

Willis

THE HEALTH CARE  
REFORM SURVEY

2014



# ABOUT THIS SURVEY

Willis conducted the 2014 Health Care Reform Survey from January 13, 2014 through January 31, 2014. The survey was distributed through an online tool and direct email. Responses were collected from U.S. employers of various sizes and industries. Responses were provided by individuals who participate in their organizations' group health plan decision-making process. A total of 1,033 employers are represented in this survey; 929 responded to the entire survey and 104 responded to a significant portion of the survey.

At the time this survey was open, the delay of the employer mandate to 2015 had already been announced; however, the additional delay announced in February of 2014 (shortly after the close of this survey) stating that those employers with 50 to 99 full-time employees and employee equivalents are not required to comply with the pay or play requirements until 2016, is not accounted for in these results.

The order of the results presented in this report may differ from the order the questions appeared in the survey. Some questions were posed to respondents only if their prior response met the criteria applicable to that question. As a result, the total number of respondents will differ by question. Results have been rounded to simplify the presentation of data. A full technical appendix with all reported survey data is available to Willis clients upon request.

## ADDITIONAL INFORMATION

For additional information or questions regarding this survey, please contact Emily Ferreira at [hcp.survey@willis.com](mailto:hcp.survey@willis.com).

Custom survey data cuts are available by request for a fee.

# TABLE OF CONTENTS

<b>OVERVIEW</b>	<b>4</b>
<b>EXECUTIVE SUMMARY</b>	<b>4</b>
<b>KEY FINDINGS</b>	<b>5</b>
<b>PROFILE OF RESPONDENTS</b>	<b>7</b>
<b>SURVEY RESULTS</b>	<b>9</b>
<b>CURRENT ENROLLMENT AND BENEFIT OFFERINGS</b>	<b>9</b>
Health Plan Offerings	9
Full Time Employee Enrollment	10
<b>BENEFIT STRATEGIES AND FUTURE CONSIDERATIONS</b>	<b>11</b>
Traditional Benefits and Compensation Strategies	11
Exchange Strategies	12
Benefits and Rewards Strategy Review	13
Benefit Considerations	14
Pay or Play Mandate Response	15
Managing the Workforce	16
Effect of Federal Exchange Rollout	17
Coverage and Contribution Changes	18
Workforce Strategies in Response to Health Care Reform	19
Plan Design and Eligibility Changes	20
<b>COST IMPACT OF HEALTH CARE REFORM</b>	<b>21</b>
Identification of Health Care Reform Costs	21
Effect of Health Care Reform on Contribution Requirements	22
Health Plan Cost Changes	23
<b>PPACA UPCOMING REQUIREMENTS AND COMPLIANCE STATUS</b>	<b>24</b>
Minimum Value Plan Determination	24
How Organizations are Measuring Full-Time Employees	25
Waiting Periods Used to Manage Plan Eligibility	26
Employer Plan Affordability	27
Methods Used to Determine Affordability Levels	28
Cadillac Tax	29
Grandfathered Plans	30
<b>HEALTH CARE REFORM COMMUNICATIONS</b>	<b>31</b>
Increase of Health Care Reform Communications	31
<b>HEALTH CARE REFORM KNOWLEDGE AND CONSULTING RESOURCES</b>	<b>32</b>
Use of Professional Advisors	32
Top Sources of Health Care Reform Information	33
Internal HR and Benefits Teams' Knowledge of Exchanges	34
<b>ORGANIZATIONS' SIGNIFICANT HEALTH CARE REFORM COMPLIANCE CONCERNS</b>	<b>35</b>

# OVERVIEW

## EXECUTIVE SUMMARY

Responding to the mandates and changes required by health care reform has been an evolving challenge for employers since its implementation. While employers continue to develop benefit strategies to address the many requirements set forth by health care reform, they are also confronted with an ever-changing regulatory landscape that can potentially interfere with their business goals. This year's survey sought to gather employers' current and future strategies surrounding health care reform. While we compare results to Willis's prior health care reform survey where appropriate, several of this year's survey questions are new, which reflects the rapidly shifting environment employers now face.

In 2013, most employers were required to provide some form of communication informing their employees about the availability of the public exchange option. The widely publicized difficulties experienced by those attempting to enroll shed a negative light on what many would consider an already confusing and politically charged subject. By and large, the enrollment struggles in the public exchanges did not affect employers' strategies. Most employers had either not considered the adoption of a public exchange solution as part of their strategy, and those that did recognized the issues as temporary.

Continuing the trend witnessed in Willis's prior health care reform surveys, employers noted that they still feel that it is important to continue to offer benefits to their employees, although their distribution and delivery methods may change. Most employers' benefit structures for 2014 are similar to those of 2013 with many employers taking a 'wait and see' approach before making significant changes to their delivery model (such as moving to a defined contribution strategy through a private exchange or otherwise).

Looking ahead, employers plan to adjust contribution strategies as they seek to maintain benefit offerings for their employees. Almost half of respondents have already increased or plan to increase dependent coverage contributions at a higher rate than employee only coverage. Over one third (35%) of respondents have already applied, or plan to apply, a surcharge on spousal coverage (or exclude coverage) when spouses have coverage through their own employer. The complete elimination of spousal coverage is a more drastic measure (with potential employee relations ramifications), and as such is being considered for implementation by fewer than 10% of respondents. Overall, employers are taking steps to adjust contributions and eligibility within the parameters set by the Patient Protection and Affordable Care Act (PPACA) regulations, though they are doing so with a key objective in mind: continuing to offer benefits to their employees.

## KEY FINDINGS

- **Employers are choosing to “play” and continue to offer health benefits.**

Despite some highly visible reports in the media, employers generally do not plan to eliminate group medical benefits as a part of their compensation practices. ‘Moving away from benefit engagement’ was rated as extremely unlikely by over 60% of respondents and somewhat unlikely by another 17%. Employers view their medical benefits as an important and desirable part of their compensation offerings and they will take steps to manage costs so that they can continue to offer benefits to their employees. This conclusion is also evidenced by the findings that the employers represented covered the vast majority of their full-time employees already, before any mandate to do so. That demonstrates the centrality and importance of group medical benefits to their compensation practices.

- **Cost shifting is only part of the solution.**

Nearly 75% of respondents experienced an increase in their health plan costs from 2013 to 2014, but of those who had a cost increase, 22% of respondents kept employee contributions the same. Strategies other than cost shifting which are being utilized by employers in attempts to contain costs include increasing new hire waiting periods, reducing benefits to minimum essential coverage and managing seasonal and variable hour employees to reduce the number of potentially benefit eligible employees.

- **Private exchanges are emerging as a new distribution channel.**

While most employers have not finalized strategies, 20% of responding employers are considering private exchanges, and 8% have strategies in development. The opportunity to control costs through defined contributions while providing greater choice to their workforces (ideally combined with user-friendly technology based tools to assist employees with evaluating those choices) is an attractive prospect for many employers. The majority of respondents also indicated that they are likely to promote employee choice, engagement and consumerism as part of their benefits strategy.

- **The cost of health care reform is a top concern among responding employers, but many have not measured it.**

Nearly two-thirds of respondents replied that they have not identified the impact of health care reform. Forty four percent of respondents replied that they have not specifically identified the cost of the Cadillac tax. While this seems counterintuitive considering the significance and attention applied to the costs of health care reform, it demonstrates that employers’ focus has, in many cases, been drawn to the immediate compliance needs and administrative difficulties. Despite the fact that industry consultants have identified the concern over the impact of the Cadillac tax to their clients, lack of employer engagement on this topic might be because employers view the ongoing cost analysis as a “luxury” as compared to the day to day administrative requirements demanded of them more immediately.

## KEY FINDINGS (CONTINUED)

- **Delays have provided breathing room...but have not affected strategies.**

Though the announcement of the initial employer mandate delay in 2013 came too late for many employers to adjust their strategies, the majority of survey respondents (69%) indicated that the announcement did not have a major impact on their benefit plan decisions.

- **Plan design compliance requirements are being met, but administrative compliance has been delayed.**

The majority of employers (86%) have determined that they have a minimum value plan (defined as the plan covering 60% of medical costs), but half of respondents have not yet determined the standard measurement (or “look back”) periods and safe harbor methods (for purposes of determining affordability). Requirements that involve administrative changes, as opposed to benefit design and contributions, are more difficult to implement and have been delayed.

- **Employers continue to rely on their brokers for strategy and health care reform information**

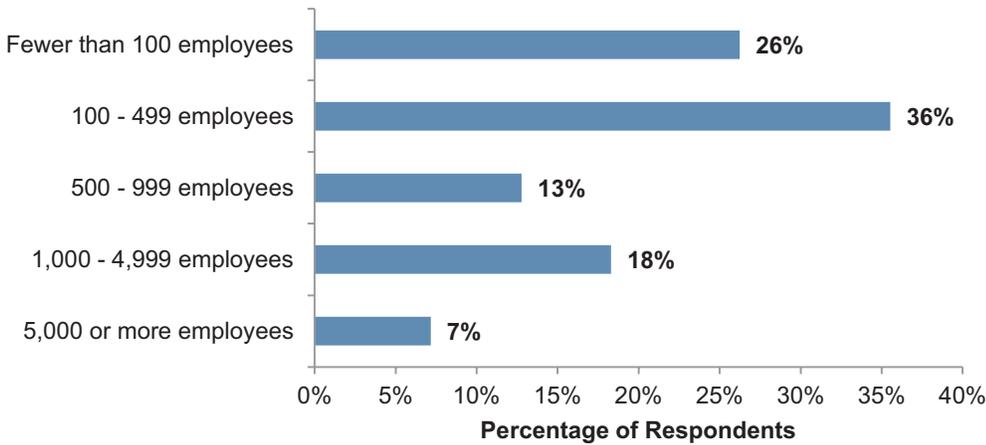
Keeping up with health care reform requirements is no small task and employers are overwhelmingly looking to brokers to keep them informed and up to date regarding regulatory changes.

# PROFILE OF RESPONDENTS

## Organization Size

Over a third of employers fell into the 100 – 499 employee size group (36%), followed by employers with fewer than 100 employees (26%), 1,000 – 4,999 employees (18%), 500 – 999 employees (13%) and 5,000 or more employees (7%).

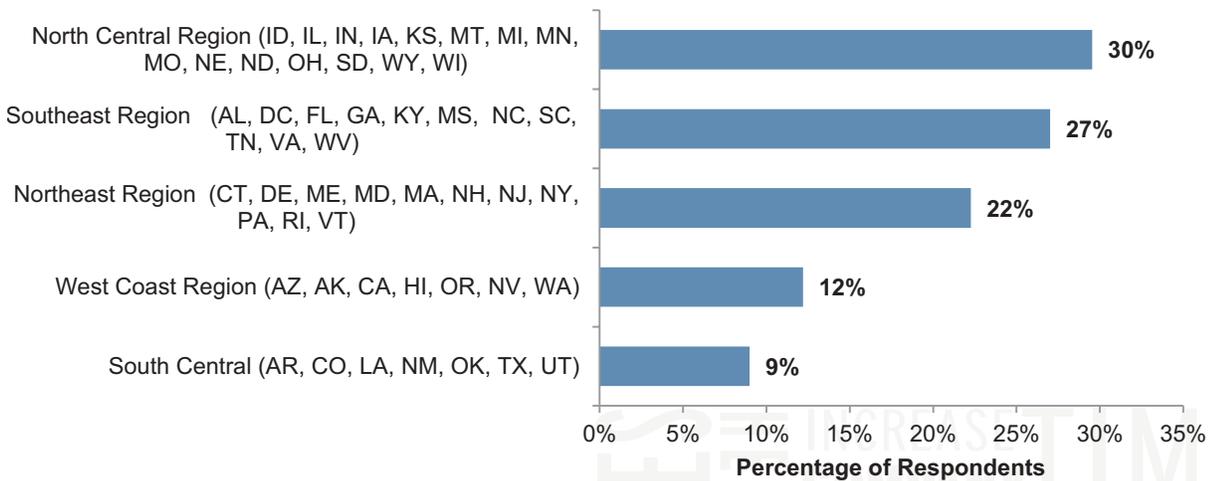
### TOTAL EMPLOYEES (N=1,033)



## Region

The North Central region was represented by slightly under a third of respondents (30%), followed by the Southeast region (27%), the Northeast (22%), the West (12%) and the South Central region representing 9% of respondents. This year's respondents were evenly split between those with single state locations (50%) and those with multi-state location (50%).

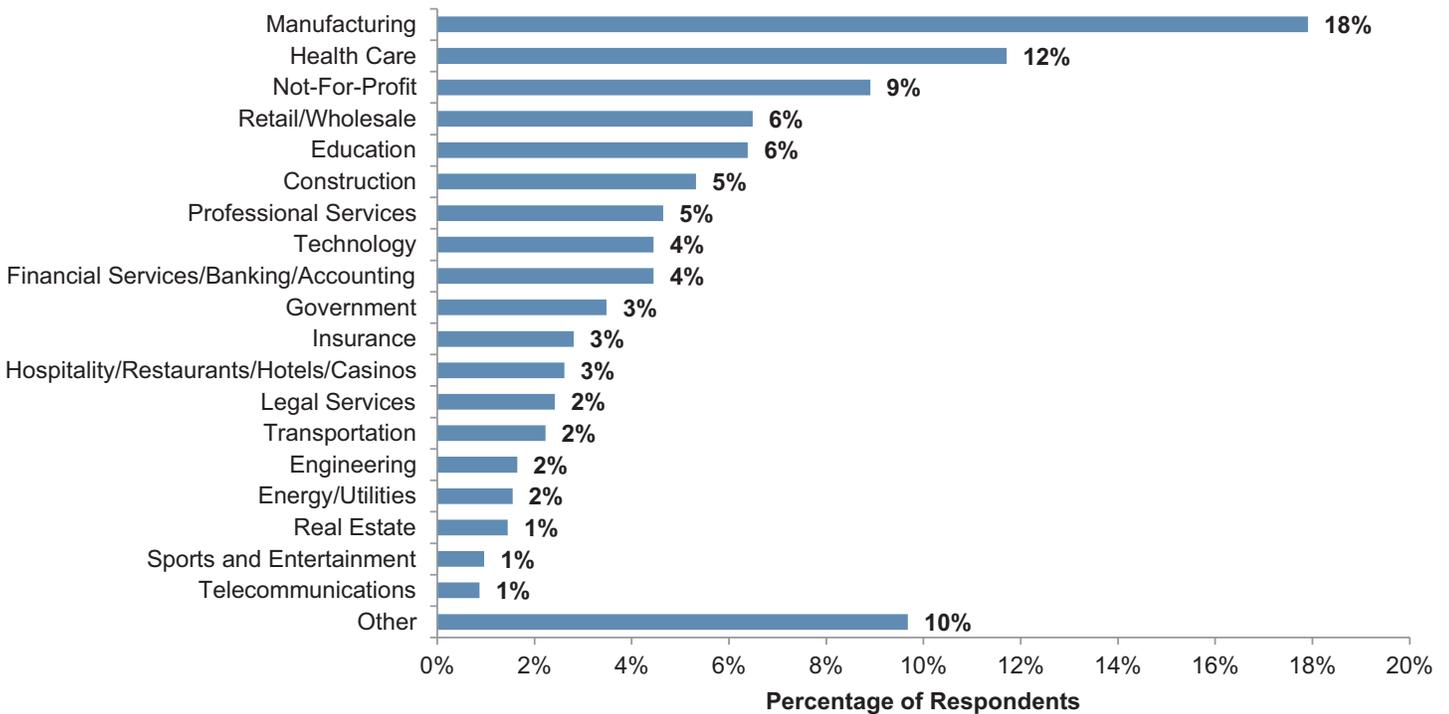
### IN WHICH GEOGRAPHIC LOCATION IS YOUR HEADQUARTERS LOCATED? (N=1,033)



## Industry

Manufacturing represented the largest industry concentration for respondents (18%), followed by health care (12%) and not-for-profit employers (9%). “Other” industry categories include: agriculture, architecture, distribution, media/publishing, and security services among others.

### WHAT IS YOUR ORGANIZATION'S PRIMARY INDUSTRY? (N=1,033)



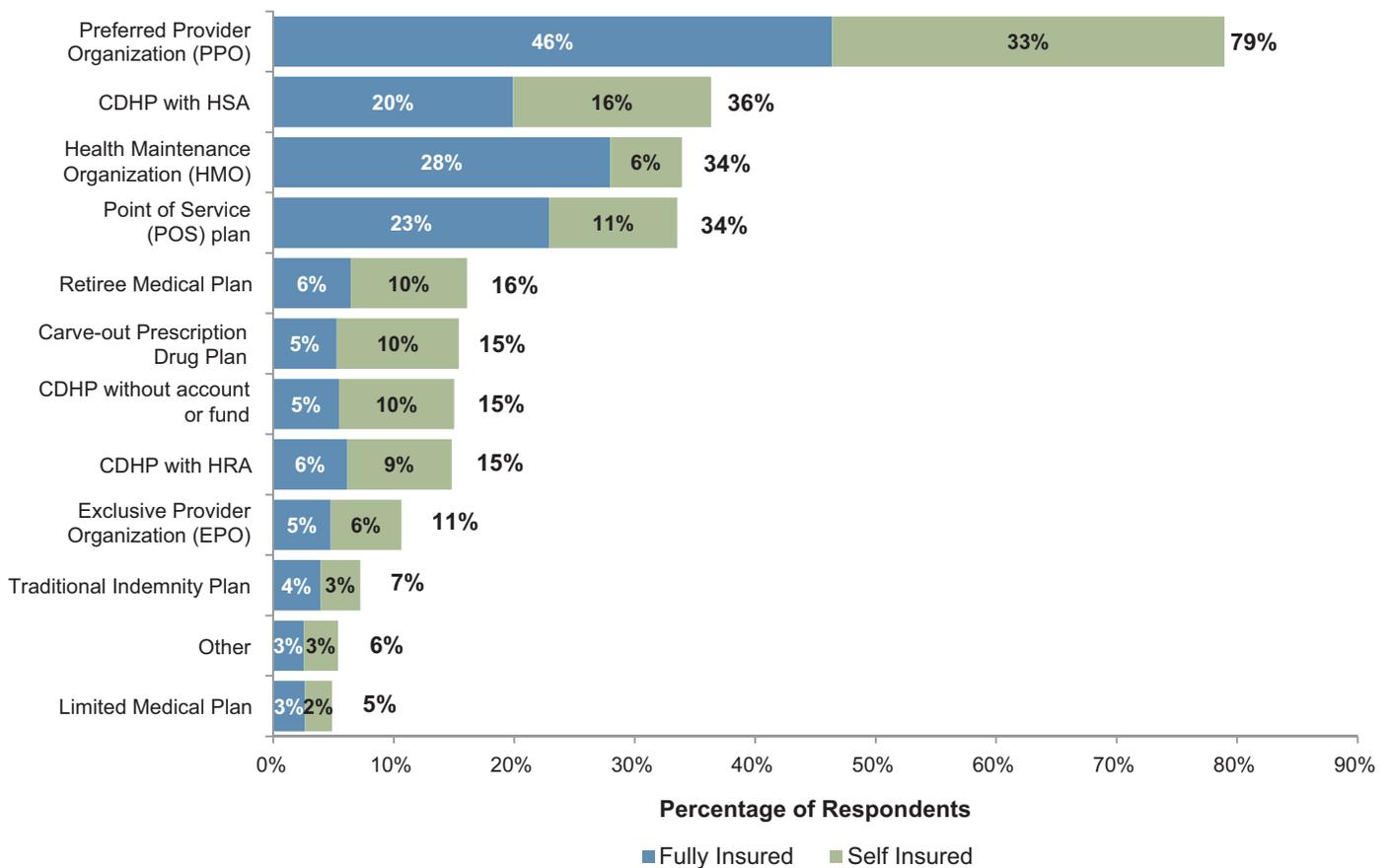
# SURVEY RESULTS

## CURRENT ENROLLMENT AND BENEFIT OFFERINGS

### Health Plan Offerings

A large majority of employers continue to offer traditional medical plans. Seventy-nine percent of respondents offer PPO plans as part of their 2014 health plan offerings. Fully insured funding arrangements continue to be prevalent but self-funding is becoming increasingly popular. Thirty-three percent of those self-fund their PPO plans and 46% utilize a fully-insured arrangement. Consumer-driven health plans (CDHPs) with Health Savings Accounts (HSAs), Health Maintenance Organizations (HMOs) and Point of Service (POS) plans are each offered by slightly over one third of respondents.

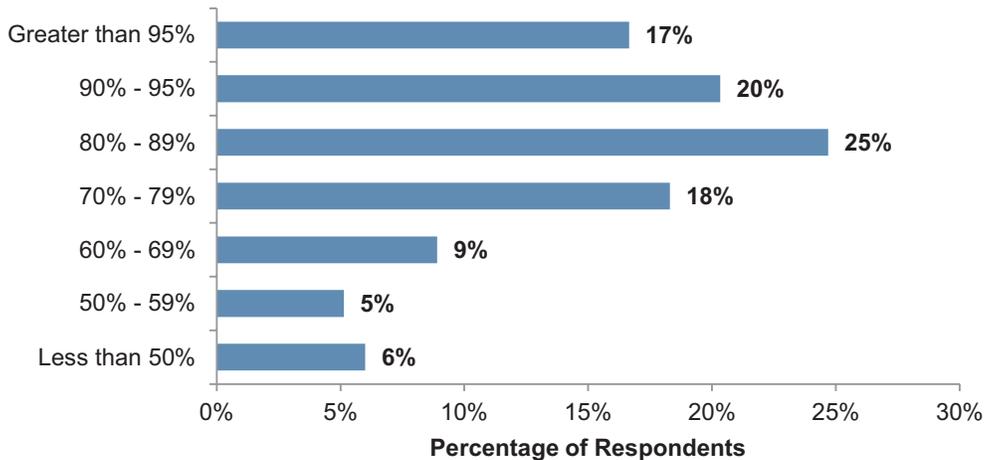
#### WHICH OF THE FOLLOWING DOES YOUR ORGANIZATION OFFER AS PART OF ITS 2014 GROUP HEALTH PLAN(S)? (N=1,026)



## Full Time Employee Enrollment

Surprisingly, given the wide range of industries that the respondents represent, employers report that the vast majority of their full-time employees currently participate in their plans. A quarter of respondents (25%) indicated that 80% – 89% of their full time employees are enrolled in their 2014 health plans while 20% have enrollment levels of between 90% – 95%. Of the 11% of respondents that have less than 60% enrollment in their health plans, the majority are either organizations with fewer than 100 employees (38%) or 100 – 249 employee groups (17%). It should be noted that these employers provided group medical benefits to their full-time employees *before* there was any mandate to do so, evidencing their views that group medical benefits are a valuable part of their compensation schemes.

### OF YOUR FULL-TIME EMPLOYEES, WHAT PERCENTAGE ARE ENROLLED IN YOUR 2014 HEALTH PLANS? (N=1,033)

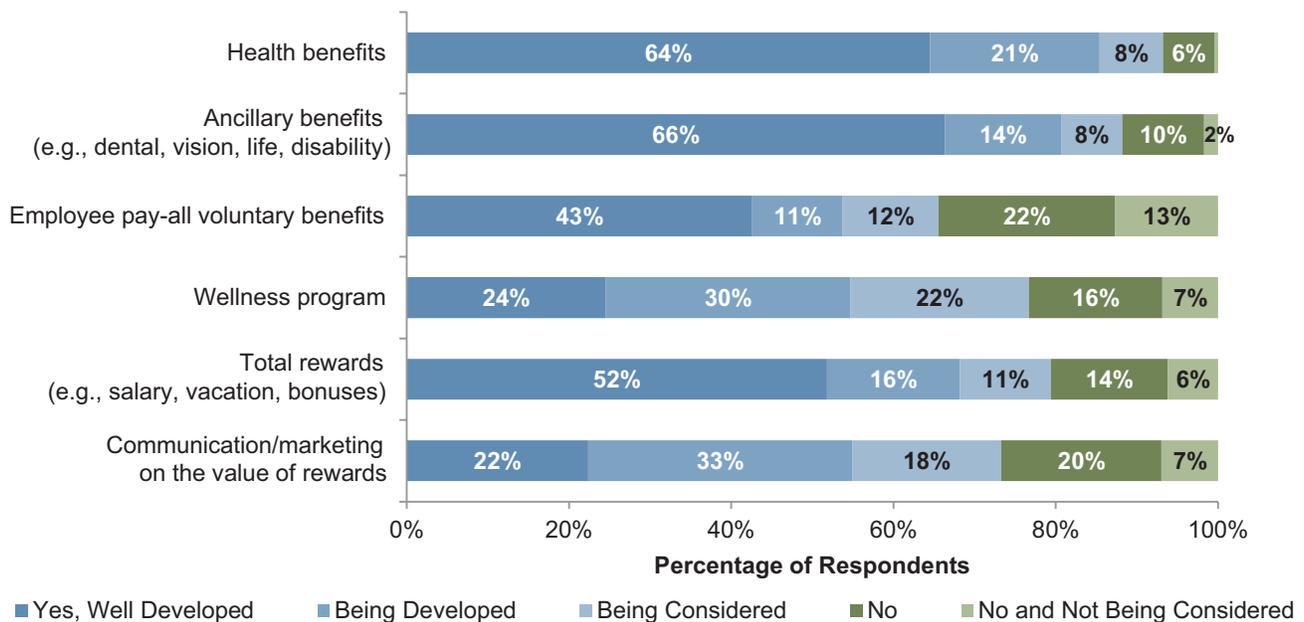


# BENEFIT STRATEGIES AND FUTURE CONSIDERATIONS

## Traditional Benefit and Compensation Strategies

Employers are beginning to take a longer-term and more holistic approach to their benefit programs. The majority of respondents said that they have well-developed strategies for health benefits (64%), ancillary benefits (66%) and total rewards (52%). Wellness program and communication strategies are less well-developed (24% and 22% respectively), yet both categories show a significant percentage of respondents (about one third) who have indicated that these strategies are in the process of being established. The implementation of strategies has increased in prevalence in all areas compared to Willis's 2012 – 2013 Health Care Reform Survey. Employers recognize that merely responding to health care reform isn't sufficient; having well developed strategies in place for all benefits programs that may be affected by regulatory requirements is essential.

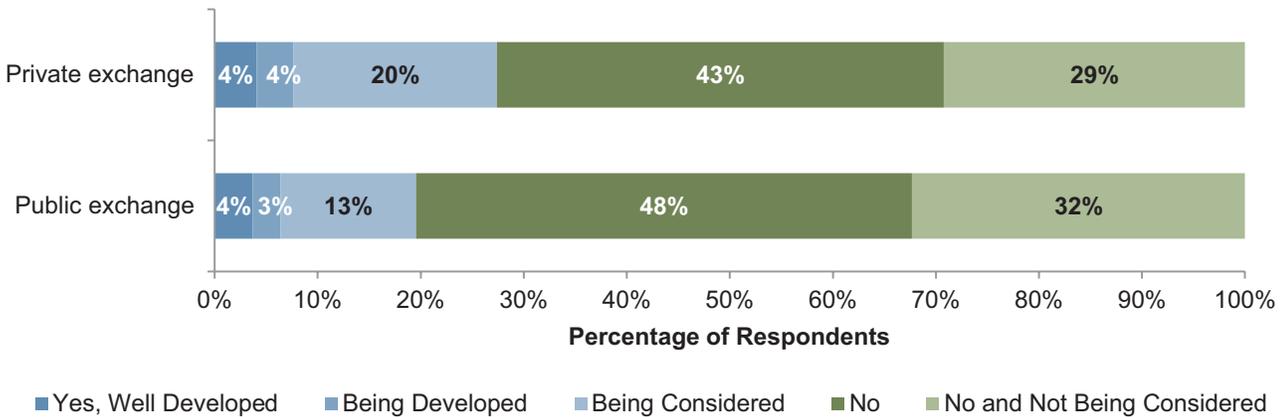
### DOES YOUR ORGANIZATION HAVE SPECIFIC STRATEGIES FOR THE FOLLOWING? (N=1,033)



## Exchange Strategies

Most employers have not yet developed strategies to address the emerging private or public exchanges. Only 4% of respondents replied that they have well-developed strategies for either type of exchange. Strategy development is consistent for both private and public exchanges, with over 40% of respondents indicating that they do not have a strategy and just under one third indicating that a strategy is not being considered. As employers explore different methods of delivering benefits, there will likely be an increase in those establishing strategies for exchanges over the next year.

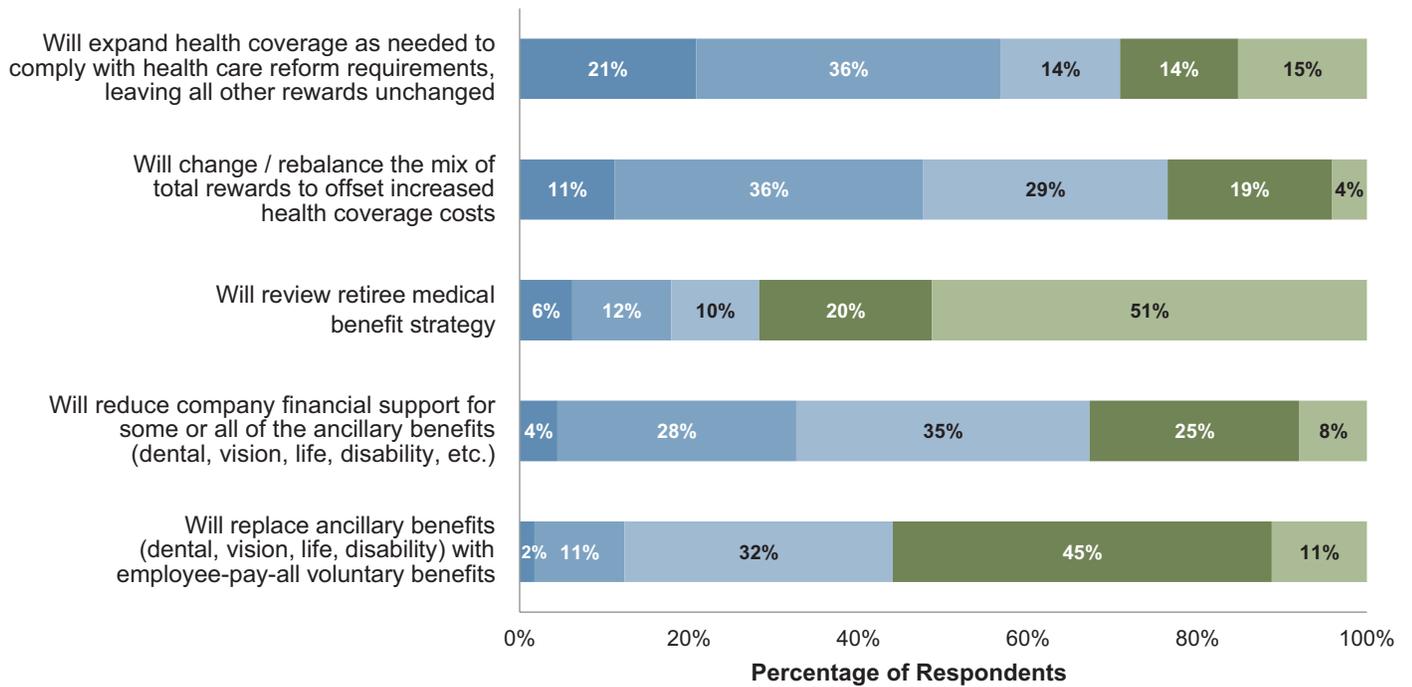
### DOES YOUR ORGANIZATION HAVE SPECIFIC STRATEGIES FOR THE FOLLOWING? (N=1,033)



## Benefits and Rewards Strategy Review

One counterintuitive finding, and one that contradicts some visible media reports, is that 57% of respondents are extremely or somewhat likely to *expand* health coverage to comply with health care reform. A slightly lower percentage (47%) is extremely or somewhat likely to change or rebalance their total rewards to offset health costs. Consistent with respondents' desires to continue to contribute to the cost of health coverage, most (77%) are somewhat unlikely or not at all likely to transfer the entire cost of ancillary benefits to the employee; however, about one third of respondents are likely to reduce employer contributions for these benefits, continuing the trend evidenced in last year's survey results.

### WHEN YOUR COMPANY NEXT REVIEWS ITS EMPLOYEE BENEFITS AND REWARDS STRATEGY, WHICH OF THE FOLLOWING IS LIKELY TO OCCUR? (N=1,033)

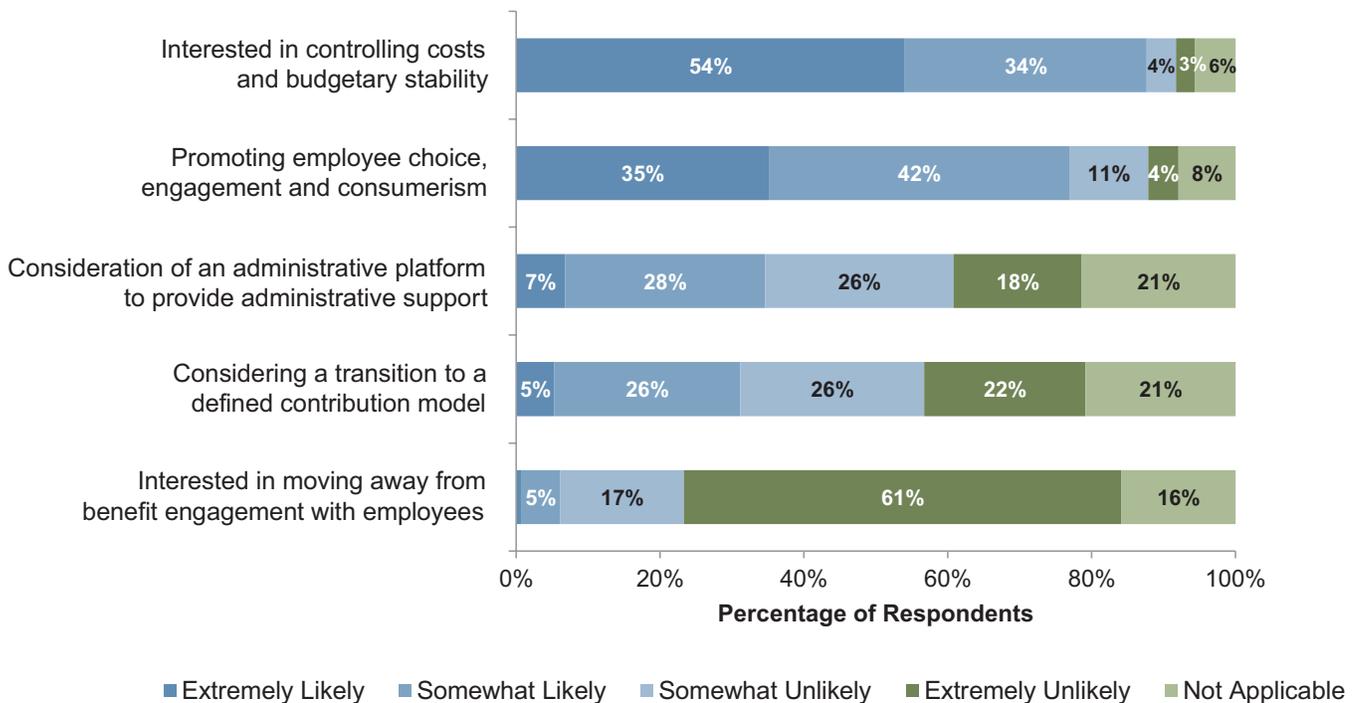


■ Extremely Likely ■ Somewhat Likely ■ Somewhat Unlikely ■ Extremely Unlikely ■ Not Applicable

## Benefit Considerations

Not surprisingly, most respondents (88%) are interested in controlling costs and budgetary stability. Almost as many respondents (77%) were extremely or somewhat likely to promote employee choice, engagement and consumerism. As organizations seek to continue to offer benefits, consumerism continues to gain popularity. And while only 31% of respondents stated that they are likely to transition to a defined contribution model, this change in employer contribution delivery essentially hinges on the concept of consumerism: employees are given a set dollar amount to spend on a benefit plan that they determine best suits their needs. That would seem to indicate a desire to move to an exchange approach as private exchanges are complemented by a defined contribution strategy. But, as noted previously, the move to a private exchange approach has not yet taken hold with most employers.

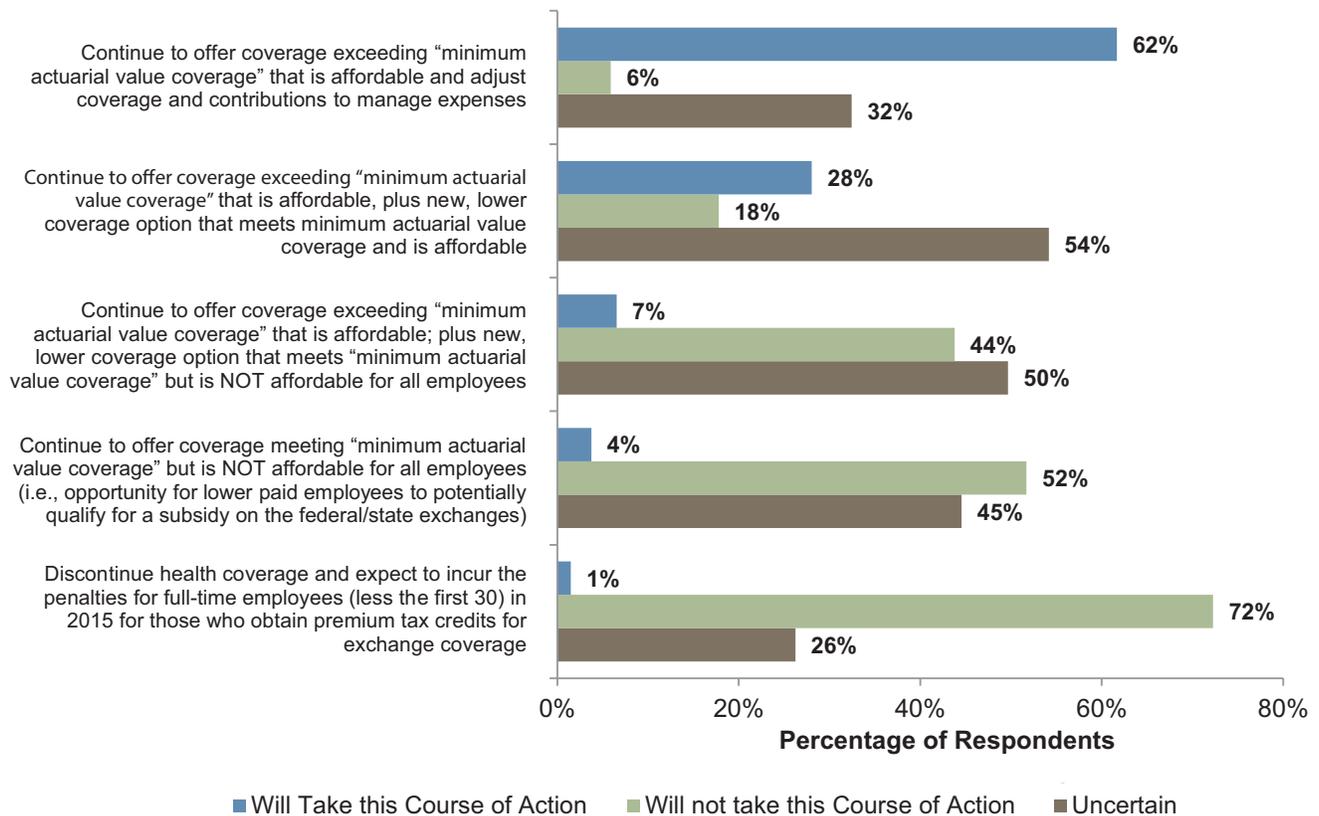
### AS YOUR ORGANIZATION PREPARES TO MAKE THE NECESSARY CHANGES TO COMPLY WITH HEALTH CARE REFORM, HOW WOULD YOU RATE THE FOLLOWING BENEFIT CONSIDERATIONS? (N=931)



## Pay or Play Mandate Response

Consistent with other responses that demonstrate the importance of group medical benefits to their compensation practices, the majority of respondents plan to continue to offer health coverage (i.e., “Play”) by offering affordable plans that meet or exceed minimum value. This is despite the fact that the employers remain uncertain about how to respond to the Pay or Play mandate. The third and fourth options in the chart below each represent a combination of Pay and Play strategies. When considering these options that involve offering coverage that is not affordable for all (and therefore present an opportunity for lower paid employees to potentially qualify for a subsidy on the federal exchanges) respondents are about evenly split between deciding not to take this course of action or they are uncertain about these options. Respondents generally felt that the delay of the Pay or Play penalties did not affect their decisions on how they planned to comply (69%).

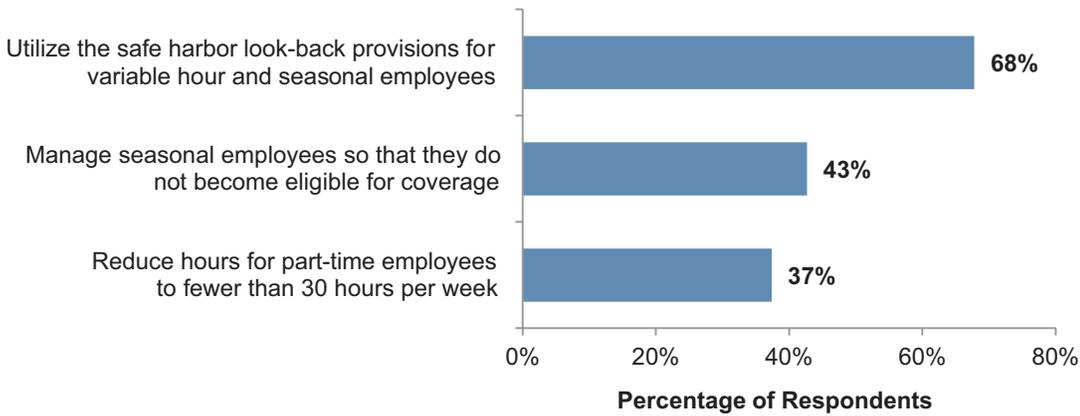
### HOW WILL YOUR ORGANIZATION RESPOND TO THE “PAY” OR “PLAY” MANDATE? (N=934)



## Managing the Workforce

The definition of full time employees under PPACA has proven to be a challenge for many organizations whose own definitions of full and part time employees differed from those under health care reform. While employers want to provide medical benefits to their full-time employees, they do not desire to offer them to those employees who may have traditionally been part-time and perhaps were not previously offered benefits. As such, over two-thirds of respondents (68%) plan to utilize the safe harbor look-back provisions to determine full-time status. Additionally, 43% of respondents plan to manage part-time and seasonal employees' hours so they do not become benefit-eligible, and 37% plan to reduce hours for certain employees. While these options can help to reduce costs, they also present additional administrative requirements as organizations must make sure they are accurately and consistently capturing hours worked for these employees.

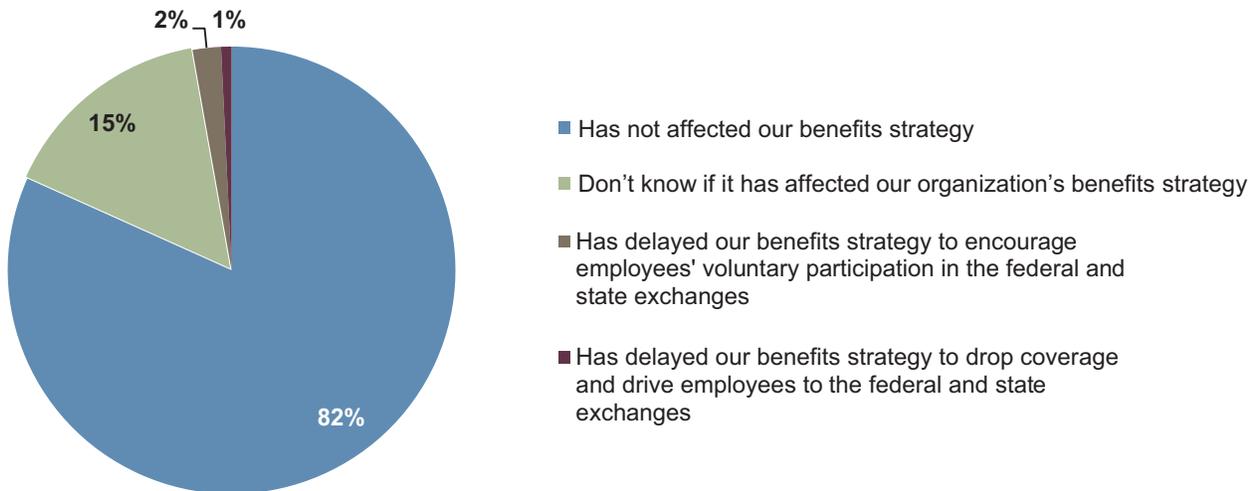
### IS YOUR ORGANIZATION PLANNING TO TAKE ONE OR MORE OF THE FOLLOWING STEPS WHILE CONTINUING TO OFFER MEDICAL COVERAGE THAT MEETS OR EXCEEDS THE "MINIMUM ACTUARIAL VALUE" REQUIREMENTS FOR FULL-TIME EMPLOYEES? (N=831)



## Effect of Federal Exchange Rollout

As seen in the responses to the Pay or Play mandate, few organizations plan to drive employees to the federal exchange, so it makes sense that most respondents' benefit strategies were not affected by the rollout complications faced by the federal exchange platform (82%). Fifteen percent said they were unsure and 2% said that it had affected their strategy to encourage voluntary participation in the exchanges.

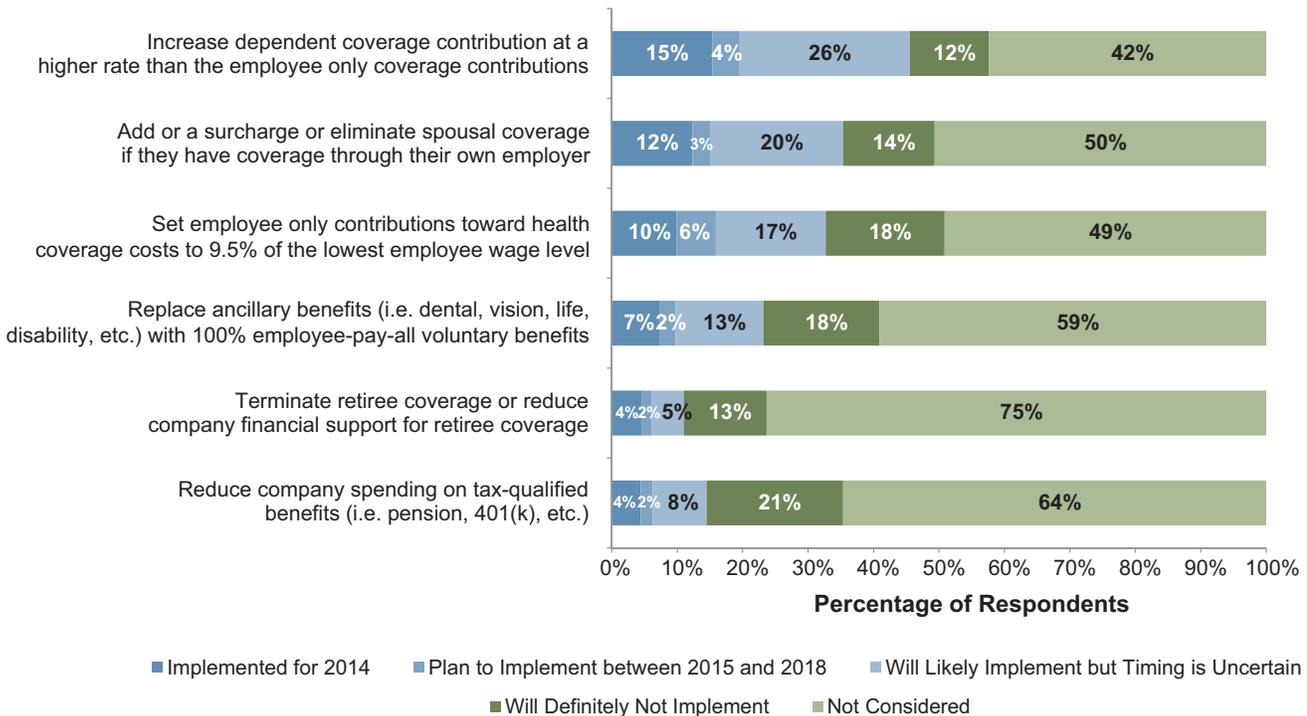
### HOW HAVE THE ISSUES WITHIN THE FEDERAL EXCHANGE ROLLOUT AFFECTED YOUR BENEFITS STRATEGY? (N=930)



## Coverage and Contribution Changes

Participating employers were asked to respond to a number of different strategies for how they plan to respond health care reform in 2014 and in the near future. Relatively few of the respondents have determined to simply shift increased costs to employees. However, among those who plan to cost shift in some fashion, increasing dependent coverage contributions is already utilized by 15% of respondents and another 4% plan to implement this strategy over the next three years. Twenty-six percent noted that this strategy is likely, but timing is uncertain. Twelve percent of respondents have already added a surcharge or eliminated coverage for spouses when they have coverage through their own employer, and another 4% plan to implement this strategy over the next three years. Twenty-six percent noted that this strategy is likely, but timing is uncertain. Twelve percent of respondents have already added a surcharge or eliminated coverage for spouses when they have coverage through their own employer, and another 3% plan to implement this strategy over the next three years. Twenty-six percent noted that this strategy is likely, but timing is uncertain. Twelve percent of respondents have already added a surcharge or eliminated coverage for spouses when they have coverage through their own employer, and another 3% plan to implement this strategy between 2015 and 2018.

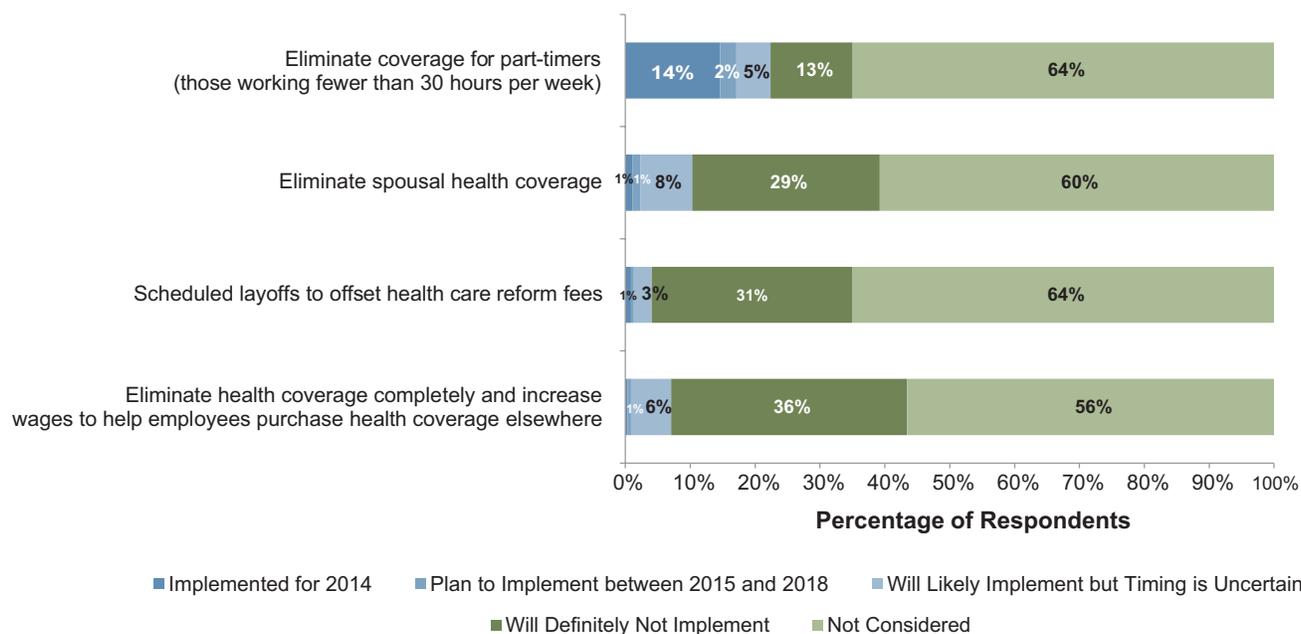
### WHAT STRATEGIES WILL YOUR ORGANIZATION IMPLEMENT OR PLAN TO IMPLEMENT IN RESPONSE TO HEALTH CARE REFORM? (N=942)



## Workforce Strategies in Response to Health Care Reform

Survey respondents are resistant to implementing strategies that will be disruptive to their workforce. However, 14% have already eliminated coverage for part-timers in 2014, and another 8% plan to do so moving forward. A small percentage of respondents (1%) plan to eliminate coverage altogether, while only 6% indicate this decision is forthcoming but timing is uncertain. A smaller percentage of respondents plan to eliminate spousal health coverage altogether (1%), compared to those who plan to implement this only if the spouse has their own employer coverage. Elimination of spousal coverage has been a well-publicized topic, but the survey responses show that organizations are reluctant to implement this strategy, recognizing the impact this would have on their employees and their families.

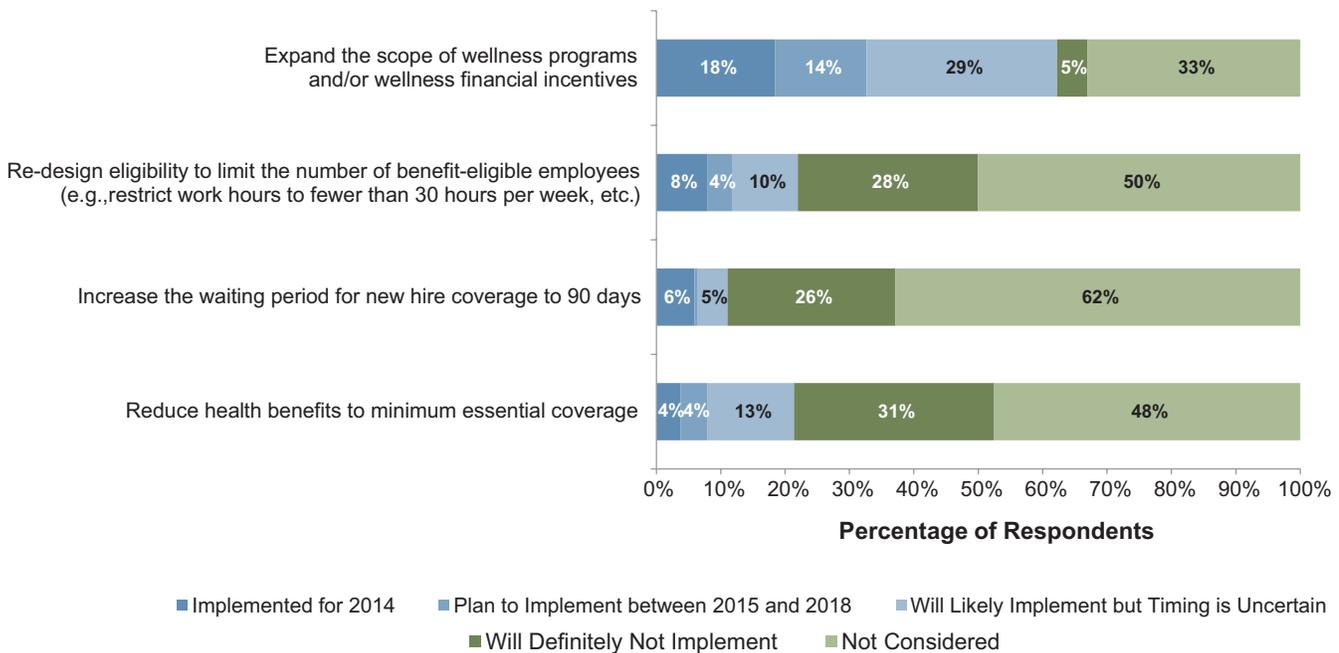
### WHAT STRATEGIES WILL YOUR ORGANIZATION IMPLEMENT OR PLAN TO IMPLEMENT IN RESPONSE TO HEALTH CARE REFORM? (N=942)



## Plan Design and Eligibility Changes

Employers have determined that they need to take some larger steps to control costs via their plan designs and they plan to do so in a variety of ways. Almost a third of respondents (32%) have already implemented or plan to expand the scope of their wellness programs, and another 29% plan to do so at some point in the future. This reinforces the finding that employers are looking for ways to make the changes relatively painless for their employees, and from a health management perspective, wellness programs have additional benefits to employees and employers in more ways than just reducing incidents of illness. While few organizations have reduced their benefits to minimum essential coverage, this action is likely for 17% of respondents. Interestingly, last year's survey indicated that 29% of respondents planned (at some point) to increase the benefit waiting period to 90 days, though this year's survey shows that only 12% have either already implemented this or plan to in the future.

### WHAT STRATEGIES WILL YOUR ORGANIZATION IMPLEMENT OR PLAN TO IMPLEMENT IN RESPONSE TO HEALTH CARE REFORM? (N=942)

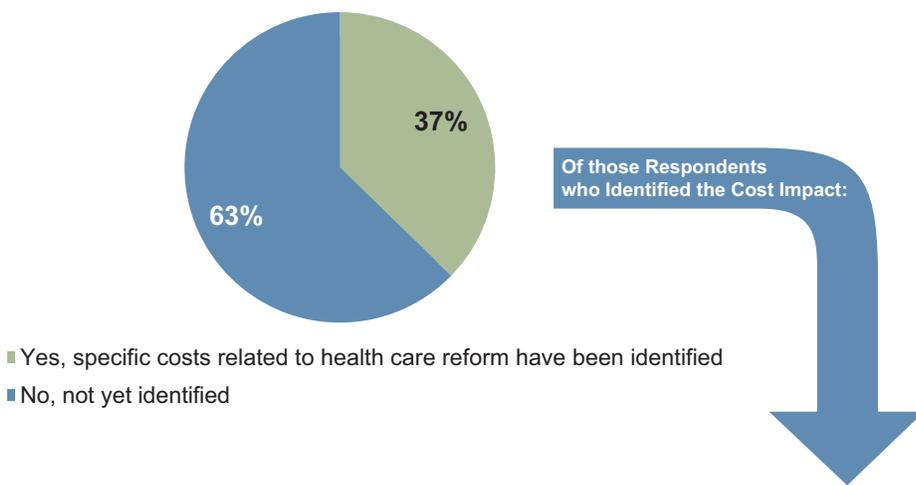


# COST IMPACT OF HEALTH CARE REFORM

## Identification of Health Care Reform Costs

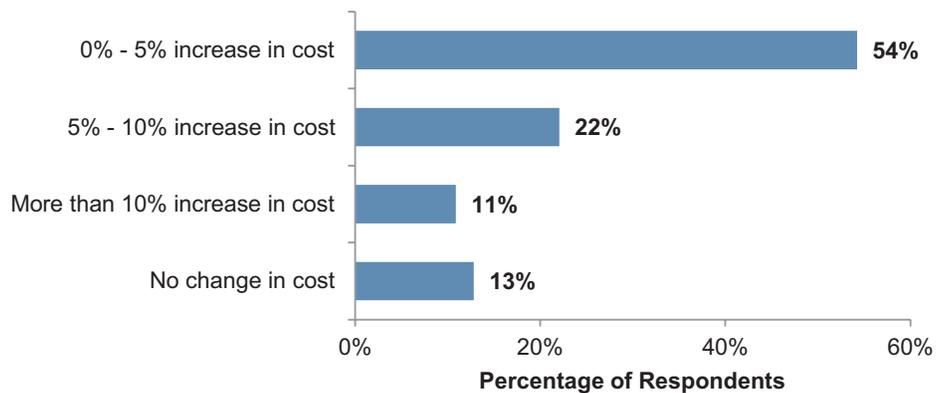
Although health care reform is a top concern for many organizations, a minority have actually taken the time to consider its cost impact. Only 37% of respondents have identified the cost impact of health care reform for their health plans in 2014. While this is an increase over the 28% of respondents that had identified these costs from last year's survey, it demonstrates that for many organizations, determining an accurate assessment of these figures is still a challenge.

### HAVE YOU BEEN ABLE TO IDENTIFY THE COST IMPACT OF HEALTH CARE REFORM TO YOUR GROUP HEALTH PLAN IN 2014? (N=995)



### BY HOW MUCH DID HEALTH CARE REFORM PROVISIONS IMPACT YOUR ORGANIZATION'S HEALTH PLAN COSTS FOR 2014? (N=367)

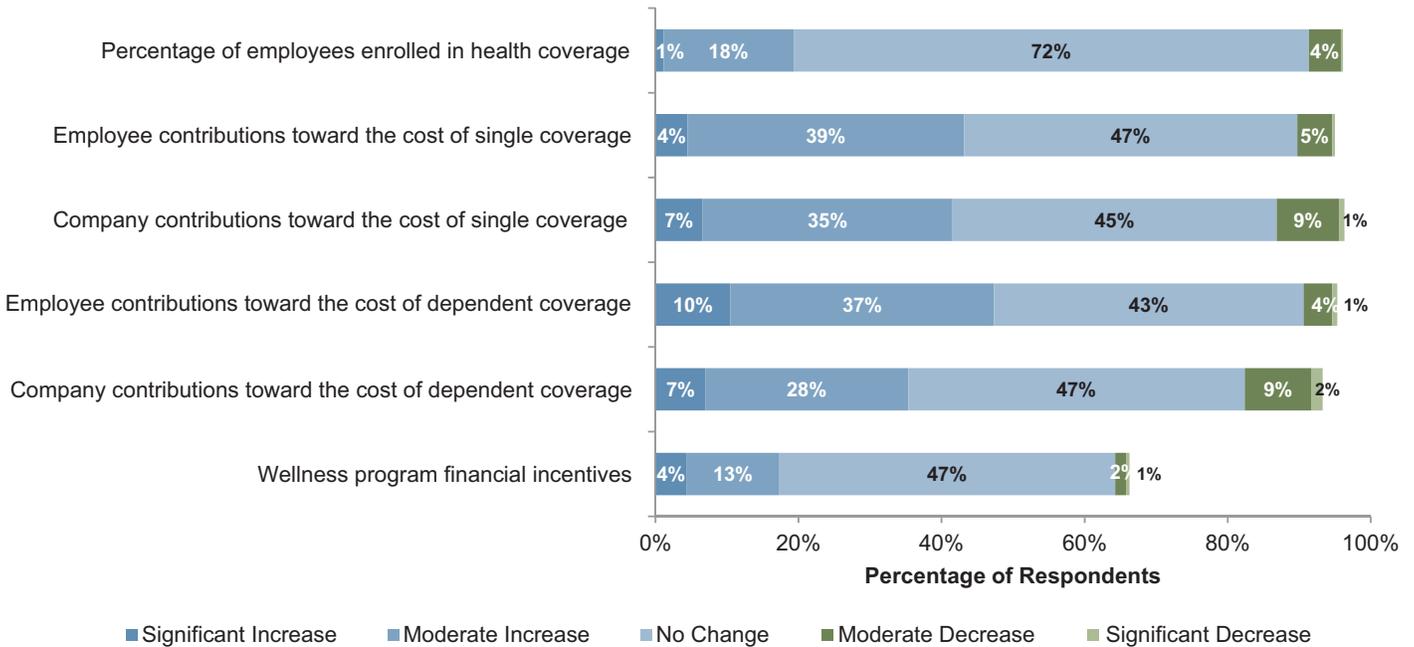
For those organizations who had identified this cost impact for 2014, over half (54%) noted a cost increase between 0% and 5%.



## Effect of Health Care Reform on Contribution Requirements

Similar to last year's survey, most respondents indicated that health care reform did not change their plan contributions, though this year finds more respondents increasing employee contributions for single coverage (43% in 2014 compared to 33% last year) and dependent coverage (47% in 2014 compared to 37% last year). Of those citing significant increases, those increases were for the cost of dependent coverage (10%) which is not currently subject to affordability testing under PPACA. In organizations' forward-looking strategies, cost-shifting for dependent coverage will continue to increase.

### HOW HAS HEALTH CARE REFORM AFFECTED YOUR HEALTH PLAN IN THE FOLLOWING AREAS? (N=982)

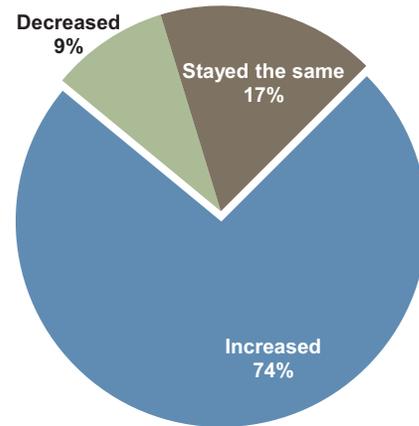


## Health Plan Cost Changes

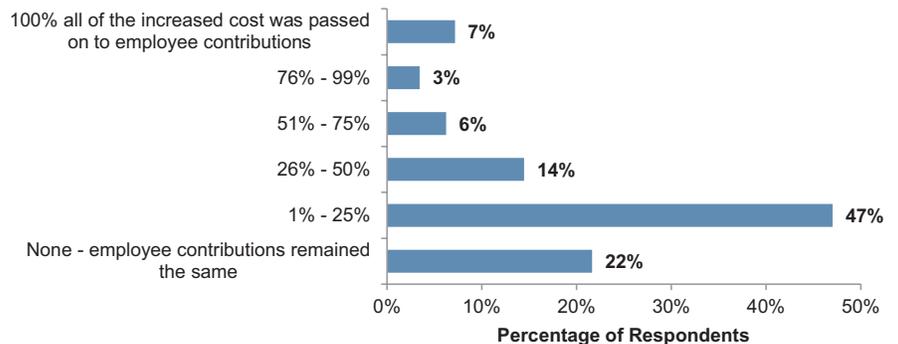
In general, group medical costs for employers continue to rise. Nearly three-quarters of respondents (74%) indicated that their health plan costs increased in 2014, while 17% said that their costs remained the same and 9% cited a decrease. Respondents were asked to provide overall health plan cost changes (not necessarily specific to health care reform provisions). Of those organizations whose health costs increased, the average increase was 10.6%. For those who experienced a decrease in health plan costs, the average decrease was 8%.

Of the respondents who cited an increase, almost half (47%) indicated that up to 25% of that increase was passed on to employees. Twenty-two percent of respondents kept employee contributions the same, 14% increased contributions between 26% and 50%, and 9% of respondents increased contributions between 51% and 99%. Only 7% of respondents that experienced health plan cost increases decided to pass the entire increase onto employees. While organizations have voiced their concerns in keeping costs down, it's clear that transferring those costs onto employees, while exercised in varying levels by most organizations, is only a partial solution in keeping organizational costs down.

HEALTH PLAN COST CHANGE FROM 2013 TO 2014 (N=1,033)



OF YOUR ORGANIZATION'S HEALTH PLAN COST INCREASE, ON AVERAGE, WHAT PORTION OF THE INCREASE WAS PASSED ON TO EMPLOYEES? (N=753)

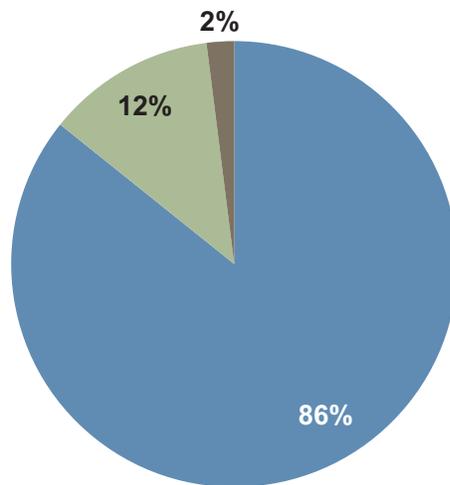


## PPACA UPCOMING REQUIREMENTS AND COMPLIANCE STATUS

### Minimum Value Plan Determination

When the delay of the employer mandate penalty was announced, many organizations had already taken steps to ensure their compliance with upcoming PPACA requirements, including the “minimum value” requirement and this is reflected in the survey findings. This aspect of the Health Care Reform law requires that the plan cover 60% of medical costs. Despite the delay, 86% of respondents had already determined that their plan(s) met the 60% actuarial value standard, 2% had determined that their plan(s) did not meet that standard and the remaining 12% had yet to determine if their plan(s) were in compliance.

#### DOES YOUR ORGANIZATION'S HEALTH PLAN(S) MEET THE 60% ACTUARIAL VALUE STANDARD (DEFINED AS THE PLAN COVERING 60% OF MEDICAL COSTS)? (N=1,004)

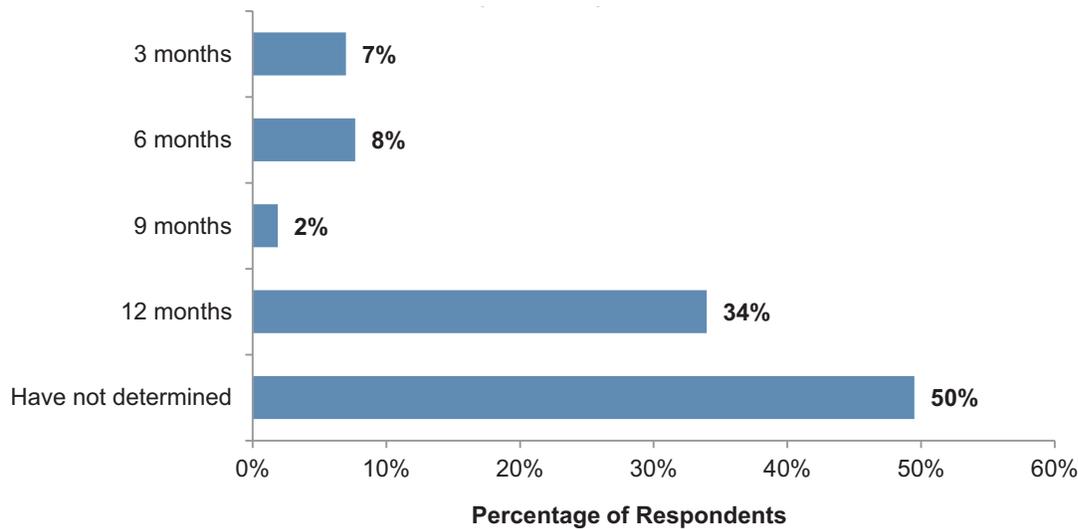


- Yes; we have determined that all plans meet the 60% actuarial value standard
- We have not determined if the health plan(s) meet the 60% actuarial value standard
- No; one or more plans do not meet the 60% actuarial value standard

## How Organizations are Measuring Full-Time Employees

While the majority of respondents have determined the actuarial value of their health plan(s), the same cannot be said for another aspect of health care reform: establishment of the standard measurement, or “look back” period. The standard measurement period is needed to determine whether new/ongoing variable hour or seasonal employees are “full time employees” for purposes of the employer shared responsibility provisions of PPACA (sometimes known as Pay or Play). Half of respondents have not determined what measurement period they will use, while over a third (34%) said that they will use a 12-month period (the maximum timeframe allowed).

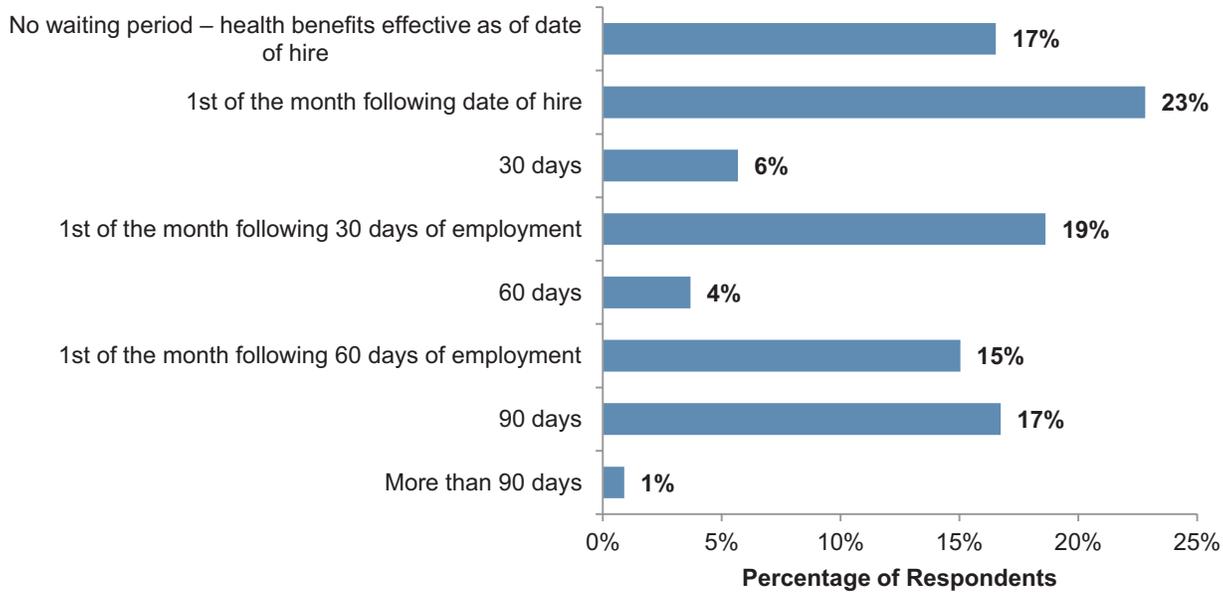
### WHAT STANDARD MEASUREMENT PERIOD (OR “LOOK BACK” PERIOD) DOES YOUR ORGANIZATION HAVE IN PLACE (OR INTEND TO UTILIZE)? (N=1,004)



## Waiting Periods Used to Manage Plan Eligibility

Waiting periods for health benefit eligibility vary among respondents. The first of the month following date of hire is the most prevalent (23%) followed by the first of the month following 30 days of employment (19%). Seventeen percent of respondents have a 90 day waiting period which is the maximum under PPACA.

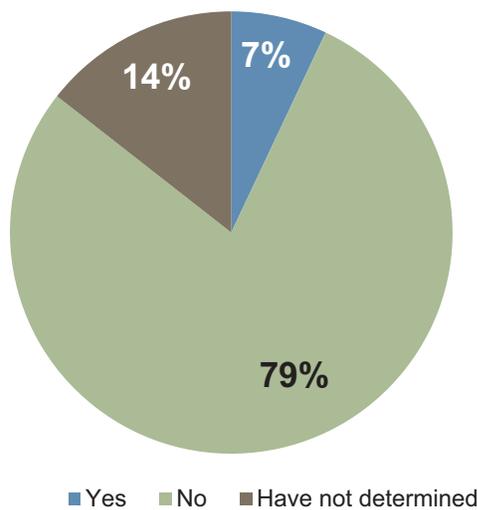
### WHAT IS YOUR ORGANIZATION'S WAITING PERIOD REQUIRED FOR EMPLOYEES TO BE ELIGIBLE FOR HEALTH BENEFITS? (N=1,004)



## Employer Plan Affordability

The threshold to avoid one of the PPACA penalties depends on the cost of individual coverage under for the employer plan. Affordability is generally determined by comparing the cost of coverage to the employee's household income. However, most organizations have to use W-2 income for a proxy of the employee's actual household income amount. The majority (79%) of respondents have determined that none of their employees pay more than 9.5% of their earnings for single coverage for the lowest cost health plan option (i.e., the affordability test). Fourteen percent have yet to apply the test, and the remaining 7% have determined that they do have employees who are paying more than 9.5% of earnings for their lowest cost plan option.

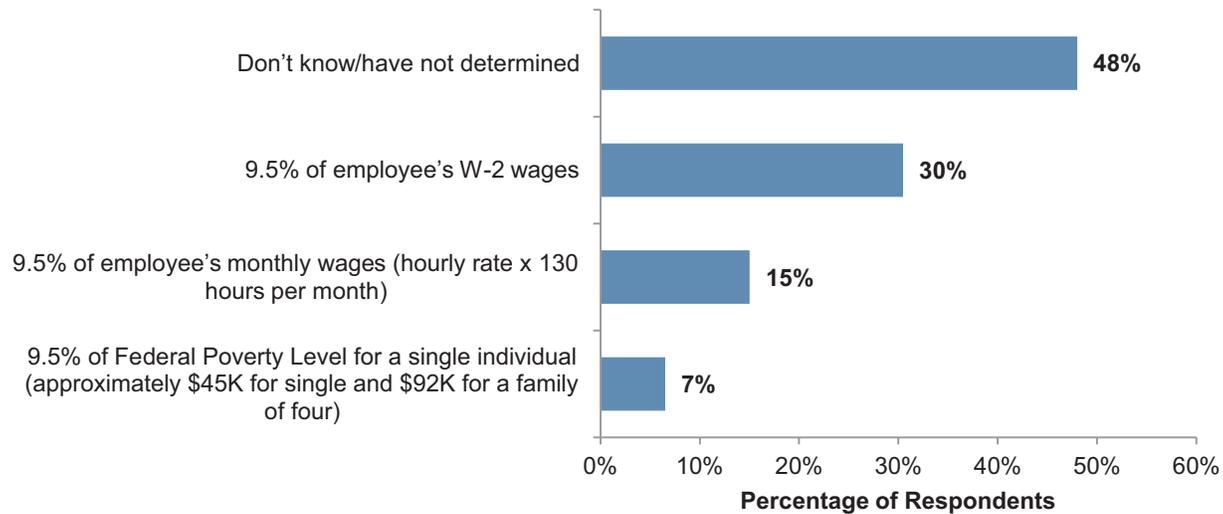
### ARE ANY OF YOUR ORGANIZATION'S EMPLOYEES PAYING MORE THAN 9.5% OF THEIR EARNINGS FOR SINGLE COVERAGE UNDER THE LOWEST COST HEALTH PLAN OPTION? (N=998)



## Methods Used to Determine Affordability Levels

Most respondents indicated that they have determined affordability of their plans; however, only 52% can identify which test was used to determine affordability. PPACA allows three safe harbor methods to test affordability. In order for an individual to receive a subsidy on the exchange, the cost of single coverage under the organization's lowest cost health plan must be greater than 9.5% of household income. In making the determination regarding whether or not the benefits were "affordable", 30% of respondents used employees' W-2 wages as their selected safe harbor method.

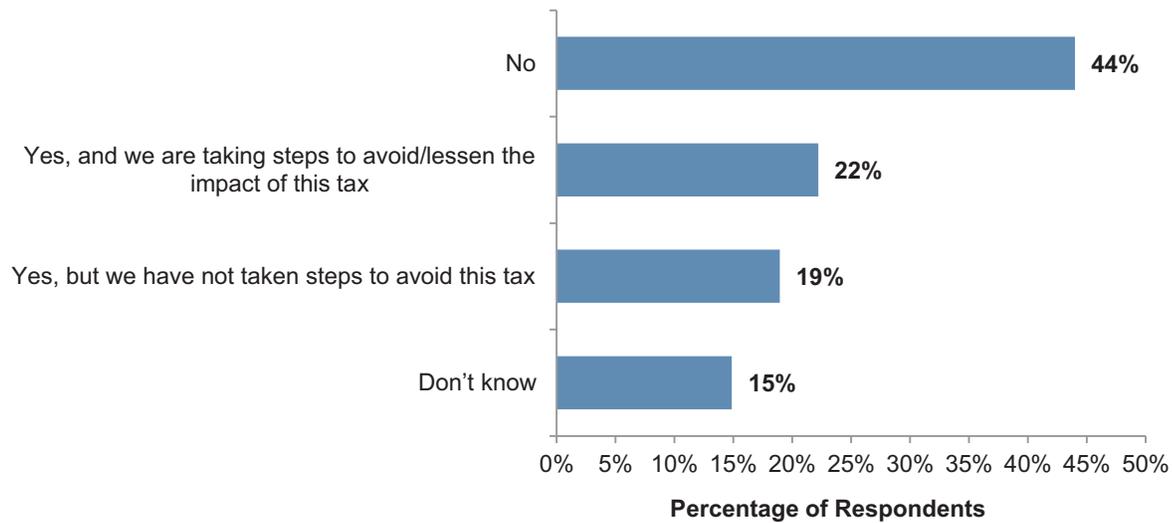
### WHAT SAFE HARBOR METHOD DID YOUR ORGANIZATION SELECT (OR PLAN TO SELECT) TO TEST YOUR LOWEST COST HEALTH PLAN'S AFFORDABILITY? (N=998)



## Cadillac Tax

Though not effective until 2018, the excise tax, or Cadillac tax, is already being addressed by many organizations that could face significant cost increases in 2018 and beyond as this tax takes effect. Forty-one percent of respondents have identified this impact: 22% are taking steps to minimize the impact while another 19% have not identified steps they will take in order to avoid the tax. As additional delays are enacted for key pieces of PPACA, many are of the opinion that the Cadillac tax is one item that will also be delayed or eliminated altogether. As of yet, the Cadillac tax is set to be effective in 2018.

### HAS YOUR ORGANIZATION IDENTIFIED THE IMPACT OF THE EXCISE TAX ("CADILLAC TAX") EFFECTIVE 2018? (N=982)



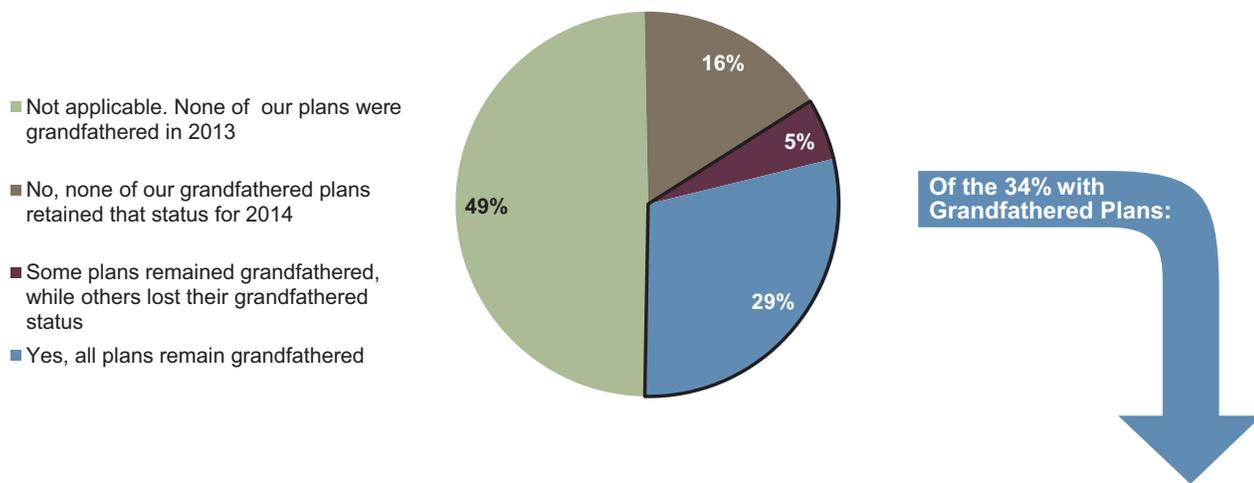
## Grandfathered Plans

A limited number of plan mandates can be avoided if an employer plan remains “grandfathered.” While nearly half of respondents did not have any grandfathered plans in 2013 (49%), the remaining half that did were faced with decisions regarding their grandfathered plans.

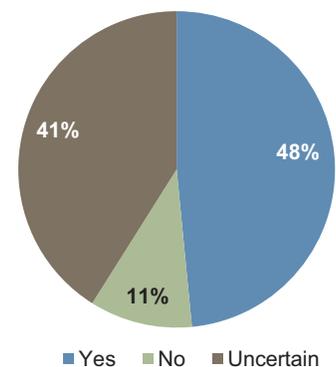
Twenty-nine percent kept their plans as-is, 16% indicated that their plans lost grandfathered status in 2014 and 5% had a mix of plans that remained grandfathered while others didn’t keep that status.

Given that the financial incentives are generally relatively low, it is surprising to some to see how many employers plan to retain grandfathered status. Nearly half (48%) of the respondents with grandfathered plans intend to maintain them going into 2015. Forty-one percent are uncertain and 11% already anticipate that 2014 will be the last year their health plan remains grandfathered.

### DID YOUR ORGANIZATION'S CURRENT GRANDFATHERED HEALTH PLAN OPTION(S) REMAIN GRANDFATHERED IN 2014? (N=945)



### DO YOU ANTICIPATE YOUR ORGANIZATION'S GRANDFATHERED HEALTH PLAN OPTION(S) WILL REMAIN GRANDFATHERED GOING INTO 2015? (N=324)

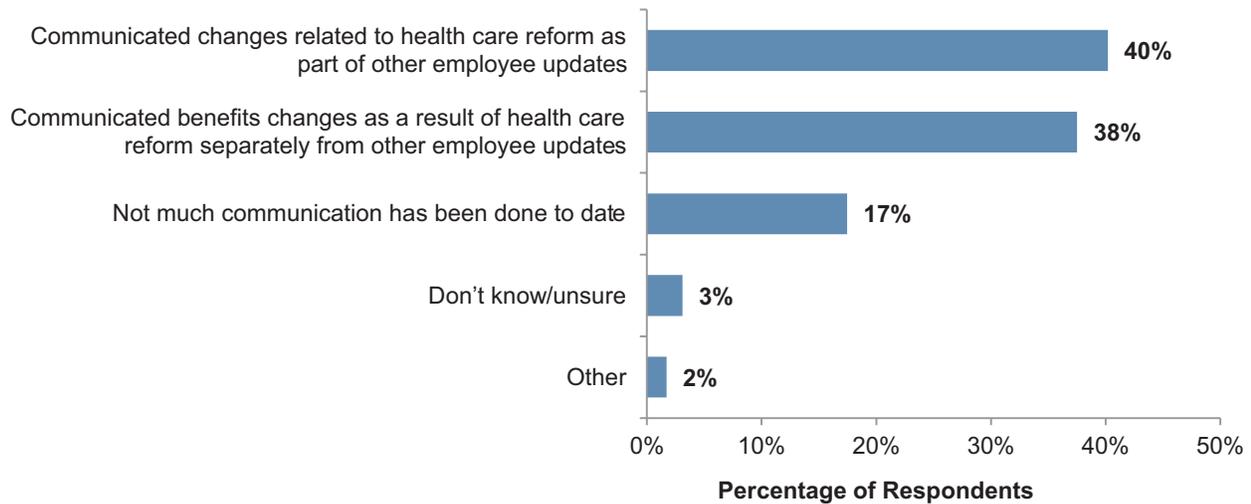


# HEALTH CARE REFORM COMMUNICATIONS

## Increase of Health Care Reform Communications

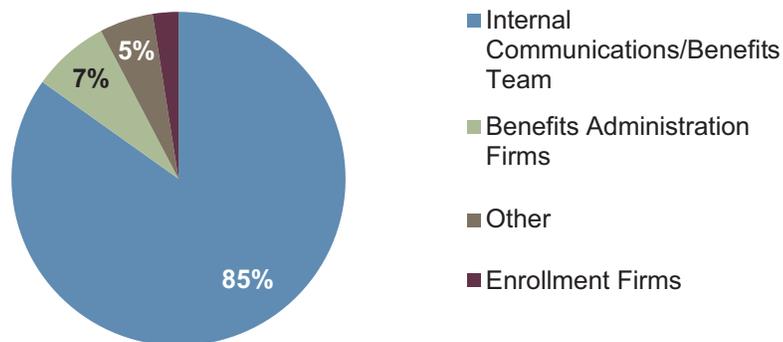
Most organizations (78%) have communicated benefit changes due to health care reform either as part of other employee updates (40%) or as separate communications (38%). Only 17% have not provided much communication to date, representing a favorable decrease from 30% of respondents who hadn't provided communications in last year's survey.

### WHAT EFFORTS HAS YOUR ORGANIZATION MADE TO COMMUNICATE BENEFIT CHANGES AS A RESULT OF HEALTH CARE REFORM TO EMPLOYEES? (N=933)



The majority of respondents (85%) use their own internal communications/benefits team to communicate health care reform information to employees.

### ARE YOUR COMMUNICATIONS REGARDING HEALTH CARE REFORM COMMUNICATED BY: (N=942)

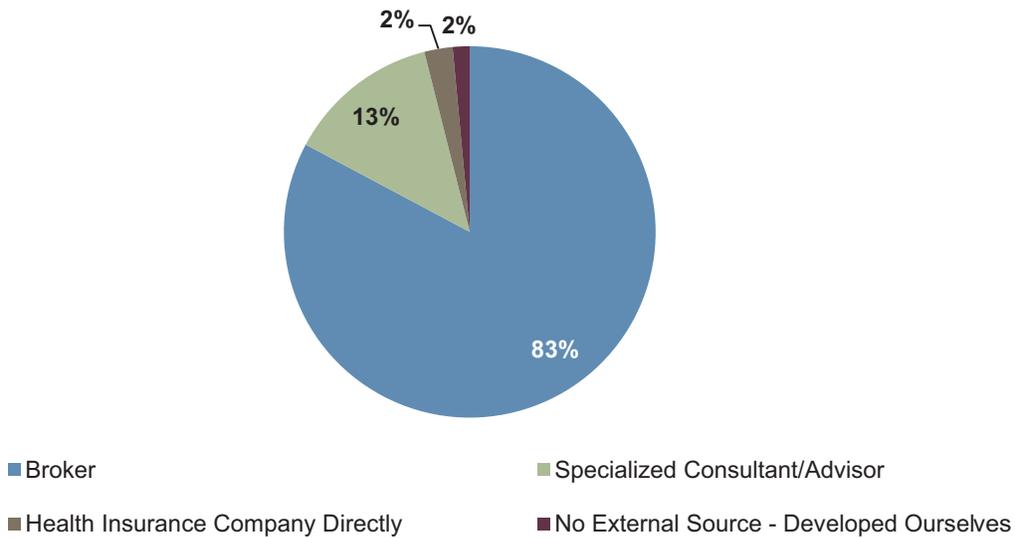


## HEALTH CARE REFORM KNOWLEDGE AND CONSULTING RESOURCES

### Use of Professional Advisors

Most organizations continue to rely on their professional advisors for health care reform information. The majority of respondents (83%) obtained advice on their group health plan from their brokers, followed by specialized consultants/advisors (13%), direct from their health insurance companies (2%) or developed internally (2%).

**FOR YOUR 2014 BENEFITS, WHICH SOURCES DID YOUR ORGANIZATION HIRE OR OBTAIN ADVICE FROM IN THE STRUCTURING OF YOUR GROUP HEALTH PLANS? (N=1,031)**

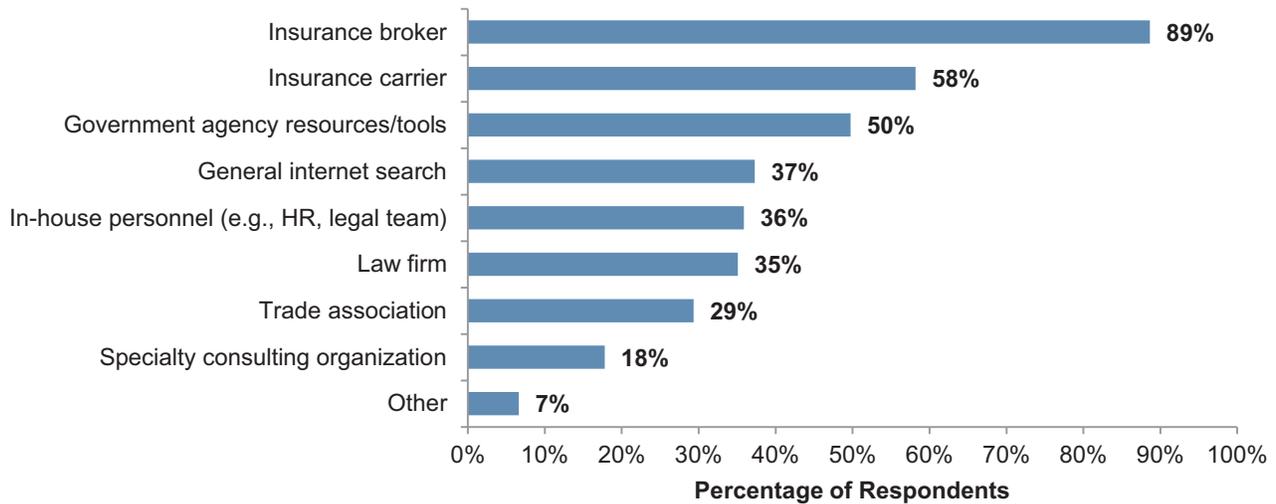


Reliance on broker advice for benefit strategy is also evident for group life/disability benefits, retirement and other employee benefits, though specialized consultant advisors are utilized most frequently for retirement benefits.

## Top Sources of Health Care Reform Information

Similar to health benefit strategies, most respondents (89%) rely on their brokers to keep them updated and informed on health care reform. Interestingly, the number of organizations citing general internet search as a source of information on health care reform (37%) is consistent with in-house HR or legal teams (36%) or law firms.

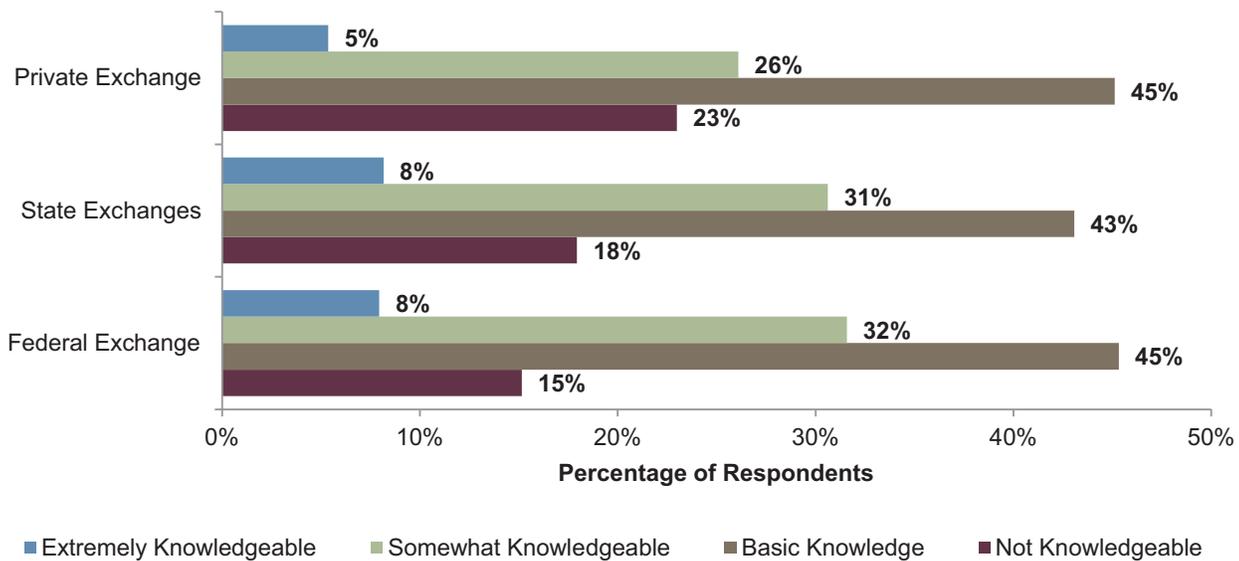
### WHAT IS YOUR ORGANIZATION'S SOURCE(S) FOR HEALTH CARE REFORM INFORMATION? (N=995)



## Internal HR and Benefits Teams' Knowledge of Exchanges

Most respondents say that their HR/Benefits teams have a basic knowledge of private, federal and state exchanges. Twenty-three percent of organizations said that they are not knowledgeable on private exchanges. Taking into account the 72% of respondents do not have or are not even considering a private exchange strategy, it is possible that private exchanges are not being considered because of a lack of understanding about how such exchanges operate.

### HOW KNOWLEDGEABLE IS YOUR HUMAN RESOURCES/BENEFITS TEAM ABOUT HEALTH EXCHANGES? (N=931)





**Willis North America Inc.**

Brookfield Place  
200 Liberty Street, 7th Floor  
New York, New York 10281-1003  
United States  
+1 212 915 8888

**[www.willis.com](http://www.willis.com)**

50075/05/14

Copyright ©2014

