About Mercer’s National Survey of Employer-Sponsored Health Plans

Oldest
Marking 29 years of measuring health plan trends

Largest
2,569 employers participated in 2014

Most comprehensive
Extensive questionnaire covers a full range of health benefit issues and strategies

Statistically valid
Based on a probability sample -- only Mercer and Kaiser survey this way

Covers employers of all sizes, all industries, all regions
Results project to all US employers with 10 or more employees

Employer size groups in presentation
Small: 10-499 employees / Large: 500+ employees / Very large: 5,000+ employees
The year’s top stories

1. **Health benefit cost per employee grew by just 3.9% in 2014**
   *But for many employers, higher enrollment in 2015 due to ACA will increase spending*

2. **Employers are attacking health cost from many angles**
   *Analysis shows employers using the most best practices achieved the lowest cost*

3. **CDHPs pass the “tipping point” with biggest jump in enrollment yet**
   *Consumerism tools are making CDHPs an easier choice for employees*

4. **Private exchanges emerging as a way to add choice, ease administration**
   *Rapid growth over the next five years predicted*

5. **Employers expanding their view of wellness to well-being**
   *New emphasis on organizational support to build employee engagement, productivity*

6. **With innovation driving new cost management strategies, employer confidence is growing**
   *Despite excise tax concerns, more employers than ever say they’ll stay in the game*
Total health benefit cost per employee reaches $11,204 in 2014.
Small employers keep per-employee cost lower with greater cost sharing and by covering fewer dependents.
Cost growth still moderate in 2014, but rising
Change in total health benefit cost per employee compared to CPI, workers’ earnings

* Projected
Behind the average: Cost increases varied widely by employer in 2014
Based on survey respondents providing cost for 2013 and 2014

- Increase of more than 10%: 32%
- Increase of 6-10%: 20%
- Increase of 1-5%: 17%
- No increase in cost / decrease: 32%
For many employers, higher enrollment will boost health spending in 2015 beyond the increase in the cost of coverage. Compliance with ACA requirement to extend coverage to all employees working 30+ hours/week.

Nearly a fourth of large employers had to take action in 2015 to comply with ACA requirement. The industries most affected by the requirement were the most likely to wait until 2015 to take action to comply.

In compliance prior to ACA: 62%
- Took action in 2014 to comply: 15%
- Waited until 2015 to comply: 23%

Wholesale/Retail: 32%
Government: 31%
Services: 25%
Health care: 24%
Finance: 15%
Transportation/Communic./Utility: 14%
Manufacturing: 14%
Few employers cut staff or hours to avoid extending coverage to more workers, but they are managing hours more carefully. Large employers

- More carefully managing the schedules of those who *occasionally* worked more than 30 hours a week **33%**
- Keeping new part-time hires to less than 30 hours **24%**
- Reduced the hours of employees who *consistently* worked 30 or more hours per week **13%**
- Increased headcount **9%**
- Reduced headcount **4%**
The largest employers are adding surcharges for employees’ spouses with other coverage available

Employers with 500 or more employees

- Spouses with other coverage are not eligible: 7% (2013) vs 9% (2014)
- Spouses with other coverage must pay surcharge: 9% (2013) vs 9% (2014)

Employers with 20,000 or more employees

- Spouses with other coverage are not eligible: 3% (2013) vs 5% (2014)
- Spouses with other coverage must pay surcharge: 20% (2013) vs 27% (2014)
Cost shifting has been considerable, but it’s not the whole story behind lower cost growth

Average PPO deductible for individual, in-network coverage
What’s working to hold down cost?
Respondents’ costs were analyzed based on their use of more than 25 cost-management best practices

<table>
<thead>
<tr>
<th>Plan design</th>
<th>Employee well-being</th>
<th>More advanced cost-management strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution for family coverage in primary plan is at least 20% of premium</td>
<td>Offer optional (paid) wellbeing programs through plan or vendor</td>
<td>High-performance networks</td>
</tr>
<tr>
<td>PPO in-network deductible is $500+</td>
<td>Provide opportunity to participate in personal/group health challenges</td>
<td>Data warehousing</td>
</tr>
<tr>
<td>Offer CDHP</td>
<td>Offer technology-based wellbeing resources (apps, devices, web-based)</td>
<td>Collective purchasing of medical or Rx benefits</td>
</tr>
<tr>
<td>HSA sponsor makes a contribution to employees’ accounts</td>
<td>Worksite biometric screening</td>
<td>Surgical centers of excellence</td>
</tr>
<tr>
<td>Voluntary benefits integrated with core benefits</td>
<td>Encourage physical activity at work (gym, walking trails, standing desks, etc.)</td>
<td>Transparency tool provided by specialty vendor and/or used by 10% of members</td>
</tr>
<tr>
<td>Mandatory generics or other Rx strategies</td>
<td>Use incentives for wellbeing programs</td>
<td>On-site clinic</td>
</tr>
<tr>
<td>Steer members to specialty pharmacy for specialty drugs</td>
<td>Spouses and/or children may participate in programs</td>
<td>Telemedicine</td>
</tr>
<tr>
<td></td>
<td>Smoker surcharge</td>
<td>Value-based design</td>
</tr>
<tr>
<td></td>
<td>Offer EAP</td>
<td>Reference-based pricing</td>
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<td></td>
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<td>Medical homes</td>
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<td>Accountable care organizations</td>
</tr>
</tbody>
</table>
A comparison of employers using the most and fewest best practices shows a significant difference in per-employee cost for large employers.

**Annual total health benefit cost per employee in 2014**

- Employers using 16+ best practices: $11,432
- Employers using 7 or fewer best practices: $12,132

**Projected change in cost for 2015**

- Employers using 16+ best practices: 3.7%
- Employers using 7 or fewer best practices: 4.3%

*After changes to plan design
CDHPs: Taking on employers’ biggest challenges

- Provide a low-cost plan to newly eligible employees
- Avoid the excise tax
- Encourage employees to use the health care system wisely
Nearly a fourth of all covered employees are enrolled in a consumer-directed health plan

Large employers

By 2017, 66% of large employers expect to offer a CDHP

- Percent of employers offering CDHPs
- Percent of covered employees enrolled in CDHPs

Mercer's National Survey of Employer-Sponsored Health Plans
Employers save with HSA-based CDHPs: They cost 21% less than PPOs and 25% less than HMOs in 2014.

Medical plan cost per employee (includes employer contributions to HSA accounts) among large employers:

- **PPO**: $11,121
- **PPO with deductible of $1,000 or more**: $9,762
- **HMO**: $11,719
- **HSA-eligible CDHP**: $8,732
Enrollment in CDHPs grows over time – especially if the employer contributes to the HSA
Large employers offering HSA-based CDHPs

CDHP enrollment rises over time
% choosing HSA-based CDHP when offered w/other medical plans*

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>20%</td>
<td>26%</td>
<td>29%</td>
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</table>

Employer HSA funding drives enrollment
% choosing HSA when offered with other medical plans

<table>
<thead>
<tr>
<th>Employer HSA contribution</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer HSA contribution of $800+</td>
<td>37%</td>
<td>25%</td>
<td>16%</td>
</tr>
<tr>
<td>Employer HSA contribution of $500 or less</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Employer does not contribute to HSA</td>
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</table>

*Among employers offering the plan for 3 years
Making consumerism work: More employers providing support to help employees manage health care spending
Large employers

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
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<tbody>
<tr>
<td>Transparency tools</td>
<td>--</td>
<td>77%</td>
</tr>
<tr>
<td>Telemedicine services</td>
<td>11%</td>
<td>18%</td>
</tr>
<tr>
<td>Voluntary benefits offered specifically to fill gaps in employer-paid benefits</td>
<td>72%</td>
<td>77%</td>
</tr>
</tbody>
</table>
Majority of large employers expect to offer a CDHP by 2017 – but most see it as an option, rather than a full replacement.

- Small employers (10-499 employees):
  - Will offer CDHP as the only plan to at least some employees within the next 3 years: 13%
  - Will offer CDHP along with other medical plan option(s): 18%
  - Will not offer CDHP: 27%

- Large employers (500+ employees):
  - Will offer CDHP as the only plan to at least some employees within the next 3 years: 48%
  - Will offer CDHP along with other medical plan option(s): 55%
  - Will not offer CDHP: 34%

- Very large employers (5,000+ employees):
  - Will offer CDHP as the only plan to at least some employees within the next 3 years: 55%
  - Will offer CDHP along with other medical plan option(s): 65%
  - Will not offer CDHP: 17%
Employers are adding value by adding choice

- As enrollment rises, health benefits must satisfy a more diverse population with more diverse needs
- Choice promotes efficiency by allowing employees to buy only what they need
- Private exchanges add choice without adding administrative burden
- Choice eases transition to a more sustainable program
Private health benefit exchanges gain a foothold as interest continues to build

Large employers

* Among current retiree medical plan sponsors
Introducing Mercer Marketplace
The leading private benefits exchange

GROUP ACTIVE  RETIREE  PART TIMERS, PRE-65 RETIREES, COBRA

Employer Subsidies  Federal Subsidies

Group Plans  Medicare Plans  Individual Plans On/Off Exchange
## Mercer Marketplace 2014 Update

New solutions, expanded product offerings help drive growth

<table>
<thead>
<tr>
<th>Actives</th>
<th>Retirees</th>
<th>Individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>770,000</strong> Eligible employees (~1.7M lives) at <strong>170 employers</strong></td>
<td><strong>60,000</strong> at <strong>77 employers</strong></td>
<td><strong>750,000</strong> lives at <strong>45 employers</strong></td>
</tr>
<tr>
<td><strong>20</strong> Industries</td>
<td><strong>100-50,000</strong> Diverse company size</td>
<td><strong>50+</strong> Carriers; single and multi-carrier arrangements</td>
</tr>
<tr>
<td><strong>50+</strong> Non-commissioned benefits specialists; highest client satisfaction scores in industry</td>
<td><strong>20</strong> Lines of coverage that include traditional, supplemental and voluntary products – full suite of benefits</td>
<td><strong>20</strong> Supplemental offerings being added to include dental, vision, life, and short term medical products</td>
</tr>
</tbody>
</table>

- **Dedicated call center teams**
Savings opportunities…up to 15%
…Year 2 cost results are very favorable

![Chart showing cost results]

Marketplace Increase - Total Cost*: 1.5%
Marketplace Increase - Employer Cost*: -2.9%
National Benchmark**: 4.6%

*Average increase for clients with January 2015 renewals
**Mercer 2014 Survey of Employer-Sponsored Plans: Average projected percent change in total health benefit cost per employee for 2015
60% of employees are electing high deductible plans
1/3 of employers are using a defined contribution strategy

- Defined Benefit
- Defined Contribution

Defined contribution amounts provided by employers often vary within their population

Most common differences:
- Family tier
- Employee salary
- Employee category

Employer subsidy strategies in place as of January 2015
Supplemental health coverage supports right-sizing

Summary of January 2015 elections. Percentages represent the prevalence of election within the supplemental health policies.

Supplemental Health Purchases

- Accident: 31%
- Hospital Indemnity: 20%
- Critical Illness: 49%

36% of employees enrolled in the $800, $1,500 or $2,500 medical plan options also enroll in at least one supplemental health policy.
As employers add lower-cost plan choices, voluntary benefits provide employees the opportunity to supplement them. Large employers offer a voluntary benefits program to:

- Help drive participation in lower-cost plans (20%)
- To maintain employee benefit options as core benefit plans change (39%)
- Accommodate employee requests (60%)
- Offer additional benefits at no cost to the employer (67%)
- Give employees opportunity to fill gaps in employer-paid benefits (77%)

PROFILE OF A SUCCESSFUL VOLUNTARY PROGRAM:
- Employee-valued products
- User-friendly platform
- Multi-faceted enrollment solutions
- Robust education and communication program
- Program coordination
Expanding employees’ view of the whole benefit package
Meeting diverse needs without driving up employer costs

<table>
<thead>
<tr>
<th>VOLUNTARY BENEFITS</th>
<th>Percent of large employers offering the benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disability</td>
<td>80%</td>
</tr>
<tr>
<td>Vision</td>
<td>79%</td>
</tr>
<tr>
<td>Accident</td>
<td>58%</td>
</tr>
<tr>
<td>Whole / universal life</td>
<td>48%</td>
</tr>
<tr>
<td>Cancer / critical illness</td>
<td>41%</td>
</tr>
<tr>
<td>Long-term care</td>
<td>30%</td>
</tr>
<tr>
<td>Auto / Homeowners</td>
<td>18%</td>
</tr>
<tr>
<td>Hospital indemnity</td>
<td>15%</td>
</tr>
<tr>
<td>Telemedicine</td>
<td>11%</td>
</tr>
</tbody>
</table>
Integrating voluntary and core benefits on same platform improves employee take-up
Percent of large employers reporting increase in take-up rate over past two years

Voluntary benefits sponsors with integrated platforms reporting growth in take-up

Voluntary benefits sponsors without integrated platforms reporting growth in take-up
Expanding our view of employee health management from “wellness” to “well-being”

- Three pillars of well-being: physical, emotional, and financial health
- Incentives encourage participation in programs, while a culture of health and social connections create intrinsic motivation
- Employers are starting to measure well-being VOI – “value of investment” – which includes people-led business improvements as well as ROI
Moving Beyond “Wellness”……

- Cost of health care, missed work and turnover attributed to workplace stress:
  - $300 Billion ¹
- Employees scoring low on “life satisfaction” stayed home an average of 15 days/ year. ²
- “Thriving” employees have 41% lower health care costs and 35% lower turnover costs than employees who are “struggling”. ³

Employers recognizing the importance of sleep and resiliency to employee well-being
Percent of employers offering program

Addressing the continuum of health needs

- Disease management: Small employers 32%, Large employers 80%
- Health advocate: Small employers 26%, Large employers 52%
- Sleep disorder treatment: Small employers 23%, Large employers 32%
- Phone/web health coaching: Small employers 28%, Large employers 68%
- Face-to-face health coaching: Small employers 19%, Large employers 40%
- Resiliency program: Small employers 9%, Large employers 11%
- Health assessment: Small employers 30%, Large employers 79%

Mercer’s National Survey of Employer-Sponsored Health Plans
Financial incentives clearly improve participation rates in key health management programs

Large employers

More employers are driving engagement through financial incentives, most often cash or contribution reductions

Large employers using incentives report higher participation rates

*Average % of identified persons actively engaged in program

<table>
<thead>
<tr>
<th></th>
<th>Large employers offering incentives</th>
<th>Large employers not offering incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health assessment completion rate</td>
<td>49%</td>
<td>35%</td>
</tr>
<tr>
<td>Lifestyle management program participation rate*</td>
<td>25%</td>
<td>16%</td>
</tr>
<tr>
<td>Validated biometric screening rate</td>
<td>54%</td>
<td>31%</td>
</tr>
</tbody>
</table>
Employers are moving more slowly to add outcomes-based incentives

Large employers

Offer lower premium contributions to non-tobacco users

Provide incentives for achieving or maintaining targets for BP, BMI, cholesterol

Median reduction in annual premium: $480

<table>
<thead>
<tr>
<th>Year</th>
<th>Median Reduction</th>
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<tbody>
<tr>
<td>2011</td>
<td>12%</td>
</tr>
<tr>
<td>2012</td>
<td>15%</td>
</tr>
<tr>
<td>2013</td>
<td>17%</td>
</tr>
<tr>
<td>2014</td>
<td>21%</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>Incentive Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>6%</td>
</tr>
<tr>
<td>2012</td>
<td>18%</td>
</tr>
<tr>
<td>2013</td>
<td>20%</td>
</tr>
<tr>
<td>2014</td>
<td>23%</td>
</tr>
</tbody>
</table>
ACA raised limits on wellness incentives: How will employers respond?  
Large employers

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will use the maximum 50% incentive for tobacco</td>
<td>6%</td>
</tr>
<tr>
<td>Will increase incentive for tobacco, but not to the maximum</td>
<td>13%</td>
</tr>
<tr>
<td>Will use the maximum 30% for other wellness program(s)</td>
<td>11%</td>
</tr>
<tr>
<td>Will increase the incentive for other wellness program(s), but not the maximum amount</td>
<td>23%</td>
</tr>
<tr>
<td>Not considering adding or increasing incentives</td>
<td>67%</td>
</tr>
</tbody>
</table>
Employers using a range of activities and technologies to provide a more engaging member experience
Large employers

<table>
<thead>
<tr>
<th>ACTIVITIES</th>
<th></th>
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<tbody>
<tr>
<td>Worksite biometric screening event</td>
<td>59%</td>
</tr>
<tr>
<td>Business unit / location group challenges</td>
<td>44%</td>
</tr>
<tr>
<td>Onsite exercise or yoga classes or weight loss programs (such as Weight Watchers)</td>
<td>50%</td>
</tr>
<tr>
<td>Personal challenges</td>
<td>41%</td>
</tr>
<tr>
<td>Peer-to-peer support</td>
<td>21%</td>
</tr>
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<table>
<thead>
<tr>
<th>TECHNOLOGY-BASED RESOURCES</th>
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<tbody>
<tr>
<td>Mobile apps</td>
<td>31%</td>
</tr>
<tr>
<td>Devices to monitor activity</td>
<td>35%</td>
</tr>
<tr>
<td>Devices to transmit health measures to providers</td>
<td>10%</td>
</tr>
<tr>
<td>Onsite kiosks</td>
<td>9%</td>
</tr>
<tr>
<td>Other web-based resources / tools</td>
<td>47%</td>
</tr>
</tbody>
</table>
Building a culture of health: 6 policies that promote employee well-being

Large employers

1. Tobacco-free workplace
   - 68%

2. Support healthy eating choices
   - 59%

3. Work environment explicitly encourages physical activity
   - 51%

4. Support work-life balance (with flex-time, job share, etc.)
   - 40%

5. Promote responsible alcohol use
   - 29%

6. Employees may take work time for physical activity, stress relief
   - 17%
Considering VOI as well as ROI means developing new metrics:
Very large employers

Nearly half have attempted to measure program impact…

…with the majority of those measuring reporting improvement in medical plan trend and/or other areas.

Positive impact on medical cost trend: 70%
Improved productivity: 18%
Improved attraction and retention: 15%
Positive impact on disability cost trend: 10%
No positive impact was found so far: 20%
The challenges of the ACA have spurred innovation

ACA impacts push cost up – while the excise tax targets high-cost plans

Market innovations creating more efficient health care delivery are critical to offsetting cost growth
About a third of employers at risk of hitting excise tax threshold in 2018

Percentage of employers that will be subject to tax by the specified year if they make no changes to their current plans

- All employers
- Large employers (500+ employees)

<table>
<thead>
<tr>
<th>Year</th>
<th>All Employers</th>
<th>Large Employers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>31%</td>
<td>33%</td>
</tr>
<tr>
<td>2019</td>
<td>35%</td>
<td>39%</td>
</tr>
<tr>
<td>2020</td>
<td>39%</td>
<td>45%</td>
</tr>
<tr>
<td>2021</td>
<td>47%</td>
<td>52%</td>
</tr>
<tr>
<td>2022</td>
<td>51%</td>
<td>58%</td>
</tr>
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Mercer’s National Survey of Employer-Sponsored Health Plans
Innovations that reward high-quality, efficient providers are growing among the largest employers

Employers with 20,000 or more employees

- Surgical centers of excellence: 37% in place in 2013, 41% in place in 2014
- High performance networks: 27% in place in 2013, 34% in place in 2014
- Accountable care organizations: 25% in place in 2013, 33% in place in 2014
- Medical homes: 13% in place in 2013, 20% in place in 2014
- Reference-based pricing: 12% in place in 2013, 15% in place in 2014
Employers have growing confidence in their ability to control cost in the post-reform era – fewer than ever expect to drop their health plans

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

- Employers with 50-199 employees:
  - 2013: 23%
  - 2014: 16%

- Employers with 200-499 employees:
  - 2013: 12%
  - 2014: 6%

- Employers with 500 or more employees:
  - 2013: 6%
  - 2014: 4%
HEALTH REFORM FIVE YEARS IN
Mercer’s latest survey
on health reform
March 17, 2015
About the survey

- 8th in our series of health care reform surveys
- Fielded in February 2015
- 572 employers participated
  - 28% with fewer than 500 employees
  - 48% with 500 - 4,999 employees
  - 25% with 5,000 or more employees
Open enrollment 2015
While most employers already met ESR requirements, 16% made changes in 2015 in regard to the 30-hours rule

Extend coverage to all employees working 30+ hours per week

- 72% Already in compliance
- 16% Made changes for 2014 to avoid assessments
- 3% Made changes for 2015 to avoid assessments
- 3% Planning to pay assessments as needed

Minimum value plan

- 93% Affordable contributions
- 4% Extend coverage to all employees working 30+ hours per week
- 3% Affordable contributions

Affordable contributions

- 89% Made changes for 2014 to avoid assessments
- 5% Made changes for 2015 to avoid assessments
- 1% Planning to pay assessments as needed

Mercer’s Survey, Health Reform Five Years In, 2015
Open enrollment 2015
No change in the overall percentage of workers covered in employer plans

<table>
<thead>
<tr>
<th></th>
<th>All respondents</th>
<th>Respondents taking action to comply in 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>87% 74%</td>
<td>77% 65%</td>
</tr>
<tr>
<td>2015</td>
<td>88% 74%</td>
<td>81% 65%</td>
</tr>
</tbody>
</table>

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

Mercer’s Survey, Health Reform Five Years In, 2015
Open enrollment 2015
About a third of respondents now cover a higher percentage of employees, but the rest saw no change or even a decrease.
Open enrollment 2015
Employers’ perception of ACA’s effect on employees’ enrollment decisions

18%
Believe some employees who had formerly waived coverage enrolled in 2015 due to the individual mandate

7%
Believe some former enrollees waived coverage in favor of Medicaid

Mercer’s Survey, Health Reform Five Years In, 2015
ESR requirements are helping to keep employers “in the game” – just 3% of respondents say they are likely to terminate plans for active employees.

*Among respondents currently offering coverage

2011-2014
Mercer’s Survey, Health Reform Five Years In, 2015
Five years ago, large employers were three times as likely to believe their organization would terminate health coverage.
Workforce strategies
Changes in workforce strategy to limit growth in enrollment

- Increased headcount so that we have more employees working fewer hours
  - 2%

- Reduced headcount
  - 2%

- Reduced hours of employees who **consistently** worked 30+ hours/week
  - 7%

- Reduced hours of employees who **occasionally** worked 30+ hours/week
  - 12%

- Ensured that newly hired part-timers will work fewer than 30 hours per week
  - 16%

- Some other change in workforce strategy
  - 10%

- No change in workforce strategy
  - 73%

Mercer’s Survey, Health Reform Five Years In, 2015
Workforce strategies
Taking action to manage growth in dependent coverage

- Raised the employee contribution percentage for dependent coverage: 14%
- Impose a surcharge for spouses with other coverage available (or exclude them): 14%
- Will provide information about Medicaid: 3%
- Other change: 7%
Employers are raising the number of hours worked per week required for coverage eligibility for part-time employers.

Average number of hours/week required for eligibility among large employers:

- **2011**: 23 Hours
- **2014**: 25 Hours
Excise tax
Not so “Cadillac” after all…
You can’t always tell a high-cost plan by its deductible

<table>
<thead>
<tr>
<th></th>
<th>Employers with high-cost plan*</th>
<th>Employers not offering high-cost plan</th>
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<tbody>
<tr>
<td><strong>Average PPO deductible</strong></td>
<td></td>
<td></td>
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<tr>
<td>- Small employers</td>
<td>$1,121</td>
<td>$1,556</td>
</tr>
<tr>
<td>- Large employers</td>
<td>$640</td>
<td>$795</td>
</tr>
<tr>
<td><strong>Average age among large employers</strong></td>
<td>44</td>
<td>42</td>
</tr>
<tr>
<td><strong>Average % of employees in unions among large employers</strong></td>
<td>16%</td>
<td>9%</td>
</tr>
</tbody>
</table>

* Plan cost estimated to hit threshold by 2018
**Excise tax**
Plan design is only one factor driving plan costs above the threshold
Variation in average total health plan cost per employee, among large employers

<table>
<thead>
<tr>
<th>Region</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>South</td>
<td>-6.6%</td>
</tr>
<tr>
<td>Midwest</td>
<td>-2.1%</td>
</tr>
<tr>
<td>Northeast</td>
<td>6.1%</td>
</tr>
<tr>
<td>West</td>
<td>6.1%</td>
</tr>
<tr>
<td>Age 45+</td>
<td>5.1%</td>
</tr>
<tr>
<td>Dependent Election 65+%</td>
<td>14.4%</td>
</tr>
</tbody>
</table>

Average Total Health Plan Cost per Employee: $11,641
Employers’ top two concerns about ACA impact: Administration and the excise tax

- Increased administrative burden: 38% significant, 42% very significant
- Paying excise tax on high-cost plans: 32% significant, 31% very significant
- Higher enrollment in plans: 21% significant, 6% very significant
- Higher cost due to minimum value rule: 16% significant, 5% very significant
- Lower employee contributions to comply with affordability requirement: 14% significant, 4% very significant

Mercer’s Survey, Health Reform Five Years In, 2015
Most common actions to avoid or minimize the impact of the excise tax on high-cost plans

- **Drop high-cost plan(s):**
  - Considering: 34%
  - Have taken action: 17%

- **Steer more employees into existing CDHP:**
  - Considering: 22%
  - Have taken action: 38%

- **Implement a CDHP:**
  - Considering: 48%
  - Have taken action: 23%

- **Raise deductibles or other cost-sharing provisions:**
  - Considering: 48%
  - Have taken action: 28%

- **Add or improve wellness programs:**
  - Considering: 43%
  - Have taken action: 34%

*Mercer’s Survey, Health Reform Five Years In, 2015*
Employer opinions on making changes to elements of the ACA

- **Eliminate the excise tax on high-cost plans**
  - In favor: 80%
  - Oppose: 8%
  - No opinion: 13%

- **Repeal the employer mandate**
  - In favor: 64%
  - Oppose: 16%
  - No opinion: 21%

- **Change the definition of an FTE to 40 hours per week**
  - In favor: 59%
  - Oppose: 16%
  - No opinion: 25%

- **Disallowing federal subsidies for individual coverage in states that don't operate their own exchange**
  - In favor: 27%
  - Oppose: 31%
  - No opinion: 42%
Administrative requirements: How employers plan to track full-time status and handle annual statements

- **Determining full-time status**
  - We will handle this reporting in-house: 54%
  - Our payroll vendor will handle: 9%
  - Our enrollment vendor will handle: 10%
  - We will handle some other way: 5%
  - Don't know yet: 23%

- **Sending out annual statements**
  - Our payroll vendor will handle: 11%
  - Our enrollment vendor will handle: 10%
  - We will handle some other way: 7%
  - Don't know yet: 41%

Source: Mercer’s Survey, Health Reform Five Years In, 2015
On a webcast last week, we asked...
How far along are you in establishing processes for complying with the 2016 ACA reporting requirements (for 2015 data)?

- Just starting: 55%
- Well underway: 19%
- Complete or nearing completion: 24%
- Haven't started yet: 2%

N = 972
Thank You!

George Lane
Principal
Mercer

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