# 2018 INSIGHTS

**Make your data work**

Workforce intelligence for driving business success

Health efx

*Leading through change.*

# Dear Reader,

Data is in the news every day. “Big data” surrounds and at times overwhelms us. At its core big data has a major flaw: It’s not that useful. Few systems provide an accurate view into the past, present and future state of constantly evolving workforce data, leaving a big gap between your intentions and reality.

Health e(fx)® provides a reality check for employers. We make your data work by maximizing the value of your sea of information to provide a unique view into how your organization is actually performing against its goals. This means we’re giving more power to you, the Human Resources expert, so that you can provide greater strategic value within your organization.

## Who we are

- Leading workforce management, compliance and analytics SaaS technology supporting 11.2 million lives
- Largest independent ACA solution
- Data transformation innovator

Health e(fx) has deep roots in aggregation of multiple data source systems and in regulatory analytics. From inception, we’ve used this data expertise as our basis for innovation. And our innovation is only accelerating.

You may know Health e(fx) for our leading Affordable Care Act (ACA) compliance solution supporting over 11 million lives. We are so much more. With technology reaching far beyond compliance, Health e(fx) securely integrates multiple payroll, benefits and HRIS data sources. It’s this monthly aggregation that allows us to deliver unparalleled insights in real time to optimize your operational strategies.

We hope you enjoy the 2018 Insights Report. The findings within this report demonstrate the types of unique intelligence garnered from our technology.

We’re here to help your business and employees succeed. Reach out and let us show you how Health e(fx) can maximize your data utility and drive value to your strategic goals and bottom line.

Andy Brown
Health e(fx), CEO

# 2018 INSIGHTS

## Table of contents



## Highlights

- Ninety-seven percent of employers offered coverage to more people than required by the ACA (p. 6)
- Enrollment of ACA-eligible employees in employer-sponsored healthcare plans declined two percentage points in 2017 (p. 6)
- Richer benefits and family coverage are linked with higher retention (pp.10,19)
- Lower-paid employees may be missing out on valuable benefits (p. 20)
- Eighteen percent of employees with family coverage have a dependent that will be aging off his or her parental plan within five years (p. 23)

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# Executive Summary

In today's corporate environment, where leadership teams have access to nearly every aspect of their business at a moment's notice, decision-makers are still forced to fly blind in one crucial area—the understanding of truly meaningful workforce data.

The workplace is siloed, with data often spread across numerous departments rather than consolidated within a central source. This makes it difficult to gain new insights, identify benefit savings opportunities and manage compliance risks. Total visibility isn't an option. Yet, this is the task Human Resources teams face, guiding their organizations down an influential path, often making vital strategic, operational and compliance decisions with limited data and analytics capabilities.

In some cases, gaining insight into company workforce data requires an investment of thousands of dollars on a one-time consulting project. There is a better way. Human Resources teams need access to real-time data that is consumable and usable.

"Through constant innovation, we're making data work harder to uncover unparalleled insights within a sea of complexity."

- Andy Brown, CEO, Health e(fx)

At Health e(fx), we're bringing together compliance, benefits and workforce data in a way that has never been possible before. Using this integrated data, we help employers uncover big-picture insights and identify potential employer savings and risks within their distinct employee segments.

Inside this report, we share insights into the workforce, including differences among worker segments based on employment status, gender, generation and more.

This is not a survey. The information presented here does not represent what employers believe or intend to do. Instead, you'll find real data that represents actual employer and employee costs, actions and choices.

This is today's corporate reality presented in a way employers have never experienced before. It's time for you to take a look.

## WHAT'S IN THIS REPORT

Inside this report you will find:

1. **Benefit Insights:** Trends in healthcare premium costs, eligibility and enrollment across industries
2. **Workforce Insights:** New insights for supporting employee retention and compensation strategies
3. **Compliance Insights:** Strategies for managing risk as the IRS begins to enforce penalties
4. **Spotlights:** Highlights into critical employee segments

IT'S ALL IN HERE.
SO LET'S BEGIN.

# PERCENT OF EMPLOYEES INCLUDED IN THIS ANALYSIS, BY INDUSTRY


Unless otherwise cited, this report includes analysis of Health e(fx) data across the industries above.

# Benefits Insights: Employers once again go above and beyond

## EMPLOYERS ARE MORE GENEROUS WITH BENEFITS THAN REQUIRED BY THE ACA

It began by accident, actually. Employer benefits are a ramification of wage controls during World War II and a 1950s ruling that the money to fund health insurance could be deducted from an employee's reported income.

Since then, offering employer-sponsored health insurance as a competitive advantage has continued. And today, 92 percent of employers report they are confident their organization will continue to sponsor health benefits over the next five years.[1]

The ACA was signed into law back in 2010. As part of that legislation, the employer mandate required employers to offer 95 percent of their full-time employees healthcare that met Minimum Essential Coverage requirements. Coverage was also required to provide minimum value (at least a 60 percent actuarial value) and qualify as affordable.

This is the minimum requirement for employers, yet as we also found in last year's Insights Report, in 2017 employers continued to be more generous with their medical benefits than required by the ACA:

a. **87%** of employees were enrolled in a more generous plan than the ACA required (greater than 60 percent actuarial value).

b. **97%** of employers offered coverage to more people than required by the ACA. For each employee offered employee-only coverage, the average employer-paid monthly premium was $450, with an annualized employer cost of $5,400.

Let's look deeper at overall trends in ACA eligibility, offers of coverage, enrollment, costs and plan choice.

## EMPLOYER PLAN ENROLLMENT DECREASES

While the percent of employees who were ACA-eligible for employer healthcare coverage increased, enrollment of eligible employees in employer-sponsored healthcare plans declined two percentage points in 2017.

| Year | % ACA Eligible | % Offered | % Enrolled |
|---|---|---|---|
| 2016 | 69% | 99% | 73% |
| 2017 | 75% | 99% | 71% |

Note: Throughout this report, Percent ACA Eligible reflects the percent of employees eligible for coverage under the ACA. Percent Enrolled reflects the percent of ACA-eligible employees who enrolled in employer coverage.

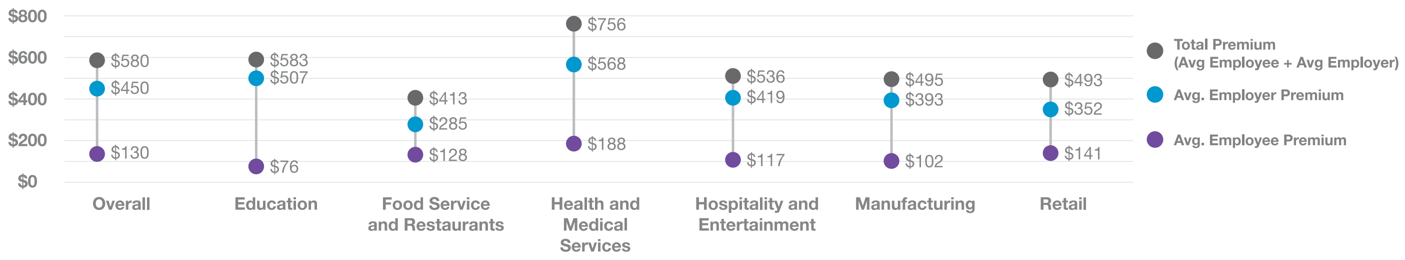
## HEALTH PLAN COSTS

The 2017 total monthly healthcare premium costs (employer plus employee costs) across all metal level plans offered by employers averaged $580 for employee-only and $1,475 for family coverage. See a cost breakdown of employee-paid, employer-paid, and total premiums in the chart to the right.

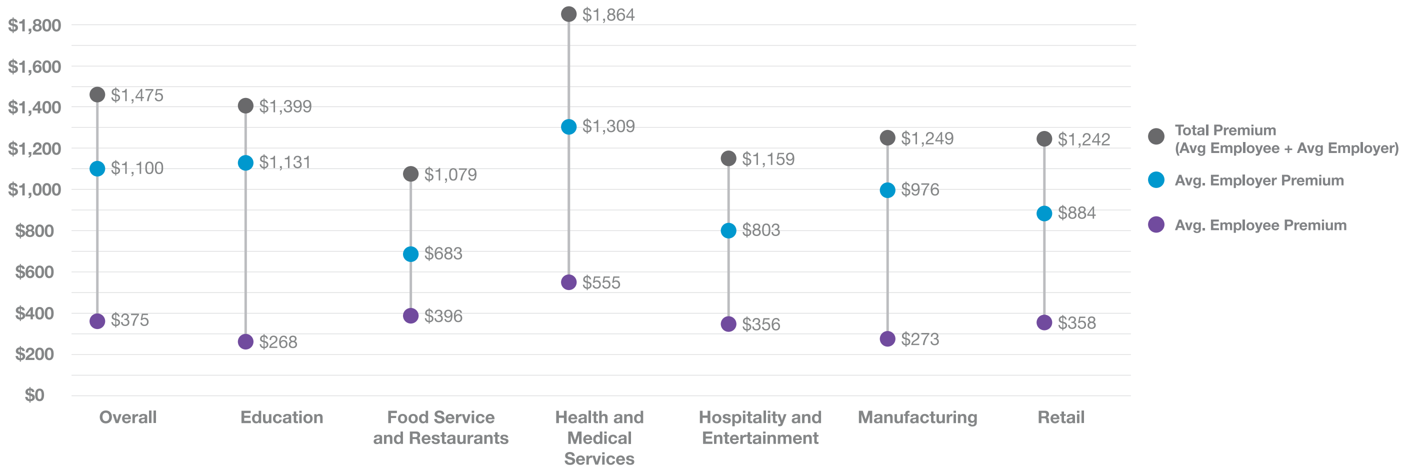
[1] *2017 Willis Towers Watson Best Practices in Health Care Employer Survey*

## MONTHLY HEALTH PLAN PREMIUM BREAKDOWN BY TIER

### Employee Only




### Family



## WHAT PLANS DO EMPLOYEES CHOOSE?

Every health insurance plan is assigned a metal level—Bronze, Silver, Gold or Platinum—based on actuarial value. Each metal has a ten percentage point threshold. Bronze plans, for example, provide 60 to 69 percent actuarial value, meaning the health plan will cover at least 60 percent of medical costs while the employee pays the rest in out-of-pocket costs. Premiums for Bronze plans are lower than other metal levels, but out-of-pocket costs for employees can be much higher.

### Actuarial Value

Actuarial value is the percent of covered medical costs that a plan will pay. Members are responsible for the remaining covered costs until they reach the plan's cost-sharing or out-of-pocket limit. Premiums increase for plans with higher actuarial value.

### Actuarial Value of Metallic Plans

| 60% | 70% | 80% | 90% |
|---|---|---|---|
| Bronze | Silver | Gold | Platinum |

## GOLD-LEVEL PLANS ARE THE MOST POPULAR

Over 40 percent of employees were enrolled in a Gold plan in 2017, making it the most popular plan level. Bronze was the least popular plan with only 13 percent enrollment. It's important to note that not all employers offer all four metal levels. In fact, 56 percent of employers ofter more than one plan level, and only 4 percent of employers offer all levels.

Enrollment by Plan Level

| % Bronze | % Silver | % Gold | % Platinum |
|---|---|---|---|
| 13% | 26% | 41% | 20% |

## IT'S TIME TO TAKE A CLOSER LOOK

While it's valuable to understand trends across employers and employees overall, digging deeper into the data shows variances in how diverse groups of employees utilize their employer's health insurance benefits, as well as where there are opportunities for improvement and new strategies to consider. By taking a closer look, it's clear that a one-size-fits-all approach to healthcare benefits is not sufficient. See pages 17 to 28 for details on trends in different employee segments, including across generations, genders and other demographics.

# Workforce Insights: Know your workforce to retain top talent

Turnover can significantly impact business operations. One study found that 87 percent of employers indicated that improving retention is a critical priority.[2] Employers today are searching for answers to this all-too-common question: How do they retain their best employees? Retention, after all, does more than just ward off the costs of finding, hiring and training new employees, it supports the ongoing relationship with customers and the overall strength of the business. Ultimately it is the actions of talented, experienced employees that better support a company's objectives and the customer experience. Improving retention starts by knowing your workforce. And there is a lot to learn.

Research shows that the typical cost of turnover is around 20 percent of an employee's annual salary.[3]

[2] *The Employee Burnout Crisis: Study Reveals Big Workplace Challenge in 2017 [Article]. (2017, January 9). Retrieved from https://www.kronos.com/about-us/newsroom/employee-burnout-crisis-study-reveals-big-workplace-challenge-2017*

[3] *There Are Significant Business Costs to Replacing Employees [Article]. (2012, November 16). Retrieved from https://www.americanprogress.org/issues/economy/reports/2012/11/16/44464/there-are-significant-business-costs-to-replacing-employees/*

## AVERAGE AGE OF WORKFORCE VARIES BY INDUSTRY

From employment stickiness to benefit choices, the age and stage of life of your workforce impacts employee choices. To the right is a breakdown of Health e(fx) data showing average age by industry. Food Service and Restaurant industry employees have the youngest average age of 28, while employees in the Manufacturing industry have the oldest average age of 43. Read more about age and the generational effect on workforce management on pages 22 and 23.

| Industry | Average Age |
|---|---|
| Education | 39 |
| Food Service and Restaurants | 28 |
| Health and Medical Services | 42 |
| Hospitality and Entertainment | 39 |
| Manufacturing | 43 |
| Retail | 38 |

## THE LINK BETWEEN BENEFITS AND RETENTION

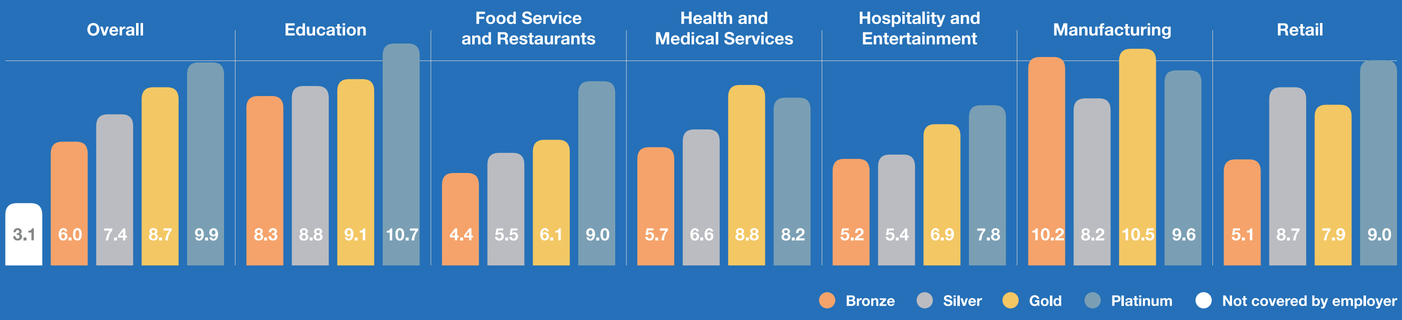
For years companies have recognized the vital role a strong benefits package plays in acquiring and retaining top talent. The market is flooded with stories on the impact of benefits, including health insurance, on recruiting top talent and retaining these employees. However, the proof is always in the data, and overwhelmingly our data shows that better health benefits support better retention rates among employees.

The average tenure overall for employees who are not enrolled in healthcare benefits is **3.1 years** versus **6.7 years** for those enrolled in employee-only coverage and **9.7 years** for those enrolled in family coverage.

## MORE GENEROUS HEALTH PLANS LINKED TO LONGER TENURE

As we can see from the chart below, on average, employees enrolled in an employer-sponsored health plan have a longer tenure. In addition, employees enrolled in a higher actuarial value health plan, such as a Platinum plan, have an even greater average tenure. Employees recognize quality health benefits aren't available with every career opportunity. Generally, employees appear to be more likely to stay in a position where their health benefit needs are supported.

### Average Tenure (in years) of Enrollees by Actuarial Value Plan Type

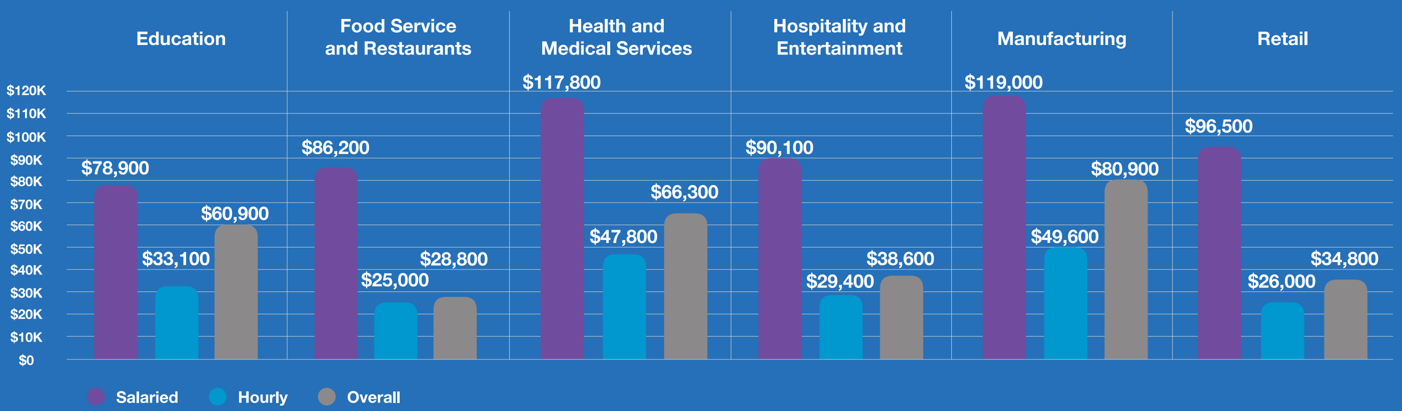



## TRENDS IN COMPENSATION

Regular review of company salary structure and alignment with the company's needs and the labor market is a common best practice. Looking at pay through different lenses can be insightful.

The table below provides 2017 average annual pay across industries for salaried and hourly workers. Manufacturing and Health and Medical Services industries have the highest average pay for both salaried and hourly employees, in comparison to the other industries highlighted in this report. On average, these two industries also employ the oldest workers.

### Annual Pay by Industry



## AN INTEGRATED VIEW: EMPLOYEE PROFILES ARE REVEALING

Hourly employees not only receive lower pay on average, they also pay a higher percent of their income toward their medical benefits premiums than salaried workers within the same industry. By providing a combined view of age, tenure and pay, we can gain insight into how these attributes may impact an employee's benefits decisions. Let's look deeper into salaried and hourly workers within the Retail and Manufacturing industries.

### Retail Employees Enrolled in Employee-Only Coverage

Hourly employees in the Retail industry have a lower average age and shorter tenure than salaried employees within the same industry. For hourly employees, a Bronze employee-only plan costs an average of 3.6 percent of pay and a Platinum plan costs 4.5 percent of pay. For salaried workers, this decreases to 1.7 percent of pay for Bronze and 2.4 percent of pay for Platinum-level plans.

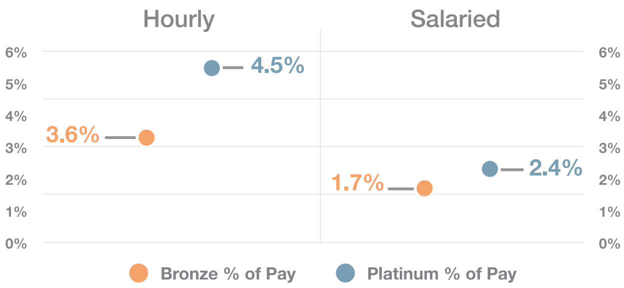
#### Retail

These profiles reflect the average age, tenure, pay and premium cost as a percent of pay for Retail employees who enroll in employee-only coverage.

| | Avg. Age | Avg. Tenure (in years) | Avg. Annual Pay |
|---|---|---|---|
| Hourly | 37 | 4.6 | $39,800 |
| Salaried | 40 | 7.4 | $72,200 |

Note: This profile represents a subsection of data (those who choose employee-only coverage).

#### Premium Costs: Percent of Pay for Employee-Only Coverage




### Manufacturing Employees Enrolled in Employee-Only Coverage

When comparing hourly and salaried employees within the Manufacturing industry, salaried employees have a lower average age and shorter tenure than their hourly counterparts. For hourly employees, a Bronze employee-only plan costs an average of 1.5 percent of pay and a Platinum plan costs 3.9 percent of pay. For salaried workers, this decreases to .7 percent of pay for Bronze and 1.7 percent of pay for Platinum-level plans.

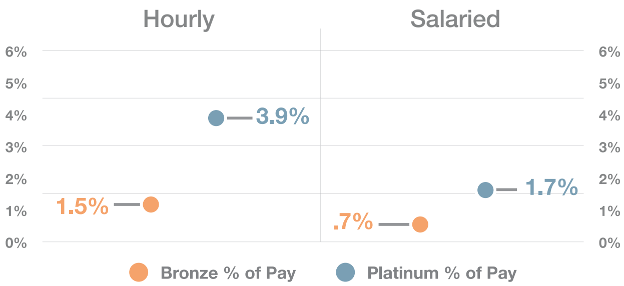
#### Manufacturing

These profiles reflect the average age, tenure, pay and premium cost as a percent of pay for Manufacturing employees who enroll in employee-only coverage.

| | Avg. Age | Avg. Tenure (in years) | Avg. Annual Pay |
|---|---|---|---|
| Hourly | 45 | 9.7 | $46,000 |
| Salaried | 41 | 6.5 | $98,000 |

Note: This profile represents a subsection of data (those who choose employee-only coverage).

#### Premium Costs: Percent of Pay for Employee-Only Coverage




## KNOW YOUR DATA AND RELY ON THE EXPERTS

We all know it's important to keep a close eye on compensation—both from an internal and broader market perspective. We also know retention is more than a compensation issue. Understand your workforce profiles and key segments and leverage your broker, employer representative or compensation expert to stay relevant and competitive. See pages 17 to 28 for details on trends in different employee segments, including across generations, genders and other demographics.

# Compliance Insights: IRS fines and risk management dominate the conversation

When it comes to managing compliance risk and warding against potential penalties, there's no other way to say it: Things have gotten real. The IRS has begun to enforce—via financial penalty—the Employer Shared Responsibility Provisions.

Failure to comply with this mandate—and to accurately complete Forms 1094/1095—could result in a penalty of $2,260 per full-time employee for the 2017 tax year (the penalty increases to $2,320 for 2018). The potential employer fine could easily climb into the millions of dollars depending on the size of the company, its compliance shortcoming and the length of time these shortcomings exist.

For companies concerned about their penalty risk, this means there is another business reason to offer benefits beyond attraction and retention. It also means that technology investments made in support of protecting compliance requirements will pay for themselves quickly by mitigating potential penalties and fines.

The IRS requires eligible large employers to offer Minimum Essential Coverage to 95 percent of their eligible employees. Health e(fx) clients regularly exceed this requirement, reporting an average of 99 percent compliance in 2017.

ACA

## MONTHLY ACA COMPLIANCE MANAGEMENT IS CRITICAL

Where are some companies failing? When employers do not actively manage compliance monthly or fail to accurately track hours or measure ACA eligibility, they are putting their organizations at risk for IRS penalties. Take a look at the infographic on the next page explaining the law, the potential for penalties and what employers can do to minimize risk in 2018.

ACA compliance does not need to be so hard.

# 2018 ACA COMPLIANCE PARAMETERS

**ACA REQUIRES EMPLOYERS**

with >50 full-time employees (FTEs)

**TO OFFER MEDICAL BENEFITS TO**

COVERAGE MUST MEET MINIMAL ESSENTIAL COVERAGE REQUIREMENTS INCLUDING 10 ESSENTIAL HEALTH BENEFITS DEFINED UNDER THE ACA

95% of FTEs

IF NOT MET — Penalty A $2,320 per FTE

**Recommended!** Be sure to accrue potential liabilities on your balance sheet

**COVERAGE MUST**

Be Affordable: ≤9.56% of income for employee coverage

Provide Minimal Value: >60% actuarial value or total cost of medical services

IF NOT MET — Penalty B $3,480 per FTE who received a premium tax credit

**YOU ALSO MUST**

Postmark Forms 1095 to Recipients by January 31

IF NOT MET — Penalty of $260 per form

Electronically File Forms 1095/1094 to IRS by April 1

IF NOT MET — Penalty of $260 per form

FAILURE TO FILE WITH INTENTIONAL DISREGARD — Penalty of $530 per form

**IT'S NOT EASY. YOU NEED TO:**

1. Determine who is ACA eligible
2. Determine what is affordable
3. Determine "Offer of Coverage" codes
4. Actively manage compliance
5. Report, file and correct

Health e(fx) does all this and more. We offer:

- Monthly measurement of ACA full-time status
- Affordability determination
- Accurate automated code determination
- Monthly 95% rule calculation
- Easy reporting, IRS submissions and corrections

**ALL SO YOU CAN**

Take the risk and complexity out of the ACA to ***protect your profits***.

Health efx
Leading through change.

## TAKING A DEEPER LOOK AT SAFE HARBOR

As stated earlier, the ACA requires large eligible employers to offer affordable coverage to their full-time employees. The law defines affordability based on household income. To help employers who don't have insight into household income, the ACA created three safe harbor options:

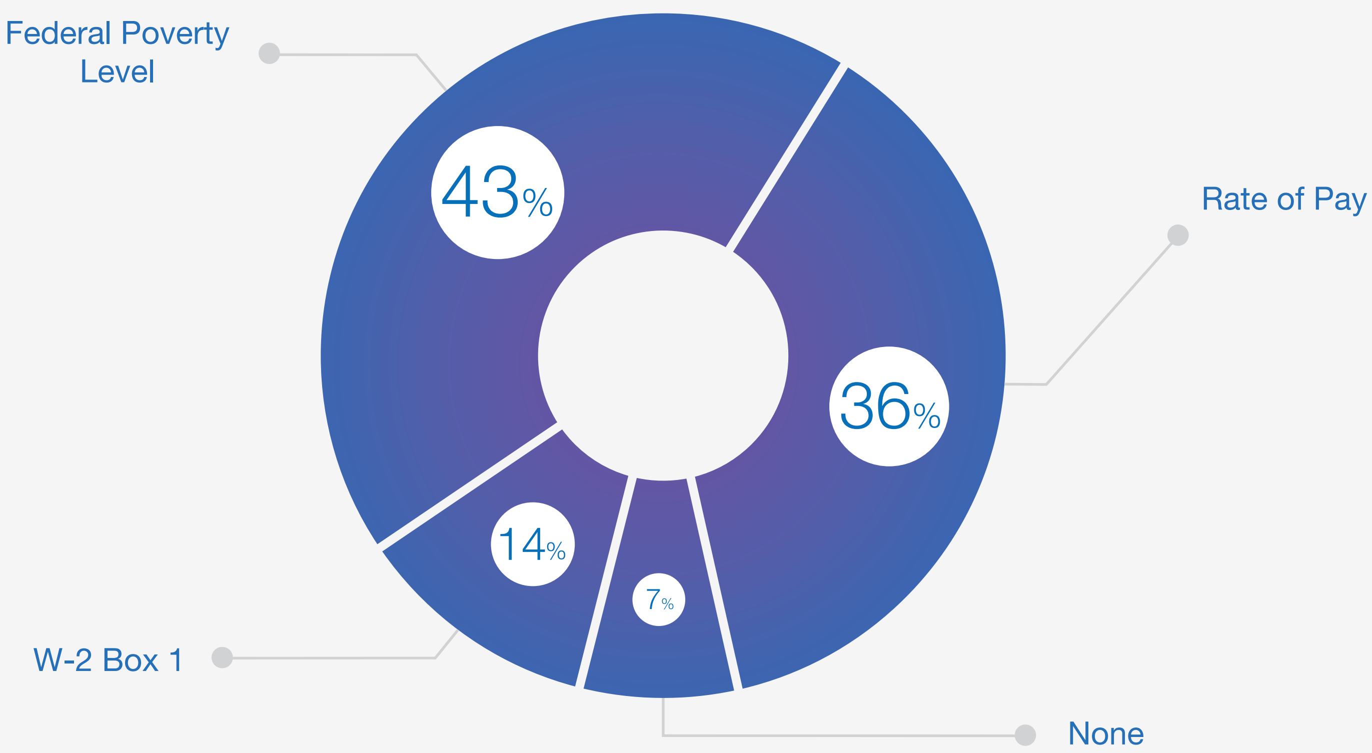
- The individual Federal Poverty Level (FPL).
- Rate of pay.
- The employee's W-2 Box 1 wages.

## THE MOST COMMON AFFORDABILITY SAFE HARBOR METHOD IS FEDERAL POVERTY LEVEL

FPL proved to be the most popular method for safe harbor determination in 2017 as seen in the chart below. An employer can deploy different safe harbors to permissible segments of its workforce (for example, for hourly or salaried workers). While most Health e(fx) clients used a single safe harbor, 3 percent used multiple methods.

Health e(fx) technology can help employers determine their optimal safe harbor options.

Popularity of Safe Harbor Options



# Real World Takeaways:
## How clients have worked to reduce their risk

## School District of Philadelphia

*Health e(fx) ACA technology supports complex benefit plan and union requirements*

### CHALLENGE:

When the School District of Philadelphia first started looking for an ACA solution to support compliance across its 18,000 teachers and staff, it needed to find a solution with the capacity to support the complex management of benefits across multiple plans and collective bargaining agreement requirements. The school district was also challenged with migrating some of its employee population from a health plan with a flat defined contribution model to a compensation-based contribution structure.

### SOLUTION:

The School District of Philadelphia chose Health e(fx) as its ACA solution due to the system's adaptability and flexibility. Health e(fx) helps the school district track and manage every employee across different benefit plans, eligibility and union requirements, to help ensure employees who become ACA eligible are offered coverage.

### RESULTS:

In 2017, Health e(fx) supported the School District of Philadelphia in achieving nearly 100 percent compliance across its 18 distinct benefit plans.

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## Colonial Group, Inc.

*Colonial Group achieves 99 percent compliance*

### CHALLENGE:

Colonial Group, Inc. is one of the largest privately held companies in the United States, and offers a diverse portfolio of products and services including petroleum, chemical solutions and more. It employs over 1,100 employees within 11 active subsidiaries. Because ACA penalties accrue monthly and are assessed at the FEIN level, Colonial Group needed monthly visibility into its entire population and each unique company to actively minimize risk and remain compliant.

### SOLUTION:

Health e(fx) technology solutions supported Colonial Group's needs. The Health e(fx) Compliance Dashboard and real-time access to eligibility information, work hour tracking calculations and reporting allowed Colonial Group to manage its eligibility and coverage across all its subsidiaries.

### RESULTS:

With the Health e(fx) Dashboard, Colonial Group has been able to check its monthly eligibility in real time by FEIN. The system identifies when an offer of coverage is necessary. With Health e(fx) technology and monthly meetings, Colonial Group remains over 99 percent compliant and avoids unexpected surprises across its organization and subsidiaries.

### Did you know?

*The average number of FEINs (Federal Employer Identification Number) per Health e(fx) client in 2017 was 11. The highest number of FEINs across the Health e(fx) client base was 249! That's a lot of different businesses to proactively track. Choosing an ACA solution like Health e(fx) that does this for you makes business sense.*

# SPOTLIGHTS

# **Spotlight:** Family Enrollment

## Percent of employees choosing family coverage shrinks across industries

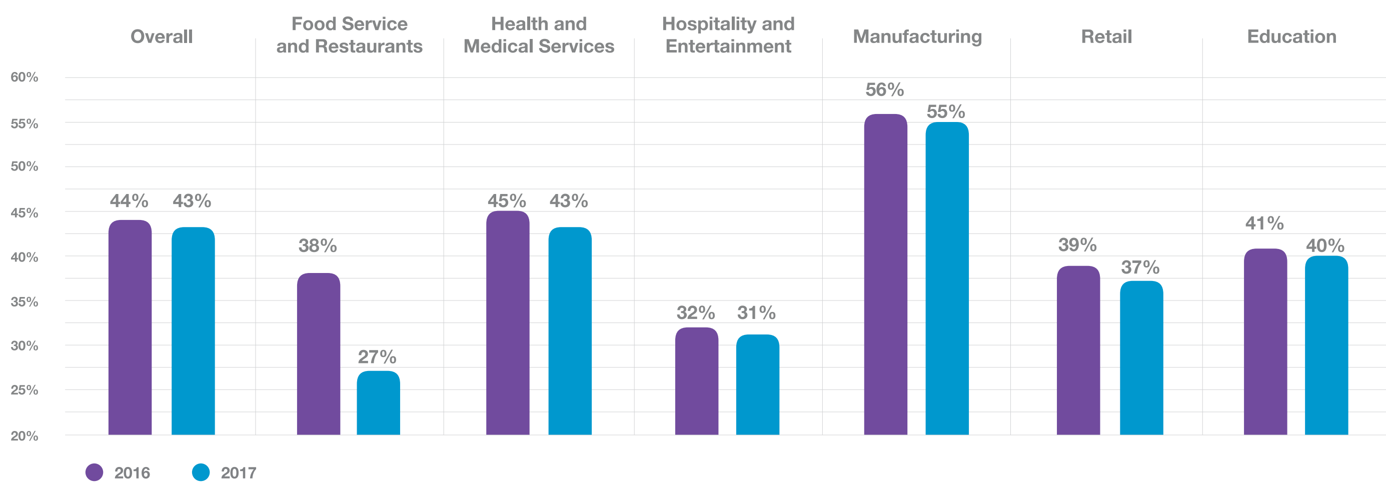
The ACA not only requires employers with over 50 full-time employees to offer qualified health insurance to 95 percent of their full-time employees, it also requires employers to cover child dependents up to age 26. The mandate does not require employers to cover employees' spouses. This Spotlight focuses on family coverage and the employees who chose to enroll in this coverage tier (defined here as a plan that covers an employee and at least one other family member).

### TRENDS IN FAMILY COVERAGE ENROLLMENT ACROSS INDUSTRIES

Enrollment of ACA-eligible employees in employer-sponsored healthcare plans declined two percentage points in 2017. The percent of employees choosing family tier coverage also declined from 44 to 43 percent overall and across the industries highlighted below.

Comparing the 2017 data on an industry-by-industry basis, employees in the Food Service and Restaurants industry are least likely to choose family coverage, possibly due to the younger average age of restaurant workers or lower average pay. At the opposite end of the spectrum, Manufacturing shows the highest percentage of employees choosing family coverage at 55 percent.

Percent of Employees Choosing Family Coverage



## A DEEPER VIEW INTO FAMILY COVERAGE

Without a government subsidy, family premiums in the public marketplace averaged $1,021 per month in 2017.[4] The average monthly total cost for employer-sponsored insurance was $1,475. However, because employers subsidize the cost, employees generally pay less in premium costs for employer coverage than they would if they purchased insurance from the public marketplace. Employee-paid premiums for family coverage overall averaged $375 per month, resulting in a $646 monthly difference between those who received coverage through their employer and those who did not.

The table below represents a breakdown of an employee's monthly family coverage costs by metal level for two industries: Food Service and Restaurants and Manufacturing.

**Monthly Employee-Paid Premiums for Family Coverage**

| Industry | Bronze | Silver | Gold | Platinum |
|---|---|---|---|---|
| Food Service and Restaurants | $370 | $386 | $456 | $529 |
| Manufacturing | $99 | $244 | $293 | $353 |

[4] *How Much Does Obamacare Cost in 2017?. (2016, October). Retrieved from https://resources.ehealthinsurance.com/affordable-care-act/much-obamacare-cost-2017*

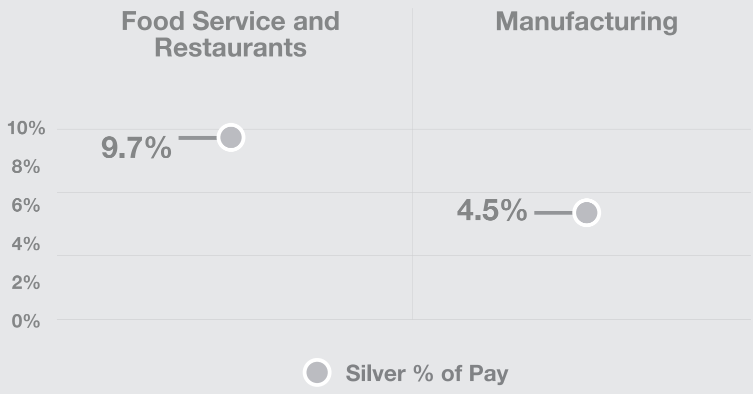
## AN INTEGRATED VIEW

An integrated view across industries by age, tenure and pay can provide insight into employee choices. This view takes a deeper look into these same two industries for individuals enrolled in Silver-level family coverage. For hourly employees in the Food Services and Restaurants industry, family coverage costs an average of 9.7 percent of pay versus 4.5 percent for Manufacturing employees.

**Profiles: Hourly Employees Enrolled in Family Coverage, Silver Plan**

| Industry | Avg. Age | Avg. Tenure |
|---|---|---|
| Food Service and Restaurants | 44 | 6.1 |
| Manufacturing | 46 | 11.9 |

**Premium Costs: Percent of Pay for Family Coverage**

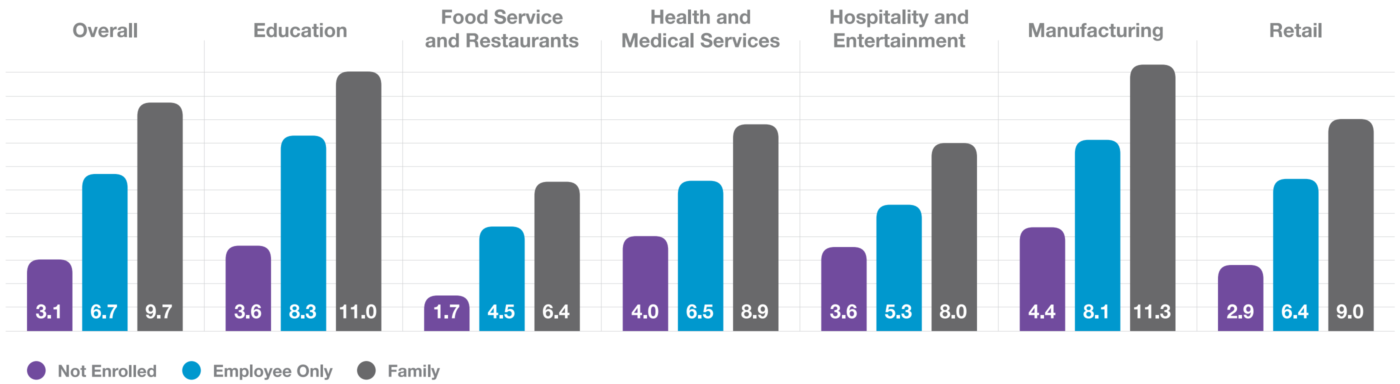



**NOTE:** These profiles reflect the average age, tenure and premium cost as a percent of pay for hourly employees who enroll in a family coverage Silver plan.

## TENURE OF THOSE WITH FAMILY COVERAGE HIGHER THAN THOSE WITH EMPLOYEE-ONLY COVERAGE

While plan type and family enrollment decisions vary across industries, on average, employees who enroll in family coverage have a longer tenure than those enrolled in employee-only coverage. When comparing those with family coverage to those who have not enrolled in any employer coverage, the difference is even greater. Consider the data below.

Average Tenure (in Years) by Tier




## WHY IT MATTERS

With the high cost of family coverage when purchased on the public market, many employees take advantage of the opportunity to enroll in employer plans. Those who do enroll in employer-sponsored family coverage may be more likely to stay with their employer, which has several positive business impacts, including reduced turnover costs.

## NOW WHAT?

When looking at enrollment and trends in family coverage, there are many factors to consider—many not even touched upon here. There is more to do to understand the demographics of who is enrolling and declining to enroll in family coverage. From there, you can make informed decisions about your benefit offerings and internal communication strategies.

# **Spotlight:** Lower-Paid Employees

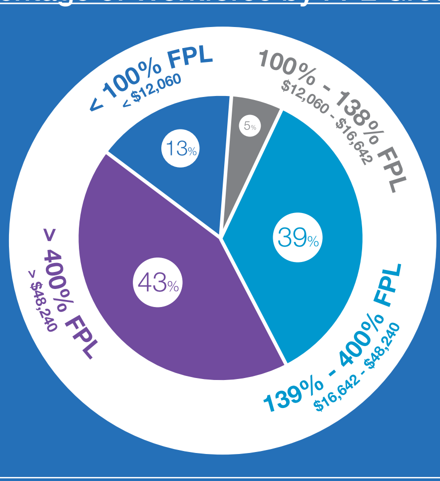
## Lower-paid employees may be missing out on valuable benefits

Americans are finding it increasingly hard to afford health insurance. In 2017, 37 percent of those insured reported it difficult to afford to pay the cost of health insurance each month. This is up from 27 percent in 2015.[5]

As a result, many lower-income employees may be missing out on employer-sponsored health benefits. In fact, according to our data, lower-paid employees are less likely to be eligible or enroll in insurance solutions through their employer. And the difference is significant.

Let's first look at the percentage of workforce that falls within each pay range. More than half—57 percent—of the workforce falls under 400 percent of FPL ($48,240). Roughly 13 percent of the workforce is paid under 100 percent of the poverty level ($12,060).

**Percentage of Workforce by FPL Groups**




As seen in the table on the right, lower-paid employees are less likely to be ACA eligible for employer-sponsored coverage. However, over half of eligible employees who are paid less than 100 percent of FPL enroll in coverage. Enrollment climbs to 82 percent for employees who make over 400 percent of the FPL.

There are multiple factors at play when it comes to enrollment. For example, some employees may be receiving benefits from their spouse or family members. However, cost is likely a factor.

**ELIGIBILITY AND ENROLLMENT BY FEDERAL POVERTY LEVEL**

| % of FPL | % ACA Eligible | % Enrolled |
|---|---|---|
| Overall | 75% | 71% |
| < 100% | 23% | 53% |
| 100% – 138% | 33% | 35% |
| 139% – 400% | 84% | 63% |
| > 400% | 95% | 82% |

Note: Percent ACA Eligible reflects the percent of employees eligible for coverage under the ACA. Percent Enrolled represents the percent of ACA-eligible employees who enrolled in employer coverage.

## Cost can be prohibitive

In 2017, the average monthly employee cost share for individual coverage was $130 and family coverage was $375. For an employee making $12,060 annually (100 percent of FPL), employee-only coverage would cost an average of 13 percent of pay. Employee cost share for family coverage for an individual at this same salary level averages 37 percent of pay. It's important to note that low-paid employees may be eligible for public health plans and Premium Tax Credits on the Individual Market (see next page).

## LOWER-PAID EMPLOYEES ARE LESS LIKELY TO ELECT FAMILY COVERAGE

An employee that is paid under 100 percent of FPL on average spends over one-third of pay on health premiums for family coverage. It's not surprising that at lower incomes, a lower percent of employees elect family coverage. In contrast, a higher percent of employees with salaries above 400 percent of the FPL enroll in the family tier in comparison to the employee-only tier.

**What Coverage Do Employees Choose? Tier Enrollment by Federal Poverty Level**

| | Employee-only | Family |
|---|---|---|
| Overall | 57% | 43% |
| < 100% | 65% | 35% |
| 100% – 138% | 76% | 24% |
| 139% – 400% | 69% | 31% |
| > 400% | 48% | 52% |

[5] *Data Note: Americans' Challenges with Health Care Costs. (2017, March 02). Retrieved from https://www.kff.org/health-costs/poll-finding/data-note-americans-challenges-with-health-care-costs/*

## THE LINK BETWEEN TENURE AND EMPLOYER BENEFITS ENROLLMENT

Employees who are enrolled in employer-sponsored plans have a higher average tenure than those who are not. For workers who fall under 400 percent of FPL, this difference is even more exaggerated. Enrolled employees making less than 100 percent of the FPL have an average tenure that is three times more than those who do not enroll in employer benefits.

Average Tenure (in years) of Enrollees by Federal Poverty Level


## WHY IT MATTERS

In industries such as Retail or Food Service and Restaurants, lower-paid employees are the most likely to interact with customers, and it's important they are as engaged and experienced as possible.

However, if low-income employees are not enrolling in an employer plan, it could mean total rewards strategies are not achieving their intended goals.

It's important to recognize that when it comes to health plans, a one-size-fits-all approach may be missing the mark.

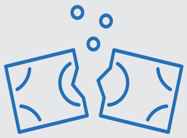
## NOW WHAT?

There may be more work to do within your organization to understand benefits data at various income levels. Looking across premium levels and claims data is necessary to build health benefit strategies that meet the needs of individuals at all pay grades.

While you may offer a generous health plan that's intended to support your retention efforts, if key segments of your population are not participating, your goodwill may not achieve its intended benefit. Organizations should review their total compensation strategies in consideration of employees who may view cost as a barrier to health plan enrollment.

Some companies have already moved to wage-based premiums as a component of their total rewards strategy. The model allows lower-paid employees to pay less for their benefits while higher-paid employees pay more. This helps ensure all employees have access to affordable benefits that are instrumental in driving employee retention.

Is it time to consider improvements to your communication strategy? How are you communicating to lower-paid employees about public healthcare options that may be available if employer-sponsored insurance is not an option?



## WHAT ARE FEDERAL POVERTY LEVELS?

Every year, the Department of Health and Human Services (HHS) issues Federal Poverty Levels as a measure of income. These levels are used to determine eligibility for public health plans and Premium Tax Credits on the Individual Marketplace.

| | 2017 Individual income | Eligible for Medicaid in all states | Eligible for Medicaid in expansion states | Eligible for subsidies on public exchange |
|---|---|---|---|---|
| < 100% FPL | <$12,060 | ● | ● | |
| 100-138% FPL | $12,060-16,642 | | ● | ● * |
| 138-400% FPL | $16,642-48,240 | | | ● |
| > 400% FPL | >$48,240 | | | |

* *Only in states that have not elected Medicaid expansion under the ACA.*

# Spotlight: Generations

## Millennials and Gen Z will soon put more pressure on benefits costs

### THE GENERATIONAL EFFECT

Today, more than ever before, the American workforce is a cross-generational one. **For the first time in history, companies are employing up to five generations in the same workplace.**

However, while all generations may be working together toward the overall betterment of the company, these different generations have distinct priorities when it comes to their health insurance and employee benefits. Millennials, for example, may currently be less focused on their overall health benefits than Baby Boomers.

Leaders should begin preparing for a higher percent of Millennials and Gen Z employees to enroll in employer-sponsored medical benefits, putting pressure on benefits costs. It's important to understand your workforce to more accurately plan for change.

| Generation | Birth Year |
|---|---|
| Mid Boomer | 1951-1960 |
| Late Boomer | 1961-1965 |
| Gen X | 1965-1980 |
| Millennial | 1980-1995 |
| Gen Z | after 1995 |

### ELIGIBILITY AND ENROLLMENT BY GENERATION

As employees age, healthcare benefits needs change. For example, 75 percent of ACA-eligible Gen X employees enrolled in benefits, but only 68 percent of Millennials enrolled.

| Generation | % ACA Eligible | % Enrolled |
|---|---|---|
| Mid Boomer | 77% | 79% |
| Late Boomer | 82% | 78% |
| Gen X | 83% | 75% |
| Millennial | 77% | 68% |
| Gen Z | 35% | 26% |

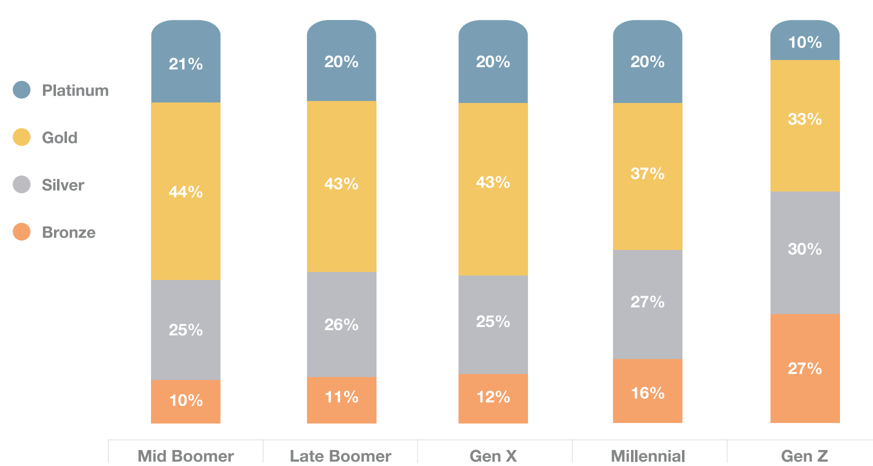
Note: Percent ACA Eligible reflects the percent of employees eligible for coverage under the ACA. Percent Enrolled represents the percent of ACA-eligible employees who enrolled in employer coverage.

Gen Z, those born after 1995 and just beginning to enter the workforce, are still eligible under the ACA to receive benefits from a parent. While over one-third of Gen Z employees are eligible for employer-sponsored benefits under the ACA, only 26 percent enroll. Healthcare insurance is soon to become a greater priority for Gen Z and Millennials.

### PLAN CHOICE ENROLLMENT TRENDS BY GENERATION

Not only do Millennials and Gen Z employees have lower enrollment, a higher percent of employees within these generations select a Bronze-level plan than workers in other generations. As these two younger generations age and their healthcare needs evolve, a greater percent of these employees may choose to enroll in benefits with higher actuarial value.

Plan Level Enrollment by Generation



## ENROLLMENT BY TIER BY GENERATION

Overall, 43 percent of employees choose family coverage while 57 percent enroll in employee-only coverage. Not surprisingly, due to stage in life, Gen X employees are the most likely to enroll in the family tier. In fact, Gen X is the only generation that is more likely to enroll in a family tier over employee-only coverage.

**What Coverage Do Employees Choose? Tier Enrollment by Generation**

| Generation | % Enrolled in Employee Only | % Enrolled in Family |
|---|---|---|
| Mid Boomer | 57% | 43% |
| Late Boomer | 51% | 49% |
| Gen X | 45% | 55% |
| Millennial | 70% | 30% |
| Gen Z | 94% | 6% |

## WHY IT MATTERS

Millennials are already the largest generation in the workforce, and Gen Z is undoubtedly poised to gain a greater footprint.

### DID YOU KNOW?

Eighteen percent of employees enrolled in family coverage have a Gen Z or Millennial dependent who will age out of their parental coverage within the next five years.

As employees in these two generations age, employers can expect a higher percent to enroll in benefits and a greater portion of these employees to choose family coverage. These shifts will put more pressure on benefits costs.

Because Millennials and Gen Z will emerge as a more vital component of any employer's benefit plan in the next five years, it is important that employers plan for changes in enrollment as well as communication strategies for younger employees that match their needs. Experts recommend communicating information visually, focusing on wellness and proving the ROI that employees will receive from their investment.[6]

Also, if the younger generations are not currently taking advantage of healthcare benefits, employers may want to consider alternative retention strategies for these workers.

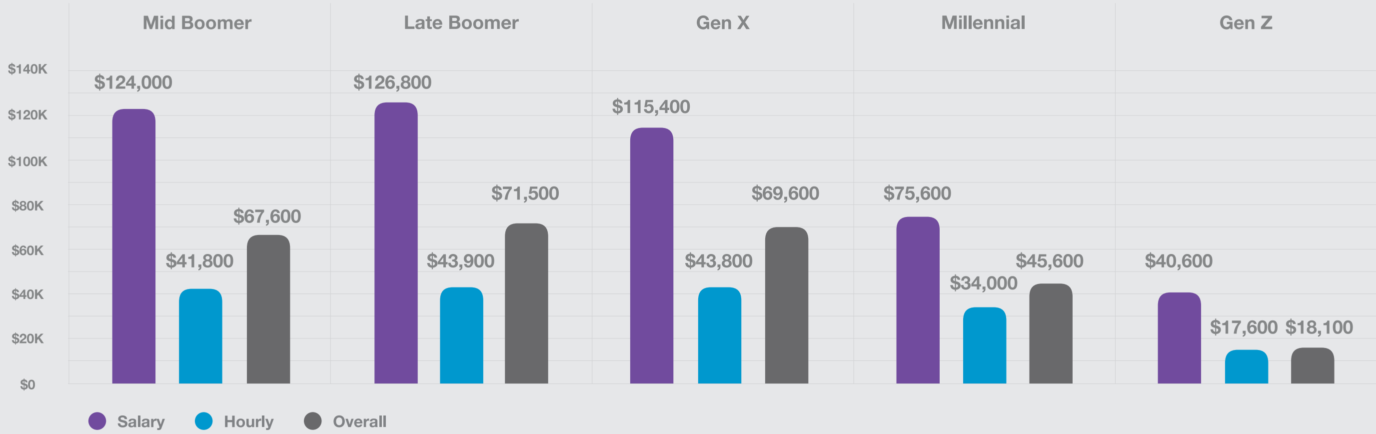
## NOW WHAT?

These generational insights are just a drop in the bucket. There are countless ways to slice this data within your own organization to support more informed decisions. Different trends exist within generations and understanding the impact of these trends allows employers to plan for costs and avoid unwelcome surprises.

[6] *Sahlan, E. (2018, March 2). Generation Z in the Workplace and Its Impact on Health Care. Retrieved April 13, 2018, from https://thebenefitsguide.com/generation-z-workplace-impact-health-care/*

## AVERAGE PAY BY GENERATION

The figures below represent average income across both full-time and part-time workers.



# **Spotlight:** Gender

## Build a gender equity strategy that works

### GENDER CHALLENGES AREN'T GOING AWAY

Women's rights and how women are treated and paid has been a workforce challenge for decades—and this issue is gaining steam. As lawsuits make headlines and states begin to pass bills to strengthen gender equity laws, pay equity should be top of mind for Human Resources leaders.

### GENDER PAY DIFFERENCES

In today's market, nationally, women are still paid about 80 percent of the salary their male coworkers receive for the same job.[7]

Research also shows that from ages 22 to 32, female employees' pay actually grows slightly faster than male employees' pay. However, a shift occurs at age 33, when women's earnings growth starts to slow and men's remains steady.[8]

These are noticeable differences, yet the differences aren't solely confined to pay; some benefits trends differ by gender as well. Let's dig into the data.

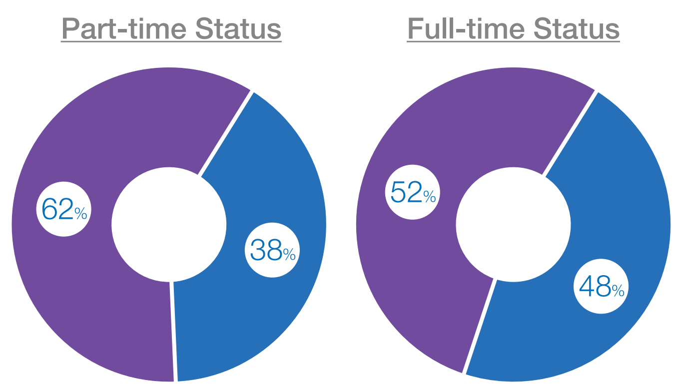
[7] *Miller, K. (2016). The Simple Truth about the Gender Pay Gap. Retrieved from https://www.aauw.org/research/the-simple-truth-about-the-gender-pay-gap/*

[8] *Elkins, K. (2017, August 18). Here's the age at which you'll earn the most in your career. Retrieved April 12, 2018, from https://www.cnbc.com/2017/08/17/when-youll-earn-the-most-in-your-career.html*

### WOMEN REPRESENT A GREATER PORTION OF THE WORKFORCE

Women represent a big part of the workforce today. Health e(fx) data shows they are making up the greatest percent of both the part-time and full-time workforce. Sixty-two percent of part-time workers were female in 2017.

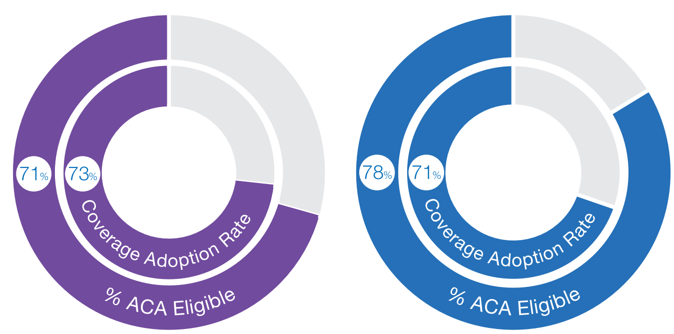
Women Men




### GENDER DIFFERENCES AND BENEFITS

The high percentage of part-time female workers has the potential to impact benefits eligibility and the ability to afford benefits for this worker segment. The data shows men have a higher rate of ACA eligibility but once benefits are offered, the adoption rate is similar between genders.

Women Men




Note: Percent ACA Eligible reflects the percent of employees eligible for coverage under the ACA. Coverage Adoption Rate represents the percent of employees who were offered coverage that enroll.

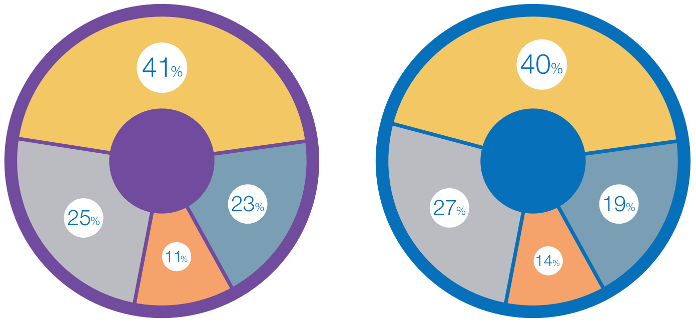
## BENEFIT CHOICES ACROSS GENDERS

The most popular plans selected by both genders are Gold and then Silver. At the same time, women are more likely than men to adopt Platinum plans and less likely to adopt Bronze-level plans.

Women  Men

Bronze  Silver  Gold  Platinum

Enrollment by Plan Level




## PAY ACROSS INDUSTRIES

According to the United States Department of Labor, on average in 2017, women working full-time earned less than men overall as well as across each of the occupation categories below. The difference in average salaries within these categories was the greatest for the healthcare practitioners and technical occupations.

It's important to consider that this is not a job-to-job comparison. In the case of healthcare practitioners and technical occupations, pay averages include a mix of higher paying jobs, like physicians and surgeons, and jobs that pay less, such as nurse practitioners. Sixty-seven percent of physicians and surgeons are male and 82 percent of registered nurses are female.[9] While this specific data does not provide insights into inequities within a specific job, this is an indicator that there are gender differences to be understood and considered as part of your total compensation strategy.

Health e(fx) has similar capabilities to provide these types of salary benchmarks by gender. We also provide the ability to dive deeper to take a closer view into job-to-job comparisons.

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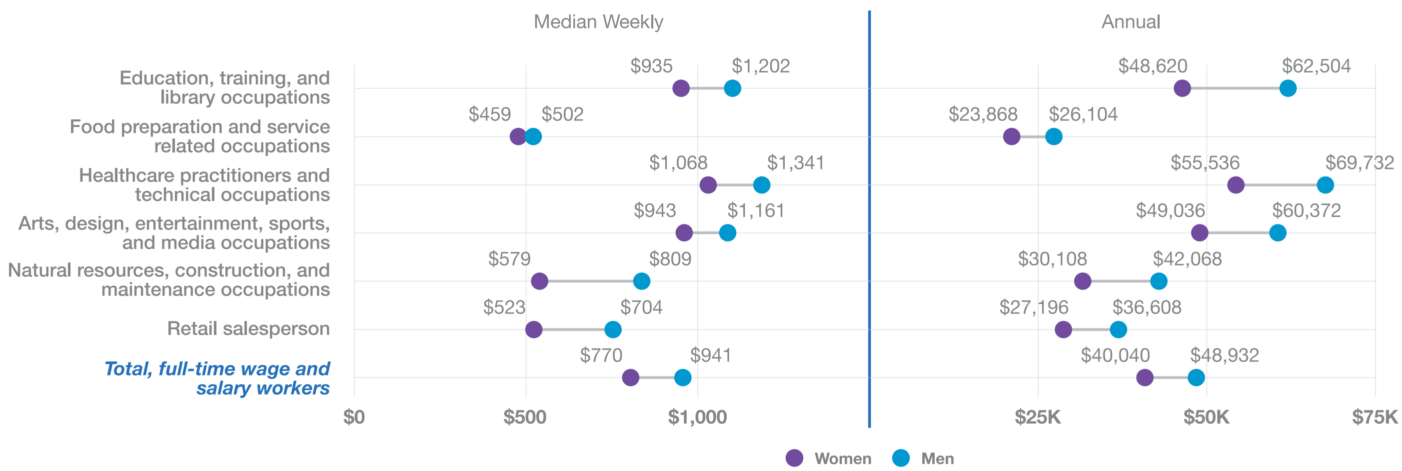
Pay by Gender and Occupation

2017 United States Department of Labor, Bureau of Labor Statistics Labor Force Statistics[10]




[9] *Gu, J. (2018, March 15). Women Lose Out to Men Even Before They Graduate From College. Retrieved from https://www.bloomberg.com/graphics/2018-women-professional-inequality-college/*

[10] *Median weekly earnings of full-time wage and salary workers by detailed occupation and sex. (2018, January 19). Retrieved from https://www.bls.gov/cps/cpsaat39.htm*

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## WHY IT MATTERS

On a national front, gender differences are a hot topic and a challenging compliance issue for Human Resources teams. Pay inequity can not only put companies at legal risk, it also can have a lasting impact on engagement and retention. The issue of equity and fair treatment across all worker segments is not a new issue, but it is one that Human Resources leaders will continue to be challenged by in the years to come.

## NOW WHAT?

While equity challenges in the workplace are not limited to gender equity, this Spotlight focuses narrowly on this topic. Are you aware of equity opportunities within your own organization? Inequities in pay and employee treatment can exist across genders, race, disabilities and other factors.

Start by understanding your data across your key workforce segments and engage your broker or employer benefits representative to help you build and implement strategies that work.

# **Spotlight:** Part-Time Employees

## A retention strategy for part-time employees is critical

Part-time employees are an important employee segment, making up approximately 40 percent of the workforce in 2016 and 2017. In many industries, part-time employees are often working closest with customers. A retention strategy for this segment is vital.

For this report, a part-time employee is one who, upon hire, is reasonably expected to work less than an average of 30 hours per week. Part-time employees include both individuals who may or may not be eligible for benefits under the ACA, depending on measurement status.

### WHERE ARE THE PART-TIME WORKERS?

With the exception of the Manufacturing industry, part-time employees make up a significant percent of the industries featured within this report. See the table to the right.

Percent of Part-Time Workforce

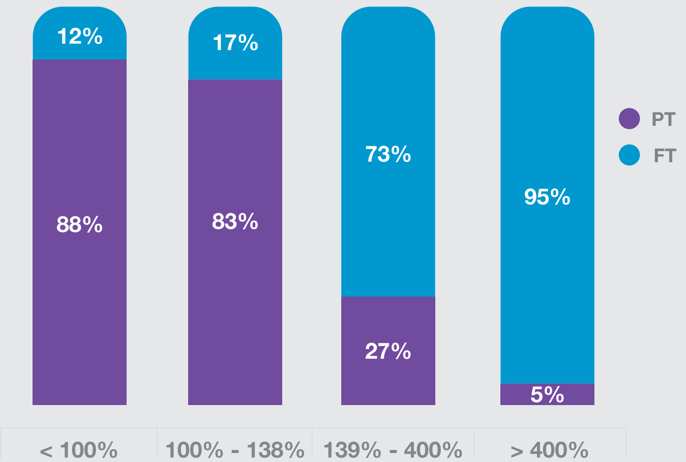
| Industry | % PT Employees |
|---|---|
| Education | 42% |
| Food Service and Restaurants | 72% |
| Health and Medical Services | 26% |
| Hospitality and Entertainment | 30% |
| Manufacturing | 7% |
| Retail | 51% |

**62 percent** of part-time workers were female in 2017.

### PART-TIME EMPLOYEE COMPENSATION

The chart below breaks down the percent of part-time workers by FPL. Over 80 percent of the workforce who are paid under 138 percent of the FPL are part-time. In comparison, only 5 percent of the workforce who are paid more than 400 percent of the FPL have part-time status.

Percentage of Part-Time Workforce by FPL Group




### PART-TIME EMPLOYEES AND BENEFITS

The ACA has had an impact on benefits eligibility for part-time employees. Nineteen percent of part-time employees are eligible for employer-sponsored healthcare under the ACA. Twenty-eight percent of ACA-eligible part-time employees enroll in benefits.

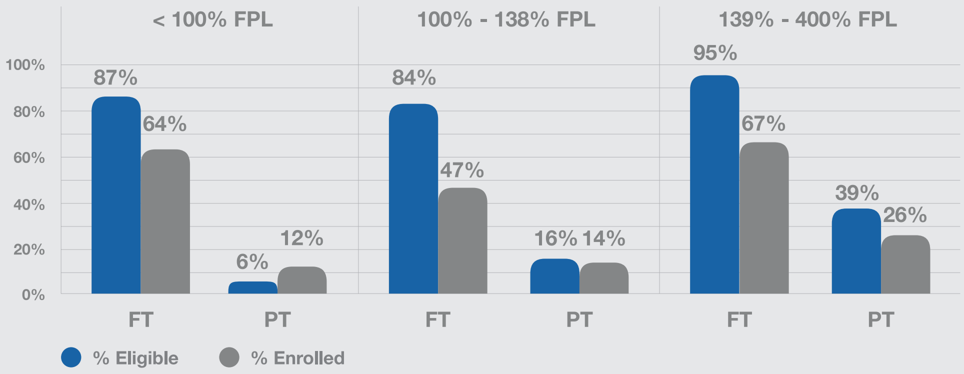
| Status | % ACA Eligible | % Enrolled |
|---|---|---|
| FT | 95% | 74% |
| PT | 19% | 28% |

Note: Percent ACA Eligible reflects the percent of employees eligible for coverage under the ACA. Percent Enrolled represents the percent of ACA-eligible employees who enrolled in employer coverage.

## PART-TIME LOWER-PAID EMPLOYEES HAVE LOW ENROLLMENT

This disparity in eligibility and enrollment status continues across income levels. In these subgroups, the data shows that ACA-eligible part-time employees have lower plan enrollment rates—with the contrast being most significant at the lowest wages. For part-time employees with pay over 400 percent of the FPL, enrollment increases to 62 percent.

Eligibility and Enrollment of Those Under 400 Percent of FPL



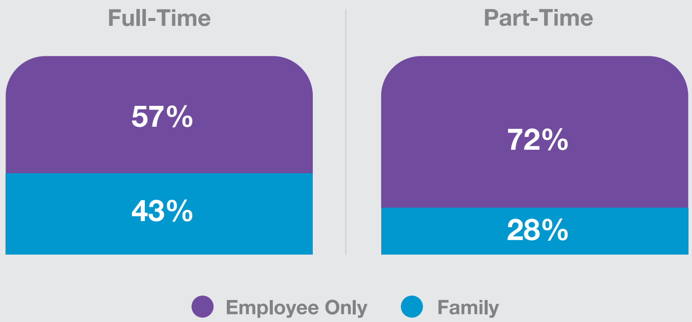

Note: The chart above reflects the percent of full-time employees who are eligible and enrolled and the percent of part-time employees who are eligible and enrolled within a pay level.

## PART-TIME EMPLOYEES ARE ALSO LESS LIKELY TO ENROLL IN FAMILY COVERAGE

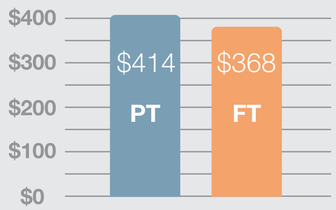
To the right is a breakdown of employee enrollment in employee-only and family coverage. For example, of part-time employees, 72 percent enrolled in employee-only coverage and 28 percent enrolled in family coverage.

The difference in family coverage enrollment between full-time and part-time employees may be in part due to cost. Part-time employees, who are likely already earning less than their full-time counterparts, may be asked to pay more toward their family coverage premiums. On average, part-time employees pay $414 per month for family coverage in comparison to $368 paid by full-time employees. This means, on an annual basis, part-time employees pay an average of over $550 a year more in family coverage premiums than their full-time counterparts.

What Coverage Do Employees Choose? Tier Enrollment by Status




Average Employee-Paid Monthly Premium for Family Coverage




## WHY IT MATTERS

Part-time employees are a large and important segment of the workforce. Depending on the industry, part-time employees are often face-to-face with customers. Organizations that care about the customer experience should also care about turnover and engagement of this population.

## NOW WHAT?

While it's more traditional in the United States to focus and build benefits and retention strategies around full-time employees, the part-time employee segment cannot be overlooked. Particularly for industries and organizations with a high percentage of part-time workers and those seeking to reduce turnover of part-time talent, it will be important to consider how to compensate and retain workers in this segment.

# How Health e(fx) Can Help

## YOU ARE MAKING A DIFFERENCE

As a Human Resources leader, your role in making health benefits decisions is making a difference. The American Benefits Council attributes employer-sponsored benefits as a key contributor to an employee's financial security, lowering the tax burden and reducing reliance on public programs.[11] This, in turn, results in job creation.

Your role comes with a lot of responsibility. Your decisions matter as they not only impact your organization's bottom line and future, they also directly impact the well-being of your employees and their families. Understanding the trends within your employee segments can be critical to making informed decisions and designing total rewards programs that get used.

What makes a strong total rewards program? National and industry benchmarks and trends are not enough. Insights into smaller workforce segments and how they are operating within your organization are invaluable.

[11] *The Unique Value of Employer-Sponsored Benefits. (November 2016). American Benefits Council 50. Retrieved from https://www.americanbenefitscouncil.org/pub/?id=4c1d905e-a7d4-56b4-5b9b-984d1107817a.*

## HEALTH E(FX) CAN HELP

Don't accept the status quo. We never have. Built differently, Health e(fx) provides unparalleled data-driven insights that help employers and their employees succeed. We integrate benefits, payroll and HRIS data to identify opportunities to better meet the needs of your employees and your business.

Let us help you make your data work! Contact us today to speak with a representative or schedule a demo.

## Data Security at Health e(fx)

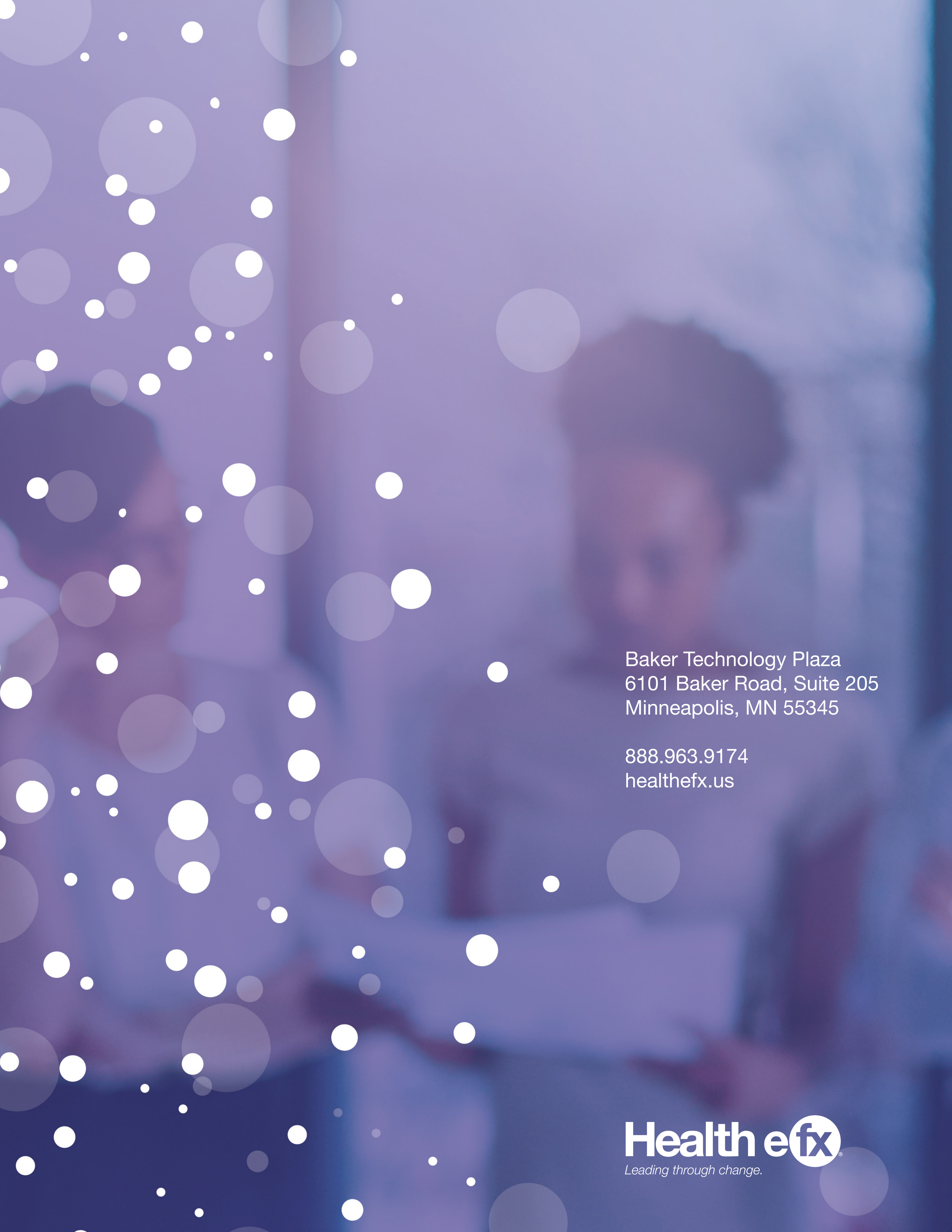
When companies focus on growth, data security can oftentimes be put on the back burner at the expense of security. Health e(fx) is different. A culture of data security and innovation is core to our business. We built Health e(fx) from the ground up to provide multiple layers of user controls, architecture controls and administrative controls that create our security foundation.

# About Us


Built to deliver unparalleled data-driven insights, Health e(fx) simplifies and supports strategic decisions around healthcare compliance and reporting, benefits and workforce management—even as the laws change. Always up-to-date, our flexible cloud technology quickly adapts to new federal and state requirements as they happen. Through ongoing investment and innovation, our easy-to-use solutions are designed to meet the needs of employers and our channel partners today and in the future. Choose Health e(fx) to manage complexity, minimize risk and cost, remove the burden on Human Resources teams and provide strategic insights into benefits decisions.

# Glossary

| TERM | DEFINITION |
|---|---|
| **ACA** | Affordable Care Act is the healthcare reform law enacted in March 2010 that has three primary objectives:<br>• Make affordable health insurance available to more people<br>• Expand Medicaid to cover all adults with income less than 138 percent of the Federal Poverty Level (FPL)<br>• Support innovative medical care delivery methods to reduce healthcare costs |
| **% ACA Eligible** | Number of active ACA-eligible employees divided by the number of active employees (including employees on leave of absence). |
| **Actuarial Value** | The percent of covered medical costs that a plan will pay; remaining uncovered costs are the member's payment responsibility.<br>• Bronze pays between 60-69 percent<br>• Silver pays between 70-79 percent<br>• Gold pays between 80-89 percent<br>• Platinum pays at least 90 percent |
| **Coverage Adoption Rate** | Number of active enrolled employees divided by number of active employees offered coverage. |
| **Employee Coverage** | A plan that covers the employee, but not spouse and/or dependents. |
| **% Enrolled** | Number of active ACA-eligible employees who are enrolled in coverage divided by the number of active ACA-eligible employees. |
| **Family Coverage** | A plan that covers the employee and at least one other family member. |
| **Federal Poverty Level (FPL)** | Federal Poverty Level (also known as poverty line) is an economic measure used to determine if an individual or family qualifies for certain federal benefits and programs, including marketplace health insurance, based on income level. |
| **Minimum Essential Coverage (MEC)** | Minimum Essential Coverage (MEC) is health insurance coverage that satisfies the ACA's shared responsibility provision (Individual Mandate). Those with MEC are considered insured and do not have to pay a penalty for being uninsured. Under the ACA, anyone who does not maintain MEC health insurance must pay a penalty, unless he or she qualifies for an exemption. This penalty has been removed beginning 2019. |
| **Minimum Value** | The minimum value requirement is a plan that is equal to or greater than a Bronze level metallic plan (60 percent Actuarial Value), and provides "substantial coverage" for inpatient care and physician treatment. |
| **% Offered** | Number of active ACA-eligible employees who are offered coverage divided by the number of active ACA-eligible employees (including employees on leave of absence). |
| **Part-Time Employee** | Within this report, part-time is defined as an employee who, upon hire, is reasonably expected to work less than an average of 30 hours per week. Part-time employees include both individuals who may or may not be eligible for benefits under the ACA, depending on measurement status. |
| **Safe Harbor** | Related to the ACA, for plan years beginning in 2018, employer-sponsored coverage will be considered affordable if an employee's required contribution for self-only coverage for the least-expensive plan option meets ACA requirements and does not exceed 9.56 percent of the employee's household income for the year (down from 9.69 percent in 2017). Since employers don't know their employees' household incomes, the ACA created a safe harbor in which any of the following can be used in lieu of household income: the employee's W-2 wages, the employee's rate of pay or the individual FPL. |




Baker Technology Plaza
6101 Baker Road, Suite 205
Minneapolis, MN 55345

888.963.9174
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