

HEALTH CARE REFORM

Employer Responses: Play or Pay?

Expected cost increases

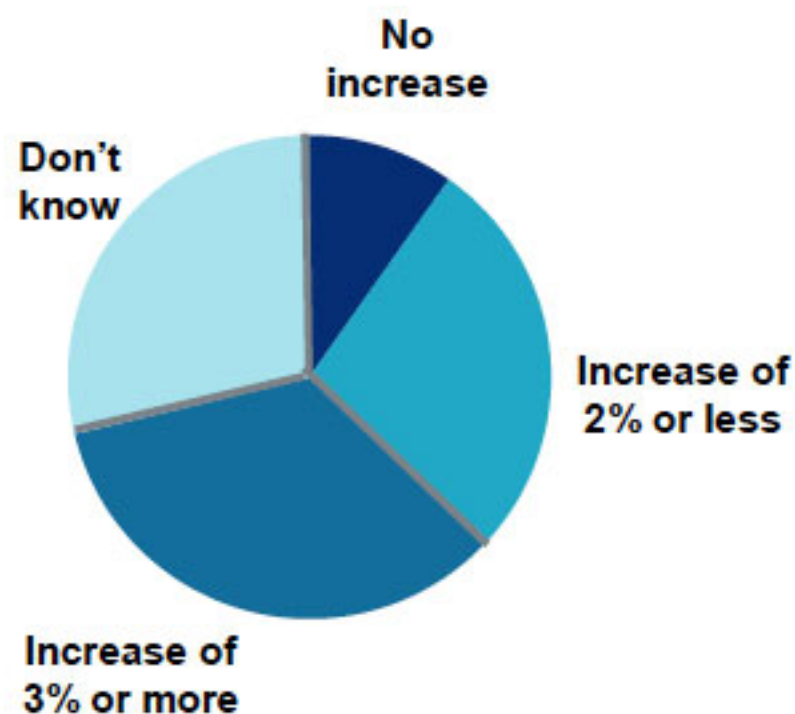
Covering FTEs

Dropping benefits

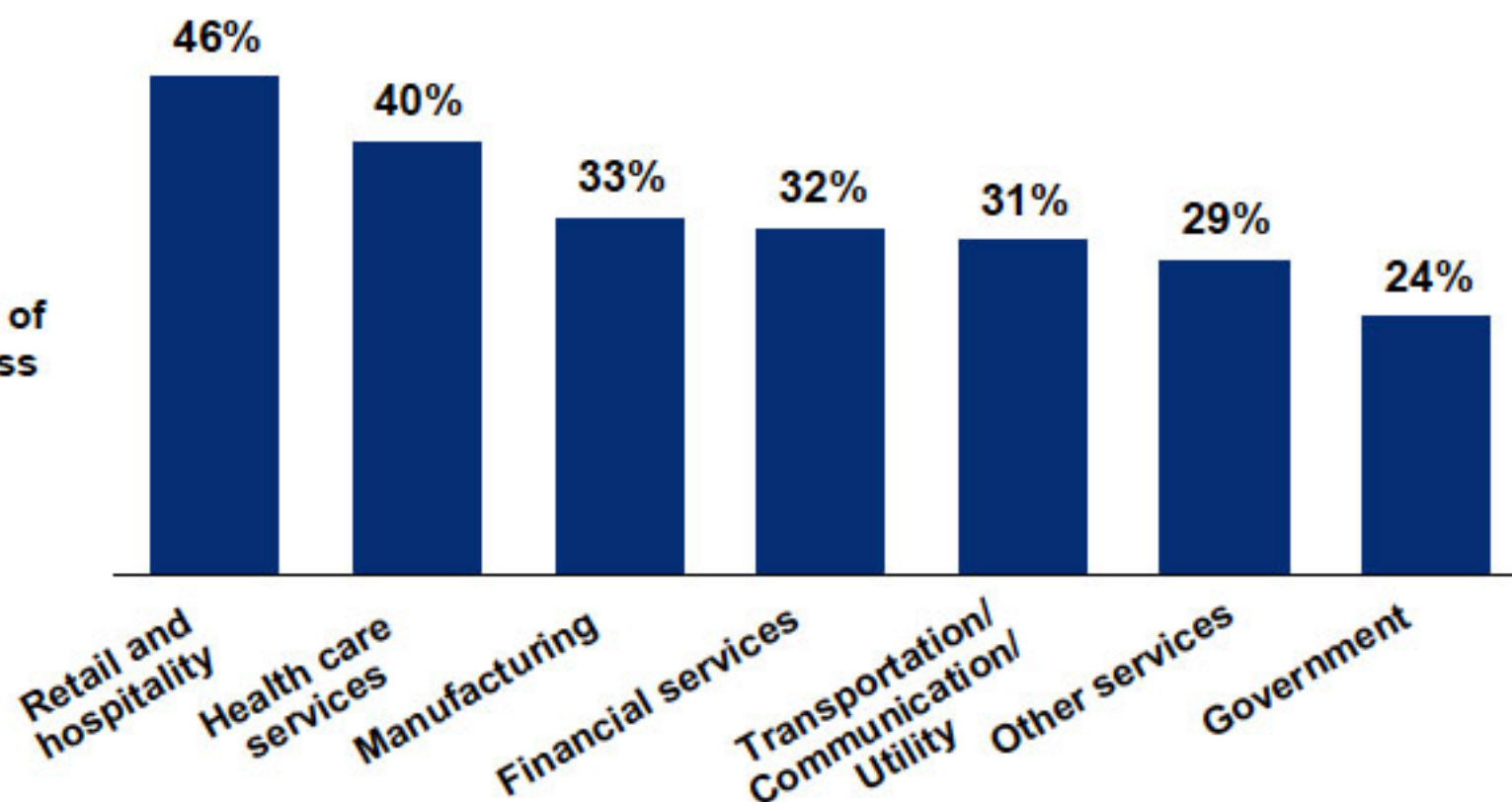
Plan design and health management

Most employers say reform will raise costs in 2014

Expected cost increase due to PPACA requirements effective in 2014



Expect cost increase of 3% or more due to PPACA requirements effective in 2014, by industry

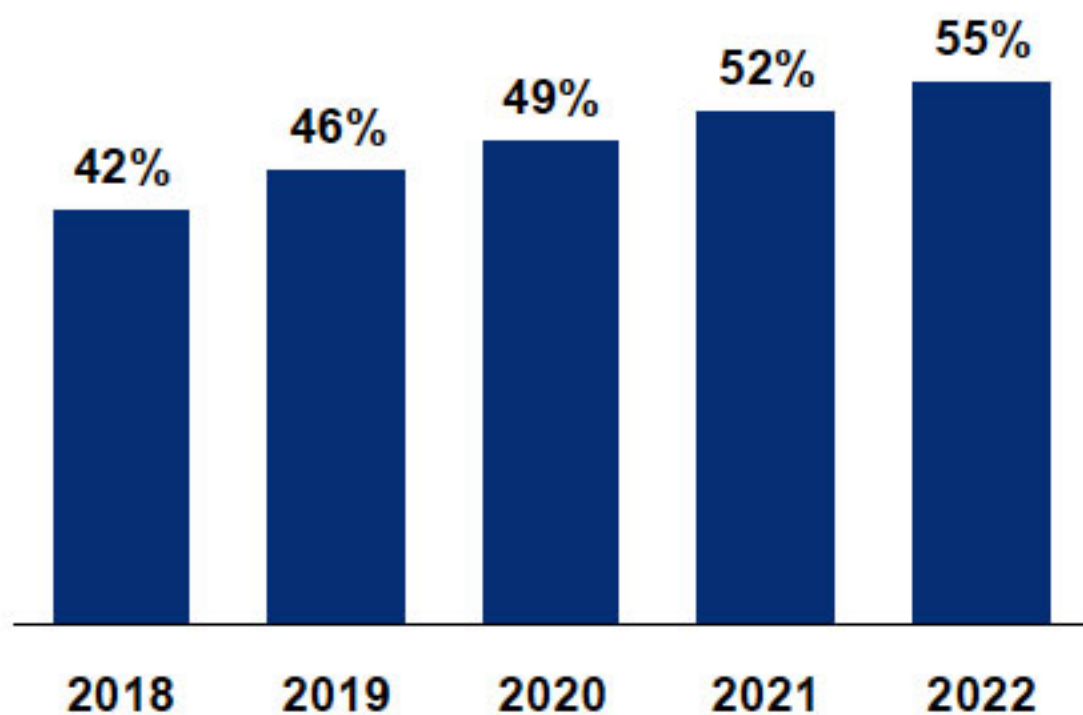


Source: Mercer's Survey on Health Care Reform After the Decision

And the 2014 requirements are just the beginning

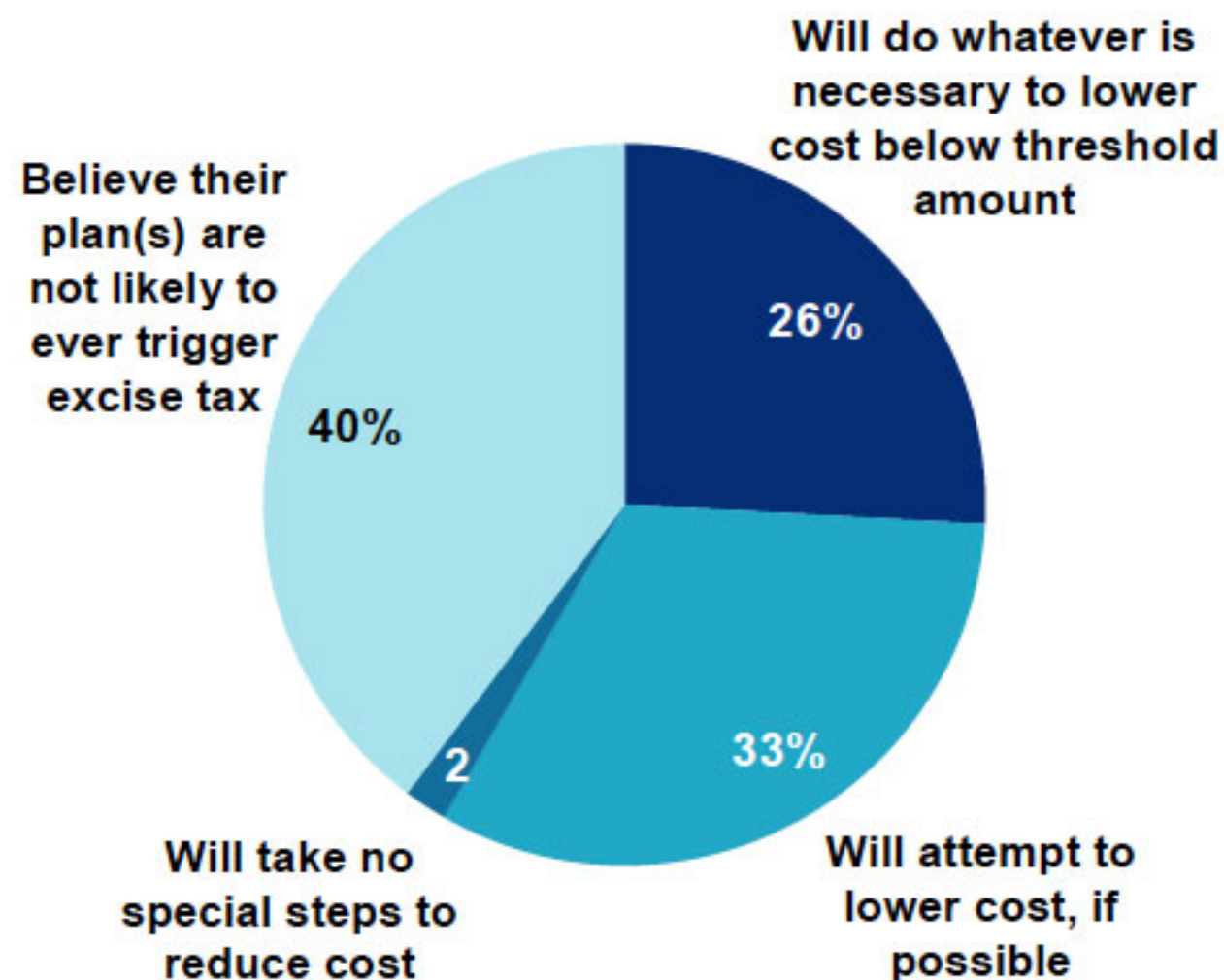
Majority of large employers in danger of getting hit with excise tax by 2022

Percent of employers that would be subject to the excise tax *if they made no changes to their current plan...*



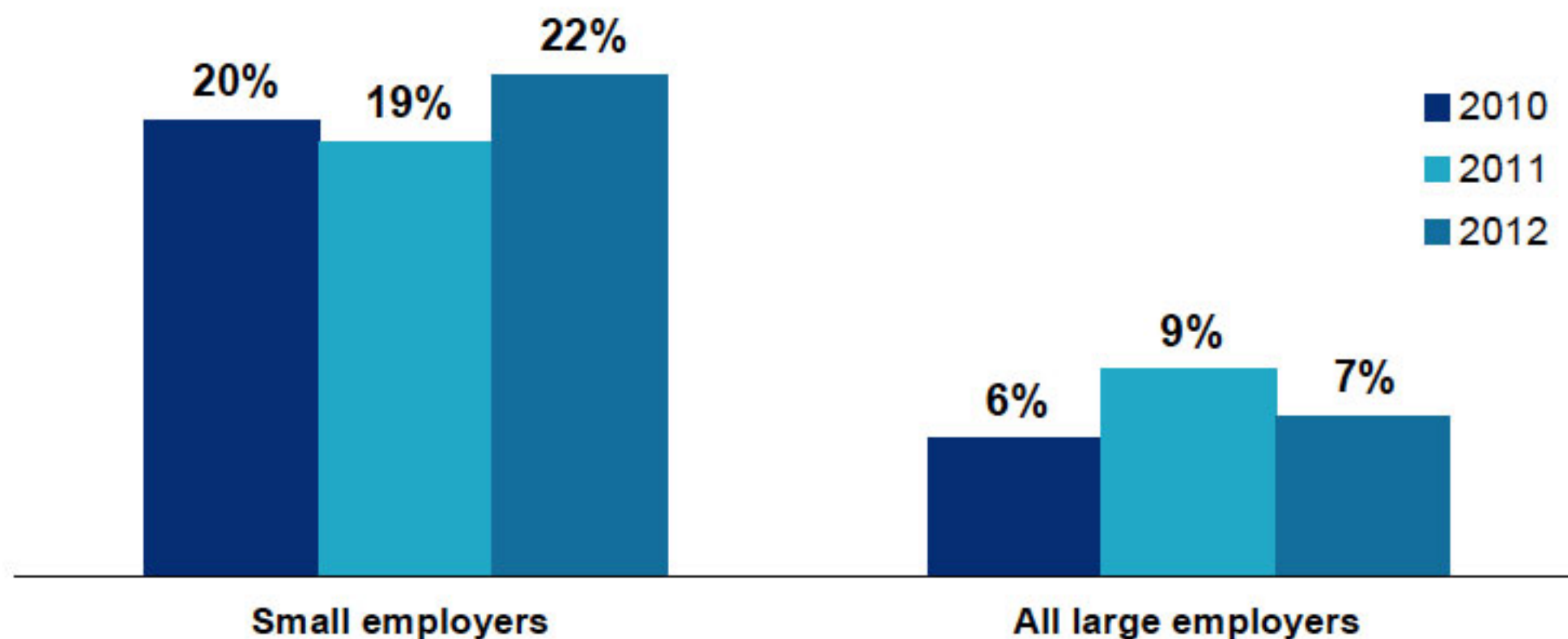
Source: 2011 National Survey of Employer-Sponsored Health Plans

...but most say they will take steps to avoid the tax



Despite added cost pressure, employers consistently tell us they will continue to provide health benefits

Percent of employers that are likely to terminate plans within the next five years



Likely response to requiring coverage for all “full time employees” Based on employers that do not currently offer coverage to all employees working 30 or more hours per week

Change workforce strategy so that fewer employees work 30+ hours / week

51%

Offer a lower-cost plan for newly eligible hourly employees

27%

Make all employees eligible for the full-time employee plan(s)

24%

Offer the full-time employee plan(s) to some, but not all, newly eligible employees

17%

Pay shared responsibility penalty as necessary

8%

Terminate medical coverage for all employees after the insurance exchanges become available

3%

Covering all “full time employees” – tradeoffs begin

Strategy	Survey Says	Pros	Cons
Change workforce strategy: fewer ees to work 30+ hrs/wk	51%	Controls exposure to new enrollment	Comp takeaway Communication Productivity trade-offs
Offer a lower-cost plan for newly eligible hourly ees	27%	Limits new cost, within permitted ACA rules	New cost Added plan administration
Make all ees eligible for FTE plan	24%	Simple transition	Costlier
Offer FTE plan to only some newly eligible ees	17%	Fairly simple transition	Cost Communication (why not me?) Hybrid solution
Pay shared responsibility penalty as needed	8%	Employee choice More control on plan features Limit new cost; cost savings?	Untested plans “Government plan” stigma Exchange interfacing Communication
Terminate medical coverage once Exchanges are operating	3%	Costs are better known Simplify HR administration	Not competitive: A&R challenges Cost of compensating elsewhere Untested plans Short memory

Likely employer actions with regard to coverage considered “unaffordable” to some employees

Based on employers that say their medical plan will likely be considered “unaffordable” for at least some employees

Add a less expensive plan with lower employee contributions than current plan(s)

60%

Raise dependent contributions to compensate for lower employee-only contributions

29%

Raise employee cost-sharing (deductibles, etc.) to compensate for lower contributions

28%

Lower the employee contributions in a current medical plan

24%

Use salary-based contributions (in a current or new plan)

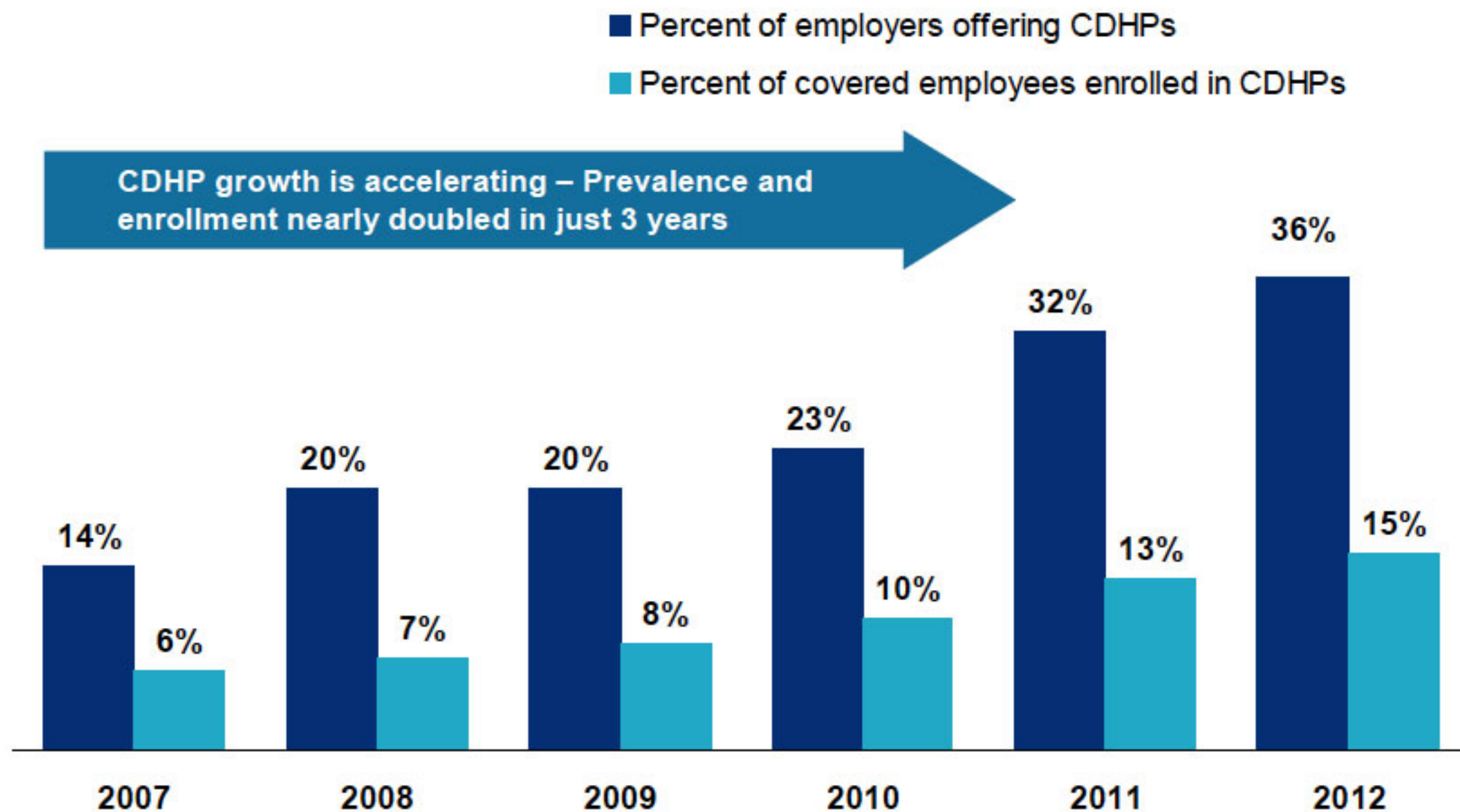
23%

Make no (or minimal) changes and pay the penalty as necessary

13%

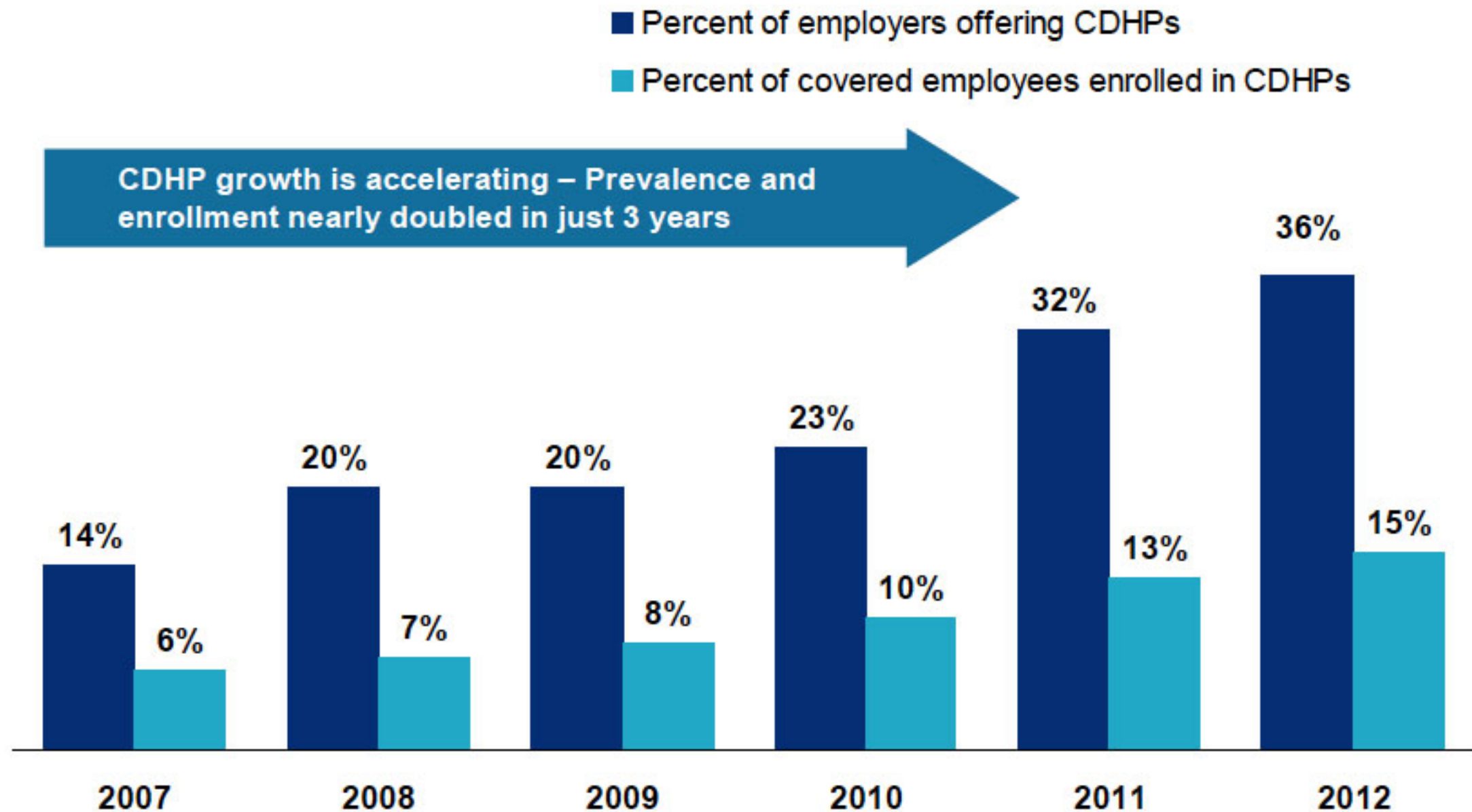
Many employers see CDHPs as central to their response to health reform

Large employers

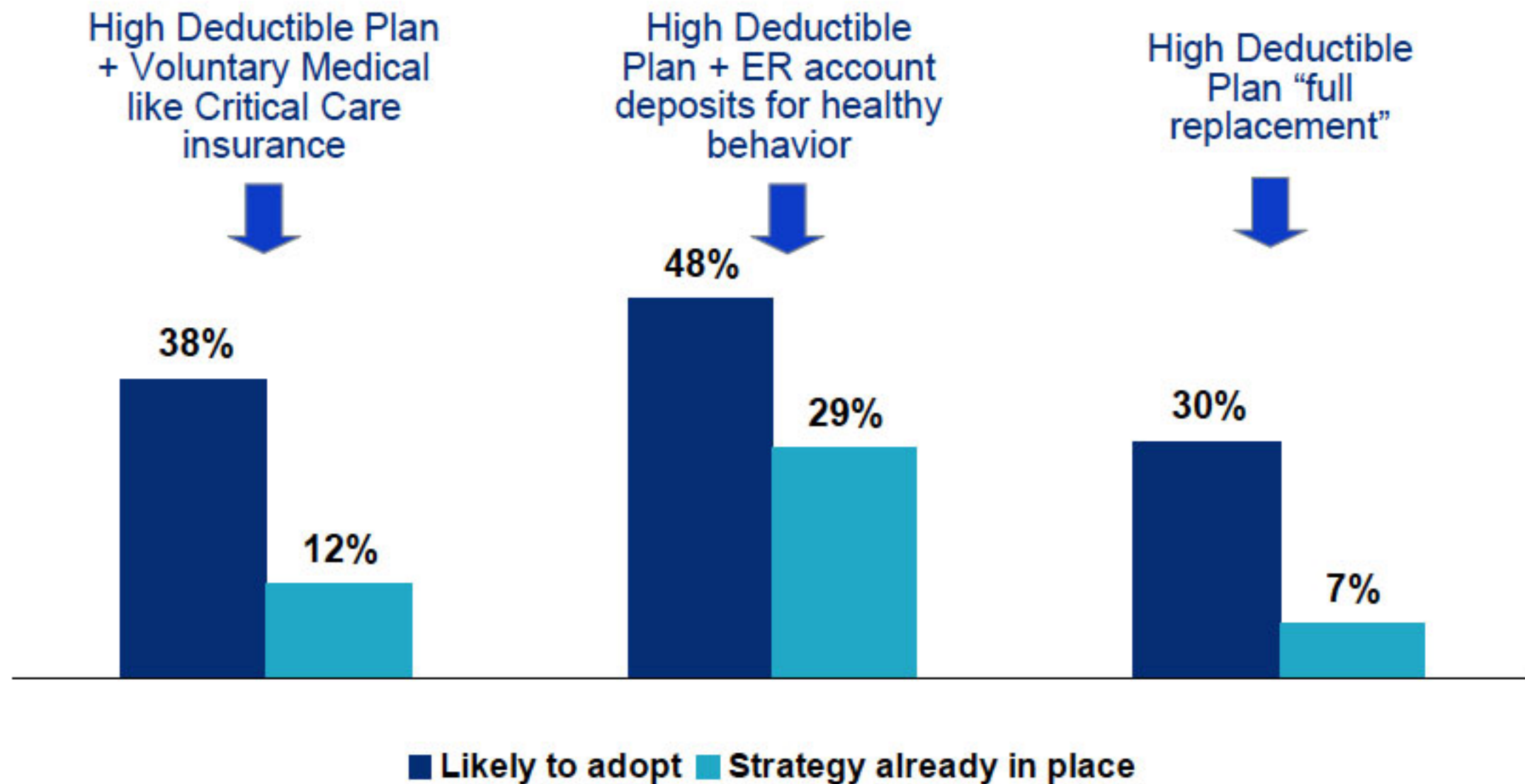


Many employers see CDHPs as central to their response to health reform

Large employers



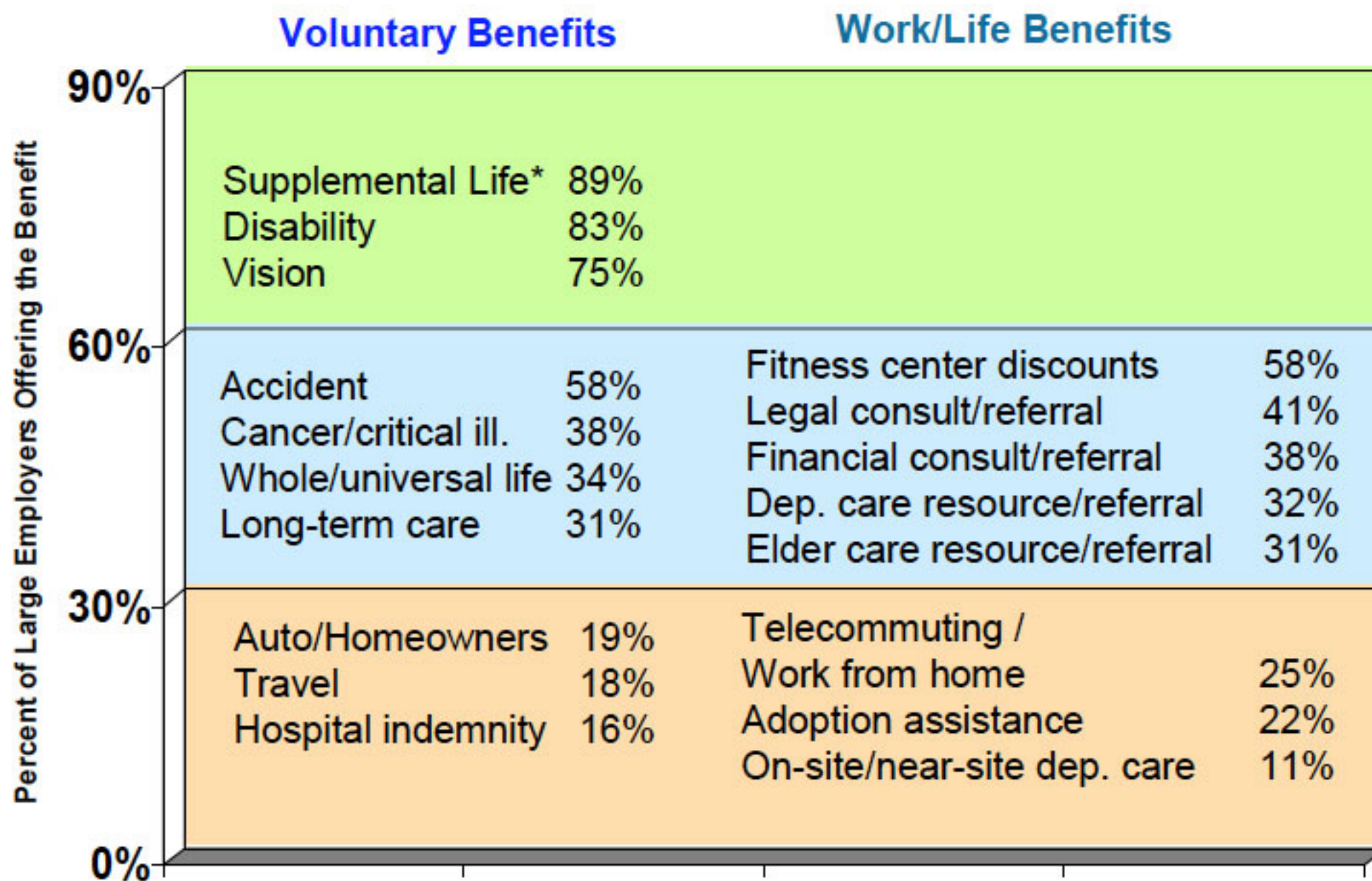
Bigger role for consumer-directed health plans is likely under health reform



Expanding employees' view of the Whole Benefit Package

Meeting diverse needs without driving up employer costs

Source: 2012 Mercer National Survey of Employer-Sponsored Health Plans



*supplemental employee term life (88% offer dependent term life)