2020 INSIGHTS

Make your data work

Intelligent HR Analytics to Drive Business Success

Health efx

Leading through change.

Dear Reader,

To comply with healthcare laws and regulations, employers face enormous data and benefits management challenges. Today, those challenges have become even more complex as states implement their own individual healthcare coverage mandates and we grapple with the latest emergency sick leave, furlough and other HR guidelines issued by the federal government in response to the COVID-19 pandemic. The good news is that Health e(fx) is here today to support you with products and services designed specifically to support employers through these challenges.

Thanks to you, Health e(fx) has grown quickly to become the largest ACA technology solution on the market, supporting health reform for more than 22.5 million individuals. Most recently, we were the first to market with a solution for employer state individual mandate reporting for New Jersey, Washington D.C., California and Rhode Island.

Our innovative solution securely integrates multiple payroll, benefits and HRIS data sources, and aggregates results to help employers meet ACA reporting requirements and more. In fact, having this unique, aggregated data at your fingertips gives you a vantage point to optimize your workforce strategies – from minimizing IRS penalty risks to maximizing employee retention and health premium opportunities.

We hope you enjoy this 2020 Insights Report, which showcases the type of intelligence garnered from Health e(fx) *HR Insights*, a new class of intelligent analytics for HR teams. This report leverages data across five industries – healthcare and social assistance; education; accommodation and food services; retail trade; and professional, scientific, technical – to provide a snapshot of today's workforce, from health insurance enrollment trends and ACA compliance percentages to pay, retention and gender statistics.

Our commitment to our clients focuses on delivering even greater value as you provide the health coverage your employees need and deserve. If you aren't yet familiar with us, we welcome the opportunity to show you how Health e(fx) can maximize your data utility while driving value to your strategic goals and bottom line.

Sincerely,

Michael Showalter
Health e(fx) CEO

With headquarters in Minneapolis, Minn., Health e(fx) empowers employers to effectively comply with ACA and state individual mandate reporting requirements, manage benefits eligibility, gain insights to optimize their workforce and plan for the future. Health e(fx) partners with consultants, and tax and benefit administrators, among others, providing white-label ACA compliance technology, services and support. Among Health e(fx) clients are 27 Fortune 100 and 75 Fortune 500 corporations. For more information, visit healthefx.us.

CIO Review 50 MOST PROMISING HEALTHCARE SOLUTION PROVIDERS - 2020

To read more about our story, see our feature in CIO Magazine's Top 50 Most Promising Healthcare Solutions.

2020 INSIGHTS

2020 Insights Report Outline

Executive Summary

We share your pain.
Benefits decisions impact every organization's bottom line and directly impact the well-being of employees and their families. Today's HR challenges, however, create a churning sea that is only navigable with fast and accurate data so that you can adhere to state and federal mandates, avoid costly fines for non-compliance, and save money while offering comprehensive benefits to employees.

Fortunately, you don't have to go at it alone.
Inside this report, you'll find insights into the workforce including differences among worker segments based on employment status, gender, pay, generation and more.

And now, with Health e(fx) *HR Insights*, you can do this same type of analyses within your own employee populations. By understanding these trends within employee segments, you'll be empowered to make informed decisions and design total rewards programs that employees will use and find valuable. For example, employers who are considering changes to their health benefits, are concerned about gender equity, or are looking to reduce operational costs, need a vantage point to view this integrated data across segmented employee populations.

As you peruse this report, look for these important takeaways:

1. Avoiding ACA penalties is becoming more challenging.

Employers continue to be notified of potential penalties for non-compliance through Letters 226-J. At the same time, it's becoming even more difficult to determine who among their workforce is eligible for health coverage under the ACA and with individual state mandate reporting requirements that will apply in some states in 2020.

2. Employers and employees alike continue to place high value on employer-sponsored health coverage.

Employers offer coverage to more employees than required by the ACA, and employees who enroll in their employer's plan tend to choose higher levels of coverage.

3. Your healthcare benefits programs may be underutilized by lower-paid employees and other critical segments.

Keeping a close eye on how benefits programs are used by various employee segments such as generation, gender, and pay grade can help you design programs to stem possible attrition, aid in employee retention, avoid potential discrimination lawsuits and more.

4. Employees who enroll in their employer's health plans tend to stay longer.

Employees of all income levels tend to stay longer if they enroll in benefits, with the greatest impact to those earning below the Federal Poverty Limit.

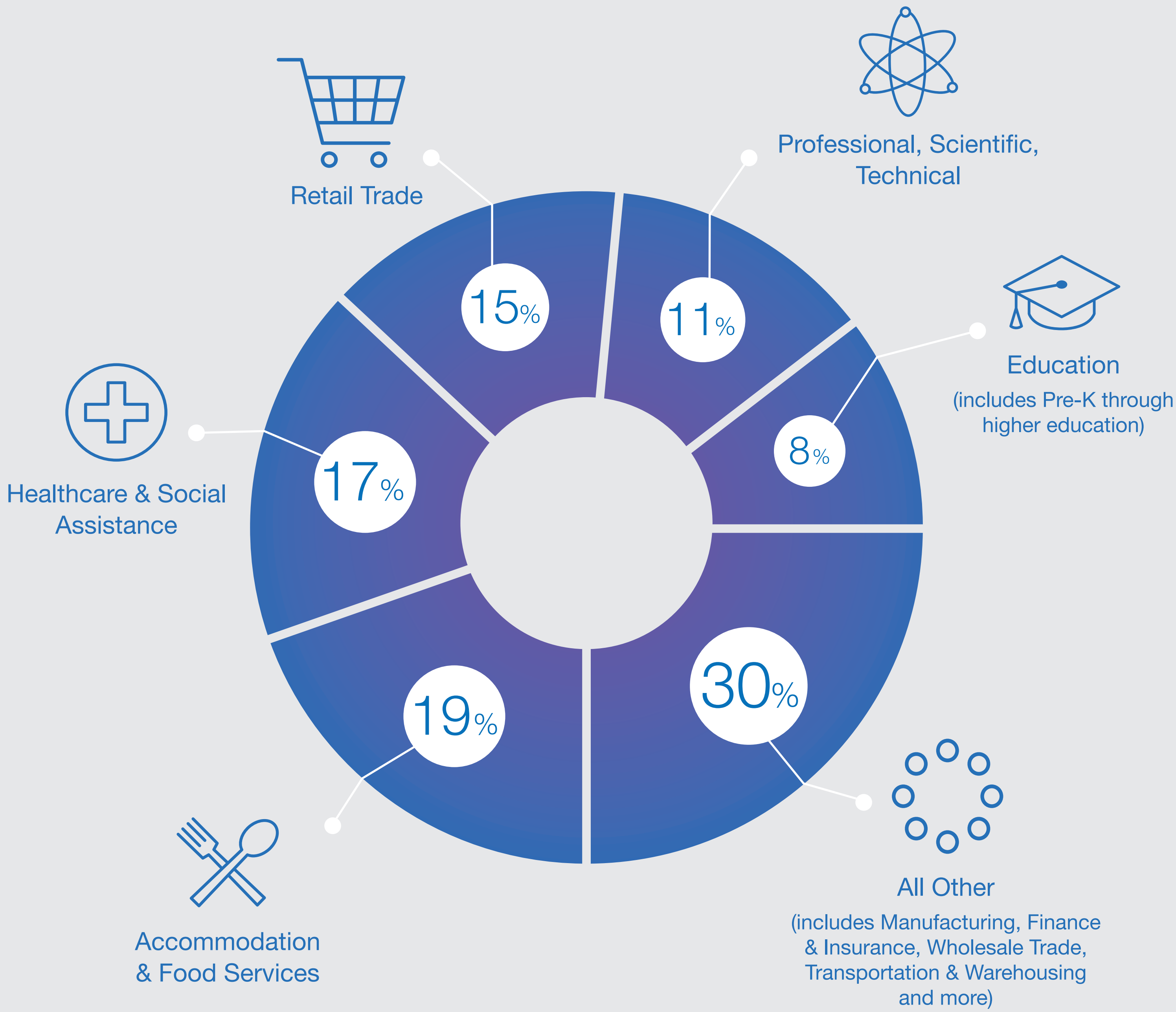
5. It's important to understand the impact of different generations on your health plan enrollment and costs.

As Gen Z employees age out of their parent's coverage and choose higher levels of coverage, it will likely affect your healthcare benefit costs.

INSIGHT AHEAD.

Industry Analysis

Percent of Employees Included



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

The Insights Report is not a survey. The information represented here is a subset of Health e(fx) clients, including more than 1.5 million individuals and dependents. This is real data, compiled from actual employer and employee costs, actions, and choices. It presents a picture of the modern corporate environment, one that reflects constant changes in the HR industry but that can help you set your path and navigate it with confidence.

COMPLIANCE INSIGHTS

ACA IN A TIME OF WORKFORCE UPHEAVAL

The ACA requires applicable large employers (ALEs) to offer 95 percent of their full-time employees healthcare coverage that meets Minimum Essential Coverage requirements, provides minimum value (at least 60 percent actuarial value) and qualifies as affordable.

In tax year 2020, ALEs that fail to offer coverage to at least 95 percent of their employees could be deemed out of compliance by the IRS and face fines of $2,570 per full-time employee (known as Penalty A). And, failure to offer coverage that is deemed affordable or provides minimum value can expose your company to Penalty B, with a fine of $3,860 for each employee who received a premium tax credit. These penalties accumulate monthly for each instance of non-compliance, which can cause penalty ramifications to grow quickly and substantially.

While most organizations have become adept at identifying who among their workforce qualifies for affordable coverage, COVID-19 has caused unprecedented upheaval and uncertainty in the workplace – from furloughs, reduced hours and pay, leaves, lay-offs and more. As employers continue to grapple with workforce changes, now is the time to review company eligibility rules, severance policies and past practices – as well as ACA eligibility and benefits affordability requirements. A few important factors to keep in mind:

- **Furloughs, COBRA and Penalty B risk.** If you discontinue regular benefits during an unpaid furlough and transition employees to COBRA, it could likely cause the employee to enroll in an exchange plan because COBRA plans are often more expensive. A scenario like this can create Penalty B risks if a selected COBRA plan does not meet ACA affordability requirements.
- **Furloughs and benefit contributions.** If you continue contributions to employees' regular benefits during an unpaid furlough, your healthcare plan coverage rules may require amending. Afterall, you don't want to risk a stop loss claim denial or administrative denial because plan rules did not permit continuation of benefits. Furthermore, you'll need to decide how to collect employee premium contributions, since standard payroll deductions won't be available.
- **Lay-offs and rehires.** If a laid off employee (who was enrolled in the company's health plan) is hired back within 13 weeks (26 weeks for educational institutions), they must be treated as an ongoing employee and offered the group health coverage they were entitled to based on their stability period.
- **Protected leaves of absence.** The Expanded Family Medical Leave Act (FMLA) as provided by the Families First Coronavirus Response Act (FFCRA), calculates this leave a little bit differently, as it's a paid leave. Eligible employees may use vacation, personal, medical or sick leave to cover the first ten days. After that, employers must pay employees two-thirds of their regular rate, multiplied by the employee's normal hours of service in a given week. The expanded Act, which is in effect until December 31, 2020 for employers with 50-500 employees, provides for up to 12 weeks of compensation.

  FMLA leave is typically treated as a protected unpaid leave period, and the leave time period is either:

  » Excluded from the measurement period when averaging hours to determine if the employee meets the 30 hours/week or 130 hours/month standard to be considered full-time, or

  » The employer elects to credit the employee with their average number of hours during the leave of absence period and then measures the employee to see if they meet the full-time standard for the measurement period.

  However, in this particular situation, the employer measures the sick, vacation or other PTO hours the employee uses for the first ten days. Then for the remaining leave time, the employee will continue to be credited hours at their typical hours of service each week, but is paid at the lower rate of pay per the special pay leave requirements. This results in a paid leave of absence with hours credited, so that the employee is not negatively impacted during their measurement period.

Click here for more information on measuring ACA eligibility for employees during leaves of absence.

2020 ACA COMPLIANCE PARAMETERS

ACA REQUIRES EMPLOYERS

with >50 full-time employees (FTEs)

TO OFFER MEDICAL BENEFITS TO

COVERAGE MUST MEET MINIMUM ESSENTIAL COVERAGE REQUIREMENTS

95% of FTEs

IF NOT MET — Penalty A **$2,570** per FTE

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

COVERAGE MUST

Be Affordable

≤9.78% of income for employee coverage

Provide Minimum Value

>60% actuarial value or total cost of medical services

IF NOT MET — Penalty B **$3,860** per FTE who received a premium tax credit

YOU ALSO MUST

Postmark Forms 1095 to Recipients by January 31

IF NOT MET — Penalty of **$280** per form

Electronically File Forms 1095/1094 to IRS by March 31

IF NOT MET — Penalty of **$280** per form

FAILURE TO FILE WITH INTENTIONAL DISREGARD — Penalty of **$560** 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

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

- Monthly measurement of ACA full-time status
- Affordability determination
- Accurate automated code determination

(And, easy reporting, IRS submissions and corrections)

ALL SO YOU CAN

Reduce HR workload • Minimize IRS penalty risk • Meet state individual mandate reporting requirements

Health efx
Leading through change.

Popularity of Safe Harbor Options

The ACA requires large eligible employers to offer affordable coverage to their full-time employees. What is considered affordable? Affordability is based on household income. For plan years beginning in 2019, employer-sponsored coverage is considered affordable:

1. If an employee's required contribution for self-only coverage (for the least-expensive plan option) meets ACA requirements, and
2. It does not exceed 9.86 percent of the employee's household income for the year for a bronze or better plan.

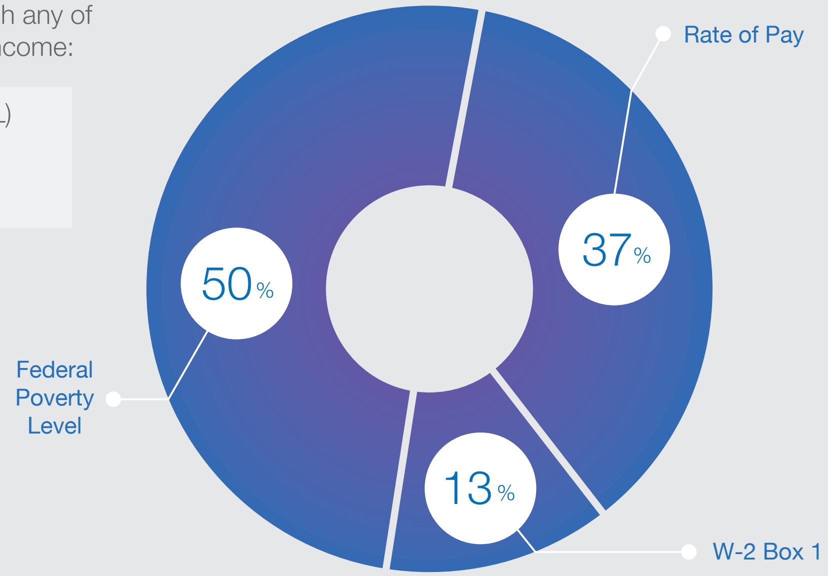
For 2020, the affordability threshold decreased to 9.78 percent.

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:

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

The FPL continues to be the most popular method for safe harbor determination.

Most Used Safe Harbor Options



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.

	Individual Income		Eligible for Medicaid in all states*	Eligible for Medicaid in expansion states	Eligible for subsidies on public exchange
	2019	2020			
< 100% FPL	$12,140	$12,760	●	●	
100-138% FPL	$16,753	$17,609		●	● **
138-400% FPL	$48,560	$51,040			●
> 400% FPL	> $48,560	> $51,040			

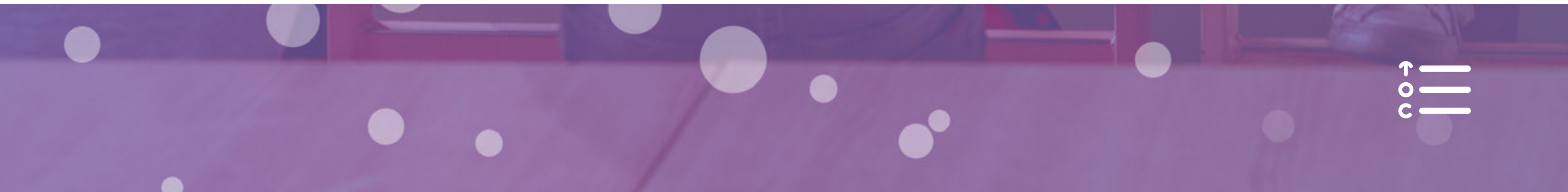
*Non-expansion states have not expanded Medicaid coverage to low-income adults (those without children) with exception of WI.
** Only in states that have not elected Medicaid expansion under the ACA.

FIVE STEPS TO HELP REDUCE RISK OF LETTERS 226-J

If an employer fails to offer healthcare coverage to eligible employees or does not meet ACA reporting requirements, they may receive a Letter 226-J from the IRS. Letter 226-J is a letter the IRS sends to employers to notify them that they may be liable for an Employer Shared Responsibility Payment (ESRP). The assessment is based on information provided in Forms 1094-C and 1095-C filed by the employer and the individual income tax returns filed by its employees. Such notices provide a chance for employers to correct inaccurate filings and avoid a penalty assessment. To maintain compliance and help avoid receiving a Letter 226-J, your company should:

1. Ensure that you're correctly determining each employee's eligibility, especially those who have been furloughed, laid off and then rehired, or are on extended leaves of absence due to the 2020 pandemic
2. Validate data and correct anomalies
3. Review your approach to ACA affordability and minimum value requirements
4. Validate your total number of employees, full-time status measurement methods and Form 1095-C code determinations
5. Accurately manage your acquisitions, hierarchy changes and Federal Employer Identification Number (FEIN) mergers or changes

Your ACA technology solution provider can help you complete these steps to stave off compliance considerations before they become a concern. In addition, should you receive a Letter 226-J, be sure to work with your ACA solution provider to respond to the letter within the timeframe provided.



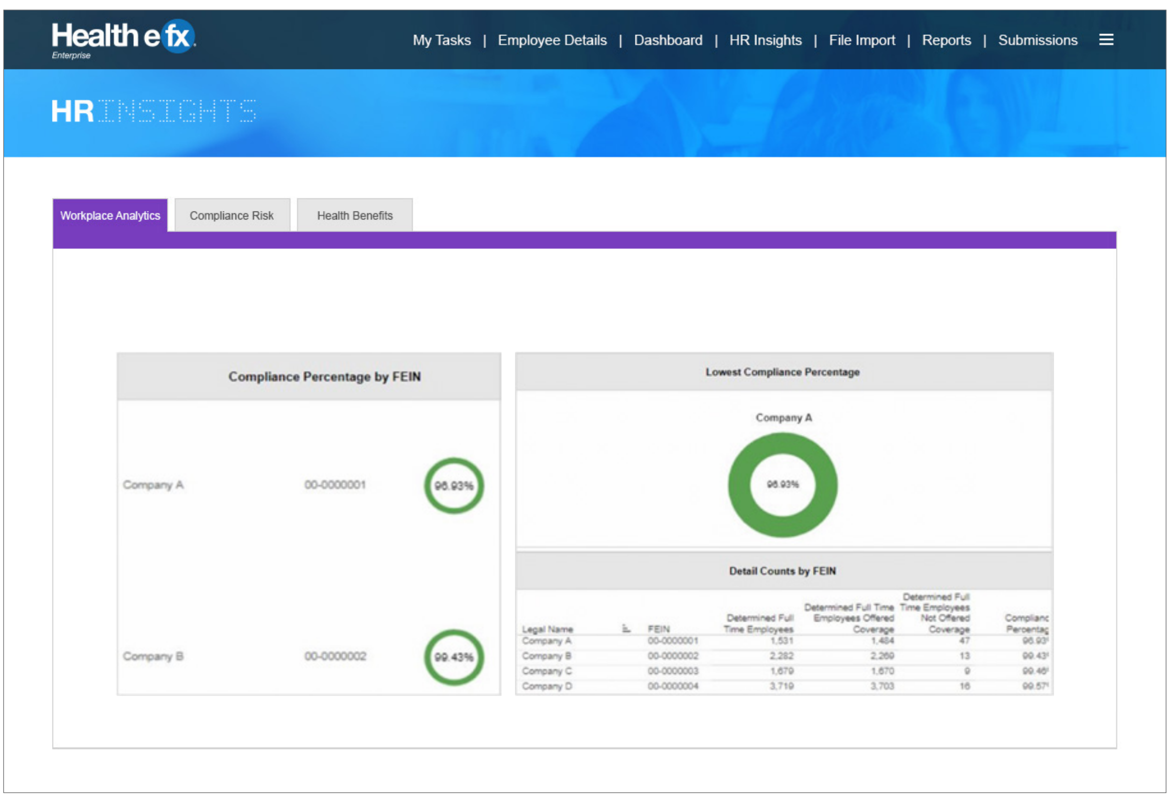
Key Questions to Ask About Your ACA Compliance and Penalty Risk

Managing the on- and off-boarding of employees, supporting perks and wellness initiatives, and ensuring compensation equity can all be taxing. But, it is the managing of the ACA mandate for the 2020 reporting year that has many HR professionals feeling extra pressure these days – especially for entities with complex workforces, data and multiple businesses (FEINs).

Maintaining ACA compliance is something HR professionals cannot afford to face alone; a solution like [Health e(fx) *HR Insights*] can help. *HR Insights* is a new class of intelligent analytics that provides a deep dive into penalty risk, eligibility and benefit enrollment to help you answer your biggest compliance challenges like:

- How, on a monthly basis, are the company's different business segments (FEINs) each meeting our ACA compliance objective?
- Which of my businesses (FEINs) has the lowest compliance percentage?
- What is my potential cost of non-compliance for 2020, if no changes are made?

Your data, presented at-a-glance, can make it easy to understand opportunities, risks and trends. No expensive consulting projects required. *HR Insights* helps you uncover the real potential within your data and have the answers you need to succeed.



WANT TO KNOW MORE? WATCH OUR VIDEO.

HEALTH BENEFITS INSIGHTS

Eligibility and Enrollment Trends

A CLOSER LOOK AT HEALTH BENEFITS

Employer health benefits historically have played a critical role in the lives of U.S. employees. According to Kaiser Family Foundation (KFF), last year, more than 153 million workers across the nation were enrolled in employer-sponsored health plans, making it the single largest form of coverage, followed by Medicaid.

Study after study reveals that employer health benefits are the most valued employer benefit with the greatest impact on employee satisfaction and retention. However, with the advent of a global pandemic and its impact on the employment status of millions in the workforce, along with 2020 presidential candidates' rhetoric and the ACA lawsuit awaiting Supreme Court hearings, employer health benefits and their role in recruiting and retaining employees will continue to evolve.

That said, health benefits today remain crucial for employers and employees alike. Let's take a look at what we know about health benefit trends in context of the ACA at the present time.

NEARLY SIXTY PERCENT OF EMPLOYEES ARE ACA ELIGIBLE

ACA eligibility rules haven't changed. An employee is considered full-time if they work 30 hours or more per week. In 2019, 59 percent of employees were determined full-time and therefore eligible for employer benefits under the ACA. Ninety-seven percent of eligible employees were offered benefits and 69 percent of eligible employees enrolled.

Eligibility, Offer and Enrollment Trends

Year	% Determined FT	% Offered	% Enrolled
2017	**56%**	**97%**	**70%**
2018	**58%**	**96%**	**70%**
2019	**59%**	**97%**	**69%**

Throughout this report, unless indicated otherwise:

- *Percent Determined Full-Time is the percentage of employees who have been determined to work over 30 hours a week and therefore eligible for benefits under the ACA.*
- *Percent Offered is the percent of full-time employees who were offered benefits.*
- *Percent Enrolled is the percent of ACA determined full-time employees that enrolled in benefits.*

EMPLOYERS OFFER COVERAGE TO MORE EMPLOYEES THAN REQUIRED BY ACA

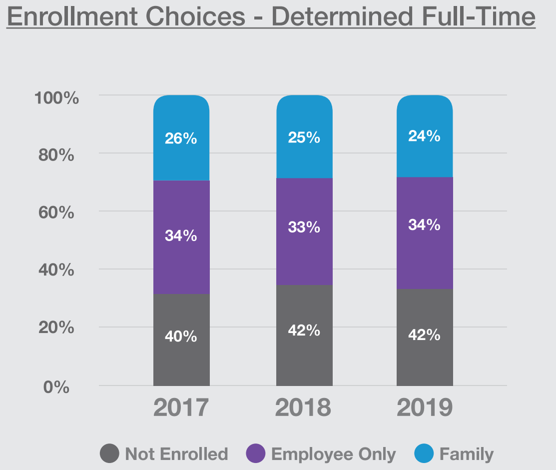
By looking at our data, we found that in 2019, nearly all employers did not strictly follow ACA eligibility requirements. Instead, they went above and beyond, offering coverage to more employees than required by the law (meaning the employer offered coverage to at least one individual who did not meet the requirements of full-time status). This has increased from 93 percent of employers in 2017 to 99 percent in 2019.

Percent of employers that offer coverage to those not eligible under ACA

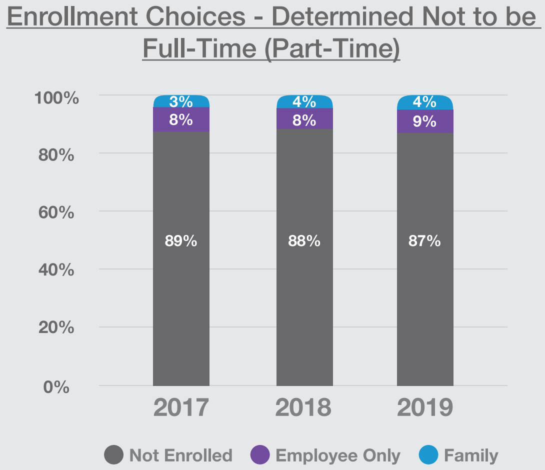
Year	Percent
2017	**93%**
2018	**96%**
2019	**99%**

A View Into Enrollment Over Time

The charts below indicate the percentage of employees who enrolled in coverage and the type of coverage in which they enrolled—across full-time and part-time employees. It's important to note that on average, even though employers are more generous with their benefit offerings, for different reasons, there are still high percentages of full-time and part-time workers who do not enroll in benefits. If your benefits plan is a key part of your retention strategy, it's important to consider alternative ways to retain your employees and/or encourage more people to enroll.

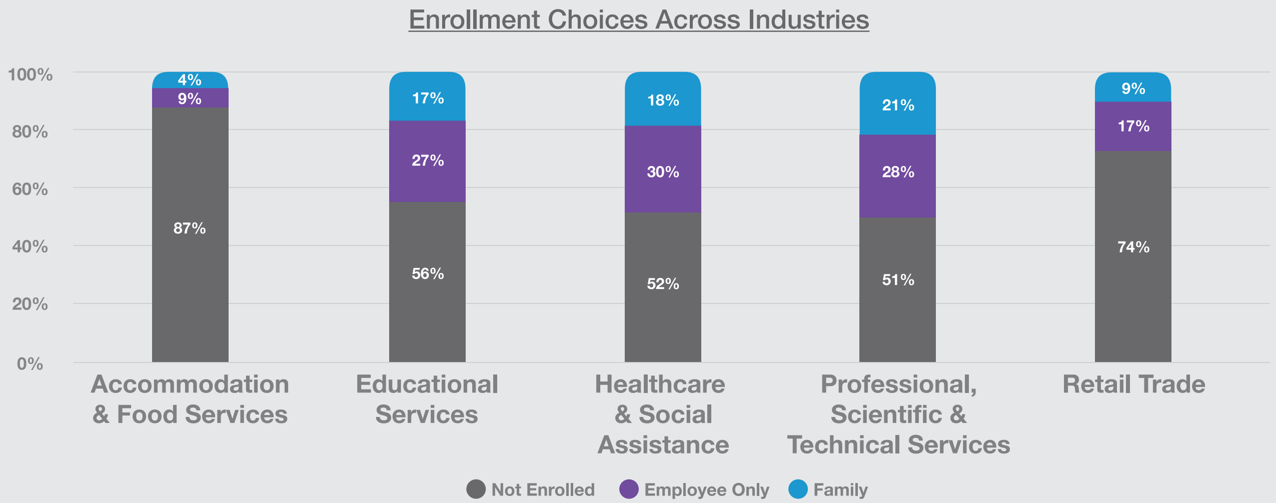


Percent enrolled in this chart is different than on page 13 as this chart takes into account employees who may have been enrolled in multiple plan tiers at different times of the year.



ENROLLMENT ACROSS INDUSTRIES

When looking across industries, the participation in employer health plans varies significantly. For example, the Accommodation and Food Services and Retail Trade industries have high percentages of employees who do not participate in employer health plans. The data below encompasses both full- and part-time employees.



*In the chart above, the percent not enrolled represents the percent of the entire employee population that is not enrolled in benefits, including both determined full-time and determined not to be full-time (part-time).

Metal Levels

Actuarial Value of Metallic Plans

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

HEALTH PLAN ACTUARIAL VALUE

Actuarial value is the percent of covered medical costs that a plan will pay. 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 is responsible for paying 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. For example, premiums for Bronze plans are lower than other metal levels, but out-of-pocket costs for employees can be much higher. The ACA requires employers to offer at least a Bronze value plan.

WHAT PLANS DO EMPLOYERS OFFER?

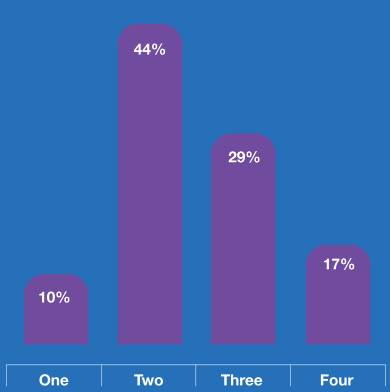
As shown in the chart below, not all employers offer all metal levels. However, 90 percent offer more than one.

Overall, Gold plans are the most popular among employers by a big margin, with 55 percent of employers offering Gold plans. Silver and then Bronze plans are the next popular among employer offerings with 45 percent and 34 percent offering these respectively. Only about one in four employers offer Platinum plans.

The frequency of offering these metal levels differs by industry. For example, a high percentage of employers in the Professional, Scientific and Technical Services industry offer Gold and Platinum, while employers in Retail Trade are more likely to offer Silver and Bronze plans.

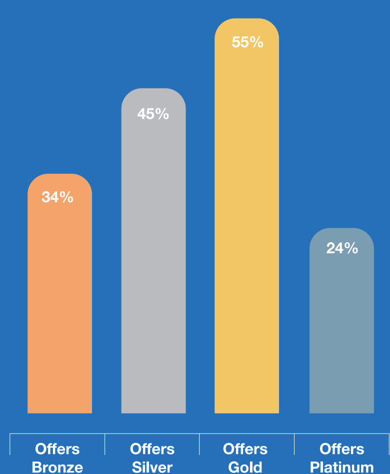
Plan Metal Level Offerings

Percent of employers that offer one, two, three or four metal levels



Plan Metal Level Offerings

Percent of employers that offer each metal level



	Offers Bronze	Offers Silver	Offers Gold	Offers Platinum
Accommodation & Food Services	47%	41%	59%	24%
Educational Services	54%	46%	69%	15%
Healthcare & Social Assistance	38%	38%	41%	13%
Professional, Scientific & Technical Services	42%	42%	84%	53%
Retail Trade	44%	56%	38%	6%
Other Industries	20%	48%	53%	28%

WHY DO COMPANIES OFFER MORE GENEROUS PLANS THAN REQUIRED?

While the answer to this question varies across companies, we regularly hear from our clients that offering benefits to their employees is not only good for business, they genuinely care about the health and well-being of their workforce.

"We have to take care of the people who take care of our patients."

— Tracey Harriette, Boston Children's Hospital

In 2019, 83 percent of employees were enrolled in a more generous plan than required by the ACA (above a Bronze plan). This trend decreased slightly from the past two years.

Percent of employees enrolled* in more generous plans than required by ACA

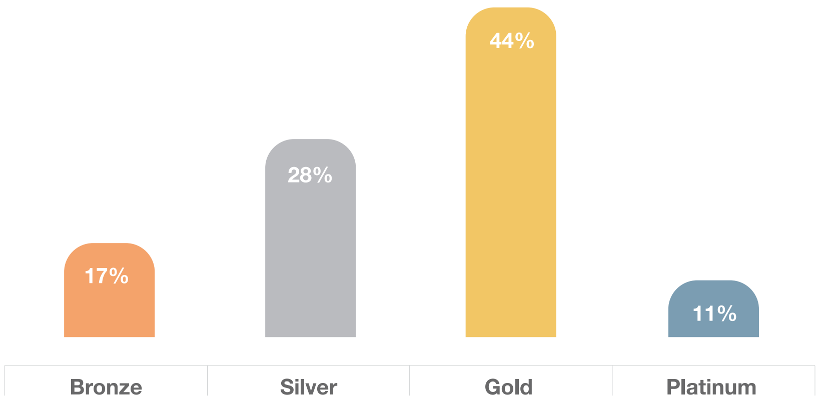
Year	Percent
2017	85%
2018	86%
2019	83%

** Percent Enrolled is the percent of ACA determined full-time employees who enrolled in benefits.*

WHAT PLANS DO EMPLOYEES CHOOSE?

With 90% of employers offering multiple plan-level options, when given an option, what do employees choose? Over 40 percent of employees were enrolled in a Gold-level plan in 2019, a sign that employees consistently value higher level benefits offered by their employers.

2019 Metal Level Selection



Health Plan Premium Costs

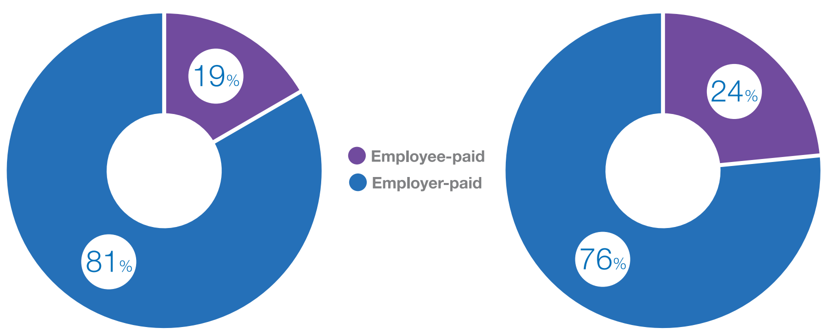
EMPLOYEE PREMIUM COSTS

In 2019, the average total cost of employee-only coverage increased by 2.6 percent to $599 and the total cost of family coverage increased by 4.6 percent to $1,457.

Let's take a closer look at the cost of healthcare premiums for employers and employees alike. In 2019, employees overall paid about 19 percent of the total premium cost for employee-only coverage and 24 percent of the total premium for family coverage.

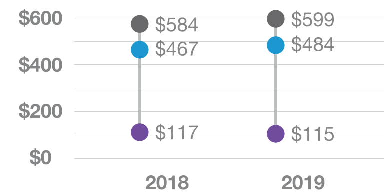
Employee-only Premium Cost-Sharing
(Percent of Premium Paid)

Family Coverage Premium Cost-Sharing
(Percent of Premium Paid)



The charts to the right break the premium costs into the portion paid by the employee and the employer and the change from last year. It also includes the total costs paid (equal to employee-paid plus employer-paid).

Average Monthly Employee-only Coverage Cost



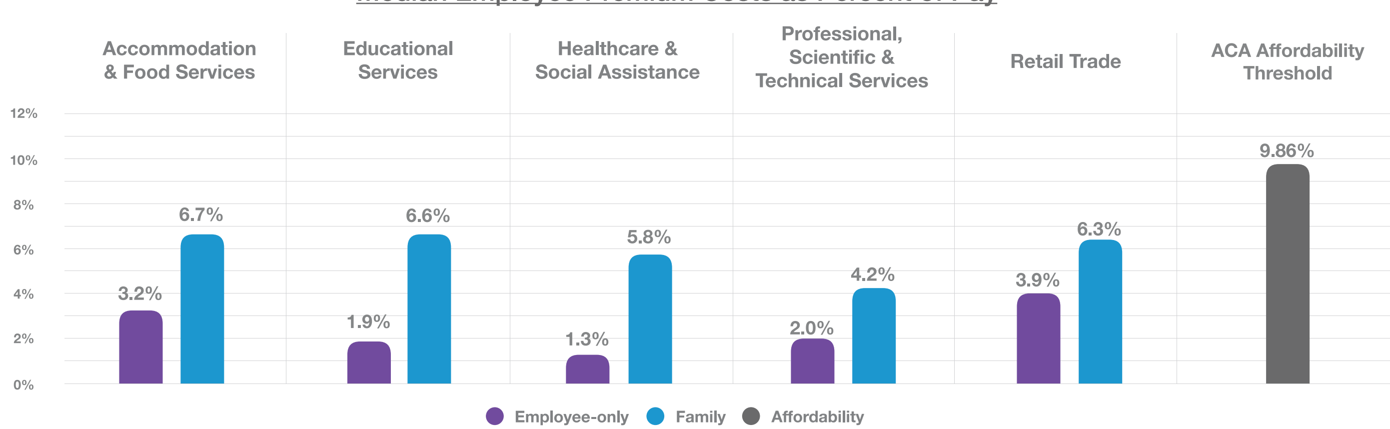
Average Monthly Family Coverage Cost

Costs shown are across all metal levels.

HEALTH BENEFIT PREMIUM COST AS A PERCENT OF PAY

The chart below represents healthcare coverage across industries for both employee-only and family coverage across all metal levels and all that enrolled. Specifically, it looks at premium cost as a percent of pay. Note that premium cost for family coverage for Accommodation & Food Services, Educational Services and Retail Trade was over six percent of income. Yet, across the industries, the premium cost as a percent of income is lower than the 2019 affordability threshold of 9.86 percent for an individual plan.

Median Employee Premium Costs as Percent of Pay



Key Questions to Ask About Your Healthcare Benefits

Our [HR Insights]() platform lets you gain critical insights into how your workforce is changing so you can create customized plans and options to help make your health benefits deliver the most value for your employees – at the most efficient cost for you.

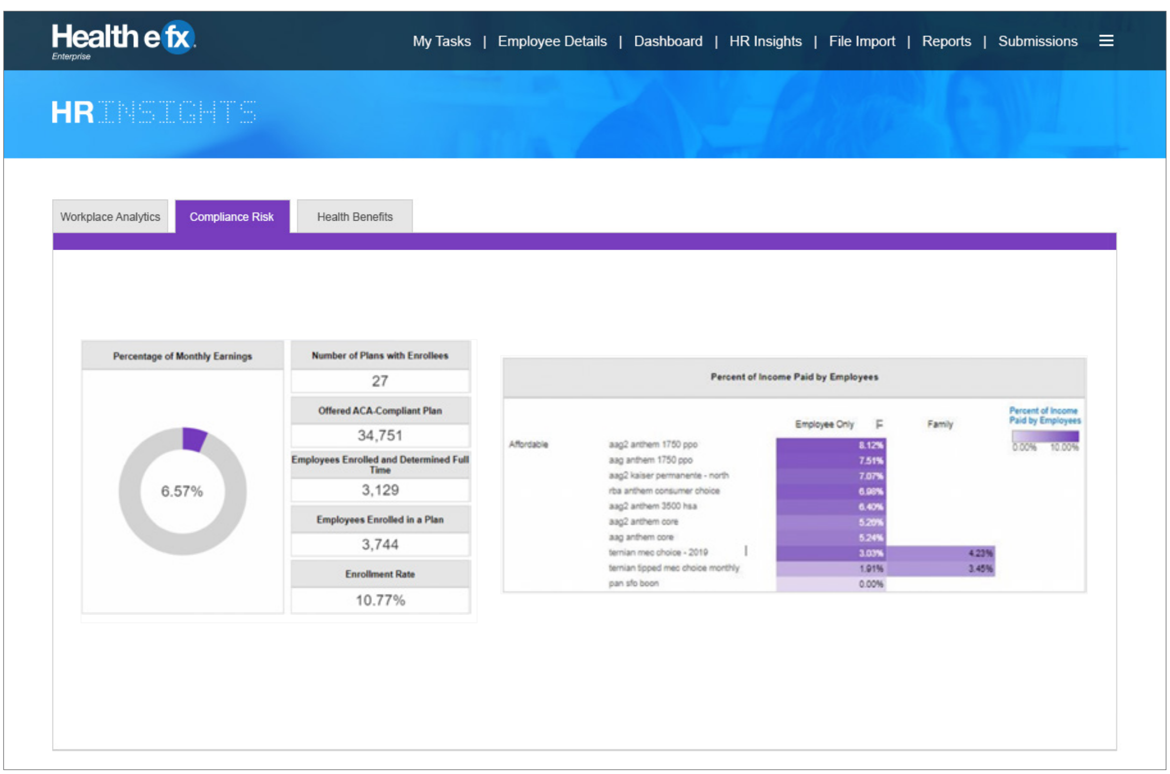
Predict the future and influence it.
Gaining a deeper understanding of your healthcare premium costs and benefits enrollment by demographics gives you a great opportunity to optimize your health benefit offerings. *HR Insights* pulls together your payroll, benefits, and HRIS data to give you an overview of your premium spend and enrollment by demographic so you can create benefit options that are valuable to various employee segments.

With *HR Insights*, you can evaluate monthly premium costs and enrollment data, and compare 2020 budget projections with actual costs. With this information at your fingertips, you can consider the impacts of, and options for, your current premium-contribution strategy.

HR Insights provides the power to identify actionable data-driven solutions to address your company's greatest opportunities and highest risks, which can help you answer:

- How does enrollment and company benefit premium cost vary across my FEINs and employee segments?
- What are employee costs as a percent of pay — and associated participation — for the health plan options offered?
- Are our customer-facing employees participating in the company health plan?

With just a few clicks, you can easily gain access to health benefits insights including your employees offered, enrolled, and determined full-time, by business segment, pay, gender, tenure, generation and more.



WORKFORCE INSIGHTS

A CLOSER LOOK AT EMPLOYEE RETENTION AND ATTRITION

Employee retention is always a top focus for employers, especially during volatile times. After all, retaining your current workforce — particularly your top performers — does more than improve employee morale and operational consistency, it also reduces unnecessary spend. Research shows that the typical cost of turnover can range anywhere from 16 to 200+ percent of an employee's annual salary, which creates a powerful motivator to retain employees whenever possible.

In today's unpredictable marketplace, however, attention to sustaining employee retention could be superseded by stemming employee attrition. While the two concepts are inexorably linked, attrition may consume more of employers' time and energy during the second half of 2020 and beyond as new "normals" emerge from the COVID-19 pandemic. Millions of workers have been laid off or furloughed. When business regains strength, will those workers be available to rehire or bring back, or will they have landed other opportunities? Much remains to be seen, but one thing we can all be certain of is that workplace management practices will change.

Helpful news for employers is that unanticipated turnover concerns can be identified in your workforce data. In this section, we take a closer look at workforce demographics, attrition and what it means for companies like yours.

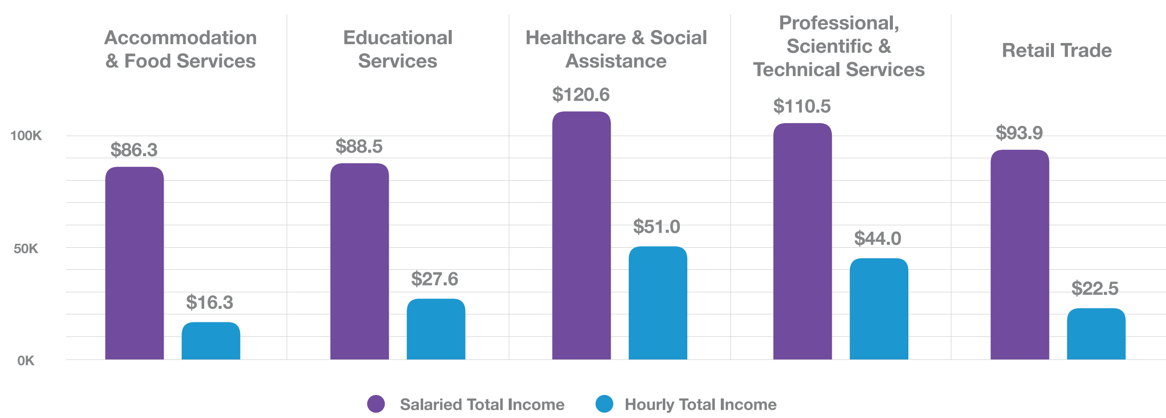
Let's take a close look at pay, generation, gender, and ultimately employee retention.

Workforce Pay

Annual pay is broken down in the chart below by salaried and hourly workers across our five focus industries. For years, studies have demonstrated that pay is linked to retention and job satisfaction.

More insights into the link between workforce pay and benefits participation – and how enrollment is connected to employee retention – can be found on the next two pages.

Median Annual Pay by Industry



Annual pay includes bonus.

OVER 30 PERCENT OF THE WORKFORCE IS AT OR UNDER THE FPL

Within our book of business, approximately one out of three individuals in the workplace is paid at or under the 2019 FPL ($12,140). And, nearly 75 percent of the workforce is paid under 400 percent of the FPL ($48,560). This includes a mix of both employees who have been determined to be full-time as well as part-time employees. Read more about the prevalence of low-income workers here.

PERCENT OF WORKFORCE BY FPL

FPL Categories	Percent of Workforce
< 100%	33%
100% - 138%	11%
139% - 400%	30%
> 400%	27%

*Note: Federal Poverty Level (FPL) is measured monthly. Employees with variable income may be included in more than one FPL group.

Employees who are paid above 400 percent of the FPL are much more likely to be determined full-time and eligible for benefits under the ACA; they are also much more likely to enroll.

ELIGIBILITY AND ENROLLMENT ARE LOWER FOR LOW WAGE WORKERS

Employees who earn under 400 percent of the FPL are less likely to be eligible and enroll in employer sponsored insurance. Only 12 percent of employees earning less than 100 percent of the FPL were eligible for coverage under the ACA, and only 36 percent of these eligible employees enroll.

Enrollment may be influenced by enrollment options external to the employer, such as benefits received through a spouse, parent or government sponsored plan. At the same time, the cost of employee-paid premiums is also seen as a driving factor reducing the percentage of lower-income earners enrolling in employer plans.

PERCENT OF FPL GROUP THAT WAS DETERMINED FULL-TIME

FPL Categories	Percent Determined Full-Time
< 100%	12%
100% - 138%	34%
139% - 400%	75%
> 400%	93%

DETERMINED FULL-TIME WHO ENROLLED

FPL Categories	Percent Enrolled*
< 100%	36%
100% - 138%	39%
139% - 400%	65%
> 400%	83%

** Percent Enrolled is the percent of ACA determined full-time employees who enrolled in benefits.*

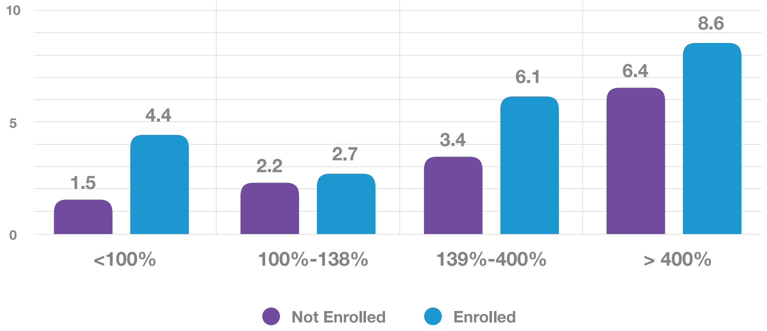
While many employers may be meeting their overall healthcare enrollment goals, they may be missing the mark for lower-paid employees. Are these employees, who are often most likely to interact with your customers and have the greatest impact on your business, enrolling in your company's benefits? If not, what is your engagement and retention strategy for this highly important population?

WHY HEALTH BENEFITS ENROLLMENT MATTERS FOR LOW WAGE WORKERS

Whether they work in leisure and hospitality, retail, service or other industries, low wage workers are a key subgroup that the ACA was designed to support. They are also frequently mission critical for business success as they serve on the front line in customer interactions. Ironically, low wage earners are the population base most likely to walk away – or be turned away – from employer-sponsored health insurance.

Why should employers care? Enrollment in an employer health plan is not only good for the employee but for employers, too. Health e(fx) research found that employees making less than 100 percent of the FPL – and enrolled in their employer's health plan – remained with the company an average of nearly three times longer than those who did not enroll in benefits offered by their employer (1.5 years for not enrolled vs. 4.4 years for enrolled). And while, on average, employees of all income levels experienced longer stays with their employers if they enrolled in benefits, the most profound difference can be found in those earning below the FPL.

Average Tenure (years) by FPL

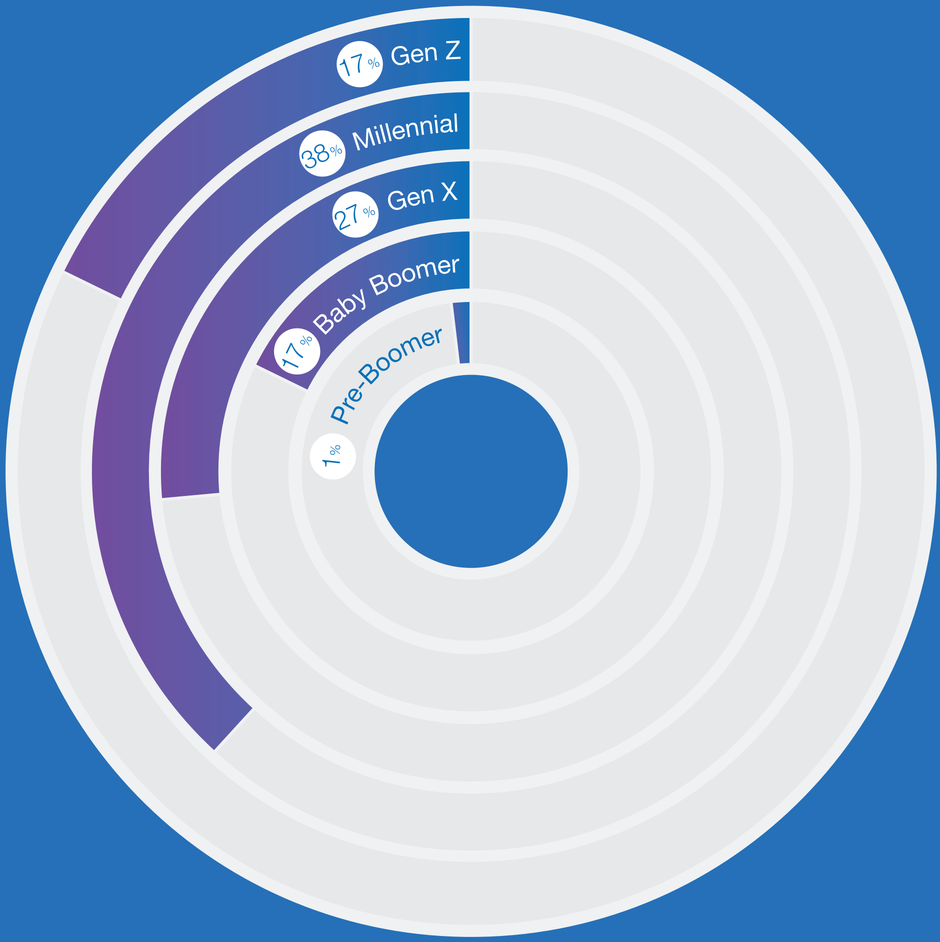


Fortunately, you can leverage your ACA compliance data to understand how your lower paid workers are using your organization's benefits. By generating actionable wage and benefits information, you can then create strategies to help minimize the roadblocks preventing low-income workers from enrolling in your health plans. Start by breaking your population into salary buckets using FPL as your guideline.

Workforce Generations

Within our client group, Millennials make up 38 percent of all employees, representing the largest generation in the workforce. Estimates showed that Millennials were projected to comprise half of the U.S. workforce by 2020 and by 2025, the global Millennial workforce will be 75 percent.

Generation	Birth Year
Pre-Boomer	<1946
Baby Boomer	1946-1964
Gen X	1965-1980
Millennial	1981-1996
Gen Z	After 1997



ELIGIBILITY AND ENROLLMENT BY GENERATION

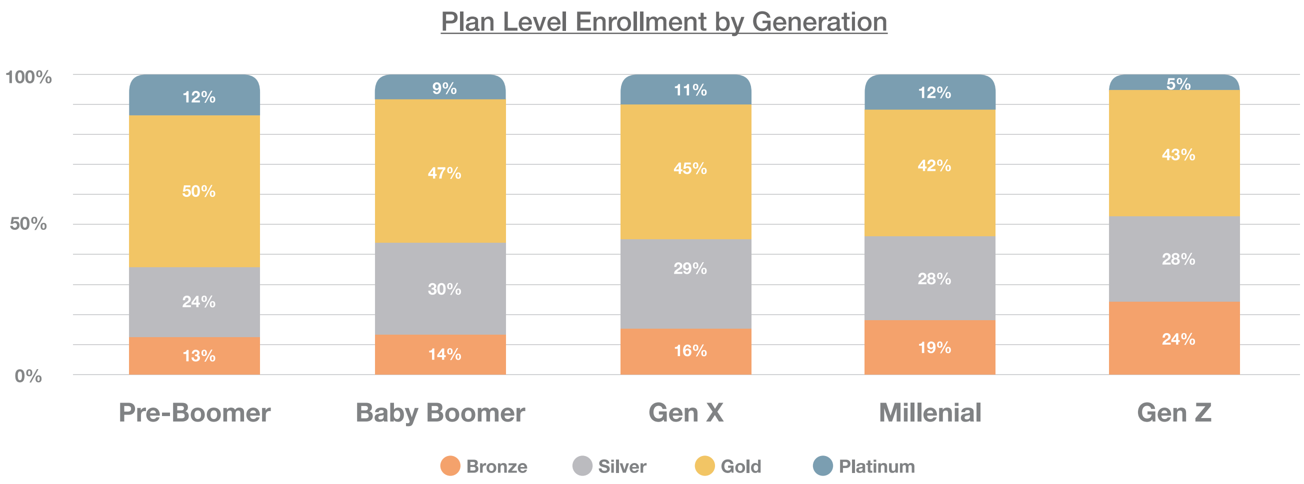
Baby Boomers and Gen X'ers have the highest percentages of eligible and enrolled employees. Over 65 percent of the two generations are ACA eligible employees. Seventy-eight percent of eligible Baby Boomers and 76 percent of eligible Gen X employees have enrolled in coverage. Under the ACA, adult children are eligible to enroll in their parent's plan until age 26, which lowers the percentage of Gen Z, and some Millennials, enrolled versus other generations. However, many of these Gen Z and Millennial employees will soon begin aging out of their parents' plan.

Generation	% Determined FT	% Enrolled*
Pre-Boomer	28%	42%
Baby Boomer	66%	78%
Gen X	68%	76%
Millennial	57%	69%
Gen Z	15%	24%

** Percent Enrolled is the percent of ACA determined full-time employees who enrolled in benefits.*

PLAN LEVEL AND GENERATION

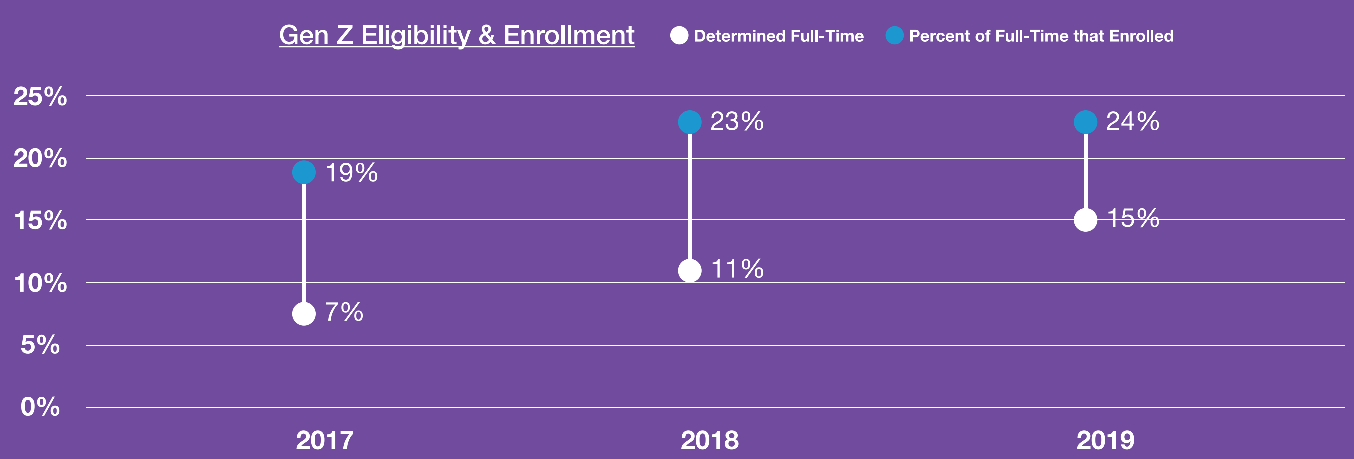
How does generation impact coverage choice? Not surprisingly, older generations tend to select a higher level of coverage than younger generations. Gen Z is less likely to enroll in Platinum and more likely to enroll in Bronze level plans than other generations. However, as younger workers mature, they will most likely begin choosing more robust coverage. Consider how migration to higher-value options may impact your planning and budget projections.



Spotlight: Gen Z

Within our client group, nearly 20 percent of employees are Gen Z. The sheer number of Gen Z employees present in the workplace drives change in a variety of ways — and employer healthcare benefits are no exception. This generation, not surprisingly, has the lowest eligibility and lowest benefits adoption rate. But, over the past two years, the percent of Gen Z employees who are determined full-time and therefore ACA eligible has increased from seven percent in 2017 to 15 percent in 2019. At the same time, the percentage of these eligible Gen Z employees who choose to enroll in the benefits they are offered has increased from 19 to 24 percent during the same time period.

As this generation grows within your workforce, it will be even more important to deepen your understanding of this segment's unique health and workplace needs.



Workforce Gender

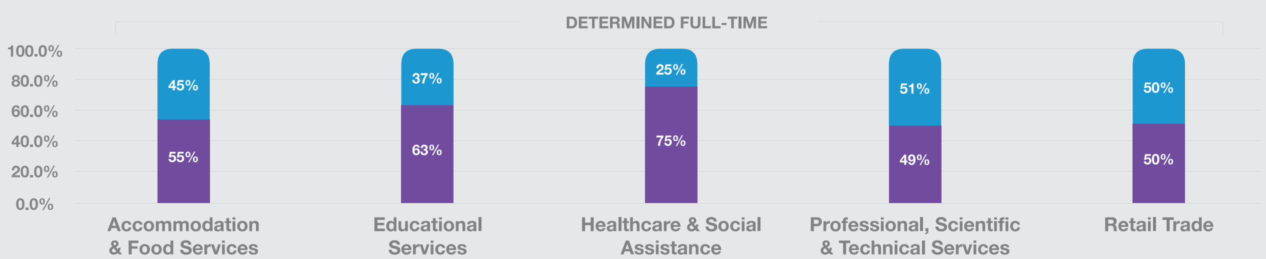
On a national front, gender equity issues comprise hot topics for debate — ones that can lead to lawsuits; major hits to your brand, employee morale, and your engagement and retention strategies. Many employers may not even be aware of equity problems, as they are not always easy to spot. By aggregating your workforce data on a monthly basis, you can generate the information necessary to identify potential equity issues in your benefits programs and can then work to resolve them.

EMPLOYMENT STATUS AND GENDER

Overall, within our client group, women make up over 64 percent of the workforce. This differs slightly from U.S. Bureau of Labor Statistics that indicate women age 16 and older make up over 57 percent of the workforce as of March 2020.

Below is a breakdown of those who are determined full-time and ACA-eligible by gender and industry. In the healthcare industry, of those who are determined full-time, 75 percent of them are women. In educational services, 63 percent of those who are determined full-time are women.

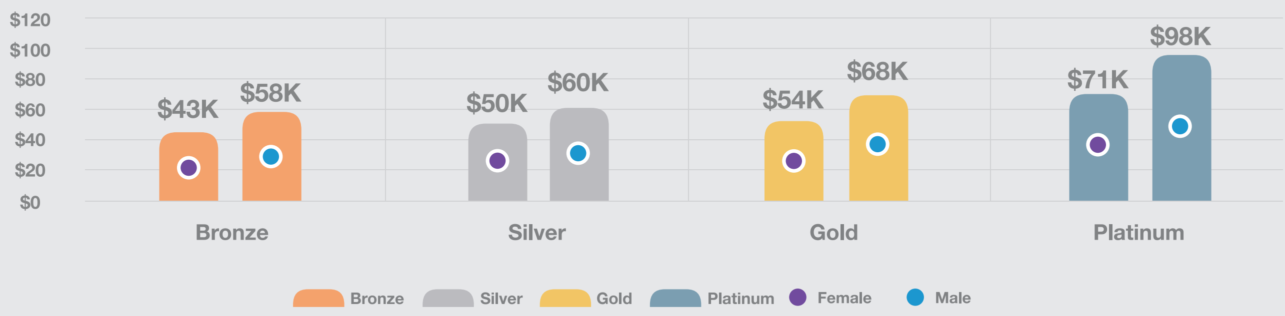
Gender Split by Determination Status & Industry



ENROLLMENT BY METAL LEVEL

Are plan choices impacted by salary? For both men and women, salary and plan choices appear to be linked. The average income of individuals choosing each metal level rises as the coverage becomes more comprehensive.

Median Income by Plan Metal

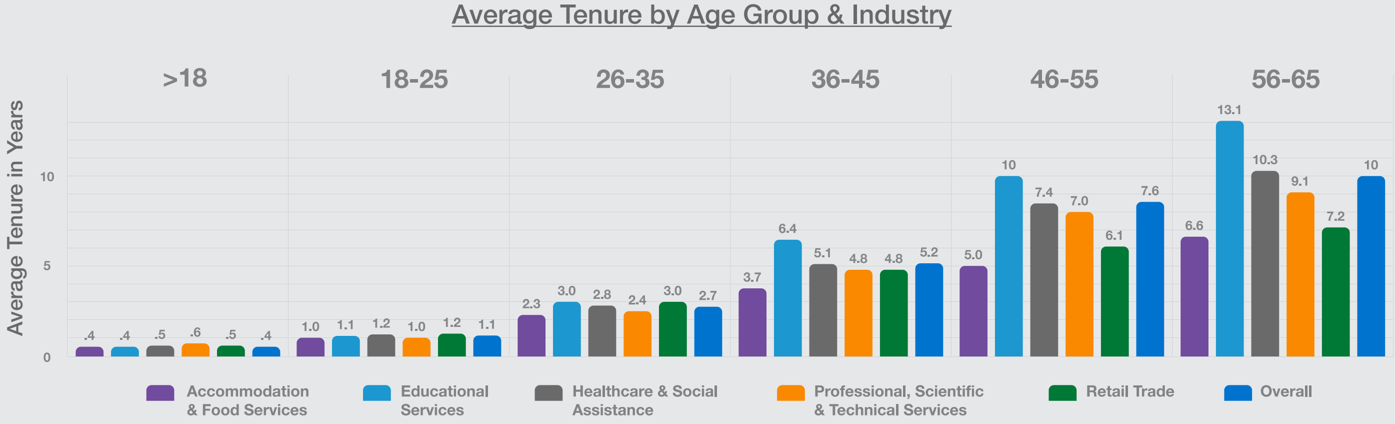


Workforce Retention

Retention is always a hot topic, as employers continually seek ways to engage and retain their workforce. We can gain interesting insights into retention as we dig into aggregated workforce and benefits data.

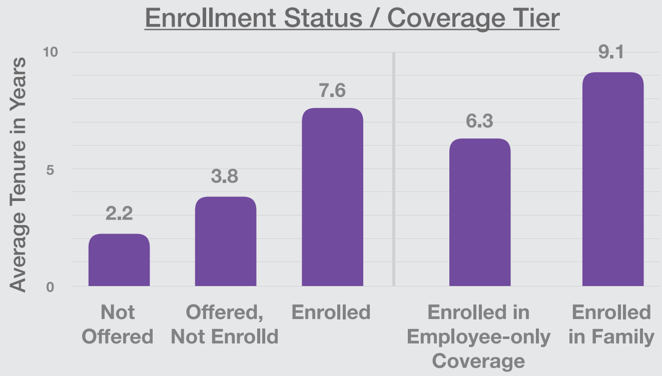
TENURE BY AGE GROUP

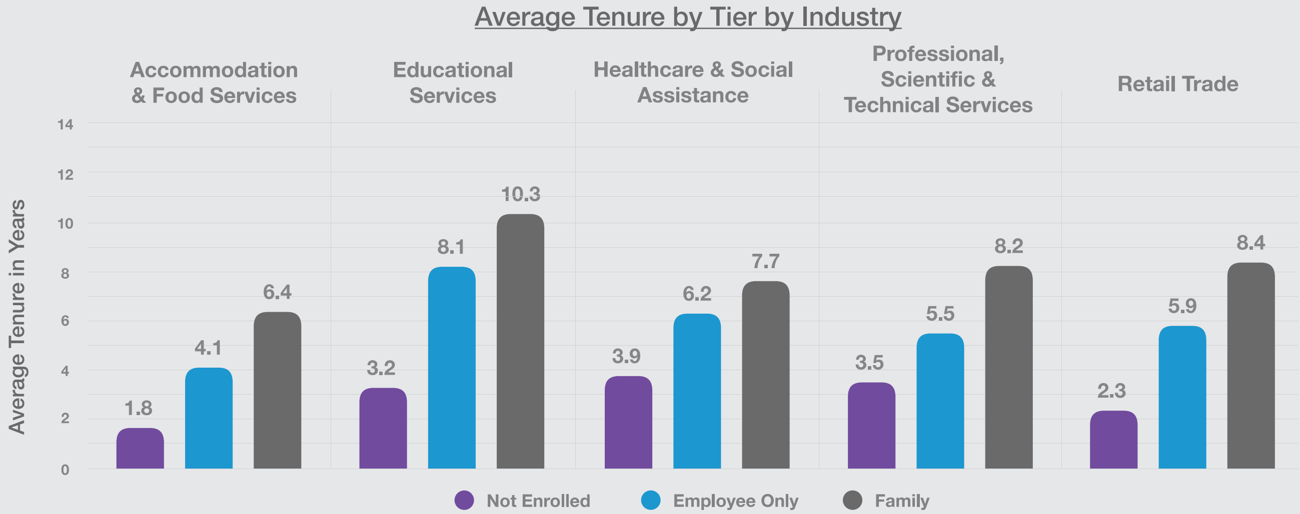
Let's start by looking at the link between age and tenure overall and by industry. Not surprisingly, as employees age, their length of tenure also increases – with an average of 10 years overall for employees 56-65 years of age.



THE LINK BETWEEN TENURE AND BENEFITS

As we've seen over the past three years from our analysis, data shows that employees appear to stay longer when they are offered and enrolled in employee health benefits—and even longer when they are enrolled in family coverage versus employee-only coverage. As you can see below, this link between health plan enrollment and tenure is consistent across industries.





Key Questions to Ask About Your Workforce

The power of data is key to protecting your most valuable asset, your workforce. *HR Insights* allows you to proactively manage your compliance strategy and better understand how your workforce demographics are changing month to month, the best ways to lower costs and how to improve retention across your entire workforce.

As you optimize your workforce and operational performance, it is important to have an in-depth understanding of your demographics and how they are changing. *HR Insights* can help. With the click of your mouse, you can find answers to questions like:

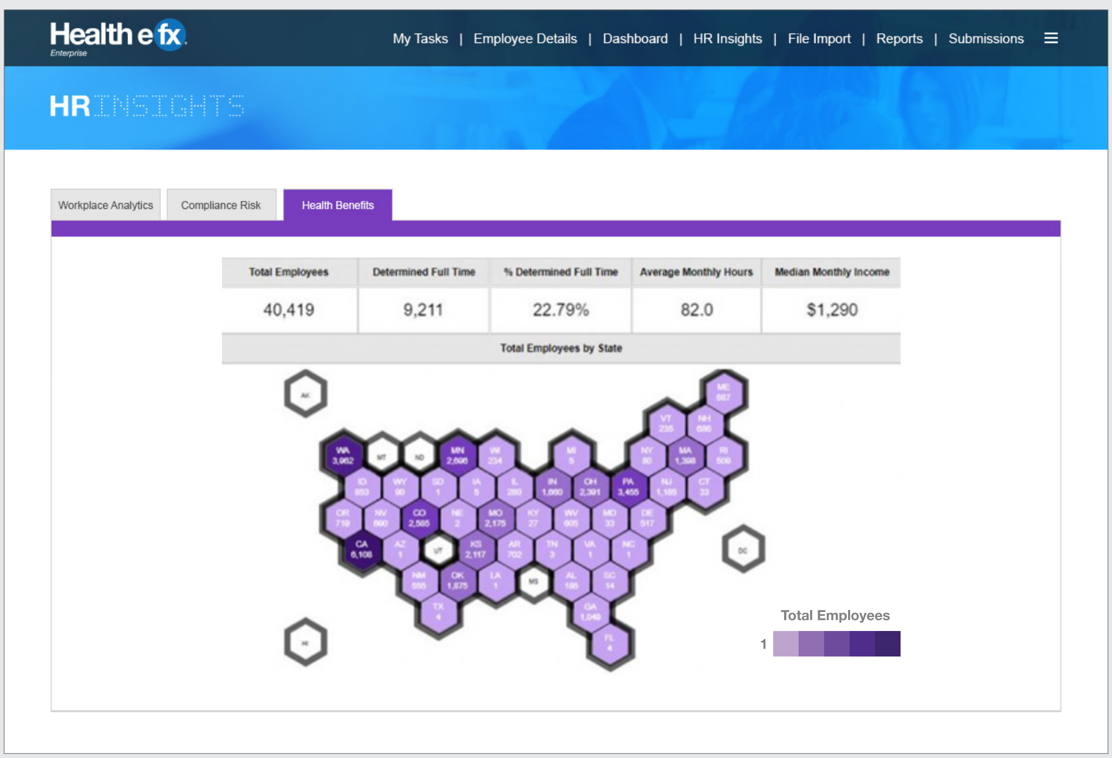
- Overall, is my workforce growing?
- Where are my employees located geographically?
- How does my workforce, amid the pandemic, compare to 6 months and a year ago?
- How does my workforce look after the pandemic or after plans to return?

Filter your employee populations by gender, pay, tenure, location, generation and more – find valuable data that can drive better informed decisions so you can best manage your operational health even within a highly complex, challenging environment.

Try our interactive COVID-19 demo today.

COVID-19 Workforce Location Dashboard

We are living in different times, and employers will be dealing with pandemic-related workforce ramifications for months, perhaps years, to come. With our *HR Insights* COVID-19 dashboard, employers can view the estimated rate of COVID-19 infection in the counties where employees work. Employers can use this information to identify locations that may need more safety precautions or more time to recover as companies and HR teams start to consider how to best move forward.



Healthcare News to Watch

HOW WILL THE 2020 ELECTION IMPACT EMPLOYER HEALTHCARE AND REPORTING?

There's much rhetoric from candidates on both sides about public healthcare options. What ultimately happens remains to be seen. What we can be certain about is that, following the November election, if either party brings changes to employer sponsored healthcare, it will take time for any of those proposed changes to become reality. Therefore, employers should continue to factor into their financial forecasts the costs of providing healthcare and the possibility of exposure to penalties for non-compliance with healthcare reporting mandates. Indeed, from our experience in talking with major employers, many have not yet fully recognized on their balance sheets the financial penalty risks they face for non-compliance – especially in industries with high turnover rates in their workforce and/or a lot of variable workers within a full-time employee population.

WILL THE TEXAS COURT ACA RULING BE UPHELD IN THE SUPREME COURT?

In December 2018, a federal judge in a Texas court ruled that the entire ACA is unconstitutional. The ruling was appealed, and as this *Insights Report* is being published, the Supreme Court is expected to begin hearings on the health law this fall. While SCOTUS upheld the ACA in 2012 and 2015, there is no guarantee it will do so this time around, given that the current administration has declared it will not defend the ACA. Visit the Health e(fx) Insights blog for updates.

It's important to remember that, despite what happens at the federal level, states are beginning to enact their own health reform measures with which employers must comply. (See Q/A below regarding state-level mandates.)

GIVEN THAT THERE'S NO LONGER A FEDERAL INDIVIDUAL MANDATE PENALTY, IS HEALTHCARE COVERAGE ENROLLMENT DECLINING, AND WHAT WILL HAPPEN TO COSTS?

Three years ago, the federal government reduced the individual mandate penalty to $0 for individuals who do not carry health insurance. The change went into effect starting January 1, 2019. With this change, states were concerned that the cost of healthcare would increase dramatically because healthy people, or anyone who feels they don't need coverage, can now opt out of buying insurance without risk of a federal penalty.

Kaiser Family Foundation report published last year states:

> Going into 2019, insurers reported that the reduction of the individual mandate penalty drove premiums up by about five percentage points. Nonetheless, premiums were largely steady in 2019, on average, in part because insurers had priced too high in 2018. Despite concerns about the continuing impact of the loss of the mandate penalty, the individual market has remained fairly stable through 2019. Enrollment among those not eligible for subsidies declined by 10 percent in early 2019, but individual market enrollment overall appears to be stabilizing, with total market enrollment falling by just five percent.

Another contribution to a steady enrollment could be because some states enacted their own versions of the individual mandate, as well as their own employer reporting requirements. For example, New Jersey, one of the first states to adopt an individual mandate, now requires ALEs to submit state-level ACA reporting information for New Jersey residents using its own system, the same system for which state W-2 forms are filed. Washington D.C., California, Rhode Island and Vermont have joined New Jersey in enacting their own requirements; Massachusetts has had an individual mandate on the books since 2006 and more states are considering joining the mandate ranks.

Complexities for organizations with workers in multiple states could be mind-boggling in future reporting years and may increase your chances for penalty risk. However, for the 2020 tax season, we're watching another factor that could have an even greater impact on future costs – the COVID-19 pandemic. Federal law passed by Congress in March requires all group health plans and individual health insurance coverage to cover testing and healthcare visits related to the diagnosis of COVID-19. Therefore, it remains to be seen whether payors will eventually transfer those costs to policyholders after the emergency period concludes.

Glossary

TERM	DEFINITION
% Determined Full-Time	Number of active ACA Determined Full-Time employees divided by the number of active employees (including employees on leave of absence).
Employee-only Coverage	A plan that covers the employee, but not spouse and/or dependents.
% Enrolled	Percent Enrolled is the percent of ACA Determined Full-Time employees who enrolled in benefits (number of active ACA Determined Full-Time employees who are enrolled in coverage divided by the number of active ACA-Determined Full-Time employees).
Family Coverage	A plan that covers the employee and at least one other family member.
Families First Coronavirus Response Act (FFCRA)	An act of Congress that requires certain employers, with fewer than 500 employees, to provide their workers with paid sick leave or expanded family and medical leave benefits related to COVID-19. The provisions are effective through Dec. 31, 2020.
Minimum Essential Coverage (MEC)	Minimum Essential Coverage (MEC) is health insurance coverage that satisfies the ACA's individual shared responsibility provision (Individual Mandate).
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 Determined Full-Time employees who are offered coverage divided by the number of active ACA Determined Full-Time employees (including employees on leave of absence).
Part-Time Employee	Within this report, part-time is defined as an employee who has not met the ACA Determined Full-Time status of working an average of 1) less than 30 hours per workweek or 2) less than 130 hours during a month.
Stability Period	The ACA stability period is the time period that an employer must offer health coverage to all employees who were classified as full-time during the measurement period.

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.

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