

Health care reform and the transformation of workplace benefits

Businesses carefully forge ahead with changes to their benefits plans, while employees need crash courses in benefits.

New research from the 2014 Aflac WorkForces Report¹ finds that despite a lack of clarity about the impact of health care reform, businesses are cautiously forging ahead with changes to their benefits plans. As a result, employees may be left on their own when it comes to benefits education and financial protection.

Companies aren't ready for change; turning to benefits professionals for help

Health care reform's roll out has been riddled with delays and technology challenges. The law is complex and thousands of pages of guidance have been issued to help clarify its requirements. It's no surprise employers are feeling less than adequately prepared for coming changes to the health care system.

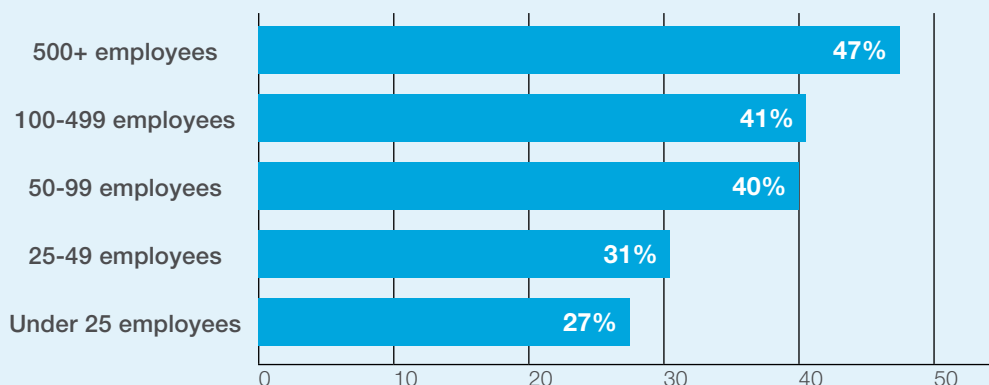
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Overall 40 percent of companies say they understand health care reform extremely or very well, but the number drops to 30 percent for businesses with fewer than 100 employees. The contrast is even greater when broken down by company size.

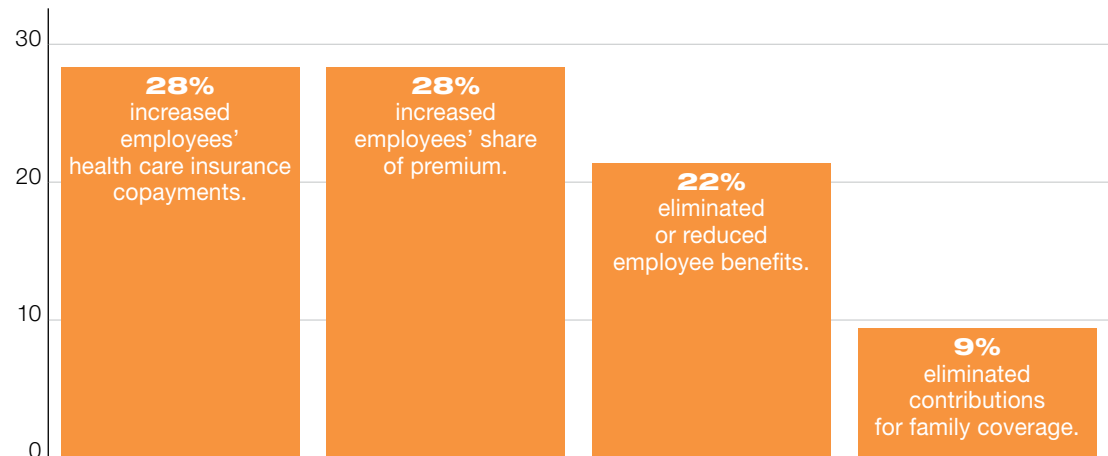
Of the employers surveyed, 45 percent say they'll rely on brokers or insurance companies to suggest changes to their benefits packages due to the changing health care environment.

Companies that understand health care reform extremely/very well



Employers place a high priority on controlling health care costs

Though companies are navigating murky waters, there's one thing they're certain of: Controlling costs is a top priority. Not only is it a top business objective for 49 percent of all employers, but companies are already taking steps to contain rising costs. In 2013, businesses implemented the following cost-cutting measures:



Additionally, employers who made specific changes to staffing and benefits in 2013 or expect to do so in 2014 say they are making the change because it is financially advantageous for their businesses. For example:

- » **14** percent reduced employee hours from full- to part-time in 2013 and **12** percent plan to do so in 2014. Among these, **40** percent said they did or will do so because it is financially advantageous to their companies.
- » **7** percent moved employees to private exchanges in 2013 and **7** percent plan to do so in 2014. Among these, **37** percent said they did or will do so because it is financially advantageous to their companies.
- » **6** percent offered employees stipends to purchase their own insurance in 2013 and **10** percent plan to do so in 2014. Among these, **33** percent said they did or will do so because it is financially advantageous to their companies.
- » **7** percent offered insurance through the public SHOP exchange in 2013 and **9** percent plan to do so in 2014. Among these, **27** percent said they did or will do so because it is financially advantageous to their companies.

Out-of-pocket costs are rising, but most employees aren't poised to foot the bill

Over the last five years, employees' share of health care costs – including employee premium contributions and out-of-pocket costs – have increased more than 50 percent from \$3,199 in 2008 to \$4,814 in 2013.² The Aflac WorkForces Report found that 86 percent of employees believe the expenses they're responsible for will continue to rise, but many aren't prepared to absorb the financial burden.

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| Employees aren't financially prepared for the unexpected | Percent of responses |
|---|----------------------|
| Don't have financial plans in place to help them achieve specific financial goals and prepare for unexpected challenges or events | 56% |
| Would have to borrow from their 401(k)s and/or use a credit card to cover costs associated with an unexpected serious illness or accident | 53% |
| Have less than \$1,000 to pay for out of pocket expenses associated with a serious illness or accident | 49% |
| Have less than \$500 to pay for out of pocket expenses associated with a serious illness or accident | 27% |
| Have done nothing to prepare themselves or their families for possible changes to the health care system | 47% |
| Say they will have a difficult time managing their own health care coverage and decisions because they already have difficulty sticking to a budget | 44% |
| Say they are not at all or not very prepared to pay out-of-pocket expenses associated with a serious illness or injury | 42% |

Employees need benefits education, but employers aren't spoon-feeding the information

The report also shows that 3 in 5 employers (60 percent) strongly or somewhat agree that employees need to be more responsible for educating themselves about their health care benefits, while 68 percent of employees believe their companies will educate them about changes to their health care coverage as a result of health care reform.

| Employees' knowledge and understanding of health care reform | Percent of responses |
|--|----------------------|
| Say health care reform will require them to take greater control of their health care choices | 78% |
| Say health care reform is too complicated to understand | 73% |
| Agree their personal health insurance situation will become more confusing | 71% |
| Say they don't prefer to be more in control of their health care expenses and options because they don't have the time or knowledge to effectively manage them | 51% |
| Believe their employers communicated extremely or very effectively about health care reform and subsequent changes to their benefits | 35% |
| Say they understand how health care reform will affect their lives extremely or very well | 21% |
| Strongly or completely agree their employers have prepared them well for the impact of health care reform | 13% |
| Are extremely or very knowledgeable about federal and state exchanges | 10% |

Empower employees for coming changes to their benefits

Voluntary benefits can help employees protect their financial security in the event of a serious illness or injury – regardless of changes to their major medical insurance. As part of the Aflac Workforces Report, 63 percent of employees surveyed said voluntary insurance is increasingly important today. Reasons they give include rising medical costs (76 percent), the increasing price of medical coverage (66 percent), increasing deductibles and copays (61 percent), and because their employers have reduced health care benefits and/or coverage (37 percent).

In addition to giving employees the flexibility to select coverage they need, want and can afford, voluntary plans can be offered with little or no direct cost to a company's bottom line. Visit aflac.com to see how Aflac can help.

Sources

¹ The 2014 Aflac WorkForces Report is the fourth annual Aflac employee benefits study examining benefit trends and attitudes. The study, conducted in Jan. 2014 by Research Now, captures responses from 1,856 benefits decision-makers and 5,209 employees from across the United States. To learn more about the Aflac WorkForces Report, visit AflacWorkForcesReport.com.

² SHRM (2012). 6.3% Health Premium Increases Projected for 2013. Accessed on March 19, 2014, from <https://www.shrm.org/hrdisciplines/benefits/Articles/Pages/Health-Premiums-2013.aspx>.

