms Offering Family Coverage, Percentage of Employers Using Various Approaches to Family Premium Contributions, by Firm Size, 2016

*Estimate is statistically different within response selection from all other firms not in the indicated firm size category.

Among Large Firms (200 or more workers) Offering Health Benefits, Percentage of Firms Offering Incentives for Various Wellness and Health Promotion Activities, 2016

<table>
<thead>
<tr>
<th>Health Risk Assessments</th>
<th>Biometric Screening</th>
<th>Wellness Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity to Complete</td>
<td>Incentives to</td>
<td>Programs to</td>
</tr>
<tr>
<td>Health Risk Assessment</td>
<td>Employees who</td>
<td>Help Employees</td>
</tr>
<tr>
<td></td>
<td>Complete HRAs</td>
<td>Stop Smoking</td>
</tr>
<tr>
<td>59%</td>
<td>32%</td>
<td>74%</td>
</tr>
<tr>
<td>32%</td>
<td>53%</td>
<td>68%</td>
</tr>
<tr>
<td>53%</td>
<td>31%</td>
<td>73%</td>
</tr>
<tr>
<td>8%</td>
<td>8%</td>
<td>83%</td>
</tr>
<tr>
<td>0%</td>
<td>0%</td>
<td>32%</td>
</tr>
</tbody>
</table>

NOTE: Among large firms that offer a health risk assessment, 54% had incentives or penalties to encourage employees to complete it. Among large firms that offer biometric screening, 59% had incentives or penalties to encourage employees to complete it and 14% had incentives or penalties for employees to meet a biometric outcome. Among large firms that offer a wellness program, 42% had incentives or penalties to encourage employees to complete it.

Firms that offer either “Programs to Help Employees Stop Smoking”, “Programs to Help Employees Lose Weight”, or “Other Lifestyle or Behavioral Coaching”.

Among Large Firms That Offer Employees an Incentive to Participate In or Complete Any Health Promotion Programs, Maximum Annual Value of the Incentive for All Programs Combined‡, 2016

‡Includes incentives for health risk assessments, biometric screenings, and wellness programs. Forty-nine percent of large firms offering health benefits offer incentives for at least one of these activities.

NOTE: Firms with at least one of the listed health promotion programs were asked to report the maximum incentive an employee and his/her dependents could receive for all of the firm’s health promotion programs combined.

Among Large Firms Offering Health Benefits, Percentage of Firms That Have Taken Various Actions in Anticipation of the Excise Tax on High Cost Plans, 2016

All Large Firms (200 or More Workers)

- 64% Conducted an analysis to determine if plans will exceed limits
- 15% Increased Cost Sharing
- 9% Switched to a Lower Cost Plan or Eliminated a Plan Option
- 8% Moved Benefits Options to Account based plan such as an HRA or HSA
- 1% Began Offering Health Insurance through a Private Exchange
- 2% Selected a Plan with a Smaller Network of Providers
- 2% Other
- 1% Eliminated FSA
- 1% Reduced the Scope of Covered Services

Among Firms Who Have Conducted an Analysis to Determine Their Liability Under the Excise Tax, Percentage of Large Firms (200 or more workers) that Believe that Their Plan with the Largest Enrollment Will Exceed the Thresholds, 2016

Note: Sixty-four percent of large firms (200 or more workers) offering health benefits report that they conducted an analysis to determine if plans will exceed the thresholds.

Among Offering Firms with 50 or More Employees, Percentage of Covered Workers Enrolled at a Firm That Offers Benefits Through a Private or Corporate Exchange, by Firm Size, 2016

NOTE: A private exchange is one created by a consulting company; not by a federal or state government. Private exchanges allow employees to choose from several health benefit options offered on the exchange. In 2016, 4% of offering firms with 50 or more employees offered coverage through a private exchange.

Among Firms Offering Health Benefits, Percentage of Firms Whose Plans Include Various Features, by Firm Size, 2016

~ Firms were asked if their plan with the largest enrollment had these features.
‡ Among Firms with 50 or more employees. Twenty-five percent of offering firms with 1,000 or more employees have an on-site clinic.

Among Large Firms (200 or more Workers) Offering Health Benefits, Percentage of Firms Whose Plan With the Largest Enrollment Includes The Delivery of Services through Telemedicine, 2016

**Among Large Firms Whose Largest Plan includes Coverage through Telemedicine**

- 39% of Large Firms
- 37% of Firms Covers Behavioral Health Through Telemedicine
- 33% of Firms has Financial Incentive for Workers to Use Telemedicine Instead of Visiting a Physician's Office In-Person

**NOTE:** Telemedicine is the delivery of health care services through telecommunications to a patient from a provider who is at a remote location, including video chat and remote monitoring. In 2016, we modified our questions about telemedicine to clarify that we were interested in the provision of health care services, and not merely the exchange of information, through telecommunication.

**SOURCE:** Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2016.
14th Annual MetLife Study

EMPLOYEE BENEFIT TRENDS
What Do Employers Want?

Employers’ benefit objectives, ranked by level of importance

- Retaining employees: 83%
- Controlling health and welfare benefit costs: 80%
- Increasing employee productivity: 78%
- Increasing employee satisfaction: 77%
- Increasing employee loyalty: 76%

SOURCE: MetLife’s 14th Annual US Employee Benefit Trends Study 2015
## What Do Employees Want?

### Most Valued ‘Deal’ Elements — by Age

<table>
<thead>
<tr>
<th></th>
<th>34 &amp; Under</th>
<th>35-49</th>
<th>50-64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>#1</strong></td>
<td>Base Pay</td>
<td>Base Pay</td>
<td>Base Pay</td>
<td>Base Pay</td>
</tr>
<tr>
<td><strong>#2</strong></td>
<td>Career Opportunities</td>
<td>Retirement Plan</td>
<td>Retirement Plan</td>
<td>Retirement Plan</td>
</tr>
<tr>
<td><strong>#3</strong></td>
<td>Retirement Plan</td>
<td>Low Health Care Costs</td>
<td>Low Health Care Costs</td>
<td>Type of Work</td>
</tr>
<tr>
<td><strong>#4</strong></td>
<td>Low Health Care Costs</td>
<td>Bonus/Incentive</td>
<td>Bonus/Incentive</td>
<td>Bonus/Incentive</td>
</tr>
<tr>
<td><strong>#5</strong></td>
<td>Bonus/Incentive</td>
<td>Paid Time Off</td>
<td>Paid Time Off</td>
<td>Low Health Care Costs</td>
</tr>
<tr>
<td><strong>#6</strong></td>
<td>Flexible Schedule</td>
<td>Flexible Schedule</td>
<td>Type of Work</td>
<td>Working for a Respectable Organization</td>
</tr>
</tbody>
</table>

**SOURCE:** Mercer “Inside Employee’s Minds”, 2015
Employees are Financially Frustrated

Generational view of employee financial concerns and attitudes

- I believe my employer should help me solve my financial security concerns:
  - Millennials (Ages 21-34): 44%
  - Generation X (Ages 35-50): 30%
  - Boomers (Ages 51+): 20%

- I lay awake at night worrying about money:
  - Millennials (Ages 21-34): 31%
  - Generation X (Ages 35-50): 31%
  - Boomers (Ages 51+): 21%

- I rely on family member(s) for some financial support:
  - Millennials (Ages 21-34): 39%
  - Generation X (Ages 35-50): 21%
  - Boomers (Ages 51+): 12%
Getting to the Heart of Financial Fears

Employees’ financial fears and worries

- **58%**
  - Having enough money to pay my bills if someone in my household loses their job or is no longer able to work

- **55%**
  - Having enough money to cover out-of-pocket medical costs that are NOT covered by my health insurance (e.g., premiums, deductibles, co-pays, travel)

- **55%**
  - Status of my retirement savings

- **55%**
  - Outliving my retirement savings

- **52%**
  - My ability to make the right financial decisions for me and my family
## Employee Benefits Match?

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Employees’ must-have benefits</th>
<th>Benefits offered by employers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical (Health) Insurance</td>
<td>89%</td>
<td>80%</td>
</tr>
<tr>
<td>Prescription Drug Coverage</td>
<td>71%</td>
<td>54%</td>
</tr>
<tr>
<td>401k (or Other Retirement Plan)</td>
<td>70%</td>
<td>68%</td>
</tr>
<tr>
<td>Critical Illness Insurance</td>
<td>28%</td>
<td>18%</td>
</tr>
<tr>
<td>Accidental Death &amp; Dismemberment (AD&amp;D)</td>
<td>35%</td>
<td>40%</td>
</tr>
<tr>
<td>Defined Benefit Pension Plan</td>
<td>32%</td>
<td>17%</td>
</tr>
<tr>
<td>Hospital Indemnity Insurance</td>
<td>24%</td>
<td>14%</td>
</tr>
<tr>
<td>Vision Care Insurance or Discount Program</td>
<td>49%</td>
<td>53%</td>
</tr>
<tr>
<td>Accident Insurance</td>
<td>44%</td>
<td>25%</td>
</tr>
<tr>
<td>Long Term Disability Insurance</td>
<td>43%</td>
<td>48%</td>
</tr>
<tr>
<td>Short Term Disability Insurance</td>
<td>41%</td>
<td>47%</td>
</tr>
<tr>
<td>Financial Planning/Education Workshops</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Cancer Insurance</td>
<td>16%</td>
<td>14%</td>
</tr>
<tr>
<td>Legal Services</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Pet Insurance</td>
<td>8%</td>
<td>5%</td>
</tr>
</tbody>
</table>

*Employees’ must-have benefits vs. Benefits offered by employers.*
Opportunities

47% Employees

74% Employers

I agree that non-medical benefits can limit out-of-pocket medical expenses.
Opportunities

Percentage of time at work spent distracted by personal finances

- 11% Less than 1 hour per week
- 35% 1-2 hours per week
- 17% 3-4 hours per week
- 22% 5 or more hours per week
- 3% I do not handle personal finances during work time
Opportunities

- One-on-one consultations with a non-sales benefits expert: 61% (Total), 68% (Millennials)
- A mobile app for managing your benefits: 49% (Total), 64% (Millennials)
- Automatic enrollment in the lowest cost offering and you opt out/change if desired: 45% (Total), 55% (Millennials)
- A mobile app for learning and education about your benefits: 45% (Total), 58% (Millennials)
The Transition is Underway

DEFINED CONTRIBUTION
Capitalizing on the Opportunity

Economists have posited that defined-contribution health insurance plans offer two key benefits.

1. First, enrollees in such plans receive more choice than they would in the one-size-fits-all plans typically offered by employers. They can thus consider the quality of plans and express their preferences for various features of benefits packages, such as open or limited provider networks and low or high deductibles.

2. Second, defined-contribution plans can give employers greater certainty about costs, insulating them from unpredictable health care inflation. Such plans might also curb or reverse the trend toward employees’ passively shouldering the growing costs of employer-based defined-benefits plans. (Between 2003 and 2013, employer spending increased by 77%, while employees’ costs increased by 89%).

Shifting toward Defined Contributions — Predicting the Effects
By Kevin A. Schulman, M.D., Barak D. Richman, J.D., Ph.D., and Regina E. Herzlinger, D.B.A.
The New England Journal of Medicine, June 26, 2014
DC Best Practices

- Communicate ... early, and often
- Leverage technology ... in a year you’ll thank yourself
- Be transparent ... it diffuses the “take away” chatter
- Provide tools ... examples, decision support, cost calculators all will engage employees and breed trainers
- Provide meaningful options with a noticeable cost spread
- Set expectations ... Will plans change every year? Will we get the same DC allowance every year?
  - This is your time to set a long term strategy!