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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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.
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%).

62% of HR professionals said reporting requirements were their biggest challenge related to the ACA.
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

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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.

<table>
<thead>
<tr>
<th>Element</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No preexisting condition exclusions</td>
<td><strong>83%</strong></td>
</tr>
<tr>
<td>Preventative care coverage with no cost-sharing</td>
<td><strong>52%</strong></td>
</tr>
<tr>
<td>No lifetime limits on the value of benefits</td>
<td><strong>37%</strong></td>
</tr>
<tr>
<td>Dependent children coverage up to age 26</td>
<td><strong>37%</strong></td>
</tr>
<tr>
<td>Insurance market reform that promotes competition and choice</td>
<td><strong>30%</strong></td>
</tr>
<tr>
<td>Health care coverage availability for most Americans</td>
<td><strong>26%</strong></td>
</tr>
<tr>
<td>An employer-based health care coverage system</td>
<td><strong>22%</strong></td>
</tr>
<tr>
<td>Other</td>
<td><strong>3%</strong></td>
</tr>
</tbody>
</table>

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.
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.

**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)

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**Chart:**
- **39%**
  - Changed plan to avoid tax 14%
  - Plan won't trigger tax 25%
- **44%**
  - Will do analysis to avoid tax 18%
  - Awaiting final guidance 26%
- **16%**
  - Will pay tax 1%
  - Not yet considered 15%

**Already took action/Will not owe tax**

**Waiting to take action/Will do analysis**

**Took no action/Will pay tax**

*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.*

<table>
<thead>
<tr>
<th>Category</th>
<th>Decrease</th>
<th>Stay the Same</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health insurance premium costs for employees</td>
<td>5%</td>
<td>28%</td>
<td>67%</td>
</tr>
<tr>
<td>Out-of-pocket health care costs for employees</td>
<td>5%</td>
<td>35%</td>
<td>60%</td>
</tr>
<tr>
<td>Coverage for brand-name prescription drugs</td>
<td>26%</td>
<td>47%</td>
<td>27%</td>
</tr>
<tr>
<td>Coverage for specific types of medical procedures/conditions</td>
<td>24%</td>
<td>57%</td>
<td>20%</td>
</tr>
<tr>
<td>Number of health care plan options</td>
<td>22%</td>
<td>65%</td>
<td>14%</td>
</tr>
</tbody>
</table>

*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.

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.

Reporting requirements (forms 1094-B/C, 1095-B/C) 62%
Complexity of the law 51%
Time required to implement and stay compliant 49%
Tracking employee hours 24%
Cost of implementing 24%
Employee out-of-pocket cost 18%
Understanding details of the law and its impact on organization 16%
Other 3%
No challenges 10%

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.

Note: n = 777. Respondents who answered “don’t know” or “N/A” 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.*
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.

- Tracking or monitoring employee hours and status: 54%
- Understanding how the ACA applies to seasonal employees: 25%
- Inconsistent definition of a "seasonal employee": 25%
- Administering employer-sponsored plans for seasonal employees: 19%
- Other: 1%
- No challenges: 31%

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.

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.
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.

- Communicate impact to employees: 72%
- Train HR on the ACA and its impact: 67%
- Analyze short-term financial impact: 48%
- Hire/work with external legal/benefits counsel: 48%
- Analyze long-term financial impact: 47%
- Partner with health provider to design plan: 40%
- Develop new health care strategy: 35%
- Communicate impact to retirees: 18%
- Hire consultants for staffing strategy: 17%
- Plan for automatic enrollment in health care: 14%

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

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

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

2015 Statistically significant difference from 2015.
2013 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.

<table>
<thead>
<tr>
<th>Change in Health Care Costs</th>
<th>2017 (n = 832)</th>
<th>2015 (n = 687)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased</td>
<td>79%</td>
<td>77%</td>
</tr>
<tr>
<td>Stayed the same</td>
<td>16%</td>
<td>17%</td>
</tr>
<tr>
<td>Decreased</td>
<td>5%</td>
<td>6%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Average Increase in Health Care Costs</th>
<th>2017 (n = 599)</th>
<th>2015 (n = 492)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1% - 5%</td>
<td>25%</td>
<td>21%</td>
</tr>
<tr>
<td>6% - 10%</td>
<td>41%</td>
<td>38%</td>
</tr>
<tr>
<td>11% - 15%</td>
<td>18%</td>
<td>16%</td>
</tr>
<tr>
<td>16% or more</td>
<td>16%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Note: Only respondents who indicated an increase in the costs from 2016 to 2017 were asked this question. Percentages may not total 100% due to rounding.
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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2015</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decreased</td>
<td>23%</td>
<td>21%</td>
<td>20%</td>
</tr>
<tr>
<td>Stayed the same</td>
<td>66%</td>
<td>66%</td>
<td>65%</td>
</tr>
<tr>
<td>Improved</td>
<td>11%</td>
<td>13%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Non-health benefits offerings

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2015</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decreased</td>
<td>10%</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>Stayed the same</td>
<td>85%</td>
<td>84%</td>
<td>81%</td>
</tr>
<tr>
<td>Improved</td>
<td>5%</td>
<td>8%</td>
<td>10%</td>
</tr>
</tbody>
</table>

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.

Financial and compensation benefits: 49% in 2017, 38% in 2015, 45% in 2013
Professional and career development benefits: 47% in 2017, 29% in 2015, 23% in 2013
Employee programs and services: 46% in 2017, 38% in 2015, 40% in 2013
Retirement savings and planning benefits: 31% in 2017, 44% in 2015, 45% in 2013

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.
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.

- Distributed a proportion to employee participants in the plan: 30%
- Applied toward future participant premium payments: 30%
- Distributed the full amount to employee participants in the plan: 25%
- Applied toward other benefit enhancements: 13%
- Other: 10%

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
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.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>2017 full-time employees</th>
<th>2015 full-time employees</th>
<th>2017 part-time employees</th>
<th>2015 part-time employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Already defined employees the same as the ACA</td>
<td>59%</td>
<td>56%</td>
<td>55%</td>
<td>50%</td>
</tr>
<tr>
<td>Changed definition for ALL benefits and for classification purposes</td>
<td>10%</td>
<td>11%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Changed definition ONLY for health care benefits</td>
<td>9%</td>
<td>10%</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>Considered it, but do NOT plan to change definition</td>
<td>5%</td>
<td>7%</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Have not explored the ACA's definition in comparison to organization's definition</td>
<td>17%</td>
<td>17%</td>
<td>17%</td>
<td>17%</td>
</tr>
</tbody>
</table>

Note: n = 638-825. Respondents who answered “don’t know” or “not applicable” were excluded from this analysis.
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.

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.

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

2014 Statistically significant difference from 2014.

2013 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.

![Bar chart showing the distribution of decisions regarding reduced hours for full-time and part-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.
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%).

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

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

Source: 2016 Employee Benefits: A Research Report by SHRM
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.

<table>
<thead>
<tr>
<th>Requirement Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meets all requirements; fully compliant with ACA</td>
<td>70%</td>
</tr>
<tr>
<td>Meets most requirements (75% or more)</td>
<td>26%</td>
</tr>
<tr>
<td>Meets some requirements (26% to 74%)</td>
<td>5%</td>
</tr>
<tr>
<td>Meets few to no requirements (25% or less)</td>
<td>0%</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Industry</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health care and social assistance</td>
<td>17%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>15%</td>
</tr>
<tr>
<td>Professional, scientific and technical services</td>
<td>12%</td>
</tr>
<tr>
<td>Educational services</td>
<td>11%</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>11%</td>
</tr>
<tr>
<td>Government agencies</td>
<td>9%</td>
</tr>
<tr>
<td>Construction</td>
<td>5%</td>
</tr>
<tr>
<td>Transportation and warehousing</td>
<td>5%</td>
</tr>
<tr>
<td>Utilities</td>
<td>4%</td>
</tr>
<tr>
<td>Retail trade</td>
<td>4%</td>
</tr>
<tr>
<td>Administrative and support and waste management and remediation services</td>
<td>4%</td>
</tr>
<tr>
<td>Accommodation and food services</td>
<td>3%</td>
</tr>
<tr>
<td>Real estate and rental and leasing</td>
<td>3%</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>3%</td>
</tr>
<tr>
<td>Religious, grant-making, civic, professional and similar organizations</td>
<td>3%</td>
</tr>
<tr>
<td>Information</td>
<td>3%</td>
</tr>
<tr>
<td>Arts, entertainment and recreation</td>
<td>2%</td>
</tr>
<tr>
<td>Mining, quarrying, and oil and gas extraction</td>
<td>2%</td>
</tr>
<tr>
<td>Repair and maintenance</td>
<td>1%</td>
</tr>
<tr>
<td>Agriculture, forestry, fishing and hunting</td>
<td>1%</td>
</tr>
<tr>
<td>Personal and laundry services</td>
<td>1%</td>
</tr>
<tr>
<td>Other industry</td>
<td>10%</td>
</tr>
</tbody>
</table>
Demographics: Organization Sector and Staff Size

**Sector**
- Privately owned for-profit: 47%
- Nonprofit/not-for-profit: 23%
- Publicly owned for-profit: 16%
- Government: 14%

**Staff Size**
- 1 to 99 employees: 19%
- 100 to 499 employees: 31%
- 500 to 2,499 employees: 28%
- 2,500 to 9,999 employees: 13%
- 10,000 or more employees: 9%
Demographics: Other Organization Information

**U.S. vs. Multinational**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.-based operations only</td>
<td>82%</td>
</tr>
<tr>
<td>Multinational operations</td>
<td>18%</td>
</tr>
</tbody>
</table>

*n = 853*

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

<table>
<thead>
<tr>
<th>Multi-unit organization: An organization that has more than one location.</th>
<th>60%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-unit organization: An organization in which the location and the organization are one and the same.</td>
<td>40%</td>
</tr>
</tbody>
</table>

*n = 850*

**Origin of Policy Decisions (Multi-Unit)**

<table>
<thead>
<tr>
<th>Multi-unit headquarters</th>
<th>62%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Each work location</td>
<td>2%</td>
</tr>
<tr>
<td>A combination of both the work location and the multi-unit headquarters</td>
<td>36%</td>
</tr>
</tbody>
</table>

*n = 530*

Note: *n = 528*. These data represent organizational level from which the respondent answered the survey questions.
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
- Special Reports and Expert Views: shrm.org/trends
- Labor Market and Economic Data: 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

SHRM Business Solutions
- Employee Engagement Survey: shrm.org/PeopleInSight
- Benchmarking Service: shrm.org/Benchmarks
- Salary Data Service: shrm.org/SHRMCompensationDataCenter

Other Resources
- Bureau of Labor Statistics