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Notes

What to Expect During Open-Enrollment Season: Findings From the SHRM/EBRI 2014 Health Benefits Survey, p. 2

AT A GLANCE

What to Expect During Open-Enrollment Season: Findings From the SHRM/EBRI 2014 Health Benefits Survey, *by Paul Fronstin, Ph.D., EBRI*

- The SHRM/EBRI 2014 Health Benefits Survey found that only 1 percent of plan sponsors are planning to eliminate health benefits in 2015. However, while most workers will not see major changes to their benefits next year, they are likely to see a continuation of changes that employers have been making for a number of years.
- A relatively large number of employers continue to introduce wellness rewards and penalties, possibly the result of the combination of the PPACA-allowed higher financial incentives and the 2018 excise tax on high-cost health plans. Employers may also be focusing on wellness programs because of the link to worker risks and behaviors, which drive chronic conditions and account for a large percentage of overall health spending.
- Few employers are planning to make changes to eligibility for spousal coverage and part-time worker benefits, and few are moving toward tiered networks, private health insurance exchanges, value-based insurance design, and reference pricing. Employers may be waiting for evidence from early adopters before making untested changes.
- Ultimately, concerns about the excise tax on high-cost health plans may result in accelerated adoption of tiered networks, private health insurance exchanges, value-based insurance design, and reference pricing.

What to Expect During Open-Enrollment Season: Findings From the SHRM/EBRI 2014 Health Benefits Survey

By Paul Fronstin, Ph.D., EBRI

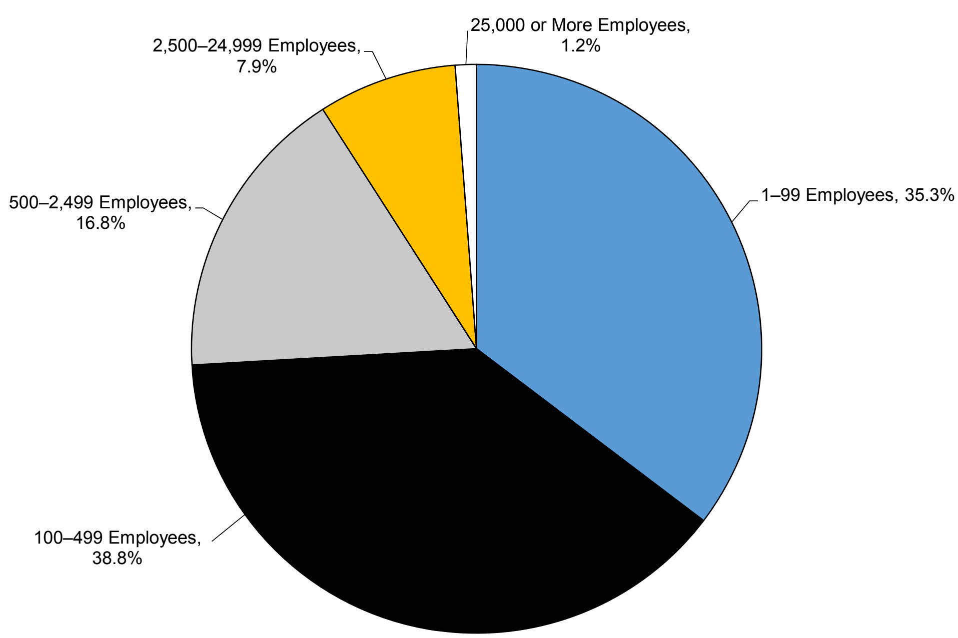
Introduction

Annual open-enrollment season is a period of time when workers employed by companies offering employee benefits see first-hand how their benefits may change and get to choose their elections for the upcoming plan year. Open-enrollment season usually occurs during the fall for the following calendar year.

This year, there seems to be increased anticipation of changes that will take place to health benefits in 2015 as a result of the second open-enrollment season for public exchanges as well as continued implementation of the Patient Protection and Affordable Care Act of 2010 (PPACA). Plan sponsors are also already making changes in anticipation of the 2018 excise tax on high-cost health plans, the so-called "Cadillac-tax" provision of PPACA. While only about one-half of workers with a health plan have a choice of health plans,[1] approximately 169 million individuals of all ages get coverage through the workplace[2] and may see changes to their benefits in 2015.

This analysis examines data from the SHRM/EBRI 2014 Health Benefits Survey. The survey was conducted in February and March 2014 to better understand changes to health coverage in 2015. Plan sponsors—especially larger employers—usually have a sense of the changes they are going to make to their health benefits a year early, as it takes time to prepare such information to communicate during open-enrollment season. About 3,300 plan sponsors were interviewed this year, with 55.6 percent employing between 100 and 2,499 workers (Figure 1). They were

Figure 1
Sample Demographics: Number of Full-Time and Part-Time Workers Employed



Source: SHRM/EBRI 2014 Health Benefits Survey.

distributed throughout the United States (Figure 2), represented different types of businesses and sectors (Figure 3), and different business activities (Figure 4). Collectively, these plan sponsors employed 5.1 million workers in 2014 and spent $30 billion on health coverage in 2013. The survey focused on upcoming changes in eligibility, financial incentives, and plan design other than traditional use of premiums, deductibles, and co-payments for office visits and prescription drugs.

Eligibility

The decision by UPS Inc. to eliminate health benefits for spouses who are eligible for coverage through their own employer in 2014[3] was seen as a harbinger of things to come. As of 2012, few plan sponsors did not cover spouses when other coverage was available to them (Fronstin and Roebuck, 2014). Despite the extensive news media coverage, this survey by the Society for Human Resource Management (SHRM) and the Employee Benefit Research Institute (EBRI) found that few plan sponsors expected to implement such an arrangement in 2015. Only 7.9 percent of plan sponsors planned on eliminating coverage for spouses who are eligible for health coverage through their own job (Figure 5). Similarly, few plan sponsors expected to add a spousal surcharge or to charge a higher premium for spouses eligible for health coverage through their own job. Larger employers were slightly more likely than smaller ones to add a spousal surcharge. Only 1.3 percent of plan sponsors said they plan to eliminate coverage for part-time workers in 2015, and only 1.0 percent said they plan to eliminate coverage altogether.

Plan Design

When it comes to financial incentives and plan design, many plan sponsors said they are planning to add wellness programs with either rewards or penalties as incentives for workers to participate. Overall, one-quarter (26.3 percent) of plan sponsors indicated they are planning on adding a wellness program with financial rewards for participating and/or penalties for non-participation (Figure 6). Larger employers (34.6 percent) were more likely than smaller employers (24.1 percent) to report that they will add such a program. Otherwise, few plan sponsors said they are planning to add tiered networks (3.6 percent), private health insurance exchanges (3.2 percent), value-based insurance design (VBID) (2.6 percent), or reference pricing (0.6 percent).

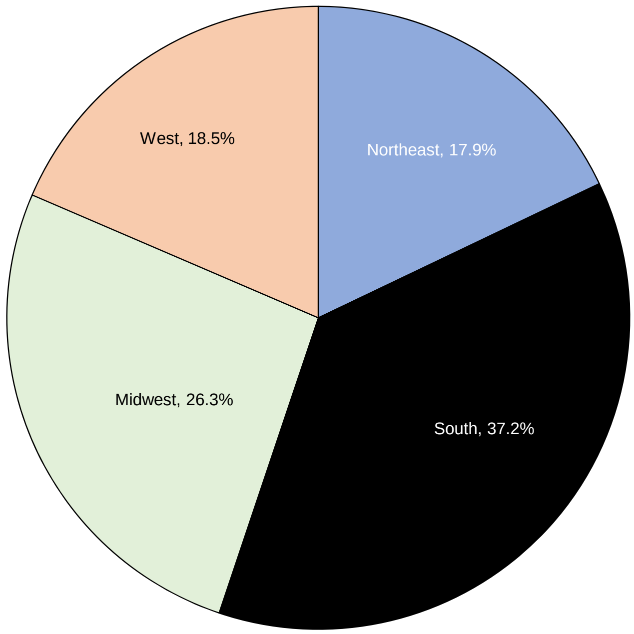
Cadillac Tax

Few plan sponsors said they expect to trigger the excise tax for high-cost health plans (or "Cadillac" tax) in 2018. Overall, 15.0 percent of plan sponsors indicated they expect that at least one of their health plans will trigger the Cadillac tax (Figure 7). Larger employers were more likely than smaller ones to expect to trigger the Cadillac tax. One-quarter (23.9 percent) of employers with 750 or more full-time equivalents expected to trigger the Cadillac tax, compared with 13.2 percent among employers with less than 750 full-time equivalents.

When asked about the type of health plan that is expected to trigger the Cadillac tax, sponsors answered that preferred provider organizations (PPOs) were much more likely than other types of health plans to trigger the tax, regardless of firm size. Three-quarters (74.3 percent) of plan sponsors reported that their PPO will trigger the Cadillac tax (Figure 8). In contrast, 18.5 percent of plan sponsors reported that their health maintenance organization (HMO) will trigger the Cadillac tax; 17.3 percent reported it will be their point-of-service (POS) plan; 7.6 percent reported it will be their consumer-driven health plan (CDHP); and 4.8 percent reported that it will be their exclusive provider organization (EPO).

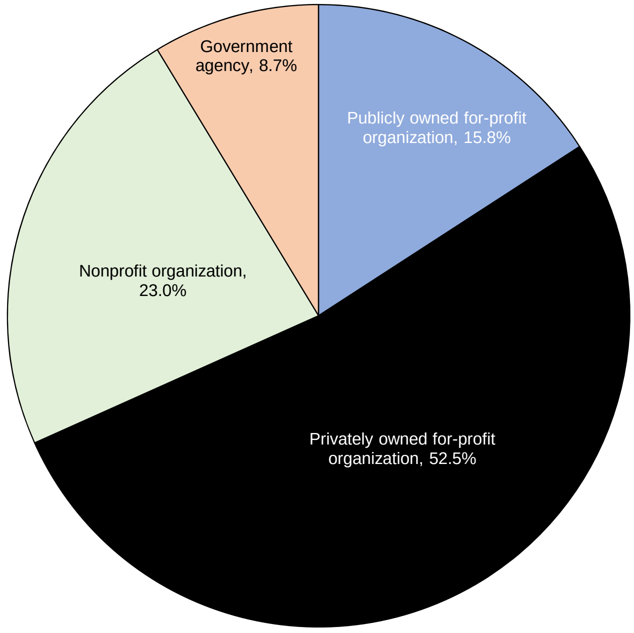
Plan sponsors that expected to trigger the Cadillac tax were asked an open-ended question regarding actions that they planned to take to avoid it. At this point, no option dominates as the main planned action, and many plan sponsors do not yet know what they will do to avoid the tax. About 17 percent said they plan to change plans, 10.6 percent said they plan to reduce coverage, and 9.7 percent said they plan to increase employee contributions (Figure 9). Only 4.7 percent said they plan to introduce a high-deductible health plan, and only 3.5 percent said they plan to

Figure 2
Sample Demographics: Region



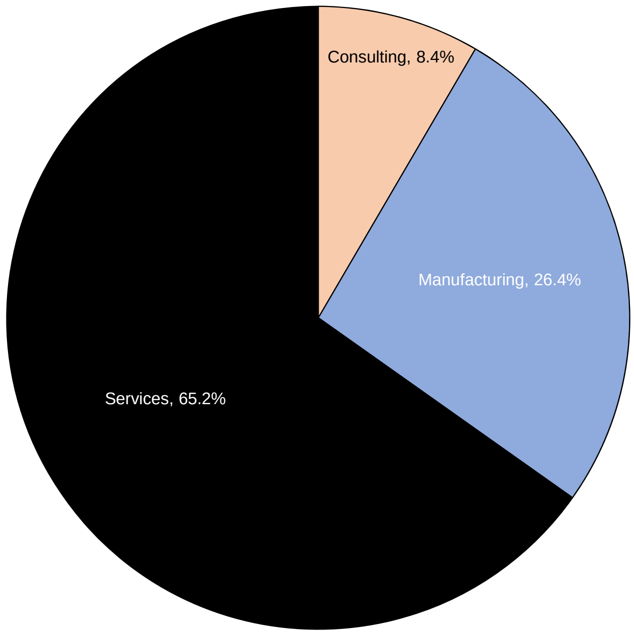
Source: SHRM/EBRI 2014 Health Benefits Survey.

Figure 3
Sample Demographics: Type of Organization



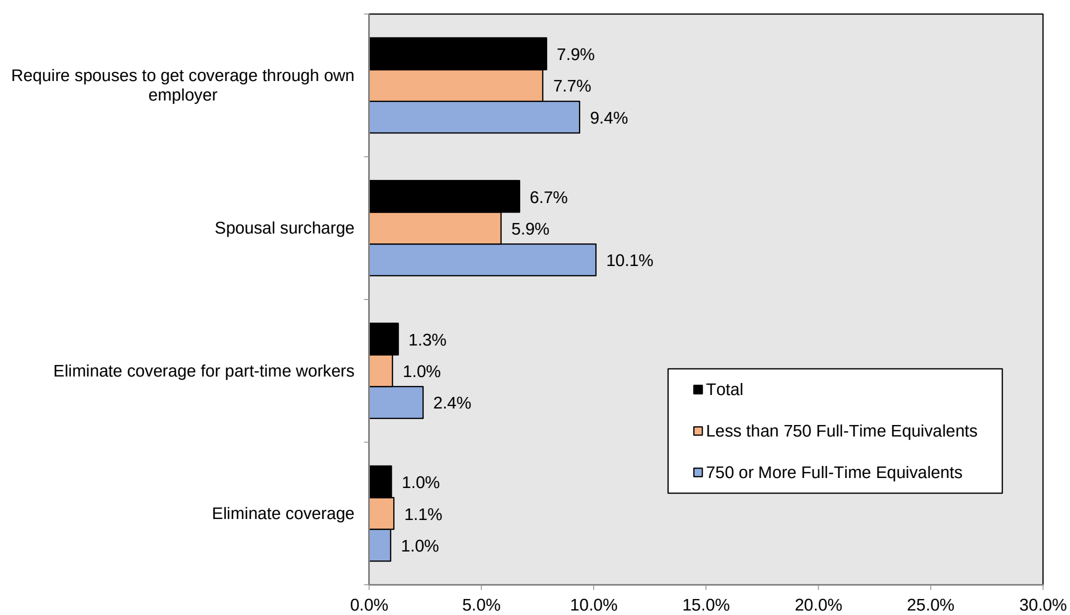
Source: SHRM/EBRI 2014 Health Benefits Survey.

Figure 4
Sample Demographics: Primary Business Activity



Source: SHRM/EBRI 2014 Health Benefits Survey.

Figure 5
Planned Changes to Health Plan Eligibility for 2015



Source: SHRM/EBRI 2014 Health Benefits Survey.

introduce a private health insurance exchange. About 4.7 percent said they plan to do nothing to avoid the Cadillac tax. Overall, 29.4 percent did not yet know what they plan to do to avoid the tax. Among the 15.3 percent in the "other" category, no more than 2 percent chose any action, with volunteered answers including "repeal Obamacare" and "add a wellness program."

Discussion

Despite recent assertions that few workers will get health coverage through their job a decade from now,[4] the SHRM/EBRI 2014 Health Benefits Survey found that only 1 percent of plan sponsors are planning to eliminate health benefits in 2015. However, while most workers will not see major changes to their benefits next year, they are likely to see a continuation of changes that employers have been making for a number of years.

A number of studies have found that cost sharing in the form of deductibles and co-payments has been increasing and is expected to continue increasing. Along the same lines, the introduction and expansion of CDHPs are expected to continue as well. Employers started using CDHPs over a decade ago and are at the point where they appear to be expanding their use.

In contrast to continuing expansion in the use of CDHPs, this analysis finds that few employers are planning to make changes to eligibility for spousal coverage and part-time worker benefits, and few are moving toward tiered networks, private health insurance exchanges, value-based insurance design, and reference pricing. Employers may be waiting for evidence from early adopters before making untested changes.

The exception appears to be that a relatively large number of employers continue to introduce wellness rewards and penalties. This may be the result of the combination of the PPACA-allowed higher financial incentives and the 2018 excise tax on high-cost health plans. Employers may also be focusing on wellness programs because of the link to worker risks and behaviors, which drive chronic conditions and account for a large percentage of overall spending on health care worldwide.[5] Ultimately, concerns about triggering the excise tax on high-cost health plans may result in accelerated adoption of tiered networks, private health insurance exchanges, value-based insurance design, and reference pricing.

References

Fronstin, Paul, and M. Christopher Roebuck. "The Cost of Spousal Health Coverage." *EBRI Notes* (Employee Benefit Research Institute) 35, no. 1 (January 2014).

Endnotes

[1] See Exhibit 4.2 in http://files.kff.org/attachment/2014-employer-health-benefits-survey-full-report

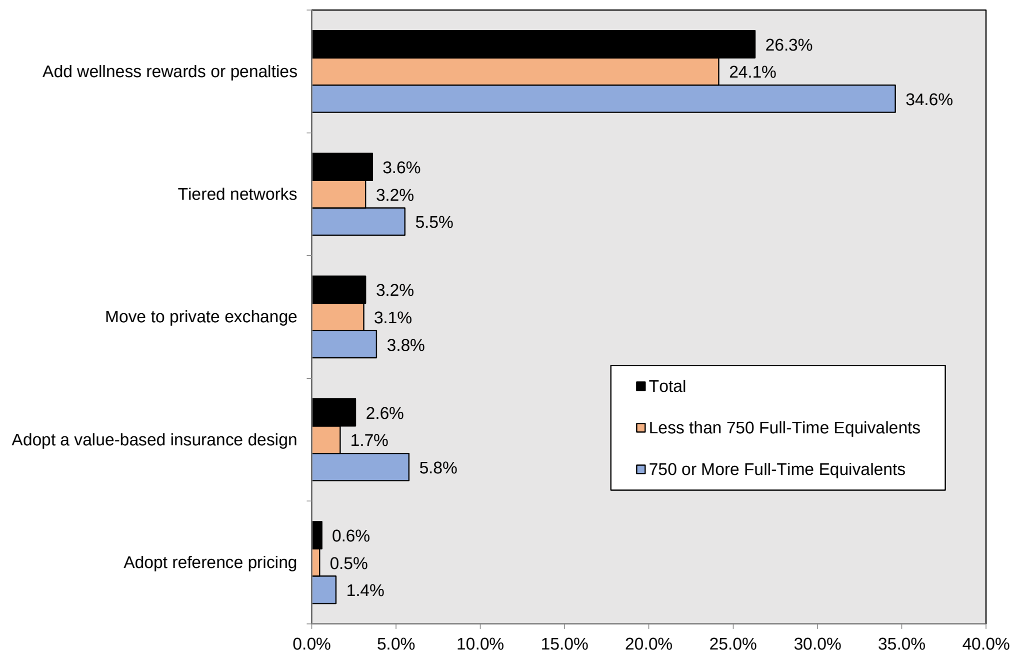
[2] Employee Benefit Research Institute estimates from the 2014 Current Population Survey Annual Social and Economics Supplement (CPS ASEC).

[3] Hancock, Jay. "UPS won't insure spouses of many employees." *USA Today/Kaiser Health News*, Aug. 20, 2013. http://www.usatoday.com/story/money/business/2013/08/20/ups-spouses-health-insurance/2651713/

[4] S&P Capital IQ predicts that 90 percent of workers will be transitioned to public exchanges by 2020. Ezekiel Emanuel predicts that less than 20 percent of workers will get coverage through their job by 2025. See S&P Capital IQ, *The Affordable Care Act Could Shift Health Care Benefit Responsibility Away From Employers, Potentially Saving S&P 500 Companies $700 Billion*, April 29, 2014; and Ezekiel Emanuel, "Reinventing American Health Care: How the Affordable Care Act Will Improve our Terribly Complex, Blatantly Unjust, Outrageously Expensive, Grossly Inefficient, Error Prone System," *Public Affairs*, March 2014.

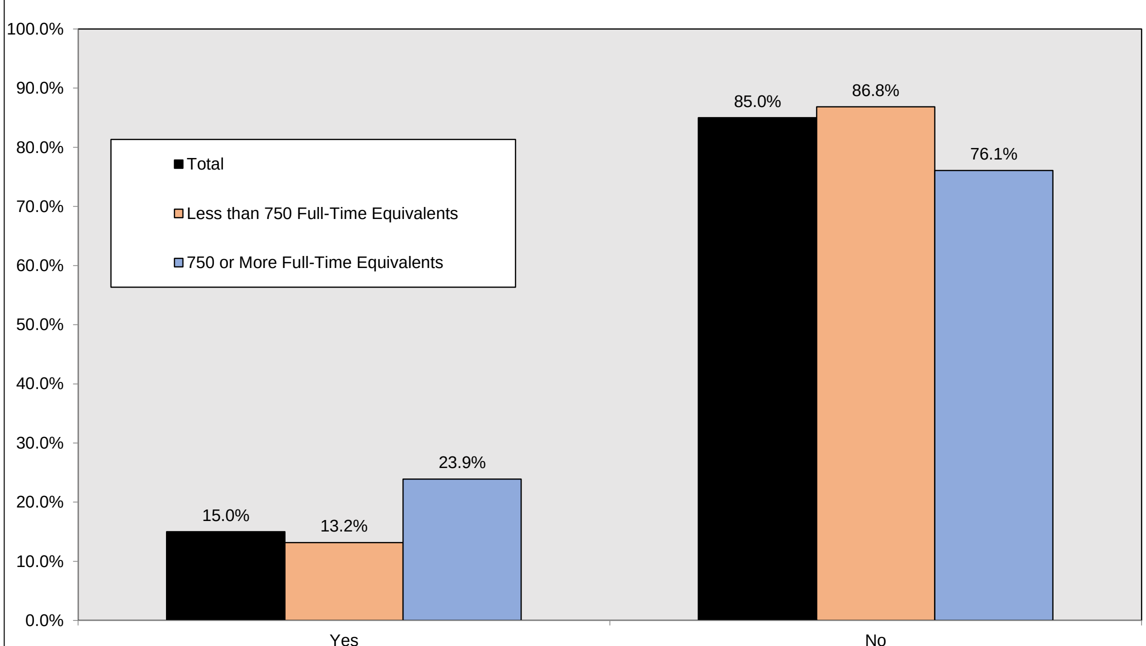
[5] Source: 2010 World Economic Forum as cited in Aon Hewitt 2014 Health Care Survey.

Figure 6
Planned Changes to Health Benefit Plan Design for 2015



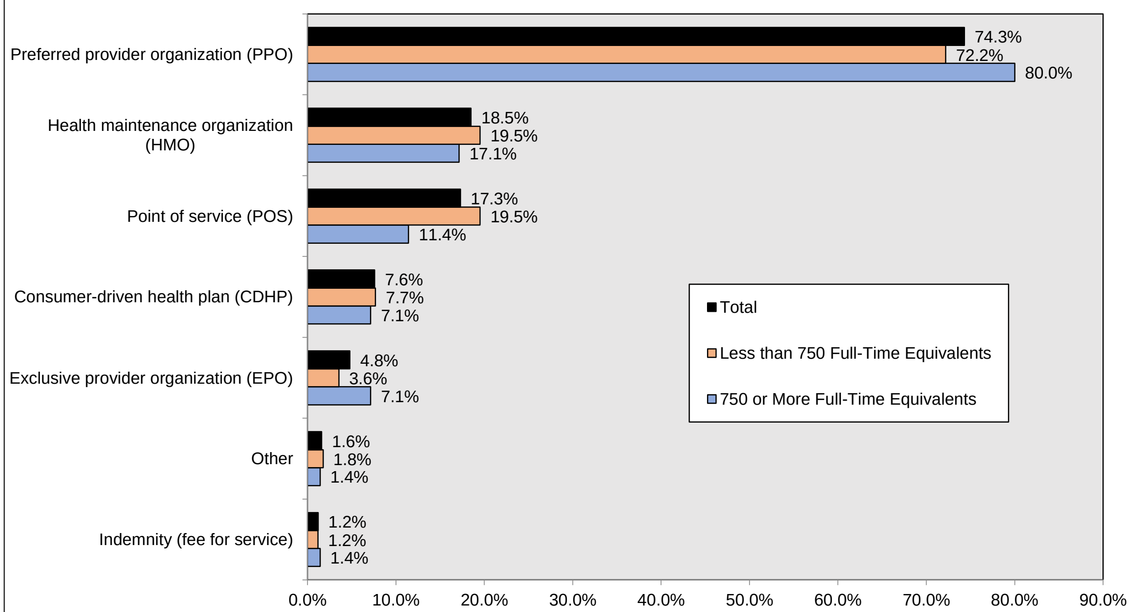
Source: SHRM/EBRI 2014 Health Benefits Survey.

Figure 7
Expect to Trigger Excise Tax for High Cost Health Plans in 2018



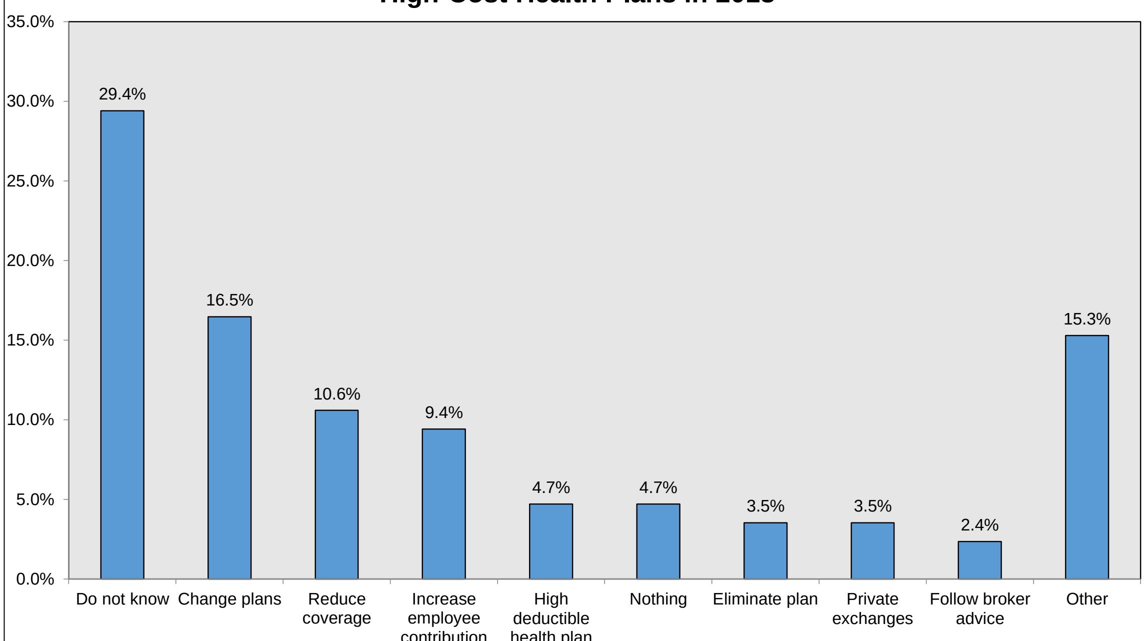
Source: SHRM/EBRI 2014 Health Benefits Survey.

Figure 8
Type of Health Plan Expected to Trigger Excise Tax on High Cost Health Plans in 2018



Source: SHRM/EBRI 2014 Health Benefits Survey.

Figure 9
Planned Actions to Avoid Excise Tax on High-Cost Health Plans in 2018



Source: SHRM/EBRI 2014 Health Benefits Survey.

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