

HEALTH REFORM 2014 ARE WE THERE YET?

March 12, 2014



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Introductions & Agenda



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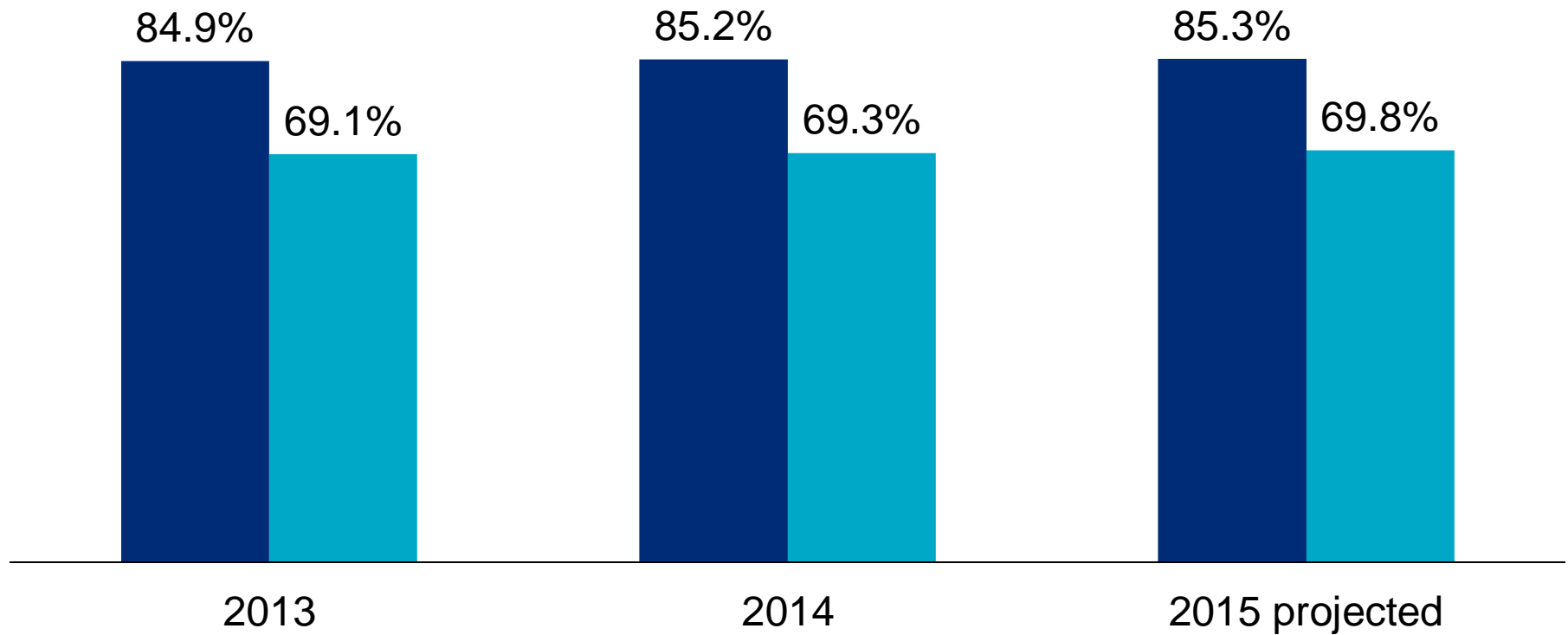
- Introduction
- Open enrollment 2014 results
- Employer actions in response to ACA rules
 - To delay or not to delay?
 - Strategies to manage enrollment growth
 - Plan value and affordability
- What employers worry about most – and what they're doing about it
 - Administrative burden
 - Excise tax
- Why employers believe it's still worth it!

About the survey

- 7th in our series of health care reform surveys launched in 2008
- Fielded in January 2014
 - Random sample of US employers of all sizes
 - Mercer clients
- 723 employers participated
 - 26% with fewer than 500 employees
 - 49% with 500-4,999 employees
 - 24% with 5,000 employees

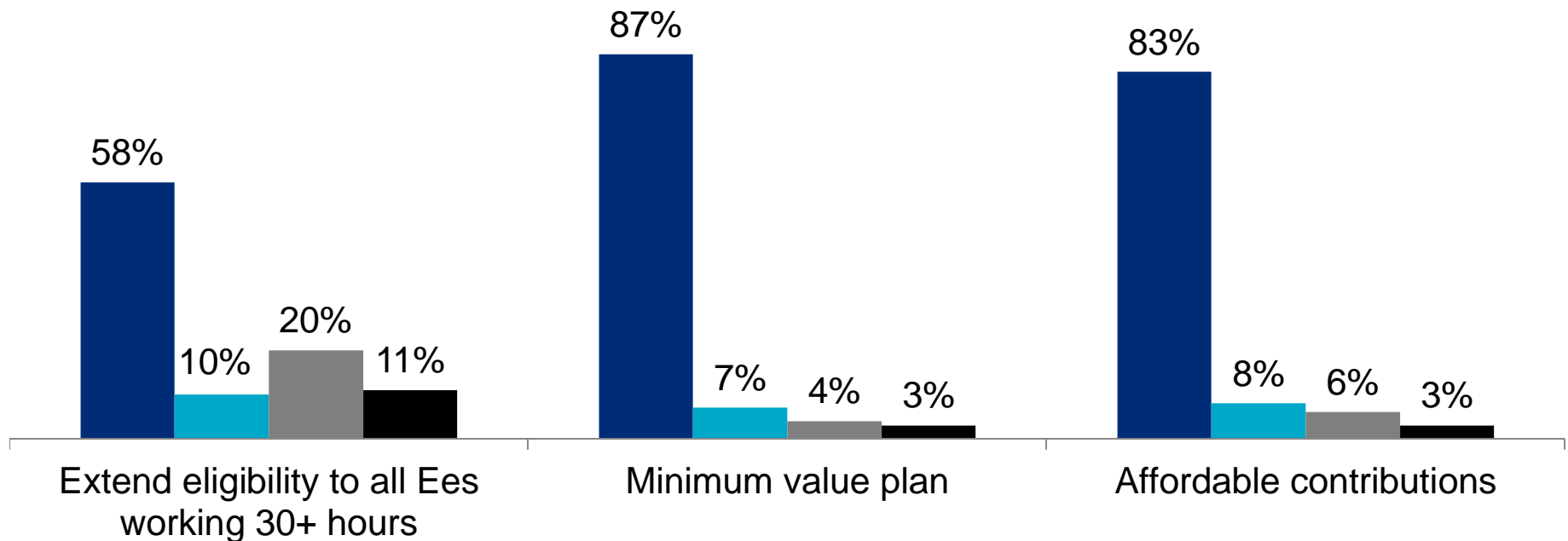
Only minimal increase in employer health plan enrollment in 2014

- Average % of employees eligible for health coverage
- Average % of all employees enrolled



Employer response to the delay in the effective date (from 2013 to 2014) for penalties associated with the shared responsibility requirements

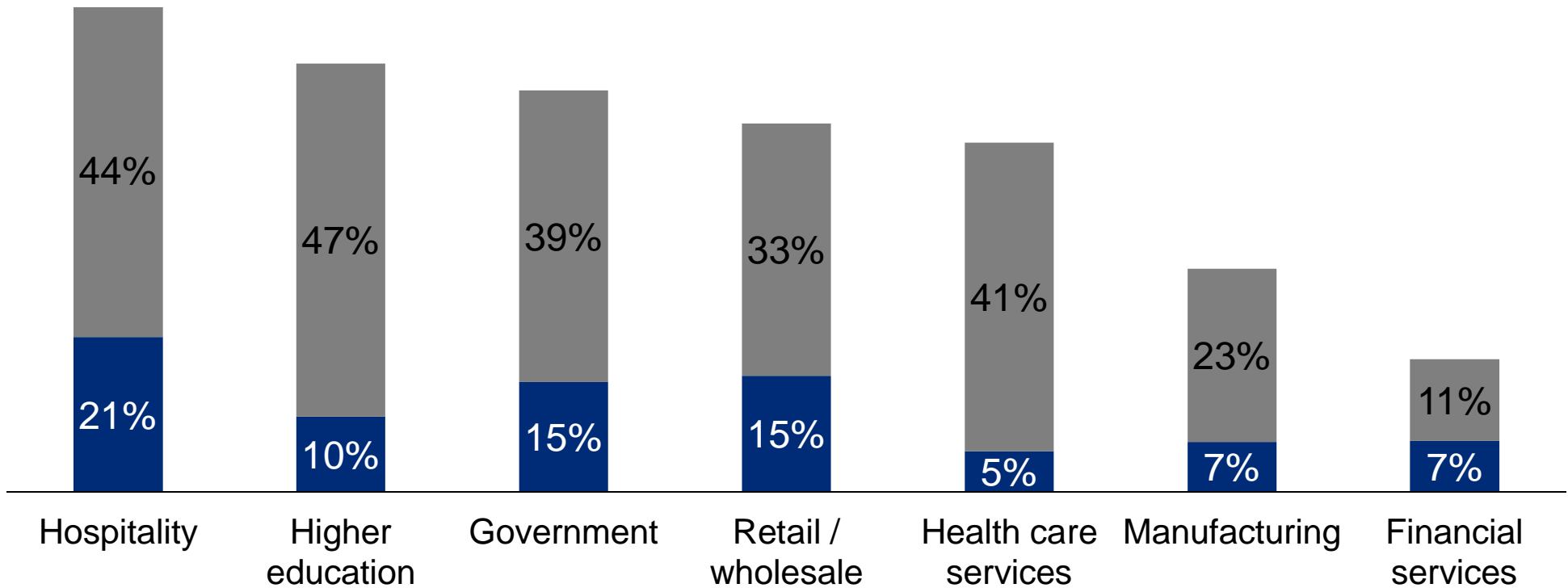
- Already in compliance
- Made changes to comply in 2014
- Will make changes to comply in 2015
- Waiting for final regs before making changes



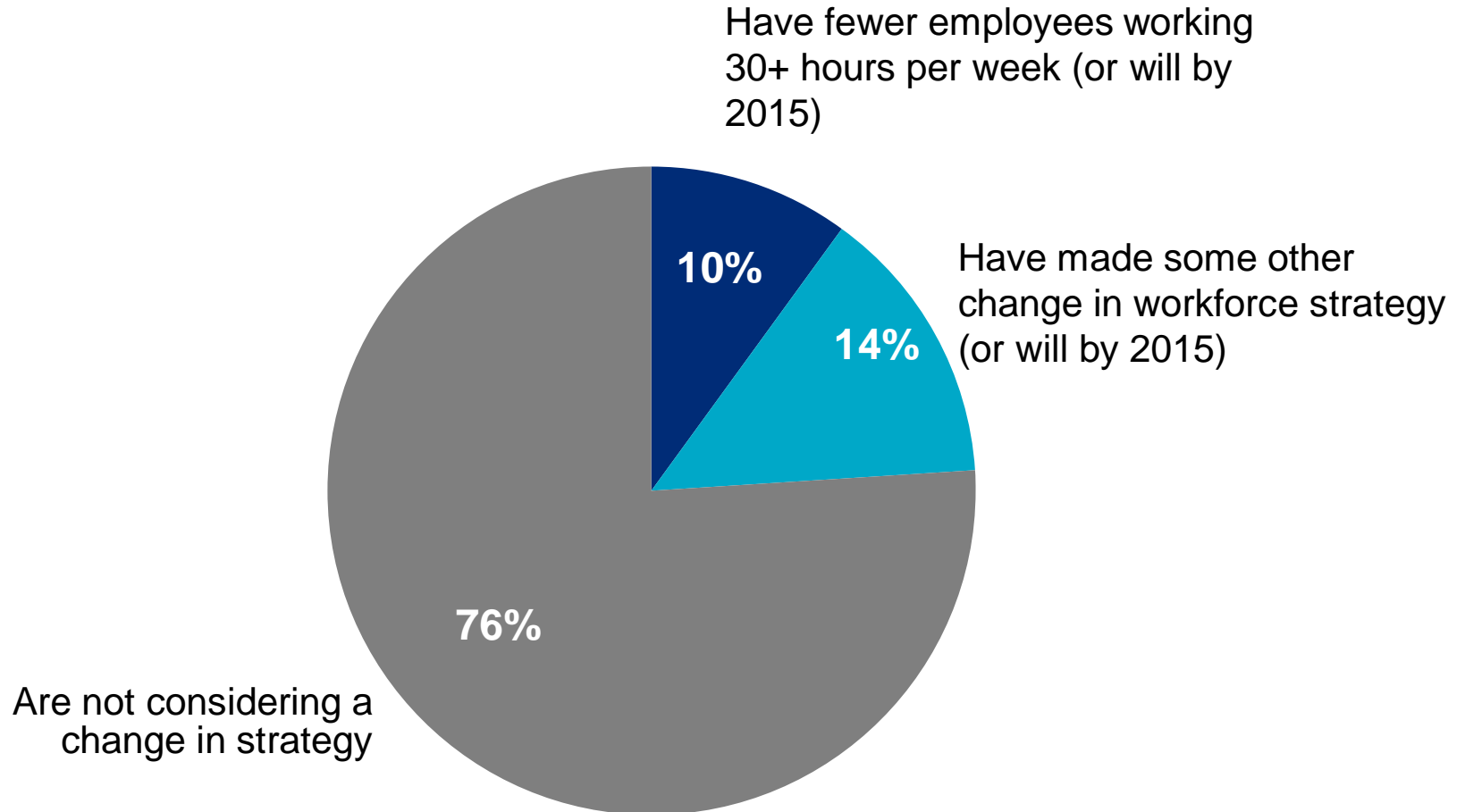
Employers in hospitality and higher education are the most affected by the rule to extend coverage to all employees working 30+ hours/week

Percent of respondents that needed to make changes to comply

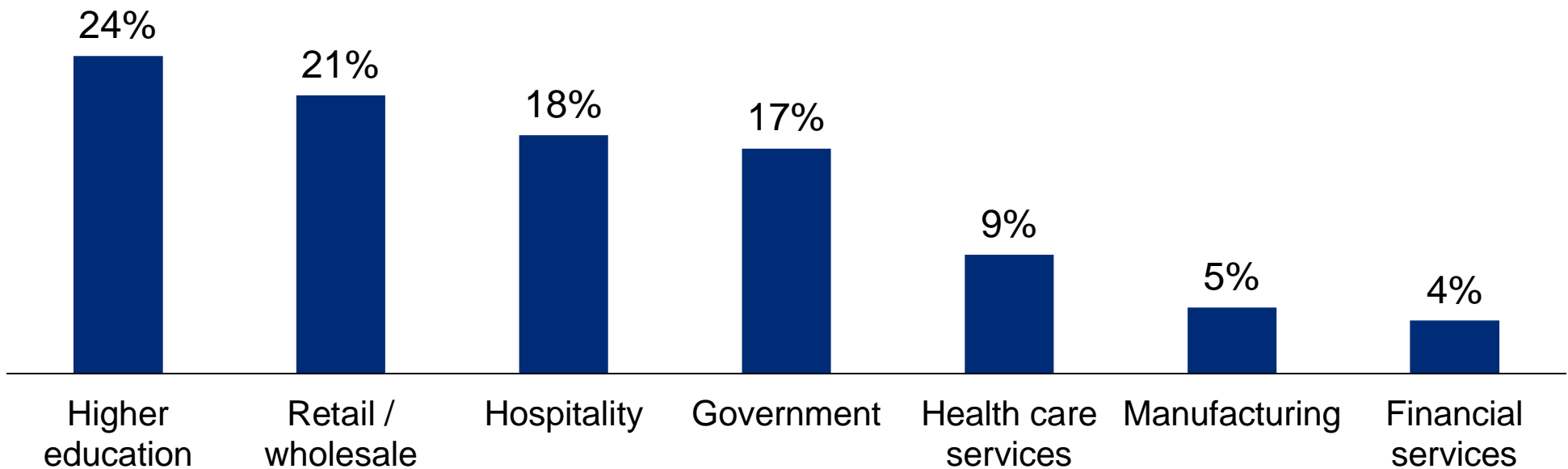
- Will make changes in 2015 / waiting for final regulations
- Made changes to comply in 2014



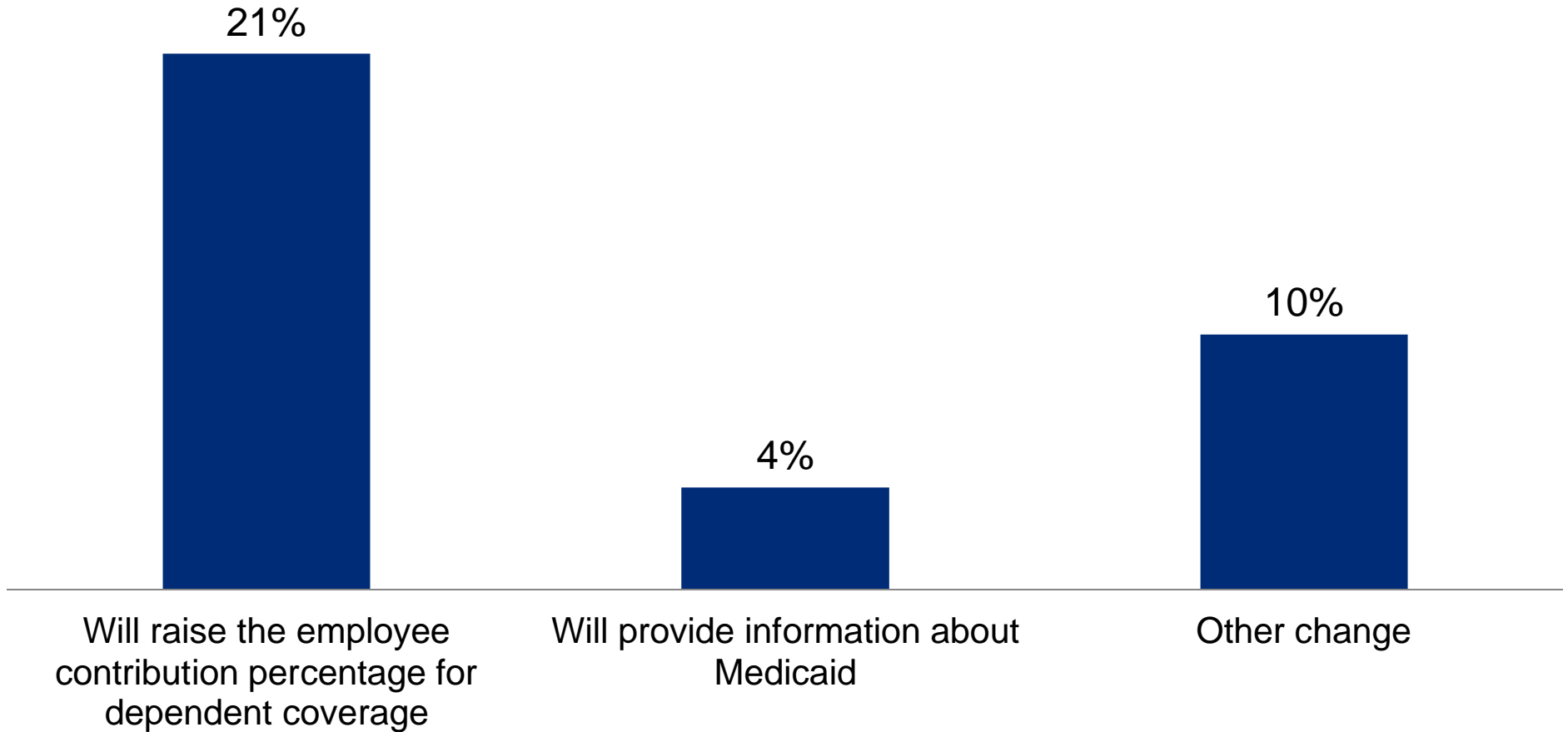
Adjustments to workforce strategy to manage growth in the number of employees eligible for coverage in 2015



Have fewer employees working 30+ hours per week (or will by 2015), by industry



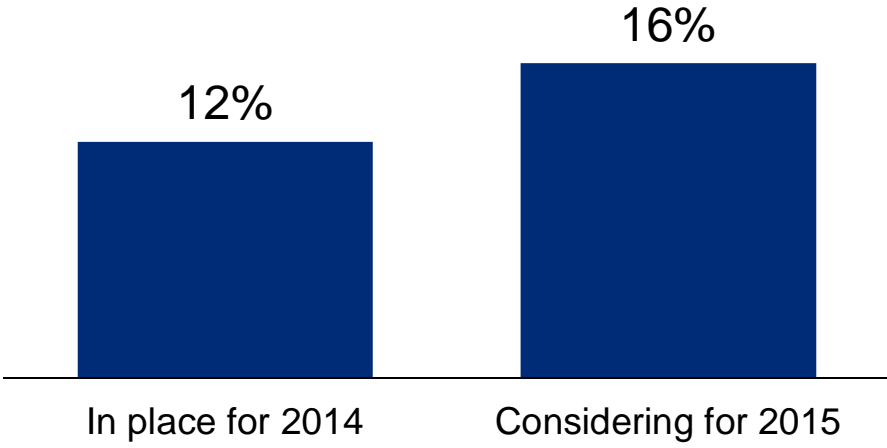
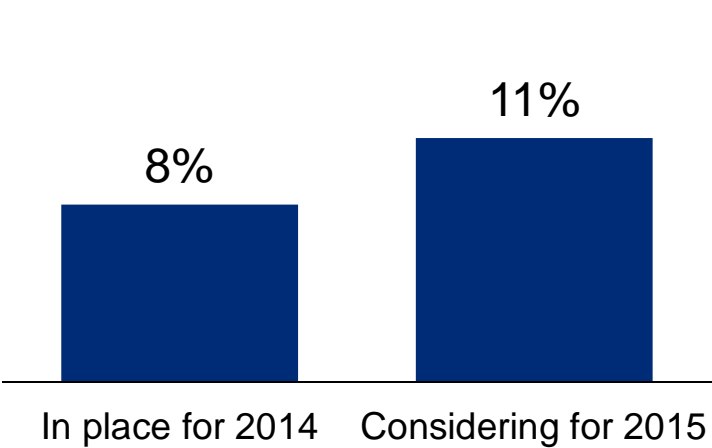
Changes to health plan contribution strategy to manage growth in the number of employees electing dependent coverage



Special provisions concerning employees' spouses who have other coverage available

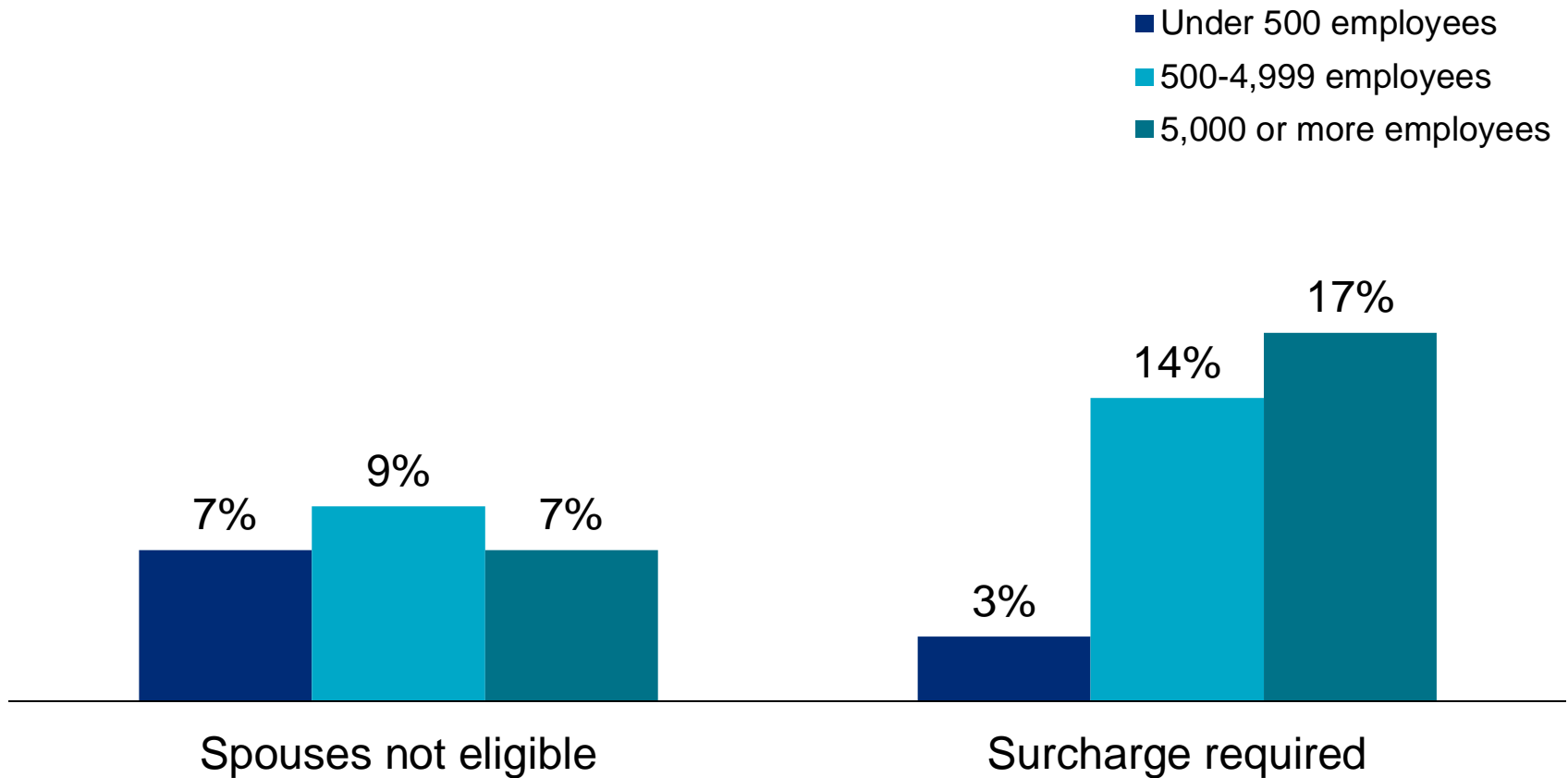
Spouses not eligible

Surcharge required



Larger employers prefer spousal surcharge to exclusion

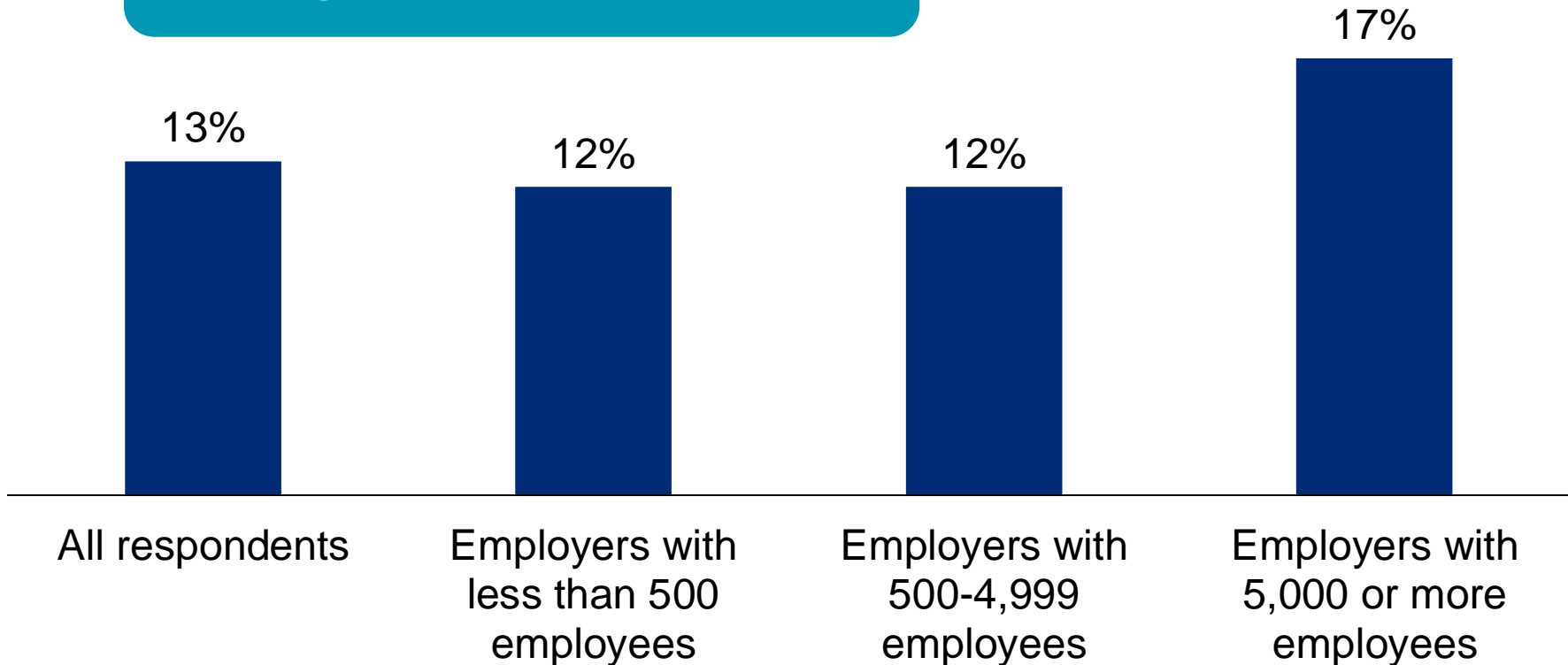
Special provisions concerning employees' spouses who have other coverage available, by employer size



Percent of covered spouses* exiting the plan the first year the spousal surcharge / exclusion was in place

Among respondents that have a spousal surcharge / exclusion

Spouses not covered 18% exited
Surcharge required 11% exited

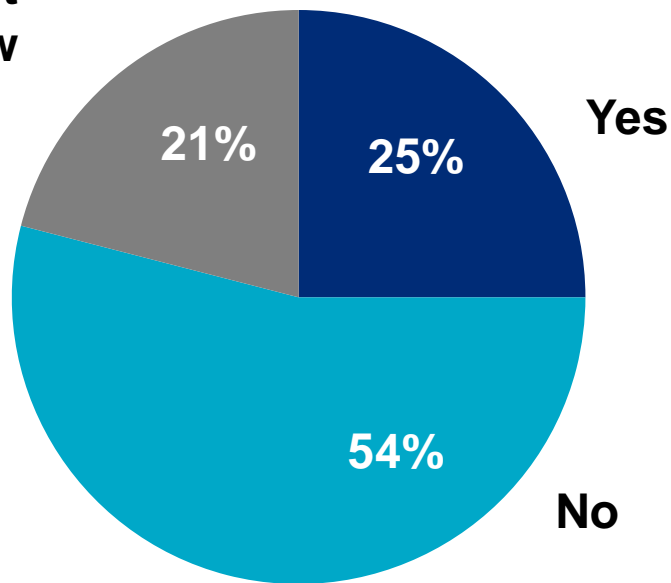


* with other coverage available

Employers perception of ACA's effect on employees' enrollment decisions in 2014

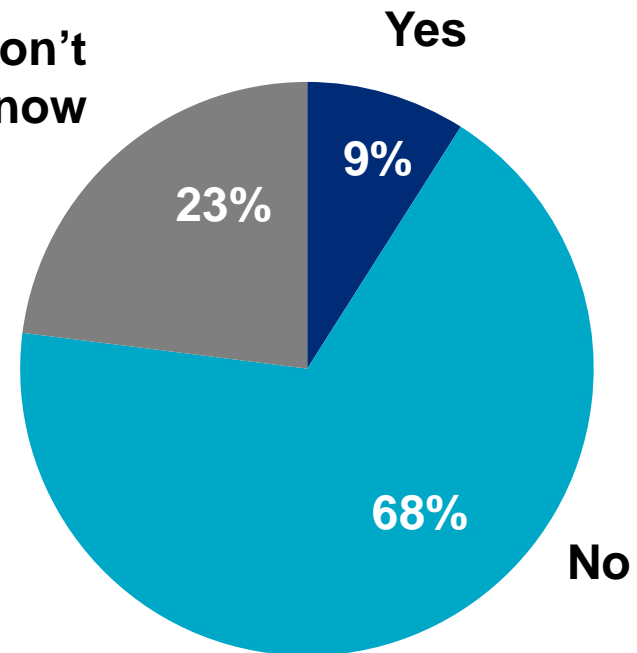
Believe at least some employees who had formerly waived coverage enrolled in 2014 because of the individual mandate

Don't know



Believe at least some former enrollees waived coverage in favor of Medicaid or subsidized coverage in a public exchange

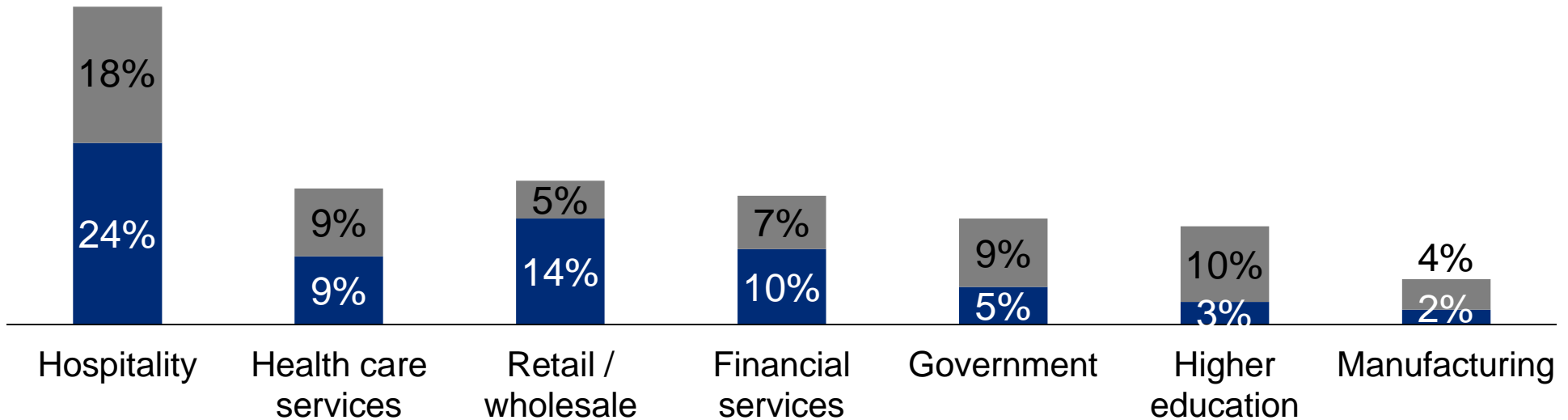
Don't know



Affordable contributions rule affects relatively few employers outside of hospitality and retail sectors

Percent of respondents that needed to make changes to comply

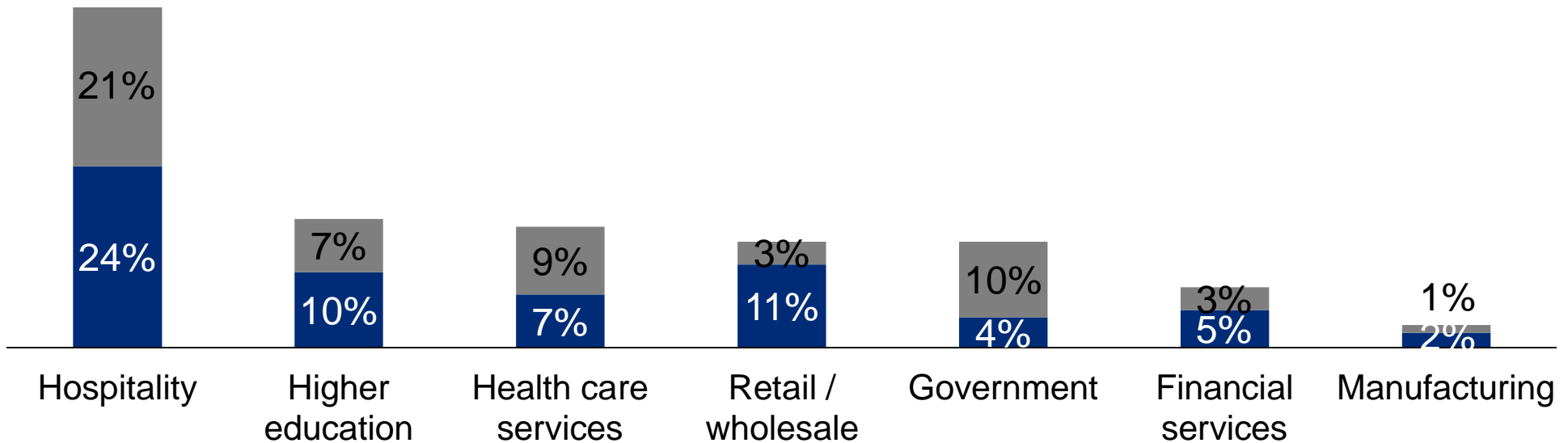
- Will make changes in 2015 / waiting for final regulations
- Made changes to comply in 2014



Minimum plan value requirement affects nearly half of hospitality employers, but relatively few in other sectors

Percent of respondents that needed to make changes to comply

- Will make changes in 2015 / waiting for final regulations
- Made changes to comply in 2014



Average actuarial value of plans offered in 2014

When one plan only is provided

79%



Only plan

When 2 or more plans are offered

77%



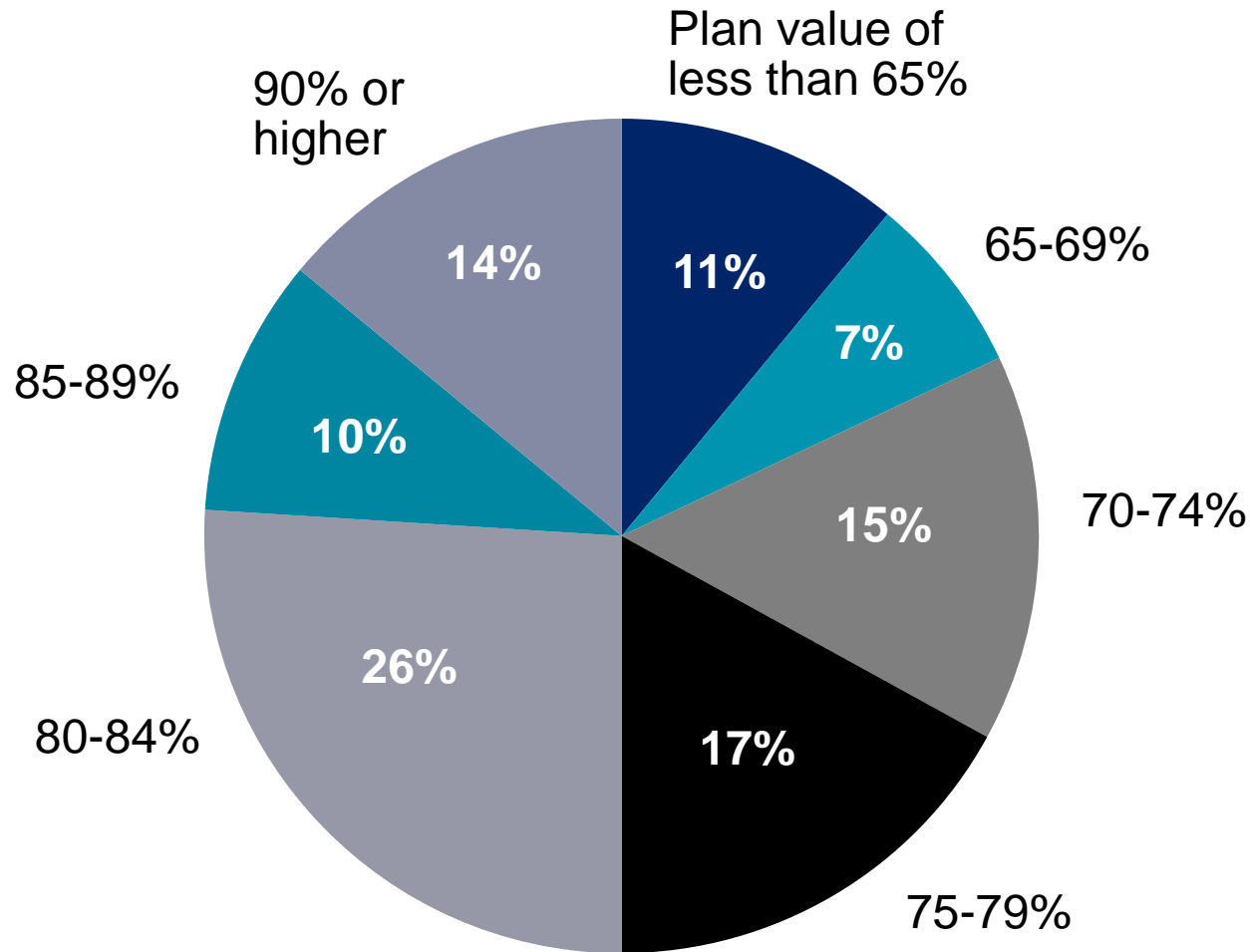
Lowest-cost plan

83%

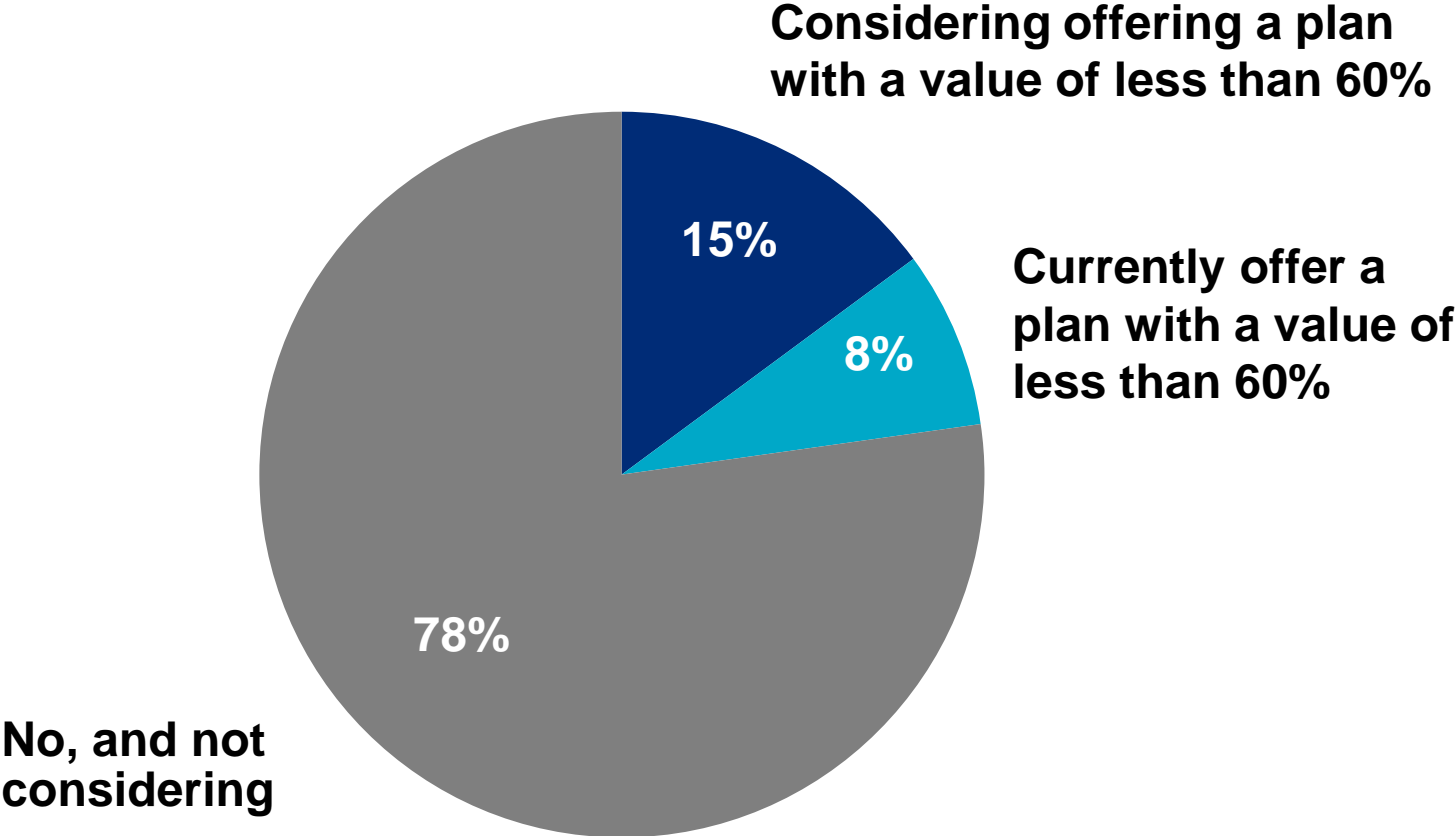


Highest-cost

Only about one in ten employers offer a plan near the ACA minimum, even when they offer multiple plans



Offering a plan that meets the minimum essential coverage requirements but has an actuarial plan value of less than 60%



Areas of significant or very significant concern for the employers' organization under the ACA

■ Very significant
■ Significant

Increased administrative burden



Having to pay excise tax on high-cost plans



Higher enrollment in plans



Higher cost due to minimum value rule



Lower employee contributions to comply with affordability requirement



Method of tracking and recording employee hours to prove eligibility and to respond to a request for payment of shared responsibility penalties

Payroll department/vendor is handling



Plan administrator is handling



Hired a different third-party to track and record hours



Haven't decided how to track and record hours for this purpose yet

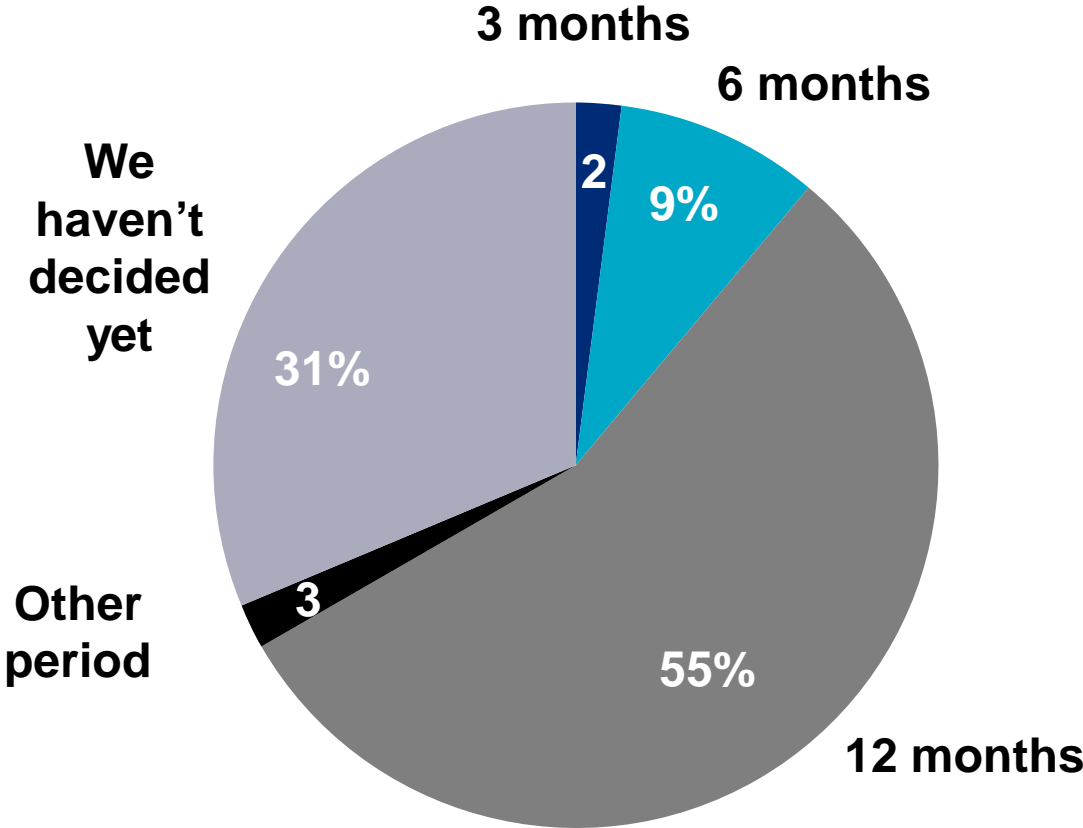


Do not have any employees working variable hours



Look-back period used to determine employees' full-time status and benefit eligibility for 2015

Among respondents with employees who work variable hours



Method of determining the average number of covered lives for the purpose of calculating the PCORI and TRP fees

Internally (benefits, finance or payroll)



Our plan administrator



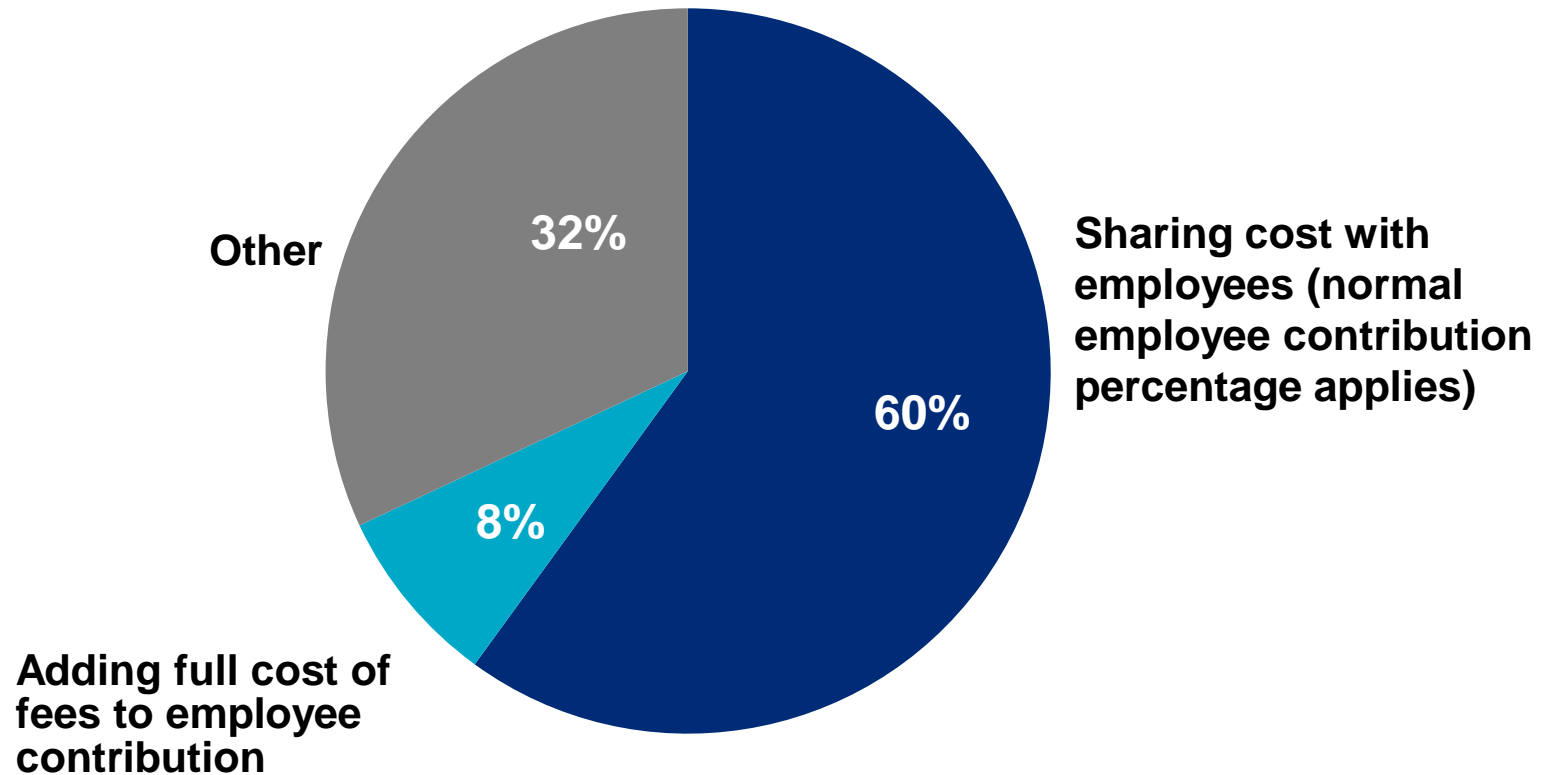
External payroll vendor



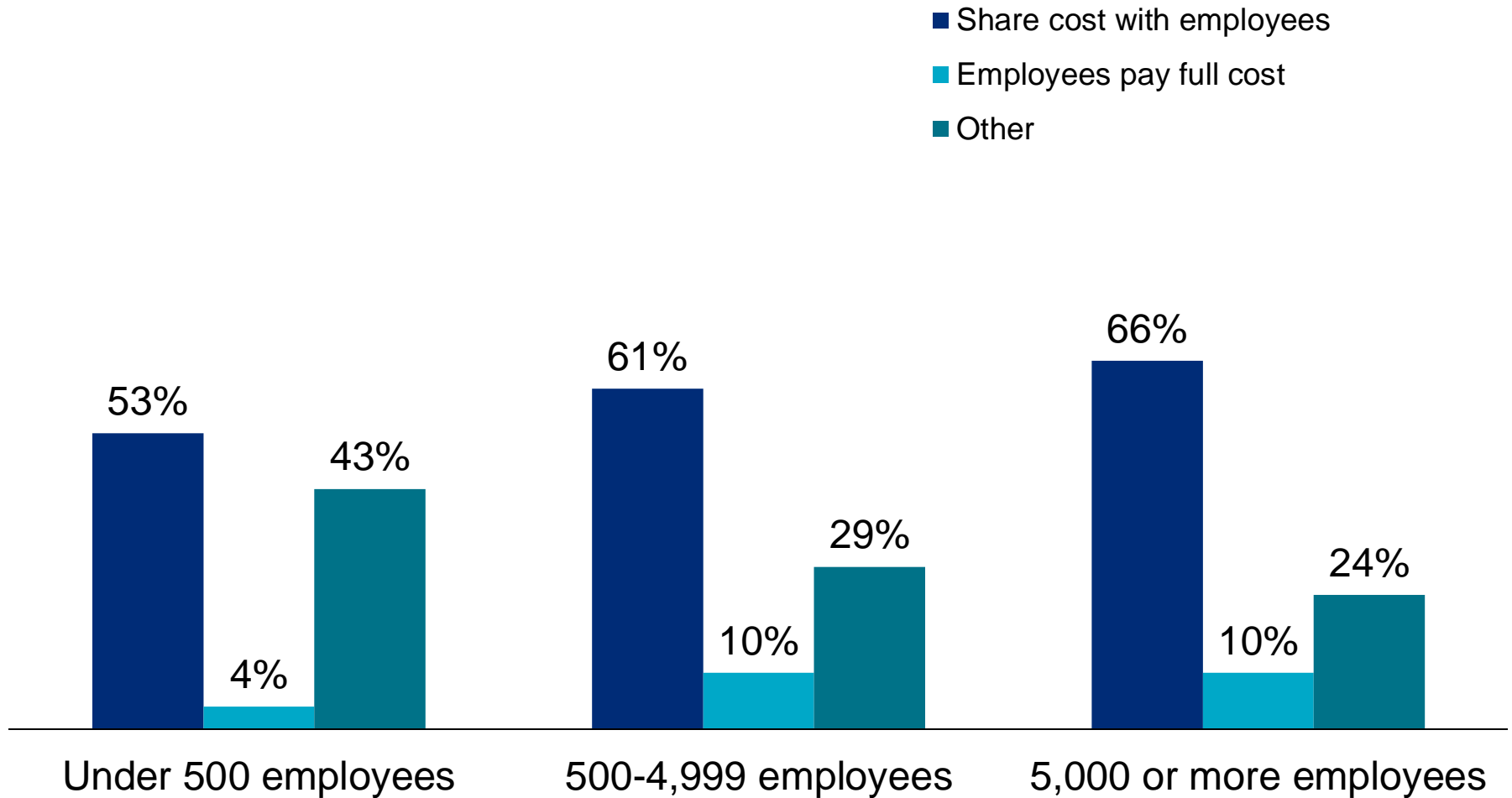
Other



Offsetting the PCORI and/or TRP fees

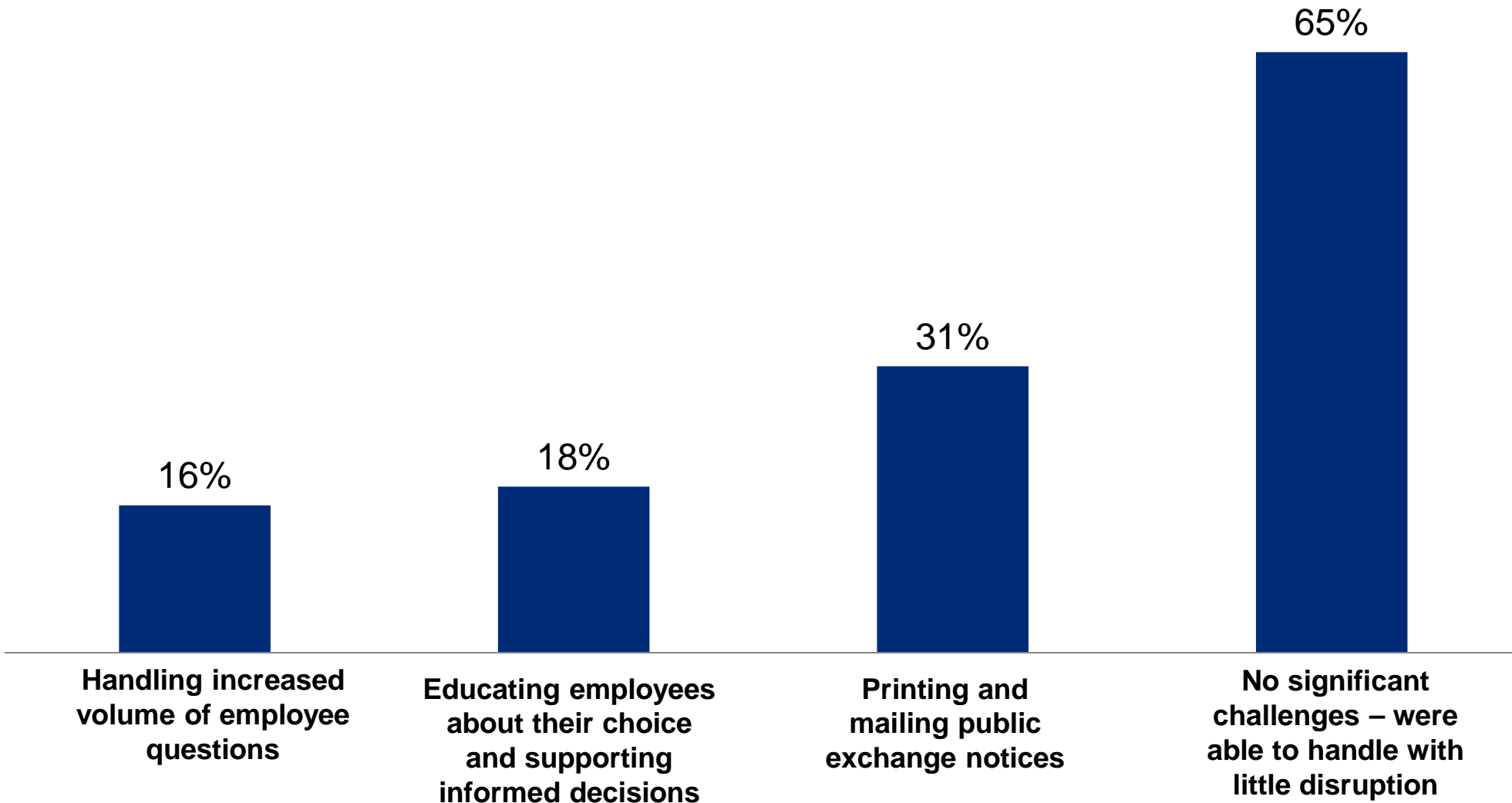


Larger employers more likely to share fees with employees

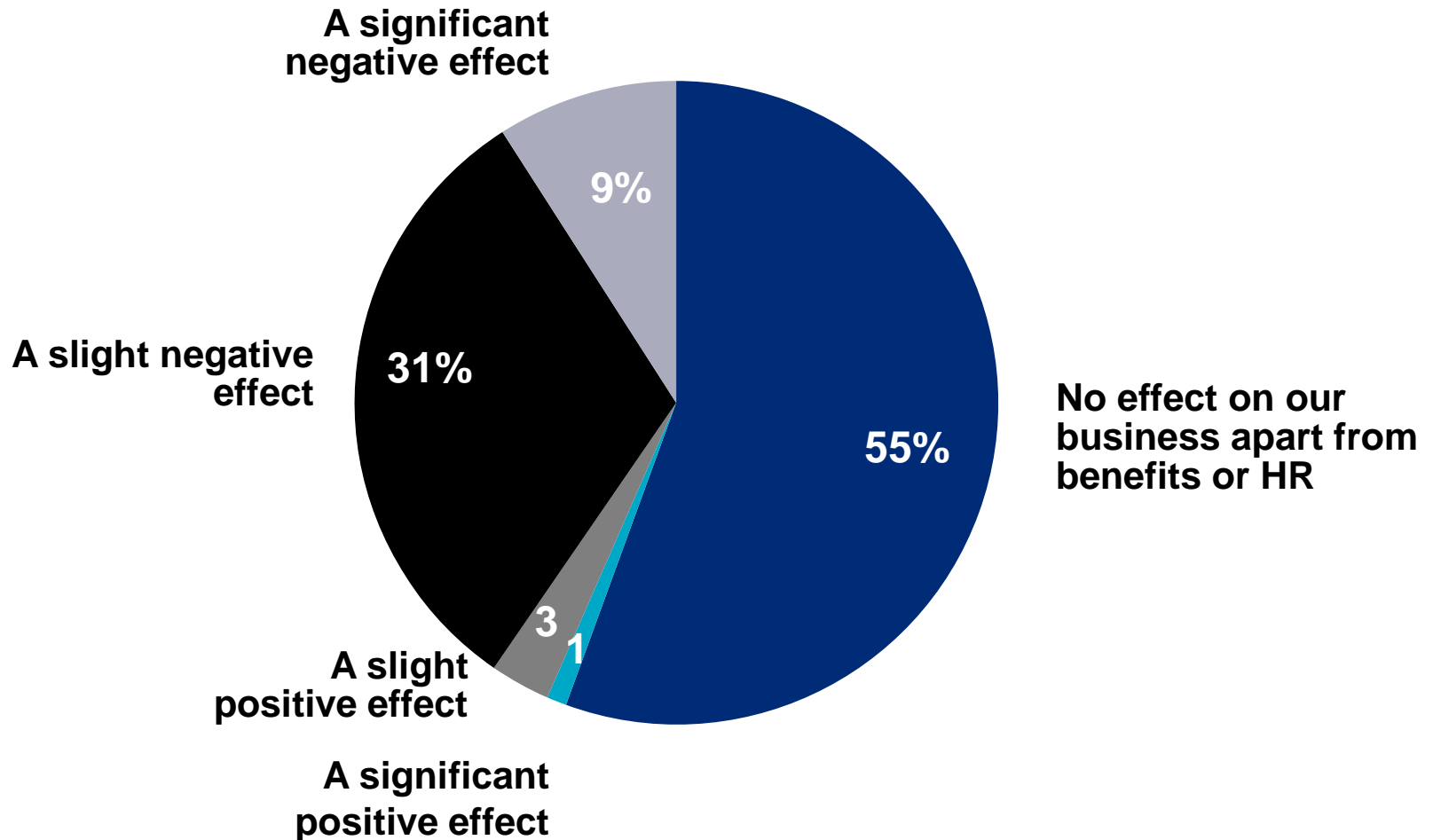


New communication requirements under the ACA

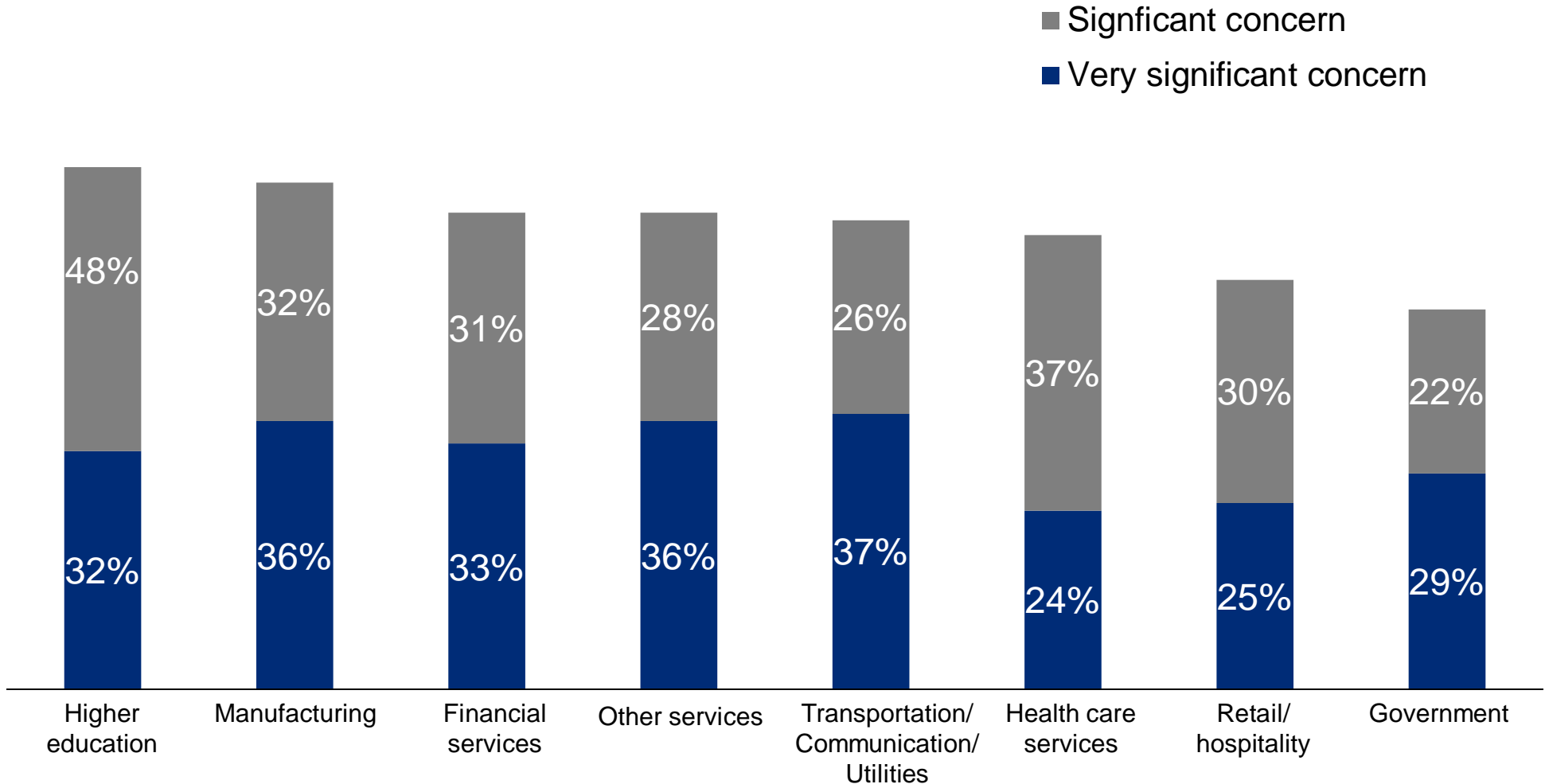
Percent of respondents that found task to be a “significant challenge”



Effect of health reform on business operations or performance over the past two years (apart from its impact on benefits or HR)

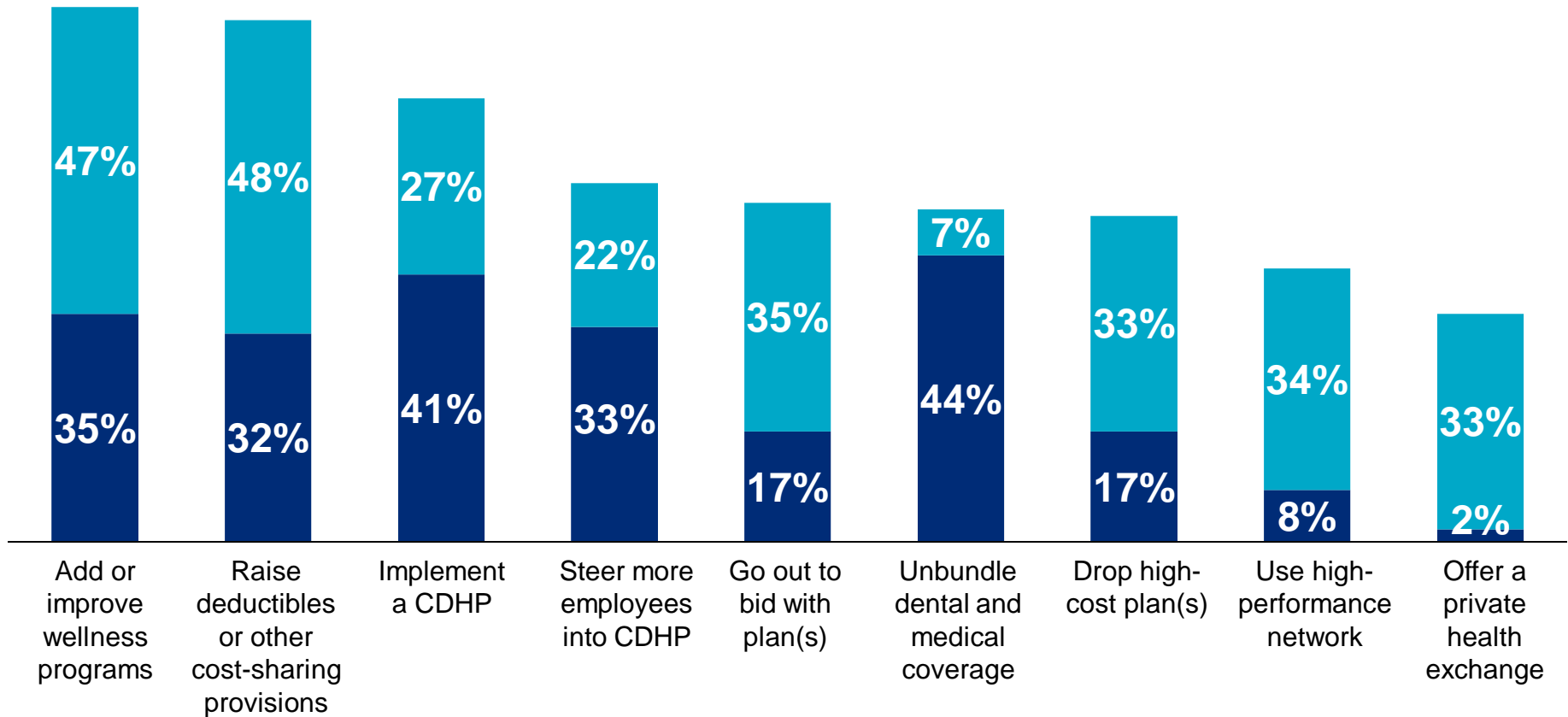


The excise tax on high-cost plans is a significant concern for the majority of respondents



Actions to avoid or minimize the impact of the excise tax on high-cost plans

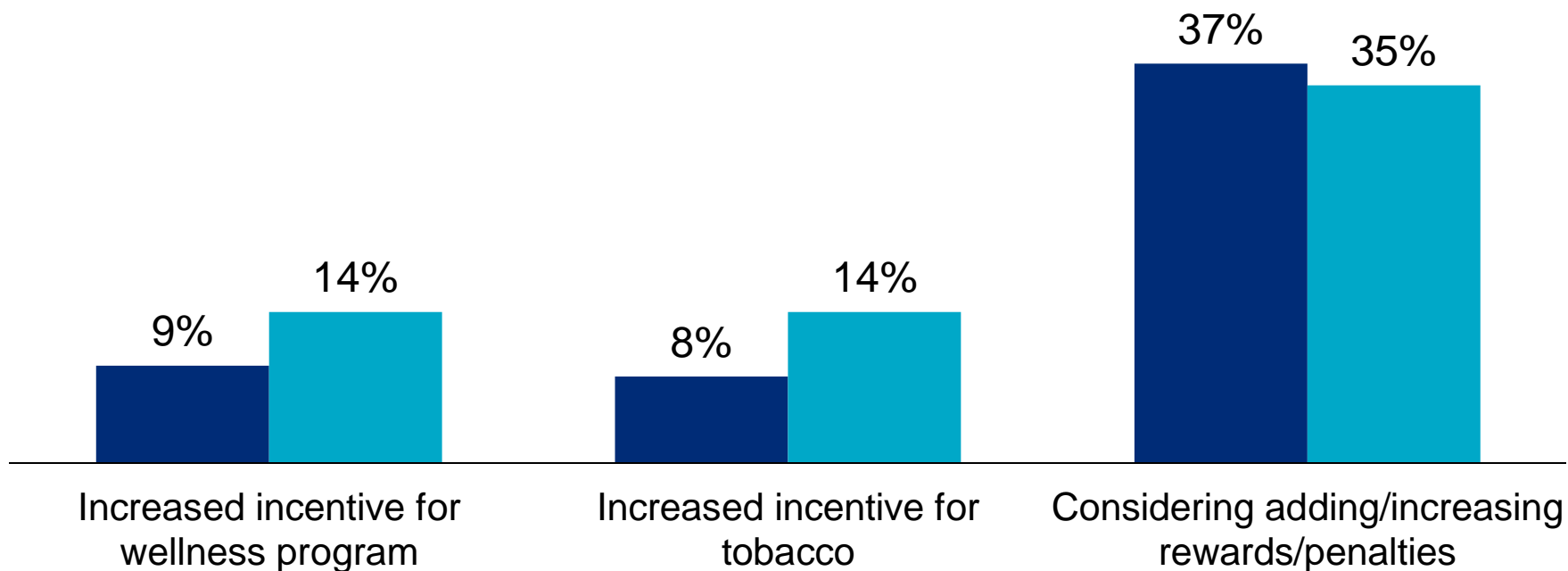
- Considering
- Have taken action



Have added or increased a reward/penalty that can be used in wellness programs (other than participation-only programs) due to the ACA provision allowing higher maximums

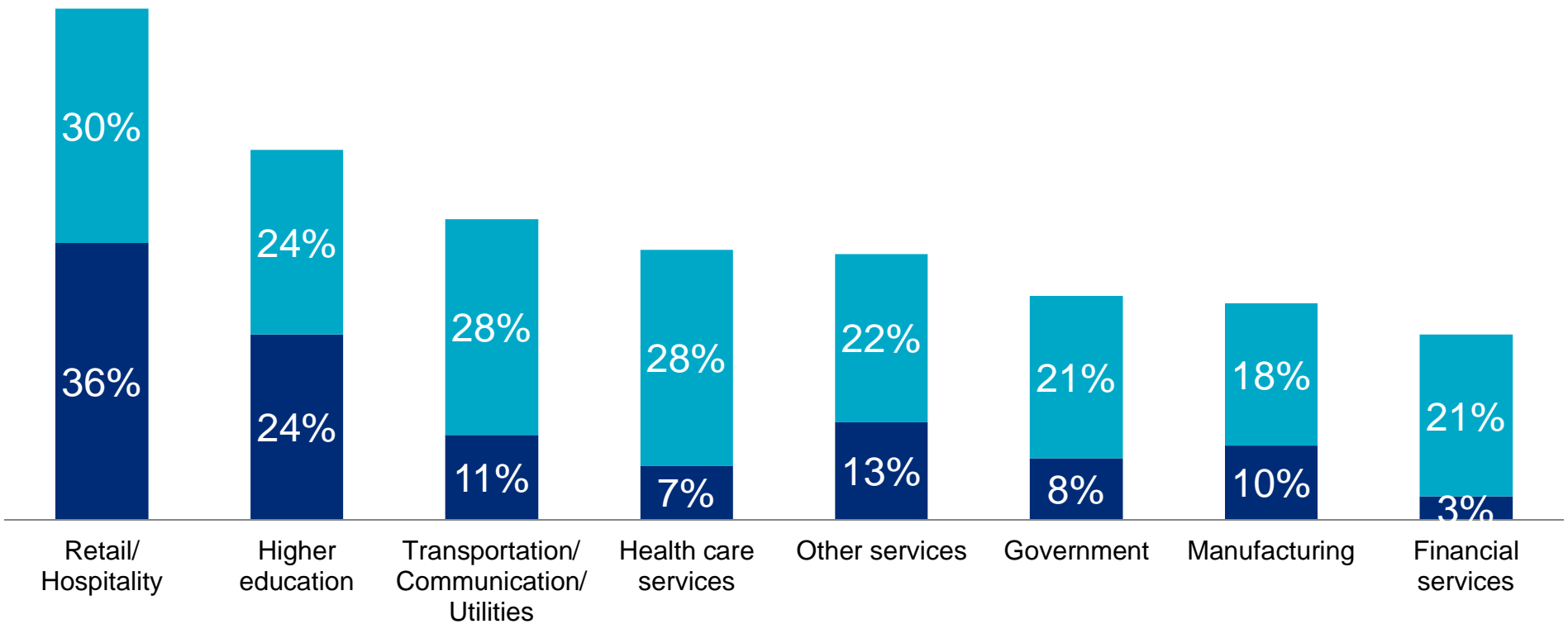
2% use the maximum reward/penalty for tobacco and/or wellness

- All respondents
- 5,000 or more employees



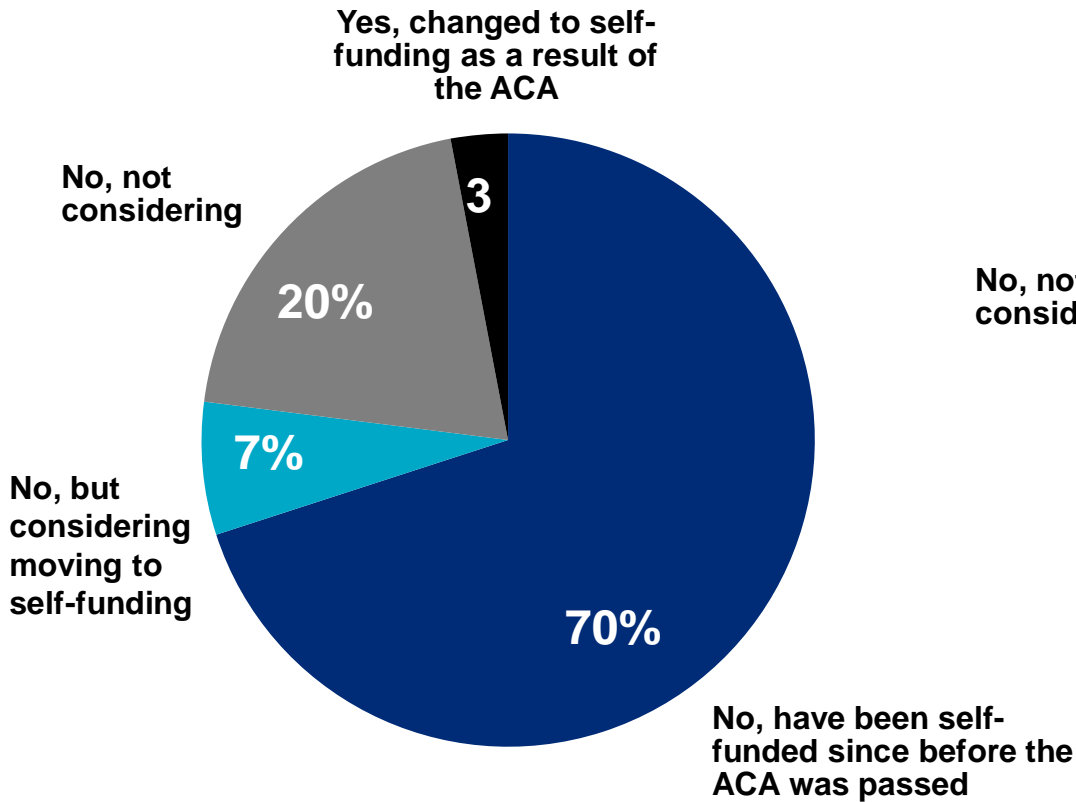
Retail and hospitality employers most concerned about higher enrollment in plans

- Significant concern
- Very significant concern

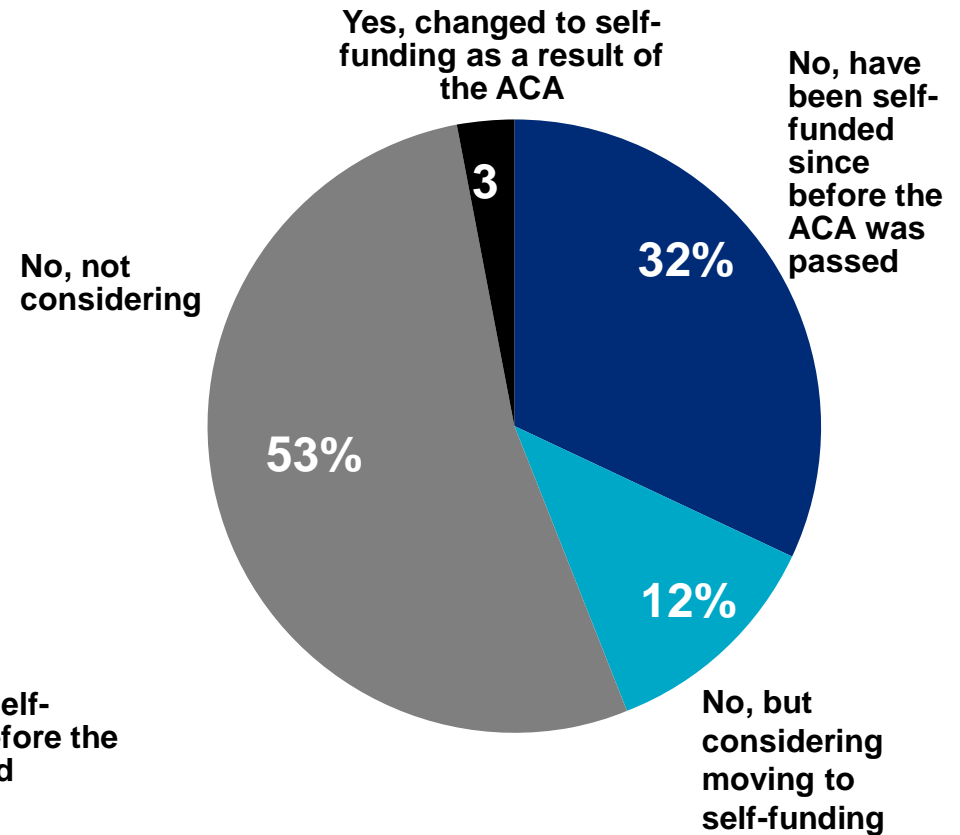


Have moved to self-funding as a way to avoid ACA-related cost increases in an insured plan

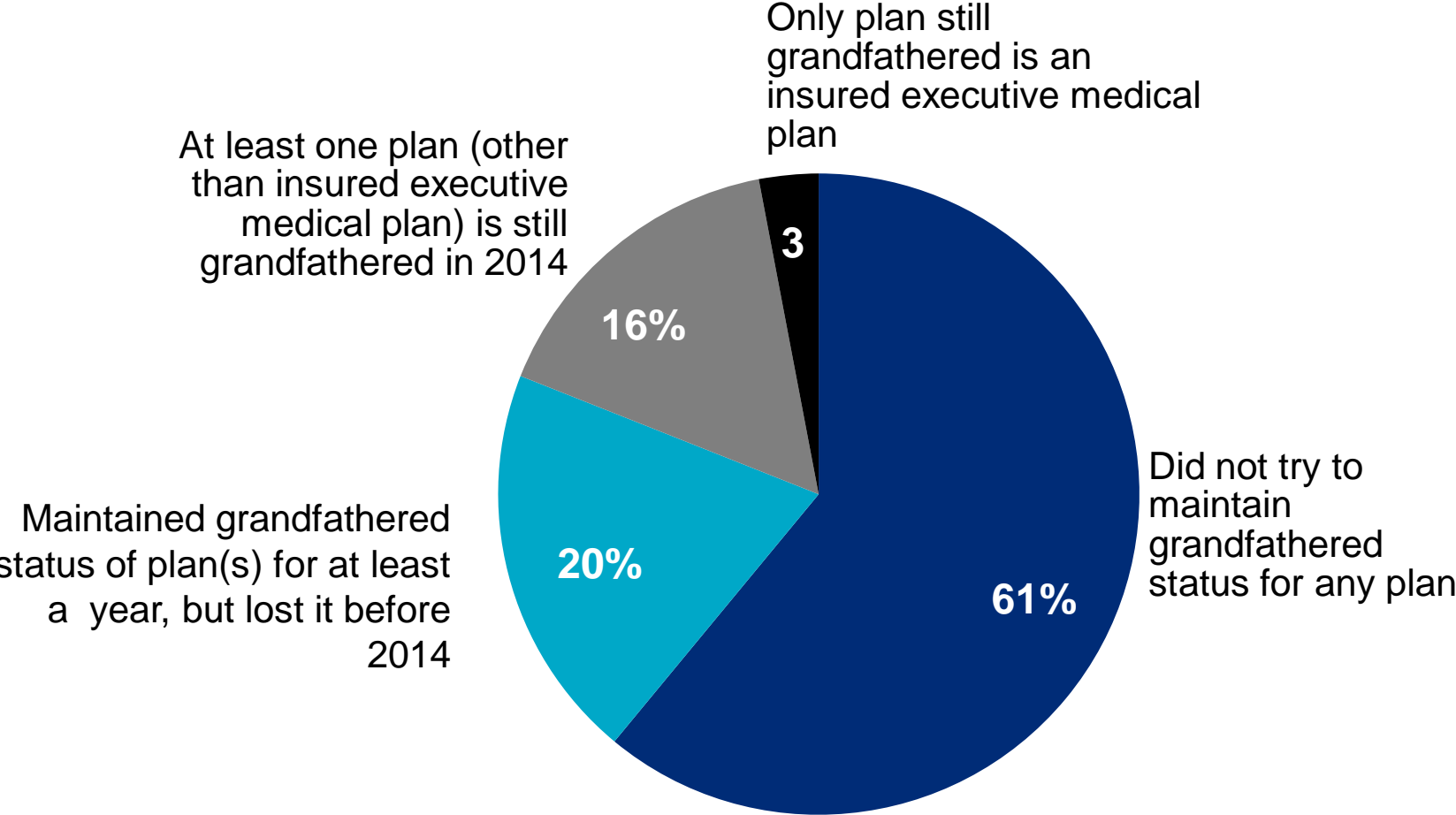
All respondents



Under 500 employees

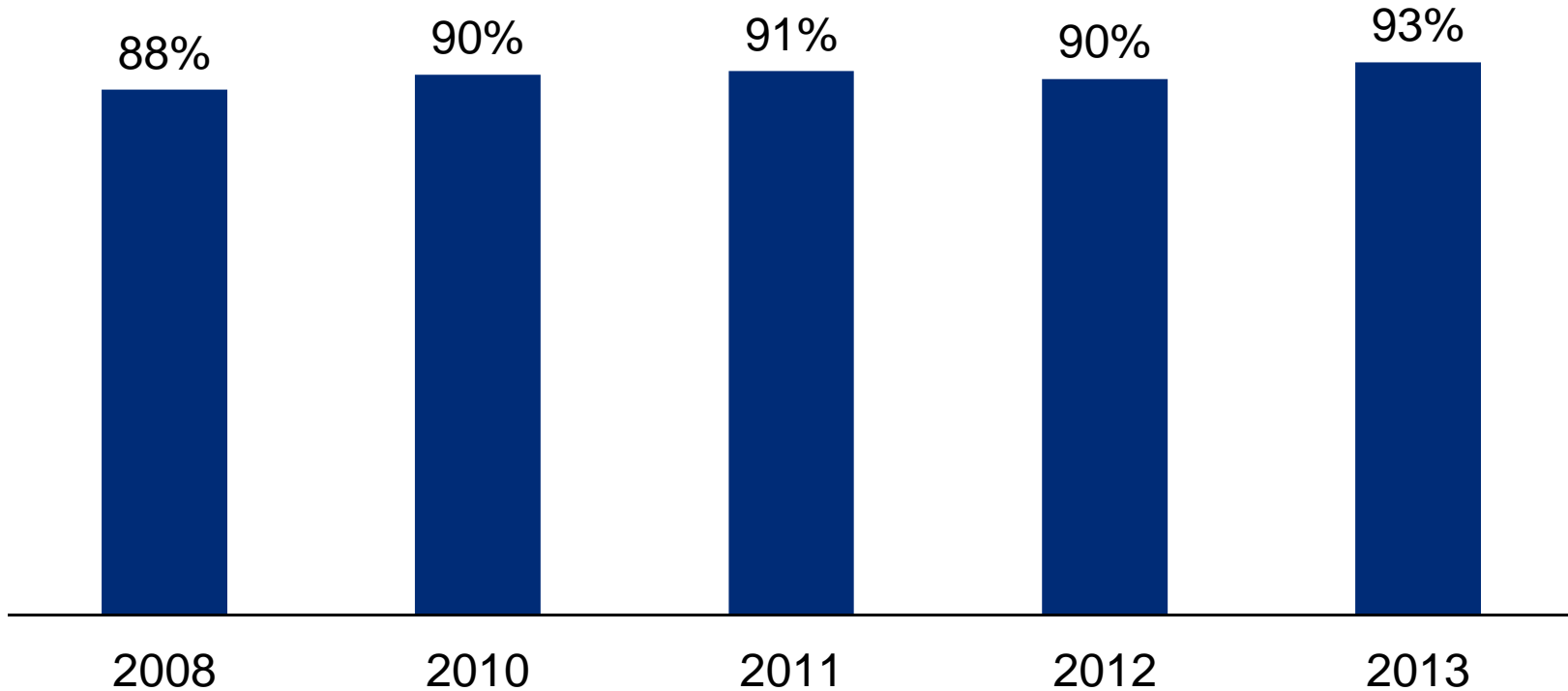


Have maintained the grandfathered status of one or more plans



Perceived value of benefits: “Getting health benefits through work is just as important to me as getting a salary”

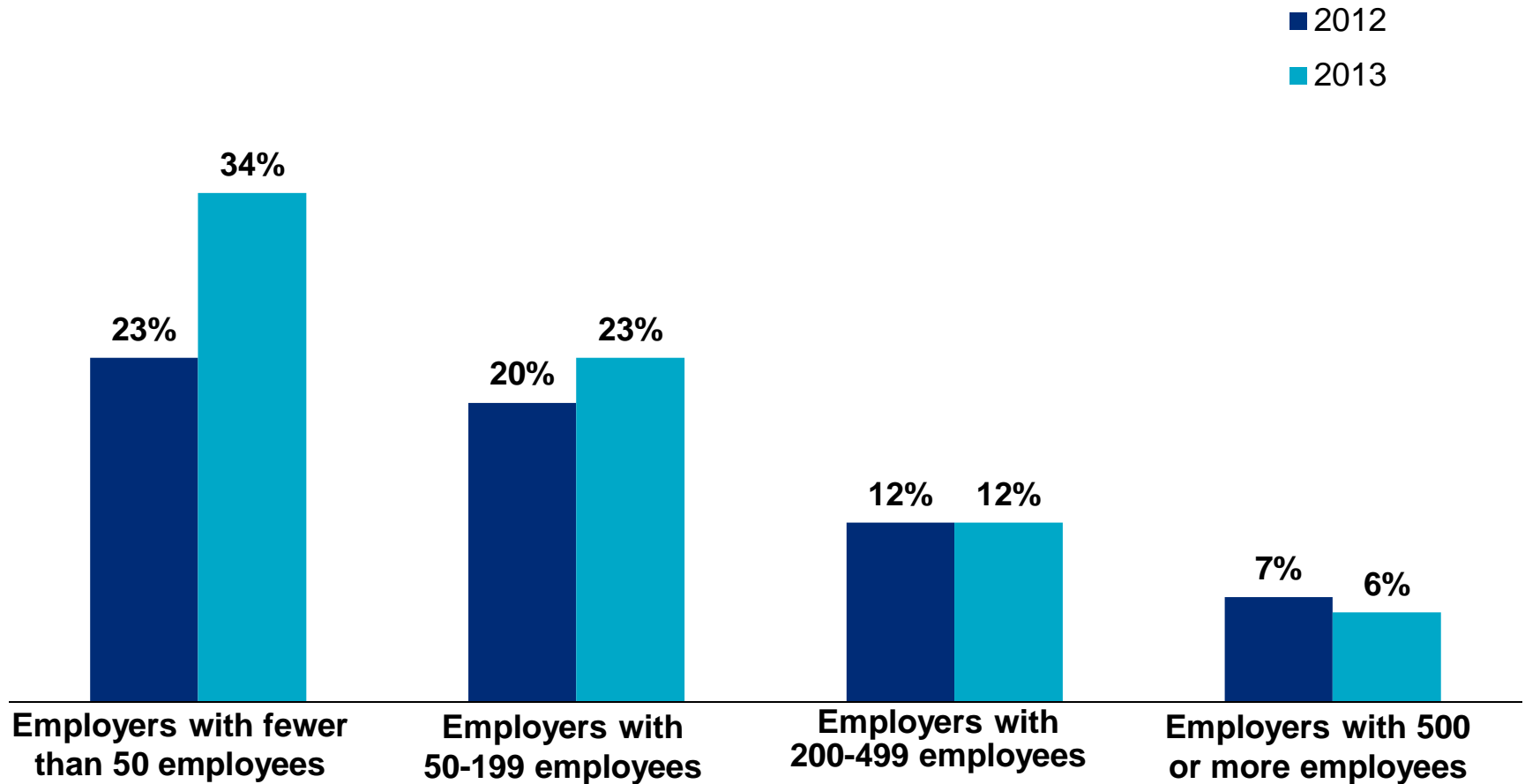
Percent of employees who “strongly or somewhat agree”



Source: Mercer Workplace Survey, 2013

Large employers remain committed to offering health coverage

Percent of employers that say they are “very likely” or “likely” to terminate plans within the next five years



Questions



Beth Umland
New York, NY

QUESTIONS

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TO "ALL PANELISTS"



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Washington, DC

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