

2017

INSIGHTS

An inside look at healthcare
reform and the impact on
employer health plans

Health efx
Leading through change.



Dear Reader,

Are you making your data work for you?

What happens when you aggregate payroll, benefits and HRIS data into accurate and time-aware data sets? You can view your workforce from a new vantage point—past, present and future. Our 2017 Insights Report, the first of its kind, uncovers new possibilities for making your data work to support your total rewards and operational strategies.

The origin of Health e(fx) goes back to 2010 when the Affordable Care Act (ACA) became law. To meet the new eligibility and affordability compliance requirements, employers were required to aggregate and manage complex employee data monthly from different payroll, benefits and HRIS source systems. Health e(fx) was the first to the market with the most comprehensive compliance management solution.

Who we are

Support 10.5 million client lives

15 Fortune 100
40 Fortune 500 clients

Customers are 98% compliant
with current federal, state and
city health reform laws

But we were not only the first to market; we also approached the problem very differently than our competitors, many who viewed compliance as simply a year-end reporting challenge. At Health e(x), we created the most robust platform to help employers actively manage their complex data and compliance in real-time—regardless of what federal, state or city health reform laws are in place.

We did not stop there. At the same time, we created the most innovative platform for workforce analytics to solve much bigger operational and strategic challenges. Our holistic solutions transform disparate and fragmented data into workforce insights, helping employers manage two of their largest cost centers—workforce and employee benefits. Today, we are a market leader, supporting dozens of Fortune 500 clients and 10.5 million client lives across the country.

Gone are the days of employers spending millions of dollars and months out of the year for project-based HR data analysis to inform a once-per-year benefit strategy. At Health e(fx), pay meets benefits data in real-time, for the first time. The first edition of the Health e(fx) Insights Report shares with you some of the trends with industry analysis that will inform and enlighten. We hope you enjoy it!

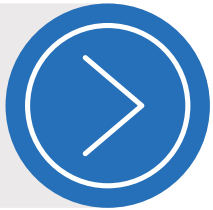
Our purpose is to help our clients and their employees succeed. Let us know how we can help you.

Andy Brown
Health e(fx), CEO

2017 INSIGHTS

Table of contents

- Executive Summary
- Insight 1: Most employers are more generous than the ACA requires
- Insight 2: Lower pay is connected to low eligibility and enrollment rates
- Insight 3: Health plan selection varies by income and industry
- Additional Trends: Benchmarking data
- About Health e(fx)



Executive Summary

Amid continuous uncertainty around healthcare reform, employers across the country remain committed to providing quality healthcare benefits to their employees. Why? A generous healthcare plan is often required to stay competitive. Health benefits are a recruitment and retention requirement that plays a big role in employee satisfaction and engagement. In addition, employers care about the health, well-being and productivity of their employees and their families.

Human Resources executives are faced with significant challenges – from the diverse needs of different population segments – to changing health reform laws at the federal, state and city levels.

Did you know?

The longer a company uses Health e(fx), the more money saved.

If you misclassify an employee who is working less than 30 hours Full-Time (FT), it can result in the employee accepting an offer of coverage when not actually eligible.

Health e(fx) helped improve the classification of employees by an average of nearly 10% within three years, resulting in savings for our clients.

The goal of our 2017 Insights Report is to gain insights derived from data that has not previously been easily combined. We're challenging employers to consider how their own decisions about healthcare benefits may or may not be aligned with their total rewards and

operational strategies – and how they may need to shift, as new laws and regulations come into play.

Despite some of the political rhetoric about the ACA being a “job killer”, our insights show that a large majority of employers go above and beyond what the ACA requires, offering generous coverage and likely approaching employee benefits as a critical tool to stay competitive.

Within the report, we also explore how different demographics and population segments impact eligibility and enrollment. For example, employers that are offering benefits as a key part of their retention strategy may need to focus more on ensuring lower paid workers have access to, and can truly afford, their healthcare benefits.

WHAT'S IN THIS REPORT?

This Insights Report focuses on three key insights:

1. Most employers are more generous than the ACA requires
2. Lower pay is connected to low eligibility and enrollment rates
3. Health plan selection varies by income and industry

Additionally, we share industry benchmark data to help you better understand the healthcare trends we're seeing.

LET'S DIVE IN!

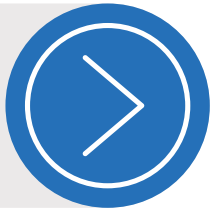


PERCENT OF EMPLOYEES INCLUDED IN
THIS ANALYSIS, BY INDUSTRY



THIS IS NOT A SURVEY

While employer survey data is widely available, this study uniquely offers a real perspective into how employers are actually managing healthcare reform. This report includes analysis of Health e(fx) data across the industries above. The majority of the analysis is focused on active employees and their eligibility and enrollment in an employer-sponsored health plan.



Insight 1: Most employers are more generous than the ACA requires

Along with the enactment of the ACA in 2010 came uncertainty around employer-sponsored healthcare coverage. Some industry experts thought passage of the ACA would begin the demise of employer-sponsored coverage or be a “job killer”, but our review of the data shows that employer coverage does not just persevere, it’s actually expanding.

Under the law, employee eligibility increased from 2015 to 2016. Even with this increase, most employers offer benefits to more employees than what is required by the ACA. By looking at our data, we found that **88%** of employers do not strictly follow ACA eligibility requirements. Instead, they go above and beyond for their employees.

EMPLOYEE ELIGIBILITY

Industry	2015 % ACA eligible	2016 % ACA eligible
Overall	69%	74%

This chart represents the percent of employees eligible for coverage under the ACA.

INDUSTRY MATTERS

Just how generous are employers? That differs by industry. The table below shows two industries with the highest percentage of companies that go above and beyond the ACA eligibility requirements.

2016 ANNUAL EMPLOYER PREMIUM

Industry	Companies with eligibility beyond ACA requirement	Annual cost per enrolled employee who is not ACA eligible
Overall	88%	\$6,883
Retail	93%	\$6,016
Health and Medical Services	92%	\$8,025

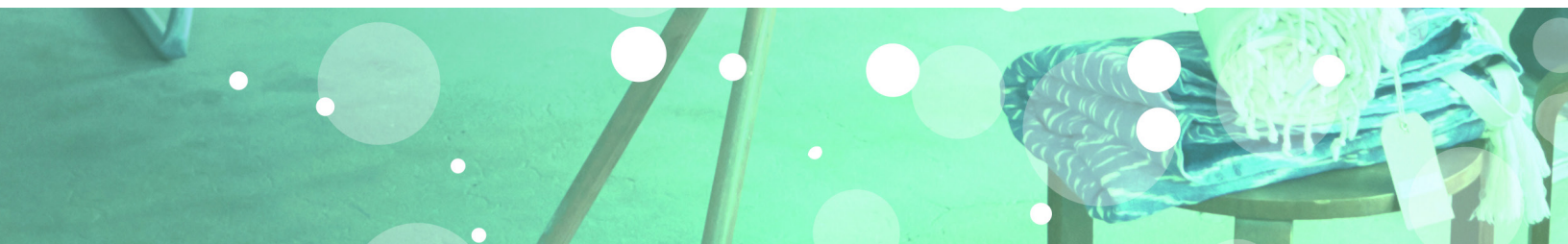
**A company was determined to be more generous if more than 10% of their total population is offered coverage even though they are not eligible under the ACA, and the company has eligibility requirements that are less strict than the ACA requires by law.*



WHY THE GENEROSITY FROM EMPLOYERS?

Health plans are a big selling point for many employees when choosing which company to work for – or stay at. Therefore, many employers use benefits as a competitive recruitment and retention tool. In addition, employers receive significant tax breaks for providing health insurance, so it's typically in their best interest to offer quality coverage. Finally, many employers care about their employees and their families, and one way to ensure their workforce stays healthy is by offering comprehensive health plans.

Takeaway: With 88% of employers providing coverage to more people than they need to under the ACA, employer-sponsored health plans are not going away. Offering generous health coverage has positive effects on companies and their employees, such as increased health, productivity and loyalty. At the same time, employers are challenged to meet eligibility requirements while striking the best balance between cost and coverage that aligns with the organization's business goals. By choosing the right workforce analytics partner, employers can combine payroll, benefits and HRIS data to assess the impact their benefit strategies have on eligibility and affordability so they can make the right decisions for their workforce.





Insight 2: Lower pay is connected to low eligibility and enrollment rates

Employees often have choices when it comes to their health plan. They can choose a plan offered by their employer; go on their spouses' employer health plan; or buy a public plan. However, when it comes to eligibility and enrollment in employer-sponsored plans, our study shows their choice may be impacted by their income.

ENROLLMENT VS. INCOME LEVELS

We took a new look at connections between eligibility, enrollment and pay across different income levels. To provide some perspective on the relationships among public and private health plans under the ACA, we broke down income by percent of the Federal Poverty Level (FPL).

Seventy-four percent of employees included in the study were eligible for employer-sponsored benefits under the ACA, and 57% of employees enrolled in benefits. However, our data uncovered that, for lower paid employees, eligibility and enrollment were significantly lower. The inverse is true for higher paid workers.

The percent of employees who are eligible and enroll in employer-sponsored health plans is higher as income levels increase, with a significant difference between those with pay below 100% of the FPL and those paid

above 400%. In fact, only 13% of employees below the FPL are eligible for employer coverage under the ACA and only 7% actually enroll.

2016 ACA ELIGIBILITY BY FEDERAL POVERTY LEVEL

Income	% ACA eligible	% Employees enrolled
Overall	74%	57%
< 100% FPL	13%	7%
100-138% FPL	37%	16%
138-400% FPL	83%	58%
> 400% FPL	95%	80%

Interestingly, many employees enrolled in employer-sponsored health plans may also be eligible for Medicaid. This is where public and private health plans begin to intersect. Lower paid employees may have public options to consider in addition to their employer-sponsored plan.



WHAT ARE FEDERAL POVERTY LEVELS?

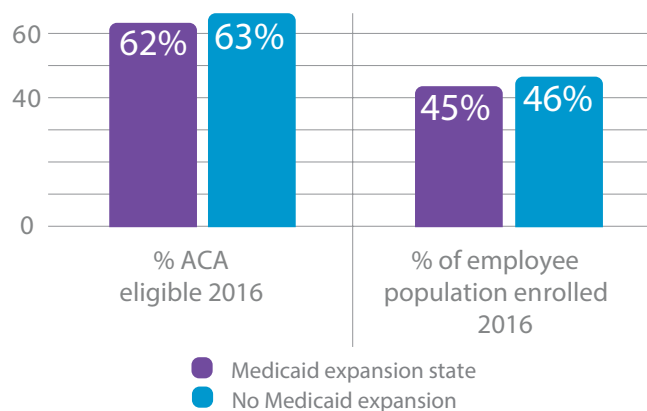
Every year, the Department of Health and Human Services (HHS) issues Federal Poverty Levels as a measure of income. These levels are used to determine eligibility for public health plans and subsidies on the Individual Marketplace.

	2016 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.

ENROLLMENT IN MEDICAID EXPANSION STATES VS. NON-EXPANSION STATES

While employers may have expected to see less employer plan enrollment in states that expanded Medicaid, this was not the case for our clients. Enrollment in employer health plans did not significantly differ in states that expanded Medicaid (32 states) versus those that did not (19 states).



ELIGIBILITY AND ENROLLMENT ALSO INCREASE WITH TENURE

By looking at tenure, we can see that the longer employed, the more likely employees are to be enrolled in their employer's healthcare plan. Enrollment in employer-sponsored health plans also increases as ACA eligibility increases, as you'll see here:

2016 ACA ELIGIBILITY BY TENURE

Tenure	% ACA eligible 2016	% of employee population enrolled 2016
<6 Months	37%	14%
6-12 Months	49%	29%
12-24 Months	57%	38%
24-48 Months	63%	48%
>48 Months	81%	68%

For employers who are using healthcare benefits as a strategy to lower turnover rates: You may need to approach total rewards and retention strategies for employees with lower tenure differently, as they are least likely to be eligible or enroll in an employer-sponsored health plan.

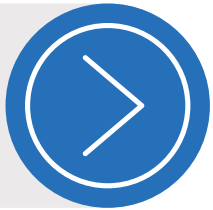
WHAT DOES THIS DATA MEAN?

An unintended benefit of healthcare reform is this new combination of employer health plan data with income. As a result, the new insights bring new questions and opportunities to consider such as:

1. Are salary-based contribution strategies right for my workforce?
2. Are my employees aware of all their health plan options, including public plans?
3. Are my eligibility requirements aligned with my total rewards and operational strategies?

Takeaway: There's a connection between lower pay and low health plan enrollment. If an employer's goal is to offer benefits to get more out of their workforce, it may be missing an opportunity to improve health, productivity, engagement and retention among its lower paid workforce.

Regardless of where healthcare reform stands, considering key demographics such as income and tenure can help companies inform their benefits strategies and adjust to meet corporate goals.



Insight 3: Health plan selection varies by income and industry

Fifty-two percent of large employers offer more than one health plan option. Every health insurance plan is assigned a metallic level—Bronze, Silver, Gold or Platinum—based on actuarial value (AV).

Bronze plans, for example, provide 60% actuarial value, meaning the health plan will cover 60% of medical costs while the employee pays the rest in out-of-pocket costs. Premiums for Bronze plans are typically lower than other metallic levels, but potential out-of-pocket costs for employees can be much higher.

While the ACA requires employers to offer an affordable Bronze plan, employers are typically more generous with the level of coverage provided.

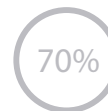
Actuarial Value

Actuarial value is the percent of covered medical costs that a plan will pay. The member is responsible for the remaining uncovered costs, in addition to the premium, until they reach the plan's cost-sharing or out-of-pocket limit. Premiums typically increase for plans with higher actuarial value.

Actuarial Value of Metallic Plans



Bronze



Silver



Gold









Platinum

EMPLOYEE ENROLLMENT

In 2016, **87%** of employees were enrolled in a better plan than required by the ACA (i.e., Silver, Gold or Platinum).

Overall, the greatest percentage of employees enrolled in Gold plans. However, enrollment in Gold plans declined between 2015 and 2016.

Enrollment varies across industries, with Bronze the most popular plan for Hospitality and Entertainment; Silver the most popular for Food Service and Restaurants; and Platinum the most popular for Education. In fact, enrollment in Platinum overall grew by six percentage points, with the increase driven by Education and Manufacturing.

	% Bronze		% Silver		% Gold		% Platinum	
	2015	2016	2015	2016	2015	2016	2015	2016
OVERALL BENCHMARKING	13%	13%	24%	22%	46%	42%	17%	23%
 Health and Medical Services	8%	11%	23%	36%	46%	37%	23%	16%
 Retail	13%	17%	35%	26%	52%	56%	0%	1%
 Manufacturing	19%	11%	42%	32%	37%	43%	2%	14%
 Food Service and Restaurants	13%	18%	65%	52%	22%	30%	0%	0%
 Education	1%	3%	5%	1%	42%	28%	52%	68%
 Hospitality and Entertainment	38%	39%	11%	10%	32%	33%	19%	18%

Shading represents most popular plan by industry.

2016 EMPLOYEE ENROLLMENT BY INCOME LEVEL

Health plan selection varies by income level. Bronze plans are the most popular among employees with income less than 138% of the FPL (less than \$16,642 for an individual in 2016), with 65% choosing this option. The average Bronze deductible was nearly \$6,000 for individuals and \$12,000 for families in 2016.* It may be challenging for those in lower income levels to pay high out-of-pocket costs. In addition, employees may not understand the impact of high deductible plans until they use them.

* Healthpocket.com, 2016 Affordable Care Act Market Brings Higher Average Premiums for Unsubsidized

	% Bronze	% Silver	% Gold	% Platinum
OVERALL	13%	22%	42%	23%
< 100% FPL	33%	19%	41%	7%
100-138% FPL	32%	22%	34%	12%
138-400% FPL	16%	24%	41%	19%
> 400% FPL	8%	20%	42%	30%

2016 EMPLOYEE ENROLLMENT BY INDUSTRY AND INCOME



Education

The education industry is unique in that it has a very high enrollment percentage in Platinum plans regardless of income. This may be due to a highly bargained population with a tradition of generous benefits and lower employee contributions.

	% Bronze	% Silver	% Gold	% Platinum
OVERALL	3%	1%	28%	68%
< 100% FPL	3%	1%	47%	49%
100-138% FPL	5%	0%	21%	74%
138-400% FPL	4%	1%	25%	70%
> 400% FPL	3%	1%	26%	70%



Hospitality and Entertainment

This industry, which tends to have a lower paid workforce, has the highest enrollment in Bronze plans, regardless of income.

	% Bronze	% Silver	% Gold	% Platinum
OVERALL	39%	10%	33%	18%
< 100% FPL	55%	2%	39%	4%
100-138% FPL	48%	5%	37%	10%
138-400% FPL	40%	10%	34%	16%
> 400% FPL	31%	14%	26%	29%

Takeaway: Employers continue to provide health coverage well above and beyond the requirements of the ACA. At the same time, lower paid employees may be making decisions about health plans based on the short-term (premium cost) – without understanding the impact of high deductible plans. Health e(fx) can help employers more deeply understand their employee population, how income and industry may impact the choices they make, and use that knowledge to make smart health benefits decisions for their workforce.



Additional Trends: Benchmarking data

Benchmarking is a way of discovering the best performance in a particular company or industry, which can be used to identify gaps in an organization's processes to achieve a competitive advantage. The following section identifies some interesting trends.

CURRENT EMPLOYEES: Full-time vs. Part-time

1

PERCENT OF CURRENT FULL-TIME EMPLOYEES IS GROWING

Overall, the percentage of full-time employees is growing among existing employee personnel, however, this varies across industries.

Industry	2016	
	% FT	Trend*
OVERALL	62%	↑
Health and Medical Services	70%	↑
Retail	51%	↑
Manufacturing	94%	↑
Food Service and Restaurants	27%	↓
Education	60%	↓
Hospitality and Entertainment	64%	↑

NEW HIRES: Full-time vs. Part-time

2

PERCENT OF FULL-TIME NEW HIRES IS INCREASING

Overall, more part-time employees were hired than full-time for both 2015 and 2016. However, contrary to some industry experts who had predicted employers would change practices to hire more part-time employees, the percent of new full-time employees hired overall increased in 2016.

Industry	2016	
	% FT	Trend*
OVERALL	33%	↑
Health and Medical Services	55%	↑
Retail	22%	=
Manufacturing	79%	↓
Food Service and Restaurants	11%	↑
Education	32%	=
Hospitality and Entertainment	40%	=

3

ELIGIBILITY AND ENROLLMENT IS IMPACTED BY GENDER

Our data shows that a higher percentage of men were eligible and enrolled in benefits in 2016 than women. This could be attributed to the income distribution and full-time vs. part-time status, as women in our study tend to hold more part-time roles than men.

ELIGIBILITY AND ENROLLMENT BY GENDER

Gender	2016 Eligible		2016 Enrolled	
	% eligible	Trend*	% enrolled	Trend*
F	58%	↑	43%	↑
M	65%	↑	46%	↑

4

MINIMAL CHANGE IN ENROLLMENT DISTRIBUTION BY TIER

Other than in the Education industry, the distribution of enrollment in Employee Only and Family tiers did not vary greatly from 2015 to 2016.

EMPLOYEE ENROLLMENT BY TIER

Industry	Employee Only Tier		Family Tier	
	2015	2016	2015	2016
OVERALL	55%	53%	45%	47%
Health and Medical Services	57%	54%	43%	46%
Retail	55%	57%	45%	43%
Manufacturing	45%	45%	55%	54%
Food Service and Restaurants	61%	63%	39%	37%
Education	62%	50%	38%	50%
Hospitality and Entertainment	64%	67%	36%	33%

5

MINIMAL CHANGE TO EMPLOYEE SHARE OF ANNUAL PREMIUM

Employer contribution strategies are a critical component to any total rewards approach. Our study found that in 2016 employers made minimal changes to their premium contributions across both the Employee Only and Family tiers. Interestingly, employees paid a smaller percentage of annual premiums for Platinum level coverage in 2016.

EMPLOYEE COST-SHARING

PLAN LEVEL (all industries)	Employee Only Tier		Family Tier	
	2015	2016	2015	2016
Bronze	27%	28%	39%	40%
Silver	29%	29%	35%	34%
Gold	33%	31%	36%	36%
Platinum	35%	29%	38%	34%



What Health e(fx) can do for you

Don't wait until next year to find out what changes you should have made today.

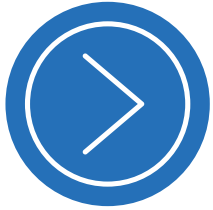
Healthcare reform has changed the game when it comes to understanding the connections between payroll, benefits and HRIS data. While there is no crystal ball, it's clear more change is coming at the federal, state and city levels. Health e(fx) can help your company be ready, regardless of which laws are in place.

The ACA shifted the public's perception of what's acceptable when it comes to health plan elements like pre-existing conditions, pay-based contributions and public programs. It's important to understand how the shift is impacting your workforce. Start by asking these questions:

- Do I have the data to assess if it's time for my employer contribution strategy to include pay-based contributions?
- Which employees are eligible for government subsidies and public health plans; how might this change with reform; and how will this impact eligibility and enrollment?
- How will the trend of new state and city health reform ordinances in locations where I operate (e.g., Seattle, Hawaii) impact my business and workforce?

Health e(fx) provides the data you need to answer these questions, and more. Learn how healthcare reform will affect your costs and your workforce so you can make changes in real-time.

Interested in learning more about how we can work together to achieve your company's goals? Contact us today to speak with a representative or schedule a demo.



About Health e(fx)

LEADING THROUGH CHANGE.

Built to deliver unparalleled data-driven insights, Minneapolis-based Health e(fx) simplifies and supports employers' 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, state and city 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. Human resources and employee benefits professionals use Health e(fx) to manage complexity, minimize risk and cost, remove the burden on human resources teams and provide strategic insights into benefits decisions. Visit us at www.healthefx.us.





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