SHRM Survey Findings: Health Care Reform—Challenges and Strategies
• This is the first part of a two-part survey findings about the impact of the Patient Protection and Affordable Care Act (PPACA) on organizations. This section examines the challenges that human resource professionals are facing and the strategies they are using to handle the new regulations. 2013 data are compared with the 2010 and 2011 data where applicable. The results are broken into the following sections:
  ➢ Challenges and Opportunities.
  ➢ Resources and Actions.
  ➢ Strategies.
  ➢ Demographics.


• Additional SHRM resources on health care reform are available at shrm.org/healthcare
• What are the biggest HR challenges with the PPACA? HR professionals report that the top three challenges are keeping up with regulations and making appropriate preparations (25%), understanding the details of the law (20%), and understanding the impact of the law on health care plan costs (18%). In 2010, the top challenge was the grey areas of the law (33%), which is now seen as a major challenge by only 8% of respondents.

• What do HR professionals think is the most beneficial aspect of the PPACA? More than one-third (35%) say health care coverage availability for most Americans is the most beneficial aspect; however, 29% do not see anything positive in the law.

• What is the main implementation barrier for organizations? HR professionals report that the main implementation barriers are the complexity of the law (41%) and a lack of understanding of the law’s details and its impact on organizations (27%).
• **What actions have organizations taken in response to the PPACA?** Nearly three-quarters (74%) of organizations are sending HR staff to classes/training on the health care law. About the same percentage (73%) are working with legal/benefits counsel to understand implications of the health care law, and 61% are partnering with their health benefits provider to design a 2014 health care plan. More than one-half (60%) are analyzing the short-term financial impact of the law and their organizations’ ability to offer health care, and one-half (50%) are conducting a long-term financial analysis.

• **What resources are organizations using to navigate the PPACA?** More than three-quarters (78%) of organizations are using an insurance broker, 62% are using SHRM’s resources on health care reform, and nearly one-half (48%) are using either internal or external legal counsel. About one-third (34%) are currently using consultants, a decline from 45% in 2011.

• **Are organizations changing their definition of part-time employees as a result of the PPACA?** More than one-half (55%) of organizations say their definition of part-time employees already conforms with the PPACA. Thirteen percent have changed the definition for all benefits and classification purposes, and 6% have changed the definition of part-time employees for their health care benefits only. In total, 74% of organizations currently have a definition of part-time employees that conforms with the PPACA.
• **Are organizations reducing the total number of employees or part-time hours because of the PPACA?** Very few organizations (3%) have already reduced or plan to reduce the total number of employees. More organizations (9%) have already reduced part-time hours below 30 hours per week, and 12% plan to do so. Larger organizations (500 to 24,999 employees) are more likely than smaller organizations (1 to 499 employees) to plan to reduce hours for part-time employees.

• **Will organizations attempt to maintain a “grandfathered health plan” status?** About one-quarter (26%) of organizations plan to maintain a grandfathered status, a decrease from 35% in 2010. More than one-half (55%) will not maintain grandfathered status or do not qualify, and 19% are not sure.

• **Why do organizations want to maintain grandfathered status?** Of organizations that are maintaining grandfathered status, 46% want to avoid additional costs to the organization and/or employees, and 43% indicate their current health care plan is more robust than what is required by the PPACA. One out of 10 (10%) want to avoid compliance with specific elements of the law.

• **Why have organizations decided not to maintain grandfathered status?** Of organizations that decided not to maintain grandfathered status, 44% want to provide additional benefits to employees mandated under nongrandfathered plans. More than one-third (35%) indicate it will cost more to keep than to change health care plans.
• Are organizations considering alternative health care plans? More than one-third (37%) of organizations already offer alternative health care plans, and 19% plan to offer them in the future. Another 19% had considered them, but do not plan to offer them. This is an increase from 2010, when 34% of organizations considered alternative health care plans.

• Have organizations considered implementing working-spouse provisions? Thirteen percent of organizations already have working-spouse provisions, and 9% plan to implement them in 2014. While another 17% have considered such provisions, they do not plant to implement them. Larger organizations (500 to 24,999 employees) are more likely than smaller organizations (1 to 499 employees) to have working-spouse provisions in their current health care coverage. Publicly owned for-profit organizations are more likely than privately owned for-profit, nonprofit and government organizations to have working-spouse provisions in their current health care coverage.

• Have organizations considered private health insurance exchanges? About three out of five organizations (62%) have not considered using a private health insurance exchange. One-quarter (26%) considered this option, but were unsure if they would use a private exchange, and 10% have decided not to use one. Currently, 2% are already using a private exchange or plan to do so in the future.
• HR professionals will need to make sure they are educated about the PPACA and understand its implications for their organization. Given that the main challenges and implementation barriers caused by the PPACA are related to understanding the law, it will be crucial to keep up with the regulations and new guidance in order to make informed decisions related to the PPACA.

• With 2013 halfway through, it is critical to take action in planning for the PPACA. Many new provisions take effect in 2014, including the employer mandate and public health insurance exchanges. About one-quarter of organizations are still planning to conduct a short-term financial analysis, develop a new health care strategy plan, or work with their health care provider to develop a 2014 health care plan.

• Organizations may need to consider various health care coverage strategies to help manage costs while maintaining health care benefits that are important for recruitment and retention of employees. About one-quarter of organizations plan to maintain a grandfathered health care plan. Other strategies organizations are considering include alternative health care plans, private health care exchanges, reduced hours for part-time employees, and working-spouse provisions.
Challenges and Opportunities
In your opinion as an HR professional, what is the biggest PPACA challenge for HR?

- Keeping up with regulations and making appropriate preparations: 25% (2013), 13% (2010)
- Understanding the details of the law: 31% (2013), 20% (2010)
- Impact on health care plan costs: 18% (2013), 7% (2010)
- The grey areas of the law: 33% (2013), 8% (2010)
- Determining impact on future total compensation strategy: 11% (2013), 7% (2010)
- Keeping track of when various parts of the law take effect: 7% (2013), 6% (2010)
- Impact on health care plan design: 4% (2013), 4% (2010)
- Keeping employees informed about the implications of the law: 2% (2013), 2% (2010)
- Other: 6% (2013), 2% (2010)
- Not applicable; we have not had any challenges as a result of the PPACA: 1% (2013), 1% (2010)

Note: Percentages may not equal 100% due to rounding. An asterisk (*) indicates this response option was not available in 2010.
In your opinion as an HR professional, what is the best aspect of the PPACA?

- Health care coverage availability for most Americans: 35%
- Not applicable, I don’t see anything positive in this law: 29%
- The inclusion of wellness provisions: 12%
- Insurance market reform that promotes competition and choice: 7%
- Health care coverage has remained an employer-based system (not government): 6%
- The possibility of improved quality of care: 3%
- Other: 7%

Note: n = 701. Percentages do not equal 100% due to rounding.
What is the main implementation barrier of the PPACA for your organization?

- Complexity of the law: 41%
- Lack of understanding of the details of the law and its impact on the organization: 27%
- Not applicable; there is no implementation barrier for my organization: 10%
- Cost of implementing: 10%
- Employee out of pocket cost: 5%
- Other: 7%

$n = 728$
Resources and Actions
What actions has your organization taken in response to the PPACA?

<table>
<thead>
<tr>
<th>Action</th>
<th>Already doing/done</th>
<th>Planning to do</th>
<th>Not doing/no plans to do</th>
<th>Not sure/N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Education:</strong> Sending HR staff to classes/training on health care law</td>
<td>74%</td>
<td>12%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Consultation with Experts:</strong> Working with legal/benefits counsel to understand implications of the health care law</td>
<td>73%</td>
<td>14%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Consultation with Experts:</strong> Partnering with current health benefits provider to design the 2014 health care plan</td>
<td>61%</td>
<td>25%</td>
<td>4%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Analysis:</strong> Analyzing short-term financial impact of the health care law and my organization’s ability to offer health care</td>
<td>60%</td>
<td>25%</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Analysis:</strong> Analyzing long-term financial impact of the health care law and my organization’s ability to offer health care</td>
<td>50%</td>
<td>35%</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Communication:</strong> Communicating the impact of the health care law to employees</td>
<td>32%</td>
<td>55%</td>
<td>5%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Planning:</strong> Developing a new health care strategy plan</td>
<td>31%</td>
<td>28%</td>
<td>19%</td>
<td>23%</td>
</tr>
<tr>
<td><strong>Consultation with Experts:</strong> Hiring a consultant(s) to develop an employment strategy that suits our benefits spending and staffing plan</td>
<td>21%</td>
<td>6%</td>
<td>45%</td>
<td>28%</td>
</tr>
<tr>
<td><strong>Planning:</strong> Developing a plan for automatically enrolling employees in our primary health care plan</td>
<td>19%</td>
<td>26%</td>
<td>25%</td>
<td>29%</td>
</tr>
<tr>
<td><strong>Communication:</strong> Communicating impact of the health care law to retirees</td>
<td>7%</td>
<td>20%</td>
<td>24%</td>
<td>49%</td>
</tr>
</tbody>
</table>

*Note: n = 799-818. Percentages may not equal 100% due to rounding.*
What resources is your organization currently using in regard to the health care reform law?

- **Insurance broker**: 78% (2013), 69% (2011), 73% (2010)
- **SHRM’s resources on the health care reform law**: 62% (2013), 47% (2011), 54% (2010)
- **Legal counsel (internal or external)**: 48% (2013), 42% (2011), 50% (2010)
- **Consultants**: 34% (2013), 45% (2011), 30% (2010)
- **Internal experts**: 20% (2013), 30% (2011), 17% (2010)
- **Other**: 10% (2013), 8% (2011), 12% (2010)

*Note: n = 749. Percentages do not equal 100% due to multiple response options.*
Has your organization considered changing its definition of part-time employees as a result of the PPACA?

- **55%** have already defined part-time employees in a way that conforms with the PPACA.
- **13%** have changed their definition for all benefits and for classification purposes to conform to the PPACA.
- **6%** have changed their definition for health care benefits to conform to the PPACA, but not for other purposes.
- **7%** considered this, but do NOT plan to change their definition of part-time workers.
- **19%** have not yet explored PPACA’s definition of part-time employees in comparison to their internal definition.

*n = 688*
Strategies
Has your organization considered reducing the total number of employees or hours for part-time employees because of the PPACA?

**Employer Mandate (Play or Pay):** Under the PPACA, employers with 50 or more full-time equivalent employees (FTEs) working 30 hours or more 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 beginning January 1, 2014, or be subject to penalties.

- Yes, we have already reduced: 1% (9 of 777)
- Yes, we plan to reduce: 2% (12 of 661)
- No, we considered this option, but do not plan to reduce: 4% (8 of 661)
- No, we have not considered reducing: 93% (711 of 777)

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Has your organization considered reducing the hours for part-time employees below 30 hours per week because of the PPACA?

Comparisons by organization staff size

• Organizations with 500 to 24,999 employees are more likely than organizations with 1 to 499 employees to plan to reduce hours for part-time employees.

<table>
<thead>
<tr>
<th>Comparisons by organization staff size:</th>
<th>Plan to reduce hours for part-time employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>500 to 2,499 employees (18%)</td>
<td>&gt;</td>
</tr>
<tr>
<td>2,500 to 24,999 employees (19%)</td>
<td>1 to 99 employees (5%)</td>
</tr>
<tr>
<td></td>
<td>100 to 499 employees (9%)</td>
</tr>
</tbody>
</table>

Note: Only statistically significant differences are shown.
Will your organization attempt to maintain a “grandfathered health plan” status?

Grandfathered Health Plan: Any group health plan or individual coverage that was in effect on the date of PPACA’s enactment, March 23, 2010. If an employer maintains the same group health plan, it may be grandfathered—exempt from certain provisions of the PPACA. 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, significantly lowers employer contributions, etc.

Yes, we will attempt to maintain grandfathered status

- 2013: 26%
- 2010: 35%

No, we have decided not to maintain grandfathered status

- 2013: 13%
- 2010: 32%

Not applicable; we do not qualify for grandfathered status

- 2013: 7%
- 2010: 23%

We are/will conduct analyses to decide whether to keep grandfather status

- 2013: 13%
- 2010: 25%

We have not yet begun to consider the issues around grandfathered status

- 2013: 6%
- 2010: 20%

Note: Respondents who answered “not sure what is meant by grandfathered status” were excluded from this analysis.
What is the primary reason that your organization wants to maintain grandfathered status?

To avoid additional costs to the organization and/or employees: 46%

Our current plan is more robust than what is required by the PPACA: 43%

To avoid having to comply with specific elements of the PPACA: 10%

Other: 2%

Note: n = 178. Percentages do not equal 100% due to rounding. Only respondents whose organizations are planning to maintain grandfathered status were asked this question.
What is the primary reason that your organization decided NOT to maintain grandfathered status?

- **44%** We want to provide the additional benefits to employees mandated under non-grandfathered plans.
- **35%** It will cost more to keep than to change health care plans.
- **8%** *We wanted to make changes to our benefits plan.*
- **5%** We want to reduce the benefits offerings to employees.
- **8%** Other

Note: n = 216. An asterisk (*) indicates that this response option was developed from open-ended responses. Only respondents whose organizations have decided NOT to maintain grandfathered status were asked this question.
Has your organization considered alternative health care plans?

Alternative Health Care Plan Examples:
- Less expensive coverage plans
- Health savings accounts
- Health reimbursement accounts
- Self-funding

In 2010, only 34% of organizations had considered alternative health care plans.

n = 646
Has your organization considered implementing working-spouse provisions such as surcharges or exclusions?

- No, we have not considered working-spouse provisions, 62%
- We considered these provisions, but do not plan to implement them, 17%
- Yes, we plan to offer these provisions in 2014, 9%
- Yes, we already have working-spouse provisions, 13%

Working-Spouse Provisions: These provisions limit access to a health care plan when an employee’s spouse works for another employer that offers health insurance. For example, a working spouse may be required to pay a surcharge for coverage, be required to purchase health insurance through the spouse’s employer’s plan first, or be excluded from coverage.

Note: n = 629. Percentages do not total 100% due to rounding.
Has your organization considered implementing working-spouse provisions such as surcharges or exclusions?

Comparisons by organization staff size

• Organizations with 500 to 24,999 employees are more likely than organizations with 1 to 499 employees to **have working-spouse provisions in their current health care coverage**.

<table>
<thead>
<tr>
<th>Currently have working-spouse provisions</th>
<th>500 to 2,499 employees (20%)</th>
<th>&gt;</th>
<th>1 to 99 employees (3%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,500 to 24,999 employees (25%)</td>
<td>&gt;</td>
<td>100 to 499 employees (9%)</td>
</tr>
</tbody>
</table>

Comparisons by organization sector

• Publicly owned for-profit organizations are more likely than privately owned for-profit, nonprofit and government organizations to **have working-spouse provisions in their current health care coverage**.

<table>
<thead>
<tr>
<th>Currently have working-spouse provisions</th>
<th>Publicly owned for-profit (27%)</th>
<th>&gt;</th>
<th>Privately owned for-profit (12%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>&gt;</td>
<td>Nonprofit (9%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt;</td>
<td>Government (8%)</td>
</tr>
</tbody>
</table>

*Note: Only statistically significant differences are shown.*
Has your organization considered using private health insurance exchanges?

**Private Health Insurance Exchange:** These are marketplaces where employers can purchase health insurance through a private exchange, and employees can choose a health plan from the participating insurance networks.

- No, we have not considered using a private exchange: 62%
- Yes, but we are unsure if we will use a private exchange: 26%
- Yes, but we have decided not to use a private exchange: 10%
- Yes, we plan to use a private exchange in the future: 1%
- Yes, we are currently using a private exchange: 1%

*n = 627*
Demographics
**Demographics: Organization Industry**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health care and social assistance</td>
<td>15%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>15%</td>
</tr>
<tr>
<td>Professional, scientific and technical services</td>
<td>15%</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>13%</td>
</tr>
<tr>
<td>Educational services</td>
<td>10%</td>
</tr>
<tr>
<td>Government agencies</td>
<td>9%</td>
</tr>
<tr>
<td>Transportation and warehousing</td>
<td>6%</td>
</tr>
<tr>
<td>Retail trade</td>
<td>4%</td>
</tr>
<tr>
<td>Utilities</td>
<td>4%</td>
</tr>
<tr>
<td>Accommodation and food services</td>
<td>3%</td>
</tr>
<tr>
<td>Administrative and support and waste management and remediation services</td>
<td>3%</td>
</tr>
<tr>
<td>Construction</td>
<td>3%</td>
</tr>
</tbody>
</table>

Note: n = 751. Percentages do not equal 100% due to multiple response options.
<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining, quarrying, and oil and gas extraction</td>
<td>3%</td>
</tr>
<tr>
<td>Religious, grant-making, civic, professional and similar organizations</td>
<td>3%</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>3%</td>
</tr>
<tr>
<td>Information</td>
<td>2%</td>
</tr>
<tr>
<td>Real estate and rental and leasing</td>
<td>2%</td>
</tr>
<tr>
<td>Repair and maintenance</td>
<td>2%</td>
</tr>
<tr>
<td>Agriculture, forestry, fishing and hunting</td>
<td>1%</td>
</tr>
<tr>
<td>Arts, entertainment, and recreation</td>
<td>1%</td>
</tr>
<tr>
<td>Personal and laundry services</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>Other industry</td>
<td>11%</td>
</tr>
</tbody>
</table>

Note: n = 751. Percentages do not equal 100% due to multiple response options.
Demographics: Organization Sector

- Privately owned for-profit: 47%
- Nonprofit: 24%
- Publicly owned for-profit: 16%
- Government: 10%
- Other: 4%

Note: n = 751. Percentages do not total 100% due to rounding.
Demographics: Organization Staff Size

- 1 to 99 employees: 22%
- 100 to 499 employees: 35%
- 500 to 2,499 employees: 24%
- 2,500 to 24,999 employees: 16%
- 25,000 or more employees: 3%

n = 811
Does your organization have U.S.-based operations (business units) only, or does it operate multinationally?

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.-based operations only</td>
<td>81%</td>
</tr>
<tr>
<td>Multinational operations</td>
<td>19%</td>
</tr>
</tbody>
</table>

\( n = 764 \)

U.S. Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midwest</td>
<td>38%</td>
</tr>
<tr>
<td>South</td>
<td>27%</td>
</tr>
<tr>
<td>Northeast</td>
<td>18%</td>
</tr>
<tr>
<td>West</td>
<td>16%</td>
</tr>
</tbody>
</table>

Note: \( n = 731 \). Percentages do not equal 100% due to rounding.

Is your organization a single-unit organization or a multi-unit organization?

<table>
<thead>
<tr>
<th>Organization Type</th>
<th>Percentage</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>
<tr>
<td>Multi-unit organization: An organization that has more than one location</td>
<td>60%</td>
</tr>
</tbody>
</table>

\( n = 764 \)

For multi-unit organizations, are HR policies and practices determined by the multi-unit headquarters, by each work location or by both?

<table>
<thead>
<tr>
<th>Determination Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-unit headquarters determines HR policies and practices</td>
<td>68%</td>
</tr>
<tr>
<td>Each work location determines HR policies and practices</td>
<td>3%</td>
</tr>
<tr>
<td>A combination of both the work location and the multi-unit headquarters determines HR policies and practices</td>
<td>29%</td>
</tr>
</tbody>
</table>

\( n = 480 \)
Survey Methodology

• Response rate = 14%
• 818 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 May 2-16, 2013
• For more survey/poll findings, visit www.shrm.org/surveys

• For more information about SHRM’s Customized Research Services, visit www.shrm.org/customizedresearch

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About SHRM

The Society for Human Resource Management (SHRM) is the world’s largest association devoted to human resource management. Representing more than 250,000 members in over 140 countries, the Society serves the needs of HR professionals and advances the interests of the HR profession. Founded in 1948, SHRM has more than 575 affiliated chapters within the United States and subsidiary offices in China and India.