



Aflac[®]
WorkForces Report

**AFLAC WORKFORCES REPORT
EMPLOYER OVERVIEW**

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The 2017 Aflac WorkForces Report is the seventh annual study examining employee benefits trends and attitudes. The study captured responses from 5,000 employees and 1,800 employers across the United States in various business sizes and industries.

- 1** Relevant employee benefits for the modern workplace
- 2** Key findings
- 3** The future of health care
- 4** How do your benefits stack up?
- 5** Common misperceptions about employees and their benefits



“We received an increase in the cost of group insurance that caused us to revamp our policy, [which] directly affects employees because it means higher out-of-pocket cost for them. Even though our policy is deemed affordable, it is still too high for some employees to absorb their share of the premium.”

*- Benefits decision-maker
with 3 to 49 employees**

1

Relevant employee benefits for the modern workplace

Managing the benefits for a company's most valuable asset – the workforce – is more complex than ever before. As businesses expand globally and technology advances rapidly, employers are managing the multifaceted preferences of three and sometimes four generations from numerous cultures, regions and continents. Whether a small startup or large corporation, a company's talent is essential to its day-to-day success and long-term profitability. Unequivocally, the employee benefits package continues to play a key role in attracting and retaining the best and most talented individuals for the job.

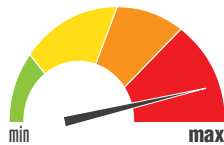
For the last seven years, the Aflac WorkForces Report has tracked employer and employee attitudes and trends related to workplace benefits. During this timeframe, employers navigated changing health care legislation, continued to face double-digit health care cost increases and adapted to increasing use of technology in their human resources processes. This year, the report finds that employers are increasingly thinking strategically about their workplace benefits options. Successful programs are taking a multipronged approach with diversified options that provide employees more choices and tools to measure results – so that offering robust benefits options leads to productive business gains.

2

Key findings



Businesses increasingly view benefits as a strategic solution.



When it comes to health care spending, employers feel maxed out.



Benefits programs that meet business objectives are diverse and rely on innovative benefits solutions.



HR technology and measurement increasingly help improve the benefits enrollment experience.



Provider reputation and cost savings drive consideration.

BUSINESSES INCREASINGLY VIEW BENEFITS AS A STRATEGIC SOLUTION

The Aflac study finds that employers are becoming more strategic with their benefits programs. Trending data shows a distinct shift in employer benefits program objectives – in 2013, employers were focused on offering broad options for their benefits programs, but over time they’ve become increasingly focused on employee satisfaction and engagement, as well as business results such as increasing productivity.

Employers most often named “staying competitive” as their top business objective, followed by “finding the right talent to achieve our business goals.” And half (51 percent) say offering robust benefits within their budget is the top challenge they face when offering benefits.

Benefits help employers reach business objectives

The majority of employers believe their benefits programs have a positive influence on business objectives. **75%** say the benefits their company offers enable them to...



...increase
productivity

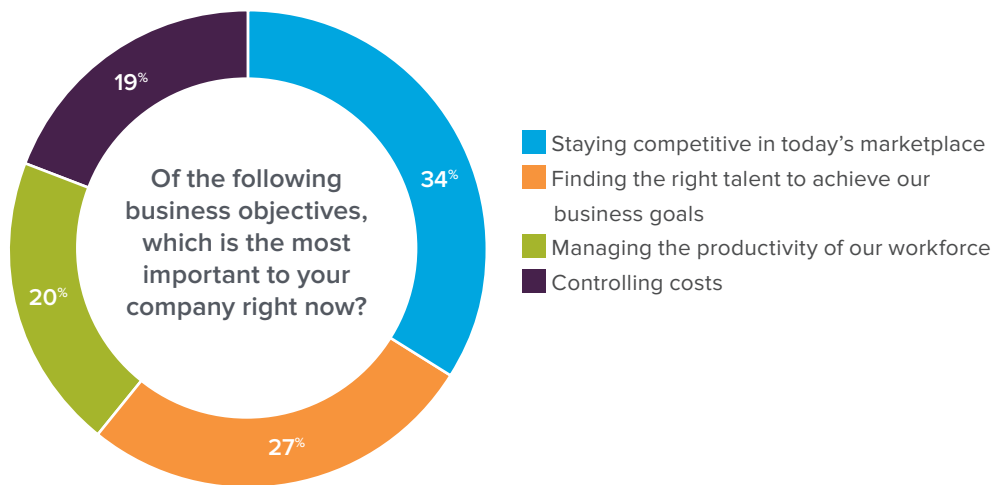


...attract
top talent



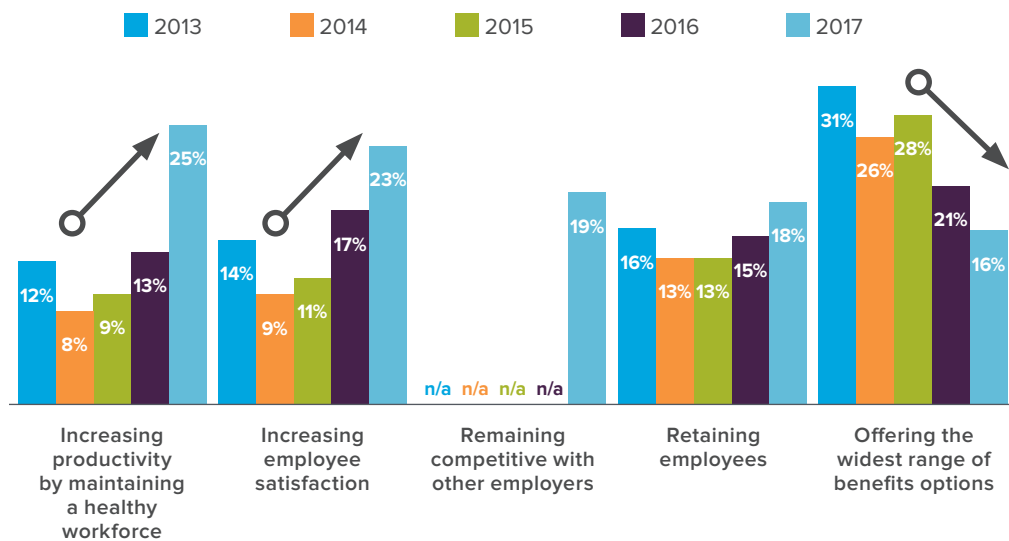
...reduce
turnover

Employers' top business concern is staying competitive in today's marketplace.



Employers increasingly focus their benefits programs on achieving business results

Of the following objectives, which is the most important objective for your benefits program?



Arrows indicate a statistically significant difference from 2013 to 2017.

Powerfully effective employee benefits programs

Four best practices contribute to benefits programs that meet business objectives



DIVERSITY

Employers that offer diverse major medical options* are more likely than those with only a high-deductible health plan option to say their benefits enable their company to:

- » Attract top talent (**79 percent** vs. **59 percent**).
- » Increase worker productivity (**74 percent** vs. **56 percent**).

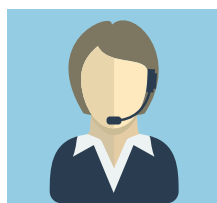
Employers with benefits plans that meet business objectives** are more likely to offer value-added services such as financial counseling, health advocacy and telemedicine than those who say their benefits programs don't meet objectives.



WELLNESS OPTIONS

Employers with benefits programs that meet business objectives** are more likely than those whose programs don't meet objectives to:

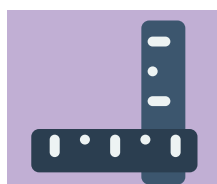
- » Have a wellness program (**60 percent** vs. **28 percent**).
- » Say they have good participation in their initiatives (**91 percent** and **46 percent**).



CONSULTATION AND TECHNOLOGY

Businesses that use a broker or benefits advisor are more likely than those who don't to say their benefits enable them to attract top talent (**79 percent** vs. **71 percent**).

Employers with benefits plans that meet business objectives** are more likely than those whose programs do not meet objectives to use online enrollment and technology such as video, websites and online chat (**72 percent** vs. **41 percent**).



MEASUREMENT

Employers with benefits programs that meet business objectives are more likely than those whose programs don't meet objectives to:

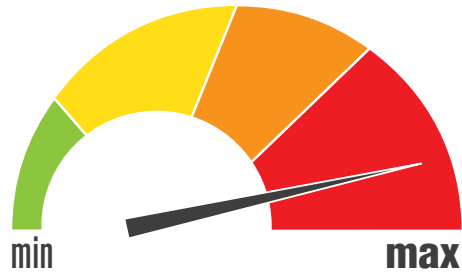
- » Have a system in place to track employee satisfaction with benefits (**69 percent** vs. **17 percent**).
- » Measure wellness program effectiveness (**89 percent** vs. **35 percent**).
- » Be able to determine a return on investment for their wellness program (**83 percent** vs. **21 percent**).

* Diverse major medical options: A high-deductible health plan and another major medical plan option.

** "Meets Objectives" = answered "yes" to all statements; their benefits program attracts top talent AND increases worker productivity AND reduces turnover. "Does NOT Meet Objectives" = answered "no" to all statements; their benefits program does NOT attract top talent AND does NOT increase productivity AND does NOT reduce turnover.

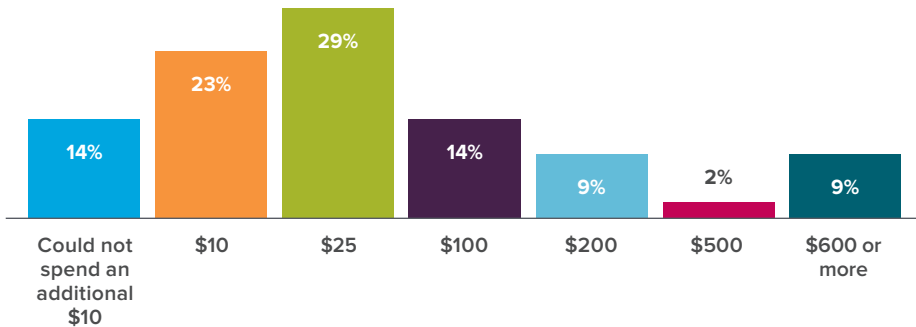
WHEN IT COMES TO HEALTH CARE SPENDING, EMPLOYERS FEEL MAXED OUT

As health care costs continue to rise, employers face a difficult dilemma: managing rising health care costs, while continuing to offer competitive compensation packages for their employees. Two-thirds of employers say rising health insurance costs prevent them from increasing compensation, and many reveal that their companies have little extra to spend on their annual benefits contribution. While two-fifths of respondents said their company spends between \$1,000 and \$4,999 per employee annually on benefits, 66 percent would only be able to contribute another \$25 or less each year.



Two-thirds of employers could spend an additional \$25 or less per employee annually on their employee benefits contribution

How much additional could you spend annually per employee, above your current contribution?



Note: Results for this question were calculated by taking the number who said they could not spend the additional amount at each level and dividing by the total number of respondents.

Does company size make a difference?

Regardless of size, employers are feeling maxed out. Large employers are only slightly more likely to say they can only spend an additional \$25 or less:

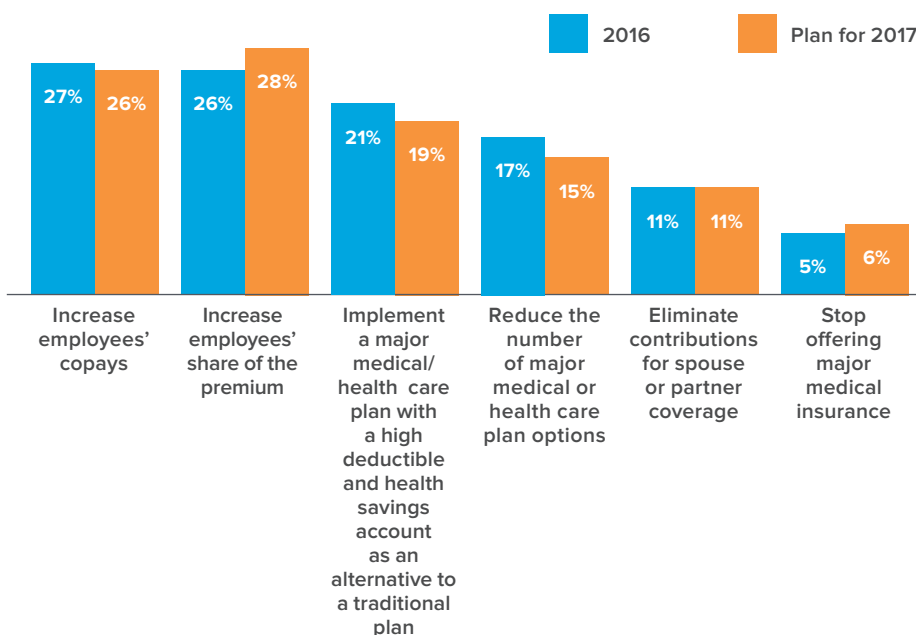
Company Size	Percentage
Less than 100 employees	64 percent
100-499 employees	67 percent
500 or more employees	68 percent

As in past years, employers are continuing to shift more of the cost for health benefits to their employees in order to contain costs, including:

- » Increasing their employees' copay and share of the premium.
- » Most traditional health care plans already include deductibles in excess of \$1,000 per covered person, and one-fifth (21 percent) of employers implemented a major medical health care plan with a high deductible and health savings account as an alternative to their traditional plan in 2016. Nearly 1 in 5 (19 percent) plan to do so in 2017.
- » Nearly 2 in 10 employers either do not offer spouse coverage at all or only offer spouse coverage if the spouse doesn't have access to coverage through their workplace.

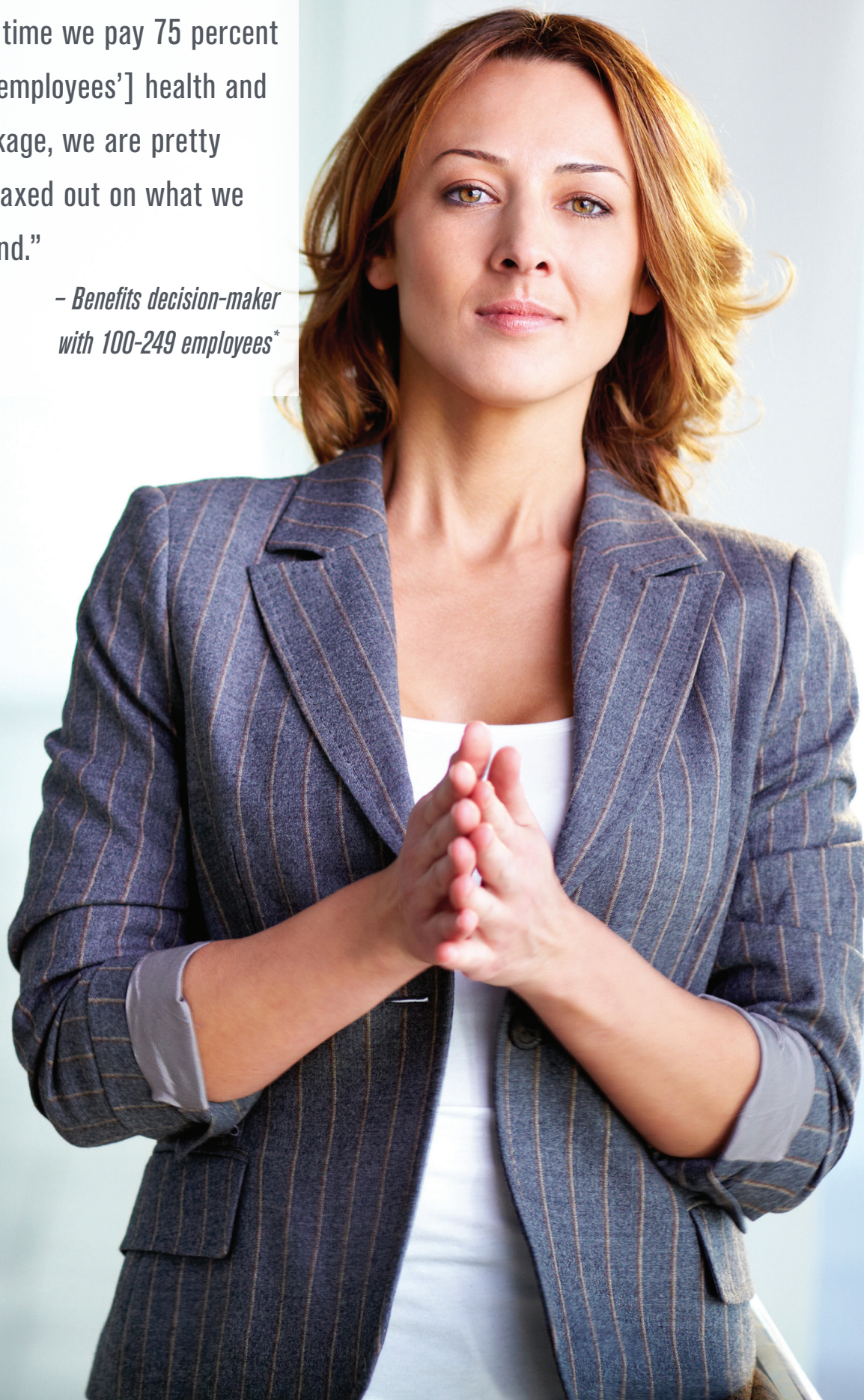
Increasing employees' share of the premium and copays are the top proposed changes to health care plans in 2017

Thinking specifically about your major medical/health care plan(s), did your company do any of the following in 2016, and does your company intend to implement any of these changes in 2017?



“By the time we pay 75 percent of the [employees’] health and life package, we are pretty much maxed out on what we can spend.”

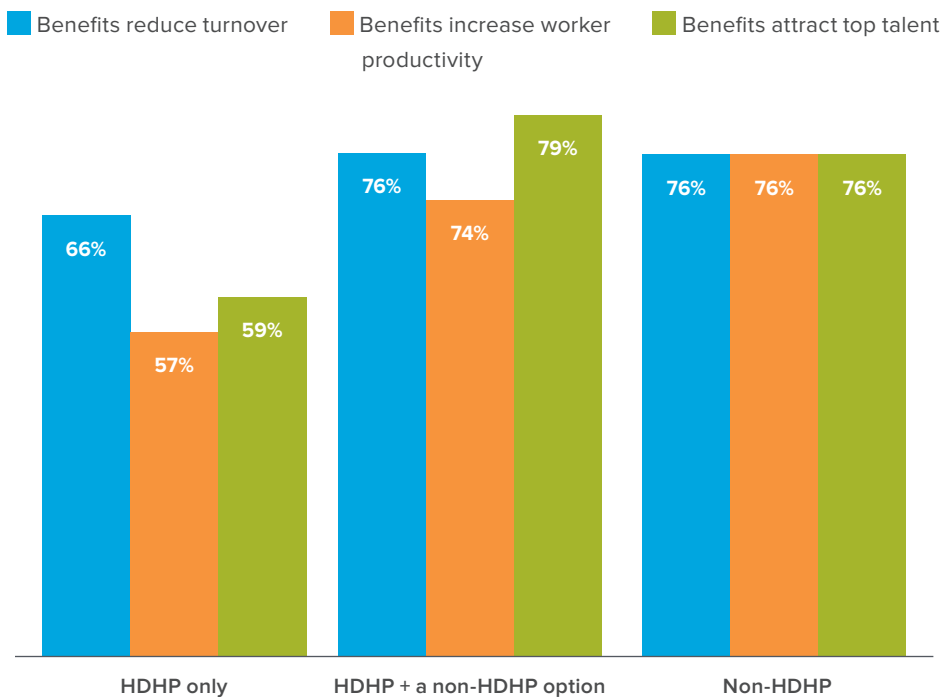
*– Benefits decision-maker
with 100-249 employees**



BENEFITS PROGRAMS THAT MEET BUSINESS OBJECTIVES ARE DIVERSE AND RELY ON INNOVATIVE BENEFITS SOLUTIONS

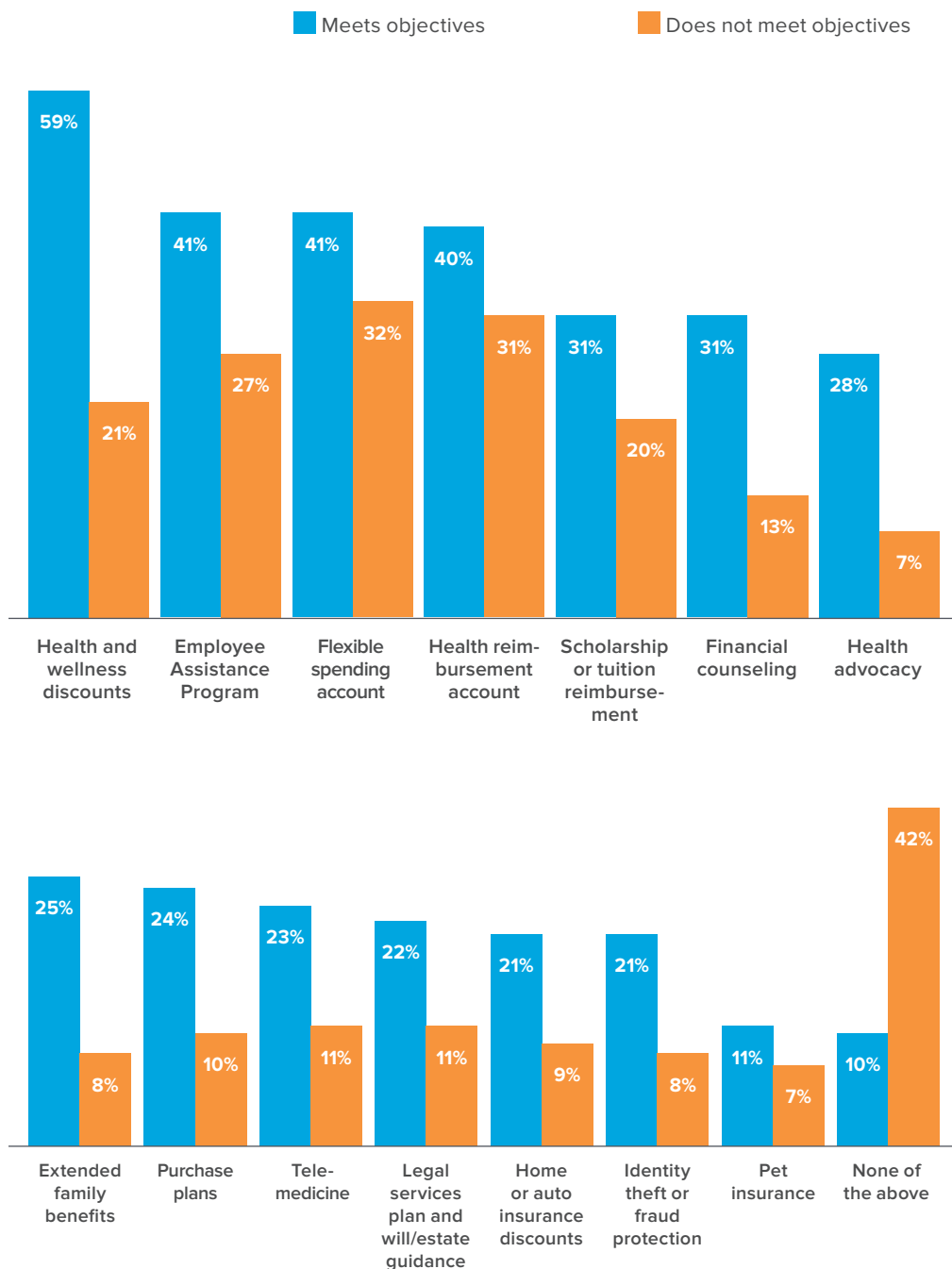
To remain competitive in today’s evolving marketplace, businesses have to move quickly, work smarter and use every strategic advantage. Employers with programs that meet business objectives – such as attracting top talent and reducing turnover – are more likely than companies whose programs don’t meet these objectives to already offer or express interest in many value-added solutions. They’re more likely to already have a wellness program in place and to be interested in outsourcing their benefits administration, such as communications and enrollment, to specialty vendors. What’s more, of employers that offer a high-deductible health plan, including many that offer a second non-high-deductible health plan option, are finding comparable success with those with preferred provider organizations and health maintenance organizations.

Diverse major medical options boost plan performance for employers offering high-deductible health plans



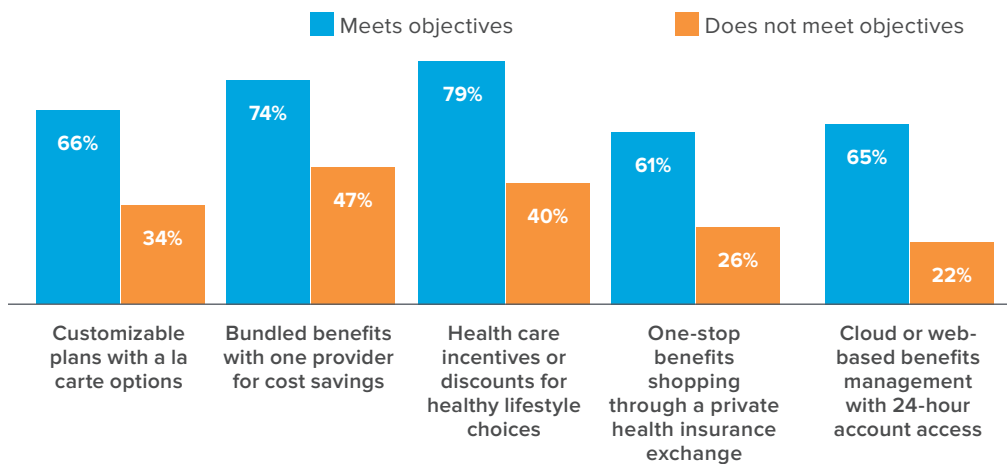
Companies with benefits programs that meet business objectives are likely to offer value-added services

Which of these benefits do you currently offer your employees?



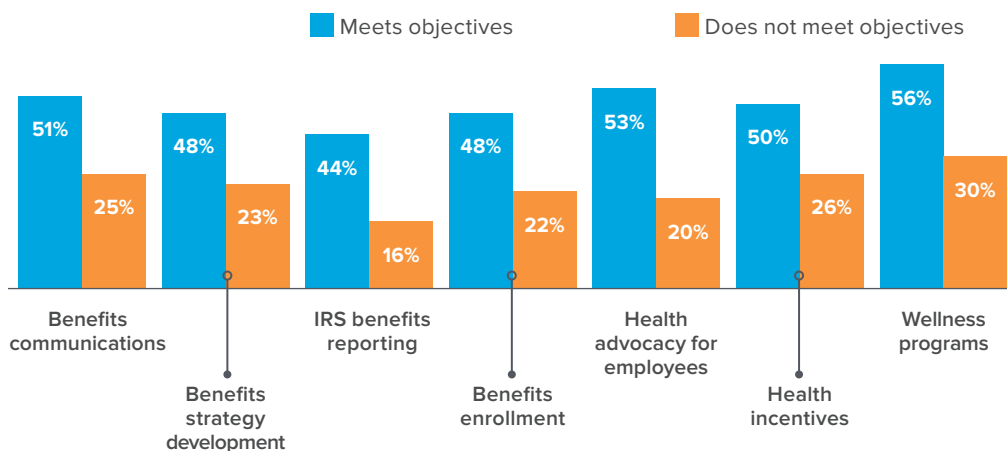
Companies with benefits programs that meet business objectives are likely to be extremely or very interested in innovative benefits tools and solutions

How interested are you in these solutions to solve employee benefits challenges?



Companies with benefits programs that meet business objectives are likely to be interested in outsourcing benefits administration

Are you interested in outsourcing the following benefits administration services to a third party?

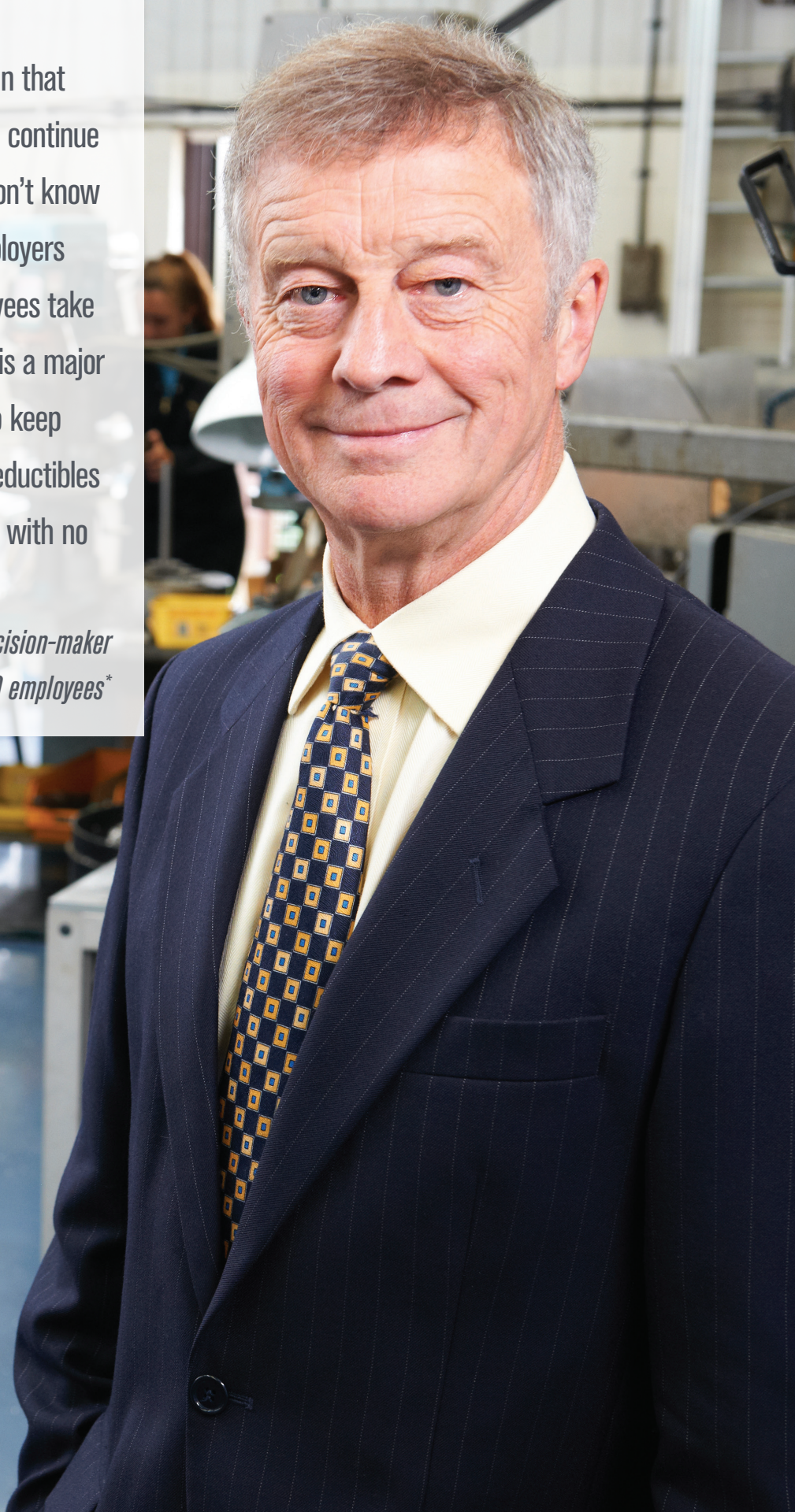


“Meets Objectives” = answered “yes” to all statements; their benefits program attracts top talent AND increases worker productivity AND reduces turnover.

“Does NOT Meet Objectives” = answered “no” to all statements; their benefits program does NOT attract top talent AND does NOT increase productivity AND does NOT reduce turnover.

“[There’s] no question that health care costs will continue to increase – I just don’t know how much more employers can absorb or employees take on. Every year, there is a major price increase, and to keep costs manageable, deductibles have to be increased, with no end in sight.”

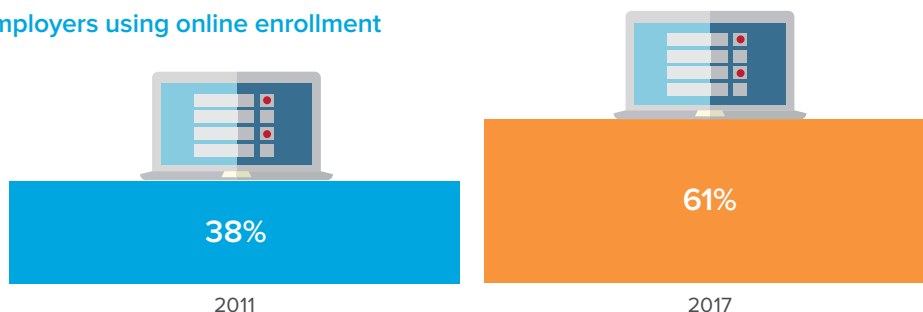
*– Benefits decision-maker
with 3 to 49 employees**



HR TECHNOLOGY AND MEASUREMENT INCREASINGLY HELP IMPROVE THE BENEFITS ENROLLMENT EXPERIENCE

Technology is rapidly becoming the new normal for benefits enrollment. Since its inception, the Aflac survey finds that online enrollment increased exponentially from 38 percent of employers using online enrollment in 2011 to 61 percent in 2017. It is now common practice in addition to in-person or paper enrollments.

Employers using online enrollment



Of employers that use technology – including videos, websites, chat, etc. – in their enrollment process, more than **8 in 10** indicate that technology improves enrollment for employees.



87%

say it improved their employees' **understanding** of their benefits.



86%

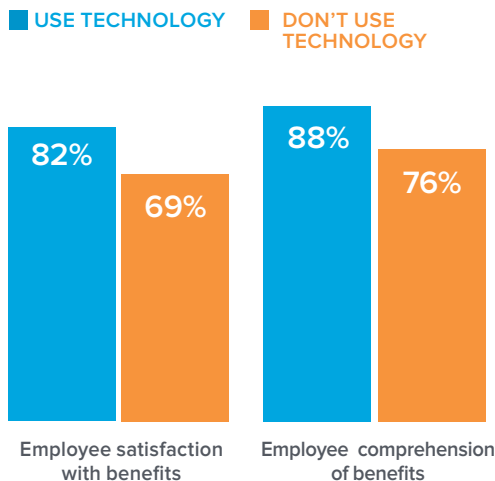
say it improved their benefits **enrollment** experience.



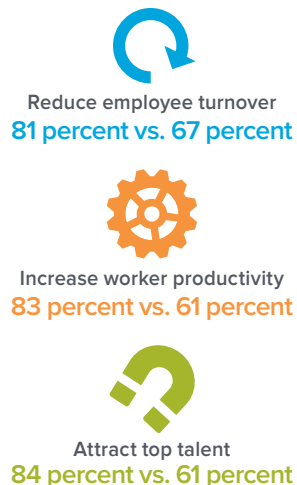
83%

say it improved their ability to **tailor benefits** to their employees' preferences.

Companies that use technology are more likely than companies that do not to say employees are satisfied with their benefits (**82 percent vs. 69 percent**) and understand their benefits communication (**88 percent vs. 76 percent**).



Measuring these results can have a powerful payoff. Employers that have a system in place to track employee satisfaction with their benefits are more likely to report that the benefits their company offers enables them to:



Private exchanges

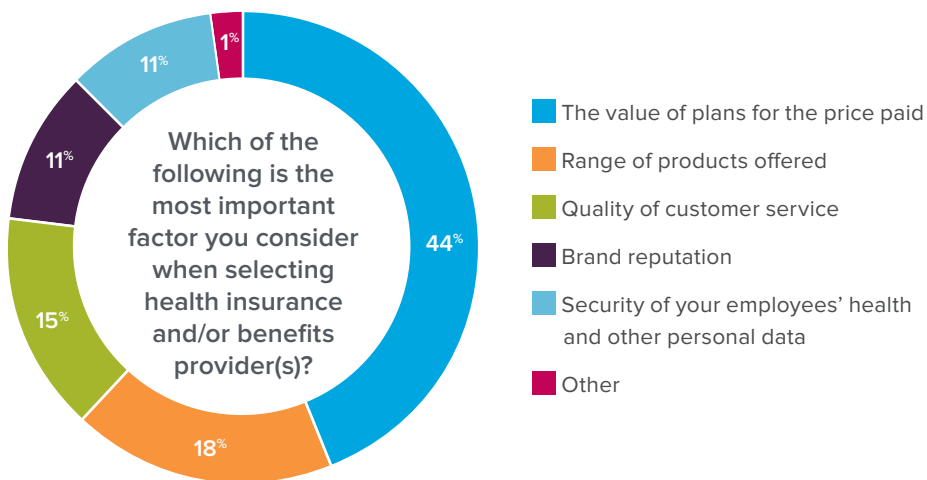
Health care exchanges continue to gain traction, with 14 percent of employers saying they moved their employees to a private exchange in 2016, up from 6 percent in 2014 and 2015. Exchanges and similar platforms continue to show promise, as nearly 9 in 10 employers express interest in health care exchanges, web-based benefits management tools and 24/7 support.

PROVIDER REPUTATION AND COST-SAVINGS DRIVE CONSIDERATION

When it comes to the health insurance and the benefits provider that a company selects, the study found that employers are most concerned with value and price. In fact, more than 2 in 5 say it is the most important factor for their company. When asked specifically about the importance of reputation of an insurance provider, 89 percent say reputation is extremely or very important.

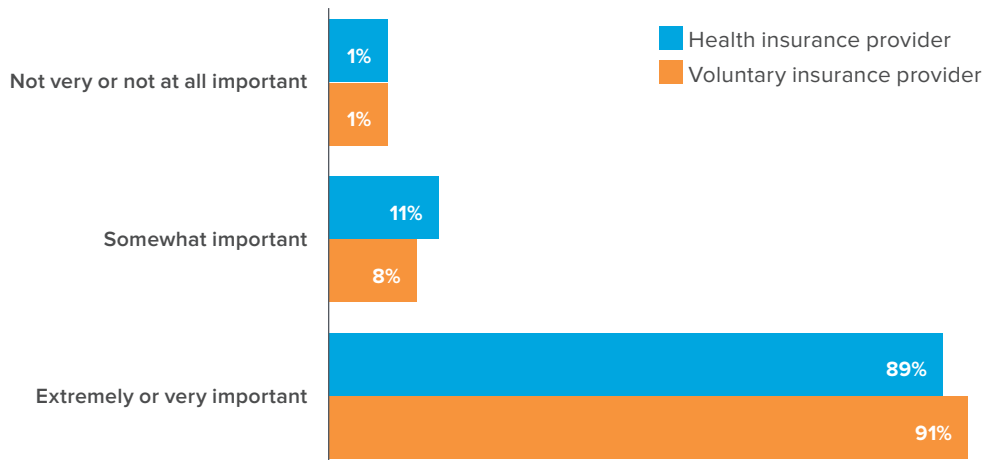
Meanwhile, employers look to brokers and benefits advisors especially for their expertise. More than half of employers (59 percent) are working with a benefits consultant or broker to choose their benefits options. The top reason these companies work with a broker or benefits advisor is due to their strong knowledge of employee benefits best practices – more often mentioned than cost, personal referral or recommendation.

Employers say value is the No. 1 factor when they select a benefits provider



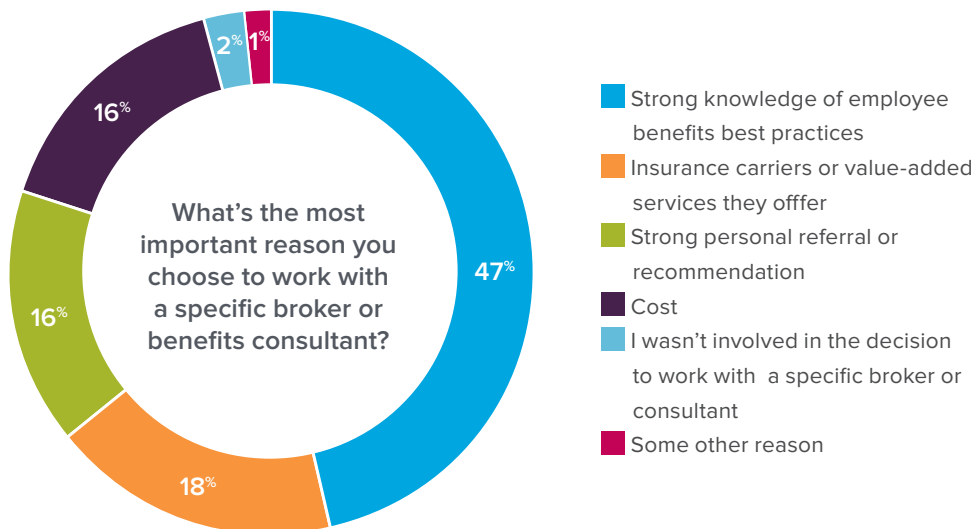
Provider reputation is extremely or very important to most employers

How important is the reputation of the provider you select for health insurance products?



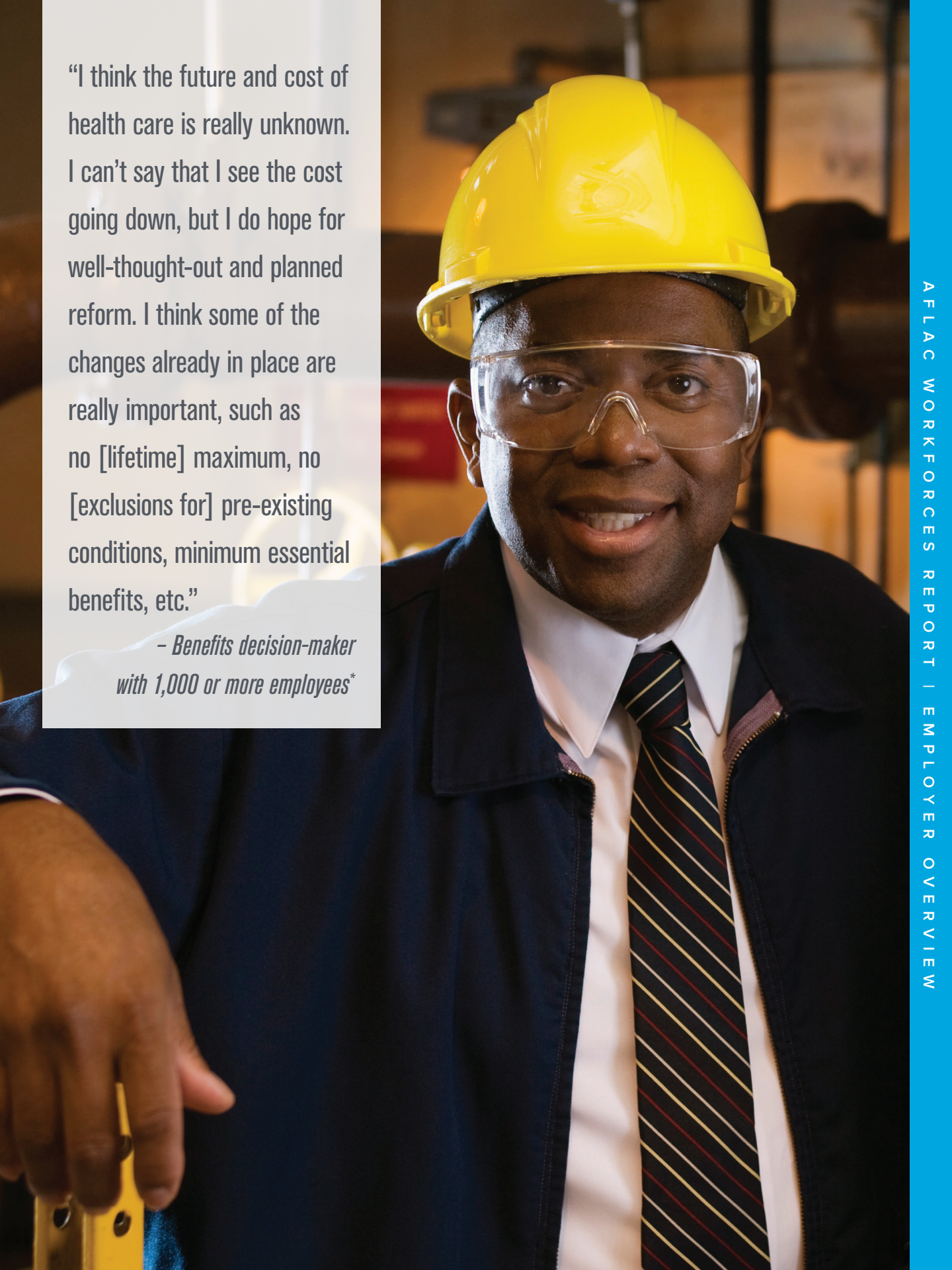
Employers look to benefits advisors for their expertise

What's the most important reason you choose to work with a specific broker or benefits consultant?



“I think the future and cost of health care is really unknown. I can’t say that I see the cost going down, but I do hope for well-thought-out and planned reform. I think some of the changes already in place are really important, such as no [lifetime] maximum, no [exclusions for] pre-existing conditions, minimum essential benefits, etc.”

*– Benefits decision-maker
with 1,000 or more employees**



3

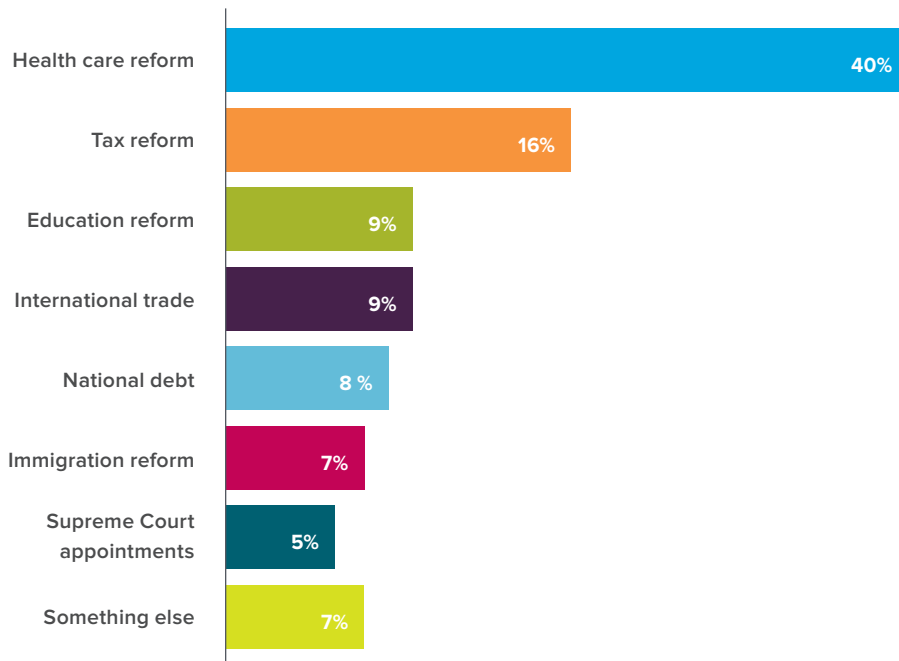
The future of health care

Over the last seven years, the Aflac study tracked employer preparedness for the changing health care system. Each year, employers expressed greater understanding about health care reform than in years past. Now, with a new Congress and administration, change is still in the air. Employers name health care reform as the most important political issue for their companies, followed by tax reform.

One thing is certain: Regardless of future legislation, employers continue to be concerned about cost. Nearly 2 in 5 (39 percent) say lowering costs is most important to their companies and 19 percent said quality is most important.

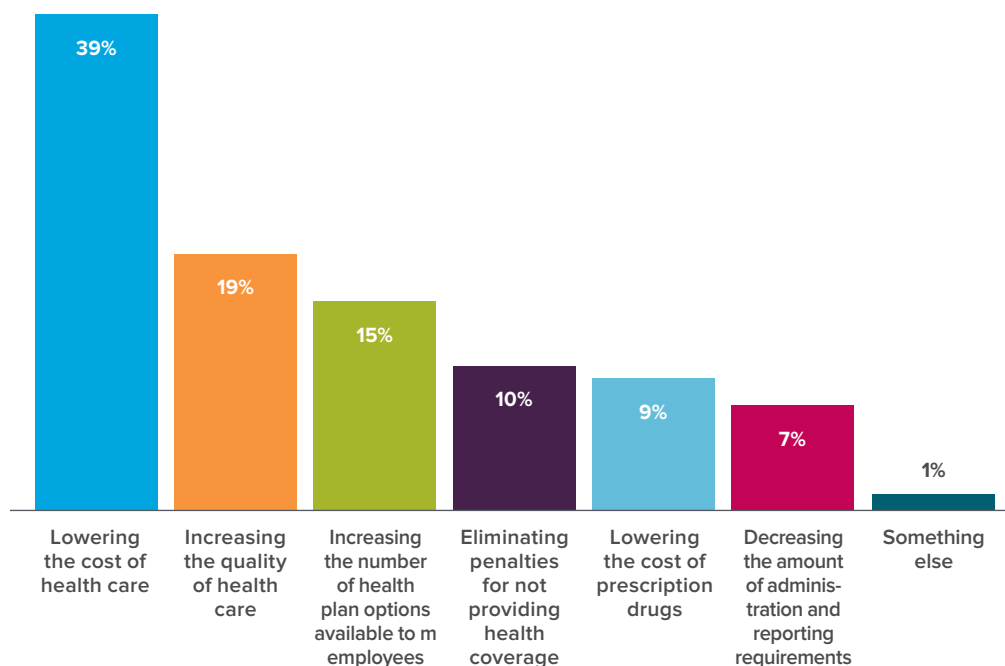
Health care reform is the most pressing political issue for employers

Which of these issues is most important to your company?



4 in 10 employers would like to see the cost of health care lowered

When it comes to the future of health care, what is most important to your company?



Many small employers are unaware of the Small Business Health Care Relief Act

As one of his last actions as president of the United States, President Obama signed the 21st Century Cures Act, which includes The Small Business Healthcare Relief Act. This act allows employers with fewer than 50 full-time equivalent employees to make pretax health reimbursement account contributions for employee premiums in the individual market. At the time of the survey, 72 percent of small employers had not heard of the act or option to make contributions for their employees. Still, well over half (67 percent) expressed that they're at least somewhat interested in this option.



4

How do your benefits stack up?

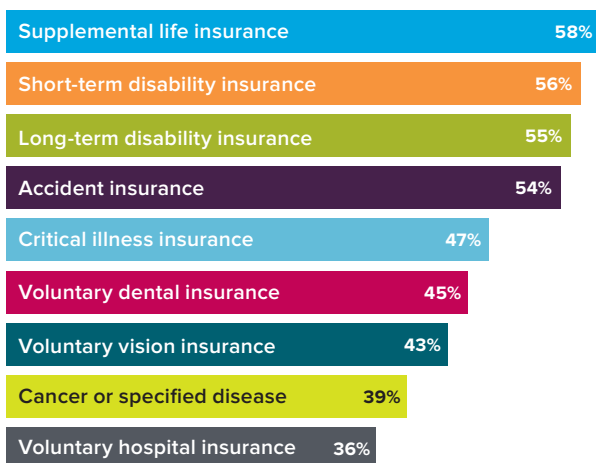
Benefits offerings

The 2017 Aflac survey included benefits decision-makers that offer their employees some type of benefit. Here's what they're offering:



Voluntary insurance

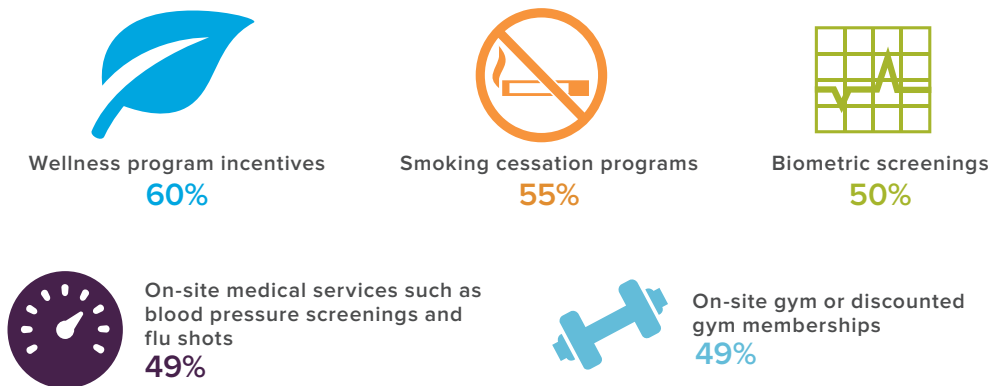
Voluntary insurance is more likely to be offered at growing companies (**29 percent**) than those that are maintaining (**24 percent**) or declining (**18 percent**) in terms of sales or revenue in the last 12 months. Among employers with these products, offerings include:



Wellness

Wellness programs and activities play an important role in boosting overall benefits program performance.

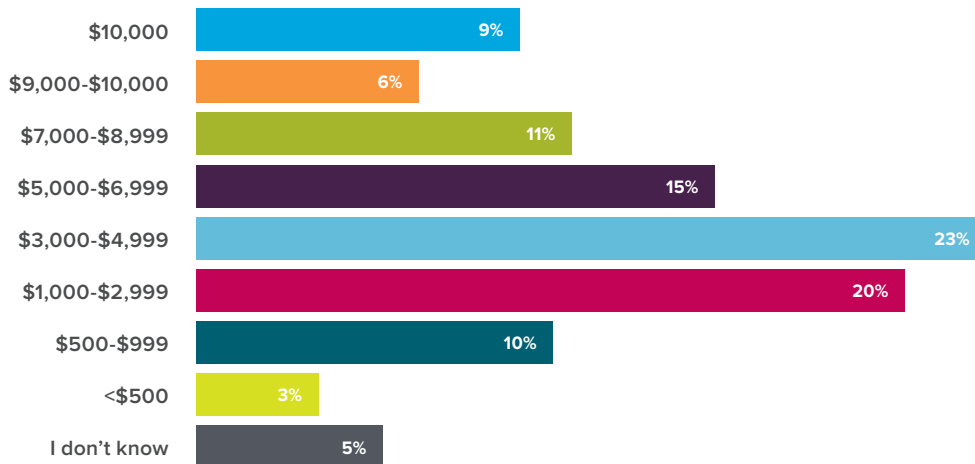
Three-quarters of employers with wellness programs (76 percent) say they offer lower health insurance premiums as a result of their wellness program. Wellness initiatives which most often resulted in reducing employee health care costs included:



Spending

With only slight variations by business size, 43 percent of employers spend between \$1,000 and \$4,999 per employee annually on all types of benefits offered at their companies.

“Approximately how much do you spend annually per employee on all types of benefits offered by your company?”



5

Common misperceptions about employees and their benefits

Responses from employers and employees show that understanding employees' needs and preferences for benefits is more complicated than it may seem.



83 percent of employers believe their employees understand the benefits communications they provide.



KNOWLEDGE

76 percent of employees say there are at least some things about their current coverage that they do not understand.

The majority – **92 percent** – of employers think their employees have some understanding of HDHPs and associated costs.



HIGH-DEDUCTIBLE
HEALTH PLANS

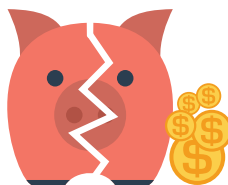
43 percent of employees at least somewhat agree they didn't understand how an HDHP really works.

55 percent at least somewhat agree they spent more money because they selected an HDHP.

54 percent at least somewhat agree their HDHP was financially detrimental to them and/or their family.



73 percent of employers believe employees have enough options readily available to meet their health care financial obligations.



FINANCIAL PREPAREDNESS

46 percent of employees say they are not very or not at all prepared to pay out-of-pocket expenses if an unexpected illness or accident occurred today.

65 percent could pay less than \$1,000 for an unexpected illness or accident today.

Among employers that do not offer voluntary benefits, **23 percent** say they don't offer the options because employees are not interested in purchasing voluntary benefits.



VOLUNTARY INSURANCE

Of the employees who are not currently offered voluntary insurance, **72 percent** are at least somewhat likely to purchase voluntary insurance with **33 percent** of these individuals feeling very or extremely likely to do so.

Footnote

*Benefits 365 Advisory Council. Qualitative results achieved through activities posted to consumers and benefits decision-makers the week of May 16, 2017.

Aflac herein means American Family Life Assurance Company of Columbus and American Family Life Assurance Company of New York.

About the study

The 2017 Aflac WorkForces Report, conducted by Lightspeed GMI, captured responses from 1,800 benefits decision-makers and 5,000 employees across the United States in various industries.

The employer survey was conducted online in the United States between Jan. 19 and Feb. 10, 2017, among benefits decision-makers at companies with at least three employees. Results were weighted to enable year-over-year trending. No estimates of theoretical sampling error can be calculated; a full methodology is available.



The No. 1 provider of voluntary insurance at the worksite in the United States.¹



Average account tenure: 18 years



Ethisphere Magazine included Aflac in its list of the World's Most Ethical Companies for the 12th consecutive year.



With One Day Pay,² Aflac processes and pays claims quickly.

¹Source: Eastbridge Consulting Group, Inc. U.S. Worksite/Voluntary Sales Report. Carrier Results for 2016. Avon, CT: April 2017.

²One Day PaySM is available for certain individual claims submitted online through the Aflac SmartClaim[®] process. Claims may be eligible for One Day Pay processing if submitted online through Aflac SmartClaim, including all required documentation, by 3 p.m. ET.

Documentation requirements vary by type of claim; please review requirements for your claim(s) carefully. Aflac SmartClaim is available for claims on most individual Accident, Cancer, Hospital, Specified Health, and Intensive Care policies. Processing time is based on business days after all required documentation needed to render a decision is received and no further validation and/or research is required.

Individual Company Statistic, 2018.