



SHRM Survey Findings: 2016 Strategic Benefits— Health Care



November 30, 2016

Introduction

The 2016 Strategic Benefits Survey is part of a survey series administered annually since 2012 by the Society for Human Resource Management (SHRM). This research is used to determine whether various employee benefits are leveraged to recruit and retain top talent. The five-part series features the following topics, which are published as separate survey findings:

- Part 1: Wellness Initiatives
- Part 2: Flexible Work Arrangements
- Part 3: Health Care
- Part 4: Leveraging Benefits to Retain and Recruit Employees
- Part 5: Assessment and Communication of Benefits

In addition to overall results and results over time (where applicable), findings include comparisons of organizations in the high-tech industry and all other industries.

Definitions

For the purpose of this survey, *total health care costs* include employer-paid premiums, administration costs and any individual medical claims covered by the employer.

- **Health care coverage:** Almost all (98%) HR professionals indicated their organizations provide a health care insurance plan for their employees.
- **Plans to continue health care coverage for domestic partners:** The vast majority (94%) of organizations that offer health care coverage for domestic partners had plans to continue offering this benefit.
- **Plans to offer subsidies to purchase health care insurance:** About three-quarters (74%) of HR professionals indicated their organizations have not considered providing subsidies to purchase health care insurance through a private exchange; only 2% indicated their organization has plans to offer subsidies within the next three years.
- **Concern about controlling health care costs:** About two-thirds (66%) of HR professionals indicated their organizations were “very concerned” about controlling health care costs, a decrease from 2014 (79%), 2013 (83%) and 2012 (84%); 31% indicated their organizations were “somewhat concerned,” a decrease from 2014 (20%), 2013 (16%) and 2012 (16%).
 - » HR professionals at high-tech companies were less likely than HR professionals in other industries to indicate their organizations were “very concerned” about controlling health care costs (56% vs. 70%).

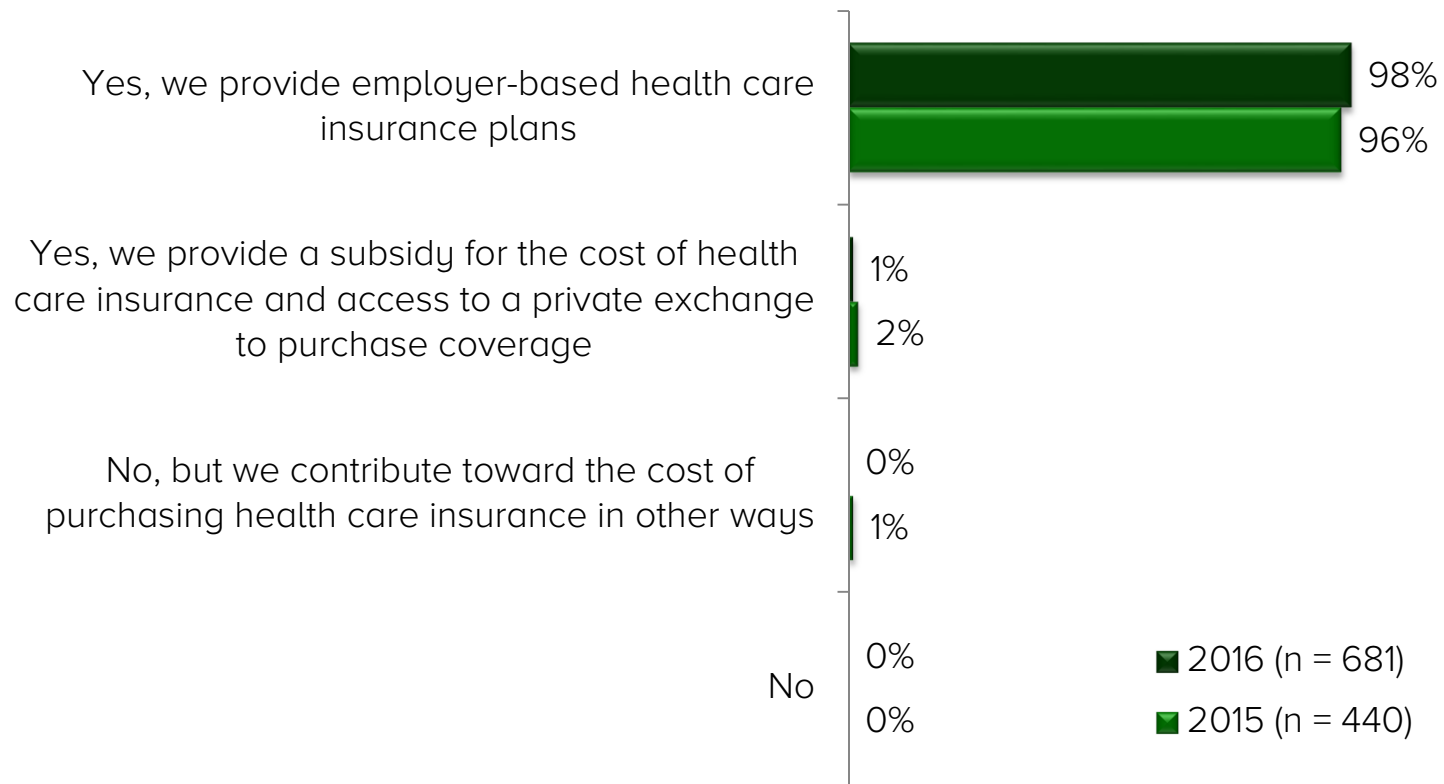
- **Changes in total health care costs:** About three-quarters (73%) of HR professionals *anticipated* an increase in their organizations' total health care costs between the previous and current plan year; one-third (33%) anticipated an increase of over 10%. Consistent with previous years, about three-quarters (73%) of organizations' *actual* total health care costs last plan year increased compared with the previous year.
- **Controlling health care costs:** The two most common activities that organizations engaged in for the purpose of controlling health care costs in 2016 were offering consumer-directed health plans (e.g., health reimbursement arrangements, or HRAs, and health savings accounts, or HSAs) (56%) and creating an organizational culture that promotes health and wellness (53%).
 - » The percentage of organizations offering consumer-directed health plans in 2016 was higher than in 2012-2014 (56% vs. 40%-44%).
 - » Creating an organizational culture that promotes health and wellness also increased between 2013 and 2016 (53% vs. 41%).
 - Consistent with 2015, HR professionals reported that the top two most successful activities in terms of helping organizations control the costs of health care in 2016 were offering consumer-directed health plans (28%) and creating an organizational culture that promotes health and wellness (22%).

- **The vast majority of HR professionals will continue to work for organizations that provide health care coverage.** Almost all HR professionals indicated their organizations provide a health care insurance plan for their employees. Although small organizations that do not employ at least one HR professional are less likely to provide health care benefits, most HR professionals will continue to work for organizations that provide coverage. Indeed, the need to manage health care and other benefits is one of the key factors that lead smaller organizations to start their HR function.
- **Despite forecasts to the contrary, health care coverage for domestic partners appears set to continue as a benefits offering in many organizations.** Because almost all organizations that offer health care coverage for domestic partners say they plan to continue offering this benefit, predictions that organizations would eliminate this benefit have so far proven to be false. This indicates that despite changes in the external environment, organizations believe this benefit remains valuable.
- **Most organizations that offer health care coverage will be sticking with it for the foreseeable future.** With almost no organizations planning to offer subsidies within the next three years, most organizations will be staying the course with their health care offerings for the foreseeable future. Organizations appear to be aware that health care is viewed by most employees as their most important employer-provided benefit (as shown in other SHRM research), making it central to any organization's employer value proposition.

- **Organizational leaders will continue to put pressure on HR professionals to keep health care costs down.** The anticipated increase in many organizations' total health care costs will represent significant costs to employers, making it likely that HR will continue to be called on to find new strategies to keep costs manageable. This will be one of HR's most challenging tasks because it has only a limited number of ways to manage costs without adding to employees' cost burden. HR will continue to be caught between the need to keep health care benefits attractive to its needed talent and the imperative to keep costs down.
- **Offering consumer-directed health plans (e.g., HRAs, HSAs) will be increasingly common.** Because consumer-directed health plans are associated with the ability to better manage costs, not surprisingly, the percentage of organizations using such plans in 2016 was significantly higher than in 2012-2014. HR professionals report their use as one of their top strategies for keeping costs down, and more may turn to this approach if costs continue to march upward.
- **In the years ahead, greater emphasis on employee wellness is likely, especially as the workforce ages.** The strategy of creating an organizational culture that promotes health and wellness increased from 2013 to 2016. This trend looks likely to continue due to demographic changes that will lead to a greater proportion of workers over the age of 55, who may be more likely to have chronic health conditions. SHRM research on the aging workforce has also found that many organizations see wellness programs as an attractive recruiting and retention tool for mature job seekers and employees.

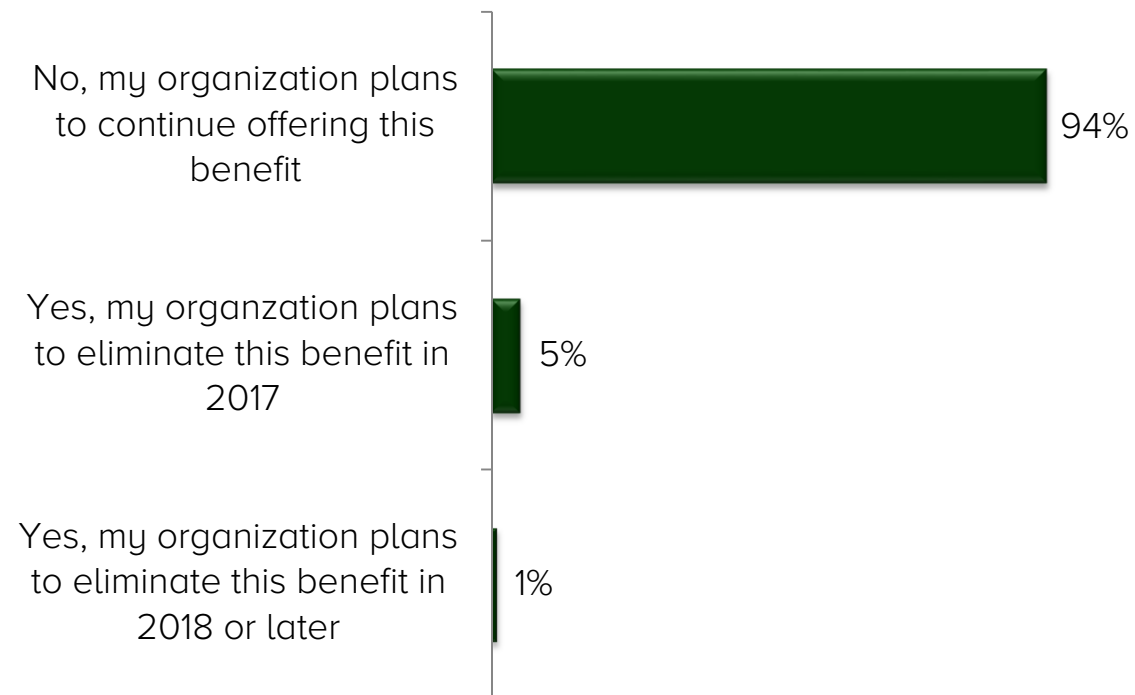
Health Care

Health Care Coverage Provided to Employees



Note: Percentages may not total 100% due to rounding.

Plans to Eliminate Health Care Coverage for Domestic Partners in Light of the Defense of Marriage Act (DOMA) Being Ruled Unconstitutional¹

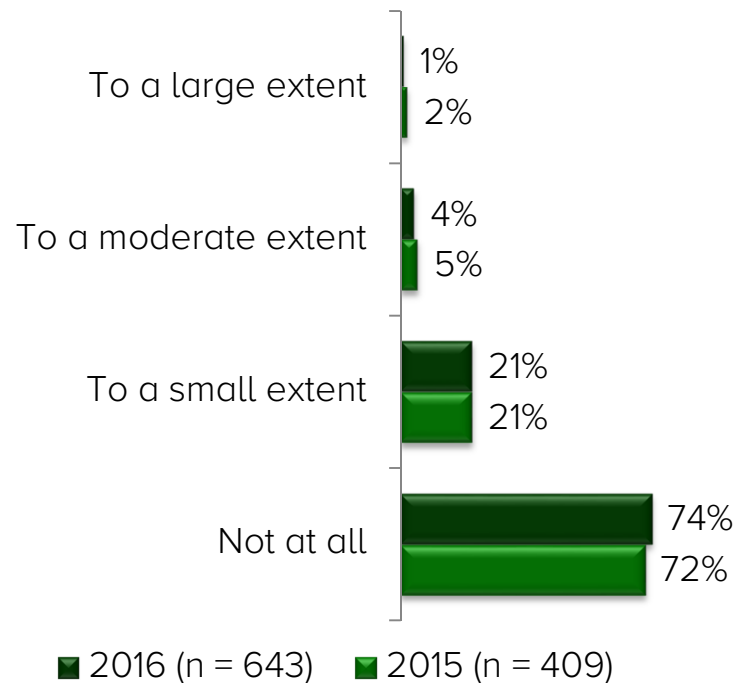


Note: n = 427. Respondents whose organizations provided employer-based health care insurance plans were asked this question. Respondents who indicated their organization does not offer health care coverage for domestic partners were excluded from the analysis.

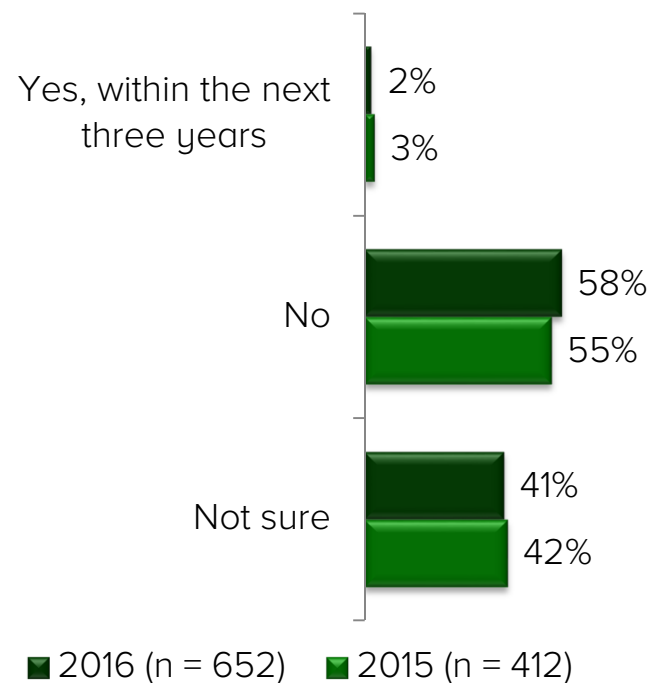
¹*The Defense of Marriage Act (DOMA), ruled unconstitutional on June 26, 2013, was a U.S. federal law that defined marriage for federal purposes as the union of one man and one woman and that allowed states to refuse to recognize same-sex marriages granted under the laws of other states. When DOMA was in place, many organizations offered health care coverage to domestic partners because same-sex partners could not legally marry. Some experts hypothesized that organizations would discontinue this benefit when DOMA was ruled unconstitutional and same-sex domestic partners could marry.*

Subsidies for Employees to Purchase Health Care Insurance

Extent organization has considered providing subsidies to purchase health care insurance through a private exchange

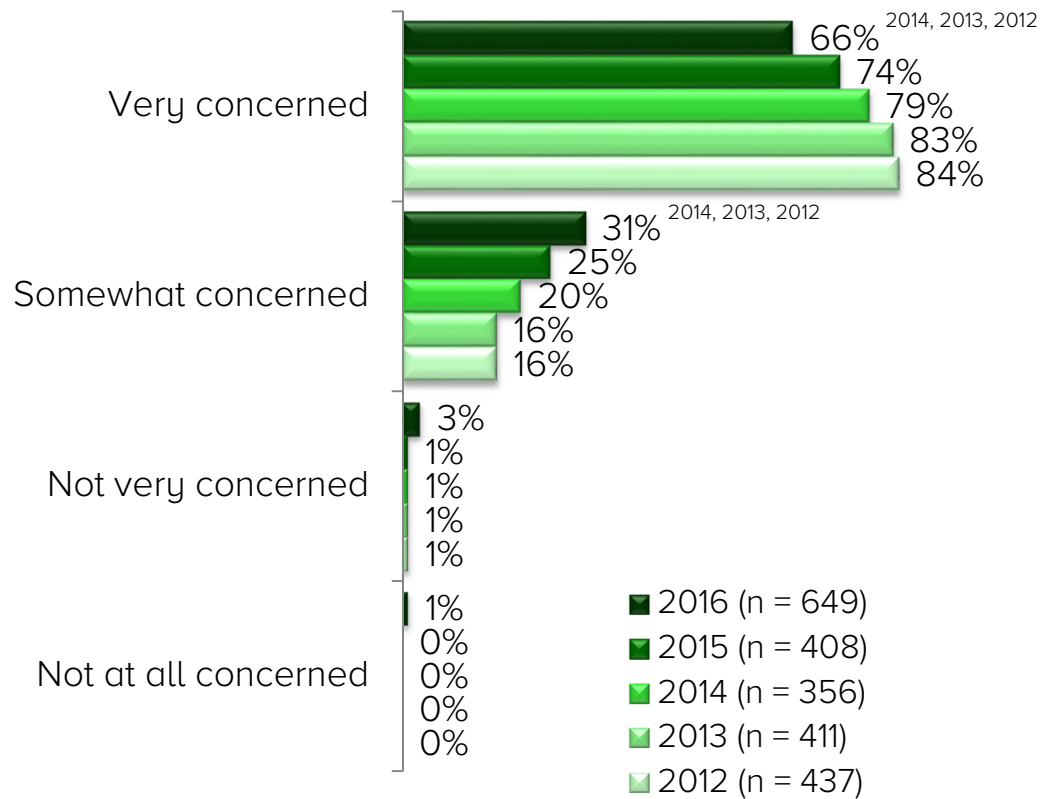


Plans to offer subsidies to purchase health care insurance through a private exchange



Note: Respondents whose organizations provided employer-based health care insurance plans or did not provide health care coverage were asked these questions. Percentages may not total 100% due to rounding.

Concern About Controlling Health Care Costs



Differences between high-tech companies and all other organizations

2016	High-Tech Companies	All Other Organizations
Very concerned	56%*	70%
Somewhat concerned	38%*	27%
Not very concerned	5%*	2%

Note: High-tech companies n = 209; all other organizations n = 440.

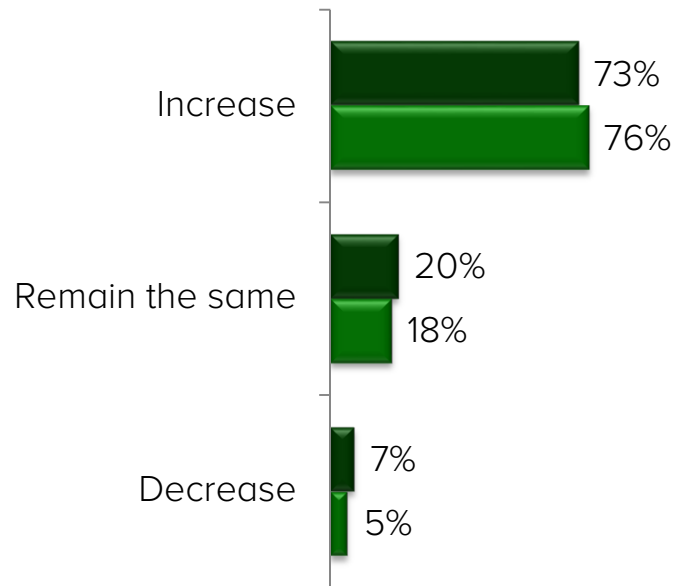
*Only statistically significant differences are shown. "All other organizations" does not include high-tech companies.

Note: Respondents whose organizations provided health care coverage were asked this question. Respondents who answered "not sure" were excluded from this analysis. Percentages may not total 100% due to rounding.

²⁰¹⁴Statistically significant difference from 2014. ²⁰¹³Statistically significant difference from 2013. ²⁰¹²Statistically significant difference from 2012.

Anticipated Change in Total Health Care Costs

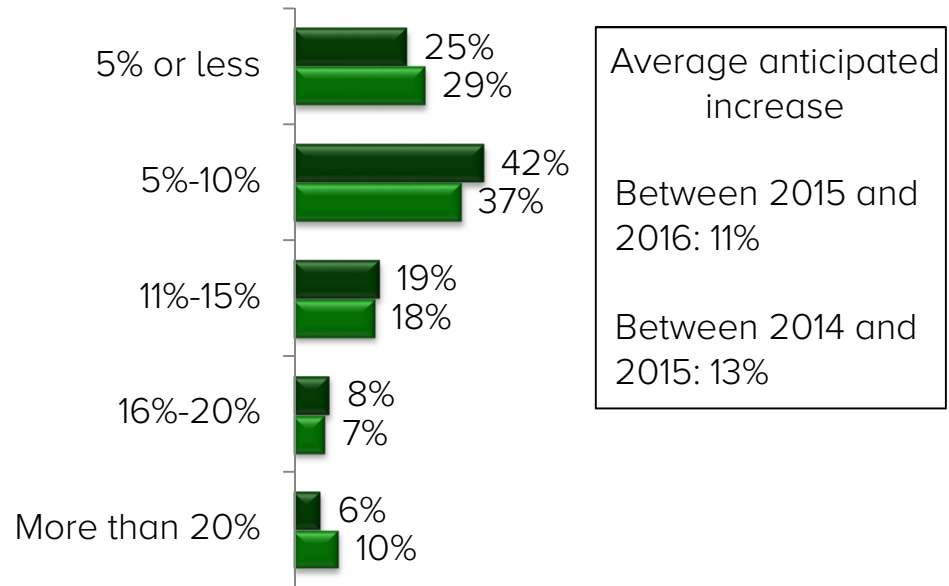
Anticipated change in total health care costs between previous and current plan year



■ 2016 (n = 548) ■ 2015 (n = 359)

Note: Respondents whose organizations provided health care coverage were asked this question. Respondents who answered "not sure" were excluded from this analysis. Percentages may not total 100% due to rounding.

Anticipated percentage increase in total health care costs between previous and current plan year



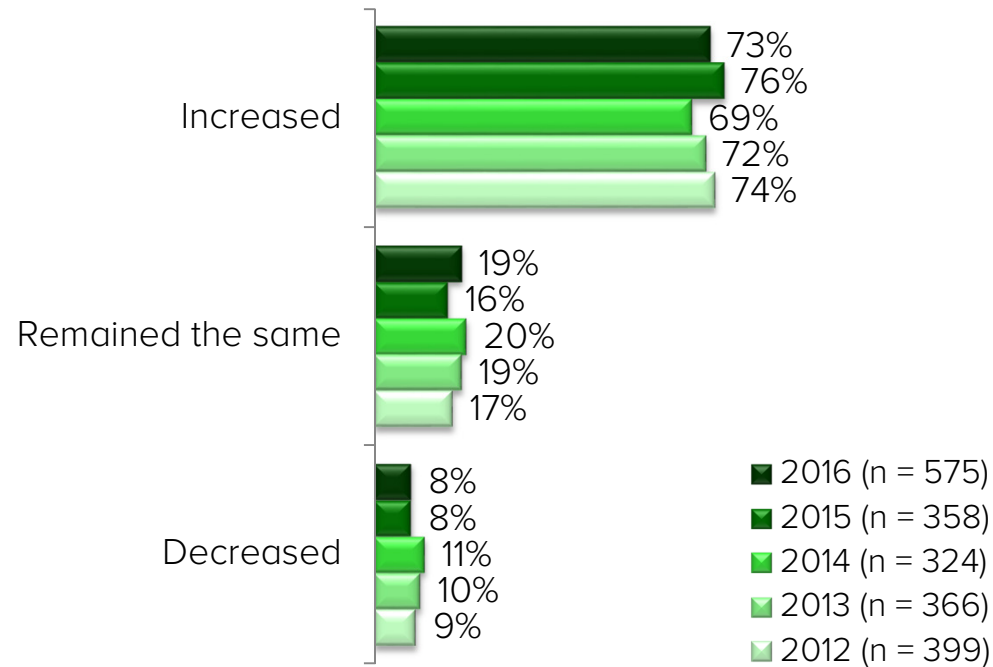
■ 2016 (n = 239) ■ 2015 (n = 136)

Average anticipated increase
 Between 2015 and 2016: 11%
 Between 2014 and 2015: 13%

Note: Respondents who indicated they anticipate(d) an increase in their organization's total health care costs were asked this question. Respondents who answered "don't know" were excluded from this analysis. Percentages may not total 100% due to rounding.

Actual Change in Total Health Care Costs

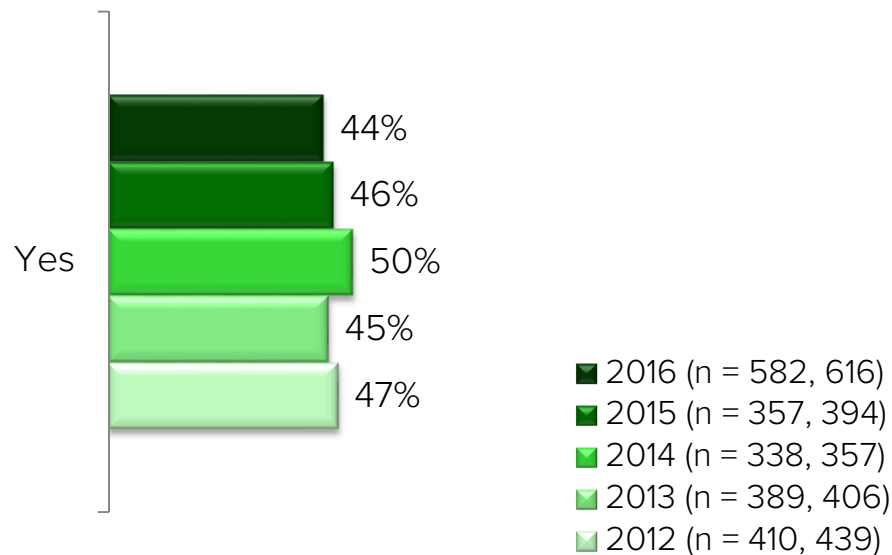
Did your organization's total health care costs during last plan year increase, remain the same or decrease compared with the previous plan year?



Note: Respondents whose organizations provided health care coverage were asked this question. Respondents who answered "not sure" were excluded from this analysis. Percentages may not total 100% due to rounding.

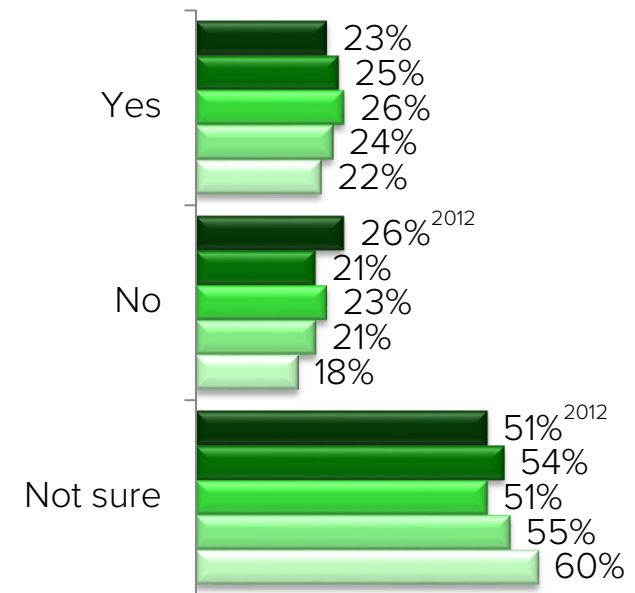
Change in Employee Share Contributed to Total Costs of Health Care

Did your organization increase the employee share contributed to the total costs of health care during *this plan year compared with the previous plan year?*



Note: Respondents whose organizations provided health care coverage were asked this question. Response options provided were "yes/no/not sure." Respondents who answered "not sure" were excluded from this analysis. Only "yes" responses are shown.

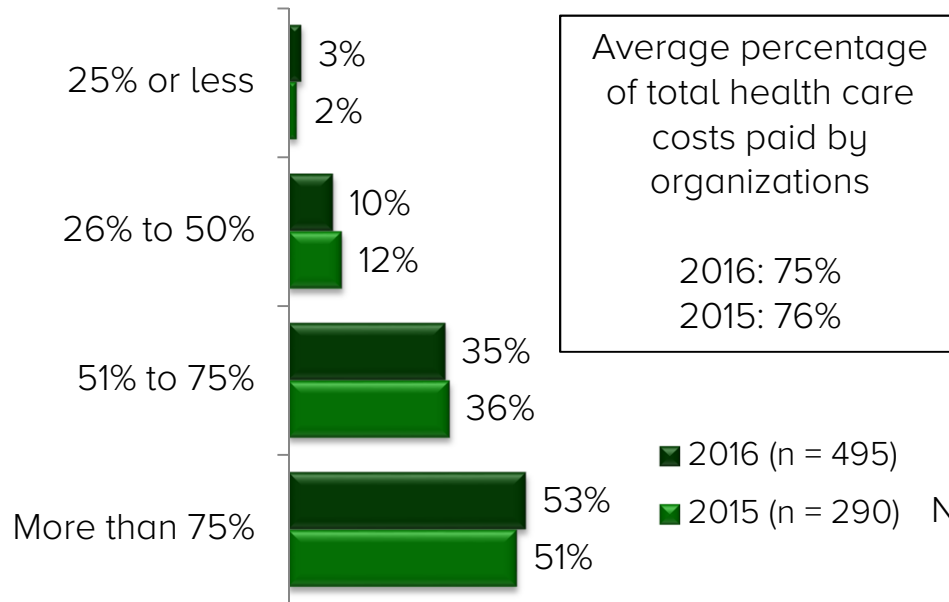
In the next plan year, does your organization plan to increase the employee share contributed to the total costs of health care?



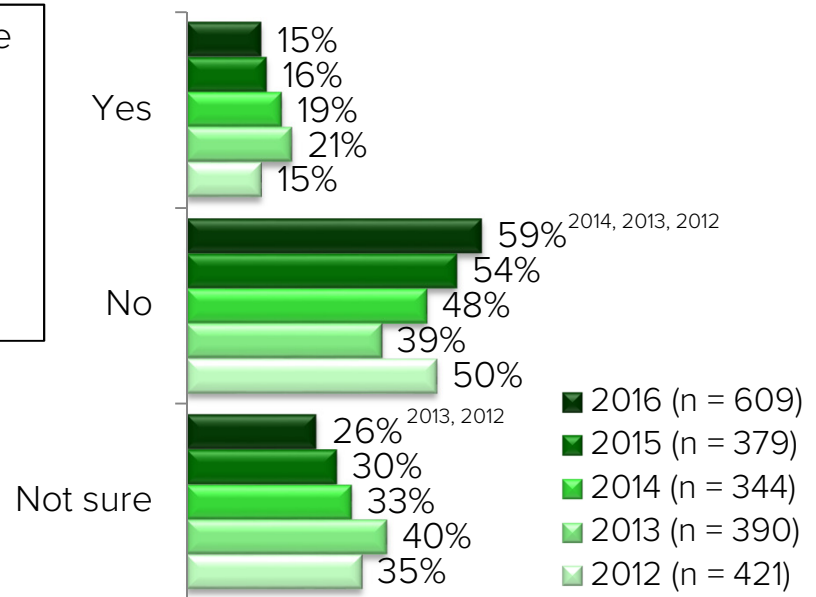
Note: Respondents whose organizations provided health care coverage were asked this question.
²⁰¹²Statistically significant difference from 2012.

Percentage of Total Health Care Costs Paid for by the Employer

Approximately what percentage of total health care costs is your organization paying during the current plan year?



In the next three to five years, do you think employees at your organization will be paying the majority (more than half) of total health care costs?



Note: Respondents whose organizations provided health care coverage were asked this question. Respondents who answered "don't know" were excluded from this analysis. Percentages may not total 100% due to rounding.

Note: Respondents whose organizations provided health care coverage were asked this question. Percentages may not total 100% due to rounding.
²⁰¹⁴Statistically significant difference from 2014.
²⁰¹³Statistically significant difference from 2013.
²⁰¹²Statistically significant difference from 2012.

Activities Organizations Engaged in for the Purpose of Controlling the Costs of Health Care

	2016	2015	2014	2013	2012
Offered consumer-directed health plans (e.g., HRAs, HSAs)	56% ^{2014, 2013, 2012}	48%	44%	40%	42%
Created an organizational culture that promotes health and wellness	53% ²⁰¹³	53%	45%	41%	45%
Offered a variety of preferred provider organization (PPO) plans, including those with high and low deductibles and co-pays	37%	35%	40%	—	—
Increased the employee share contributed to the total costs of health care	37% ²⁰¹⁴	29%	40%	39%	52%
Provided incentives or rewards related to health and wellness	34% ^{2014, 2013, 2012}	33%	43%	35%	40%
Provided educational initiatives related to health and wellness	32% ²⁰¹²	32%	56%	45%	52%
Increased the employee share contributed to the cost of brand name prescription drugs	24%	23%	—	—	—
Offered health maintenance organization (HMO) plan in place of more costly health care plans	21%	21%	17%	—	—
Managed access to high-cost specialty drugs (e.g., pre-authorization requirements, step therapy, special tiers)	18%	18%	—	—	—

Note: 2016 n = 652; 2015 n = 420; 2014 n = 359; 2013 n = 417; 2012 n = 405. Respondents whose organizations provided health care coverage were asked this question. Percentages do not total 100% due to multiple response options. A dash (—) indicates that the item was not on the respective year's survey.

²⁰¹⁴Statistically significant difference from 2014. ²⁰¹³Statistically significant difference from 2013. ²⁰¹²Statistically significant difference from 2012.

Activities Organizations Engaged in for the Purpose of Controlling the Costs of Health Care (continued)

	2016	2015	2014	2013	2012
Placed limits on, or increased cost-sharing for, spousal health care coverage	16%	16%	—	—	—
Provided discounted over-the-counter drugs	10%	10%	11%	—	—
Placed limits on, or increased cost-sharing for, dependent health care coverage	9%	10%	—	—	—
Provided access to health provider cost and quality metrics to aid consumer decision-making	11%	10%	—	—	—
Shifted to narrow and/or tiered health provider networks (i.e., negotiating lower prices with in-network providers)	11%	9%	—	—	—
No longer offered PPO health plans in favor of less costly health care plans	8%	4%	5%	—	—
Offered subsidies for the cost of health care purchased through a private exchange instead of an employer-based health care insurance plan	2%	3%	—	—	—
Other	5%	7%	7%	7%	2%
None—We have not conducted any activities to control the costs of health care	6%	6%	5%	9%	8%

Note: 2016 n = 652; 2015 n = 420; 2014 n = 359; 2013 n = 417; 2012 n = 405. Respondents whose organizations provided health care coverage were asked this question. Percentages do not total 100% due to multiple response options. A dash (—) indicates that the item was not on the respective year's survey.

Activities Organizations Engaged in for the Purpose of Controlling the Costs of Health Care by High-Tech Companies Compared with All Other Industries

Differences between high-tech companies and all other organizations

2016	High-Tech Companies	All Other Organizations
Created an organizational culture that promotes health and wellness	60%*	50%
Offered HMO health plan in place of more costly health care plans	27%*	18%
Increased the employee share contributed to the cost of brand name prescription drugs	19%*	27%

Note: High-tech companies n = 211; all other organizations n = 441.

**Only statistically significant differences are shown. "All other organizations" does not include high-tech companies.*

Note: Respondents whose organizations provided health care coverage were asked this question.



Most Successful Activity in Terms of Helping Organizations Control the Costs of Health Care

Most Successful Activity	2016	2015
Offered consumer-directed health plans (e.g., HRAs, HSAs)	28%	22%
Created an organizational culture that promotes health and wellness	22%	21%
Offered a variety of PPO plans, including those with high and low deductibles and co-pays	12%	14%
Increased the employee share contributed to the total costs of health care	11%	9%
Offered HMO health plan	6%	7%
Provided incentives or rewards related to health and wellness	3%	5%
Placed limits on, or increased cost-sharing for, spousal health care coverage	3%	4%
Increased the employee share contributed to the cost of brand name prescription drugs	3%	2%
Shifted to narrow and/or tiered health provider networks ¹	3%	1%

Note: 2016 n = 551. 2015 n = 366. Respondents whose organizations provided health care coverage and conducted one of more activities to control the costs of health care were asked this question.

¹i.e., negotiating lower prices with in-network providers



Most Successful Activity in Terms of Helping Organizations Control the Costs of Health Care (continued)

Most Successful Activity	2016	2015
No longer offered PPO plans	2%	2%
Provided educational initiatives related to health and wellness	1%	3%
Provided access to health provider cost and quality metrics to aid consumer decision-making	1%	2%
Placed limits on, or increased cost-sharing for, dependent health care coverage	1%	1%
Managed access to high-cost specialty drugs ¹	1%	0%
Offered subsidies for the cost of health care purchased through a private exchange instead of an employer-based health care plan	0%	1%
Provided discounted over-the-counter drugs	0%	1%
Other	3%	5%

Note: 2016 n = 551. 2015 n = 366. Respondents whose organizations provided health care coverage and conducted one of more activities to control the costs of health care were asked this question.

¹e.g., pre-authorization requirements, step therapy, special tiers.



Demographics

	Percentage
Professional, scientific and technical services	32%
Manufacturing	17%
Health care and social assistance	11%
Finance and insurance	8%
Educational services	7%
Information	6%
Government agencies	5%
Transportation and warehousing	4%
Wholesale trade	4%
Administrative and support, and waste management and remediation services	4%
Retail trade	4%

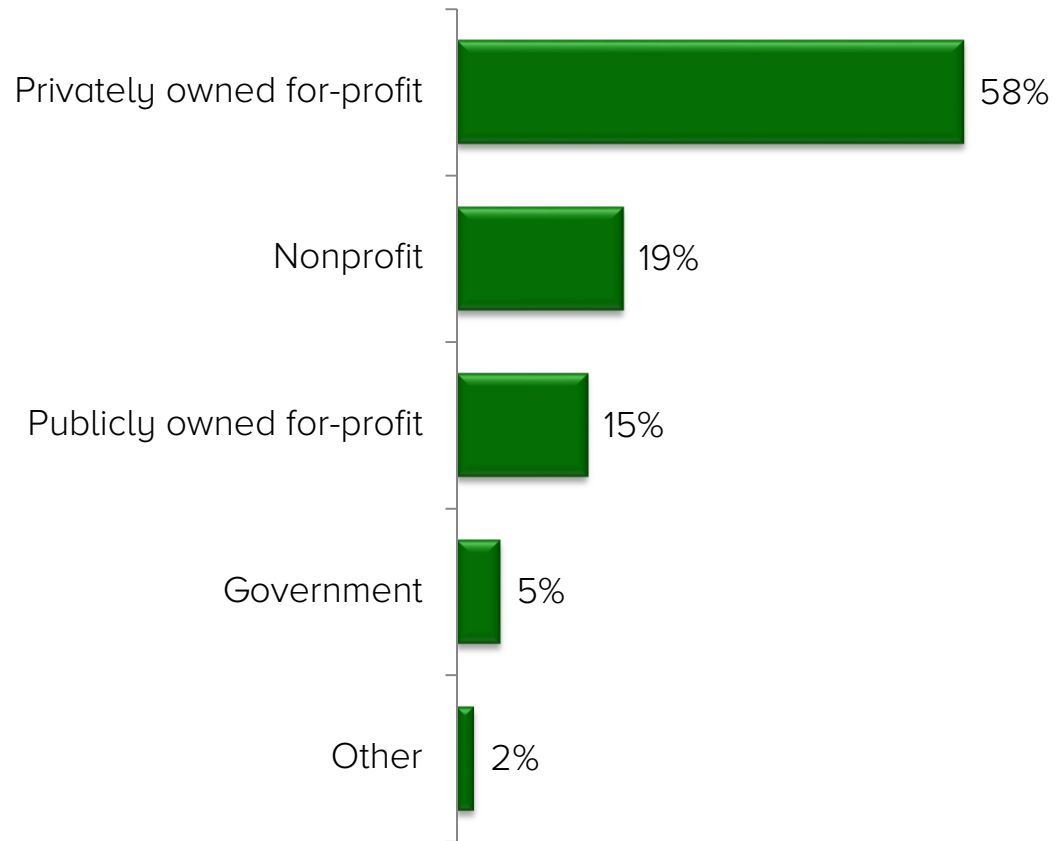
Note: n = 570. Percentages do not total 100% due to multiple response options.

Demographics: Organization Industry (continued)

	Percentage
Accommodation and food services	4%
Religious, grant-making, civic, professional and similar organizations	4%
Construction	3%
Arts, entertainment and recreation	3%
Real estate and rental and leasing	2%
Utilities	2%
Repair and maintenance	2%
Agriculture, forestry, fishing and hunting	2%
Mining, quarrying, and oil and gas extraction	1%
Personal and laundry services	1%
Other industry	12%

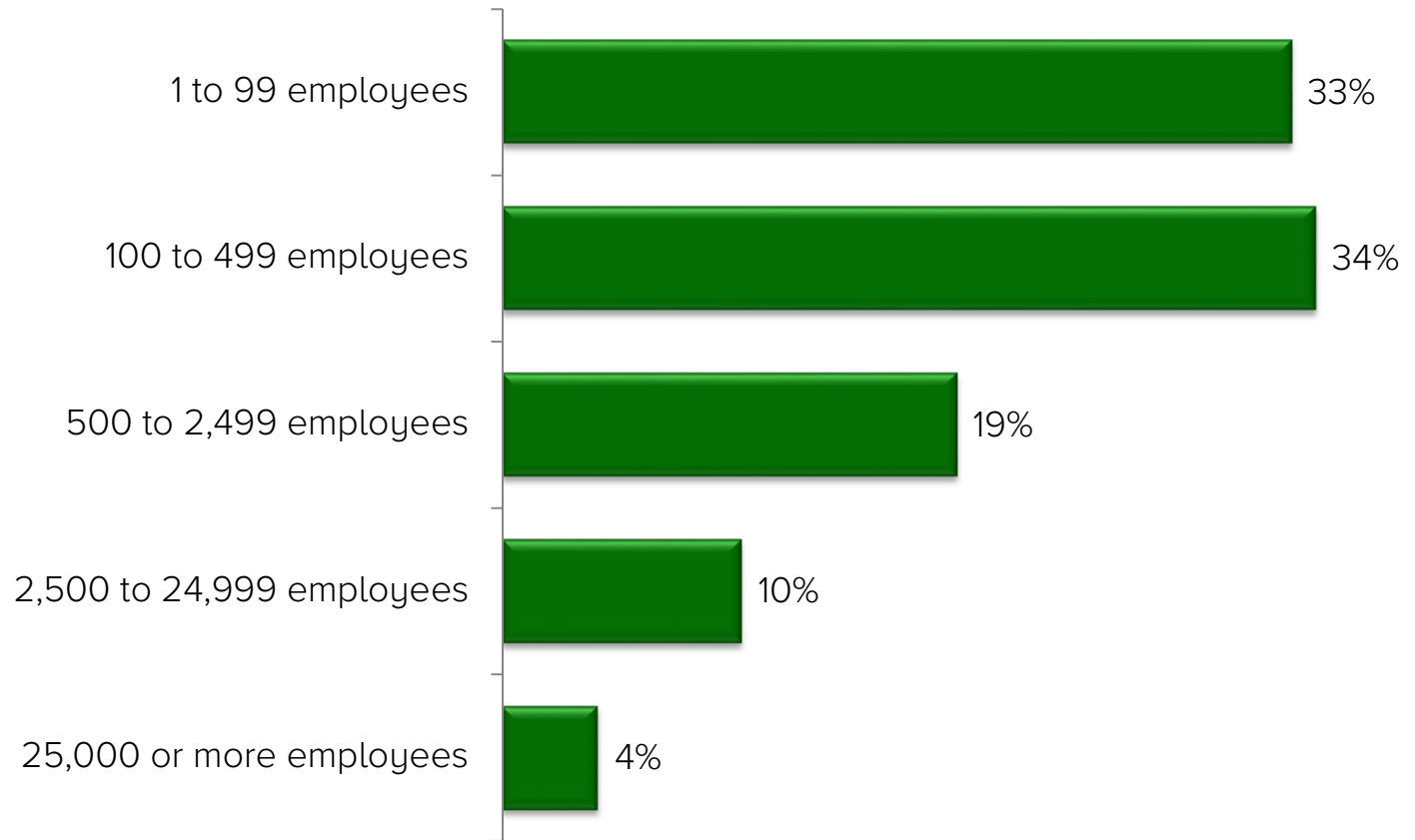
Note: n = 570. Percentages do not total 100% due to multiple response options.

Demographics: Organization Sector



Note: n = 565. Percentages may not total 100% due to rounding.

Demographics: Organization Staff Size



n = 550

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

U.S.-based operations only	71%
Multinational operations	29%

n = 567

What is the HR department/function for which you responded throughout this survey?

Corporate (companywide)	79%
Business unit/division	14%
Facility/location	7%

n = 378

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

Single-unit organization: An organization in which the location and the organization are one and the same.	38%
Multi-unit organization: An organization that has more than one location.	62%

n = 571

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

Multi-unit headquarters determines HR policies and practices.	55%
Each work location determines HR policies and practices.	4%
A combination of both the work location and the multi-unit headquarters determines HR policies and practices.	40%

Note: n = 376. Percentages may not total 100% due to rounding.

Survey Methodology:

- Response rate = 10%
- 738 HR professionals from a randomly selected sample of SHRM's membership participated in this survey
 - » 243 of the 738 HR professionals were from organizations in the high-tech industry
- Margin of error +/- 4%
- Survey fielded April-May 2016

Project Lead:

Karen Wessels, researcher, workforce planning, SHRM Research

Project Contributors:

Evren Esen, director, SHRM-SCP, workforce analytics, SHRM Research

Jennifer Schramm, manager, SHRM-SCP, workforce trends and forecasting, SHRM Research

Samantha DiNicola, SHRM Research



Additional SHRM Resources

Health Care Reform Resource Page: www.shrm.org/healthcare

For more survey/poll findings, visit www.shrm.org/surveys

For more information about SHRM's Research Services:

- » Customized Research Service, visit www.shrm.org/customizedresearch
- » Employee Engagement Survey Service, visit www.shrm.org/peopleinsight
- » Customized Benchmarking Service, visit www.shrm.org/benchmarks

Follow us on Twitter [@SHRM_Research](https://twitter.com/SHRM_Research)



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. Visit us at shrm.org.