

Health and Well-being Touchstone Survey results

June 2016



Table of contents

Overview

| | |
|----------------------------------|---|
| ▶ Section 1: Key trends | 3 |
| ▶ Section 2: Summary of findings | 7 |

Detailed findings

| | |
|---|-----|
| ▶ Section 3: Medical plan costs | 22 |
| ▶ Section 4: Medical plan design highlights | 31 |
| ▶ Section 5: Dental plan design highlights | 67 |
| ▶ Section 6: Wellness and disease management | 72 |
| ▶ Section 7: Welfare benefits | 85 |
| ▶ Section 8: Retiree medical | 96 |
| ▶ Section 9: Retirement plans | 102 |
| ▶ Section 10: Health reform—Affordable Care Act (ACA) | 112 |
| ▶ Section 11: Future solutions | 116 |

Appendix

| | |
|--|-----|
| ▶ Section 12: Summary of survey participants | 119 |
|--|-----|

Contact

| | |
|----------------|-----|
| ▶ PwC contacts | 122 |
|----------------|-----|



← Click to return to the table of contents

Click the topics below to view findings

Overview ▾

S1: Key trends

S2: Summary of findings

Detailed findings ▸

Appendix ▸

Contact ▸

Overview—*Section 1: Key trends*



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2016 Health and Well-being Touchstone Survey—key trends

Click to return to the table of contents

Click the topics below to view findings

Overview

S1: Key trends

S2: Summary of findings

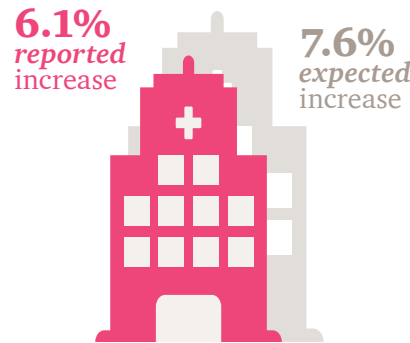
Detailed findings

Appendix

Contact

- The average reported increase in **medical plan costs** was **6.1%** for 2015 before plan design changes, less than the **7.6%** expected increase reported in the 2015 Touchstone Survey

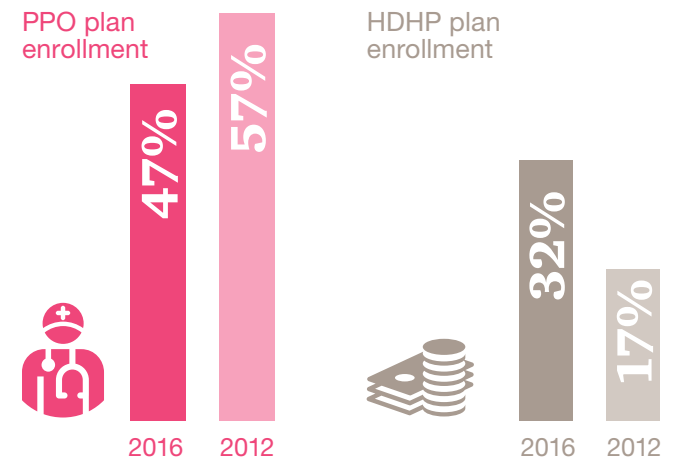
2015 medical plan costs



- The average reported annual increase post-plan changes was **3.0%** for 2015, which is lower than last year's trend of **4.5%** and lower than the **4.1%** predicted in the 2015 Touchstone Survey
- The average expected increase post-plan design changes for 2016 is **3.8%**
- Employers are keeping employee contributions at the same level but are shifting costs through plan design changes. These include higher deductibles and more reliance on coinsurance over copays
- The average number of medical plans offered decreased from **4.1** plans last year to **3.6** plans this year, with employers most frequently offering 3 plans (**27%**) versus 2 plans (**24%**) last year. While the decrease is a little surprising, the number of plans is still up significantly from 2.9 two years ago

- High deductible plan prevalence is continuing to increase. While Preferred Provider Organization (PPO) plans are the highest-enrolled plan **47%** of the time, this figure has decreased from **57%** in 2012. High Deductible Health Plans (HDHPs) are the highest-enrolled **32%** of the time, up from **31%** in 2015, and are the second most popular plan. Point of Service (POS) plans and Exclusive Provider Organization (EPO) plans are also growing in popularity
 - 72%** of employers offer an HDHP; **63%** offer an HDHP with a Health Savings Account (HSA), and **17%** offer an HDHP with a Health Reimbursement Arrangement (HRA) (compared to **56%** and **18%** last year, respectively)
 - 25%** have already adopted a full-replacement HDHP, and an additional **39%** are considering an HDHP-only strategy in the next three years

High deductible plan prevalence is continuing to increase



2016 Health and Well-being Touchstone Survey—key trends

Click to return to the table of contents

Click the topics below to view findings

Overview

S1: Key trends

S2: Summary of findings

Detailed findings

Appendix

Contact

- Pharmacy cost sharing stayed consistent with the prior year. Rather than using cost sharing as a way to cut costs, employers are focusing on managing specialty drug costs through various controls. Prior authorization, quantity limits, and step therapy are the most common methods used to manage specialty drug costs (used by **74%**, **71%**, and **68%** of employers, respectively). However, employers may consider future cost sharing increases
- In an effort to manage costs, employers are incorporating salary-based contributions, smoking surcharges, and spousal surcharges
- Employers continue to invest in wellness programs. **76%** offer wellness programs, and many specific programs are increasing in prevalence. Physical Activity Programs/Fitness Discounts are offered by **73%** of respondents, up from **61%** last year
 - For most wellness programs, participation rates remain low unless incentives are offered. Participation rates for biometric screening and health risk questionnaires increased by more than 20 percentage points when incentives were utilized
- While employers recognize that the Affordable Care Act (ACA) will impact them financially, they expect the significance of the impact to decrease
 - **69%** of participants in 2016 indicated that they will be financially impacted by the excise tax on high-cost plans vs. **64%** in 2015. Based on the analysis and current thresholds, **41%** of participants will trigger the excise tax by 2020, while **30%** will not trigger the tax in the future

69% of participants in 2016 indicated that they will be financially impacted by the excise tax on high-cost plans vs. 64% in 2015



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2016 Health and Well-being Touchstone Survey—key trends

- In light of the excise tax delay, employers indicated that they have done or are considering doing the following: increasing accountability for wellness/health program participation (67%), performing an overall reassessment of their specialty drug strategy (62%), and providing incentives to use low cost/high-performing networks (54%) in an effort to lower healthcare costs



67%
Increasing
accountability for
wellness/health
program participation



62%
Performing
reassessment
of their specialty
drug strategy



54%
Providing incentives
to use low cost/
high-performing
networks

- Employers are not leveraging the ACA to reduce COBRA liabilities; however, retiree health coverage continues to drop, which might be tied to the ACA

- Future solutions under consideration include a mix of the following traditional and emerging strategies:
 - Plan design changes and increased employee contributions are the most prevalent choices under consideration to control healthcare costs in the future:
 - * 42% of participants are considering changes in medical plan design (45% have already made changes), and 47% are considering increasing prescription drug cost sharing (30% have already increased)
 - * 47% of participants are considering increasing employee contributions (40% have already increased), and 36% are considering implementing a defined contribution approach (12% have already implemented)
 - Employers are also considering high-performing networks (43%), value-based plan designs (43%), broadening their company’s focus on well-being (42%), and increasing their company’s efforts related to wellness and health management (37%)
- Employers continue to consider private exchanges
 - 19% of employers are considering moving their active employees to a private exchange; 3% have already done so
 - Of those who offer retiree medical coverage, 2% have already moved their pre-65 retirees to a private or public exchange with a company subsidy, and 20% have made similar moves for post-65 retirees. 49% are considering such options for their pre-65 retirees, and 35% for their post-65 retirees



Click to return to the table of contents

Click the topics below to view findings

Overview

S1: Key trends



S2: Summary of findings

Detailed findings

Appendix

Contact



← Click to return to the table of contents

Click the topics below to view findings

Overview

S1: Key trends

S2: Summary of findings

Detailed findings

Appendix

Contact

Overview—Section 2: Summary of findings





Click to return to the table of contents

Click the topics below to view findings

Overview

S1: Key trends

S2: Summary of findings

Detailed findings

Appendix

Contact

2016 Health and Well-being Touchstone Survey—summary

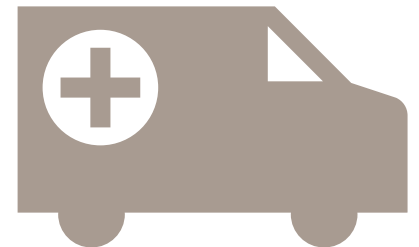
Survey background

- The survey was completed in the first quarter of 2016
- The survey data contains detailed benefits information provided by more than 1,100 participating employers in 37 different industries across the US
- The 2016 report provides summary data on medical, prescription drug, and dental plan design, costs, wellness and disease management programs, work-life programs, fringe benefits, retirement benefits, future healthcare strategies and healthcare reform
- Customized reports are available for Touchstone participants upon request based on industry, size, and/or geographic location. *If you are interested in participating next year, please refer to the “PwC contacts” section*

Medical costs continue to increase more quickly than inflation, but increases were lower than anticipated in 2015

- The average reported increase in medical plan costs before plan changes was **6.1%** in 2015, which is lower than the expected **7.6%** indicated in the 2015 Touchstone Survey
 - The most frequent response from participants (**42%**) indicates an anticipated increase in medical costs of **5% to 9%** (before plan changes) in 2016
 - The average reported annual increase post-plan changes was **3.0%** for 2015, which is lower than last year’s trend of **4.5%** and lower than the **4.1%** predicted in the 2015 Touchstone Survey
 - **25%** of participants expect no increase in medical costs post-plan changes for the upcoming year, and **24%** anticipate a **1% to 4%** increase. The average expected increase for 2016 is **3.8%** post-plan changes

42%
of participants anticipate an
increase of 5% to 9% in medical
costs (before plan changes) in 2016



2016 Health and Well-being Touchstone Survey—summary

Click to return to the table of contents

Click the topics below to view findings

Overview

S1: Key trends

S2: Summary of findings

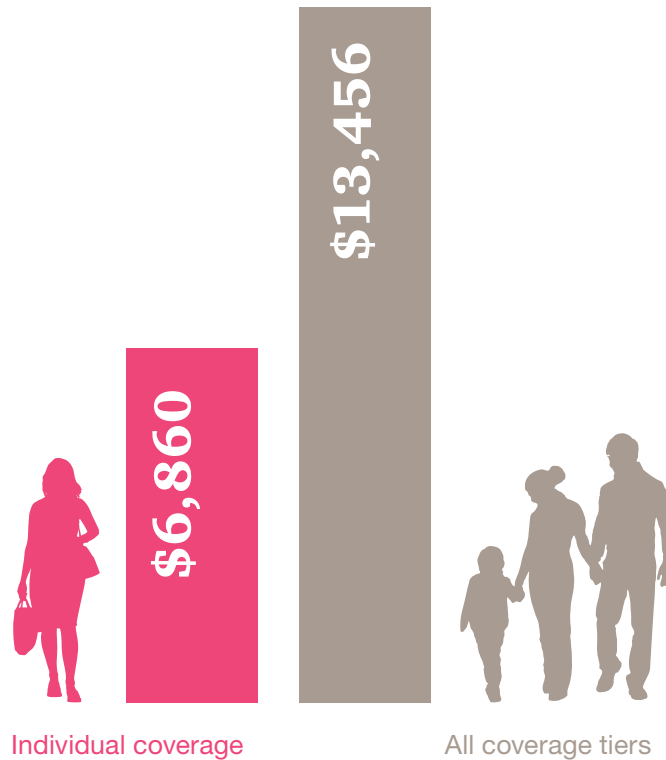
Detailed findings

Appendix

Contact

- The average reported 2016 gross spend per active employee is **\$6,860** for individual coverage and **\$13,456** across all coverage tiers
 - The education & nonprofit industry offers the most expensive benefits. The retail & consumer industry continues to offer the lowest cost benefits, reflecting different benefit levels and possibly a less costly demographic

The average reported 2016 gross spend per active employee



Premium and contribution structure

- 4-tier rate structures remain the most popular among employers (61% in 2016)
- On average, employees contribute 23% of individual coverage premiums and 29% of family coverage premiums, with smaller employers subsidizing more for individuals and less for families
- In an effort to manage costs, employers are more likely to incorporate salary-based contributions and smoking surcharges than they were in 2014
 - 19% of employers in 2016 (compared to 14% in 2014) have salary-based contributions, with an average of 4 salary tiers
 - 26% of employers (compared to 20% in 2014) have a smoking surcharge for employees and 13% for dependents (compared to 1% in 2014), with an average monthly surcharge of \$58 for both

2016 Health and Well-being Touchstone Survey—summary

Click to return to the table of contents

Click the topics below to view findings

Overview

S1: Key trends

S2: Summary of findings



Detailed findings

Appendix

Contact

Medical plan features

- Employers are offering choice. The average number of medical plans offered decreased from **4.1** plans last year to **3.6** plans this year, but the most frequently offered number of plans is 3, offered by **27%** of employers. Last year, the most frequently offered number of plans was 2, offered by **24%** of employers. These levels are lower than last year but are still significantly higher than in previous years
- **67%** of employers indicated that **95%+** of their active US employees are eligible for medical benefits. Of those eligible, on average, **16%** of employees opt out of their employer’s medical plans, consistent with last year. The opt-outs may be driven by spousal and dependent surcharges, which have been implemented by **19%** and **2%** of employers, respectively
- HDHPs continue to grow in prevalence and represent the highest-enrolled plan **32%** of the time, up from **31%** last year, but still lag PPO plans




Employers are offering choice. The most frequently offered number of plans is 3, offered by 27% of employers, compared to 2 last year

Mid-size employers tend to have the lowest in-network deductibles and out-of-pocket maximums

| 2016 In-network averages | <1,000 employees | 1,000–4,999 employees | 5,000+ employees | All participants |
|--------------------------|------------------|-----------------------|------------------|------------------|
| Individual deductible | \$1,305 | \$979 | \$1,104 | \$1,155 |
| Family deductible | \$2,721 | \$2,171 | \$2,232 | \$2,416 |
| Individual OOP max | \$3,606 | \$3,194 | \$3,517 | \$3,474 |
| Family OOP max | \$6,874 | \$6,649 | \$7,145 | \$6,920 |

2016 Health and Well-being Touchstone Survey—summary

 Click to return to the table of contents

Click the topics below to view findings

Overview 

S1: Key trends

S2: Summary of findings



Detailed findings 

Appendix 

Contact 

► In-network features (highest enrolled plan)



\$1,155 is the **average individual deductible**, a **12%** increase from last year

\$3,474 is the average out-of-pocket maximum for **individuals**

\$6,920 is the average out-of-pocket maximum for **families**

\$2,416 is the average family deductible—**more than double** the individual deductible



Deductible & out-of-pocket

Copays

25% use **copays** for in-network inpatient hospital visits (26% in 2015)

55% use **copays** for in-network emergency room visits (56% in 2015)

\$24 is the average in-network **copay** for primary care office visits

\$38 is the average in-network **copay** for specialist office visits

Coinsurance

The use of **coinsurance** for in-network **office visits has increased**, which is likely tied to the increased popularity of HDHPs

15% average reported in-network **coinsurance**, with most employers offering **20% coinsurance**

39% of employers use **coinsurance** for in-network specialist office visits (35% in 2015)

37% of employers use **coinsurance** for in-network primary care office visits (34% in 2015)

16% is the average in-network **coinsurance** for both primary care and specialist office visits

2016 Health and Well-being Touchstone Survey—summary

Click to return to the table of contents

Click the topics below to view findings

Overview

S1: Key trends

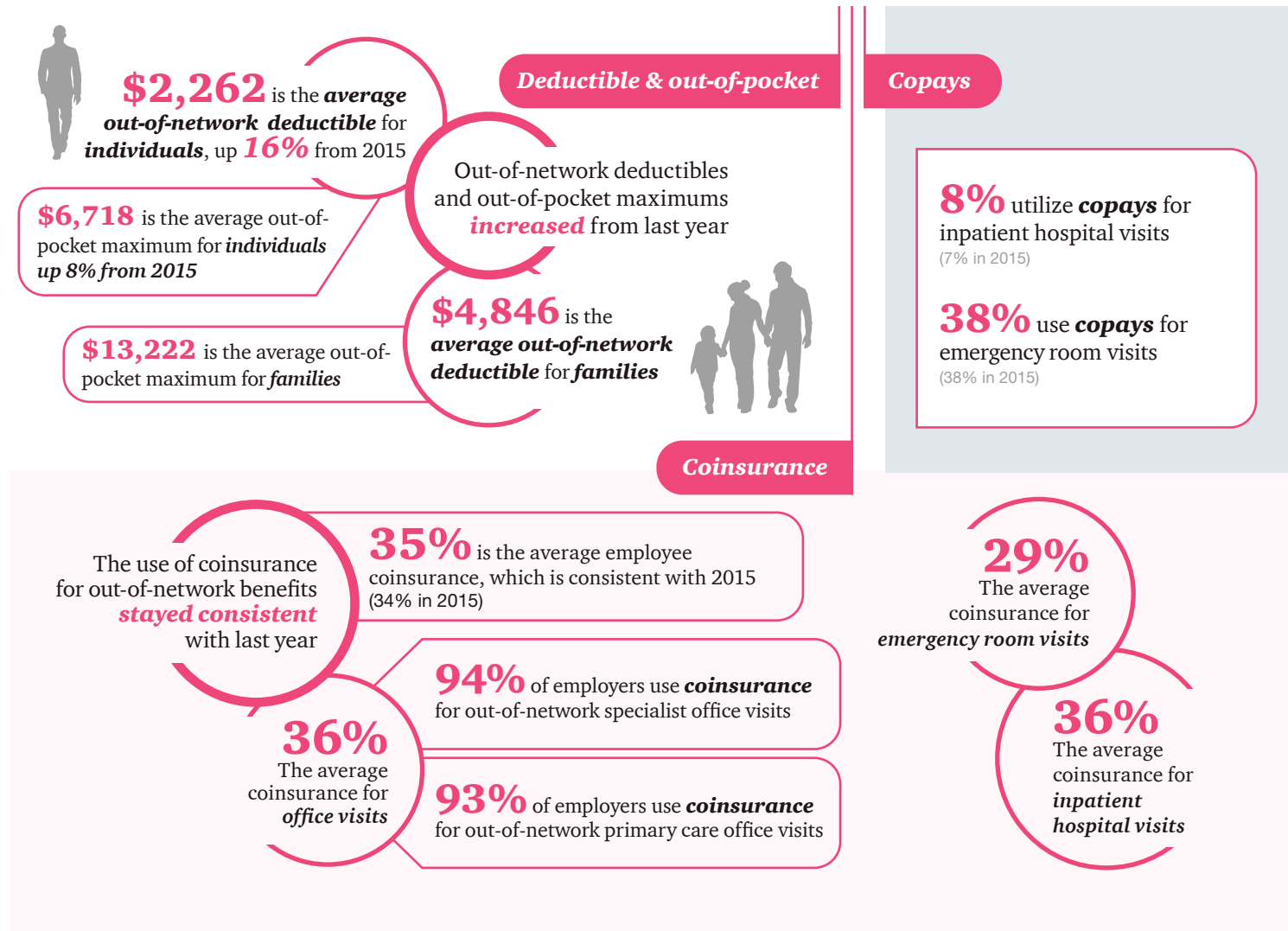
S2: Summary of findings

Detailed findings

Appendix

Contact

Out-of-network features (highest enrolled plan)



This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.


2016 Health and Well-being Touchstone Survey—summary

High Deductible Health Plans (HDHPs)

HDHPs continue to increase in prevalence

- **72%** of employers offer an HDHP
 - **32%** of employers note that an HDHP is their highest-enrolled plan, compared to **31%** in 2015 and **26%** in 2014
 - There was an increase in participants offering HDHPs with an HSA, from **56%** last year to **63%** this year. The increase was most prevalent in small to mid-size employers
 - While large employers are more likely to offer HSA and HRA compatible plans and contribute to their employees' accounts, small employers tend to make larger contributions to these accounts

- For those who offer and contribute to an HDHP with an HSA, the average employer contribution is **\$599** for individuals and **\$1,133** for families
 - The average HSA employer contribution increased **3%** from last year; however, small employers' contributions were almost flat, while large and mid-sized employers' subsidies dropped **2%** and rose **15%**, respectively
- For those who offer an HDHP with an HRA, average employer contributions are **\$401** for individuals and **\$808** for families
 - Average HRA contribution dropped markedly across the board, by **25%** for individuals and **28%** for families



Employers are lowering their subsidy to encourage employees to migrate out of HRA plans into HSA plans

| % of employers offering | HSA | | | HRA | | |
|-------------------------|------|------|------|------|------|------|
| | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 |
| <1,000 employees | 52% | 48% | 39% | 15% | 14% | 11% |
| 1,000-4,999 employees | 69% | 58% | 52% | 14% | 20% | 15% |
| 5,000+ employees | 69% | 70% | 59% | 24% | 23% | 25% |
| All participants | 63% | 56% | 47% | 17% | 18% | 15% |

2016 Health and Well-being Touchstone Survey—summary

Click to return to the table of contents

Click the topics below to view findings

Overview

S1: Key trends

S2: Summary of findings

Detailed findings

Appendix

Contact

Prescription drug benefits

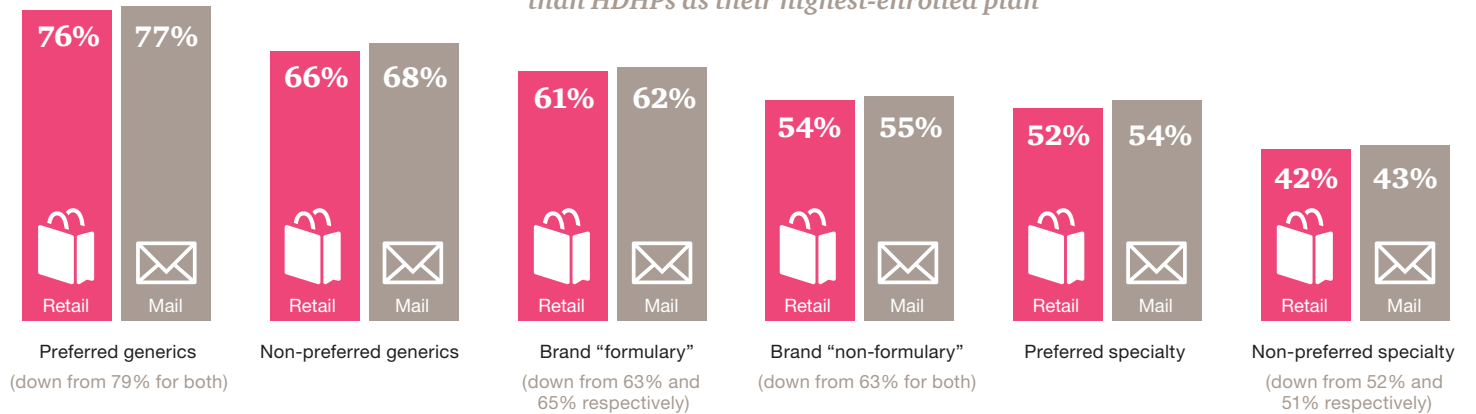
- As the popularity of HDHP programs increases, combined common deductibles for in-network prescription drug plans continue to also grow in prevalence
 - 36% of participants apply a combined medical/pharmacy deductible (up from 35% in 2015 and 24% in 2014)
 - 51% of participants do not apply a deductible to pharmacy claims (54% in 2015)
 - 13% of participants have a separate prescription drug deductible (up from 11% in 2015)

- Pharmacy cost sharing stayed somewhat consistent with the prior year

| Copays | Retail | | Mail order | |
|-------------------------|--------|------|------------|-------|
| | 2016 | 2015 | 2016 | 2015 |
| Preferred generic | \$11 | \$10 | \$21 | \$21 |
| Non-preferred generic | \$16 | | \$29 | |
| Brand “formulary” | \$35 | \$29 | \$63 | \$60 |
| Brand “non-formulary” | \$48 | \$50 | \$98 | \$103 |
| Preferred specialty | \$58 | | \$93 | |
| Non-preferred specialty | \$64 | \$62 | \$113 | \$108 |


Percentage of employers using copays for prescription drug benefits

Even with a slight shift towards coinsurance as a cost sharing method, copays are still more common given 68% of employers have plans other than HDHPs as their highest-enrolled plan



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2016 Health and Well-being Touchstone Survey—summary

 Click to return to the table of contents

Click the topics below to view findings

Overview 

S1: Key trends

S2: Summary of findings



Detailed findings 

Appendix 

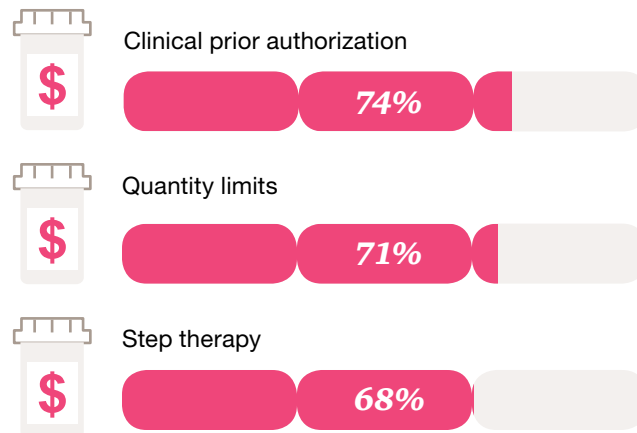

Contact 

- Rather than using cost sharing as a way to cut costs, employers are focusing on managing specialty drug costs through various controls
 - Prior authorization, quantity limits, and step therapy are the most common methods used to manage specialty drug costs (used by **74%**, **71%**, and **68%** of employers, respectively)
 - Large employers are the most likely to employ programs to manage their specialty drug costs
 - **49%** of participants have the same specialty drug member cost share amount for both medical and pharmacy benefits, and **92%** of participants have some confidence in their current carrier or PBM to better manage their specialty drug costs, an increase from **89%** in the prior year

Medical plan providers

- Large employers are more likely to use regional carriers in addition to national plans, whereas small employers typically use national carriers or local Blue plans
- Employers continue to be satisfied with their vendors' core services, but the percentage of employers who are very satisfied has decreased since the prior year
- Employers are likely to outsource (**37%**) or co-source (**35%**) the benefit administration of their plans

Most common methods used to manage specialty drug costs

37%
of employers
outsource the benefit
administration
of their plans

2016 Health and Well-being Touchstone Survey—summary

Click to return to the table of contents

Click the topics below to view findings

Overview

S1: Key trends

S2: Summary of findings

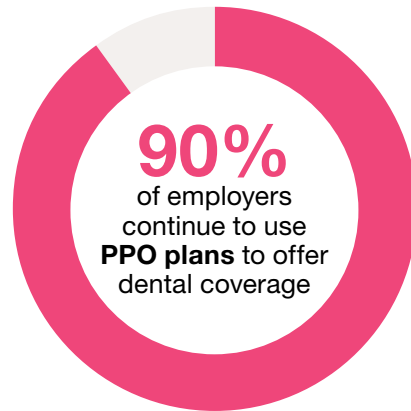
Detailed findings

Appendix

Contact

Dental benefits

- Overall, dental plan features and designs remain consistent with last year
 - 90% of employers continue to use PPO plans to offer dental coverage, with \$50 as the most common deductible and \$1,500 as the most common annual benefit maximum
 - The most common dental plan design is a 100%/80%/50% (diagnostic & preventive/basic/major) coinsurance program
 - On average, employees contribute 42% of the total premium for single coverage and 47% for family coverage (compared to 44% and 48% respectively in 2015)



- Both annual gross and net spend for individual dental coverage differ greatly among industries
 - Similarly, the average annual net spend for individual dental coverage varies by industry. Technology has the highest net cost at \$333, and health industries have the lowest at \$223
- 55% of employers offer 4-tier dental rates
- 8% of employers pay the full cost of dental coverage

The average annual gross spend for individual dental coverage varies by industry

Spend varies by industry



\$523
technology has the highest gross cost



\$356
manufacturing has the lowest

2016 Health and Well-being Touchstone Survey—summary

Click to return to the table of contents

Click the topics below to view findings

- Overview ▾
- S1: Key trends
- S2: Summary of findings
- Detailed findings ▸
- Appendix ▸
- Contact ▸

Wellness programs

- **76%** of employers offer wellness programs. Large employers are more likely than small employers to do so
 - **49%** of employers consider biometric screening the most valuable wellness program they offer, followed by the EAP and physical activity programs/fitness discounts. Consistent with this belief, employers are offering more physical activity programs/fitness discounts than last year, from **61%** to **73%**

- More employers are targeting various dimensions of wellness compared to last year as employers try to find ways to engage employees. Programs most commonly target physical, mental, and emotional dimensions of wellness
- Competition/gamification and one-on-one coaching are common features of wellness programs, offered by **64%** and **62%** of participants, respectively
- Participation rates are higher for employers who use incentives in programs such as biometric screening (**58%**), body mass index (**57%**) measurement and health risk questionnaires (**54%**)
- Only **11%** of employers measure the ROI on their wellness programs, but of those, the vast majority (**91%**) have found positive returns
- Overall, participants believe their wellness programs are effective. Participants widely use subjective judgment rather than quantitative metrics to measure the effectiveness of their wellness programs, except when it comes to measuring the impact on mitigating healthcare costs



The most common wellness initiatives



2016 Health and Well-being Touchstone Survey—summary

Click to return to the table of contents

Click the topics below to view findings

- Overview
- S1: Key trends
- S2: Summary of findings
- Detailed findings
- Appendix
- Contact

Disease management programs

- **56%** of employers offer disease management programs, consistent with **57%** last year
 - Small employers are less likely to offer disease management programs than in prior years (**32%** in 2016 vs. **39%** in 2015)
 - Employee participation in most disease management programs increased from last year but still remains very low. For example, participation in diabetes programs (which are the most commonly-offered disease management programs) increased from an average of **18%** in 2015 to **21%** in 2016
- Participants frequently ranked their diabetes program as their most valuable or second most valuable disease management program offered, followed by their cardiac program
- **86%** of employers who measure ROI found positive returns
- Overall, employers view disease management programs to be somewhat effective. More employers find them to be effective in 2016 than 2015 at mitigating healthcare costs (**86%** vs. **77%**), improving performance (**68%** vs. **61%**), and improving quality of care (**85%** vs. **78%**)

Self-insurance and stop-loss

- Self-insurance continues to grow in popularity, with **70%** of employers being self-insured in 2016, up from **67%** in 2015
 - **91%** of employers with 1,000+ employees, **64%** of employers with 500 – 999 employees, and **29%** of employers with <500 employees are self-insured
- **58%** of self-insured plans do not have aggregate stop-loss coverage, and **32%** do not have specific/individual stop-loss coverage
 - Small employers are more likely than large employers to obtain stop-loss coverage (individual and/or aggregate)
 - For employers that have specific/individual stop-loss coverage, the level of coverage increases as employer size increases, as shown in the graph below

| Specific/individual coverage | <1,000 employees | 1,000–4,999 employees | 5,000+ employees |
|------------------------------|------------------|-----------------------|------------------|
| <\$50,000 | 3% | 0% | 1% |
| \$50,000–\$99,999 | 20% | 1% | 0% |
| \$100,000–\$199,999 | 50% | 18% | 2% |
| \$200,000–\$299,999 | 12% | 39% | 3% |
| \$300,000–\$499,999 | 4% | 16% | 6% |
| \$500,000–\$999,999 | 3% | 8% | 15% |
| \$1,000,000+ | 1% | 2% | 11% |
| N/A | 7% | 16% | 62% |

Shaded most frequent

2016 Health and Well-being Touchstone Survey—summary

Click to return to the table of contents

Click the topics below to view findings

Overview

S1: Key trends

S2: Summary of findings

Detailed findings

Appendix

Contact

Paid Time Off (PTO)

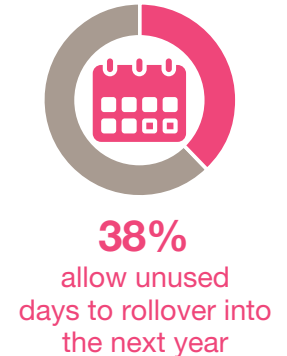
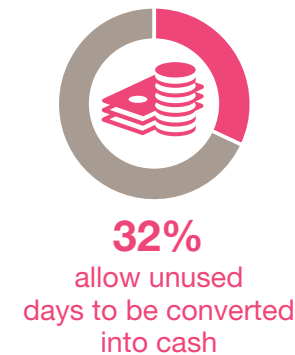
- **44%** of employers offer PTO banks instead of traditional vacation/sick days
- As employers make efforts to engage employees and provide a “happier” workplace, more employers are providing various forms of paid time off. The percentage of employers offering various types of days off has increased by roughly **20 percentage points** since 2015, except for bereavement and jury duty
- If employees do not use all their PTO days in a given year, **32%** of employers allow unused days to be converted into cash and **38%** allow them to rollover into the next year
- Traditional ancillary benefit programs, such as dental, life, disability, and vision continue to be common, but new programs are becoming more prevalent as well, often on a voluntary basis

Work-life programs


- Large employers tend to offer more work-life programs than small employers. In addition, the services and technology industries offer more, and the health and manufacturing industries offer fewer work-life programs compared to all industries
 - Since 2014, flexible work schedules remain the most frequently offered work-life program, followed by telecommuting
 - There has been a decrease in the percentage of participants offering flexible work schedules and telecommuting but an increase in parental leave



Employers offer ways to apply unused PTO days



2016 Health and Well-being Touchstone Survey—summary

 Click to return to the table of contents

Click the topics below to view findings

Overview 

S1: Key trends

S2: Summary of findings



Detailed findings 

Appendix 

Contact 

Retiree medical programs

- The percentage of employers offering pre-65 and post-65 retiree medical programs to current retirees has stayed fairly consistent (**36%** in 2013 and 2016 for pre-65 and **31%** in 2013 to **30%** in 2016 for post-65)
- Large employers are more likely than small employers to offer these benefits to new hires (**61%** of large employers vs. **43%** of small employers offer coverage for pre-65 retirees, and **51%** vs. **32%** offer coverage for post-65 retirees)
- **2%** of employers who offer retiree medical coverage have already moved their pre-65 retirees, and **20%** have already moved their post-65 employees to a private or public exchange with a company subsidy. **49%** are considering such options for their pre-65 retirees and **35%** for their post-65 retirees in the future

Employers offering pre-65 retiree medical programs

61%
large employers



VS.

43%
small employers



Retirement plans

- 401(k) plans are still the most prevalent retirement program across all industries
 - **76%** of employers have a participation rate in their 401(k) plans of over 70% compared to **74%** last year
 - **38%** of employers offering 401(k) plans immediately vest employer contributions
 - On average, **63%** of employees contribute at the threshold to receive the maximum employer contribution
 - On average, employers offer a maximum contribution of **3.4%**, up from **3.1%** in 2015
- There has been a consistent drop in employers offering defined benefit plans (**26%** in 2013 to **21%** in 2016), but accrual rates have stayed constant
 - Defined benefit plans tend to be well-funded (**41%** have a funded status of **100%+**)
 - Mutual funds are the most popular investment vehicles, with more than half of the respondents invested in mutual funds for their defined contribution plans. The least popular vehicles are Exchange Traded Funds (ETFs) outside of brokerage windows



Employers, on average, offer a maximum 401(k) contribution of

3.4%
up from **3.1%** in 2015

2016 Health and Well-being Touchstone Survey—summary

Click to return to the table of contents

Click the topics below to view findings

Overview

S1: Key trends

S2: Summary of findings

Detailed findings

Appendix

Contact

Healthcare reform

- **69%** of employers in 2016 indicated that they will be financially impacted by the excise tax on high-cost plans, compared to **64%** in 2015. Based on the analysis and current thresholds, **41%** of participants will trigger the excise tax by 2020, while **30%** do not expect to trigger the tax in the future

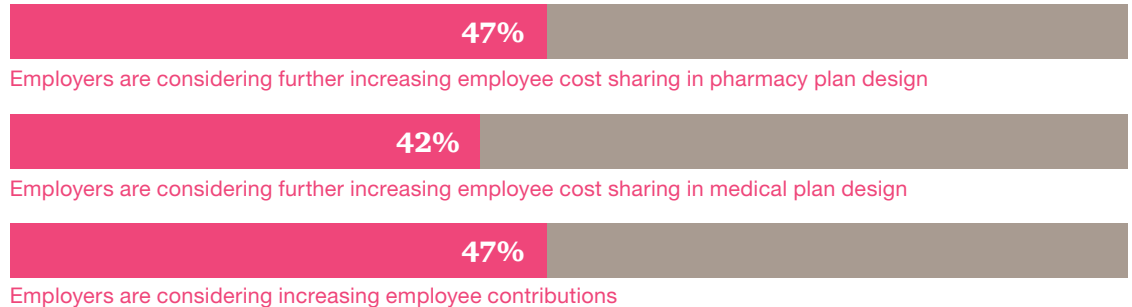
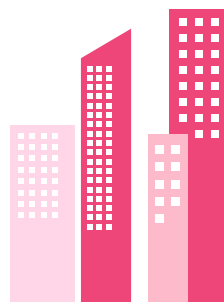
| When employers anticipate to trigger the excise tax: | All participants |
|--|------------------|
| Year 2016 - 2018 | 17% |
| Year 2019 - 2020 | 24% |
| Year 2021 – later | 12% |
| Will not trigger | 30% |
| Do not know | 17% |

- In light of the recent delay of the excise tax to **2020**, more than half of participants indicated that they have increased or are considering increasing accountability for wellness/health program participation (**67%**), performing an overall reassessment on specialty drug strategy (**62%**), and providing incentives to use lower cost, high-performing networks (**54%**)

Future solutions for mitigating healthcare cost increases over the next three years

- **56%** of employers have added an HSA-qualified HDHP as one of their plan options, compared to **54%** in 2015
 - **39%** of employers are considering an HDHP as a full replacement option for medical benefits, even after **25%** have already adopted this approach
- **19%** of employers are considering moving their active employees to a private exchange in the next three years and **3%** have already done so, compared to **28%** and **2%** in 2015, respectively
- **36%** of employers are considering implementing a defined contribution strategy and **12%** have already done so, compared to **42%** and **8%** in 2015, respectively
- **43%** of employers are considering implementing value-based plan designs or high-performing networks

Employers continue to consider cost shifting through plan design changes and increased employee contributions



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← Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Detailed findings—**Section 3: Medical plan costs**



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Annual 2016 medical gross spend for individual coverage

Gross spend per active employee

| | Education & nonprofit | Financial services | Health industries | Manufacturing | Retail & consumer | Services | Technology | All participants |
|---|-----------------------|--------------------|-------------------|----------------|-------------------|----------------|----------------|------------------|
| <\$4,000 | 0% | 2% | 0% | 6% | 5% | 0% | 0% | 3% |
| \$4,000–\$4,999 | 0% | 4% | 9% | 7% | 21% | 6% | 21% | 8% |
| \$5,000–\$5,999 | 19% | 23% | 13% | 32% | 37% | 22% | 21% | 25% |
| \$6,000–\$6,999 | 23% | 28% | 33% | 29% | 23% | 19% | 33% | 28% |
| \$7,000–\$7,999 | 15% | 22% | 28% | 18% | 12% | 9% | 11% | 18% |
| \$8,000–\$8,999 | 15% | 14% | 13% | 1% | 0% | 22% | 7% | 9% |
| \$9,000+ | 28% | 7% | 4% | 7% | 2% | 22% | 7% | 9% |
| 2016: average annual gross spend | \$8,082 | \$6,810 | \$6,870 | \$6,893 | \$5,987 | \$7,785 | \$6,411 | \$6,860 |
| 2015: average annual gross spend | \$7,122 | \$6,424 | \$6,618 | \$6,092 | \$5,937 | \$7,400 | \$6,020 | \$6,448 |

Shaded most frequent

Education & nonprofit benefit cost **increased by 13% over 2015** and surpassed the services industry benefit cost to become the most costly industry. Manufacturing benefit cost also **increased by 13%** but remains lower than for other industries. The retail & consumer industry continues to offer the **lowest-cost benefits**, increasing a mere 1% over 2015



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs



S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Annual 2016 medical gross spend across all coverage tiers

Gross spend per active employee

| | Education & nonprofit | Financial services | Health industries | Manufacturing | Retail & consumer | Services | Technology | All participants |
|---|-----------------------|--------------------|-------------------|-----------------|-------------------|-----------------|-----------------|------------------|
| <\$5,000 | 0% | 3% | 2% | 6% | 7% | 2% | 6% | 4% |
| \$5,000–\$6,999 | 13% | 15% | 12% | 18% | 18% | 11% | 14% | 15% |
| \$7,000–\$8,999 | 11% | 12% | 13% | 8% | 12% | 10% | 9% | 11% |
| \$9,000–\$9,999 | 4% | 3% | 3% | 6% | 4% | 4% | 4% | 4% |
| \$10,000–\$11,999 | 8% | 12% | 10% | 13% | 17% | 13% | 20% | 13% |
| \$12,000–\$13,999 | 12% | 12% | 15% | 9% | 12% | 12% | 11% | 12% |
| \$14,000–\$15,999 | 9% | 9% | 13% | 13% | 7% | 8% | 8% | 10% |
| \$16,000–\$17,999 | 12% | 10% | 11% | 9% | 10% | 12% | 11% | 10% |
| \$18,000–\$19,999 | 9% | 8% | 8% | 7% | 4% | 5% | 7% | 7% |
| \$20,000+ | 22% | 16% | 13% | 11% | 9% | 23% | 10% | 14% |
| 2016: average annual gross spend | \$15,355 | \$13,457 | \$13,411 | \$13,865 | \$11,965 | \$15,069 | \$12,681 | \$13,456 |
| 2015: average annual gross spend | \$13,927 | \$12,914 | \$12,909 | \$12,033 | \$11,559 | \$14,461 | \$12,207 | \$12,739 |

Shaded most frequent

Employers indicate that they expect 2016 costs to **increase by 6.8%**, but after plan design changes, the expected increase is **3.8%**

Across coverage tiers, the education & nonprofit industry provides the **most costly benefits**, while the retail & consumer industry offers the **least costly**

Gross spend in financial services, healthcare, retail & consumer, services, and technology **rose 4% from 2015**, while in education & nonprofit and manufacturing, it **increased 10% and 15%**, respectively



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs



S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Annual 2016 medical net spend for individual coverage



 New to survey

Net spend per active employee

| | Education & nonprofit | Financial services | Health industries | Manufacturing | Retail & consumer | Services | Technology | All participants |
|---------------------------------------|-----------------------|--------------------|-------------------|----------------|-------------------|----------------|----------------|------------------|
| <\$4,000 | 0% | 15% | 12% | 24% | 20% | 30% | 38% | 19% |
| \$4,000–\$4,999 | 0% | 31% | 18% | 21% | 50% | 21% | 38% | 26% |
| \$5,000–\$5,999 | 40% | 24% | 28% | 37% | 25% | 0% | 16% | 29% |
| \$6,000–\$6,999 | 20% | 15% | 24% | 15% | 5% | 21% | 8% | 14% |
| \$7,000–\$7,999 | 0% | 15% | 12% | 0% | 0% | 14% | 0% | 6% |
| \$8,000+ | 40% | 0% | 6% | 3% | 0% | 14% | 0% | 6% |
| 2016: average annual net spend | \$7,160 | \$5,270 | \$5,625 | \$6,327 | \$4,582 | \$5,151 | \$4,435 | \$5,429 |

Shaded most frequent

As with gross spend, the education & nonprofit industry has the **highest average net spend** for individual coverage, while technology firms have **the lowest**

 Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs



S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Annual 2016 medical net spend across all coverage tiers



 New to survey

Net spend per active employee

| | Education & nonprofit | Financial services | Health industries | Manufacturing | Retail & consumer | Services | Technology | All participants |
|---------------------------------------|-----------------------|--------------------|-------------------|-----------------|-------------------|----------------|----------------|------------------|
| <\$5,000 | 6% | 13% | 9% | 13% | 26% | 32% | 19% | 16% |
| \$5,000–\$6,999 | 19% | 16% | 20% | 22% | 17% | 8% | 17% | 17% |
| \$7,000–\$8,999 | 6% | 18% | 13% | 13% | 14% | 20% | 24% | 15% |
| \$9,000–\$9,999 | 6% | 13% | 3% | 6% | 9% | 2% | 8% | 8% |
| \$10,000–\$11,999 | 13% | 11% | 16% | 19% | 12% | 12% | 10% | 14% |
| \$12,000–\$13,999 | 6% | 9% | 16% | 7% | 11% | 8% | 12% | 10% |
| \$14,000–\$15,999 | 12% | 8% | 12% | 10% | 5% | 4% | 6% | 8% |
| \$16,000–\$17,999 | 0% | 6% | 3% | 4% | 5% | 4% | 2% | 5% |
| \$18,000–\$19,999 | 19% | 1% | 7% | 3% | 1% | 4% | 2% | 3% |
| \$20,000+ | 13% | 5% | 1% | 3% | 0% | 6% | 0% | 4% |
| 2016: average annual net spend | \$13,659 | \$10,001 | \$10,482 | \$12,364 | \$8,721 | \$8,919 | \$8,643 | \$10,282 |

Shaded most frequent

As with individual coverage, when considering coverage across tiers, employer net spend is the **highest** for the education & nonprofit industry and the **lowest** for the technology industry


 Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs



S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Medical plan costs before/after plan changes

Healthcare costs continue to rise at rates in excess of the Consumer Price Index (CPI), and participants continue to expect slightly higher increases in 2016

Before plan changes

| | Expected calendar year 2016 over 2015 | Calendar year 2015 over 2014 |
|------------------|--|---------------------------------|
| Decrease | 4% | 7% |
| Unchanged | 14% | 17% |
| 1%–4% increase | 15% | 19% |
| 5%–9% increase | 42% | 32% |
| 10%–14% increase | 17% | 16% |
| 15%–19% increase | 4% | 5% |
| 20%+ increase | 4% | 4% |
| Average | 6.8% increase | 6.1% increase |

Shaded most frequent

After plan changes

| | Expected calendar year 2016 over 2015 | Calendar year 2015 over 2014 |
|------------------|--|---------------------------------|
| Decrease | 8% | 13% |
| Unchanged | 25% | 25% |
| 1%–4% increase | 24% | 22% |
| 5%–9% increase | 30% | 28% |
| 10%–14% increase | 11% | 9% |
| 15%–19% increase | 1% | 1% |
| 20%+ increase | 1% | 2% |
| Average | 3.8% increase | 3.0% increase |

Shaded most frequent

The **6.1%** increase from 2014 to 2015 was *less than the expected 7.6% reported* in the 2015 Touchstone Survey. The expected 2016 cost increase is **6.8%** before plan changes

42% of participants anticipate a **5% to 9% increase** in medical costs before plan changes over the next year

The **3.0%** increase from 2014 to 2015 post-plan changes was *less than the expected increase of 4.1%* reported in the 2015 Touchstone Survey

57% of participants who made plan changes expect their medical costs to *increase by 4% or less* in 2016

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

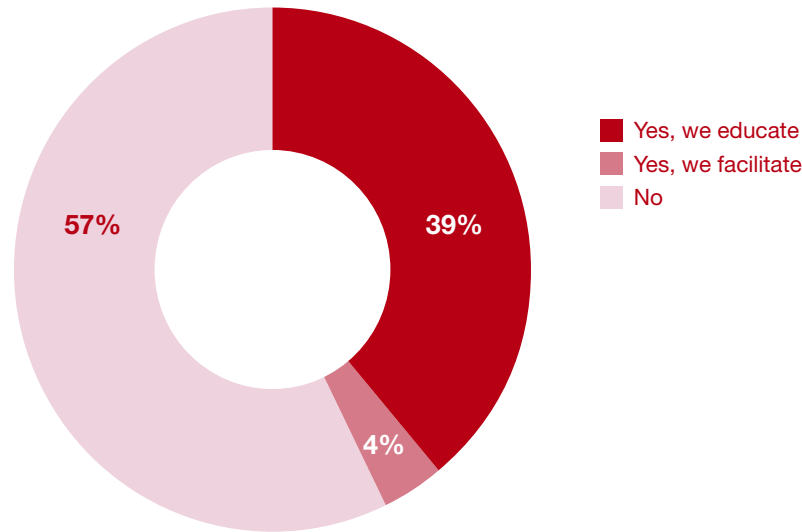
S11: Future solutions

Appendix

Contact

Consolidated Omnibus Budget Reconciliation Act (COBRA) participation

Do you encourage employees to go to the Public Exchange?



On average,
11.7%
of COBRA-eligible
employees actually
elect COBRA

Consistent with the prior year, most employers (**57% in 2016 and 59% in 2015**) do not educate their employees on obtaining coverage through a public exchange, nor do they facilitate the process

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Medical plan 2016 active monthly COBRA rates by tier

| Tier/coverage level | Distribution percentage | Monthly dollars by percentile | | |
|---|-------------------------|-------------------------------|---------|---------|
| | | 25th | 50th | 75th |
| 2-tier rates | | | | |
| Employee | 14% | \$508 | \$571 | \$693 |
| Family | | \$1,429 | \$1,640 | \$1,861 |
| 3-tier rates | | | | |
| Employee | 18% | \$472 | \$562 | \$669 |
| Employee + 1 | | \$948 | \$1,126 | \$1,394 |
| Employee + 2 or more | | \$1,436 | \$1,629 | \$1,970 |
| 4-tier rates | | | | |
| Employee | 61% | \$484 | \$539 | \$626 |
| Employee + spouse | | \$1,026 | \$1,173 | \$1,345 |
| Employee + children | | \$890 | \$1,013 | \$1,209 |
| Family | | \$1,469 | \$1,665 | \$1,901 |
| 5-tier rates | | | | |
| Employee | 7% | \$440 | \$510 | \$567 |
| Employee + spouse | | \$918 | \$1,042 | \$1,208 |
| Employee + child | | \$724 | \$832 | \$1,078 |
| Employee + children | | \$824 | \$1,019 | \$1,362 |
| Family | | \$1,358 | \$1,472 | \$1,778 |
| 2016: average employee-only rate | | \$583 | | |
| 2015: average employee-only rate | | \$548 | | |

| Tier | <1,000 employees | 1,000–4,999 employees | 5,000+ employees |
|--------|------------------|-----------------------|------------------|
| 2-tier | 24% | 8% | 10% |
| 3-tier | 16% | 21% | 17% |
| 4-tier | 55% | 64% | 66% |
| 5-tier | 5% | 7% | 7% |

Shaded most frequent

24% of small employers limit their offerings to 2 tiers

The average monthly employee-only COBRA cost **rose 6.4%** from last year to \$583 per month, consistent with what employers indicated. Employers expect costs to **increase by 6.8%** from 2015 to 2016 before plan design changes and **by 3.8%** after plan design changes

Most employers offer 4-tier rates



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs



S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Medical plan 2016 pre-65 and post-65 retiree monthly rates

| Coverage | Monthly dollars by percentile | | |
|-------------------------------------|-------------------------------|--------------|-------|
| | 25th | 50th | 75th |
| Pre-65 retiree | \$526 | \$631 | \$786 |
| Post-65 retiree | \$344 | \$441 | \$591 |
| Average pre-65 retiree rate | | \$694 | |
| Average post-65 retiree rate | | \$529 | |

The average post-65 retiree rate **increased by 24%** since 2015, indicating that the 22% decrease seen in 2015 was an outlier. The average pre-65 retiree rate **decreased slightly (by 2%)**



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact



← Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Detailed findings—**Section 4: Medical plan design highlights**



This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Medical plans with the highest enrollment

Medical plans with the highest enrollment

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---------------------------------------|------|------|------|------|------|
| Preferred Provider Organization (PPO) | 47% | 49% | 51% | 54% | 57% |
| High Deductible Health Plan (HDHP) | 32% | 31% | 26% | 21% | 17% |
| Point Of Service (POS) | 9% | 8% | 7% | 8% | 8% |
| Health Maintenance Organization (HMO) | 7% | 7% | 10% | 9% | 13% |
| Exclusive Provider Organization (EPO) | 5% | 4% | 4% | 6% | 4% |
| All other plans | 0% | 1% | 1% | 1% | 0% |
| Indemnity | 0% | 0% | 1% | 1% | 1% |

Medical plans with the highest enrollment by size

| | 2016 | | | 2015 | | |
|-----------------|------------------|-----------------------|------------------|------------------|-----------------------|------------------|
| | <1,000 employees | 1,000–4,999 employees | 5,000+ employees | <1,000 employees | 1,000–4,999 employees | 5,000+ employees |
| PPO | 45% | 50% | 47% | 44% | 57% | 49% |
| HDHP | 34% | 28% | 35% | 32% | 25% | 37% |
| POS | 8% | 12% | 4% | 10% | 10% | 2% |
| HMO | 8% | 5% | 5% | 9% | 4% | 6% |
| EPO | 4% | 5% | 8% | 4% | 4% | 5% |
| All other plans | 1% | 0% | 1% | 1% | 0% | 1% |

PPOs are still the **most prevalent** plan among employers regardless of size but continue to lose share to HDHPs

On average, the most popular plans enroll **66%** of employees, up slightly from 64% in 2015. Consistent with 2015, **16%** of employees opt out of medical coverage

← Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Medical plan options

| Number of medical plan options | <1,000 employees | 1,000–4,999 employees | 5,000+ employees | All participants |
|--------------------------------|------------------|-----------------------|------------------|------------------|
| 1 | 26% | 9% | 6% | 15% |
| 2 | 28% | 28% | 19% | 25% |
| 3 | 25% | 30% | 24% | 27% |
| 4 | 11% | 18% | 13% | 14% |
| 5 | 4% | 5% | 9% | 5% |
| 6 | 2% | 4% | 7% | 4% |
| 7 | 1% | 1% | 7% | 3% |
| 8 | 2% | 1% | 3% | 2% |
| 9 | 0% | 1% | 3% | 1% |
| 10+ | 1% | 3% | 9% | 4% |
| 2016 average | 2.7 plans | 3.2 plans | 5.1 plans | 3.6 plans |
| 2015 average | 3.0 plans | 4.2 plans | 5.7 plans | 4.1 plans |

Shaded most frequent

Large employers tend to **offer more** medical plan options to their employees than small or mid-size employers

67% of employers offer 3 or fewer medical plan options, and **19%** of employers offer 5 or more options

The average number of plans offered has decreased from **4.1 plans** in 2015 to **3.6 plans** in 2016, but the most prevalent number of plans offered by employers has increased (3 plans versus 2 plans last year)

Median medical plan features by plan type

| | PPO | HDHP | POS | HMO |
|---|-----------------|-----------------|-----------------|-------------|
| Percent selected as highest enrolled plan | 47% | 32% | 9% | 7% |
| In-network | | | | |
| Deductible (single) | \$500 | \$2,000 | \$400 | \$0 |
| Deductible (family) | \$1,500 | \$4,000 | \$1,000 | \$0 |
| Out-of-pocket max (single) | \$2,750 | \$3,500 | \$3,000 | \$1,800 |
| Out-of-pocket max (family) | \$6,000 | \$6,850 | \$6,000 | \$4,750 |
| Employee coinsurance | 20% | 20% | 20% | 0% |
| Primary care office visit | \$25 copay | 20% coinsurance | \$25 copay | \$25 copay |
| Specialist office visit | \$40 copay | 20% coinsurance | \$40 copay | \$40 copay |
| Inpatient hospital | 20% coinsurance | 20% coinsurance | 20% coinsurance | \$250 copay |
| Emergency room | \$150 copay | 20% coinsurance | \$150 copay | \$150 copay |
| Out-of-network | | | | |
| Deductible (single) | \$1,125 | \$3,000 | \$1,200 | N/A |
| Deductible (family) | \$2,825 | \$6,000 | \$2,800 | N/A |
| Out-of-pocket max (single) | \$5,250 | \$6,000 | \$5,175 | N/A |
| Out-of-pocket max (family) | \$11,525 | \$12,000 | \$10,200 | N/A |
| Employee coinsurance | 40% | 40% | 40% | N/A |
| Primary care office visit | 40% coinsurance | 40% coinsurance | 40% coinsurance | N/A |
| Specialist office visit | 40% coinsurance | 40% coinsurance | 40% coinsurance | N/A |
| Inpatient hospital | 40% coinsurance | 40% coinsurance | 40% coinsurance | N/A |
| Emergency room | \$150 copay | 33% coinsurance | 30% coinsurance | N/A |



Click to return to the table of contents

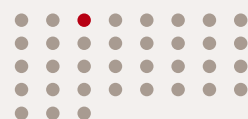
Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Medical plan in-network features for highest enrolled plan (individual deductible)

The average deductible of **\$1,155** has **increased by 12%** from last year. **49%** of employers have an individual deductible of **\$1,000+**

The education & nonprofit, retail & consumer, and services industries had a significant increase in the **individual deductible**

The retail & consumer industry has the highest average deductible of **\$1,392**

| Individual deductible | 2016 | 2015 | 2014 | 2013 | 2012 |
|-----------------------|------|------|------|------|------|
| \$0 | 10% | 13% | 16% | 18% | 21% |
| \$1–\$199 | 2% | 2% | 3% | 4% | 8% |
| \$200–\$299 | 6% | 7% | 9% | 10% | 11% |
| \$300–\$399 | 6% | 6% | 6% | 7% | 9% |
| \$400–\$499 | 4% | 4% | 4% | 5% | 5% |
| \$500–\$749 | 18% | 18% | 16% | 17% | 19% |
| \$750–\$999 | 5% | 7% | 6% | 7% | 5% |
| \$1,000–\$1,999 | 29% | 25% | 22% | 17% | 13% |
| \$2,000–\$2,999 | 14% | 12% | 9% | 9% | 6% |
| \$3,000+ | 6% | 6% | 9% | 6% | 3% |

Shaded most frequent

The education & nonprofit and technology industries continue to have **lower deductibles** than other industries

| Individual deductible | Education & nonprofit | Financial services | Health industries | Manufacturing | Retail & consumer | Services | Technology |
|-----------------------|-----------------------|--------------------|-------------------|----------------|-------------------|----------------|--------------|
| \$0 | 27% | 7% | 7% | 7% | 5% | 15% | 9% |
| \$1–\$199 | 2% | 2% | 1% | 1% | 0% | 4% | 2% |
| \$200–\$299 | 6% | 3% | 6% | 5% | 6% | 6% | 2% |
| \$300–\$399 | 6% | 6% | 10% | 5% | 6% | 2% | 7% |
| \$400–\$499 | 2% | 3% | 6% | 5% | 5% | 2% | 4% |
| \$500–\$749 | 15% | 16% | 20% | 23% | 14% | 17% | 22% |
| \$750–\$999 | 2% | 4% | 4% | 2% | 5% | 7% | 4% |
| \$1,000–\$1,999* | 21% | 30% | 27% | 30% | 39% | 25% | 43% |
| \$2,000–\$2,999* | 15% | 20% | 13% | 14% | 9% | 13% | 7% |
| \$3,000+* | 4% | 9% | 6% | 8% | 11% | 9% | 0% |
| 2016 average | \$971 | \$1,377 | \$1,016 | \$1,171 | \$1,392 | \$1,250 | \$933 |
| 2015 average | \$771 | \$1,198 | \$1,174 | \$1,120 | \$1,044 | \$1,023 | \$917 |

Shaded most frequent

* Most common HDHP levels

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Medical plan in-network features for highest enrolled plan (individual out-of-pocket maximum)

The average out-of-pocket (OOP) maximum is

\$3,474

an increase of **4.9%** from last year

| Individual OOP max | 2016 | 2015 | 2014 | 2013 | 2012 |
|--------------------|------|------|------|------|------|
| <\$1,000 | 3% | 4% | 9% | 6% | 13% |
| \$1,000–\$1,999 | 12% | 14% | 16% | 19% | 27% |
| \$2,000–\$2,999 | 25% | 26% | 26% | 26% | 27% |
| \$3,000–\$4,999 | 40% | 37% | 32% | 24% | 16% |
| \$5,000–\$9,999 | 20% | 18% | 15% | 11% | 6% |
| \$10,000+ | 0% | 1% | 2% | 1% | 1% |
| Unlimited | 0% | 0% | 0% | 13% | 10% |

Shaded most frequent

| Individual OOP max | Education & nonprofit | Financial services | Health industries | Manufacturing | Retail & consumer | Services | Technology |
|---------------------|-----------------------|--------------------|-------------------|----------------|-------------------|----------------|----------------|
| <\$1,000 | 6% | 2% | 3% | 5% | 0% | 2% | 0% |
| \$1,000–\$1,999 | 12% | 8% | 9% | 18% | 5% | 14% | 12% |
| \$2,000–\$2,999 | 32% | 25% | 19% | 22% | 20% | 28% | 26% |
| \$3,000–\$3,999 | 22% | 31% | 24% | 27% | 28% | 22% | 32% |
| \$4,000–\$4,999 | 8% | 13% | 18% | 11% | 20% | 10% | 16% |
| \$5,000+ | 20% | 21% | 27% | 17% | 27% | 24% | 14% |
| 2016 average | \$3,029 | \$3,503 | \$3,768 | \$3,453 | \$4,243 | \$3,398 | \$3,260 |
| 2015 average | \$2,752 | \$3,364 | \$3,861 | \$3,221 | \$3,756 | \$3,482 | \$3,478 |

Shaded most frequent

For non-grandfathered plans in 2016, the individual OOP maximum is capped at **\$6,850**

The retail & consumer and health industries continue to have the **highest OOP maximum**

Medical plan in-network features for highest enrolled plan (family deductible and OOP maximum)



| Family Deductible | 2016 |
|-------------------|------|
| \$0 | 9% |
| \$1-\$499 | 3% |
| \$500-\$999 | 13% |
| \$1,000-\$1,499 | 12% |
| \$1,500-\$1,999 | 10% |
| \$2,000-\$2,499 | 9% |
| \$2,500-\$2,999 | 5% |
| \$3,000-\$3,499 | 14% |
| \$3,500-\$3,999 | 3% |
| \$4,000-\$4,499 | 7% |
| \$4,500-\$4,999 | 2% |
| \$5,000+ | 13% |

Shaded most frequent

| Family OOP Max | 2016 |
|-------------------|------|
| \$0 | 1% |
| \$1-\$1,999 | 3% |
| \$2,000-\$3,999 | 12% |
| \$4,000-\$5,999 | 20% |
| \$6,000-\$6,999 | 23% |
| \$7,000-\$7,999 | 8% |
| \$8,000-\$9,999 | 12% |
| \$10,000-\$11,999 | 10% |
| \$12,000-\$13,999 | 10% |
| \$14,000+ | 1% |

Shaded most frequent

The average family deductible is

\$2,416

and the average family OOP maximum is

\$6,920

Both are about twice the amounts for individual coverage

For non-grandfathered plans in 2016, the family OOP maximum is capped at

\$13,700

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Medical plan in-network features for highest enrolled plan (employee coinsurance)

Employee coinsurance

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---------|------|------|------|------|------|
| 0% | 17% | 19% | 22% | | |
| 1%–9% | 0% | 1% | 1% | 10% | 12% |
| 10%–19% | 28% | 30% | 28% | 36% | 39% |
| 20% | 47% | 46% | 45% | 47% | 41% |
| 21%–29% | 2% | | | | |
| 30%–39% | 5% | 3% | 4% | | |
| 40%–49% | 0% | 0% | 0% | 2% | 3% |
| 50%+ | 1% | 1% | 0% | 5% | 5% |

Shaded most frequent

The average in-network employee coinsurance is

15%

but the most common is **20%**

Consistent with the prior year, the retail & consumer industry has the *highest average* employee coinsurance of

18%

Coinurance rates were relatively stable in all but the technology industry, which increased **21%**

Employee coinsurance by industry

| | Education & nonprofit | Financial services | Health industries | Manufacturing | Retail & consumer | Services | Technology |
|---------------------|-----------------------|--------------------|-------------------|---------------|-------------------|------------|------------|
| 0% | 39% | 23% | 20% | 11% | 6% | 13% | 7% |
| 1%–9% | 2% | 0% | 0% | 0% | 0% | 0% | 0% |
| 10%–19% | 33% | 28% | 32% | 19% | 27% | 44% | 33% |
| 20% | 24% | 44% | 34% | 60% | 54% | 39% | 46% |
| 21%–29% | 2% | 0% | 6% | 4% | 2% | 0% | 5% |
| 30%–39% | 0% | 3% | 6% | 5% | 11% | 4% | 7% |
| 40%–49% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| 50%+ | 0% | 2% | 2% | 1% | 0% | 0% | 2% |
| 2016 average | 9% | 14% | 14% | 17% | 18% | 13% | 17% |
| 2015 average | 8% | 14% | 13% | 16% | 18% | 12% | 14% |

Shaded most frequent



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Medical plan in-network features for highest enrolled plan (primary care office visit)

Primary care office visit

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|------------|------------|------------|------------|------------|
| \$0 copay | 1% | 1% | 2% | 8% | 6% |
| \$1–\$9 copay | 0% | 0% | 0% | 1% | 1% |
| \$10–\$19 copay | 7% | 8% | 9% | 12% | 16% |
| \$20–\$24 copay | 17% | 22% | 24% | 24% | 26% |
| \$25–\$29 copay | 19% | 18% | 18% | 20% | 19% |
| \$30–\$34 copay | 12% | 11% | 13% | 11% | 10% |
| \$35–\$39 copay | 5% | 4% | 4% | 4% | 3% |
| \$40+ copay | 2% | 2% | 1% | | |
| % of participants using copays | 63% | 66% | 71% | 80% | 81% |
| 0% coinsurance | 5% | 4% | 3% | | |
| 1%–19% coinsurance | 10% | 10% | 7% | | |
| 20%–24% coinsurance | 20% | 18% | 14% | | |
| 25%–29% coinsurance | 1% | 0% | 1% | 20% | 19% |
| 30%–39% coinsurance | 1% | 1% | 1% | | |
| 40%+ coinsurance | 0% | 1% | 3% | | |
| % of participants using coinsurance | 37% | 34% | 29% | 20% | 19% |

Shaded most frequent

The average copay of **\$24** and employee coinsurance of **16%** for primary care office visits are similar to last year

63% of participants utilize copays for primary care office visits, down from **66%** in 2015 and **71%** in 2014

The increasing use of coinsurance for office visits is likely a result of the rising popularity of **HDHPs**

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Medical plan in-network features for highest enrolled plan (specialist office visit)

Specialist office visit

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|------------|------------|------------|------------|------------|
| \$0 copay | 1% | 0% | 2% | 5% | 4% |
| \$1–\$9 copay | 0% | 0% | 0% | 0% | 1% |
| \$10–\$19 copay | 3% | 4% | 4% | 6% | 6% |
| \$20–\$24 copay | 4% | 6% | 7% | 9% | 10% |
| \$25–\$29 copay | 3% | 4% | 7% | 10% | 12% |
| \$30–\$34 copay | 8% | 10% | 12% | 13% | 12% |
| \$35–\$39 copay | 7% | 7% | 6% | | |
| \$40–\$44 copay | 15% | 17% | 15% | | |
| \$45–\$49 copay | 3% | 3% | 4% | 34% | 33% |
| \$50–\$59 copay | 13% | 11% | 9% | | |
| \$60+ copay | 4% | 3% | 3% | | |
| % of participants using copays | 61% | 65% | 69% | 77% | 78% |
| 0% coinsurance | 4% | 3% | 3% | | |
| 1%–19% coinsurance | 10% | 10% | 8% | | |
| 20%–24% coinsurance | 22% | 19% | 15% | | |
| 25%–29% coinsurance | 1% | 1% | 1% | 23% | 22% |
| 30%–39% coinsurance | 1% | 1% | 1% | | |
| 40%+ coinsurance | 1% | 1% | 3% | | |
| % of participants using coinsurance | 39% | 35% | 31% | 23% | 22% |

Shaded most frequent

The average copay of **\$38** and employee coinsurance of **16%** for specialist office visits are similar to last year

61% of participants utilize copays for specialist office visits, down from **65%** in 2015 and **69%** in 2014

Like primary care visits, specialist visits are trending towards **increased use of coinsurance**

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Medical plan in-network features for highest enrolled plan (inpatient hospital)

Inpatient hospital cost per admission

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|------------|------------|------------|------------|------------|
| \$0 copay | 4% | 5% | 7% | 18% | 20% |
| \$1–\$199 copay | 7% | 6% | 8% | 9% | 11% |
| \$200–\$249 copay | 1% | 9% | 8% | | |
| \$250–\$299 copay | 6% | | | 27% | 28% |
| \$300–\$349 copay | 1% | 6% | 8% | | |
| \$350+ copay | 6% | | | | |
| % of participants using copays | 25% | 26% | 31% | 54% | 59% |
| 0% coinsurance | 7% | 6% | 6% | | |
| 1%–19% coinsurance | 24% | 26% | 21% | | |
| 20%–24% coinsurance | 40% | 37% | 31% | 46% | 41% |
| 25%–29% coinsurance | 1% | 1% | 1% | | |
| 30%–39% coinsurance | 3% | 3% | 2% | | |
| 40%+ coinsurance | 0% | 1% | 8% | | |
| % of participants using coinsurance | 75% | 74% | 69% | 46% | 41% |

Shaded most frequent

The average copay for inpatient hospital stays is **\$262**, and the average coinsurance is **16%**

25% of participants utilize copays, which is roughly the same as in 2015. The use of coinsurance rather than copays has drastically **increased** since 2012, up by **34 percentage points**

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Medical plan in-network features for highest enrolled plan (emergency room)

Emergency room cost per visit

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|------------|------------|------------|------------|------------|
| \$0 copay | 1% | 1% | 2% | 4% | 7% |
| \$1–\$49 copay | 0% | 1% | 2% | | |
| \$50–\$99 copay | 5% | 7% | 11% | 15% | 17% |
| \$100–\$149 copay | 18% | 18% | 21% | 28% | 30% |
| \$150–\$199 copay | 14% | 14% | 14% | 14% | 13% |
| \$200–\$249 copay | 7% | 15% | 14% | 14% | 12% |
| \$250+ copay | 10% | | | | |
| % of participants using copays | 55% | 56% | 64% | 75% | 79% |
| 0% coinsurance | 5% | 4% | 3% | | |
| 1%–19% coinsurance | 12% | 13% | 9% | | |
| 20%–24% coinsurance | 25% | 23% | 16% | | |
| 25%–29% coinsurance | 1% | 1% | 1% | 25% | 21% |
| 30%–39% coinsurance | 2% | 2% | 2% | | |
| 40%+ coinsurance | 0% | 1% | 5% | | |
| % of participants using coinsurance | 45% | 44% | 36% | 25% | 21% |

Shaded most frequent

The average emergency room copay is **\$153**, and the average coinsurance is **16%**

The percentage of participants utilizing emergency room copays has remained roughly **constant** since 2015 at slightly over half

 Click to return to the table of contents

Click the topics below to view findings

Overview 

Detailed findings 

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix 

Contact 

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Medical plan out-of-network features for highest enrolled plan (individual and family deductible)

The average out-of-network individual deductible is **\$2,262**, which is almost double the average in-network deductible of **\$1,155**

49% of participants have an out-of-network individual deductible of **\$2,000** or more in 2016, which has increased significantly over the past few years (**40%** in 2015 and **23%** in 2012)

| Family Deductible | 2016 |
|--------------------|------|
| \$0 | 3% |
| \$1–1,999 | 19% |
| \$2,000–\$2,499 | 9% |
| \$2,500–\$2,999 | 4% |
| \$3,000–\$3,499 | 10% |
| \$3,500–\$3,999 | 2% |
| \$4,000–\$4,499 | 7% |
| \$4,500–\$4,999 | 4% |
| \$5,000–\$5,499 | 8% |
| \$5,500–\$5,999 | 1% |
| \$6,000–\$6,499 | 11% |
| \$6,500 or greater | 22% |

Shaded most frequent



Individual deductible

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|-----------------|------|------|------|------|------|
| \$0 | 3% | | | | |
| \$1–\$499 | 3% | 12% | 12% | 11% | 18% |
| \$500–\$999 | 21% | 19% | 20% | 25% | 30% |
| \$1,000–\$1,499 | 13% | | | | |
| \$1,500–\$1,999 | 11% | 29% | 27% | 29% | 29% |
| \$2,000–\$2,999 | 19% | 15% | 15% | 11% | 11% |
| \$3,000–\$3,999 | 14% | 12% | 12% | | |
| \$4,000–\$4,999 | 4% | | | 23% | 12% |
| \$5,000+ | 12% | 13% | 14% | | |

Shaded most frequent

The average out-of-network family deductible is **\$4,846**, which is about double the out-of-network individual deductible

22% of employers have a family deductible greater than **\$6,500**, which is the most common response, reflecting the increase in employers providing HDHPs

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Medical plan out-of-network features for highest enrolled plan (individual and family OOP maximum)

The average individual OOP maximum is

\$6,718,

up 8% from the prior year

Individual OOP maximum

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|-----------------|------|------|------|------|------|
| \$0 | 3% | 3% | 3% | 3% | 4% |
| \$1–\$999 | 0% | 1% | 1% | 3% | 1% |
| \$1,000–\$1,999 | 1% | 3% | 3% | 6% | 10% |
| \$2,000–\$2,999 | 5% | 8% | 8% | 11% | 16% |
| \$3,000–\$4,999 | 24% | 23% | 23% | 27% | 27% |
| \$5,000–\$9,999 | 48% | 44% | 40% | 32% | 22% |
| \$10,000+ | 20% | 16% | 18% | 11% | 7% |
| Unlimited | | 2% | 4% | 10% | 14% |

Shaded most frequent

Family OOP maximum

| | 2016 |
|-------------------|------|
| \$0 | 3% |
| \$1–\$5,499 | 7% |
| \$5,500–\$6,999 | 9% |
| \$7,000–\$8,499 | 10% |
| \$8,500–\$9,999 | 5% |
| \$10,000–\$11,499 | 13% |
| \$11,500–\$12,999 | 13% |
| \$13,000–\$14,499 | 6% |
| \$14,500–\$15,999 | 5% |
| \$16,000–\$17,499 | 6% |
| \$17,500+ | 23% |

Shaded most frequent



The average family OOP maximum is

\$13,222

23% of employers have a family OOP maximum greater than **\$17,500**

← Click to return to the table of contents

Click the topics below to view findings

Overview ▾

Detailed findings ▾

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix ▾

Contact ▾

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Medical plan out-of-network features for highest enrolled plan (employee coinsurance)

Employee coinsurance

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---------|------|------|------|------|------|
| 0% | 5% | 7% | 8% | | |
| 1%–9% | 1% | 1% | 0% | 5% | 7% |
| 10%–19% | | 1% | 1% | | |
| 20%–24% | | 11% | 15% | | |
| 25%–29% | 12% | 2% | 1% | 20% | 21% |
| 30%–39% | 24% | 25% | 25% | | 27% |
| 40% | 39% | 35% | 35% | 58% | 28% |
| 41%–49% | 0% | | | | |
| 50%+ | 19% | 18% | 15% | 17% | 17% |

Shaded most frequent

Most of the employers' highest-enrolled plans have a

40%

or higher out-of-network coinsurance

The average out-of-network employee coinsurance is **35%**, similar to 2015 at 34%

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Medical plan out-of-network features for highest enrolled plan (primary care and specialist office visit)

Primary care office visit

| | 2016 | 2015 |
|--|------------|------------|
| \$0 copay | 1% | 1% |
| \$1–\$9 copay | 0% | 0% |
| \$10–\$19 copay | 0% | 1% |
| \$20–\$29 copay | 2% | 2% |
| \$30–\$39 copay | 2% | 1% |
| \$40–\$49 copay | 1% | |
| \$50–\$59 copay | 1% | 1% |
| \$60+ copay | 0% | |
| % of participants using copays | 7% | 6% |
| 0% coinsurance | 3% | 1% |
| 1%–29% coinsurance | 10% | 11% |
| 30%–34% coinsurance | 21% | 28% |
| 35%–39% coinsurance | 2% | |
| 40%–49% coinsurance | 39% | 54% |
| 50%+ coinsurance | 18% | |
| % of participants using coinsurance | 93% | 94% |

Shaded most frequent

Specialist office visit

| | 2016 | 2015 |
|--|------------|------------|
| \$0 copay | 1% | 1% |
| \$1–\$9 copay | 0% | 0% |
| \$10–\$19 copay | 0% | 1% |
| \$20–\$29 copay | 1% | 1% |
| \$30–\$39 copay | 1% | 1% |
| \$40–\$49 copay | 1% | 1% |
| \$50–\$59 copay | 1% | 0% |
| \$60+ copay | 1% | 1% |
| % of participants using copays | 6% | 6% |
| 0% coinsurance | 2% | 1% |
| 1%–29% coinsurance | 10% | 11% |
| 30%–34% coinsurance | 22% | 28% |
| 35%–39% coinsurance | 3% | |
| 40%–49% coinsurance | 39% | 54% |
| 50%+ coinsurance | 18% | |
| % of participants using coinsurance | 94% | 94% |

Shaded most frequent

The average out-of-network primary care office visit copay is **\$32**, and the average specialist office visit copay is **\$41**

The average coinsurance for both out-of-network primary care and specialist office visits is 36%

7% of participants utilize copays for out-of-network primary care office visits, and **6%** utilize copays for specialist office visits



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Medical plan out-of-network features for highest enrolled plan (inpatient hospital and emergency room)

Inpatient hospital cost per admission

| | 2016 | 2015 | 2014 |
|--|------------|------------|------------|
| \$0 copay | 1% | 1% | 2% |
| \$1–\$199 copay | 2% | 2% | 4% |
| \$200–\$249 copay | 1% | 2% | 3% |
| \$250–\$299 copay | 1% | | |
| \$300–\$349 copay | 1% | 2% | 4% |
| \$350+ copay | 2% | | |
| % of participants using copays | 8% | 7% | 13% |
| 0% coinsurance | 2% | 1% | 1% |
| 1%–29% coinsurance | 10% | 12% | 12% |
| 30%–34% coinsurance | 22% | 27% | 22% |
| 35%–39% coinsurance | 2% | | |
| 40%–49% coinsurance | 40% | 53% | 52% |
| 50%+ coinsurance | 16% | | |
| % of participants using coinsurance | 92% | 93% | 87% |

Shaded most frequent

Emergency room cost per visit

| | 2016 | 2015 | 2014 |
|--|------------|------------|------------|
| \$0 copay | 1% | 1% | 1% |
| \$1–\$49 copay | 1% | 1% | 1% |
| \$50–\$99 copay | 3% | 4% | 8% |
| \$100–\$149 copay | 13% | 13% | 16% |
| \$150–\$199 copay | 10% | 8% | 12% |
| \$200–\$249 copay | 4% | | |
| \$250+ copay | 6% | 11% | 11% |
| % of participants using copays | 38% | 38% | 49% |
| 0% coinsurance | 13% | 1% | 1% |
| 1%–29% coinsurance | 6% | 14% | 8% |
| 30%–34% coinsurance | 12% | 16% | 11% |
| 35%–39% coinsurance | 1% | | |
| 40%–49% coinsurance | 23% | 31% | 31% |
| 50%+ coinsurance | 7% | | |
| % of participants using coinsurance | 62% | 62% | 51% |

Shaded most frequent

The average out-of-network hospital copay is **\$312**

The average employee coinsurance for out-of-network hospital and emergency room visits is **36%** and **29%**, respectively

Consistent with the prior year, **8%** of participants utilize copays for inpatient hospital visits and **38%** utilize copays for emergency room visits

← Click to return to the table of contents

Click the topics below to view findings

Overview ▾

Detailed findings ▾

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix ▾

Contact ▾

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

HDHPs

HDHPs are continuing to increase in prevalence. There was an increase in participants offering HDHPs with an HSA, from **56%** last year to **63%** this year

Percentage of employers offering...

| | HSA | HRA |
|-----------------------|-----|-----|
| <1,000 employees | 52% | 15% |
| 1,000–4,999 employees | 69% | 14% |
| 5,000+ employees | 69% | 24% |
| All participants | 63% | 17% |

Large employers are more likely than small employers to offer HSA—and HRA—compatible plans

Percentage of employees funding HSAs through payroll deductions

| | |
|---------|-----|
| <10% | 22% |
| 10%–19% | 8% |
| 20%–29% | 8% |
| 30%–39% | 9% |
| 40%–49% | 3% |
| 50%–59% | 9% |
| 60%–69% | 10% |
| 70%–79% | 9% |
| 80%–89% | 11% |
| 90%+ | 11% |

Shaded most frequent

50% of participants have **50%+** of their employees funding their HSA through payroll deductions, compared to **46%** in 2015. The percentage of participants with **90%** or more of their employees funding their HSAs through payroll deductions grew significantly, from **7%** in 2015 to **11%** in 2016

← Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

HDHPs (individual)

Employer subsidy

| | HSA | | | | HRA | | | |
|-----------------|------------------|-----------------------|------------------|------------------|------------------|-----------------------|------------------|------------------|
| | <1,000 employees | 1,000–4,999 employees | 5,000+ employees | All participants | <1,000 employees | 1,000–4,999 employees | 5,000+ employees | All participants |
| \$0 | 17% | 7% | 8% | 10% | 62% | 41% | 32% | 45% |
| \$1–\$499 | 15% | 18% | 20% | 17% | 2% | 15% | 23% | 13% |
| \$500–\$749 | 29% | 46% | 48% | 43% | 12% | 26% | 19% | 18% |
| \$750–\$999 | 12% | 13% | 15% | 13% | 0% | 11% | 13% | 8% |
| \$1,000–\$1,499 | 17% | 15% | 8% | 13% | 10% | 0% | 13% | 9% |
| \$1,500–\$1,999 | 6% | 1% | 1% | 3% | 10% | 7% | 0% | 5% |
| \$2,000–\$2,999 | 1% | 0% | 0% | 0% | 2% | 0% | 0% | 1% |
| \$3,000+ | 3% | 0% | 0% | 1% | 2% | 0% | 0% | 1% |
| Average | \$690 | \$574 | \$525 | \$599 | \$461 | \$372 | \$403 | \$401 |

Shaded most frequent

Small employers are the **least likely** to contribute to their employees’ HSA or HRA accounts, but if they do, they tend to **contribute more** than large employers

Average HRA contributions dropped for employers of all sizes, most notably by **30%** for small employers and **25%** overall

Employer HSA contributions are most commonly between **\$500** and **\$749**

Average HSA employer contributions increased **3%** from last year; the growth is fueled by mid-sized employers, whose subsidies rose **15%**

← Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

HDHPs (family)

Employer subsidy

| | HSA | | | | HRA | | | |
|-----------------|------------------|-----------------------|------------------|------------------|------------------|-----------------------|------------------|------------------|
| | <1,000 employees | 1,000–4,999 employees | 5,000+ employees | All participants | <1,000 employees | 1,000–4,999 employees | 5,000+ employees | All participants |
| \$0 | 15% | 7% | 8% | 10% | 61% | 41% | 34% | 47% |
| \$1–\$499 | 6% | 2% | 5% | 4% | 0% | 0% | 4% | 2% |
| \$500–\$749 | 11% | 11% | 13% | 11% | 3% | 4% | 13% | 7% |
| \$750–\$999 | 4% | 8% | 5% | 6% | 0% | 11% | 2% | 3% |
| \$1,000–\$1,499 | 28% | 44% | 50% | 41% | 13% | 26% | 23% | 19% |
| \$1,500–\$1,999 | 13% | 12% | 15% | 14% | 0% | 7% | 13% | 8% |
| \$2,000–\$2,999 | 13% | 16% | 4% | 11% | 8% | 4% | 11% | 8% |
| \$3,000+ | 10% | 0% | 0% | 3% | 15% | 7% | 0% | 6% |
| Average | \$1,274 | \$1,136 | \$986 | \$1,133 | \$930 | \$800 | \$786 | \$808 |

Shaded most frequent

The average employer HSA or HRA contribution for family coverage is approximately **double** that for individual coverage

The most common HSA contribution for family coverage across all employer sizes is **\$1,000–\$1,499**. The second most common HRA contribution for family coverage is also **\$1,000–\$1,499**

The average HSA employer contributions for family coverage dropped by **3%** from last year; however, average HRA employer contributions for family coverage decreased by **28%** from last year



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Financing of medical plans with the highest enrollment

<500 employees

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|-----------------------------|------|------|------|------|------|
| Self-insured | 29% | 30% | 26% | 31% | 22% |
| Fully-insured | 70% | 67% | 69% | 65% | 65% |
| Minimum premium arrangement | 1% | 3% | 5% | 4% | 13% |

500—999 employees

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|-----------------------------|------|------|------|------|------|
| Self-insured | 64% | 66% | 59% | 55% | 49% |
| Fully-insured | 35% | 29% | 38% | 43% | 47% |
| Minimum premium arrangement | 1% | 5% | 3% | 2% | 4% |

1,000+ employees

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|-----------------------------|------|------|------|------|------|
| Self-insured | 91% | 89% | 87% | 85% | 86% |
| Fully-insured | 8% | 10% | 12% | 13% | 12% |
| Minimum premium arrangement | 1% | 1% | 1% | 2% | 2% |

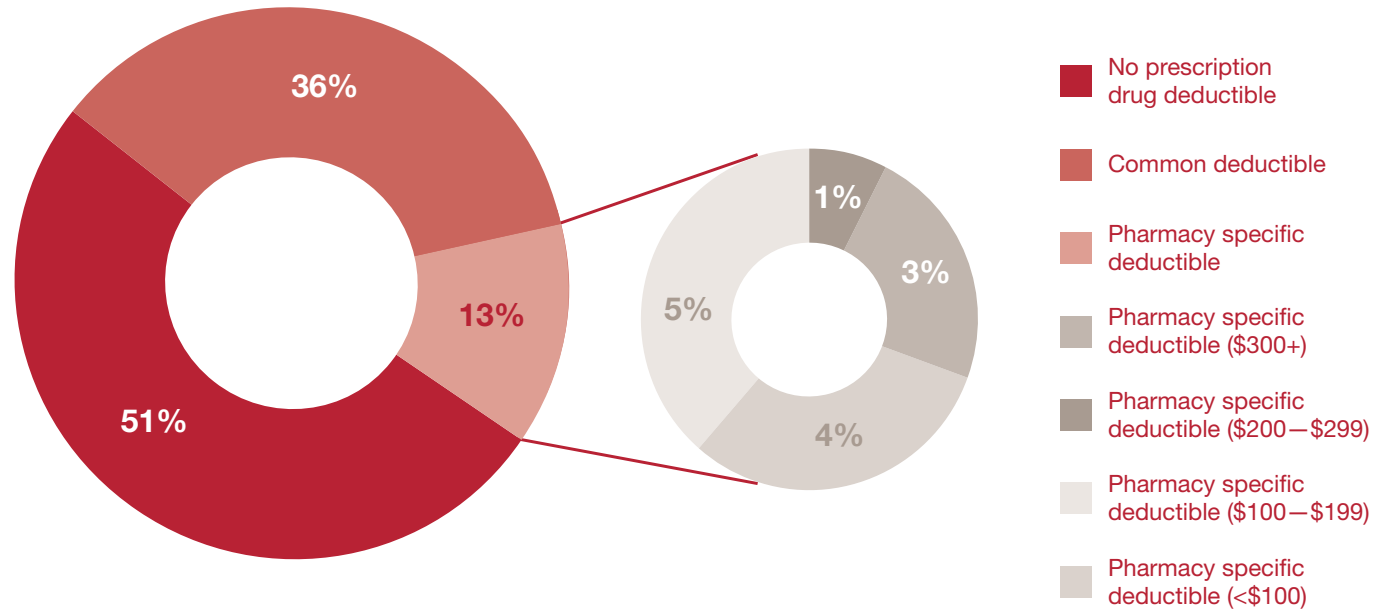
Shaded most frequent

Self-insurance maintains popularity:

Employers with **more than 500 employees** have increasingly turned towards self-insurance since 2012, but employers with **fewer than 500 employees** are still fully insuring their health plans

The percentage of participants who are self-insured **remained similar** to that in 2015 for all employer sizes

In-network prescription drug plan



51% of respondents do not utilize plans that apply a deductible to pharmacy claims. This downward trend (**66%** in 2014 vs. **51%** in 2016) is due to the increase in HSA-compatible plans, which require pharmacy benefit cost sharing on an integrated deductible basis

13%
of participants have a separate prescription drug deductible

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

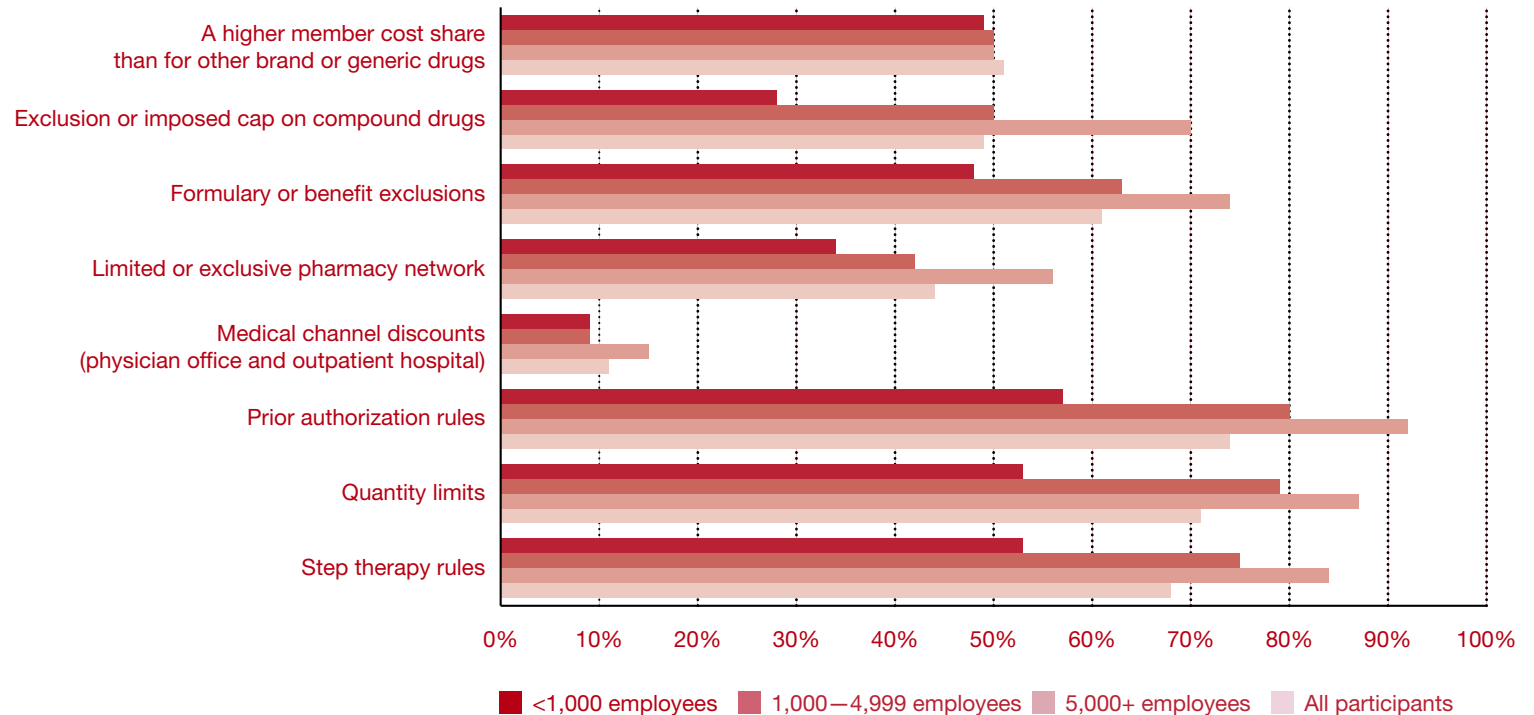
S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Specialty drug costs—controls in place to manage cost



Large employers are the **most likely** to utilize programs to manage specialty drug costs

Prior authorization, quantity limits, and step therapy continue to be the three most popular ways to manage specialty drug costs for employers of all sizes

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

← Click to return to the table of contents

Click the topics below to view findings

Overview ▾

Detailed findings ▾

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix ▾

Contact ▾

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Specialty drug costs

Confidence in current carrier or PBM to better manage specialty drug costs

| | <1,000 employees | 1,000–4,999 employees | 5,000+ employees | All participants |
|---------------------|------------------|-----------------------|------------------|------------------|
| High confidence | 19% | 27% | 30% | 25% |
| Moderate confidence | 60% | 60% | 61% | 60% |
| Low confidence | 6% | 9% | 8% | 7% |
| No confidence | 2% | 0% | 0% | 1% |
| Do not know | 13% | 4% | 1% | 7% |

Shaded most frequent

Is specialty drug member cost share amount the same for both medical and pharmacy benefit?

| | <1,000 employees | 1,000–4,999 employees | 5,000+ employees | All participants |
|-------------|------------------|-----------------------|------------------|------------------|
| Yes | 46% | 52% | 48% | 49% |
| No | 16% | 25% | 33% | 23% |
| Do not know | 38% | 23% | 19% | 28% |

Shaded most frequent

Large employers are more confident than small employers

85%

of participants are confident in their current carrier or PBM to better manage their specialty drug costs, an increase from **79%** in the prior year. **8%** have little or no confidence, and **7%** do not know

49%

of participants offer the same specialty drug member cost-share through both medical and pharmacy benefits



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Prescription drug benefit design for highest enrolled plan

Retail

| | 2016 | | 2015 | | 2014 | |
|-------------------------|-------|-------------|-------|-------------|-------|-------------|
| | Copay | Coinsurance | Copay | Coinsurance | Copay | Coinsurance |
| Preferred generic | \$11 | 17% | \$10 | 16% | \$11 | 24% |
| Non-preferred generic | \$16 | 19% | | | | |
| Brand “formulary” | \$35 | 23% | \$29 | 24% | \$32 | 28% |
| Brand “non-formulary” | \$48 | 33% | \$50 | 34% | \$51 | 37% |
| Preferred specialty | \$58 | 25% | \$62 | 26% | \$59 | 32% |
| Non-preferred specialty | \$64 | 28% | | | | |

Mail order

| | 2016 | | 2015 | | 2014 | |
|-------------------------|-------|-------------|-------|-------------|-------|-------------|
| | Copay | Coinsurance | Copay | Coinsurance | Copay | Coinsurance |
| Preferred generic | \$21 | 18% | \$21 | 18% | \$19 | 26% |
| Non-preferred generic | \$29 | 20% | | | | |
| Brand “formulary” | \$63 | 23% | \$60 | 25% | \$60 | 30% |
| Brand “non-formulary” | \$98 | 33% | \$103 | 35% | \$100 | 38% |
| Preferred specialty | \$93 | 25% | \$108 | 27% | \$91 | 34% |
| Non-preferred specialty | \$113 | 28% | | | | |

Average copays for retail non-preferred generics are **45%** higher than for preferred generics, and average copays for retail non-formulary brands are **37%** higher than for formulary brands

Retail formulary copays increased by **21%** from 2015, while retail non-formulary copays dropped by **4%**. Similarly, mail-order formulary copays increased, and mail-order non-formulary copays decreased

Mail-order average copays are about **1.8 to 2 times retail copays**, except for preferred specialty drugs copays which are **1.6 times retail**



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Medical contribution strategies

Medical contribution strategies

| | 2016 | | 2015 | |
|--|--------|--------|--------|--------|
| | Single | Family | Single | Family |
| Non-contributory—employees pay 0% of the premium | 7% | 5% | 9% | 6% |
| Defined benefit—employees pay a percent of premium | 63% | 66% | 62% | 65% |
| Defined benefit—employer determines employee contribution amount | 21% | 21% | 21% | 21% |
| Defined contribution—employer pays a fixed amount | 9% | 8% | 8% | 8% |

Shaded most frequent

Defined contribution—employer pays a fixed monthly amount

| | 2016 | | 2015 | |
|-----------------------------|--------------|--------------|--------------|--------------|
| | Single | Family | Single | Family |
| <\$100 | 21% | 11% | 24% | 16% |
| \$100–\$199 | 11% | 0% | 13% | 0% |
| \$200–\$299 | 21% | 11% | 20% | 13% |
| \$300–\$399 | 18% | 8% | 20% | 13% |
| \$400–\$499 | 18% | 11% | 10% | 6% |
| \$500–\$749 | 8% | 6% | 10% | 13% |
| \$750–\$999 | 0% | 14% | 0% | 15% |
| \$1,000–\$1,499 | 3% | 36% | 3% | 18% |
| \$1,500+ | | 3% | | 6% |
| Average contribution | \$364 | \$779 | \$354 | \$683 |

Shaded most frequent

Employers widely use a defined benefit approach to benefits, with a slight downward trend on non-contributory plans and an upward trend on defined contribution plans

Employers are contributing more in **2016** than in **2015**, which reflects premium increases



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Medical contribution strategies

Defined benefit—employees pay a percentage of premium

| | 2016 | | 2015 | |
|-----------------------------|------------|------------|------------|------------|
| | Single | Family | Single | Family |
| <10% | 8% | 4% | 8% | 3% |
| 10%–14% | 12% | 8% | 12% | 8% |
| 15%–19% | 13% | 8% | 16% | 9% |
| 20%–24% | 29% | 26% | 28% | 27% |
| 25%–29% | 18% | 20% | 17% | 21% |
| 30%–39% | 13% | 18% | 13% | 18% |
| 40%–44% | 2% | 4% | 2% | 4% |
| 45%–49% | 1% | 2% | 0% | 2% |
| 50%+ | 4% | 10% | 4% | 8% |
| Average contribution | 23% | 29% | 23% | 28% |

Shaded most frequent

Defined benefit—employer determines monthly employee contribution amount

| | 2016 | | 2015 | |
|-----------------------------|--------------|--------------|--------------|--------------|
| | Single | Family | Single | Family |
| <\$50 | 24% | 8% | 26% | 7% |
| \$50–\$99 | 30% | 6% | 31% | 8% |
| \$100–\$199 | 36% | 16% | 31% | 13% |
| \$200–\$299 | 3% | 20% | 4% | 24% |
| \$300–\$399 | 5% | 19% | 4% | 18% |
| \$400–\$749 | 2% | 20% | 4% | 17% |
| \$750–\$1,999 | 0% | 9% | 0% | 11% |
| \$2,000+ | 0% | 2% | 0% | 2% |
| Average contribution | \$110 | \$412 | \$110 | \$409 |

Shaded most frequent

The average percentage of premium employees pay for single coverage, **23%**, did not change from 2015 to 2016, while that for family coverage has slightly increased

The cost to employees who pay a fixed dollar amount towards their medical plan shows a similar trend

Employee contribution percentages vary by employer size

2016 individual coverage contribution

| | <1,000 employees | 1,000–4,999 employees | 5,000+ employees |
|----------------|------------------|-----------------------|------------------|
| <10% | 15% | 4% | 3% |
| 10%–14% | 12% | 16% | 9% |
| 15%–19% | 13% | 19% | 12% |
| 20%–24% | 25% | 17% | 41% |
| 25%–29% | 16% | 19% | 22% |
| 30%–39% | 14% | 13% | 9% |
| 40%–44% | 2% | 3% | 1% |
| 45%–49% | 1% | 0% | 1% |
| 50%+ | 2% | 9% | 2% |
| Average | 21% | 26% | 23% |

Shaded most frequent

The average employee contribution for family coverage is **2–10 percentage points** higher than for individual coverage. The biggest gap is for small employers, who tend to offer fewer tiers

Small employers have the lowest employee contributions for individual coverage but the highest for family coverage

2016 family coverage contribution

| | <1,000 employees | 1,000–4,999 employees | 5,000+ employees |
|----------------|------------------|-----------------------|------------------|
| <10% | 6% | 0% | 2% |
| 10%–14% | 6% | 10% | 7% |
| 15%–19% | 5% | 12% | 8% |
| 20%–24% | 28% | 20% | 33% |
| 25%–29% | 17% | 25% | 26% |
| 30%–39% | 16% | 19% | 16% |
| 40%–44% | 6% | 3% | 1% |
| 45%–49% | 2% | 1% | 1% |
| 50%+ | 14% | 10% | 6% |
| Average | 31% | 29% | 25% |

Shaded most frequent

Large employers have **lower** employee contributions than mid-size employers for both individual and family coverage, and they have **lower contributions** than small employers for family coverage

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Salary-based contributions and smoking surcharges

Percentage utilizing salary based contributions

| | <1,000 employees | 1,000–4,999 employees | 5,000+ employees | 2016 | 2015 | 2014 |
|---------------------------|------------------|-----------------------|------------------|----------|----------|----------|
| No | 88% | 81% | 69% | 81% | 82% | 86% |
| Yes | 12% | 19% | 31% | 19% | 18% | 14% |
| Average # of tiers | 4 | 4 | 4 | 4 | 4 | 6 |

Shaded most frequent

Monthly smoking surcharges*

| | <1,000 employees | 1,000–4,999 employees | 5,000+ employees | 2016 | 2015 | 2014 |
|-------------------------------|------------------|-----------------------|------------------|-------------|-------------|-------------|
| No | 83% | 79% | 60% | 74% | 77% | 80% |
| Yes, for employees | 17% | 21% | 40% | 26% | 22% | 20% |
| Yes, for dependents | 6% | 13% | 23% | 13% | 10% | 1% |
| Average for employees | \$55 | \$62 | \$61 | \$58 | \$55 | \$51 |
| Average for dependents | \$51 | \$57 | \$61 | \$58 | \$53 | \$59 |

Shaded most frequent

*Participants could select more than one option.

In an effort to manage costs, employers are more likely to incorporate salary-based contributions and smoking surcharges than they were in 2014

Salary-based contributions are most common among large employers

Large employers are the **most likely** to impose smoking surcharges and tend to charge the highest smoking surcharges to their employees and dependents



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Spouse/domestic partner/dependent coverage

Are spouses excluded from receiving coverage if they are offered coverage elsewhere?

| | <1,000 employees | 1,000–4,999 employees | 5,000+ employees | 2016 | 2015 | 2014 |
|--|------------------|-----------------------|------------------|------|------|------|
| Yes | 10% | 4% | 5% | 7% | 8% | 12% |
| No, they can be covered but with a surcharge | 11% | 20% | 30% | 19% | 18% | 15% |
| No, they can be covered | 79% | 76% | 65% | 74% | 74% | 73% |

Are domestic partners excluded from receiving coverage if they are offered coverage elsewhere?*

| | <1,000 employees | 1,000–4,999 employees | 5,000+ employees | 2016 | 2015 | 2014 |
|--|------------------|-----------------------|------------------|------|------|------|
| Yes | 26% | 31% | 25% | 27% | - | - |
| No, they can be covered but with a surcharge | 6% | 14% | 17% | 12% | - | - |
| No, they can be covered | 68% | 55% | 58% | 61% | - | - |

Are dependents excluded from receiving coverage if they are offered coverage elsewhere?

| | <1,000 employees | 1,000–4,999 employees | 5,000+ employees | 2016 | 2015 | 2014 |
|--|------------------|-----------------------|------------------|------|------|------|
| Yes | 2% | 3% | 0% | 2% | 1% | 6% |
| No, they can be covered but with a surcharge | 1% | 1% | 4% | 2% | 3% | 3% |
| No, they can be covered | 97% | 96% | 96% | 96% | 96% | 91% |

* Not a survey question in prior years
Shaded most frequent

Fewer participants are excluding spouses and dependents from receiving coverage than last year and 2014

Large employers are the most likely to **require a surcharge** for coverage of spouses, domestic partners, and dependents. In general, large employers are also less likely to exclude coverage

Spouses are more likely than dependents to have a surcharge by **17 percentage points**. In addition, the percentage of employers applying a surcharge for spouses increased from **15%** in 2014 to **19%** in 2016

On average, surcharges are **\$124** for spouses

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

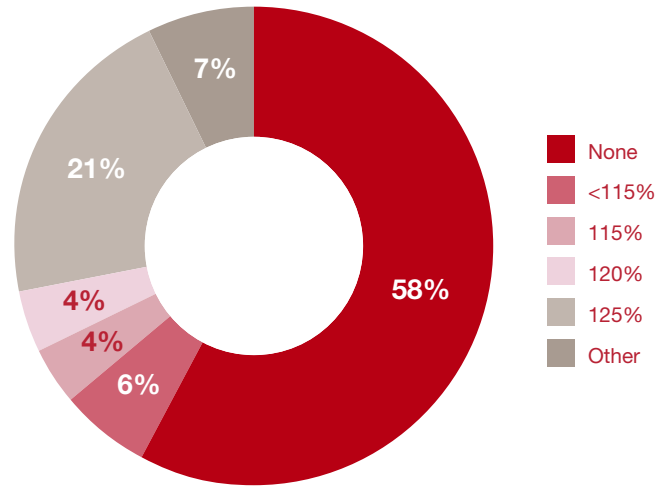
Contact

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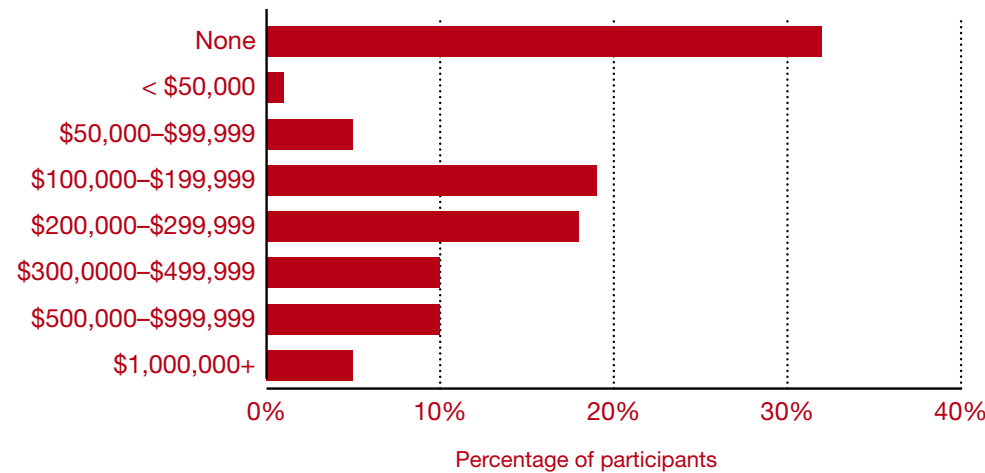
Stop-loss coverage

For self-insured medical plans, the following is the breakdown of stop-loss coverage:

Aggregate coverage levels



Specific/individual coverage amounts



58%

of self-insured plans do not have aggregate stop-loss coverage (down from 60% in 2015), and **32%** do not have specific/individual coverage (up from 26% in 2015)

For employers who purchase aggregate stop-loss coverage, the most common level is

125%

83% of employers with stop-loss coverage indicate that their stop-loss policy does not include lasering

Stop-loss coverage by employer size

Aggregate coverage

| | <1,000 employees | 1,000–4,999 employees | 5,000+ employees |
|-------|------------------|-----------------------|------------------|
| <115% | 12% | 3% | 4% |
| 115% | 9% | 4% | 1% |
| 120% | 5% | 5% | 2% |
| 125% | 32% | 29% | 4% |
| Other | 14% | 4% | 4% |
| None | 28% | 55% | 85% |

Shaded most frequent

Specific/individual coverage

| | <1,000 employees | 1,000–4,999 employees | 5,000+ employees |
|---------------------|------------------|-----------------------|------------------|
| <\$50,000 | 3% | 0% | 1% |
| \$50,000–\$99,999 | 20% | 1% | 0% |
| \$100,000–\$199,999 | 50% | 18% | 2% |
| \$200,000–\$299,999 | 12% | 39% | 3% |
| \$300,000–\$499,999 | 4% | 16% | 6% |
| \$500,000–\$999,999 | 3% | 8% | 15% |
| \$1,000,000+ | 1% | 2% | 11% |
| None | 7% | 16% | 62% |

Shaded most frequent

Small employers are much more likely than large and mid-size employers to purchase aggregate stop-loss coverage

Most self-insured small employers purchase specific/individual stop-loss coverage, while most large employers do not secure individual stop-loss protection

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Medical plan providers

Medical plan with the highest enrollment

| Administrators | <1,000 employees | 1,000–4,999 employees | 5,000+ employees |
|---------------------------------------|------------------|-----------------------|------------------|
| Aetna & Coventry | 9% | 16% | 10% |
| BCBS—Wellpoint/Anthem | 7% | 12% | 7% |
| BCBS—Other than Wellpoint/Anthem | 32% | 30% | 28% |
| CIGNA | 15% | 12% | 12% |
| Harvard Pilgrim | 1% | 0% | 1% |
| Humana | 0% | 1% | 2% |
| Kaiser | 1% | 0% | 1% |
| UnitedHealthcare | 16% | 23% | 24% |
| Other Health Plan | 11% | 3% | 9% |
| Other Third Party Administrator (TPA) | 8% | 3% | 6% |

All other medical plans*

| Administrators | <1,000 employees | 1,000–4,999 employees | 5,000+ employees |
|---------------------------------------|------------------|-----------------------|------------------|
| Aetna & Coventry | 10% | 18% | 16% |
| BCBS—Wellpoint/Anthem | 4% | 9% | 5% |
| BCBS—Other than Wellpoint/Anthem | 23% | 21% | 27% |
| CIGNA | 15% | 10% | 14% |
| Harvard Pilgrim | 0% | 0% | 2% |
| Humana | 0% | 0% | 3% |
| Kaiser | 8% | 19% | 28% |
| UnitedHealthcare | 15% | 21% | 21% |
| Other Health Plan | 18% | 15% | 24% |
| Other Third Party Administrator (TPA) | 8% | 4% | 7% |

Shaded most frequent

*Participants could select more than one option.

Blue Cross/Blue Shield (BCBS) is the most popular administrator for employers' highest-enrolled plans

For the other plans, **Kaiser** is the most popular administrator among large employers

Mid-size employers tend to use **BCBS** or **UHC**

Small employers are likely to stick to national carriers and local Blues



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Vendor satisfaction

| Service | 2016 | | | 2015 | | | 2014 | | |
|---------------------------------|----------------|-----------|---------------|----------------|-----------|---------------|----------------|-----------|---------------|
| | Very satisfied | Satisfied | Not satisfied | Very satisfied | Satisfied | Not satisfied | Very satisfied | Satisfied | Not satisfied |
| Claim administration | 36% | 60% | 4% | 41% | 54% | 5% | 37% | 58% | 5% |
| Consumer/decision support | 25% | 66% | 9% | 23% | 62% | 15% | 20% | 66% | 14% |
| Member services | 26% | 69% | 5% | 30% | 63% | 7% | 27% | 65% | 8% |
| Medical management | 22% | 71% | 7% | 28% | 64% | 8% | 26% | 65% | 9% |
| Network discounts | 33% | 63% | 4% | 41% | 54% | 5% | 40% | 56% | 4% |
| Pharmacy benefit administration | 21% | 69% | 10% | 24% | 67% | 9% | 25% | 65% | 10% |
| Wellness | 18% | 66% | 16% | 23% | 61% | 16% | 20% | 62% | 18% |

Shaded most frequent

Between 2015 and 2016, there was some movement toward the middle as fewer employers were very satisfied or not satisfied. For all services except consumer/decision support, fewer participants indicated that they were very satisfied

33% indicated they were very satisfied with **network discounts** in 2016 vs. 41% in 2015

36% indicated they were very satisfied with **claim administration** in 2016 vs. 41% in 2015

22% indicated they were very satisfied with **medical management** in 2016 vs. 28% in 2015

18% indicated they were very satisfied with **wellness** in 2016 vs. 23% in 2015

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Programs offered



| Program | Currently offering through your medical carrier | Currently offering through a carve-out vendor | Considering offering | Not considering offering |
|--|---|---|----------------------|--------------------------|
| Condition management | 65% | 8% | 7% | 20% |
| Data warehouse analytics | 26% | 24% | 11% | 39% |
| Emotional/mental well-being | 41% | 38% | 9% | 12% |
| Financial well-being | 7% | 41% | 24% | 28% |
| Other well-being | 19% | 22% | 19% | 40% |
| Gaps in care | 23% | 5% | 18% | 54% |
| Health advocacy | 34% | 23% | 14% | 29% |
| Incentive administration | 15% | 21% | 17% | 47% |
| Nurseline | 72% | 4% | 6% | 18% |
| On-site clinics | 7% | 13% | 12% | 68% |
| Plan selection decision support | 21% | 25% | 13% | 41% |
| Second opinions | 46% | 8% | 11% | 35% |
| Telemedicine | 41% | 15% | 21% | 23% |
| Transparency | 34% | 9% | 20% | 37% |
| Treatment decision support | 39% | 9% | 20% | 32% |
| Utilization management/case management | 77% | 5% | 5% | 13% |

Shaded most frequent

Utilization management/case management, nurseline, and condition management are the most popular programs and are offered through medical carriers by **77%, 72%, and 65%** of employers

The least popular programs include **on-site clinics, gaps in care, and incentive administration**, which are not being considered by **68%, 54%, and 47%** of employers

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights



S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Benefit administration of medical plans by employer size

| | <1,000 employees | | | 1,000–4,999 employees | | | 5,000+ employees | | | All participants | | |
|--------------------------------|------------------|------|------|-----------------------|------|------|------------------|------|------|------------------|------|------|
| | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 |
| Insourced | 27% | 39% | 36% | 30% | 34% | 32% | 21% | 25% | 31% | 26% | 34% | 34% |
| Outsourced | 35% | 25% | 23% | 38% | 25% | 24% | 42% | 37% | 32% | 37% | 28% | 25% |
| Co-sourced | 35% | 35% | 41% | 32% | 41% | 44% | 35% | 36% | 37% | 35% | 37% | 41% |
| Managed by a Private exchange* | 3% | 1% | - | 0% | 0% | - | 2% | 2% | - | 2% | 1% | - |

Shaded most frequent

* Not a survey response option in prior years

Employers are gradually outsourcing benefit administration to various vendors, including private exchanges.

In 2016, **37%** of employers outsourced vs. **25%** in 2014

Private exchanges have not picked up a significant share, although they may be gaining popularity among small employers

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact



← Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

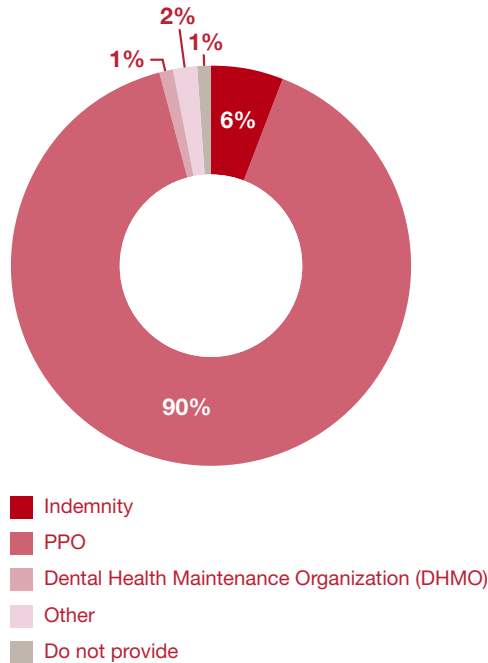
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Detailed findings—**Section 5: Dental plan design highlights**



Dental plan features

Dental plan types



99% of participants offer dental coverage to their employees, with the PPO being the most common plan type

On average, dental plans have a **\$57** deductible for individual coverage (not much higher than **\$55** in 2015) and a **\$144** deductible for family coverage

| 2016 Deductible | Individual | Family |
|-----------------|-------------|--------------|
| <\$25 | 10% | 10% |
| \$25-\$49 | 12% | 1% |
| \$50 | 67% | |
| \$51-\$74 | 0% | 8% |
| \$75-\$99 | 6% | 8% |
| \$100-\$124 | 4% | 15% |
| \$125-\$149 | 0% | 0% |
| \$150 | | 50% |
| \$151+ | 1% | 8% |
| Average | \$57 | \$144 |

Shaded most frequent

| Annual benefit maximum | 2016 | 2015 |
|------------------------|----------------|----------------|
| <\$500 | 0% | 4% |
| \$500-\$999 | 1% | |
| \$1,000-\$1,499 | 21% | 22% |
| \$1,500-\$1,999 | 47% | 42% |
| \$2,000-\$2,499 | 24% | 24% |
| \$2,500-\$2,999 | 4% | 5% |
| \$3,000-\$3,499 | 2% | |
| \$3,500+ | 1% | |
| Average | \$1,658 | \$1,569 |

Shaded most frequent

The average annual benefit maximum is **\$1,658**, which is **5.7%** higher than the prior year's average of **\$1,569**

The median deductible is **\$50** for individual coverage and **\$150** for family coverage. The most common annual benefit maximum is **\$1,500**, which is the same as in 2015

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

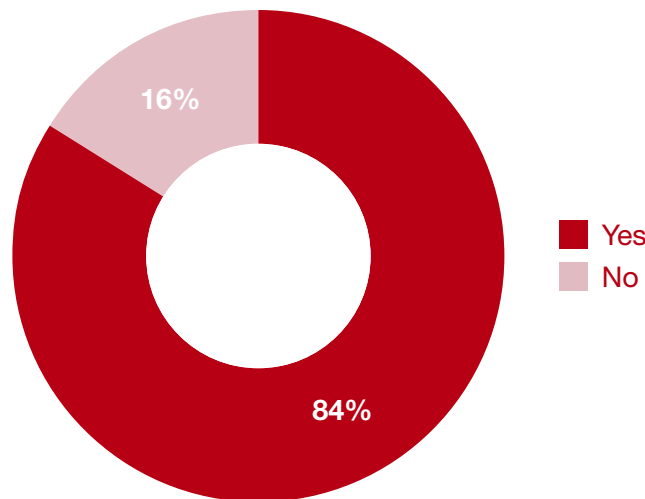
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Dental plan features

| Employer coinsurance | Diagnostic & preventive | Basic | Major |
|----------------------|-------------------------|------------|------------|
| 50% | 1% | 1% | 71% |
| 60% | 0% | 3% | 17% |
| 70% | 0% | 1% | 3% |
| 80% | | 73% | |
| 85% | 4% | 2% | 7% |
| 90% | 1% | 12% | 0% |
| 100% | 94% | 8% | 2% |
| Average | 99% | 82% | 55% |

Shaded most frequent

Orthodontic coverage



| Employee share of premium | Single | Family |
|---------------------------|------------|------------|
| 0%–9% | 13% | 6% |
| 10%–19% | 13% | 9% |
| 20%–29% | 17% | 20% |
| 30%–39% | 15% | 16% |
| 40%–49% | 8% | 10% |
| 50%–59% | 10% | 9% |
| 60%–69% | 5% | 6% |
| 70%–79% | 2% | 6% |
| 80%–89% | 2% | 3% |
| 90%–99% | 0% | 0% |
| 100% | 15% | 15% |
| Average | 42% | 47% |

Shaded most frequent

The most common dental plan design is **100%/80%/50%** plan coinsurance for preventive, basic, and major services

On average, employees pay **42%** of premium for single coverage and **47%** for family coverage

For the **84%** of participants who offer orthodontic coverage, the average coinsurance is **49%**, and the most common coinsurance is **50%**

15% of participants offer coverage on a fully contributory basis

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights



S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Annual gross/net dental spend for individual dental coverage by industry

Gross spend per active employee

| | Education & nonprofit | Financial services | Health industries | Manufacturing | Retail & consumer | Services | Technology | All participants |
|-----------------------------------|-----------------------|--------------------|-------------------|---------------|-------------------|--------------|--------------|------------------|
| <\$100 | 5% | 11% | 4% | 13% | 3% | 3% | 0% | 6% |
| \$100–\$199 | 5% | 4% | 8% | 3% | 6% | 3% | 0% | 5% |
| \$200–\$299 | 8% | 6% | 12% | 8% | 6% | 11% | 4% | 9% |
| \$300–\$399 | 11% | 19% | 38% | 28% | 43% | 19% | 11% | 24% |
| \$400–\$499 | 32% | 38% | 18% | 35% | 29% | 34% | 33% | 33% |
| \$500–\$599 | 26% | 16% | 12% | 11% | 3% | 19% | 26% | 15% |
| \$600+ | 13% | 6% | 8% | 2% | 10% | 11% | 26% | 8% |
| Average annual gross spend | \$441 | \$414 | \$387 | \$356 | \$393 | \$447 | \$523 | \$411 |
| Average annual net spend | \$327 | \$292 | \$223 | \$229 | \$253 | \$285 | \$333 | \$271 |

Shaded most frequent

The average annual gross spend for individual dental coverage varies by industry. Technology has the highest gross cost at **\$523**, and manufacturing has the lowest at **\$356**

Similarly, the average annual net spend for individual dental coverage varies by industry. Technology has the highest net cost at **\$333**, and health industries have the lowest at **\$223**

Annual gross spend decreased slightly (by 5%) from the prior year

Dental premium rates by coverage tier

| Tier/coverage level | Distribution percentage | Monthly dollars by percentile | | |
|---|-------------------------|-------------------------------|-------------|-------|
| | | 25th | 50th | 75th |
| 2-tier rates | | | | |
| Employee | 17% | \$28 | \$34 | \$39 |
| Family | | \$82 | \$101 | \$121 |
| 3-tier rates | | | | |
| Employee | 24% | \$27 | \$37 | \$45 |
| Employee + 1 | | \$55 | \$75 | \$89 |
| Employee + 2 or more | | \$91 | \$116 | \$138 |
| 4-tier rates | | | | |
| Employee | 55% | \$30 | \$35 | \$41 |
| Employee + spouse | | \$60 | \$73 | \$84 |
| Employee + children | | \$62 | \$75 | \$89 |
| Family | | \$95 | \$114 | \$131 |
| 5-tier rates | | | | |
| Employee | 4% | \$25 | \$33 | \$39 |
| Employee + spouse | | \$51 | \$76 | \$84 |
| Employee + child | | \$49 | \$64 | \$76 |
| Employee + children | | \$52 | \$76 | \$96 |
| Family | | \$77 | \$113 | \$116 |
| 2016: Average employee-only rate | | | \$34 | |
| 2015: Average employee-only rate | | | \$36 | |

Similar to medical, most participants offer 4-tier dental rates

The average monthly employee-only dental premium rate **decreased slightly** from the prior year



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

● ● ● ●

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact



← Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Detailed findings—Section 6: Wellness and disease management



Wellness and disease management programs

Participants offering wellness and disease management programs:

| | Wellness programs | | | | | Disease management programs | | | | |
|-------------------------|-------------------|------------|------------|------------|------------|-----------------------------|------------|------------|------------|------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2016 | 2015 | 2014 | 2013 | 2012 |
| <1,000 employees | 62% | 62% | 57% | 57% | 56% | 32% | 39% | 31% | 31% | 28% |
| 1,000–4,999 employees | 81% | 79% | 81% | 71% | 76% | 61% | 64% | 64% | 60% | 65% |
| 5,000+ employees | 89% | 84% | 83% | 85% | 85% | 80% | 76% | 79% | 75% | 81% |
| All participants | 76% | 73% | 71% | 68% | 72% | 56% | 57% | 53% | 49% | 58% |

As employer size increases, the percentage of participants offering wellness and disease management programs **increases**

Wellness programs are more popular than disease management programs and continue to grow in popularity among large and mid-size employers

Disease management programs became less popular for **all but large employers**

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Wellness and disease management program highlights

Wellness programs

76% of all survey participants and **89%** of large employers offer wellness programs

39% of large/mid-size employers and **28%** of small employers spend more than **1.0%** of total medical costs on wellness programs


30% of participants use their medical vendor for their wellness program, **27%** manage the program in-house, and **43%** use a different external vendor

Disease management programs

56% of all survey participants and **80%** of large employers offer disease management programs, although employee participation rates are low

84% of participants use their medical vendor for their disease management program, **4%** manage the program in-house, and **12%** use a different external vendor

51% of participants offer both wellness and disease management programs, while **19%** of participants offer neither

 Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management



S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Wellness and disease management programs offered

Percentage of employers offering the following wellness programs

| | 2016 | 2015 | 2014 |
|--|------|------|------|
| Employee assistance program | 93% | 90% | 85% |
| Health risk questionnaire | 80% | 80% | 76% |
| Biometric screening | 77% | 82% | 78% |
| Physical activity programs/fitness discounts | 73% | 61% | 58% |
| Tobacco cessation | 73% | 66% | 63% |
| Weight management | 64% | 59% | 53% |
| Body Mass Index (BMI) | 63% | 67% | 56% |
| Health coach | 61% | 57% | 53% |
| Stress management | 55% | 48% | 41% |
| Nutrition | 55% | 55% | 46% |
| On-site fitness | 53% | 47% | 42% |
| Financial well-being | 51% | - | - |
| Ergonomics | 38% | 37% | 30% |
| Executive health exam | 28% | 25% | 24% |
| Community well-being | 23% | - | - |
| On-site health clinic | 19% | 18% | 14% |

Participants could select more than one option.
Percentages out of total offering wellness programs.

The percentages of participants offering various disease management programs are similar to those in 2014, indicating that 2015 may have been an outlier

Compared to 2015, **more participants are offering wellness programs**, while the percentage of participants offering disease management remained roughly constant

Employee assistance programs (EAPs), health risk questionnaires, and biometric screening continue to be the top three wellness programs offered since 2014, and on-site health clinics continue to be the least popular

Percentage of employers offering the following disease management programs

| | 2016 | 2015 | 2014 |
|---------------------------------------|------|------|------|
| Diabetes | 73% | 93% | 72% |
| Cardiac | 58% | 76% | 56% |
| Asthma | 55% | 74% | 57% |
| Chronic obstructive pulmonary disease | 54% | 74% | 53% |
| Hypertension | 50% | 67% | 48% |
| Cancer | 47% | 62% | 42% |
| Depression | 34% | 48% | 34% |
| Lower back pain | 33% | 51% | 39% |

Participants could select more than one option.
Percentages out of total offering disease management.



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management



S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Wellness and disease management programs: incentives

| Incentives | Wellness | Disease management |
|---|----------|--------------------|
| No incentives offered | 10% | 64% |
| Cash/gift card <\$100 | 26% | 1% |
| Cash/gift card \$100–\$199 | 13% | 1% |
| Cash/gift card \$200–\$399 | 10% | 1% |
| Cash/gift card \$400+ | 5% | 1% |
| Annual premium surcharge for not participating | 5% | 1% |
| Annual premium incentive <\$100 | 3% | 0% |
| Annual premium incentive \$100–\$199 | 4% | 0% |
| Annual premium incentive \$200–\$299 | 5% | 0% |
| Annual premium incentive \$300–\$499 | 7% | 1% |
| Annual premium incentive \$500+ | 21% | 1% |
| Additional employer contribution into HSA/HRA/FSA <\$100 | 2% | 0% |
| Additional employer contribution into HSA/HRA/FSA \$100–\$199 | 3% | 1% |
| Additional employer contribution into HSA/HRA/FSA \$200–\$299 | 3% | 1% |
| Additional employer contribution into HSA/HRA/FSA \$300–\$499 | 3% | 1% |
| Additional employer contribution into HSA/HRA/FSA \$500+ | 10% | 0% |
| Deductible credits | 2% | N/A |
| Lower copay | N/A | 3% |
| Small gifts | 27% | 0% |
| Raffles for large gifts | 21% | 1% |
| Charitable donations | 4% | 0% |
| Additional time off | 4% | N/A |
| Other | 4% | 4% |

Shaded most frequent

Participants could select more than one option

90% of participants offer incentives for their wellness programs, and **36%** offer incentives for their disease management programs

More participants are offering disease management incentives than in 2015 (**36% vs. 18%**)



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management



S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

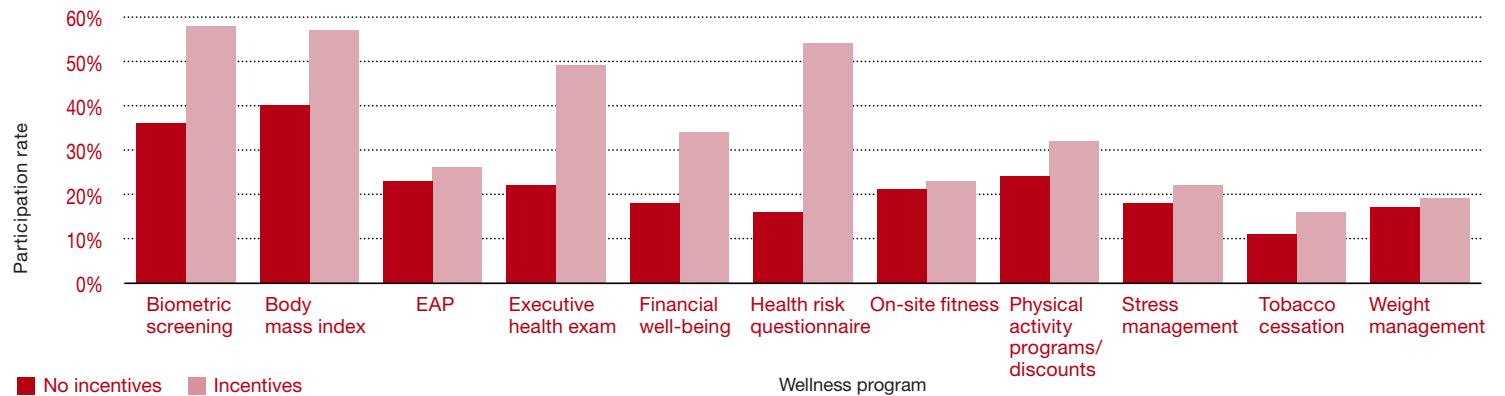
S11: Future solutions

Appendix

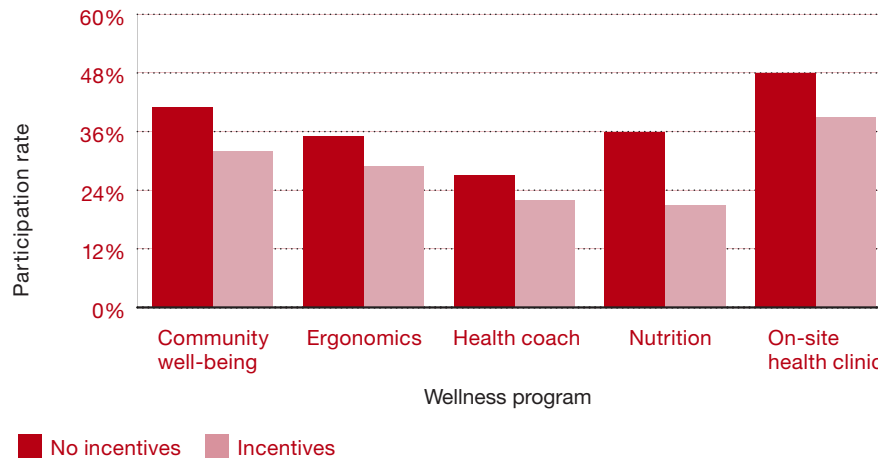
Contact

Wellness programs: incentives linked to participation rates

Incentives were most significantly linked to higher employee participation for Executive Health Exams, health risk questionnaires, and biometric screening



Incentives did not appear to affect employee participation in the following programs:



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management



S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

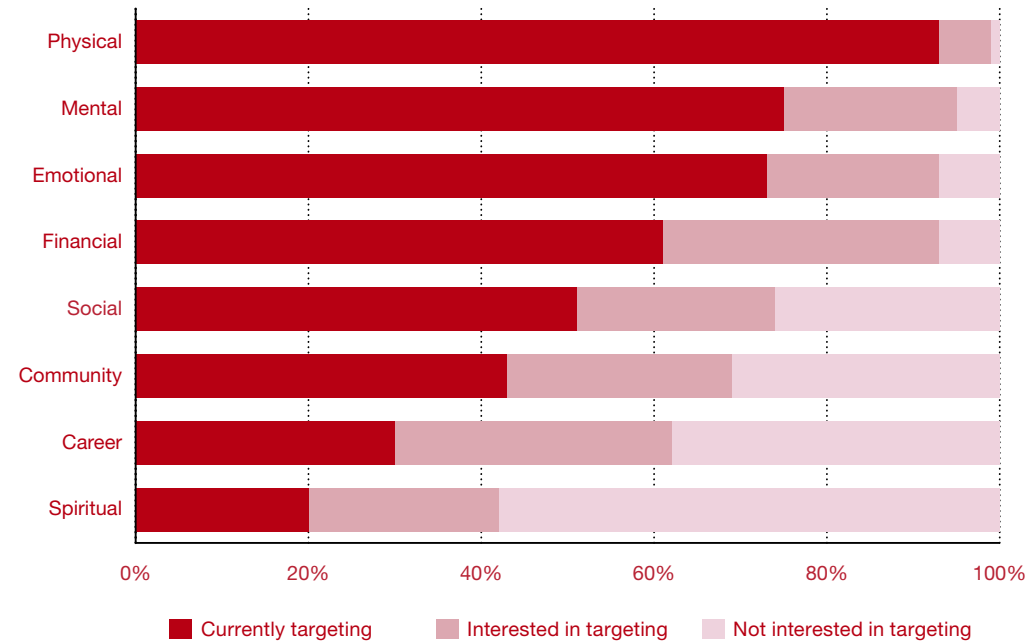
Appendix

Contact

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Wellness programs

Wellness program targeted dimensions



Wellness programs most commonly target physical, mental, and emotional dimensions

- More employers are targeting multiple dimensions than last year as employers try to engage employees

Competition and gamification and one-on-one coaching are common features of wellness programs, offered by **64%** and **62%** of participants, respectively

44% of participants are interested in offering user profiling and/or personalization to enhance their wellness programs

Employers are less interested in social sharing than in other program features

Wellness program features

| | Currently offering | Interested in offering | Not interested in offering |
|---------------------------------------|--------------------|------------------------|----------------------------|
| Activity tracking devices | 53% | 31% | 16% |
| Competition/gamification | 64% | 25% | 11% |
| Feedback loops | 40% | 36% | 24% |
| Mobile apps or user interface | 56% | 35% | 9% |
| One-on-one coaching | 62% | 21% | 17% |
| Social sharing | 33% | 35% | 32% |
| User profiling and/or personalization | 27% | 44% | 29% |

Shaded most frequent

Wellness and disease management programs value

Wellness programs

| | Most valuable | 2nd most valuable | 3rd most valuable |
|---|---------------|-------------------|-------------------|
| Biometric screening | 49% | 16% | 5% |
| Body Mass Index (BMI) | 1% | 7% | 2% |
| Community well-being | 2% | 1% | 4% |
| Employee assistance program (EAP) | 10% | 11% | 16% |
| Ergonomics | 1% | 1% | 1% |
| Executive health exam | 1% | 1% | 1% |
| Financial well-being | 2% | 6% | 5% |
| Health coach | 2% | 6% | 8% |
| Health risk questionnaire | 5% | 21% | 12% |
| Nutrition | 1% | 1% | 4% |
| On-site fitness | 7% | 5% | 8% |
| On-site health clinic | 5% | 2% | 3% |
| Physical activity program/fitness discounts | 8% | 12% | 11% |
| Stress management | 1% | 3% | 3% |
| Tobacco cessation | 1% | 3% | 8% |
| Weight management | 2% | 3% | 8% |

Shaded most frequent

Responses of "Other" are not shown above

Disease management programs

| | Most valuable | 2nd most valuable | 3rd most valuable |
|--|---------------|-------------------|-------------------|
| Asthma | 4% | 11% | 16% |
| Cancer | 14% | 11% | 11% |
| Cardiac | 6% | 17% | 22% |
| Chronic obstructive pulmonary disease (COPD) | 3% | 4% | 13% |
| Depression | 4% | 5% | 5% |
| Diabetes | 54% | 26% | 9% |
| Hypertension | 11% | 19% | 14% |
| Lower back pain | 1% | 6% | 8% |

Shaded most frequent

Responses of "Other" are not shown above

49%

of participants consider biometric screening the most valuable wellness program they offer, followed by the health risk questionnaire and the EAP

Participants ranked their diabetes program as the most and second most valuable disease management program offered, followed by their cardiac program



← Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management



S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

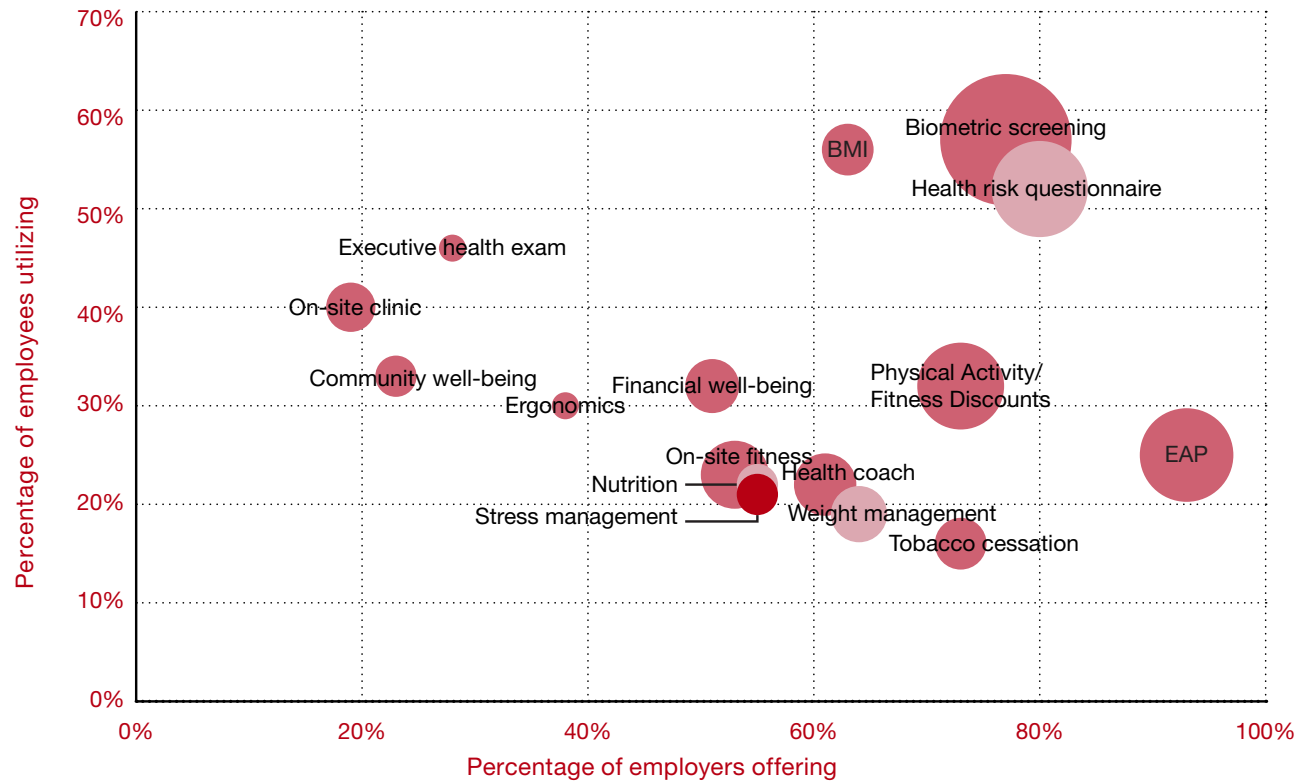
S11: Future solutions

Appendix

Contact

Wellness program value

Wellness program offerings, utilization, and value



Bubble size represents the percentage of employers who selected the program as one of their top three most valuable

71% of employers consider biometric screening one of their top three most valuable wellness programs, followed by the health risk questionnaire (**38%**) and the EAP (**36%**)

Biometric screening and health risk questionnaires are also among the programs most utilized by employees

On-site fitness is **highly valued by employers**, but physical activity programs/fitness discounts are similarly valued and more highly utilized

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

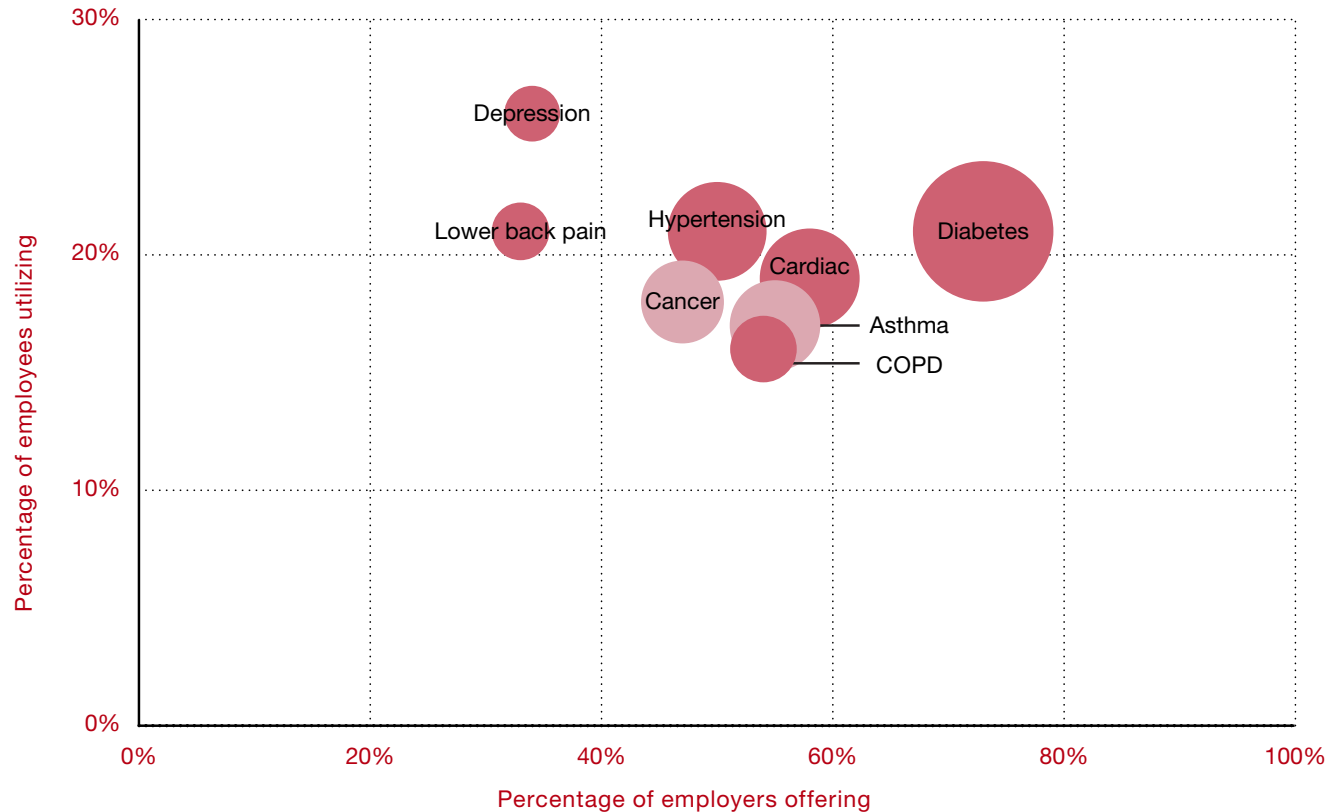
S11: Future solutions

Appendix

Contact

Disease management program value

Disease management program, utilization, and value



Bubble size represents the percentage of employers who selected the program as one of their top three most valuable

89% of employers consider diabetes to be the one of their top three most valuable disease management programs, followed by the cardiac (45%) and hypertension programs (44%)

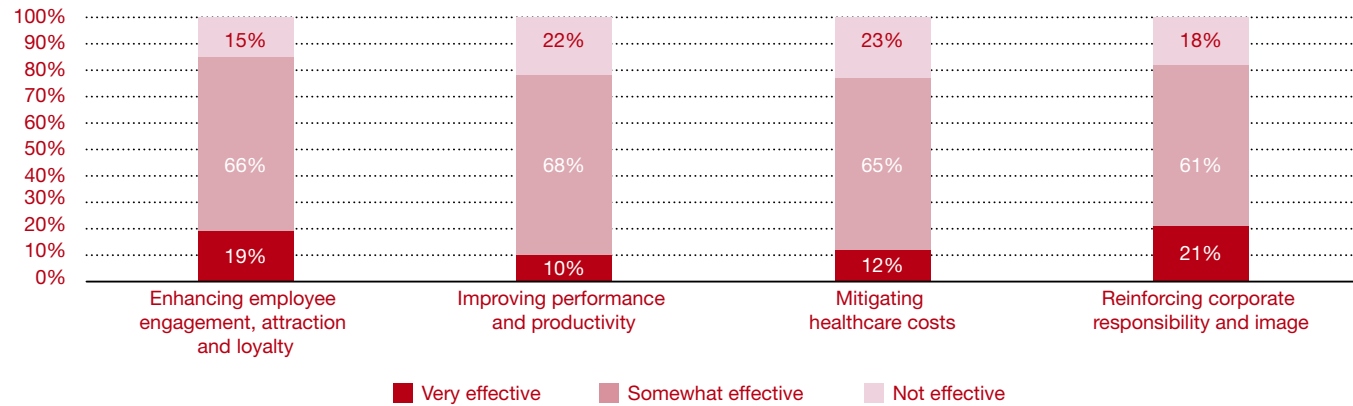
Diabetes is the most valued program by employers, is widely offered by employers, and is more highly utilized than many other programs

Depression is the most utilized by employees, but only **34%** of employers offer this program

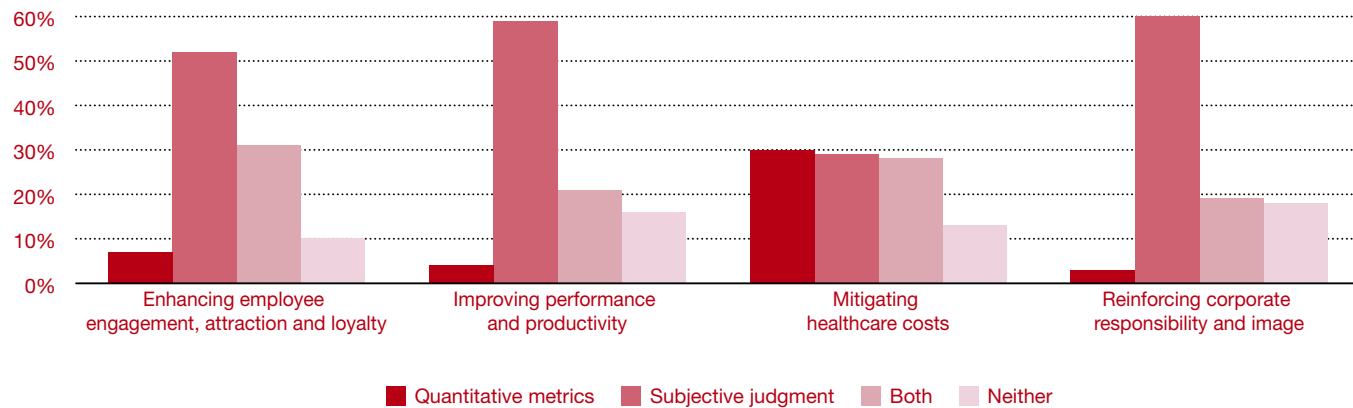
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Wellness program effectiveness

How effective are your wellness programs at...



How do you gauge the effectiveness of your wellness programs at...



Overall, participants believe their wellness programs are **effective** in various ways

Participants most frequently use **quantitative metrics** to measure effectiveness at mitigating healthcare costs. To assess performance of wellness programs against other objectives, participants rely on **subjective judgment**

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

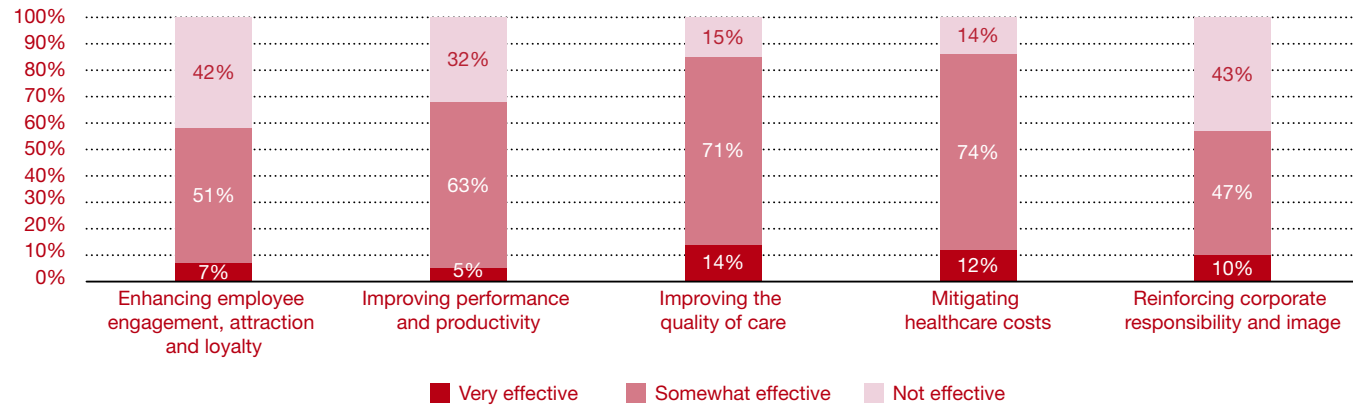
S11: Future solutions

Appendix

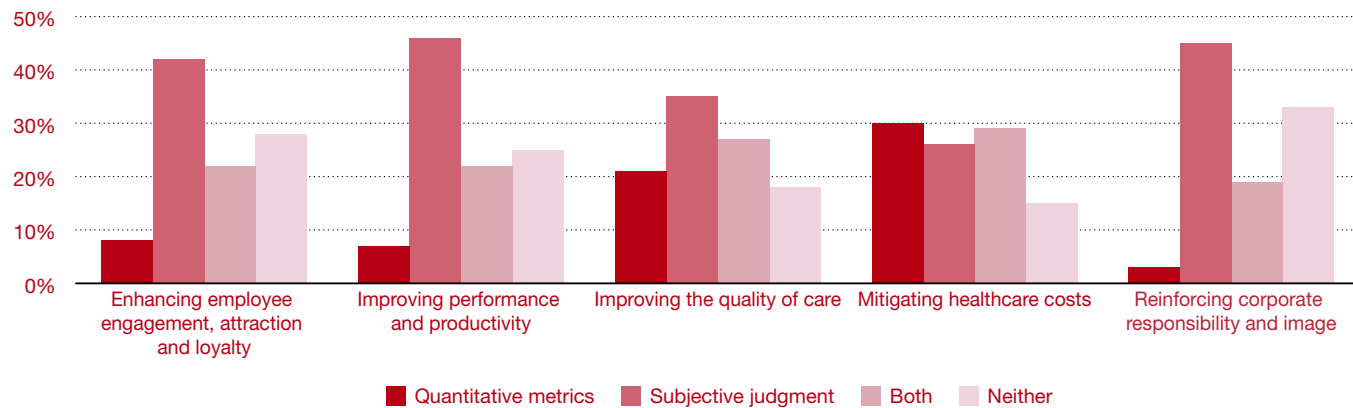
Contact

Disease management program effectiveness

How effective are your disease management programs at...



How do you gauge the effectiveness of your disease management programs at...



Participants mainly use **subjective judgment** to gauge the effectiveness of their disease management programs

While overall, participants view disease management programs as somewhat effective, **perceptions of effectiveness have risen since 2015** with regard to mitigating healthcare costs, improving the quality of care, and improving performance and productivity

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

ROI from wellness and disease management programs

Return On Investment (ROI)

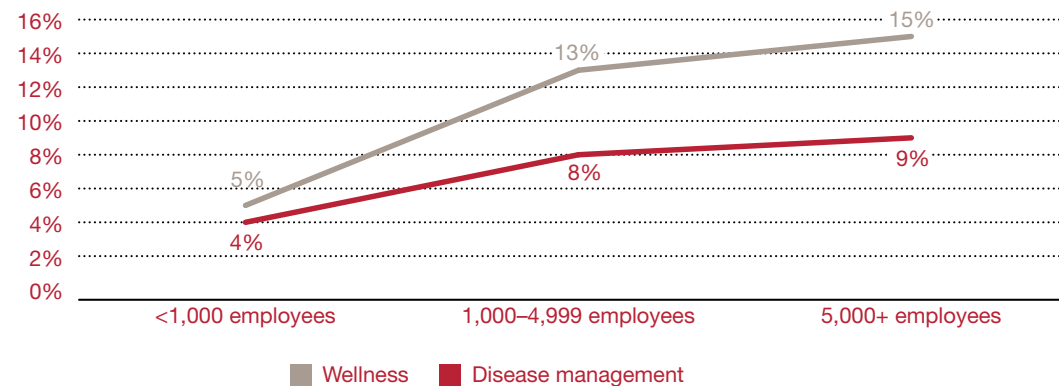
| | Wellness | Disease management |
|--|----------|--------------------|
| Do not measure | 47% | 49% |
| Insufficient information provided to calculate ROI | 42% | 44% |
| Below 1 to 1 | 1% | 1% |
| 1 to 1 | 3% | 1% |
| 2 to 1 | 4% | 3% |
| 3 to 1 | 2% | 1% |
| 4 to 1 or more | 1% | 1% |

Shaded most frequent

Only **11%** of participants measure ROI for wellness programs, and **7%** for disease management programs

Of those who measure ROI, **91%** find positive ROI for wellness and **86%** for disease management

Participants measuring ROI by employer size



The likelihood that an employer measures ROI increases with size

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact



← Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Detailed findings—Section 7: Welfare benefits



Click to return to
the table of contentsClick the topics below
to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan
design highlightsS5: Dental plan
design highlightsS6: Wellness and
disease management

S7: Welfare benefits



S8: Retiree medical

S9: Retirement plans

S10: Health reform–
Affordable Care Act
(ACA)

S11: Future solutions

Appendix

Contact

Welfare benefit programs

| | Employer pays all | Employer subsidized | Voluntary | 2016 Percentage offering | 2015 Percentage offering |
|---|----------------------|------------------------|-----------|--------------------------------|--------------------------------|
| Dental | 8% | 78% | 15% | 93% | 99% |
| Life insurance | 75% | 21% | 33% | 93% | 97% |
| Accidental Death And Dismemberment Insurance (AD&D) | 73% | 11% | 30% | 91% | 95% |
| Long-term disability | 71% | 18% | 22% | 89% | 95% |
| Vision | 10% | 42% | 49% | 89% | 90% |
| Short-term disability | 75% | 10% | 19% | 88% | 93% |
| Dependent life | 10% | 7% | 86% | 84% | 87% |
| Business travel accident | 91% | 3% | 7% | 55% | 61% |
| Accident insurance | 29% | 4% | 68% | 45% | 44% |
| Critical illness insurance | 5% | 6% | 89% | 40% | 38% |
| Legal insurance | 2% | 7% | 91% | 34% | 34% |
| Identity theft protection | 21% | 5% | 75% | 30% | 26% |
| Auto insurance | 7% | 3% | 91% | 29% | 29% |
| Long-term care insurance | 7% | 7% | 86% | 29% | 34% |
| Homeowners insurance | 0% | 4% | 96% | 26% | 26% |
| Hospital indemnity | 4% | 20% | 76% | 24% | 20% |
| Pet insurance | 1% | 2% | 97% | 24% | 24% |
| Personal excess liability insurance | 19% | 5% | 78% | 11% | 10% |

Shaded most frequent

Participants could select more than one option.

Traditional benefit programs, such as **dental, life, disability, and vision**, continue to be common, but new programs, predominately on a voluntary basis, are becoming more prevalent as well

23% of participants offer both basic life insurance as an employer-pays-all benefit and supplemental life insurance as a voluntary benefit

11% of participants offer both basic AD&D as an employer-pays-all benefit and supplemental AD&D as a voluntary benefit

More than **85%** of participants offer AD&D, dental, life insurance, long- and short- term disability, or vision



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

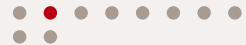
S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits



S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

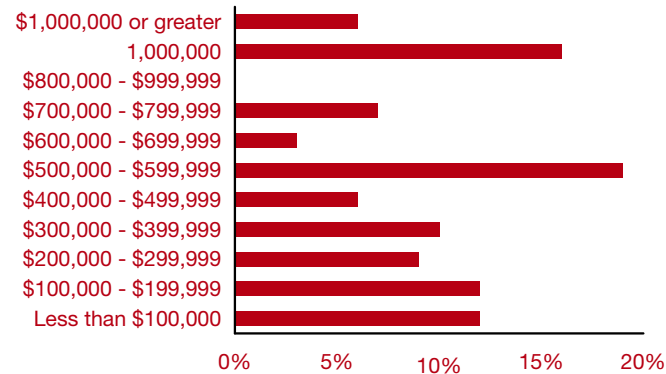
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Basic life insurance

New to survey

Basic Life Insurance Maximum



On average, employers provide **1.7** times salary or a **\$35,148** flat dollar amount as basic life insurance to employees

Almost half of participants who offer life insurance as a multiple of salary offer **1 times salary** as the basic benefit. **44%** of participants who offer life insurance as a flat dollar amount offer **\$50,000–\$74,999** as the basic benefit, and **38%** offer less than **\$25,000**

Most employers' basic life insurance benefits have a **\$500,000–\$599,999 maximum**

| Multiple of salary | 2016 |
|--------------------|------------------|
| <1 times | 0% |
| 1 times | 47% |
| 1.1–1.4 times | 0% |
| 1.5–1.9 times | 10% |
| 2–2.4 times | 31% |
| 2.5–2.9 times | 2% |
| 3–3.4 times | 6% |
| 3.5–3.9 times | 0% |
| 4+ times | 4% |
| Average | 1.7 times |

Shaded most frequent

| Flat dollar amount | 2016 |
|--------------------|-----------------|
| <\$25,000 | 38% |
| \$25,000–\$49,999 | 13% |
| \$50,000–\$74,999 | 44% |
| \$75,000–\$99,999 | 1% |
| \$100,000+ | 4% |
| Average | \$35,148 |

Shaded most frequent

Short-term disability benefits



New to survey

| Percentage of earnings | 2016 (weekly) |
|------------------------|---------------|
| <60% | 8% |
| 60% | 46% |
| 61%–69% | 14% |
| 70%–79% | 11% |
| 80%–99% | 2% |
| 100% | 19% |
| Average | 69% |

| Elimination period | 2016 |
|--------------------|----------------|
| <5 days | 4% |
| 5–6 days | 17% |
| 7 days | 51% |
| 8–9 days | 5% |
| 10–14 days | 14% |
| 15–29 days | 3% |
| 30–34 days | 2% |
| 35+ days | 4% |
| Average | 14 days |

| Maximum coverage period | 2016 |
|-------------------------|-----------------|
| <10 weeks | 5% |
| 10–19 weeks | 34% |
| 20–29 weeks | 59% |
| 30–49 weeks | 1% |
| 50–69 weeks | 1% |
| 70+ weeks | 0% |
| Average | 21 weeks |

The most common short-term disability benefit pays **60%** of weekly earnings with a **7-day** elimination period and a **20–29 week maximum coverage period**

 Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits



S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Long-term disability benefits



Click to return to the table of contents

Click the topics below to view findings

Overview

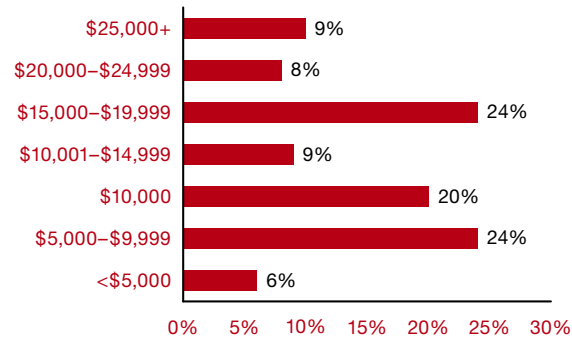
Detailed findings

- S3: Medical plan costs
- S4: Medical plan design highlights
- S5: Dental plan design highlights
- S6: Wellness and disease management
- S7: Welfare benefits**
- S8: Retiree medical
- S9: Retirement plans
- S10: Health reform—Affordable Care Act (ACA)
- S11: Future solutions

Appendix

Contact

Maximum monthly benefit for long-term disability



The most popular long-term disability benefit pays **60%** of monthly earnings with a **180-day** (roughly 6 months or 24 weeks) elimination period

The average monthly maximum benefit for long-term disability is **\$13,176** and the most common is **\$10,000**

| Percentage of monthly earnings | 2016 |
|--------------------------------|------------|
| <60% | 19% |
| 60% | 70% |
| 61%–69% | 9% |
| 70%+ | 2% |
| Average | 59% |

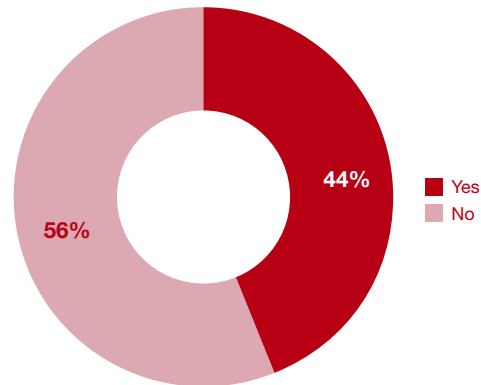
| Elimination period | 2016 |
|--------------------|-----------------|
| <90 days | 4% |
| 90 days | 32% |
| 91–179 days | 5% |
| 180 days | 53% |
| 181+ days | 6% |
| Average | 144 days |

| Maximum coverage period | 2016 |
|-------------------------|------------------|
| <20 weeks | 10% |
| 20–39 weeks | 21% |
| 40–59 weeks | 14% |
| 60–99 weeks | 7% |
| 100–120 weeks | 21% |
| 120+ weeks | 27% |
| Average | 152 weeks |

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Paid Time Off (PTO) policies

Do you provide an integrated sick/vacation day benefit (PTO bank or allotment)?



Number of PTO days offered



| Average | 5+ years tenure | New hire |
|----------|-----------------|----------|
| PTO days | 22 days | 17 days |

| When do employees accrue PTO days? | 2016 | 2015 |
|--|------|------|
| Date of hire | 75% | 83% |
| 1st of the month following date of hire* | 6% | - |
| 1 month* | 3% | - |
| 3 months | 6% | 8% |
| 6 months | 2% | 2% |
| 1 year | 0% | 2% |
| Other | 8% | 5% |

Shaded most frequent

*Not a survey response option in prior years

On average, large employers offer **18 days** to new hires vs. small employers who offer **16 days**

32% of participants permit conversion of unused PTO days into cash

38% of participants allow employees to carryover PTO days and employees may carry **14 days** on average

76% of participants say PTO days vary by tenure, **45%** by level and **64%** by hours worked

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

[Click to return to the table of contents](#)

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits



S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

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PTO by employer size

Do you offer PTO that employees can use to address family needs in addition to family medical leave of absence?

| | <1,000 employees | 1,000–4,999 employees | 5,000+ employees | 2016 | 2015 |
|---------------------------------------|------------------|-----------------------|------------------|------|------|
| Bereavement | 81% | 91% | 86% | 84% | 85% |
| Jury duty | 81% | 89% | 87% | 84% | 85% |
| Military leave | 60% | 72% | 73% | 67% | 45% |
| Maternity leave | 64% | 73% | 63% | 66% | 44% |
| Paternity leave | 61% | 67% | 56% | 60% | 32% |
| Adoption leave (placement of a child) | 60% | 61% | 55% | 57% | 29% |
| Personal days | 57% | 56% | 56% | 55% | 31% |
| Community Service/volunteer | 54% | 53% | 51% | 52% | 25% |
| Family illness | 53% | 53% | 49% | 51% | 18% |
| Exam days/study days | 48% | 42% | 37% | 42% | 6% |
| Sabbatical leave | 35% | 37% | 41% | 38% | 7% |
| Not available/not offering | 10% | 3% | 3% | 7% | 8% |

Participants could select more than one option

7% of participants do not offer additional time off to address family needs/other personal needs, compared to **8%** last year and **9%** in 2014, reflecting a trend that more participants are offering PTO benefits

The prevalence of paid time off for personal needs is clearly growing, and becoming main stream



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

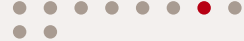
S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits



S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

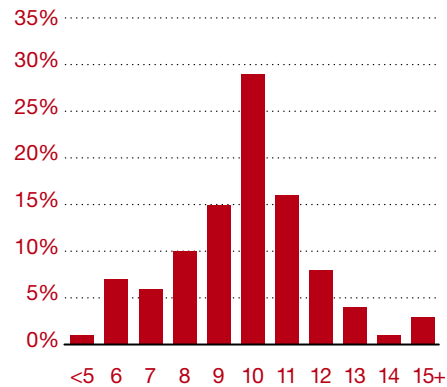
Appendix

Contact

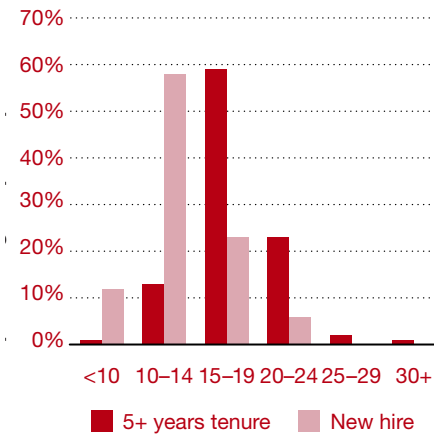
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PTO policies

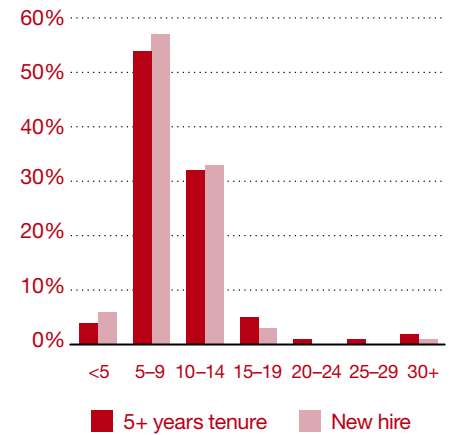
Paid holidays



Number of vacation days



Number of sick days



40% of participants allow employees to carry over vacation days
 Employees may carry over **10 vacation days**, on average

70% of participants provide vacation days to employees starting on their date of hire

Most participants vary vacation and sick days based on the number of hours worked

| Average | 5+ years tenure | New hire |
|---------------|-----------------|----------|
| Holidays | 10 days | |
| Vacation days | 16 days | 11 days |
| Sick days | 9 days | 8 days |

| Sick/vacation policies vary by: | Vacation | Sick |
|--|----------|------|
| Tenure | 87% | 22% |
| Level | 45% | 21% |
| Hours worked (full-time vs. part-time) | 68% | 62% |

Shaded most frequent



← Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

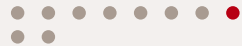
S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits



S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Work-life programs

Participants sponsor the following work-life programs:

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|------------------------|------|------|------|------|------|
| Flexible work schedule | 50% | 57% | 49% | 36% | 46% |
| Telecommuting | 47% | 51% | 45% | 43% | 55% |
| Parental leave | 25% | 18% | 28% | 25% | 36% |
| Reduced hours | 24% | 25% | 21% | 23% | 31% |
| Community service time | 20% | 21% | 21% | 19% | 26% |
| Childcare | 13% | 13% | 14% | 13% | 25% |
| Job share | 8% | 10% | 9% | 8% | 14% |
| Adult leave/care* | 7% | 8% | 17% | 17% | 16% |
| Sabbatical* | 6% | - | - | - | - |
| Concierge service | 5% | 5% | 9% | 5% | 8% |
| Other | 1% | 0% | 1% | 2% | 4% |

Shaded most frequent

*Not a survey response option in prior years

Participants could select more than one option

Since 2014, **flexible work schedules** remain the most frequently offered work-life program, followed by **telecommuting**

There is a **decrease** in the percentage of participants offering flexible work and telecommuting but an **increase** in parental leave. This change could reflect a change in the industry and size mix of the respondents compared to the prior year

Work-life programs by employer size

The availability of work-life programs increases as employer size increases

| | 2016 | | | 2015 | | |
|------------------------|------------------|-----------------------|------------------|------------------|-----------------------|------------------|
| | <1,000 employees | 1,000–4,999 employees | 5,000+ employees | <1,000 employees | 1,000–4,999 employees | 5,000+ employees |
| Flexible work schedule | 44% | 56% | 59% | 55% | 55% | 63% |
| Telecommuting | 38% | 49% | 61% | 44% | 48% | 64% |
| Parental leave | 18% | 32% | 27% | 15% | 20% | 19% |
| Reduced hours | 26% | 25% | 23% | 21% | 29% | 27% |
| Community service time | 19% | 19% | 23% | 17% | 20% | 27% |
| Childcare | 6% | 16% | 23% | 6% | 15% | 24% |
| Job share | 6% | 3% | 17% | 3% | 10% | 21% |
| Adult leave/care | 5% | 9% | 10% | 5% | 9% | 11% |
| Sabbatical* | 1% | 8% | 9% | – | – | – |
| Concierge service | 3% | 6% | 8% | 3% | 7% | 8% |

Shaded most frequent

*Not a survey response option in prior years

Participants could select more than one option

Large employers are more likely than small employers to offer many of the work-life programs



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits



S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

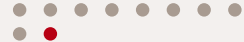
S11: Future solutions

Appendix

Contact

[Click to return to the table of contents](#)

Click the topics below to view findings

[Overview](#)[Detailed findings](#)[S3: Medical plan costs](#)[S4: Medical plan design highlights](#)[S5: Dental plan design highlights](#)[S6: Wellness and disease management](#)[S7: Welfare benefits](#)[S8: Retiree medical](#)[S9: Retirement plans](#)[S10: Health reform—Affordable Care Act \(ACA\)](#)[S11: Future solutions](#)[Appendix](#)[Contact](#)

Work-life programs by industry

Availability of work-life programs by industry:

| | Education & nonprofit | Financial services | Health industries | Manufacturing | Retail & consumer | Services | Technology | All participants |
|------------------------|-----------------------|--------------------|-------------------|---------------|-------------------|----------|------------|------------------|
| Flexible work schedule | 59% | 53% | 47% | 35% | 51% | 65% | 53% | 50% |
| Telecommuting | 41% | 48% | 44% | 32% | 51% | 69% | 61% | 47% |
| Parental leave | 31% | 30% | 19% | 11% | 16% | 52% | 45% | 25% |
| Reduced hours | 29% | 29% | 25% | 9% | 22% | 52% | 26% | 24% |
| Community service time | 20% | 35% | 16% | 9% | 24% | 21% | 26% | 20% |
| Childcare | 12% | 12% | 28% | 3% | 10% | 29% | 13% | 13% |
| Job share | 6% | 8% | 15% | 2% | 6% | 6% | 5% | 8% |
| Adult leave/care | 10% | 8% | 12% | 2% | 8% | 8% | 13% | 7% |
| Sabbatical | 8% | 5% | 1% | 1% | 18% | 8% | 3% | 6% |
| Concierge service | 2% | 7% | 9% | 1% | 4% | 8% | 8% | 5% |
| Other | 0% | 0% | 0% | 2% | 2% | 2% | 3% | 1% |

Shaded most frequent

Participants could select more than one option

The services and technology industries offer more work-life programs, while the health and manufacturing industries offer fewer programs compared to all industries



← Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Detailed findings—**Section 8: Retiree medical**



Retiree medical programs for current retirees

| Participants offering pre-65 retiree medical programs to current retirees | 2016 | 2015 | 2014 |
|--|------|------|------|
| Do not offer any pre-65 retiree medical | 64% | 61% | 62% |
| Pre-65 retiree medical, access only | 13% | 17% | 14% |
| Pre-65 retiree medical, company subsidized | 12% | 13% | 14% |
| Pre-65 retiree medical to grandfathered groups only, company subsidized | 13% | 13% | 10% |
| Participants offering post-65 retiree medical programs to current retirees | 2016 | 2015 | 2014 |
| Do not offer any post-65 retiree medical | 70% | 69% | 69% |
| Post-65 retiree medical, access only | 10% | 10% | 10% |
| Post-65 retiree medical, company subsidized | 9% | 9% | 10% |
| Post-65 retiree medical to grandfathered groups only, company subsidized | 14% | 15% | 11% |

Shaded most frequent

Participants could select more than one option

The percentage of participants offering post-65 retiree coverage has been relatively stable, but fewer participants are offering pre-65 coverage options



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical



S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Retiree medical programs for new hires

Almost half of employers offering pre-65 and more than half offering post-65 retiree medical programs do not offer them to new hires:

| Pre-65 retiree medical programs for new hires | <1,000 employees | 1,000–4,999 employees | 5,000+ employees | 2016 | 2015 | 2014 |
|---|------------------|-----------------------|------------------|------|------|------|
| Do not offer any pre-65 retiree medical to new hire | 57% | 47% | 39% | 48% | 47% | 42% |
| Pre-65 retiree medical, access only | 20% | 25% | 42% | 30% | 33% | 37% |
| Pre-65 retiree medical, company subsidized | 23% | 27% | 22% | 23% | 21% | 23% |
| Post-65 retiree medical programs for new hires | <1,000 employees | 1,000–4,999 employees | 5,000+ employees | 2016 | 2015 | 2014 |
| Do not offer any post-65 retiree medical to new hires | 68% | 50% | 49% | 56% | 57% | 48% |
| Post-65 retiree medical, access only | 13% | 25% | 32% | 25% | 25% | 32% |
| Post-65 retiree medical, company subsidized | 21% | 25% | 19% | 20% | 18% | 22% |

Shaded most frequent

Participants could select more than one option

As employer size increases, the likelihood of offering coverage to new hires increases

The percentage of participants offering pre-65 and post-65 retiree medical programs to new hires has **decreased from 2014** and is somewhat consistent with 2015

Of the **36%** of participants who currently offer pre-65 plans to their retirees, **53%** offer these plans to new hires as well

Of the **30%** of participants who currently offer post-65 plans to their retirees, **45%** offer these plans to new hires as well



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical



S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Pre- and post-65 retiree medical highlights

Pre-65

Among employers who offer pre-65 retiree medical,

79% offer the benefit with self-insured group coverage

73% of those who offer pre-65 benefits offer the same medical coverage options as those available to their active employees

Consistent with 2015,

44% of participants use a blend of active and retiree cost levels to develop premium rates and **56%** use pre-65 retiree specific cost levels

Post-65

| Medical coverage offered | 2016 | 2015 |
|---|------|------|
| Individual insurance policies selected by retiree (exchange solution) | 29% | 20% |
| Traditional Medicare integration plan | 22% | 28% |
| Medicare supplemental plan | 41% | 47% |
| Medicare Advantage plan | 21% | 23% |

Participants could select more than one option

| Prescription drug coverage offered | 2016 | 2015 |
|---|------|------|
| Individual Part D plans selected by retiree (exchange solution) | 31% | 33% |
| Commercial drug plan with Retiree Drug Subsidy (RDS) | 33% | 34% |
| Self-insured Employee Group Waiver Plan (EGWP) | 30% | 26% |
| Fully-insured Employee Group Waiver Plan (EGWP) | 14% | 13% |

Participants could select more than one option

← Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

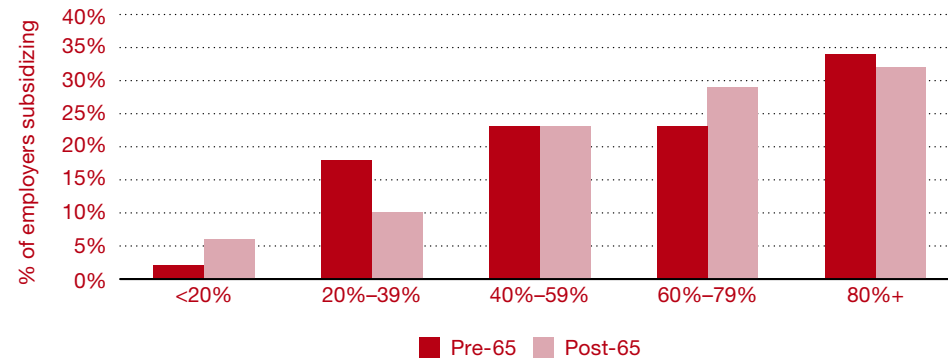
S11: Future solutions

Appendix

Contact

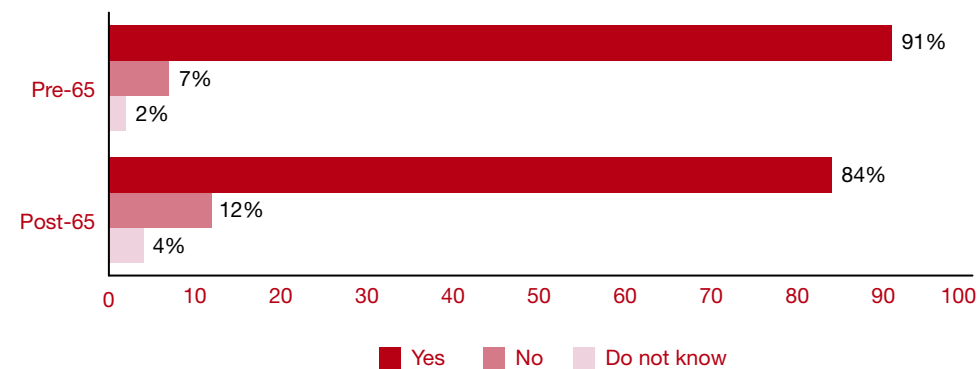
Retiree medical programs

Percent that employers subsidize for retiree medical coverage:



Participating employers subsidize a greater percentage of retiree medical coverage than last year. On average, employers subsidize **62%** of pre-65 coverage, compared to **58%** in 2015, and **64%** of post-65 coverage, compared to **62%** in 2015

Do you allow coverage for dependents in your pre- or post-65 retiree medical plan?



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Retiree medical future solutions

What participants are considering over the next three years regarding their retiree medical plans:

| Pre-65 retiree | Already implemented | Under consideration | Not under consideration |
|--|---------------------|---------------------|-------------------------|
| Continue to sponsor coverage but increase retiree cost-sharing or contributions | 34% | 34% | 32% |
| Implement dollar caps for company subsidies for some/all retirees | 28% | 19% | 53% |
| Keep current benefits and contribution rates | 26% | 40% | 34% |
| Move retirees to a private exchange or public exchange with a company subsidy | 2% | 49% | 49% |
| Move retirees to a private exchange or public exchange without a company subsidy | 1% | 35% | 64% |
| Terminate coverage | 2% | 20% | 78% |
| Post-65 retiree | Already implemented | Under consideration | Not under consideration |
| Continue to sponsor coverage but increase retiree cost-sharing or contributions | 32% | 28% | 40% |
| Implement a Medicare Advantage Plan | 24% | 18% | 58% |
| Implement dollar caps for company subsidies for some/all retirees | 26% | 20% | 54% |
| Implement employer group waiver plan (EGWP) | 19% | 18% | 63% |
| Keep current benefits and contribution rates | 24% | 43% | 33% |
| Move retirees to a private exchange with a company subsidy | 20% | 35% | 45% |
| Move retirees to a private exchange without a company subsidy | 9% | 32% | 59% |
| Terminate coverage | 3% | 22% | 75% |

Shaded most frequent

29% of participants have already moved their post-65 retirees to a private exchange with or without a subsidy, and more than **30%** are considering doing so

Many participants have continued to sponsor pre-65 coverage but increased retiree cost-sharing or contributions compared to the prior year (**34% in 2016 vs. 13% in 2015**)



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical



S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact



← Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Detailed findings—**Section 9: Retirement plans**



This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Employer-provided retirement programs

401(k) and 403(b) plans are the most common retirement programs sponsored by participants

Type of employer-provided retirement programs

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|------|------|------|------|------|
| 401(k) (or 403(b)) defined contribution plan | 91% | 95% | 92% | 96% | 95% |
| 457 plan | 10% | 9% | 11% | – | – |
| Defined benefit | 21% | 25% | 25% | 26% | 33% |
| Employee Stock Ownership Plan (ESOP)* | 10% | 9% | 8% | – | – |
| Profit sharing plan* | 17% | 15% | 19% | – | – |
| Other | 5% | 7% | 7% | 13% | 12% |
| None* | 4% | 2% | 2% | 2% | – |

Shaded most frequent

*Not a survey response option in prior years

Participants could select more than one option

19% of small employers offer a profit sharing plan, compared to only **12%** of large employers

The number of employers offering defined benefit plans continues to **decrease**, but the percentage of large employers offering defined benefit plans is **3 times more** than small employers

Defined contribution plans, such as 401(k)s, continue to be the most prevalent choice for employers



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans



S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Employer-provided retirement programs by industry

Type of employer-provided retirement programs sponsored

| | Education & nonprofit | Financial services | Health industries | Manufacturing | Retail & consumer | Services | Technology |
|--|-----------------------|--------------------|-------------------|---------------|-------------------|----------|------------|
| 401(k) (or 403(b)) defined contribution plan | 92% | 92% | 96% | 86% | 98% | 96% | 97% |
| 457 plan | 25% | 2% | 39% | 0% | 0% | 4% | 5% |
| Defined benefit | 28% | 26% | 28% | 15% | 11% | 15% | 5% |
| Employee Stock Ownership Plan (ESOP) | 0% | 12% | 6% | 12% | 5% | 8% | 11% |
| Profit sharing plan | 6% | 19% | 7% | 19% | 13% | 38% | 13% |
| Other | 4% | 6% | 7% | 1% | 4% | 6% | 0% |
| None | 0% | 2% | 1% | 8% | 2% | 2% | 3% |

Shaded most frequent

Participants could select more than one option

401(k) plans are the **most popular** retirement plan sponsored in each industry, with very few participants offering no retirement programs

Certain programs are industry specific: **457 plans** are more prevalent in not-for profits and health industries, while **profit sharing plans** are common in services (often professional firms) and other for-profit companies (financial services)



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Defined benefit plans

If offered, defined benefit plans are:

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|------|------|------|------|------|
| Open to all employees | 48% | 46% | 61% | 52% | 53% |
| Open to employees hired before a certain date | 31% | 30% | 18% | 28% | 30% |
| Frozen to all accruals | 21% | 24% | 21% | 20% | 17% |

Shaded most frequent

If offered, defined benefit plan's funded status percentage

| | 2016 | 2015 | 2014 | 2013 |
|-----------|------|------|------|------|
| <70% | 7% | 5% | 12% | 5% |
| 70%–79.9% | 4% | 4% | 8% | 11% |
| 80%–89.9% | 20% | 24% | 25% | 38% |
| 90%–99.9% | 28% | 27% | 23% | 16% |
| 100%+ | 41% | 40% | 32% | 30% |

Shaded most frequent

The percentage of defined benefit plans that are frozen to all accruals has increased since 2012

69% of participants in 2016 maintain a funded status percentage of **90%** or above, slightly up from **67%** in 2015

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Defined benefit plans

Of those participants sponsoring defined benefit plans, the following types are offered with their respective accrual rate:

| Type | | 2016 | 2015 | 2014 | 2013 |
|--|------------|-----------|-----------|-----------|-----------|
| Hybrid/cash balance (% comp) | % offering | 29% | 26% | 25% | 31% |
| | Mode | 6.0%+ | 6.0%+ | 6.0%+ | 6.0%+ |
| Dollar times service (per month) | % offering | 13% | 16% | 18% | 7% |
| | Mode | \$20–\$39 | \$20–\$39 | \$20–\$39 | \$20–\$39 |
| Final average earning (% per year of service) | % offering | 44% | 36% | 35% | 52% |
| | Mode | 1.0%–1.9% | 1.0%–1.9% | 1.0%–1.9% | 1.0%–1.9% |
| Career average earning (% per year of service) | % offering | 14% | 22% | 22% | 20% |
| | Mode | 1.0%–1.9% | 1.0%–1.9% | 1.0%–1.9% | 1.0%–1.9% |

21% of participants offer a defined benefit plan, compared to **25%** in 2015

Among participants who offer a defined benefit plan, the percentage offering dollar times service and career average earnings plans has **decreased** over the past two years, while the percentage offering hybrid/cash balance and final average earnings plans has **increased** since 2014



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Investment vehicles currently used for defined contribution plans

| | 2016 |
|---|------|
| Collective investment trust | 16% |
| Exchange Traded Funds (ETF) (outside of brokerage window) | 3% |
| Mutual fund window | 5% |
| Mutual funds | 66% |
| Self-directed brokerage window | 24% |
| Separate accounts | 13% |
| Other | 8% |

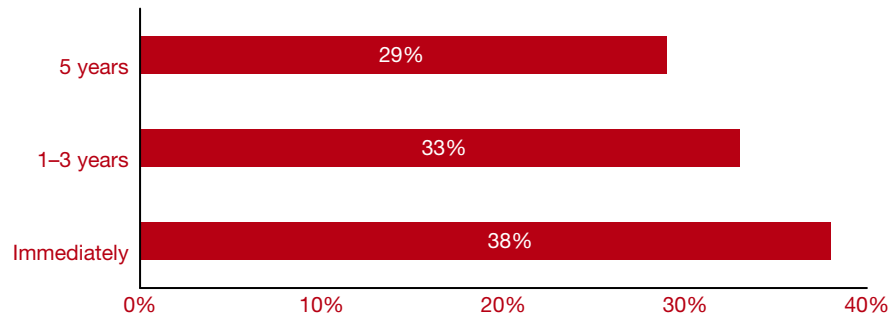
Shaded most frequent

Participants could select more than one option

Mutual funds are the most popular investment vehicle for defined contribution plans, with more than half of the respondents invested in them. The least popular vehicles are **Exchange Traded Funds (ETF)** outside of brokerage windows

401(k) plans

For participants offering 401(k) plans, vesting in the employer contribution occurs as follows:



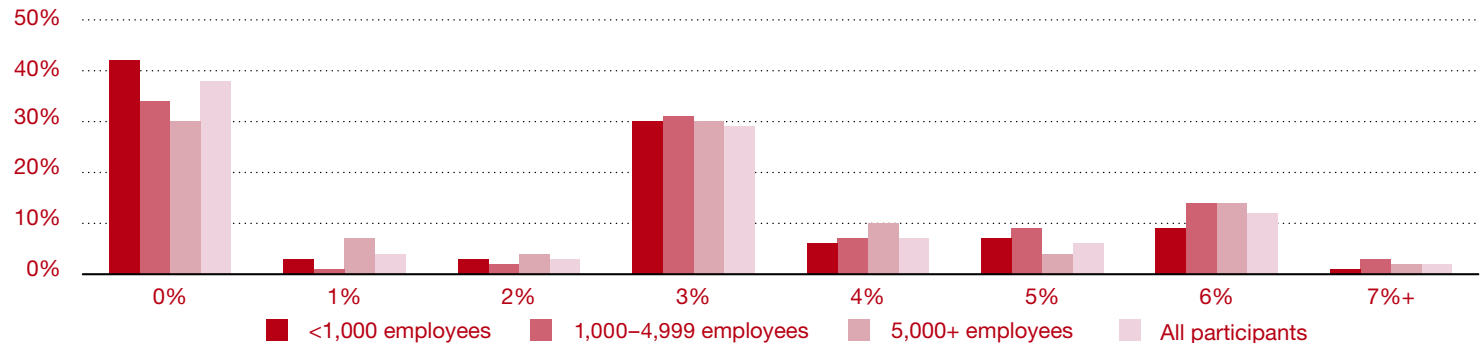
38% of participants offering 401(k) plans vest employer contributions immediately

76% of participants have a participation rate in their 401(k) plans of over 70%, compared to 74% last year

Over a third of employers offering 401(k) have a **0%** default employee contribution and nearly **30%** have a **3%** default employee contribution

Employees most often contribute when there is an employer match

401(k) default employee contribution (if no election is made)



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

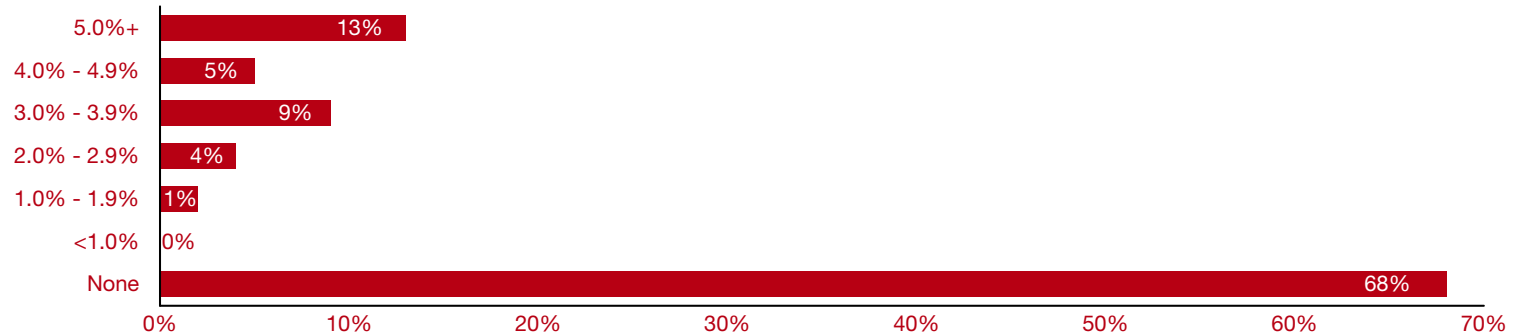
S11: Future solutions

Appendix

Contact

401(k) plans

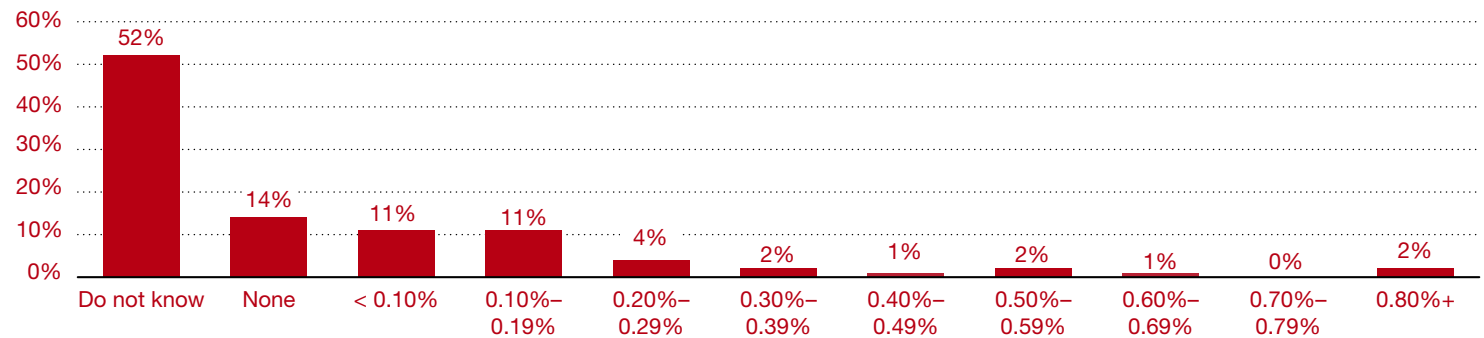
Default employer contribution regardless of employee election



68% of employers do not contribute to their employees' 401(k) plan if an election is not made

More than a third of employers who offer contributions offer **5%+** of salary

401(k) estimated administrative fee charged per participant (percentage of account balance)



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

401(k) plans

| Average overall deferral rate | 2016 |
|-------------------------------|-----------|
| <3.0% | 2% |
| 3.0%–3.9% | 8% |
| 4.0%–4.9% | 9% |
| 5.0%–5.9% | 19% |
| 6.0%–6.9% | 24% |
| 7.0%–7.9% | 13% |
| 8.0%–8.9% | 11% |
| 9.0%–9.9% | 4% |
| 10.0%–10.9% | 4% |
| 11.0%+ | 6% |
| Average | 7% |

Shaded most frequent

| Maximum employer match | 2016 |
|------------------------|-------------|
| <1.0% | 13% |
| 1.0%–1.9% | 3% |
| 2.0%–2.9% | 8% |
| 3.0%–3.9% | 25% |
| 4.0%–4.9% | 30% |
| 5.0%–5.9% | 10% |
| 6.0%–6.9% | 9% |
| 7.0%–7.9% | 1% |
| 8.0%+ | 1% |
| Average | 3.4% |

Shaded most frequent

21% of employers who offer a 401(k) apply the safe harbor rule (*matching 100% of employee salary deferral up to 3%, and 50% from 3%–5%*)

94% of respondents indicated that the employee maximum or match 401(k) contribution does not increase based on tenure

On average, employers offer a maximum contribution of **3.4%**, up from **3.1%** in 2015

← Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

401(k) plans

| Percentage of employees that contribute to receive the maximum employer contribution | 2016 |
|--|------------|
| 0% | 0% |
| 1%–9% | 8% |
| 10%–19% | 4% |
| 20%–29% | 4% |
| 30%–39% | 4% |
| 40%–49% | 4% |
| 50%–59% | 11% |
| 60%–69% | 12% |
| 70%–79% | 12% |
| 80%–89% | 19% |
| 90%–99% | 18% |
| 100% | 4% |
| Average | 63% |

Shaded most frequent

On average, **63%** of employees contribute at the threshold to receive the maximum employer contribution, compared to **58%** last year

| Components of compensation that are included in the definition of pay | 2016 |
|---|------|
| Base | 53% |
| Bonus | 27% |
| Commissions | 19% |
| Overtime | 32% |
| All Compensation | 35% |
| Other | 5% |

Shaded most frequent

Participants could select more than one option

35% of employers consider all compensation within their definition of pay

← Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

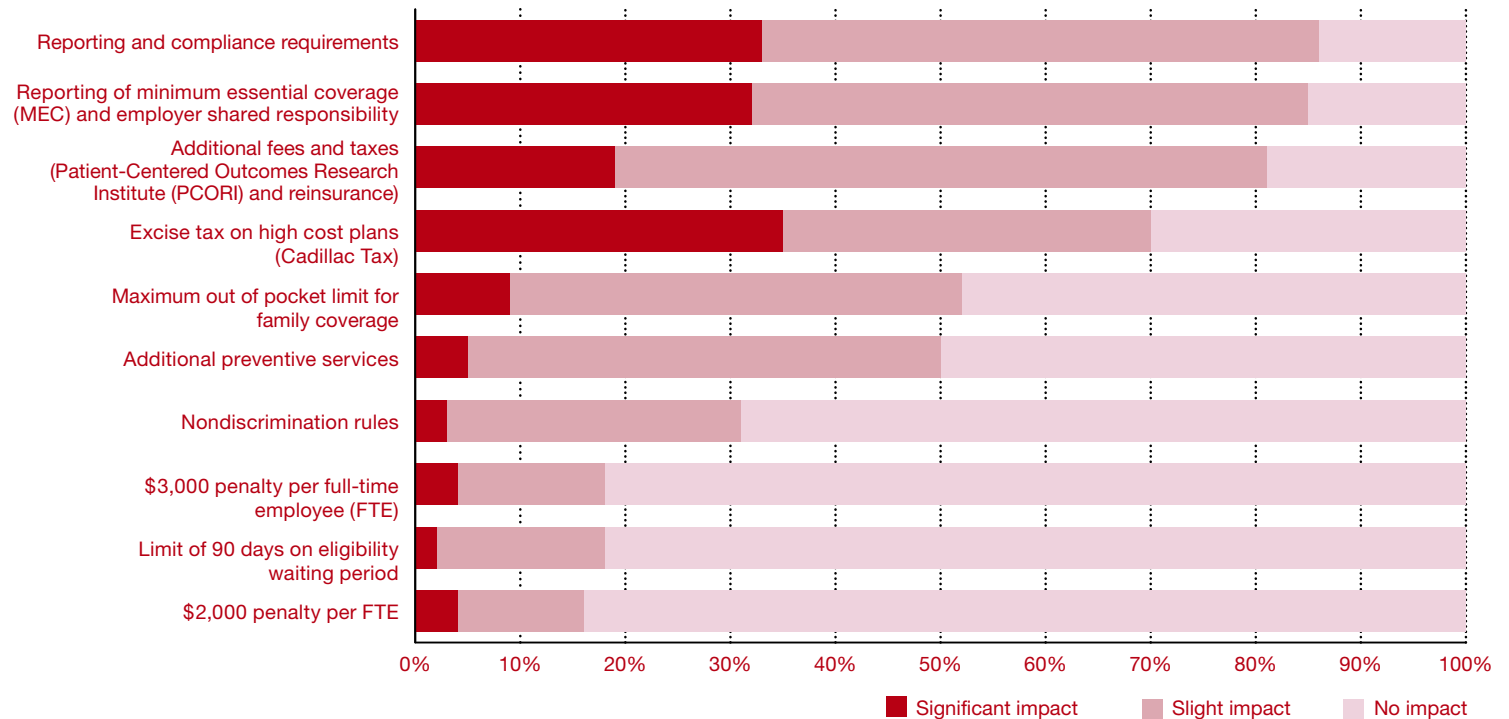
Appendix

Contact

Detailed findings—**Section 10: Health reform—ACA**



Financial impact



69% of participants in 2016 indicated that they will be financially impacted by the excise tax on high-cost plans, compared to **64%** in 2015

86% of participants will be impacted by the ACA reporting and compliance requirements

Employers seem to have moved past the patient protection requirements, as over **80%** of employers do not expect financial implications from the already-implemented requirements

Roughly **half of employers** do not expect financial implications from newer requirements such as additional preventive services and the maximum OOP limit for family coverage

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform–Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

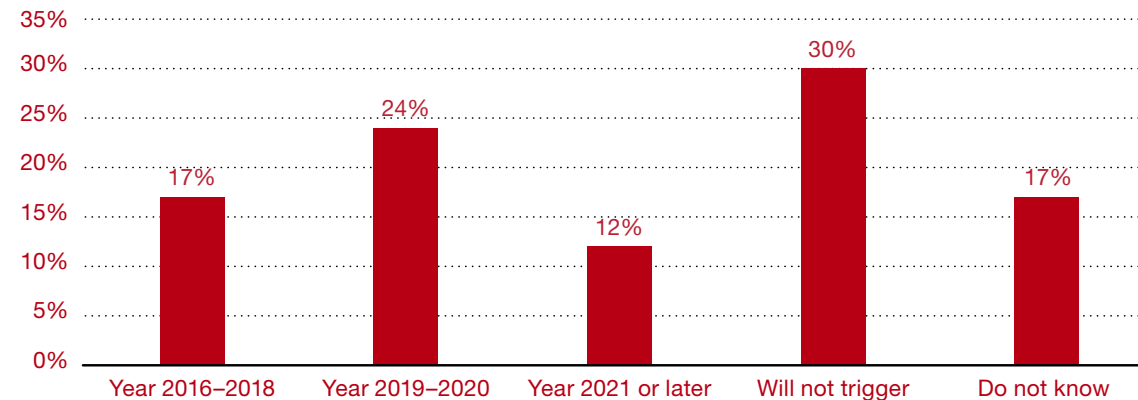
Excise tax (Cadillac tax)

Have you analyzed your exposure to the excise tax on high-cost health plans (Cadillac tax)?

| | |
|---|-----|
| Yes, before 2015 we most recently analyzed our exposure to the excise tax | 11% |
| Yes, in 2015 we most recently analyzed our exposure to the excise tax | 36% |
| Yes, in 2016 we most recently analyzed our exposure to the excise tax | 19% |
| No, but plan on doing so in 2016 | 21% |
| No and do not plan to do so in 2016 | 13% |

Shaded most frequent

When will you trigger the excise tax in the near future?



66% of participants have analyzed their exposure to the excise tax, and **21%** plan to analyze it in 2016

Based on the analysis and current thresholds, **41%** of participants will trigger the excise tax by 2020, while **30%** will not trigger the tax in the future

Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Components considered in Cadillac tax analysis



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

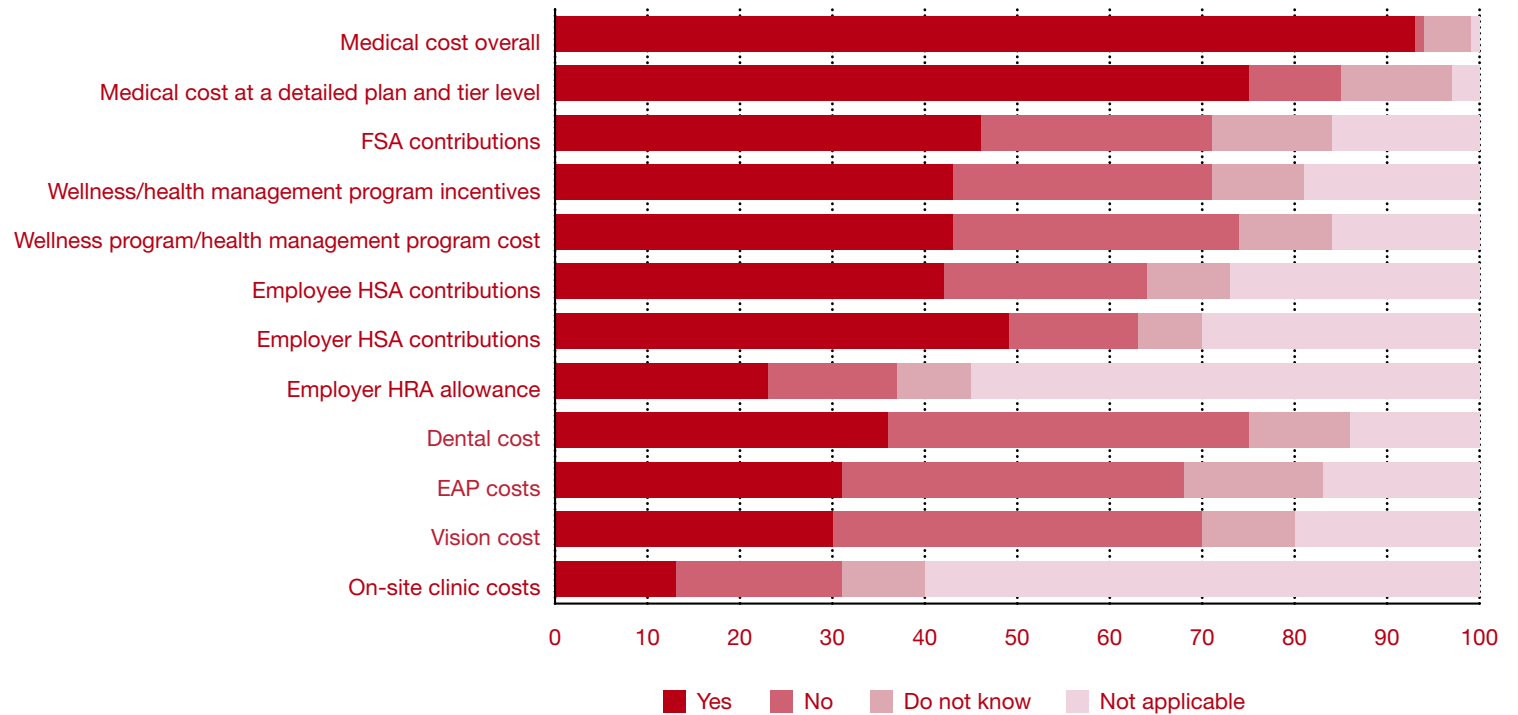
S10: Health reform–Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

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The vast majority of participants included medical cost overall (**92%**) and medical cost at a detailed plan and tier level (**75%**) in their Cadillac tax analysis

43% of participants analyzed their wellness/health management program cost and incentives for Cadillac tax, and **31%** included EAP costs



← Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Detailed findings—**Section 11: Future solutions**



This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Future solutions under consideration by participants

| | Already implemented | Under consideration | Not under consideration |
|--|---------------------|---------------------|-------------------------|
| Increase medical plan employee cost sharing through plan design changes | 45% | 42% | 13% |
| Decrease medical plan employee cost sharing through plan design changes | 6% | 16% | 78% |
| Increase prescription drug plan cost sharing through plan design changes | 30% | 47% | 23% |
| Decrease prescription drug plan cost sharing through plan design changes | 4% | 17% | 79% |
| Increase employee contributions | 40% | 47% | 13% |
| Decrease employee contributions | 4% | 13% | 83% |
| Implement a defined contribution approach | 12% | 36% | 52% |
| Terminate benefits and send employees out to the Public Exchanges | 1% | 7% | 92% |
| Move active employees to a Private Exchange | 3% | 19% | 78% |
| Move retirees to a Private Exchange | 9% | 17% | 74% |
| Implement a high-performance based network | 9% | 43% | 48% |
| Implement a value-based plan design | 11% | 43% | 46% |
| Evaluate direct contracting with providers or Accountable Care Organizations | 4% | 26% | 70% |
| Add incentives to use Accountable Care Organizations to your medical plan | 3% | 30% | 67% |
| Implement an HDHP as a full replacement option for medical benefits | 25% | 39% | 36% |
| Implement an HSA qualified HDHP as one of the medical plan options | 56% | 24% | 20% |
| Offer a health savings account | 62% | 21% | 17% |
| Offer a health reimbursement account | 25% | 16% | 59% |
| Vary employee contributions by income | 18% | 16% | 66% |
| Vary cost sharing (deductibles or OOP max) by income | 4% | 14% | 82% |
| Drop spousal coverage if the spouse is eligible for coverage elsewhere | 10% | 36% | 54% |

Shaded most frequent



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact



Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

S3: Medical plan costs

S4: Medical plan design highlights

S5: Dental plan design highlights

S6: Wellness and disease management

S7: Welfare benefits

S8: Retiree medical

S9: Retirement plans

S10: Health reform—Affordable Care Act (ACA)

S11: Future solutions

Appendix

Contact

Future solutions under consideration by participants, continued

| | Already implemented | Under consideration | Not under consideration |
|---|---------------------|---------------------|-------------------------|
| Provide coverage to part-time employees | 42% | 8% | 50% |
| Drop coverage for part-time employees | 12% | 5% | 83% |
| Increase your company's efforts related to wellness and health management | 50% | 37% | 13% |
| Reduce/consolidate wellness programs | 9% | 18% | 73% |
| Broaden your company's focus on well-being | 45% | 42% | 13% |
| Expand/offer flexible work arrangements | 39% | 20% | 41% |
| Consolidate vendors | 23% | 32% | 45% |
| Offer a medical home | 4% | 13% | 83% |
| Offer an on-site clinic | 16% | 11% | 73% |
| Offer a tuition assistance program | 71% | 7% | 22% |
| Offer a transit reimbursement program/parking reimbursement program | 42% | 6% | 52% |
| Offer additional voluntary benefits | 53% | 27% | 20% |
| Eliminate coverage for both same-sex and opposite sex domestic partners | 13% | 13% | 74% |
| Continue coverage for both same-sex and opposite sex domestic partners | 53% | 10% | 37% |

Shaded most frequent

Cost shifting through plan design changes and increased employee contributions continues to be the primary approach for future solutions

39% are considering an HDHP-only strategy, even after **25%** have already adopted

- **56%** of participants have added an HSA-qualified HDHP, compared to **54%** in 2015 and **49%** in 2014

The use of value-based plan design, high-performance based networks, and Accountable Care Organizations (delivery-based solutions) is widely being considered for **cost savings**

19% of participants are considering moving their active employees to a private exchange in the next three years and **3%** already have



← Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

Appendix

S12: Summary of survey participants

Contact

Appendix—*Section 12: Summary of survey participants*





Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

Appendix

S12: Summary of survey participants

Contact

All participating industries

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|------|------|------|------|------|
| Agribusiness* | 1% | <1% | 1% | 1% | - |
| Education & nonprofit | | | | | |
| Education | 4% | 6% | 8% | 8% | 5% |
| Nonprofit | 7% | | | | |
| Energy, utilities & mining | 3% | 4% | 4% | 3% | 6% |
| Engineering & construction | 2% | 2% | 3% | 3% | 3% |
| Financial services | | | | | |
| Asset management | 1% | <1% | 1% | 1% | <1% |
| Banking & capital markets | 3% | 2% | 2% | 2% | 2% |
| Financial services | 8% | 7% | 6% | 7% | 7% |
| Insurance | 9% | 8% | 7% | 6% | 7% |
| Investment management (alternative investments) | <1% | <1% | 1% | <1% | 1% |
| Private equity | <1% | <1% | <1% | <1% | 0% |
| Real estate | 1% | 2% | 2% | 1% | <1% |
| Government/public services | 2% | 3% | 2% | 2% | 3% |
| Health industries | | | | | |
| Healthcare providers | 9% | 7% | 8% | 9% | 8% |
| Health plans | 1% | 3% | 2% | 2% | 1% |
| Life sciences | 2% | 1% | 1% | 1% | 1% |
| Other | 2% | 4% | 3% | 2% | 2% |
| Pharmaceuticals | 4% | 1% | 1% | 1% | 3% |

* Not a survey response option in prior years
Participants could select more than one option

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---------------------------------------|------|------|------|------|------|
| Manufacturing | | | | | |
| Aerospace & defense | 2% | 3% | 1% | 2% | 3% |
| Automotive | 1% | <1% | 1% | 1% | 1% |
| Chemicals | 1% | 1% | 1% | 1% | 1% |
| Forest, paper & packaging | <1% | <1% | <1% | <1% | 0% |
| Industrial products* | <1% | <1% | - | - | - |
| Manufacturing | 15% | 12% | 13% | 16% | 11% |
| Metals | <1% | <1% | <1% | <1% | 0% |
| Retail & consumer | | | | | |
| Consumer products | 1% | 1% | 1% | 1% | 0% |
| Food & beverage | 1% | 2% | 2% | 2% | 1% |
| Hospitality & leisure | 1% | 2% | 1% | 2% | 1% |
| Retail & consumer | 4% | 3% | 4% | 4% | 3% |
| Wholesale & distribution | 2% | 2% | 2% | 3% | 3% |
| Services | | | | | |
| Law firms | 3% | 3% | 2% | 2% | 2% |
| Professional services* | 5% | 6% | 5% | - | - |
| Services | 3% | 3% | 3% | 7% | 4% |
| Technology | | | | | |
| Communications | <1% | 1% | 1% | 1% | 2% |
| Entertainment & media | 2% | 2% | 1% | 2% | 2% |
| Technology | 6% | 5% | 5% | 5% | 8% |
| Transportation & logistics | 2% | 3% | 3% | 2% | 2% |



← Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

Appendix

S12: Summary of survey participants

Contact

Survey participants: location and employer size

Survey participants by location

| | 2016 | 2015 | 2014 |
|----------------|------|------|------|
| National | 38% | 35% | 32% |
| New England | 6% | 5% | 5% |
| Mid-Atlantic | 16% | 14% | 14% |
| Mid-West | 22% | 20% | 21% |
| Southeast | 4% | 3% | 4% |
| Southwest | 6% | 5% | 5% |
| South Atlantic | 11% | 9% | 10% |
| Mountain | 2% | 3% | 3% |
| Pacific | 7% | 6% | 6% |

Participants could select more than one option

Survey participants by company size (i.e., US active employees)

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---------------|------|------|------|------|------|
| <500 | 38% | 36% | 39% | 38% | 25% |
| 500–999 | 12% | 13% | 12% | 13% | 11% |
| 1,000–1,999 | 11% | 12% | 11% | 15% | 12% |
| 2,000–2,499 | 3% | 4% | 4% | | 8% |
| 2,500–2,999 | 2% | 2% | 3% | | |
| 3,000–3,999 | 4% | 5% | 4% | 10% | 4% |
| 4,000–4,999 | 3% | 3% | 4% | | 6% |
| 5,000–9,999 | 9% | 8% | 9% | 9% | 11% |
| 10,000–19,999 | 8% | 7% | 6% | 6% | 10% |
| 20,000+ | 10% | 10% | 8% | 9% | 13% |



← Click to return to the table of contents

Click the topics below to view findings

Overview

Detailed findings

Appendix

Contact

PwC contacts

To have a deeper discussion on the findings, or if you wish to participate in the next Touchstone survey, please contact any of the following individuals. *(Please note that customized results are only available to survey participants.)*

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