



SHRM Survey Findings

# Health Care Reform—2017 Update



June 2017

## About SHRM

The Society for Human Resource Management (SHRM) is the world's largest HR professional society, representing 285,000 members in more than 165 countries. For nearly seven decades, the Society has been the leading provider of resources serving the needs of HR professionals and advancing the practice of human resource management. SHRM has more than 575 affiliated chapters within the United States and subsidiary offices in China, India and United Arab Emirates.

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***...employer-sponsored plans are the bedrock of the U.S. health care system.***

## Introduction

An affordable, innovative and efficient health care system is essential to ensuring a productive and competitive U.S. workforce, as well as a better quality of life for all Americans. As the providers of health care coverage to more than 177 million Americans and their families, employer-sponsored plans are the bedrock of the U.S. health care system. The Affordable Care Act (ACA), enacted in 2010, brought about major reforms in health care coverage in the United States, affecting both insured and self-insured employer-sponsored health care plans. The purpose of this research is to examine how organizations are implementing the ACA and what impact it has had on employer-sponsored health benefits.

In February 2017, the Society for Human Resource Management (SHRM) surveyed U.S. employers to learn about their opinions, actions and challenges related to the ACA. SHRM has conducted research on health care reform since 2013, and data are compared with previous years where possible.

The results of this research will help inform HR professionals, executives and public policy makers on the state of employment-based health care benefits in U.S. organizations. Specifically, these findings serve as an indicator of health benefits offerings and demonstrate trends in employer-sponsored health benefits offerings.

# 62%

of HR professionals said reporting requirements were their biggest challenge related to the ACA.

## Key Findings

### **Employer-sponsored health care plan costs continue to increase year over year for the majority of organizations.**

Similar to previous years, health care coverage costs increased for nearly eight out of 10 organizations (79%) in 2017. On average, these organizations reported an 11% increase in costs. One-quarter (25%) saw an increase of 5% or less, 41% reported an increase of 6% to 10%, and 34% had an increase of more than 10%.

### **Organizations are waiting to assess the impact of the excise tax.**

Fourteen percent of organizations have already taken action to avoid paying the excise tax. Some (44%) are waiting for final guidance before taking any action or plan to do an analysis to avoid paying the tax. Just 1% have opted to pay the tax, and 15% have not yet considered the impact of the tax.

### **Taxing insurance contributions could result in higher health care costs for employees.**

If insurance contributions lose tax-exempt status, two-thirds of organizations (67%) anticipate that employee health insurance premiums would increase, and 60% expect increased out-of-pocket health care costs.

### **Prohibiting preexisting condition exclusions is the most important element of the ACA, according to HR professionals.**

Eighty-three percent of HR professionals agreed that not allowing preexisting condition exclusions was one of the most important aspects of the ACA, followed by preventative care coverage with no cost-sharing (52%).



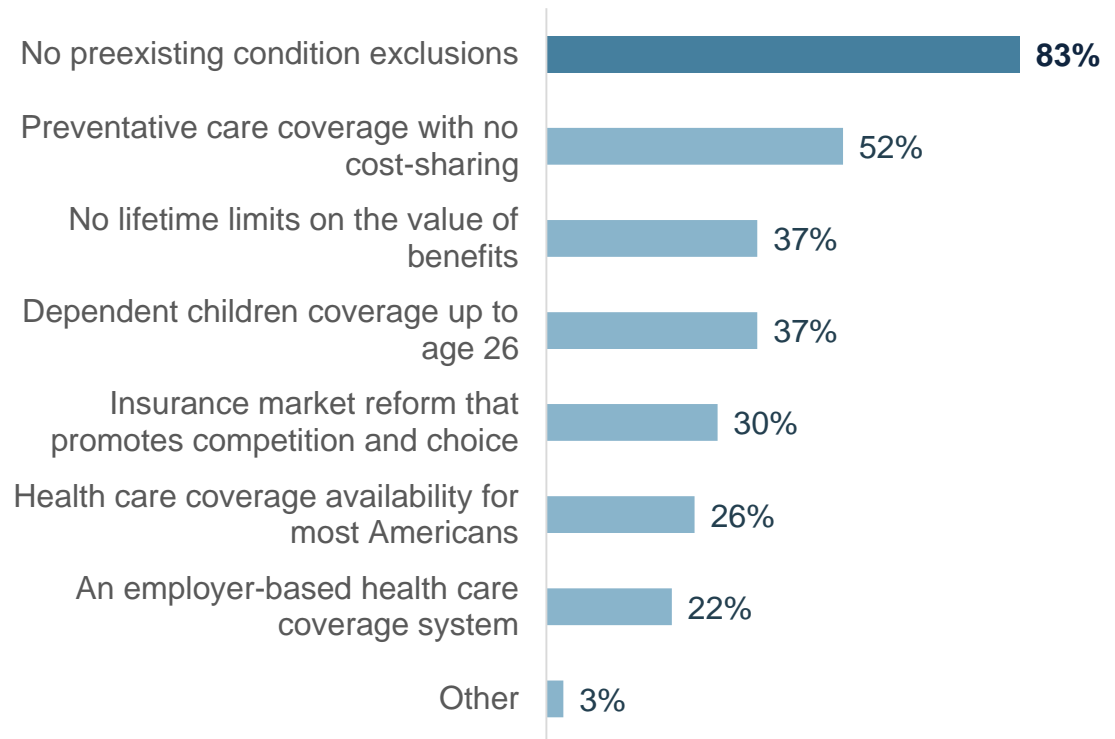
# **Future of the ACA**

## Future of the ACA

- **Stay up to date** about [proposed legislative changes to the ACA](#) that will affect the HR profession and the workplace.
- **Take action!** Advocate on behalf of HR at [advocacy.shrm.org](http://advocacy.shrm.org)

# Keep coverage for those with preexisting conditions

*When asked about the three most important elements of the ACA, HR professionals overwhelmingly agreed that coverage with no preexisting condition exclusions tops the list.*



*Note: n = 893. Percentages do not total 100% due to multiple response options. Respondents were allowed to select up to three options. Respondents who answered "don't know" were excluded from this analysis.*



### Excise Tax/“Cadillac Tax”

a tax scheduled to take effect in 2020 to reduce health care usage and costs by encouraging employers to offer plans that are cost-effective and engage employees in sharing in the cost of care. It is a 40% tax on employers that provide high-cost health benefits to their employees.

#### Legislation to Repeal

Tax: [Middle Class](#)

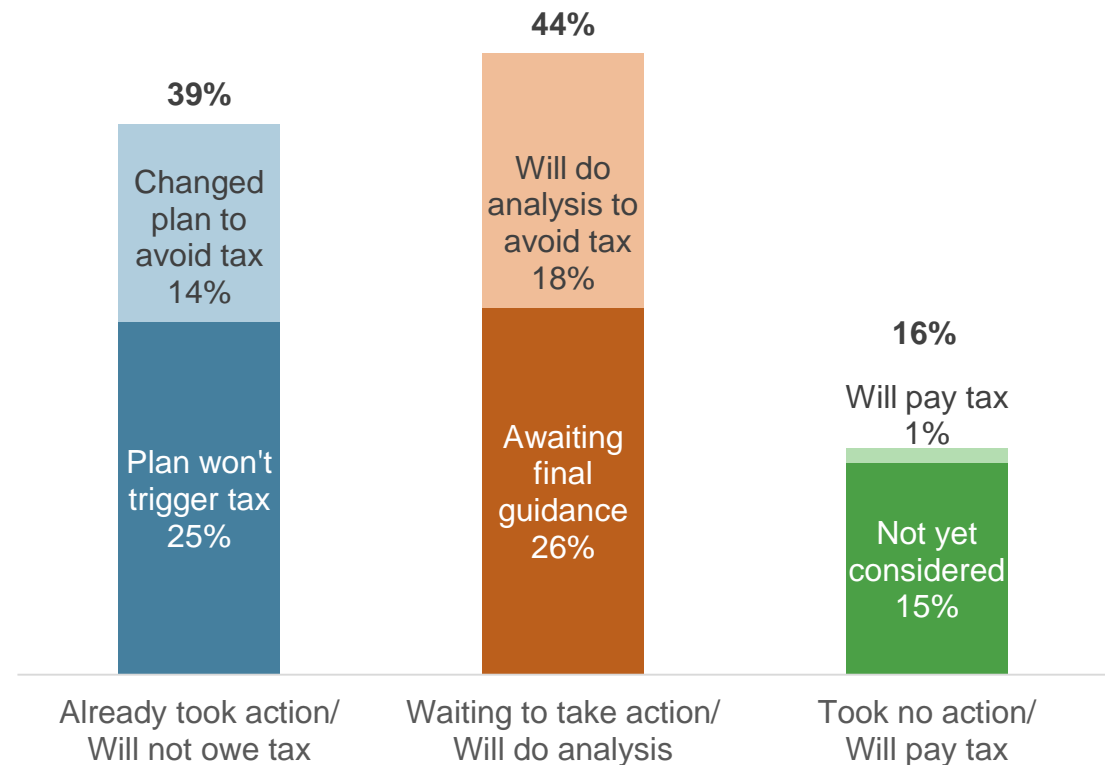
[Health Benefits Tax](#)

[Repeal Act of 2017](#)

(H.R.173 and S.58)

# Organizations are waiting to assess the impact of excise tax

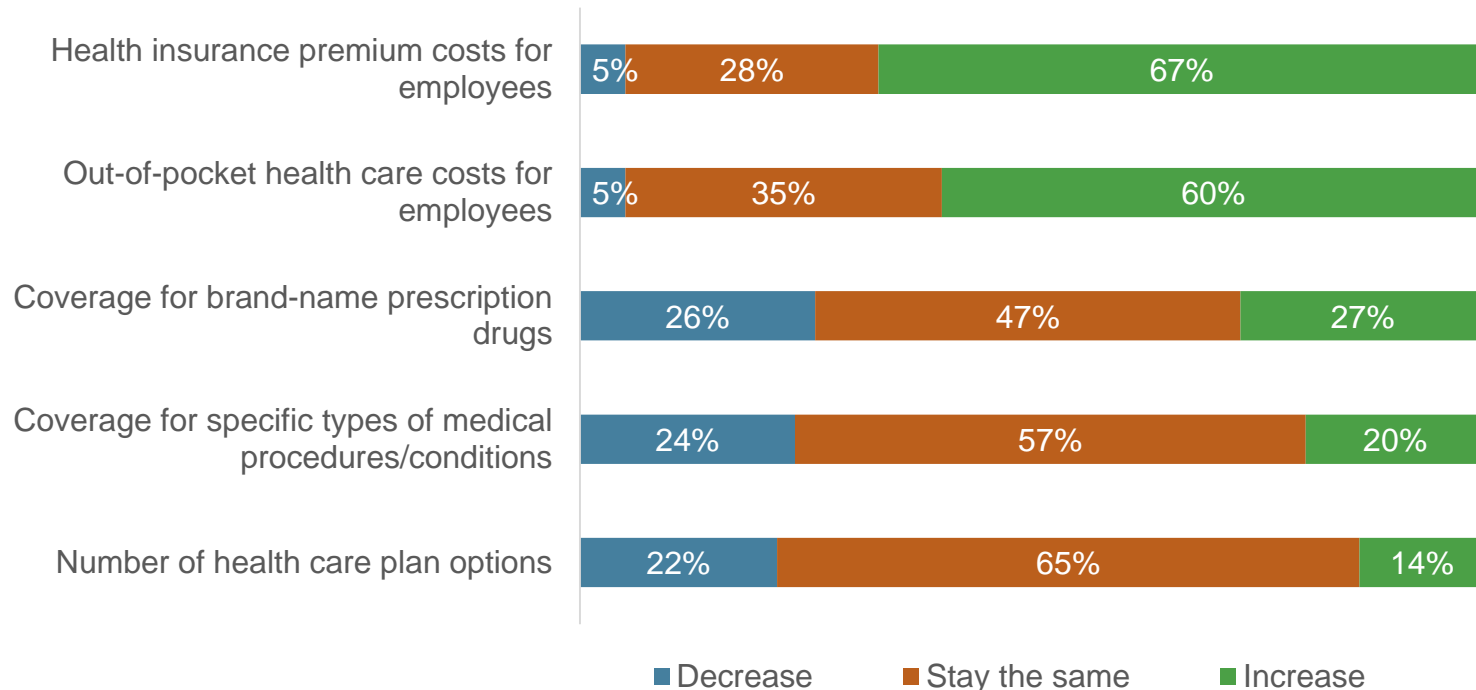
*Three out of five organizations (60%) have not yet taken action to evaluate the impact of the excise tax. Of these organizations, 91% said the delay of the tax until 2020 has been helpful.*



Note: n = 673. Percentages do not total 100% due to rounding.

# Taxing insurance contributions could result in higher employee health care costs

*If Congress decides to tax employer and employee insurance contributions, costs for employees are expected to increase in terms of health care premiums and out-of-pocket health care expenditures.*



*Note: n = 815-820. Percentages may not total 100% due to rounding.*





# **ACA Compliance**

# 66%

of organizations  
outsourced at least  
some of the ACA  
information reporting  
requirements.

## 2017 ACA Deadlines (2016 tax year)

1. Feb. 28, 2017:  
1094-B/C and  
1095-C due to the  
IRS if filing on  
paper.
2. March 2, 2017:  
1095-B/C due to  
employees.
3. March 31, 2017:  
1094-B/C and  
1095-C due to the  
IRS if filing  
electronically.

Note: n = 777. Respondents who answered "don't know" or "N/A" were excluded from this analysis.

## Reporting requirements are HR's biggest ACA challenge

*When asked about the three main challenges in complying with the ACA, organizations cited reporting requirements, followed closely by complexity of the law and the time investment.*



Note: n = 856. Percentages do not total 100% due to multiple response options. Respondents were allowed to select up to three options. Respondents who answered "don't know" or "N/A, my organization is not implementing provisions of the ACA" were excluded from this analysis.

# 32%



of organizations hire  
a seasonal workforce

*Note: n = 841. Respondents who answered "don't know" were excluded from this analysis.*

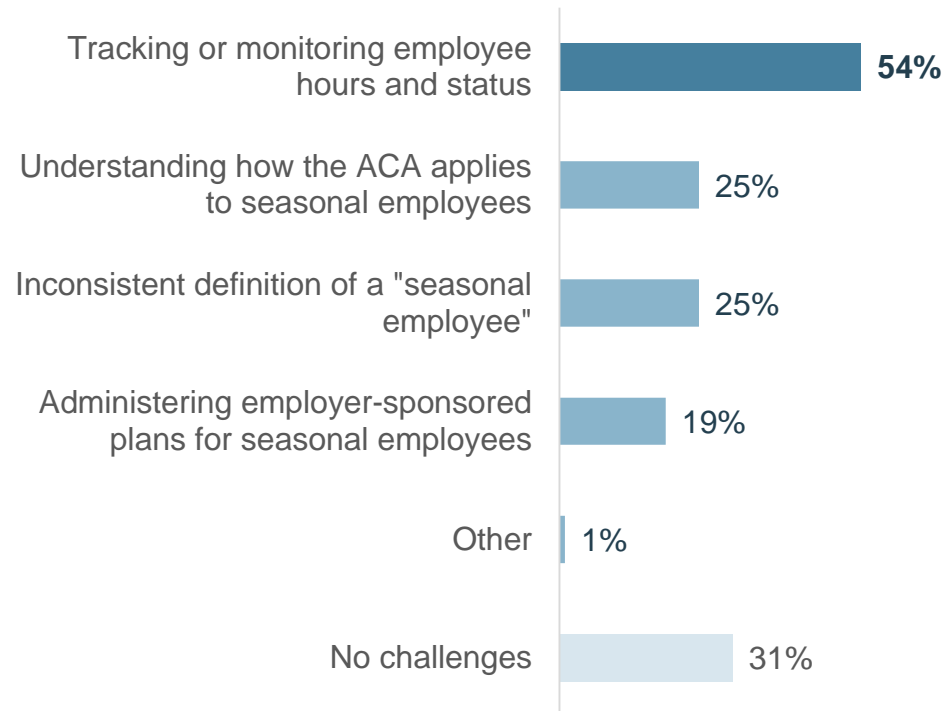
The ACA has two different definitions of seasonal workers and uses different lengths of service for determining:

1. *If an organization is a small or large employer.*
2. *Which employees must be offered health insurance.*

**SHRM advocates in support of legislation that would provide one clear definition of seasonal employment and simplify the determination of applicable large employer size.**

# Seasonal workforce causes additional ACA challenges

*More than two-thirds of organizations with a seasonal workforce (69%) report additional challenges in complying with the ACA. Tracking employee hours was the most common difficulty.*



*Note: n = 259. Percentages do not total 100% due to multiple response options. Only organizations with a seasonal workforce were asked this question. Respondents who answered "not sure" were excluded from this analysis.*

## SHRM Resources

### Publicly Available

- [Latest Updates on the ACA](#)

### Members Only

- [Complying with and leveraging the ACA](#)
- [Communicating with employees about health care benefits under the ACA](#)

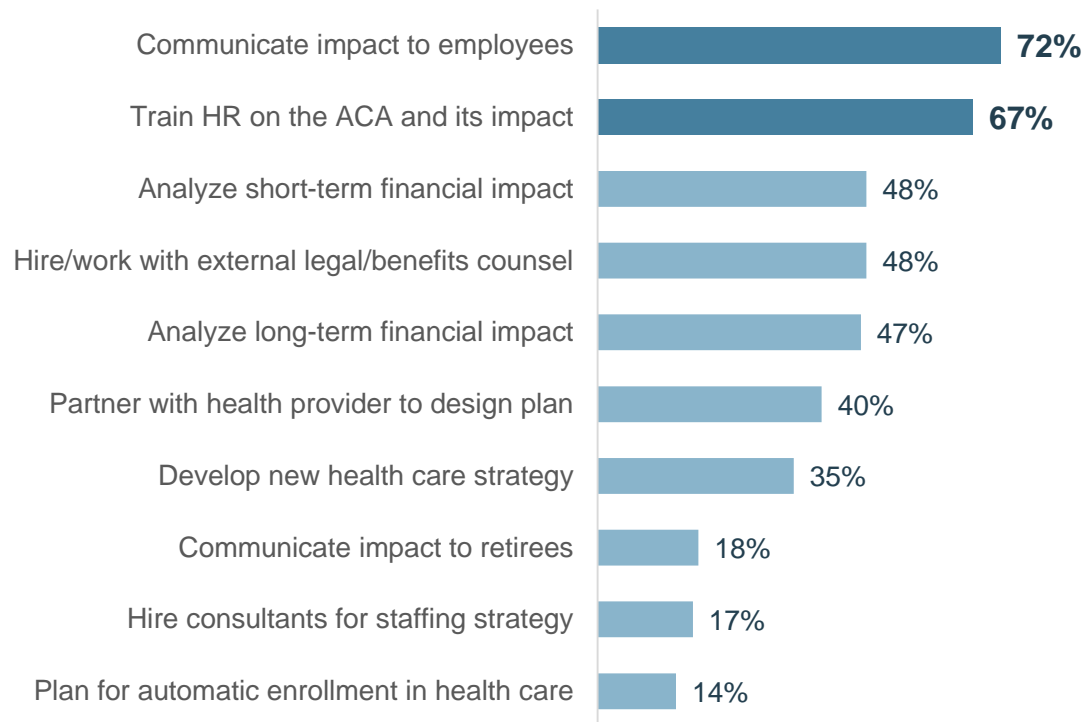
### Member Pricing

#### [SHRM eLearning: Benefits Training](#)

- Health Care Cost and Quality
- Health Care Delivery Models
- HAS and HRA Basics
- Overview of the ACA

# ACA compliance requires ongoing education for HR

*The two biggest effects of the ACA on HR are keeping employees informed and training HR on ACA compliance.*



*Note: n = 813. Percentages do not total 100% due to multiple response options.*

## SHRM Resources

### [SHRM HR Vendor Directory](#)

- More than 280 companies providing health and welfare benefits

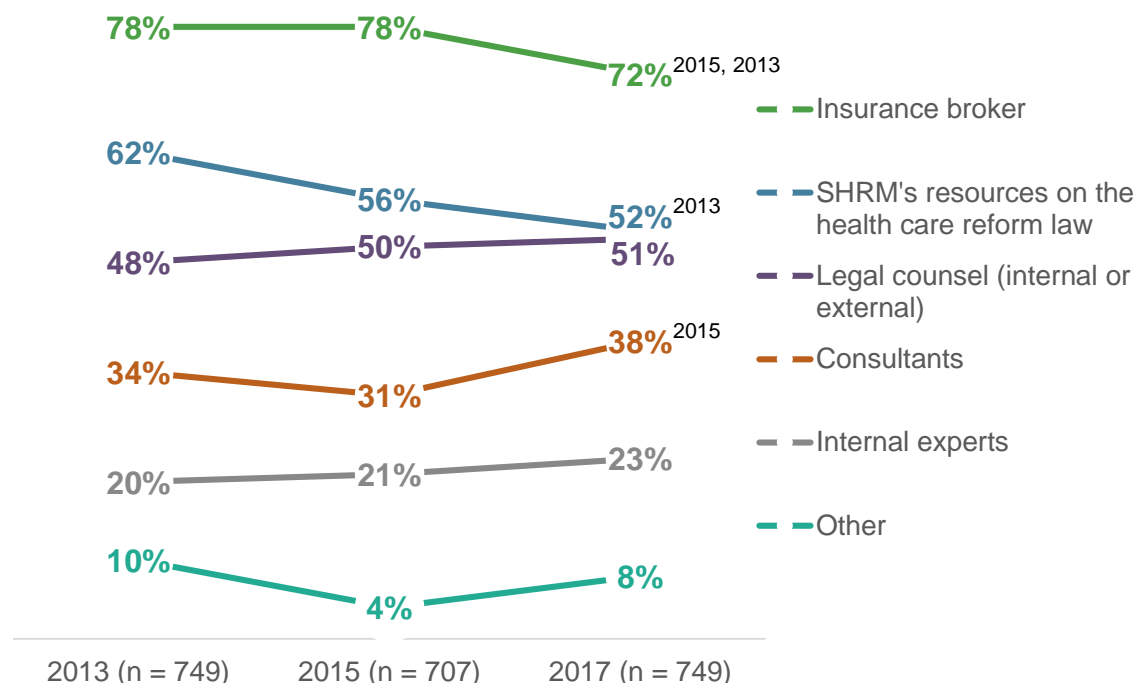
### [SHRM HR Help](#)

- Express requests
- Tools and samples
- Member forums
- Ask an advisor

### [Latest Updates on the ACA](#)

# Many organizations rely on external resources for the ACA

*Most organizations (72%) use an insurance broker as a resource for the ACA, although this percentage is slightly lower than in 2015 and 2013. Compared with 2015, more organizations are using consultants, up to 38% from 31%.*



*Note: Percentages do not equal 100% due to multiple response options.*

<sup>2015</sup> Statistically significant difference from 2015.

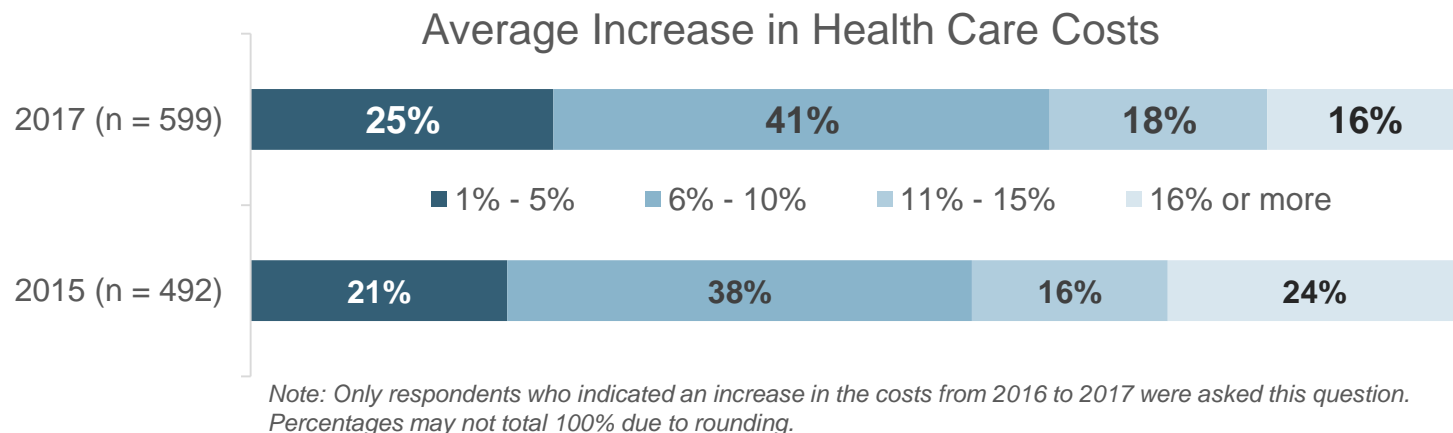
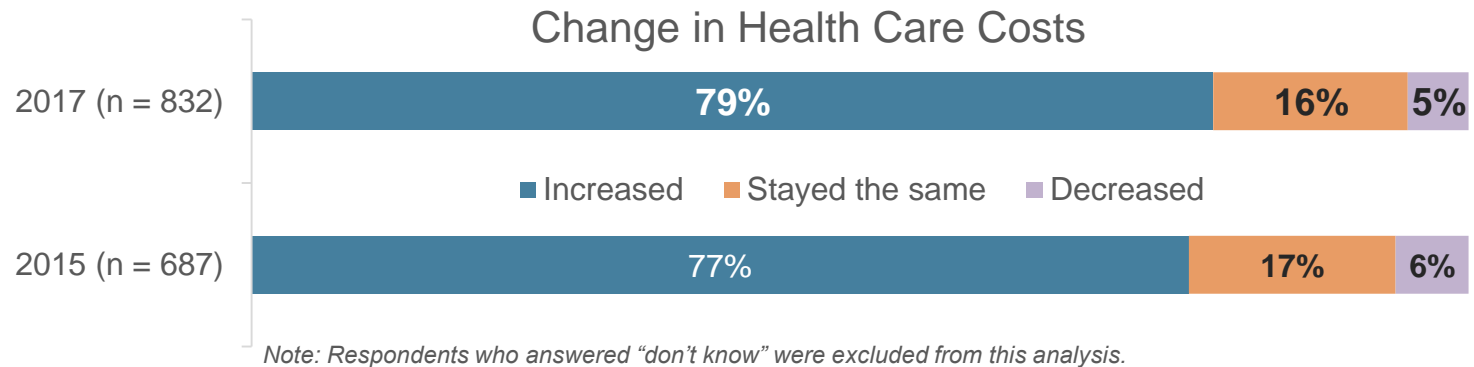
<sup>2013</sup> Statistically significant difference from 2013.



# Health Care Costs

# Most organizations' health care costs increased again in 2017

From 2016 to 2017, health care costs **increased 11% on average**.

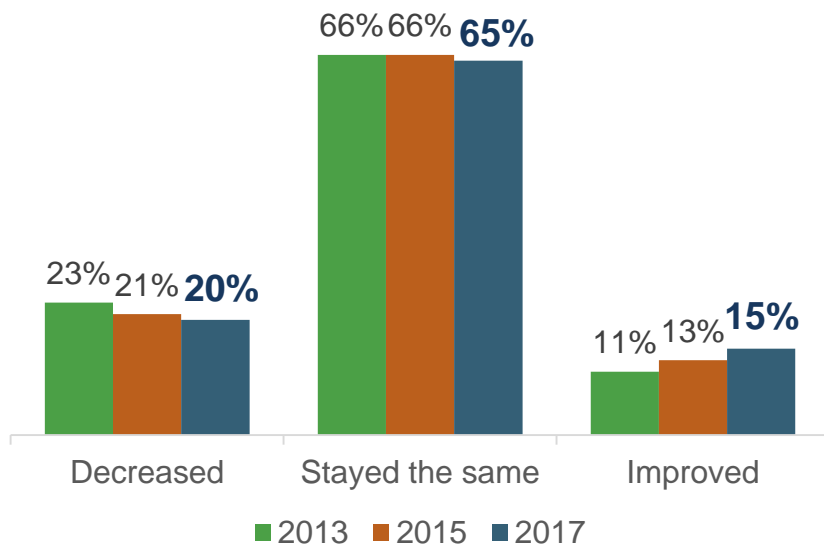




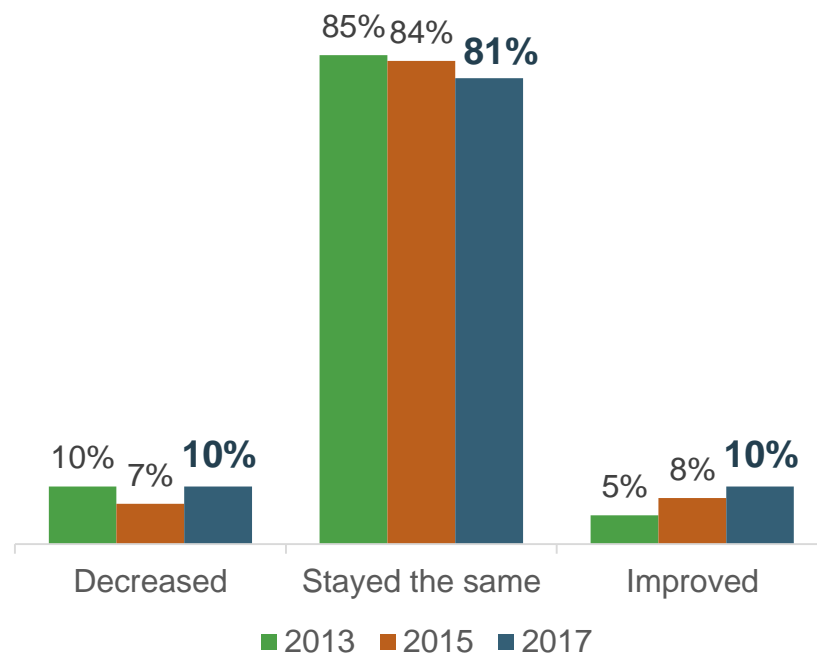
# Most employee benefits offerings have stayed the same since the ACA's implementation

*Similar to prior years, **20% of organizations reduced health care benefits offerings** and **10% reduced non-health benefits offerings** in order to control health care costs.*

## Health care benefits offerings



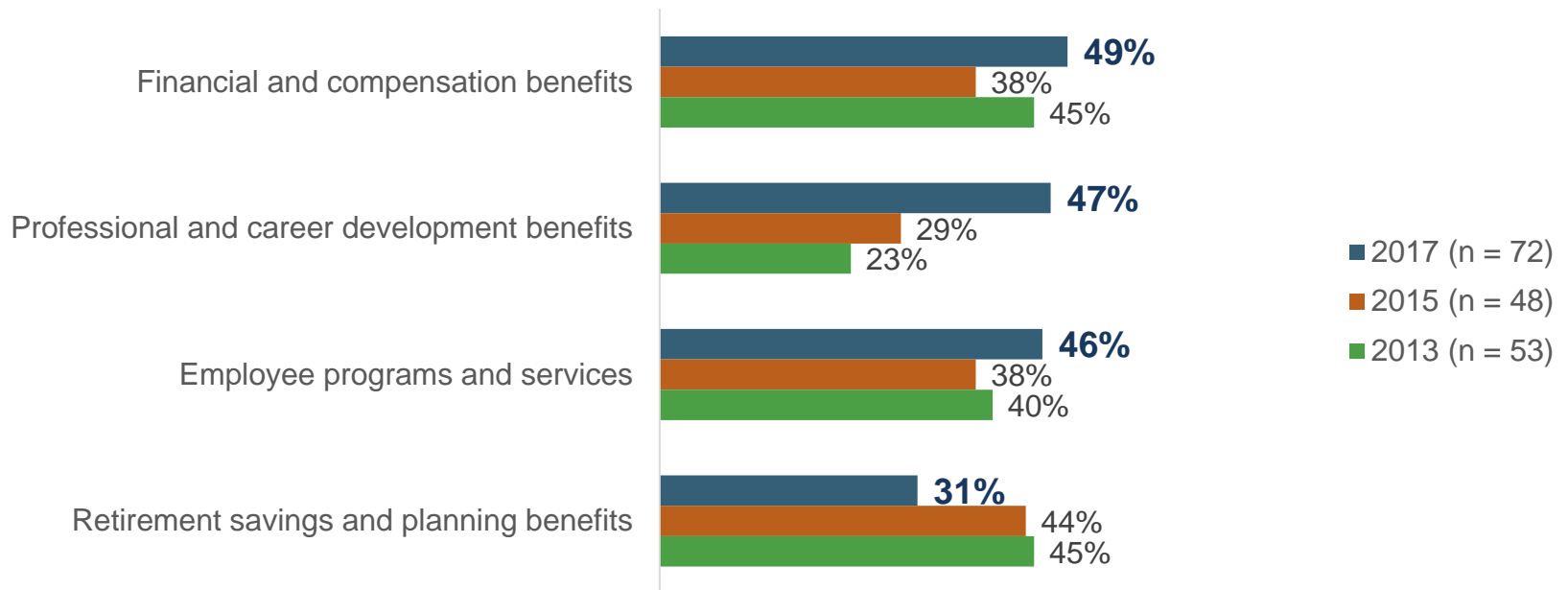
## Non-health benefits offerings



*Note: n = 651-821. Percentages may not total 100% due to rounding. Respondents who answered "don't know" were excluded from this analysis.*

# When cutting non-health benefits, organizations were most likely to reduce compensation

*Of the 10% of organizations that decreased non-health benefits in 2017, 49% cut financial and compensation benefits, 47% cut professional and career development benefits, 46% cut employee programs and services, and 31% cut retirement savings and planning benefits.*



*Note: Only respondents whose organizations decreased non-health-related employee benefits were asked this question. Percentages do not total 100% due to multiple response options. Respondents who answered “don’t know” were excluded from this analysis.*

# 15%

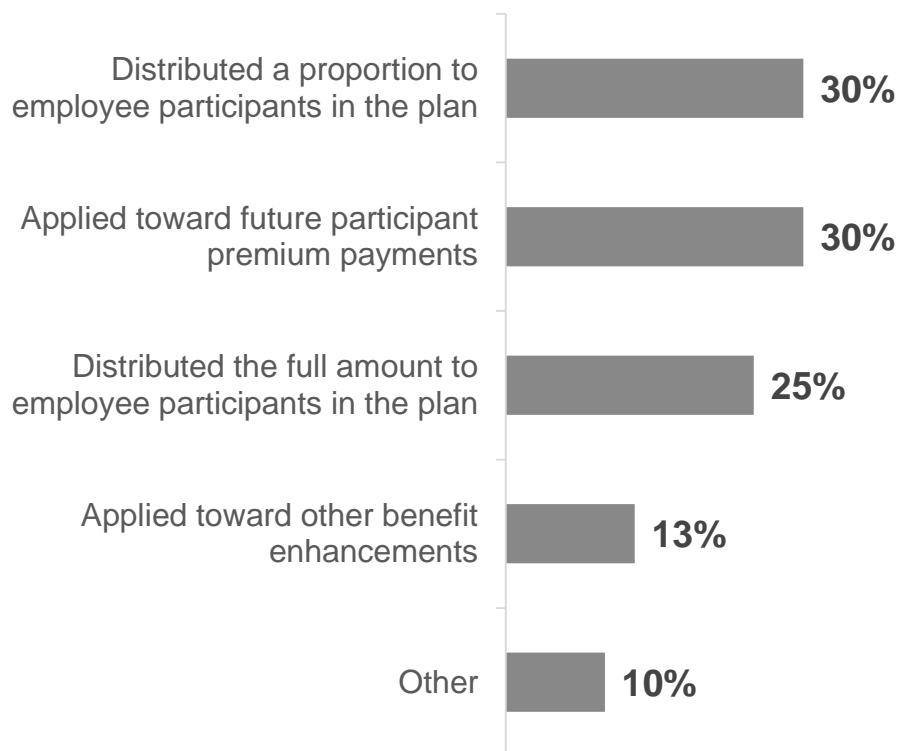
received medical loss ratio rebates in 2016.

**Medical loss ratio rebates** are mandated under the ACA whenever health insurers do not spend at least a certain percentage (generally, 80% to 85%) of the prior year's health insurance premiums on health care services. If they fail to meet these standards, the insurance companies are required to provide a rebate to their customers (effective 2012).

*Note: n = 274. Respondents who answered "don't know" were excluded from this analysis.*

## Majority distributed medical loss ratio rebates to employees

*Of the 15% of organizations that received medical loss ratio rebates in 2016, more than one-half distributed either some (30%) or the full amount (25%) to employee participants in the plan.*



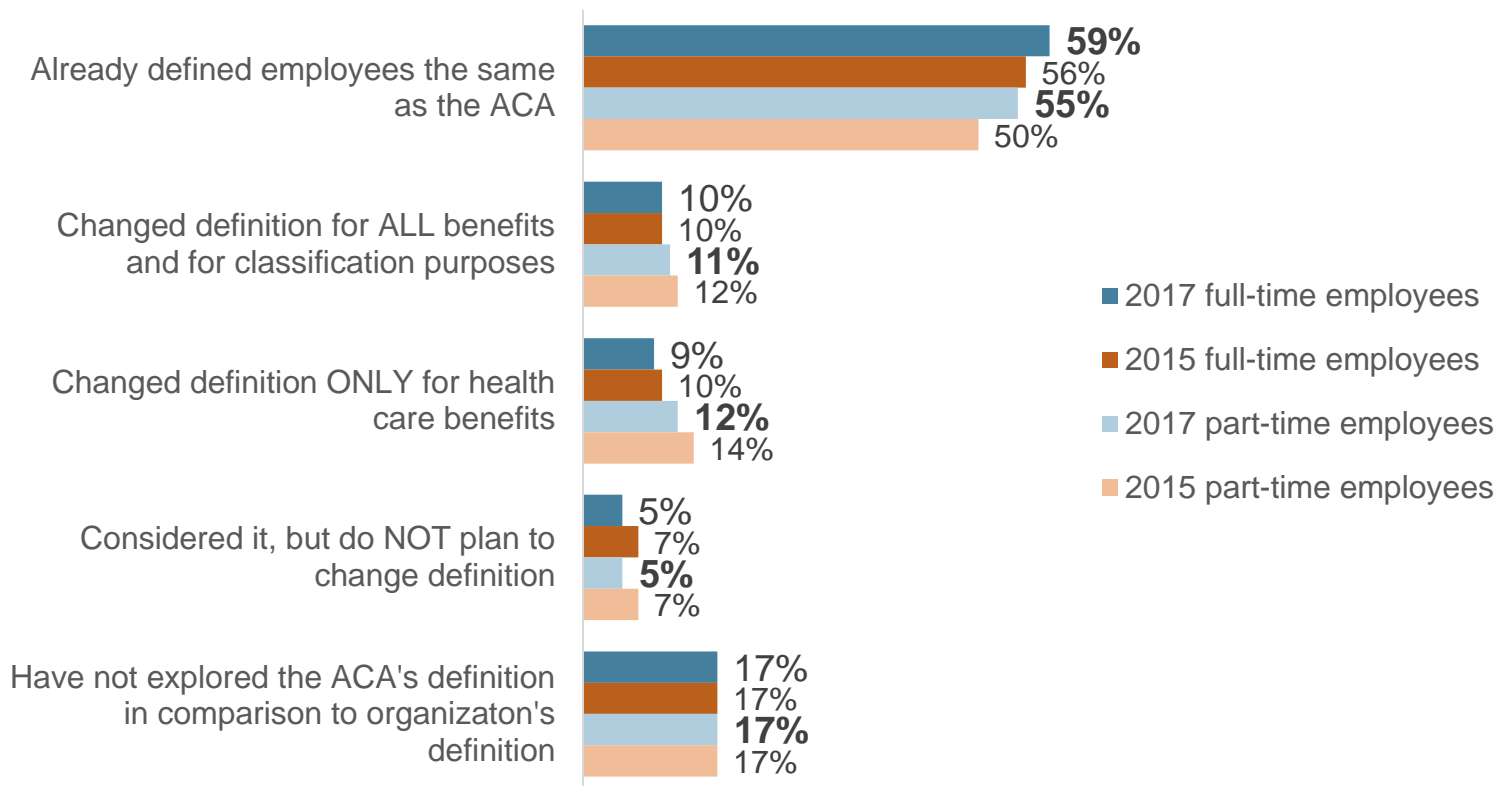
*Note: n = 40. Only respondents whose organizations received rebates were asked this question. Percentages do not total 100% due to multiple response options. Respondents who answered "don't know" were excluded from this analysis.*



# **ACA Impact on Health Care Benefits**

# Most organizations' definition of full-time employees is consistent with the ACA

*Many organizations (59%) already use the same definition of full-time employees as the ACA—an average of at least 30 hours per week in a month—but some (19%) changed their definition to match the ACA to make it easier to administer health care benefits.*



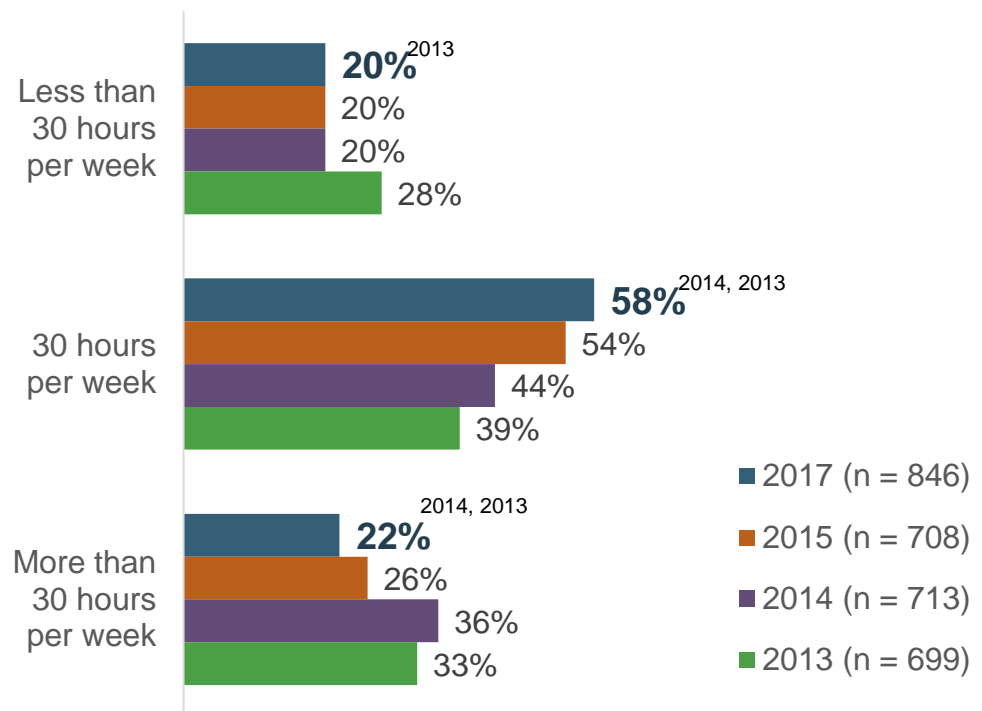
*Note: n = 638-825. Respondents who answered "don't know" or "not applicable" were excluded from this analysis.*

## Employer Mandate (Play or Pay)

Under the ACA, employers with 50 or more full-time equivalent employees (FTEs) working an average of at least 30 hours per week (including the sum of hours by part-time employees that added together equal "equivalent" full-time employees) must offer full-time employees and their dependents affordable health care coverage, or be subject to penalties.

# Threshold of work hours required for health care coverage is reduced

Compared with 2013 and 2014, **fewer hours were required for full-time employee health care coverage**. However, **coverage for part-time workers (less than 30 hours per week) decreased** from 28% to 20% compared with 2013.



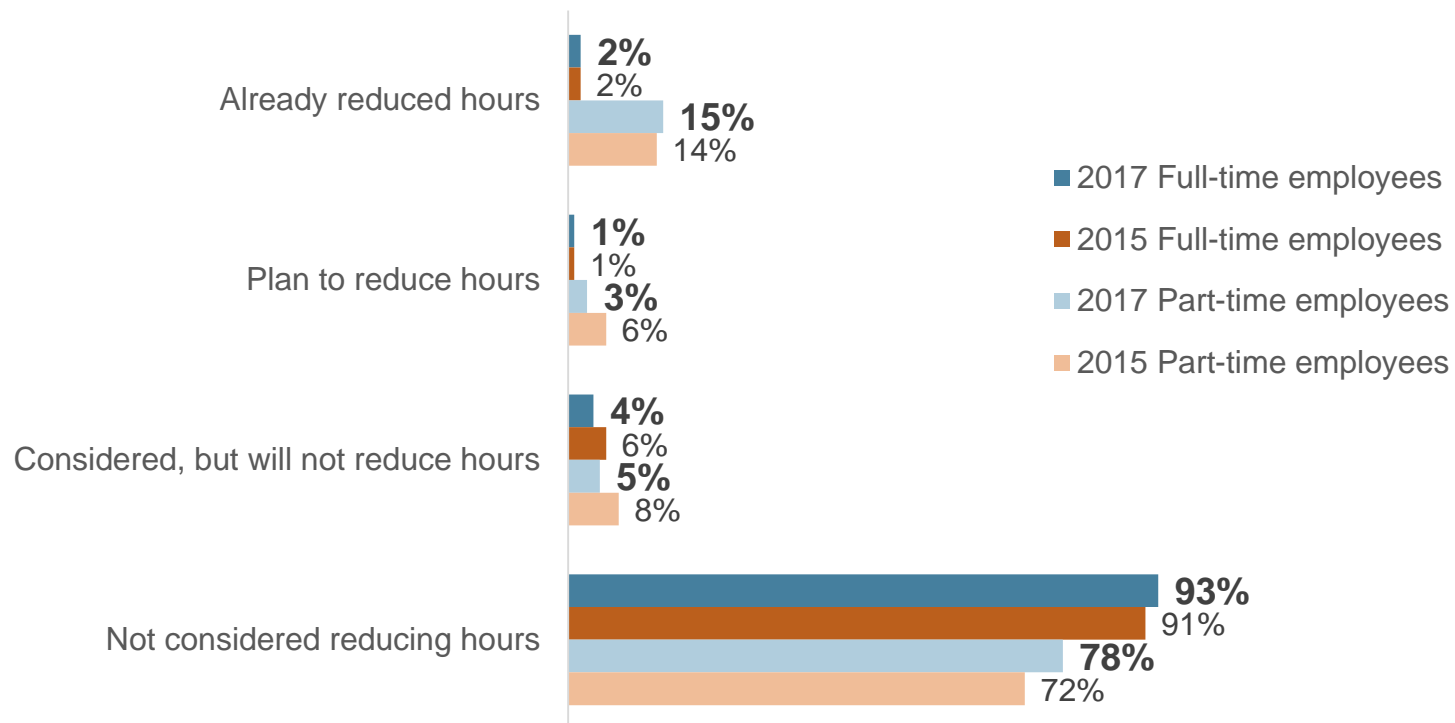
Note: Respondents who answered "don't know" or "N/A, no coverage offered" were excluded from this analysis.

<sup>2014</sup> Statistically significant difference from 2014.

<sup>2013</sup> Statistically significant difference from 2013.

# Some organizations have reduced part-time weekly hours as a result of the ACA

*Unchanged from 2015, 15% of organizations have reduced hours for part-time employees below the 30-hour-per-week threshold that would make them eligible for health care coverage under the ACA. Few (2%) have reduced hours for full-time employees.*



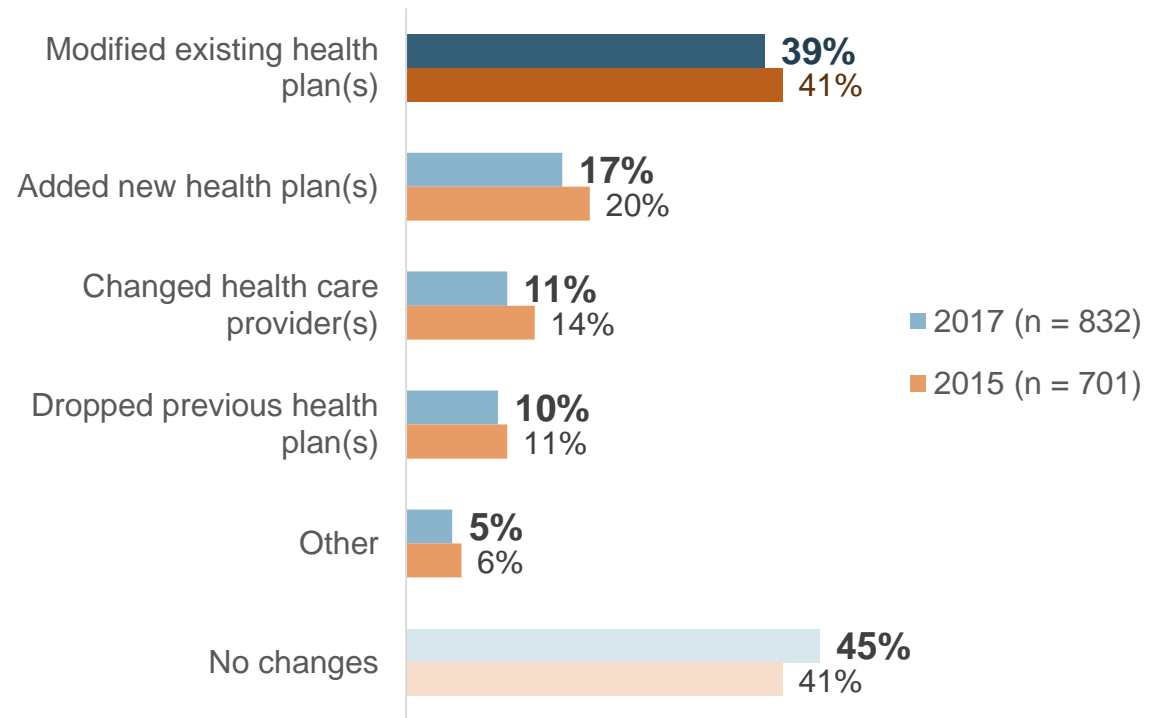
*Note: n = 607-846. Percentages may not total 100% due to rounding. Respondents who answered “don’t know” or “N/A, we do not have this type of employee” were excluded from this analysis.*

### Types of Health Plans Offered by Organizations

- 84% PPO
- 50% HSA
- 32% HMO
- 26% CDHP
- 21% POS
- 20% HRA
- 17% HDHP
- 9% EPO
- 7% Indemnity plan
- 2% Mini-med health plan

# 55% of organizations modified health care coverage in 2017

*The most common strategies to manage health care costs were offering alternative plans like health savings accounts (HSAs) or health reimbursement accounts (HRAs) (56%) and promoting a culture of health and wellness (53%).*



Source: [2016 Employee Benefits: A Research Report by SHRM](#)

Note: Percentages do not total 100% due to multiple response options. Respondents who answered “don’t know” were excluded from this analysis.



16%

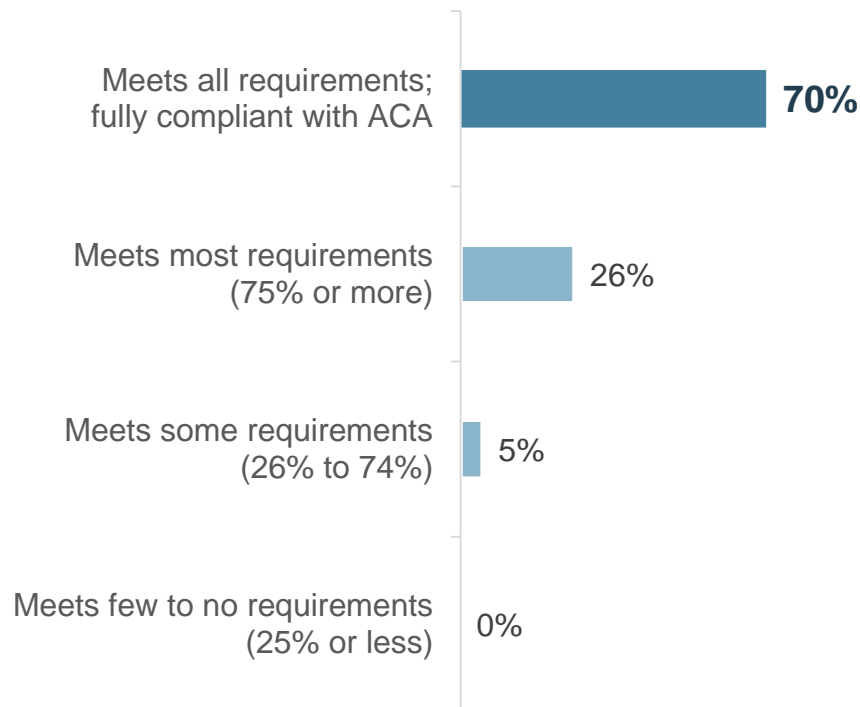
have a  
grandfathered  
health plan in 2017.

A “grandfathered health plan” is any group health plan or individual coverage that was in effect on the date of the ACA’s enactment, March 23, 2010. If an employer maintains the same group health plan, it may be grandfathered—exempt from certain ACA provisions. A plan can lose its grandfathered status if certain changes are made—for example, if the plan significantly cuts or reduces benefits, raises co-insurance rates, significantly raises co-payments or deductibles, or significantly lowers employer contributions, etc.

*Note: n = 728. Respondents who answered “don’t know” were excluded from this analysis.*

## Most grandfathered health care plans are fully ACA compliant

*Of the 16% of organizations that have a grandfathered health plan, 70% said the plan already meets all provisions of the ACA. In 2018, two-thirds (68%) expect to keep grandfathered status—a total of 11% of organizations.*



*Note: n = 109. Respondents who answered “don’t know” were excluded from this analysis.*



# Demographics

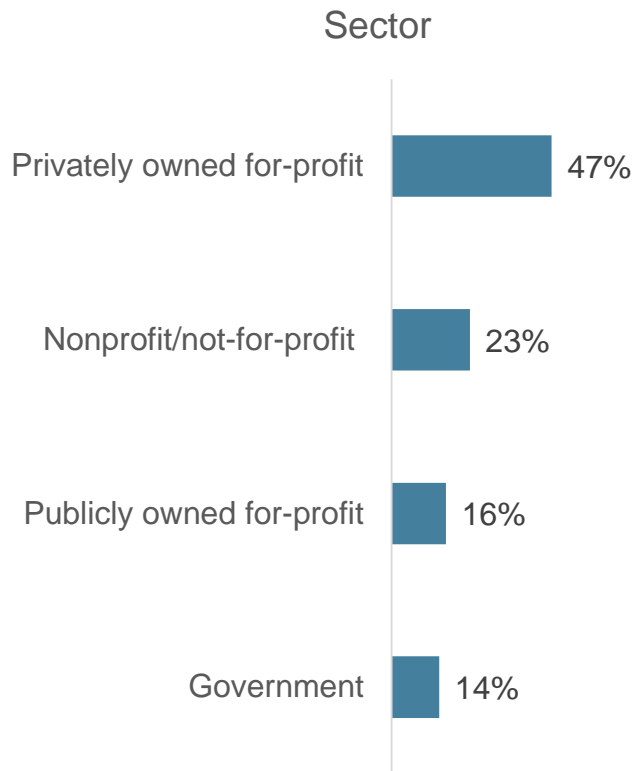
# Demographics: Organization Industry

Industry	%
Health care and social assistance	17%
Manufacturing	15%
Professional, scientific and technical services	12%
Educational services	11%
Finance and insurance	11%
Government agencies	9%
Construction	5%
Transportation and warehousing	5%
Utilities	4%
Retail trade	4%
Administrative and support and waste management and remediation services	4%

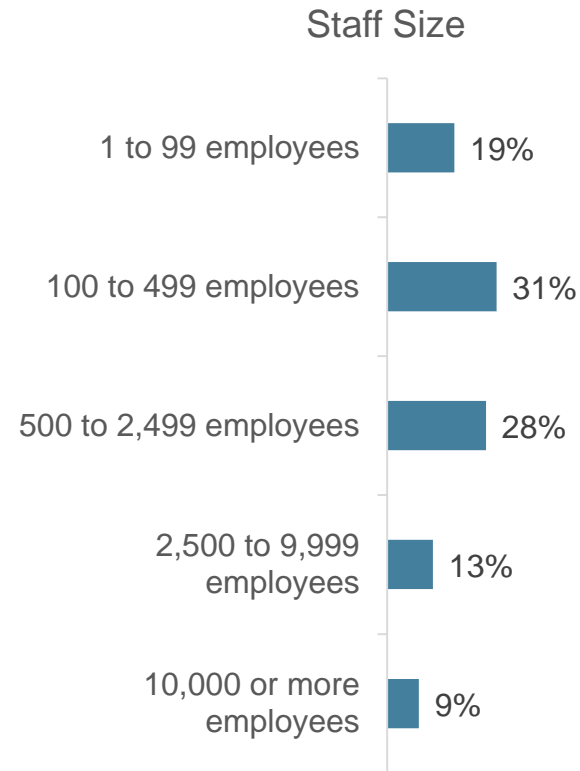
Industry	%
Accommodation and food services	3%
Real estate and rental and leasing	3%
Wholesale trade	3%
Religious, grant-making, civic, professional and similar organizations	3%
Information	3%
Arts, entertainment and recreation	2%
Mining, quarrying, and oil and gas extraction	2%
Repair and maintenance	1%
Agriculture, forestry, fishing and hunting	1%
Personal and laundry services	1%
Other industry	10%

*Note: n = 832. Percentages do not total 100% due to multiple response options.*

# Demographics: Organization Sector and Staff Size



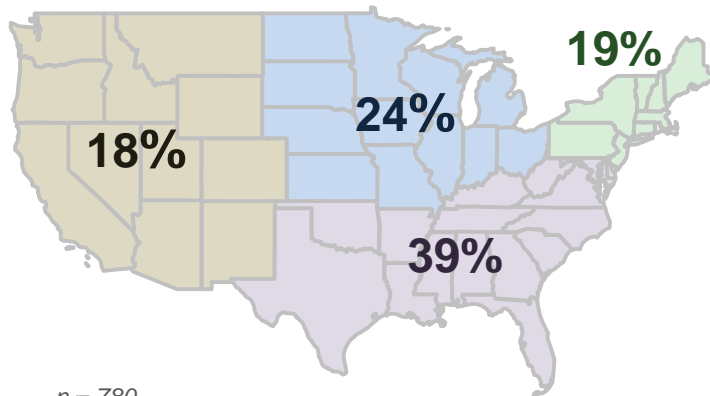
*n* = 837



*n* = 821

# Demographics: Other Organization Information

## Region



*n* = 780

## Level

Corporate (companywide)	83%
Business unit/division	9%
Facility/location	8%

*Note: n* = 528. These data represent organizational level from which the respondent answered the survey questions.

## U.S. vs. Multinational

U.S.-based operations only	82%
Multinational operations	18%

*n* = 853

## Multi-Unit vs. Single Unit (U.S. based)

Multi-unit organization: An organization that has more than one location.	60%
Single-unit organization: An organization in which the location and the organization are one and the same.	40%

*n* = 850

## Origin of Policy Decisions (Multi-Unit)

Multi-unit headquarters	62%
Each work location	2%
A combination of both the work location and the multi-unit headquarters	36%

*n* = 530

# SHRM Survey Findings: Health Care Reform

## Survey Methodology

- Response rate = 16%
- 918 HR professionals from a randomly selected sample of SHRM's membership with the job function of benefits or compensation or with the job title of manager or above participated in this survey.
- Margin of error +/-3%
- Survey fielded Feb. 9-24, 2017

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# Additional Resources

## SHRM Research

- Research and Surveys: [shrm.org/research](https://www.shrm.org/research)
- Special Reports and Expert Views: [shrm.org/trends](https://www.shrm.org/trends)
- Labor Market and Economic Data: [shrm.org/jos](https://www.shrm.org/jos)

## SHRM Member Resources

- [Health Care Reform Resources](#)
- [SHRM Health Care Legislative Updates](#)

## Other SHRM Resources

- [Effective Practice Guidelines](#)

## Books and Resources, Events, Education and Certification

- [shrmstore.org](https://www.shrmstore.org)

## SHRM Business Solutions

- Employee Engagement Survey: [shrm.org/PeopleInSight](https://www.shrm.org/PeopleInSight)
- Benchmarking Service: [shrm.org/Benchmarks](https://www.shrm.org/Benchmarks)
- Salary Data Service: [shrm.org/SHRMCompensationDataCenter](https://www.shrm.org/SHRMCompensationDataCenter)

## Other Resources

- [Bureau of Labor Statistics](#)