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 workplace² 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](image)

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 20143 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

Consulting, 8.4%
Manufacturing, 26.4%
Services, 65.2%

Source: SHRM/EBRI 2014 Health Benefits Survey.

Figure 5
Planned Changes to Health Plan Eligibility for 2015

- Require spouses to get coverage through own employer:
  - Total: 7.9%
  - Less than 750 Full-Time Equivalents: 7.7%
  - 750 or More Full-Time Equivalents: 9.4%

- Spousal surcharge:
  - Total: 6.7%
  - Less than 750 Full-Time Equivalents: 5.9%
  - 750 or More Full-Time Equivalents: 10.1%

- Eliminate coverage for part-time workers:
  - Total: 1.3%
  - Less than 750 Full-Time Equivalents: 1.0%
  - 750 or More Full-Time Equivalents: 2.4%

- Eliminate coverage:
  - Total: 1.0%
  - Less than 750 Full-Time Equivalents: 1.1%
  - 750 or More Full-Time Equivalents: 1.0%

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


Endnotes


Figure 6
Planned Changes to Health Benefit Plan Design for 2015

Add wellness rewards or penalties
- Total: 26.3%
- Less than 750 Full-Time Equivalents: 24.1%
- 750 or More Full-Time Equivalents: 34.6%

Tiered networks
- Total: 3.6%
- Less than 750 Full-Time Equivalents: 3.2%
- 750 or More Full-Time Equivalents: 5.5%

Move to private exchange
- Total: 3.2%
- Less than 750 Full-Time Equivalents: 3.1%
- 750 or More Full-Time Equivalents: 3.8%

Adopt a value-based insurance design
- Total: 2.6%
- Less than 750 Full-Time Equivalents: 1.7%
- 750 or More Full-Time Equivalents: 5.8%

Adopt reference pricing
- Total: 0.6%
- Less than 750 Full-Time Equivalents: 0.5%
- 750 or More Full-Time Equivalents: 1.4%

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.
The Employee Benefit Research Institute (EBRI) was founded in 1978. Its mission is to contribute to, to encourage, and to enhance the development of sound employee benefit programs and sound public policy through objective research and education. EBRI is the only private, nonprofit, nonpartisan, Washington, DC-based organization committed exclusively to public policy research and education on economic security and employee benefit issues. EBRI’s membership includes a cross-section of pension funds; businesses; trade associations; labor unions; health care providers and insurers; government organizations; and service firms.

EBRI’s work advances knowledge and understanding of employee benefits and their importance to the nation’s economy among policymakers, the news media, and the public. It does this by conducting and publishing policy research, analysis, and special reports on employee benefits issues; holding educational briefings for EBRI members, congressional and federal agency staff, and the news media; and sponsoring public opinion surveys on employee benefit issues. EBRI’s Education and Research Fund (EBRI-ERF) performs the charitable, educational, and scientific functions of the Institute. EBRI-ERF is a tax-exempt organization supported by contributions and grants.

EBRI Issue Briefs are periodicals providing expert evaluations of employee benefit issues and trends, as well as critical analyses of employee benefit policies and proposals. EBRI Notes is a monthly periodical providing current information on a variety of employee benefit topics. EBRIef is a weekly roundup of EBRI research and insights, as well as updates on surveys, studies, litigation, legislation and regulation affecting employee benefit plans, while EBRI’s Blog supplements our regular publications, offering commentary on questions received from news reporters, policymakers, and others. The EBRI Databook on Employee Benefits is a statistical reference work on employee benefit programs and work force-related issues.

Contact EBRI Publications, (202) 659-0670; fax publication orders to (202) 775-6312. Subscriptions to EBRI Issue Briefs are included as part of EBRI membership, or as part of a $199 annual subscription to EBRI Notes and EBRI Issue Briefs. Change of Address: EBRI, 1100 13th St. NW, Suite 878, Washington, DC, 20005-4051, (202) 659-0670; fax number, (202) 775-6312; e-mail: subscriptions@ebri.org Membership Information: Inquiries regarding EBRI membership and/or contributions to EBRI-ERF should be directed to EBRI President Dallas Salisbury at the above address, (202) 659-0670; e-mail: salisbury@ebri.org

Editorial Board: Dallas L. Salisbury, publisher; Stephen Blakely, editor. Any views expressed in this publication and those of the authors should not be ascribed to the officers, trustees, members, or other sponsors of the Employee Benefit Research Institute, the EBRI Education and Research Fund, or their staffs. Nothing herein is to be construed as an attempt to aid or hinder the adoption of any pending legislation, regulation, or interpretative rule, or as legal, accounting, actuarial, or other such professional advice.

EBRI Notes is registered in the U.S. Patent and Trademark Office. ISSN: 1085–4452  1085–4452/90  $ .50+.50

© 2014, Employee Benefit Research Institute–Education and Research Fund. All rights reserved.