Executive Summary

2015 Aflac WorkForces Report

Health literacy: The next benefits challenge

Before the U.S. health care system was overhauled, having major medical insurance was largely determined by one key thing: where an individual worked. Americans employed by companies that offered employer-sponsored plans were covered, while those working for companies that didn't were often out of luck.

Times have changed since the introduction of the Affordable Care Act. Today, nearly all Americans have access to major medical insurance, either through workplace plans or the health care marketplace. And while it might seem that the availability of coverage has evened the playing field, the 2015 Aflac WorkForces Report reveals there's still a line dividing health care haves and have-nots.

For five years, the WorkForces Report has examined employer, employee and broker opinions and attitudes about health care issues and benefits options. The first four reports largely centered on the tidal wave of change brought about by reform. Now that reform is a reality, the focus is shifting. While health literacy and financial preparedness is low among a majority of Americans, socioeconomic gaps are emerging: Higher-income households, or those earning $100,000 per year or more, are more likely to understand and take advantage of their health care benefits than lower-income households, or those earning less than $50,000 per year.

Why is this difference in health care literacy and enrollment a concern? Because lower-income households are significantly less prepared to cope with financial fallout stemming from illnesses and injuries. These are the households that most need to comprehend and take advantage of the health care benefits available to their families, because many are just one serious medical incident away from economic ruin.

The 2015 Aflac WorkForces Report takes a look at benefits from multiple perspectives. It explores gaps between higher- and lower-income wage earners before shifting to a more holistic view of overall benefits trends, consumerism, employee expectations and technology. Employers can use the information to better understand how to improve employee engagement with their benefits options and help close their health literacy gaps.

Employee income: The dividing line

Gaps in enrollment, contentment and knowledge

In today's consumer-driven health care environment, we can compare selecting and enrolling in coverage to other consumer-oriented endeavors – buying a car, for example. Wise car buyers spend time researching makes and models to determine which vehicle best meets their needs and budgets. Once they've made their selections, there's a second level of decision-making: whether to add various options such as leather seats, chrome wheels, entertainment features, or even extended warranties and roadside protection.

It's much the same with health care coverage. Major medical is the foundation. Once consumers have enrolled in this most basic of coverage, it's time to research and make purchasing decisions about the health insurance industry's version of add-ons: employer-sponsored policies such as life and disability insurance and, taking things a step further, voluntary insurance options that help pay bills major medical insurance was never intended to cover. This includes deductibles, copayments and other expenses that can add up when a policyholder is too ill or hurt to work – for example, the mortgage or rent, utility bills, car and credit card payments, and even educational expenses.

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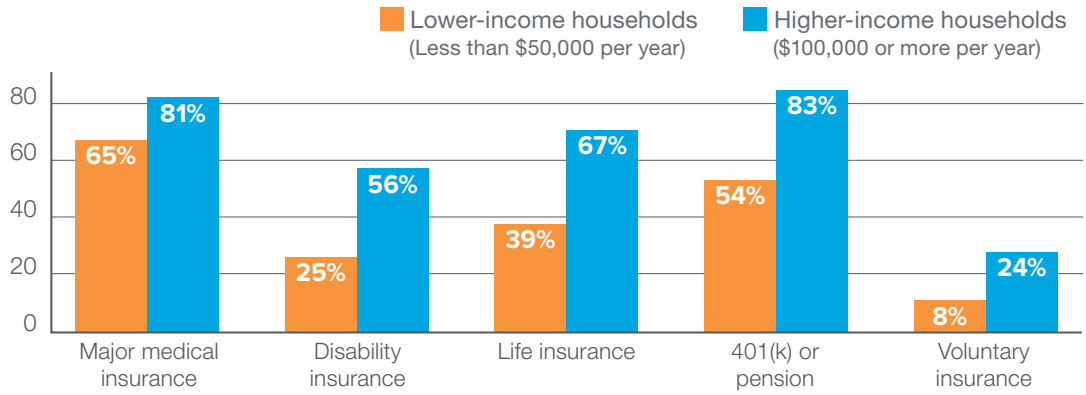
Aflac's research reveals Americans' overall lack of knowledge and comfort about health insurance. Just 17 percent report understanding their total annual health care costs extremely well and more than a third report understanding these costs only somewhat well. Meanwhile, 71 percent at least somewhat agree their personal health insurance situations will become more confusing as time goes on.

Dive a little deeper, though, and we begin to see gaps between higher- and lower-income households, not only in benefits literacy but also in the use of products that help assure financial security. Individuals with lower household incomes are less likely to be enrolled in job-based benefits, and they're also less likely to be satisfied with their benefits. It's worth noting that just 1 in 4 adults with incomes at or below 138 percent of the federal poverty level have access to employer-sponsored health insurance. That's in sharp contrast to the 90 percent of adults with incomes at or above 400 percent of the poverty level who do have access to such coverage.[1]

Figure 1

Job-based benefits enrollment



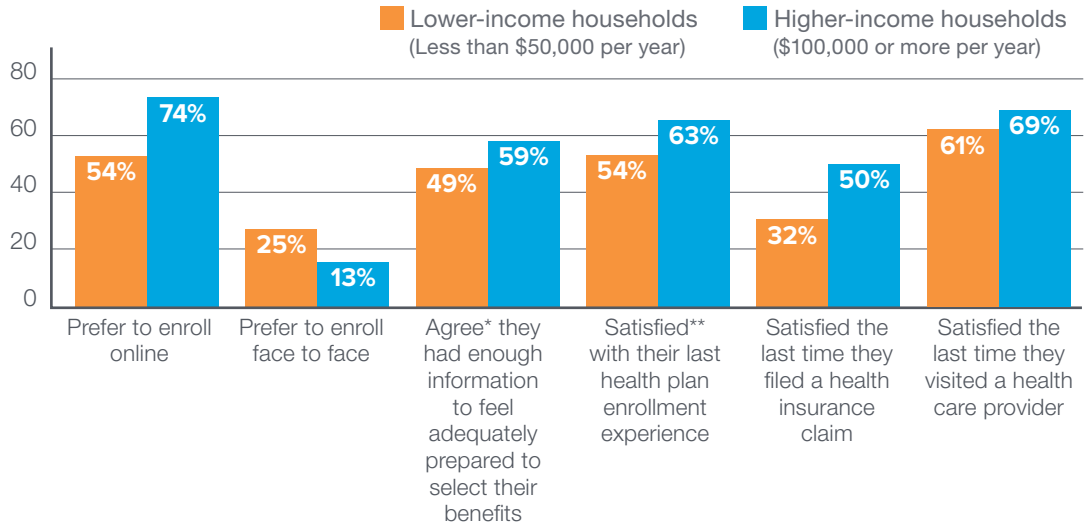
As you can see, there's a clear pattern of enrollment disparity between lower- and higher-income households. But the gaps don't stop there. Higher-income workers are more likely to be satisfied[2] with their benefits packages (58 percent vs. 46 percent for lower-income wage earners). They also devote more time to learning about their benefits: half of those earning less than $50,000 per year spent less than 30 minutes researching their benefits during their last open enrollment, compared to 41 percent of those at the $100,000-or-above mark.

Differing open enrollment preferences and benefits experiences

The fact that lower-income wage earners spend less time researching their benefits may explain major differences in their open enrollment preferences. While the majority of all workers prefer online enrollment, a higher percentage of lower-income workers prefer to enroll face to face with benefits experts. They also are less likely to feel adequately prepared to select their benefits and to express satisfaction with their most recent experiences enrolling in health care plans, filing insurance claims and visiting health care providers.

Figure 2

Open enrollment preferences and satisfaction



**Agree = percentage of respondents who completely or strongly agree*

***Satisfied = percentage of respondents who were extremely or very satisfied*

There's also a knowledge gap with respect to consumer-driven health care plans, or the pairing of health savings accounts and health reimbursement accounts with high-deductible health plans. Just 23 percent of lower-income survey participants say they've heard the phrase "consumer-driven health care," compared to 33 percent of those with higher incomes. The gap continues with respect to the individual elements of consumer-driven plans: Higher-income workers are more likely than their lower-income counterparts to say they're extremely or very knowledgeable about high-deductible health plans (37 percent vs. 19 percent), health savings accounts (40 percent vs. 18 percent), flexible spending accounts (51 percent vs. 20 percent) and health reimbursement accounts (28 percent vs. 14 percent).

All of these differences in enrollment preferences, experiences and understanding represent opportunities for improved communication between employers and workers. By developing clear, easy-to-understand communications about health care benefits and options, companies can improve health literacy, address the gaps between the haves and have-nots, and encourage employees at all income levels to make better use of the choices available to them. Because workers learn differently, these communications should be delivered in a variety of ways: in employee newsletters and magazines, in online videos, via email and even – when information is crucial – through the U.S. mail.

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Equally important is developing a communications cadence. The WorkForces Report revealed half of companies communicate about benefits options two times per year or less, most likely during open enrollment or the onboarding process. Unfortunately, this strategy is ineffective because it requires workers to absorb large amounts of information at once. A better strategy is to communicate throughout the year, allowing workers to soak up bite-sized nuggets of benefits information.

Delaying medical care – a matter of money?

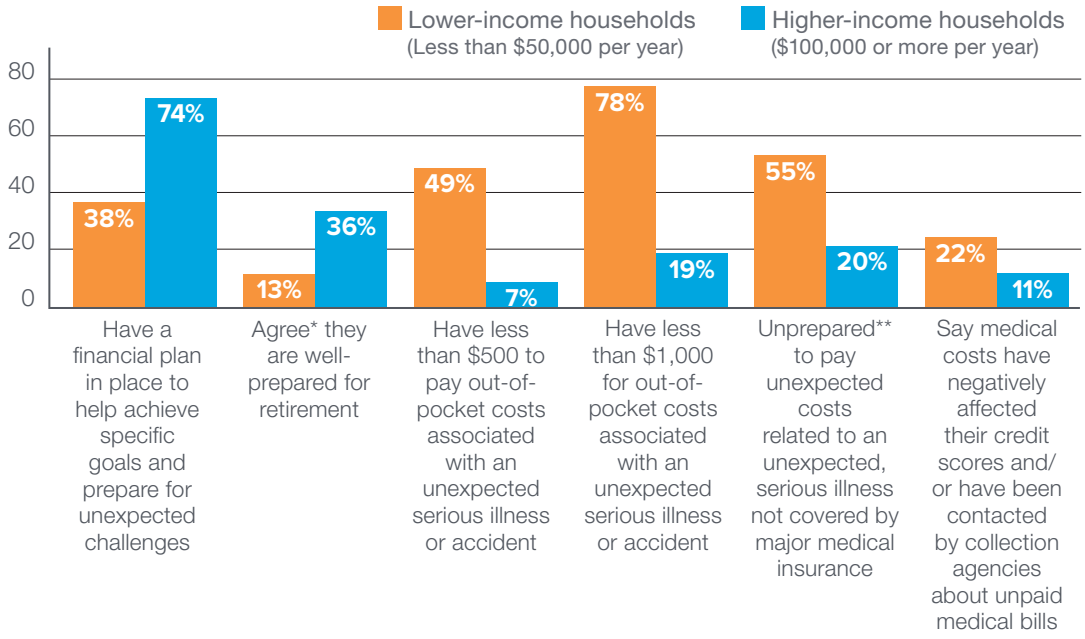
Most of us know that the quickest way to get well is by seeing a doctor, but the Aflac WorkForces Report reveals that many Americans are doctor-averse – or, at least, hesitant to seek a physician's advice. Survey participants in all income groups admit to delaying tactics, but employees with lower incomes are the most likely to admit they've avoided going to the doctor (38 percent, compared to 26 percent of those at higher incomes) or put off medical procedures for longer than they should (21 percent, compared to 15 percent).[3]

Some of the delays can be attributed to time constraints or the fear of a critical diagnosis but, again, income level is a major factor. Because higher-income workers are more likely to have major medical coverage – not to mention voluntary coverage that helps pay their bills – seeing a doctor may be less of a financial burden.

The "money factor" is borne out in Aflac WorkForces Report findings that reveal a wide disparity in the overall financial preparedness of workers. Not only are those with lower incomes less likely to have financial plans in place, but they're also much less likely to have funds available to cover unexpected medical expenses. Most critically, they're more than twice as likely to say medical costs have negatively affected their credit scores.

Figure 3

Income disparity and financial preparedness



**Agree = percentage of respondents who completely or strongly agree*
***Unprepared = percentage of participants who are not very or at all prepared*

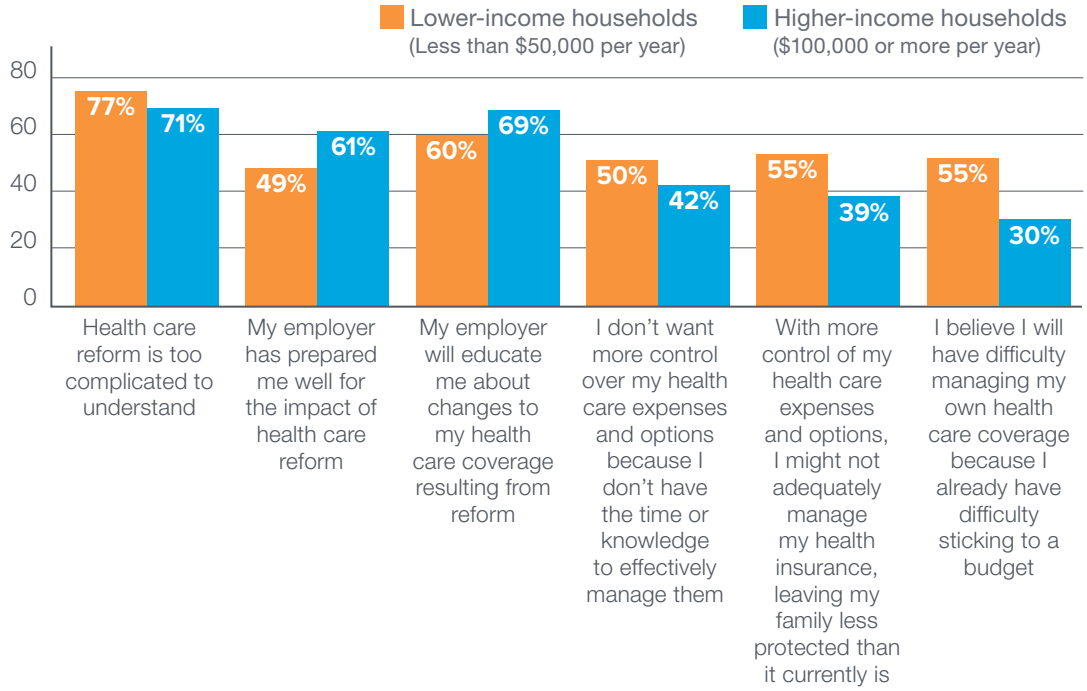
Health care reform: Gaps in knowledge and application

After years of "whens" and "ifs," health care reform is a reality in the United States. That means all adult Americans will be subject to penalties if they're not enrolled in major medical insurance. It doesn't mean, however, that they understand reform or are comfortable with the many health care-related decisions they're being asked to make.

While employees at all income levels indicate their understanding of reform is somewhat limited, those with higher incomes are more comfortable with the concept of managing their health care expenses and exercising more control over their options.

Figure 4

Health care reform: Understanding and responsibility*



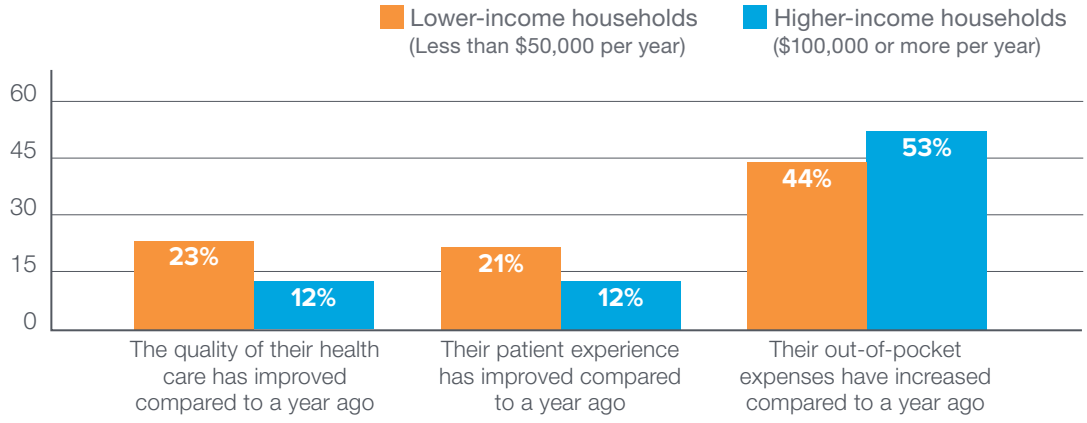
**Percentages reflect the number of participants who at least somewhat agreed with each statement*

Lower-income households: More likely to believe the quality of health care has improved

While higher-income households show superior financial preparedness and are more likely to enroll in the optional benefits available to them, lower-income households are more apt to believe the quality of their medical care has improved in the past year. What's more, they're less likely to say their out-of-pocket medical costs have increased. Some of their contentment may be attributed to health care reform, which has made it possible for them to obtain coverage they didn't previously have. No matter what the reason, improvements in the quality of care for lower-income workers are important, because nearly 25 percent of adults with incomes at or below 138 percent of the federal poverty level report being in fair or poor health.[4]

Figure 5

Lower-income households: More likely to believe the quality of health care has improved.



Looking to the future: Consumerism and expectations

While lower-income workers may face more challenges with respect to health literacy and understanding how to make benefits work for them, some problems are shared by Americans of all income levels. First and foremost, of course, is the increasing cost of health care.

Employers are still looking for ways to reduce expenses, and that means they continue to push costs onto workers in the form of increased deductibles, premiums and copayments. The burden, however, doesn't necessarily translate to improved care: While 48 percent of employees who participated in the WorkForces Report reported increases in their out-of-pocket costs compared to a year ago, 66 percent overall said they didn't experience noticeable changes in the quality of care during the same time period.

Being sent to a public exchange to obtain health care coverage isn't worrisome for most survey participants – only 4 percent named it as a top concern. They are much more troubled about rising costs and maintaining health care.

Figure 6

Top concerns among workers

Maintaining health care benefits	38%
Increasing out-of-pocket medical expenses	30%
Increasing cost of major medical insurance	28%

Workers have reason to fret about these issues: The average individual health insurance premium has increased by $976, or 19 percent, since 2010. The average family premium has increased by $3,064, or 22 percent, during the same period. In many cases, the increases were higher than inflation and average raises.[5]

The increased costs for workers show no signs of abating: Employers participating in the Aflac survey revealed they not only continued to shift the burden for health care costs onto employees in 2014, but in many cases cut back on employer-paid benefits too.

Figure 7

Employers: Looking for ways to save on health care costs

Increased employees' share of premiums	31%
Increased employees' copayments	30%
Implemented high-deductible health plans with health savings accounts	21%
Reduced employee health plan options	17%
Introduced health care incentives	16%
Reduced employee hours	12%
Used public and/or private exchanges	11%
Eliminated spouse/partner coverage	9%
Offered employees stipends in lieu of health insurance	7%

Placing more of the burden for health care costs on workers and reducing benefits may profit employers in the short term, but employees who took part in the Aflac survey sent a clear signal that doing so may be detrimental to worker morale. Since the report debuted five years ago, employee responses have consistently indicated that benefits have a major impact on employee satisfaction, engagement and anxiety. The 2015 results are no different. According to workers, if their employers shifted an increasing portion of health insurance costs onto their shoulders it would have an impact on:

- Job satisfaction – 72 percent.
- The likelihood they'll consider looking for a new job – 61 percent.
- Their overall financial anxiety – 73 percent.

The voluntary insurance equation

As companies make changes to traditional major medical plans, both employers and employees are taking a closer look at other benefits options. That may explain why the number of businesses making voluntary coverage available to workers has dramatically increased: 39 percent offered voluntary options in 2014, up from 26 percent in the 2012 Aflac WorkForces Report.

Employees are responding favorably to the notion of beefing up their benefits plans with voluntary choices. In fact, 64 percent of survey participants see a growing need for voluntary insurance today when compared to years past. Their reasons?

- Rising medical costs – 68 percent.
- Rising medical insurance costs – 64 percent.
- Increasing deductibles and copayments – 56 percent.
- Because employers reduced their benefits and/or coverage – 29 percent.
- Because of changes resulting from health care reform – 47 percent.

The addition of voluntary products to their companies' benefits offerings is a win for workers and employers too. Employees can supplement their major medical coverage with the voluntary choices that meet their needs and budgets – and because premiums are paid by employees who elect to enroll, adding voluntary options has no effect on companies' bottom lines.

Businesses that offer or are adding voluntary products to their benefits options would do well to consider the effect of various products on employees' financial health. For years, dental and vision insurance have been the foundation of most companies' voluntary insurance pyramids. Perhaps it's time, though, to rebuild those pyramids from the foundation up. After all, benefits from some dental and vision plans are limited, and most workers can afford to pay relatively small bills stemming from new glasses prescriptions or the occasional cavity. It's much more difficult for them to absorb the bills stemming from serious accidents or illnesses. Companies might be better served – and better serve employees – by taking a good look at critical illness, hospitalization and accident insurance.

Consumerism: Employees are attracted to names they know

As employers add voluntary products to their portfolios, it may benefit them to consider that names matter when it comes to health care. Employees who participated in the Aflac survey expressed a strong preference for familiarity: 87 percent at least somewhat agreed that brand name or reputation is important when selecting health insurance benefits.

Workers also show an increased willingness to shop for themselves if their employers aren't providing the type and level of health insurance coverage they want and need. Forty-two percent, up from 34 percent in 2012, are extremely or very likely to purchase additional insurance products to ensure their coverage is adequate, provided those additional products are affordable.

Higher expectations for benefits enrollment and communications

With workers' increasing responsibility for their health care costs comes another type of consumerism: They have higher expectations of the benefits enrollment experience. Perhaps due to increased comfort with technology and the Internet, the majority of workers want enrollment to take place online. When all income groups are factored in, 63 percent of employees prefer online enrollment, followed by 20 percent who prefer to enroll face to face and 11 percent who prefer paper enrollment. This is one area in which employees and their companies are in step, as 62 percent of employers used online enrollment in 2015, up from 55 percent in 2013.

Figure 8

Health care consumerism

Have higher expectations for their health insurance and benefit selection/ enrollment experience because they are increasingly responsible for more of their health care costs	89%
Expect more decision-making tools and support during their health insurance and benefits selection/enrollment experience because they are more responsible for their health care costs than in years past	89%
Say the ease of selecting and enrolling in health insurance is just as important as the price of the plans	87%
Were extremely or very satisfied with their customer experience the last time they enrolled in their health plan	58%
Were extremely or very satisfied with their customer experience the last time they filed a health insurance claim	40%

Even as companies move toward online enrollment, they should consider that workers' preferences about benefits communication are more traditional. When asked how they'd like to learn about benefits, the largest percentage said they prefer to receive in-person information from their company's human resources representative or benefits professional (28 percent). Other popular responses included via email (22 percent), by reading about benefits in an employee booklet (13 percent) and at their company's intranet or enrollment site (9 percent).

Sources

[1] Urban Institute Health Policy Center, "QuickTake: Low-income adults are less likely to have access to employer-sponsored coverage," accessed March 25, 2015 - http://hrms.urban.org/quicktakes/Employer_Sponsored_Coverage.html

[2] Satisfied = number of 2015 Aflac WorkForces Report participants who reported being very or extremely satisfied with the benefits offered to them

[3] Percentages of participants who said the statements describe them extremely or very well

[4] Urban Institute Health Policy Center, "QuickTake: Lower income workers report being in worse health," accessed March 25, 2015 - http://hrms.urban.org/quicktakes/Worse_Health.html

[5] The Henry J. Kaiser Family Foundation, "2014 Employer health benefits survey," accessed March 25, 2015 - http://kff.org/private-insurance/report/2014-employer-health-benefits-survey/

About the study

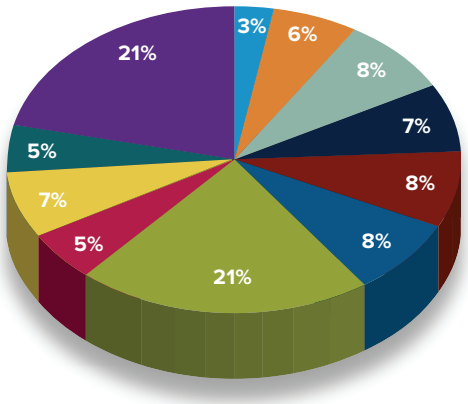
The 2015 Aflac WorkForces Report is the fifth annual Aflac employee benefits study examining benefit trends and attitudes. The study was conducted by Research Now on behalf of Aflac. To learn more about the Aflac WorkForces Report, visit AflacWorkForcesReport.com.

Employer Methodology

The Employer Survey was conducted online within the United States between Jan. 26, 2015, and Feb. 11, 2015, among 1,977 benefits decision-makers at companies with at least three employees. No estimates of theoretical sampling error can be calculated; a full methodology is available.

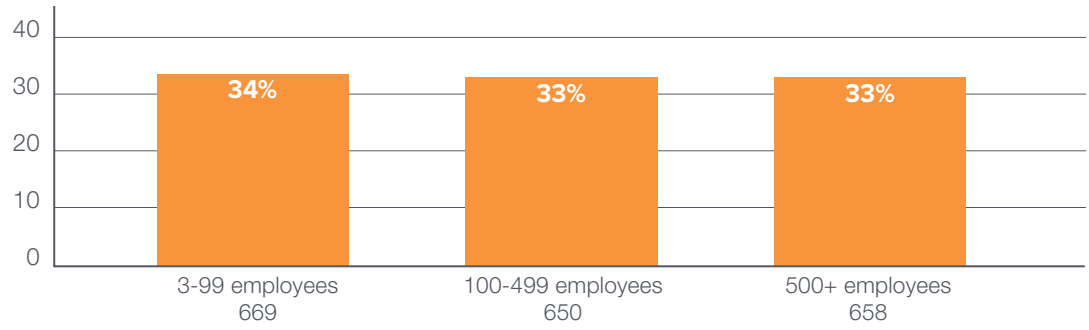
Industry

Accommodations and food service	58
Construction	110
Education services	157
Financial services	145
Health care and social assistance	158
Manufacturing	160
Professional, scientific and technical services	419
Public administration	103
Retail trade	142
Wholesale trade	102
Other	423



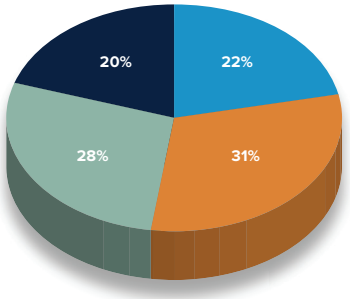
Percentages have been rounded.

Company size/ number of employees



Geography

Northeast	434
South	613
West	543
Midwest	387



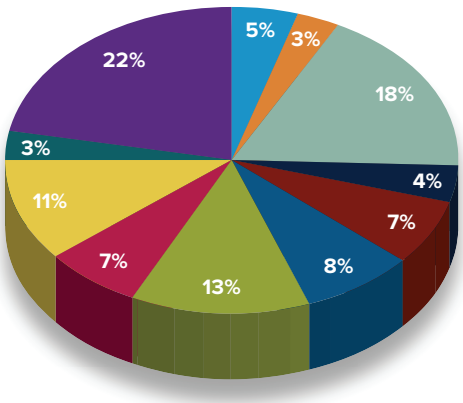
**Percentages have been rounded.*

Employee Methodology

The Employee Survey was conducted online within the United States between Jan. 23, 2015, and Feb. 11, 2015, among 5,337 adults ages 18 and older who are employed full or part time at a company with three or more employees and not retired. The first 3,076 interviews were nationally representative and were weighted as needed to match U.S. demographics and to enable year-over-year trending, while the remaining 2,261 interviews were conducted among the top 20 U.S. DMAs — approximately 100 interviews per DMA. No theoretical sampling error can be calculated; a full methodology is available.

Industry

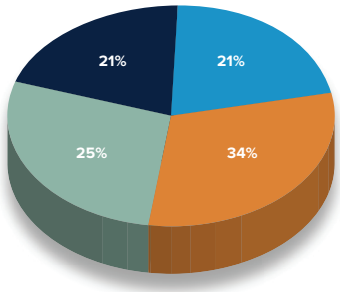
Accommodations and food service	249
Construction	179
Education services	938
Financial services	194
Health care and social assistance	368
Manufacturing	444
Professional, scientific and technical services	695
Public administration	360
Retail trade	576
Wholesale trade	135
Other	1199



**Percentages have been rounded.*

Geography

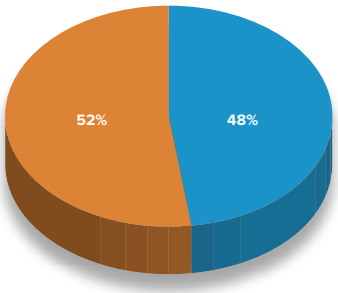
Northeast	1100
South	1805
West	1334
Midwest	1098



*Percentages have been rounded.

Gender

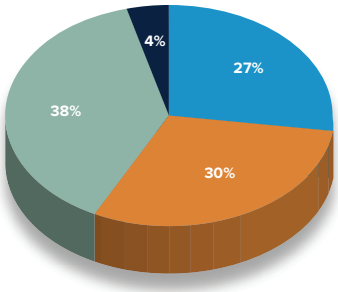
Male	2555
Female	2782



*Percentages have been rounded.

Age

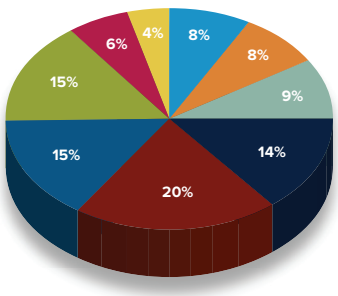
18-34 years	1465
35-49 years	1591
50-68 years	2046
69+	235



*Percentages have been rounded.

Income

Less than $15,000	415
$15,000 to $24,999	435
$25,000 to $34,999	477
$35,000 to $49,999	749
$50,000 to $74,999	1045
$75,000 to $99,999	799
$100,000 to $149,999	809
$150,000 to $199,999	329
$200,000 or more	279

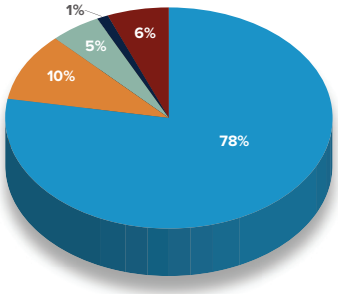


*Percentages have been rounded.

Ethnicity*

White	4135
African-American	546
Asian	287
Native American	41
Other	328

*Hispanic origin – 653 or 12%



*Percentages have been rounded.

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