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5 benefits trends to watch in 2014

Stay ahead of the curve with key trends for the year ahead

This year benefits and HR issues are anything but status quo. The health care landscape is shifting, the economy is still in the midst of recovery, and the workforce is rapidly changing. To help you to track what's coming next, here are five key benefits and HR trends to watch in 2014.

1. Increased focus on accountability to control health care costs

For years employers have worked to decrease their benefit costs with cost-saving measures that increasingly shift more of the cost onto their workforce through higher premiums, coinsurance, copays, deductibles, a combination of these options or switching to high-deductible health plans (HDHPs). With costs continuing to soar with no end in sight, consumer and provider accountability are gaining attention as potential solutions to controlling rising health care costs.

- **Consumer accountability:** The Affordable Care Act (ACA) allows companies to charge different insurance rates (up to 30 percent) based on employee participation in wellness programs, and companies can charge higher rates for individuals who use tobacco (1.5:1). These programs are required to be reasonably designed, and all outcome-based programs must provide a reasonable alternative standard to qualify for the reward for all individuals who do not meet the initial standard that is related to health factor. Perhaps to keep more of their paycheck, many employees say they view these types of programs favorably – 3 in 4 employees (78 percent) say they would be willing to change their lifestyle habits if their employer rewarded them with lower premiums, and 88 percent think it is fair for their employer to give employees incentives to become healthier.[1]
- **Provider accountability:** Hospitals and insurers are already working together to move their pricing models to value-based outcomes and companies are beginning to make strides with bundled pricing to keep costs under control. In some cases, employers are even offering certain high-cost procedures without cost-sharing on the employee's part, if the procedure is performed at certain preferred hospitals or if the employee will use a specified doctor.

There's plenty still to accomplish, but companies are already taking steps towards accountability solutions. The continued development of these strategies could mean more predictable and controlled costs for employers, and employees may truly begin to see lower or no-costs health care services.

2. Emergence of private insurance exchanges

Privately run exchanges are steadily growing momentum and offer a one-stop shop for buying employer-provided health insurance. Separate and different from the government marketplaces, these exchanges are often seen as an unintended side-effect of the ACA, but they are presenting employers with a simpler way to offer comprehensive worksite benefits.

How do they work? Traditionally employers shop for their workers, but with private exchanges businesses can designate an amount to pay for coverage, and employees can compare insurance plans and purchase a plan that is right for them. This type of benefits delivery model helps employers control costs by giving employees a fixed stipend towards benefits. Employees shop for their benefits, with any remaining costs paid by the employee through their paychecks.

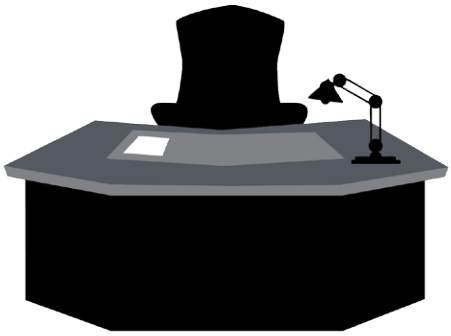
3. A growing need for a strong consumer safety net

As employees assume greater responsibility for their health care choices, their need for a strong safety net to protect their finances becomes even more critical. Rising health care costs also continue to be a steady concern. In 2014, these costs are expected to take another $181 (6.9 percent) out of take-home pay, and annual salary increases are not keeping up (just 3 percent).[2] Even if employees are covered by a comprehensive major medical plan, out-of-pocket costs – both medical and non-medical – can be substantial if the employee or a family member has a serious injury or illness.

Are consumers ready? Many people are uneasy about taking on their newfound health care responsibilities. Two in 5 U.S. workers (43 percent) agree that with greater control over health care expenses they will have a difficult time managing their health care coverage decisions because they already have trouble saving and sticking to a budget today. And more than half say they would prefer not to have more control over their health care expenses because they do not have the time or knowledge to effectively manage them (54 percent).[1]

What can employers do? With so much at stake, effective employee education, consumer-directed benefits tools will be invaluable resources to help workers make smarter benefits decisions. Additionally, voluntary insurance benefits will continue to be a key way to help employees protect themselves from increasing out-of-pocket costs that could result in unexpected debt. These policies can be offered at little or no cost to a company's bottom line, and help pay for costs that major medical insurance doesn't cover.

4. Unprecedented C-suite engagement in health care decisions



A recent survey by the Society of Human Resource Management (SHRM) revealed that 75 percent of HR leaders say health care reform will have a major impact on the U.S. workplace over the next five years.[3] And so, it is no surprise that benefits strategy will not only be top of mind for HR leaders in the year ahead, but also for executive and financial leadership.

With the possibility of big fees and penalties on the horizon, employers are bracing for what's ahead with nearly half (46 percent) reporting that finance executives are more involved with benefits decisions than they were three to five years ago[2] and 3 in 5 (61 percent) say they are now using a benefits consultant or advisor to make their benefits decisions.[1]

Potential cost of being unprepared: Not only will some employers have to make a choice between offering health insurance to all full-time employees and their dependents, or face substantial penalties in 2015, but there is also a $63 per covered individual Transitional Reinsurance Program fee in 2014 and a 40 percent Cadillac Tax on high-cost health plans scheduled to take effect in 2018. According to Johns Hopkins researchers, about 16 percent of all plans could be affected by the Cadillac tax when it takes effect and some 75 percent of plans would be affected a decade later because of inflation of the annual premium limits.[4]

5. Tailoring the employee value proposition to the next generation

As the baby boomer generation cautiously moves toward retirement, more and more millennials are taking on managerial roles. Between 2008 and 2013, 87 percent of millennial managers took on their managerial role, while only 38 percent of Gen-X managers and 30 percent of baby boomers did the same – which was nearly the reverse during the previous five years.[5]

Though each generation can be defined by their historical and cultural

experiences, millennials, those born after 1980 and first to come of age in the "new millennium," are on their way to being the most educated generation in American history and are undeniably defined by their use and affiliation with technology. The majority (83 percent) say they have placed their cell phone on or right next to their bed while sleeping – compared to 57 percent of the total population saying they have done so.[6] Not only are they more connected, but millennials are also more engaged online with their personal identity than any generation before them.

Companies are beginning to embrace and adapt to the newest generation. Increased technology use is already taking the stage with 43 percent of employers planning to deploy digital technologies such as web tools and mobile apps in 2014, and 31 percent are considering these tools for 2015 or 2016.[5] In the years ahead, employers will continue to take measures to adjust retirement, engagement, training and communications programs to account for a changing and more transient workforce.

Preparing for the year ahead

There's plenty in store for your business in the year ahead. As you navigate the new health care landscape, Aflac will continue to deliver helpful resources to help you understand the details that apply to your business. For additional insights, see checklists for employers with ≤25 employees, 26-50 employees and 50+ employees, 3 foundational decisions today for a successful 2015, or visit aflac.com/insights.

This material is intended to provide general information about an evolving topic and does not constitute legal, tax or accounting advice regarding any specific situation. Aflac cannot anticipate all the facts that a particular employer or individual will have to consider in their benefits decision-making process. We strongly encourage readers to discuss their HCR situations with their advisors to determine the actions they need to take or to visit healthcare.gov (which may also be contacted at 1-800-318-2596) for additional information.

Sources:

[1] 2013 Aflac WorkForces Report, a study conducted by Research Now on behalf of Aflac, January 7 – 24, 2013

[2] Towers Watson (2013). 2013 Health Care Changes Ahead Survey. Accessed November 20, 2013, from http://www.towerswatson.com/en/Insights/IC-Types/Survey-Research-Results/2013/09/2013-Health-Care-Changes-Ahead-Survey

[3] SHRM (2013). SHRM Workplace Forecast. Accessed on November 21, 2013, from http://www.shrm.org/research/futureworkplacetrends/documents/13-0146%20workplace_forecast_full_fnl.pdf

[4] Health Affairs (2013). Excise Tax on Cadillac Plans. Access on November 21, 2013, from http://www.healthaffairs.org/healthpolicybriefs/brief.php?brief_id=99

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[6] Pew Research Center (2010). Millennials a portrait of generation next. Accessed on November 20, 2013, from http://www.pewsocialtrends.org/files/2010/10/millennials-confident-connected-open-to-change.pdf

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