NJBIA 2018 Health Benefits Survey

Costs for healthcare are still on the rise, but so are efforts to maintain coverage.

It's a time-honored tradition at the New Jersey Business & Industry Association – member companies report to us that the cost of employee health benefits is their No. 1 concern when running their businesses.

The results of the 2018 Health Benefits Survey tell us the same, but the efforts of member companies to bring their costs down are in full force. Businesses are offering their employees healthcare coverage with higher cost-sharing, higher contributions toward premiums and increases in deductibles, co-pays and co-insurance. We also saw a decline in member companies offering healthcare coverage to employees compared to our last survey in 2016.

Despite all of these actions, it is clear member companies, overall, continue to take less profits in order to maintain coverage, with the hopes of attracting and retaining their employees.

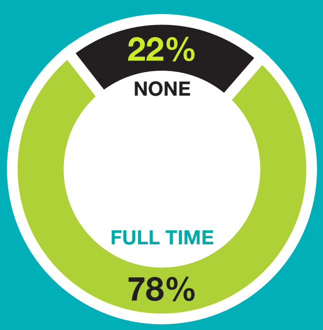
Member Companies Offering Healthcare Coverage Declines

According to the results of the 2018 Health Benefits Survey, a large number of member companies continue to offer healthcare coverage to employees. However, with the continued rise of healthcare premium rates, there are slightly fewer of them.

Seventy-eight percent of surveyed members said they offer healthcare coverage to their employees at a time when 77 percent said they saw their rates rise. This is down from the 85 percent of members who said they offered coverage in our last survey two years ago, and 87 percent in our 2014 survey.

Seventy-five percent said they continue to offer coverage in order to attract and retain employees, compared to 83 percent in 2016; 56 percent said they offer coverage to attract desired and effective employees; 43 percent said they offer coverage to improve health and productivity. Another 15 percent said they offer coverage to avoid penalties under the Affordable Care Act (ACA).

Companies Offering Health Coverage to Employees



How Employers Paid for Increased Premiums

Members Making Sacrifices to Continue Offering Coverage

When asked what their companies have done to help pay for increased healthcare premiums, 40 percent said they lowered their profit or suffered a loss, compared to 33 percent in 2016.

Another 27 percent froze or limited wage increases, while 21 percent delayed, postponed, or reduced business investments – a 6 percent increase from 2016. Ten percent reduced non-health benefits to accommodate increased healthcare coverage costs, while another 10 percent increased their efficiency or productivity.

While 8 percent said they cut employees and another 5 percent reduced hours, overall, there was an increase of a continued trend of NJBIA members willing to absorb a hit to their bottom lines to provide employees with health benefits.

Actions Taken by Employers to Contain Cost

- 38% Introduced High Deductible Health Plans
- 37% Increased Deductibles
- 29% Increased Employee Contributions
- 24% No Actions Taken
- 23% Changed Carriers
- 17% Reduced Benefits
- 13% Increased Wellness Programs
- 9% Switched to a Narrow Network
- 7% Spousal Surcharge
- 4% Discontinued Plan Options
- 4% Provided Cash Incentives
- 4% Eliminated Dependent Coverage
- 1% Structured Premium Based on Income
- 1% Moved to Defined Contribution

Reasons Companies May Discontinue Coverage

Although Most Members Offer Healthcare Coverage, Cost is Still a Major Concern

NJBIA members are still overwhelmingly opting to offer their workforce healthcare coverage. However, rising costs continue to be a key factor.

Ninety-two percent of members say that the cost of healthcare coverage is the biggest reason they may drop healthcare coverage for employees. That is consistent with the 94 percent in 2016 who responded the same.

Another 29 percent say that they would drop healthcare coverage because not enough employees are willing to participate in a health plan. That's a significant rise from 17 percent in 2016; 19 percent (compared to 7 percent in 2016) say that administrative complexity may lead them to drop coverage; 10 percent of members say that ACA employee coverage does not apply to their company; 10 percent believe paying the ACA penalty is less expensive than providing coverage.

NJBIA Members Continue Employee Cost-Sharing and Limiting Health Plan Options to Reduce Overall Costs

The 2018 Health Benefits Survey showed NJBIA members continuing to make significant changes in the healthcare coverage choices they offer in order to lower their costs.

Companies continue to use a multitude of core strategies to manage healthcare costs, with 38 percent introducing high-deductible health plans and 37 percent increasing deductibles, co-payments or co-insurance. Another 29 percent increased the employee share of premium contributions; 23 percent changed insurance carriers; 17 percent reduced some types of covered benefits; and 13 percent increased wellness incentives and disease management programs.

Most of these numbers consistently reflect strategies employed in the 2016 member survey, but are still a far cry from 2014 survey data showing 53 percent increasing deductibles and only 25 percent introducing high-deductible health plans.

The 2018 survey also shows a small bump in the percentage of cost of employee coverage. Members are paying 76.3 percent of the total cost of health benefits, compared to 73.9 percent in 2016. Employers have also reduced their share of the cost of dependent coverage from 47.9 percent in 2016 to 46.3 percent in 2018.

Less expensive, high-deductible health plans are now being offered by 33 percent of respondents, 1 percent lower than in 2016, but 10 percent more than in 2014. However, only a combined 37 percent are offering in-network Health Maintenance Organization (HMO) or Exclusive Provider Organization (EPO) plans – a steep decline from the 47 percent offering those plans in 2016 and 55 percent in 2014.

Meanwhile, 61 percent are offering plans with an out-of-network option, such as a Point of Service (POS) or Preferred Provider Organization (PPO) plan, compared to 53 percent in 2014.

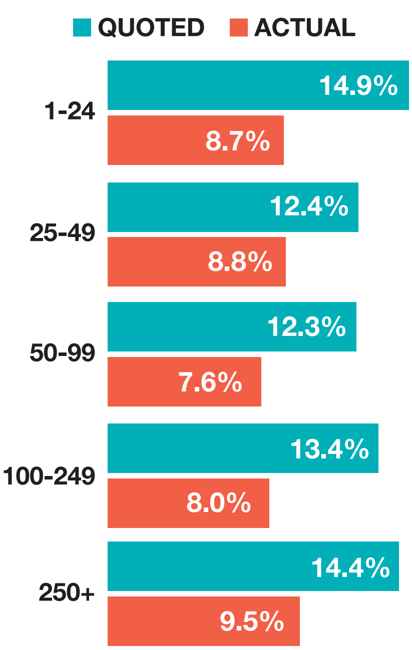
Health Benefits Costs Continue to Increase

The overall cost of health benefits is still rising, though at a slightly lower rate, despite the cost reduction measures employers have taken.

Survey data indicates members were able to negotiate lower cost increases than those presented to them in their initial quote.

Overall, initial quote healthcare coverage costs were increased by an average of 14.1 percent. Members with 1-24 employees received an initial quote increasing costs by 14.9 percent; those with 25-49 employees received an initial quote with a 12.4 percent increase; those with 50-99 employees had an initial quote with a 12.3 percent increase; those with 100-249 employees received an initial quote with a 13.4 percent increase. The largest companies, those with more than 250 employees, received an initial quote with a 14.4 percent increase.

Cost Increase by Employer Size

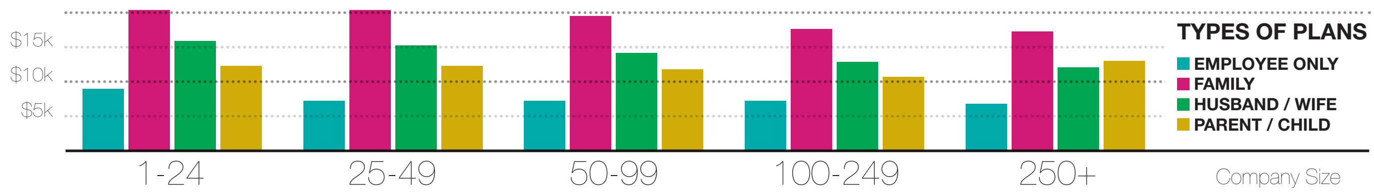


The actual increases proved to be lower than those offered at the initial quote, with an average cost increase of 8.5 percent across the board – which is slightly lower than the actual negotiated increase of 10.5 percent in 2016.

Member companies with 250-plus members had the highest average cost increase of 9.5 percent in 2018. All other companies with less than 250 members ranged between 7.6 and 8.8 percent for average health benefits cost increase.

The divide between the quoted cost increases and the actual increases are reflective of continuing efforts by many member companies to reduce their costs, mainly by paying a lower percentage of health benefits costs. It also represents a further leveling off of the sticker shock associated with the implementation of the Affordable Care Act. Back in NJBIA's 2014 survey, the average initial quote increase was a whopping 29 percent and the actual increase was 21 percent.

Avg. Cost by Company Size



Healthcare Coverage Costs Substantial, And Growing, For Smaller Companies

Members, on average, are spending $8,292 annually for employee-only plans. That's compared to $7,044 for the same expenditure in 2016 – nearly an 18 percent overall increase.

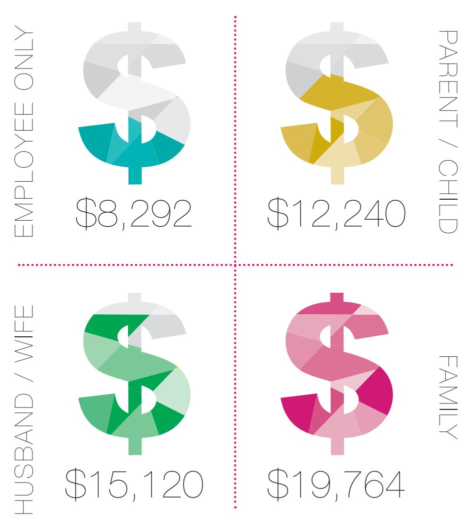
The cost of employee-only health plans varied widely depending on the number of employees the company has. For example, the average cost for companies with 1-24 employees was $9,108, compared to $7,572 in 2016. Companies with 25-49 employees averaged $7,656, compared to $5,832 in 2016. Conversely, for large companies with more than 250 employees, the average cost for employee-only plans was $6,960 – lower than the $7,488 average in 2016.

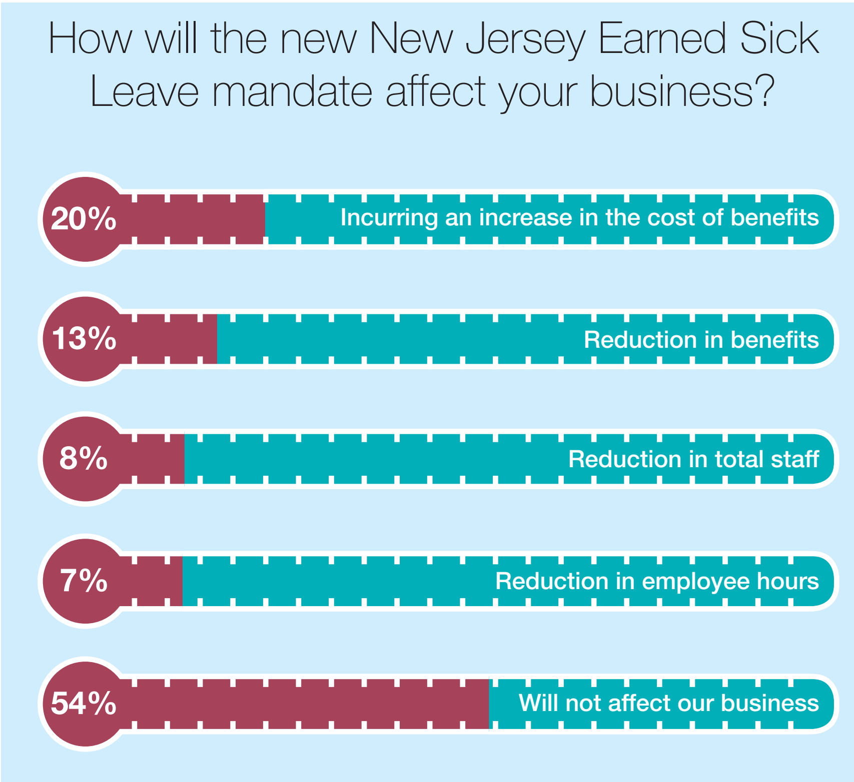
The average cost of a family plan is $19,764, compared to $17,580 in 2016 – a 12.4 percent increase. For companies with 1-24 employees, the cost is $20,460; with 25-49, the cost is $20,220; member companies with 50-99 employees averaged $19,656; for companies with 100-249 employees, the cost is $17,940; for companies larger than 250 employees, the cost is $17,664.

The average annual cost of parent-child coverage is $12,240, compared to $11,628 in 2016. Companies with 1-24 employees paid $13,476 annually; those with 25-49 employees paid $13,140; member companies with 50-99 employees paid $11,172; those with 100-249 employees paid $10,872. Companies with more than 250 employees paid $10,956 – a nearly 27 percent decrease from the $13,908 average cost in 2016.

The annual cost of a husband-wife plan is $15,120, compared to $14,076 in 2016. Member companies with 1-24 employees are averaging $16,224; those with 25-49 employees are paying $15,696; those with 50-99 employees are paying $14,340; those with 100-249 are paying $13,356; and those with 250-plus employees are paying $12,348 per plan.

Avg. Cost of Health Coverage for 2018





Paid Sick Leave Impact on Benefits

A new Paid Sick Leave law was enacted in 2018. While NJBIA worked hard to substantially amend the policy from its original form, member companies were preparing for additional costs resulting from the mandate.

As a result, we asked members a new question in this year's survey: How will the new Paid Sick Leave law affect your business in terms of health benefits coverage?

A total of 54 percent said the new mandate will not impact their business at all. Of those who forecasted impacts, 20 percent said they were anticipating an increase in the costs of benefits; 13 percent of respondents were considering a reduction in benefits; 8 percent were considering a reduction in total staff; and 7 percent were considering a reduction in employee hours.

Plan Selection

The survey shows the type of plan most often selected was the Preferred Provider Plan (PPO) with an average of 28 percent of employees, per company, covered.

Next was a High Deductible Health Plan (HDHP) with 23 percent, followed by a Health Maintenance Organization (HMO) with 13 percent, an Exclusive Provider Organization (EPO) at 12 percent, and a Point of Service Plan (POS) at 11 percent.

In companies with 1-24 employees, PPOs led the way with 28 percent, followed by HDHPs (23 percent), HMOs (14 percent) and EPOs and POSs (11 percent each). For companies with 25-49 employees, both HMOs and HDHPs are tops with 26 percent each. For companies with 50-99 employees, 25 percent were enrolled in HDHPs and 20 percent, each, were enrolled in EPOs and PPOs.

In companies ranging between 100 and 249 employees, 38 percent were enrolled in PPOs, followed by HDHPs (26 percent), EPOs (13 percent), POSs (8 percent) and HMOs (5 percent).

In member companies with more than 250 employees, 34 percent were enrolled in PPOs, followed by EPOs and POSs (19 percent each) and HDHPs (9 percent).

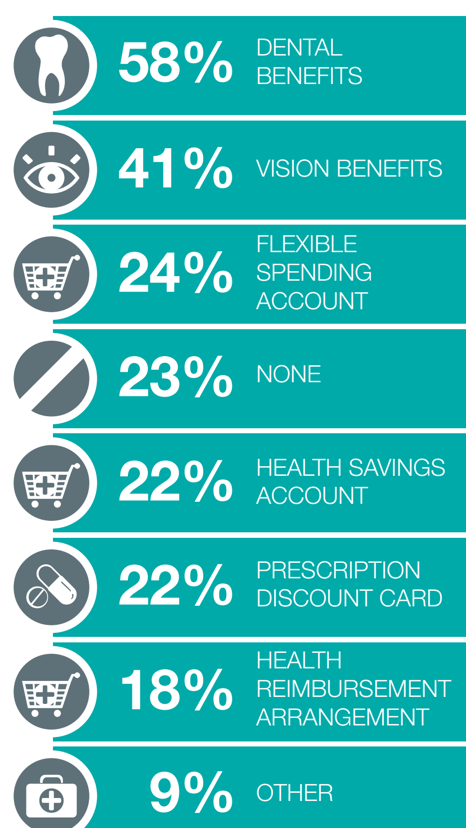
Voluntary Benefits

The number of NJBIA member companies offering additional voluntary benefits has shown some decline since the 2016 survey.

Overall, 58 percent offer dental benefits (down from 63 percent in 2016); 41 percent offer vision benefits (down from 47 percent in 2016); 24 percent offer a Flexible Spending Account (down from 30 percent two years ago); 22 percent offer a Health Savings Account (down from 24 percent in 2016).

Across the board, the larger the company, the more likely employees are to be offered additional voluntary benefits. Ninety-four percent of companies with more than 250 employees offer dental, 89 percent offer vision benefits and 75 percent offer a Flexible Spending Account. The survey shows similar percentages for companies of 100-249 employees, with 90 percent offering dental, and 83 percent offering vision benefits, although only 43 percent were offering a Flexible Spending Account.

Comparatively, percentages are far less in companies with 1-24 members, with 42 percent offering dental, 23 percent offering vision and only 9 percent offering a Flexible Spending Account.



Wellness Benefits

	Company Size 1-24	25-49	50-99	100-249	250+
Fitness Club Reimbursement	5%	13%	32%	23%	43%
Health Education	3%	11%	24%	28%	40%
Smoking Cessation	3%	5%	12%	8%	37%
Nutrition/Weight Mgmt. Program	3%	9%	12%	10%	23%
On-site Health Screening	1%	4%	12%	18%	49%
On-Site Fitness	3%	11%	15%	10%	26%
Stress Management	2%	7%	7%	8%	20%
Other	3%	11%	10%	15%	9%
None	86%	68%	37%	41%	26%

Wellness

There is a continuing trend of larger NJBIA member companies offering wellness programs to their employees – with some unique pulses inside the numbers.

For example, 43 percent of companies with more than 250 employees provide fitness club reimbursement. That's compared to only 32 percent in 2016.

At the same time, only 23 percent of those same large companies offer nutrition/weight loss management programs (down from 41 percent in 2016); 40 percent furnish health education (down from 53 percent in 2016) and 37 percent offer smoking cessation programs (compared to 53 percent in 2016).

There is also a decline among larger companies offering stress management programs. Only 8 percent of companies with 100-249 employees make those programs available, compared to 13 percent in 2016; and 20 percent of companies with 250-plus employees offer stress programs, compared to 32 percent in 2016.

Small and medium-sized companies are less likely to provide wellness programs. But there is one notable uptick – 11 percent of companies with 25-40 employees offer on-site fitness equipment or facilities, compared to 6 percent in 2016; and 15 percent of companies with 50-99 employees now offer it, compared to 10 percent in 2016.

Conclusion

Health insurance premiums continue to rise, especially in New Jersey. Yet NJBIA member businesses, for the most part, continue to try to meet the challenge of providing employee healthcare benefits at affordable rates – even though it continues to eat away at their bottom line.

It may not seem like much comfort to some employers, but the healthcare coverage rate increase of 8.5 percent in this survey is lower than the double-digit increases in 2016 and in 2014, which was the beginning of the implementation of the Affordable Care Act.

Member businesses continue to employ numerous strategies to allay those costs, such as the continuing move toward high deductible health plans and requiring their employees to pay a larger share of healthcare premiums, deductibles, co-pays and coinsurance.

NJBIA members continue to report that the ever-growing cost of health benefits remains their biggest issue. The data in the 2018 Health Benefits Survey backs up those concerns, but highlights their efforts to offset or diminish those costs to the greatest extent possible.

About this Survey

The NJBIA 2018 Health Benefits Survey was conducted online through the month of July. In total, 833 member companies responded to the questionnaire, with a margin of error of plus or minus 3.32 percent. NJB