

# NJBIA 2016 Health Benefits Survey:

Employers committed to health benefits, but costs threaten coverage.

For the last quarter century, the member companies of the New Jersey Business & Industry Association (NJBIA) have told us the cost of employee health benefits is their No. 1 problem. The results of the 2016 Health Benefits Survey tell us this is still the case. Our members say they have made significant changes to the types of health benefits coverage they offer in order to bring their costs down. This includes offering their employees healthcare coverage with higher cost sharing – higher contributions toward premiums and increases in deductibles, copays and coinsurance – in an effort to lower the employer’s overall costs. Despite these actions, our members are still facing double-digit rate increases on average.

Even with these consistent increases, our members are overwhelmingly offering coverage to attract and retain their employees. The survey confirms business owners are taking less profits in order to continue offering coverage.

Members are offering voluntary benefits such as dental and vision coverage in greater numbers and they are offering workplace wellness programs.

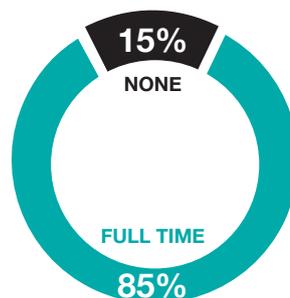
Will the persistent trend of increased health benefit costs ever subside? While impossible to predict, if the latest survey results are any indication, it could be a long time – if ever – before costs for health benefits are substantially stabilized or reduced.

## Member Companies Continue to Offer Healthcare Coverage to Employees

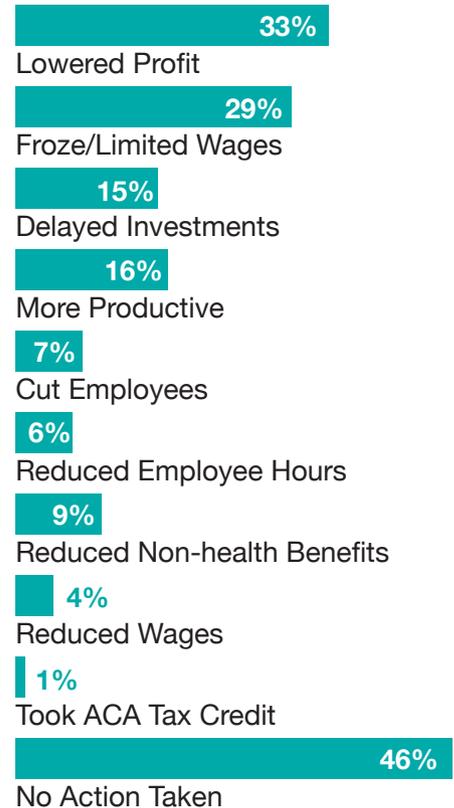
According to the results of the 2016 Health Benefits Survey, NJBIA member companies overwhelmingly continue to offer healthcare coverage to employees even though most companies saw their healthcare premium rates rise. Eighty-five percent of members said they offer healthcare coverage to their employees at a time when 78 percent said they saw their rates rise. This compares to 87 percent who said they offered coverage in our last survey two years ago.

Eighty-three percent (compared to 69 percent in 2014) said they continue to offer coverage, even in the face of rising premium costs, in order to attract and retain employees; 58 percent (compared to 51 percent two years ago) said they offer coverage to attract desired and effective employees; 47 percent (compared to 33 percent in 2014) said they offer coverage to improve health and productivity. Nineteen percent (compared to 10 percent in 2014) said they offer coverage to avoid penalties from the Affordable Care Act (ACA).

Companies Offering Health Coverage to Employees



How Employers Paid for Increased Premiums



## Members Making Sacrifices to Continue Offering Coverage

Thirty-three percent said they lowered their profits or suffered a loss; 29 percent froze or limited wage increases; 16 percent became more efficient; 15 percent delayed, postponed or reduced business investments; 9 percent reduced non-health benefits; 7 percent cut employees; and 6 percent reduced employee hours. This follows the trend identified in our 2014 Health Benefits Survey where members said lowering their profits (45%), freezing or limiting wage increases (35%) and delaying investments (22%) were the top three ways they managed to afford premium increases. It is clear from these results that our members are willing to take a hit to their bottom line in order to provide employees with health benefits.

**NJBIA Members Increasing Employee Cost-Sharing and Limiting Health Plan Options in Order to Reduce Overall Costs**

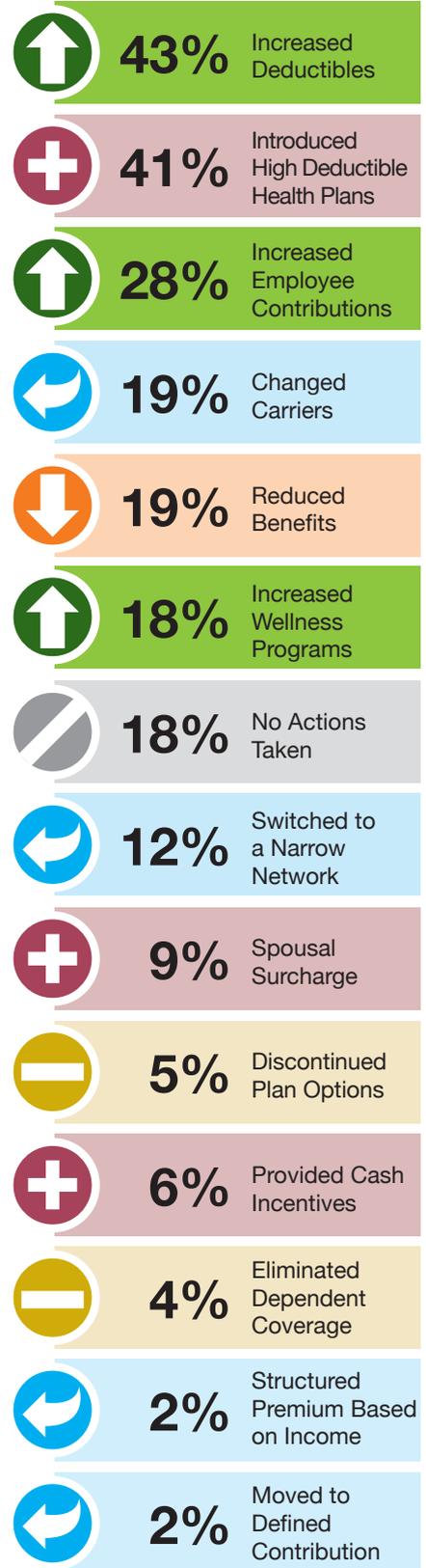
The 2016 survey showed NJBIA members have made significant changes in the healthcare coverage choices they offer in order to lower their costs. Most significantly, 34 percent of members are now offering less expensive, high-deductible health plans compared to 24 percent in 2014. Only 47 percent are offering in-network Health Maintenance Organization (HMO) or Exclusive Provider Organization (EPO) plans compared to 55 percent two years ago. Meanwhile, 65 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.

Forty-three percent said they increased deductibles, co-payments or co-insurance as a core strategy to reduce or manage healthcare costs; 41 percent introduced high deductible health plans; 28 percent increased the employee share of premium contributions; 19 percent have either reduced some types of covered benefits or changed carriers; 18 percent increased wellness incentives and disease management programs and 12 percent switched to a different plan with a narrow network of hospitals or physicians.

It is clear by comparing 2014 survey data and the 2016 survey, members are moving strongly in the direction of altering coverage strategies to bring costs in line. In the 2014 survey, 53 percent said they increased deductibles; 29 percent said they increased employee contributions and 25 percent introduced high deductible health plans.

The 2016 survey results also show that members are paying a lower percentage of the cost of employee coverage. On average, members are paying 74 percent of the total cost of health benefits, down from 79 percent two years ago. Employers have also reduced their share of the cost of dependent coverage from 50 percent to 48 percent.

Actions Taken by Employers to Contain Cost

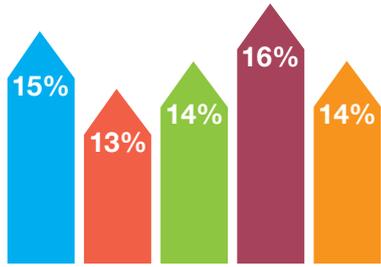


Reasons Companies May Discontinue Coverage

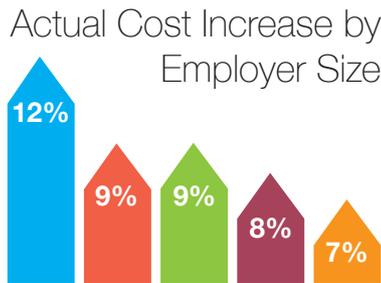


**Although Most Members Offer Healthcare Coverage, Cost is Still a Factor in that Decision**

It is clear that NJBIA members are overwhelmingly opting to offer their employees healthcare coverage. However, rising costs are still a key factor in that decision. Ninety-four percent of members (compared to 90 percent in 2014) say that the cost of healthcare coverage is the biggest reason they may drop healthcare coverage for employees. Seventeen percent (compared to 14 percent in 2014) say that not enough employees are willing to participate in a health plan. Nine percent (compared to 15 percent in 2014) say that paying the ACA penalty is less expensive than providing coverage. Seven percent (compared to 12 percent in 2014) say the ACA employee coverage mandate does not apply to their company. And 7 percent (compared to 14 percent in 2014) say that administrative complexity may lead them to drop coverage.



Quoted Cost Increase by Employer Size



Actual Cost Increase by Employer Size

COMPANY SIZE

- 1-24   ■ 25-49   ■ 50-99
- 100-249   ■ 250+

### Health Benefit Costs Continue to Increase by Double Digits

The overall cost of health benefits continues to rise, 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 would have increased by an average of 14.7 percent. NJBIA's largest cohort of respondents, those with 1-24 employees (61 percent of those responding to the survey) received an initial quote increasing costs by 15.2 percent; those with 25-49 employees received an initial quote with a 13.1 percent increase; those with 50-99 employees received an initial quote with a 13.9 percent increase; those with 100-249 received an initial quote with a 15.8 percent increase; and those with 250 or more employees received an initial quote with a 13.8 percent increase.

The actual increases proved to be slightly lower than those offered at the initial quote with an average cost increase of 10.5 percent. Businesses with 1-24 employees had their costs rise by an average of 12.3 percent; companies with 25-49 employees had an average increase of 9.3 percent; those with 50-99 employees had an 8.5 percent hike; members with 100-249 employees had an 8.2 percent increase; and the largest companies, those with more than 250 employees, saw a 7.1 percent increase.

In the 2014 survey, the average initial quote increase was 29 percent and the average actual increase was 21 percent. These cost increases reflect the sticker shock associated with implementation of the Affordable Care Act, which included many new health coverage mandates. The lower cost increases in the 2016 survey are largely reflective of the measures many member companies have taken to reduce their costs, primarily by paying a lower percentage of health benefit costs.

your

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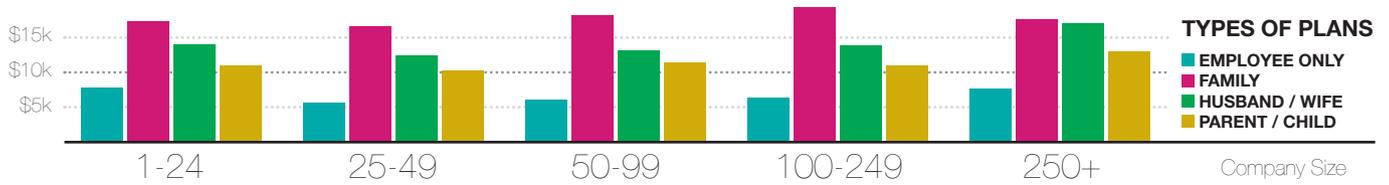
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>>> NJBIA 2016 HEALTH BENEFITS SURVEY



**Healthcare Coverage Costs Still Substantial**

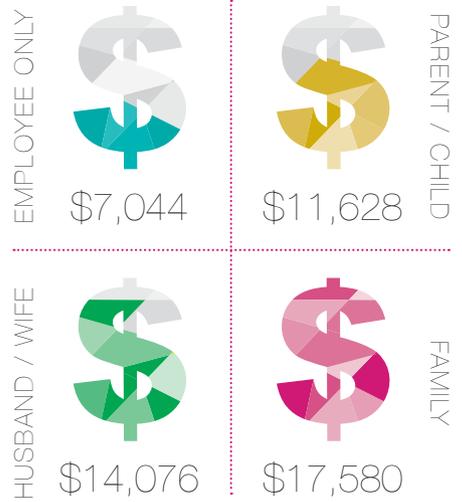
Members tell us, on average, they are spending \$7,044 annually for employee-only plans. For companies with 1-24 employees, the average cost is \$7,572; with 25-49 employees it is \$5,832; with 50-99 employees, the average cost is \$6,036; for 100-249 the average cost is \$6,660; and with more than 250 employees, the cost is \$7,488.

The average annual cost of a family plan is \$17,580. For companies with 1-24 employees, the cost is \$17,484; with 25-49, the cost is \$15,564; member companies with 50-99 employees saw an average cost of \$17,748; for companies with 100-249 employees, the cost is \$18,492; and for large companies, with more than 250 employees, the cost is \$17,832.

The average annual cost of parent-child coverage is \$11,628. Companies with 1-24 employees paid \$11,616 annually; those with 25-49 employees paid \$10,380; member companies with 50-99 employees paid \$11,448; those with 100-249 employees paid \$11,472; and the largest companies with more than 250 employees paid \$13,908.

Finally, the average annual cost of a husband-wife plan is \$14,076. Member companies with 1-24 employees are paying \$14,388; those with 25-49 employees are paying \$12,600; those with 50-99 employees are paying \$13,596; those with 100-249 are paying \$13,812; and those with 250 plus employees are paying \$16,032.

Avg. Cost of Health Coverage for 2016



Woman: Hey!! I just saved a lot of \$\$\$!

Man: What? How???

Woman: We moved our State disability insurance to Arch Insurance...

Man: You can do that?

Woman: Yes you can!! And as NJBIA members, we can get special discounts

Man: Where do I sign up?



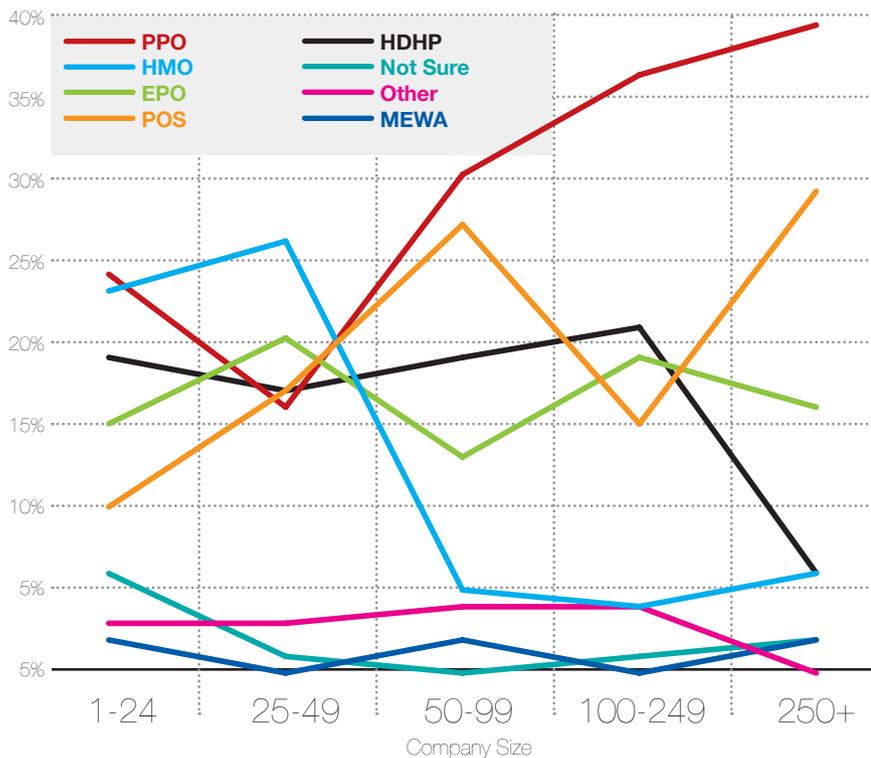
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## Employee Plan Selections



### Plan Selection

The survey shows that the type of plan most often selected was the Preferred Provider Plan (PPO) with an average of 26 percent of employees, per company, covered. Next was a High Deductible Health Plan with 19 percent, followed by an Health Maintenance Organization (HMO) with 17 percent, an Exclusive Provider Organization (EPO) at 16 percent, and a Point of Service Plan (POS) at 15 percent.

In companies with from 1-24 employees, PPOs led the way at 24 percent, followed by HMOs at 23 percent, high deductible health plans at 19 percent, and EPOs at 15 percent. For companies with between 25 and 49 employees, the survey shows HMOs most frequently selected at 26 percent, followed by EPOs at 20 percent, and high deductible health plans and Point of Service Plans both at 17 percent. For companies with between 50 and 99 employees, 30 percent were enrolled in PPOs, 27 percent in POSs and 19 percent in High Deductible Health Plans. In larger companies with between 100 and 249 employees, 36 percent were enrolled in PPOs, 21 percent in High Deductible Health Plans, 19 percent in EPOs and 15 percent in Point of Service Plans. In the largest companies with more than 250 employees, 39 percent were enrolled in PPOs, 29 percent in Point of Service Plans and 16 percent in EPOs.

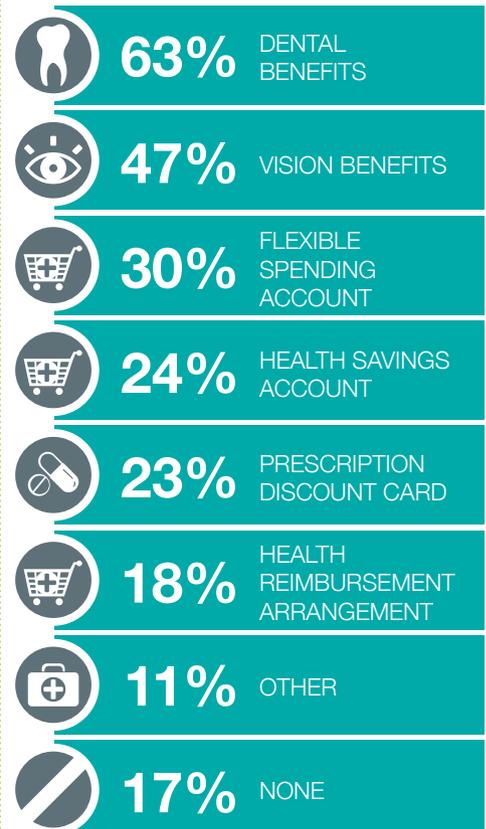
### Enrollment Rates

The vast majority of the employees of NJBIA member companies are enrolled in the health benefits plan. Overall, 77.8 percent of employees' members are enrolled. For the small companies (those with 1-24 employees) 79.9 percent are enrolled in the company health benefits plan; 72.5 percent of employees of companies with between 25 and 49 employees are enrolled; 72.4 percent in companies with between 50 and 99 employees are enrolled; 77.4 percent in companies with between 100-249 are enrolled; and 81.2 percent of employees at companies with more than 250 employees are enrolled.

### Voluntary Benefits

The number of NJBIA member companies offering additional voluntary benefits has risen since the 2014 survey. Overall, 63 percent of members offer dental benefits (up from 46 percent in 2014); 47 percent offer vision benefits (up from 26 percent two years ago); 30 percent offer a Flexible Spending Account (up from 18 percent); and 24 percent offer a Health Savings Account (an increase from 17 percent in 2014).

According to the survey data, the larger the company, the more likely employees are to be offered additional, voluntary benefits. Ninety-two percent of companies with more than 250 employees offer dental, 83 percent offer vision benefits and 81 percent offer a flexible spending account. The survey shows similar percentages for companies with between 100 and 249 employees with 96 percent offering dental benefits, 80 percent offering vision benefits and 64 percent offering flexible spending accounts. However, those percentages are far less in businesses with between 1 and 24 members. Forty-five percent of those companies offer dental, 32 percent offer vision and only 12 percent offer a flexible spending account.



## Wellness Benefits

|                               |  | Company Size |       |       |         |      |
|-------------------------------|--|--------------|-------|-------|---------|------|
|                               |  | 1-24         | 25-49 | 50-99 | 100-249 | 250+ |
| Fitness Club Reimbursement    |  | 5%           | 8%    | 17%   | 23%     | 32%  |
| Health Education              |  | 4%           | 10%   | 17%   | 36%     | 53%  |
| Quit Smoking                  |  | 5%           | 5%    | 13%   | 18%     | 53%  |
| Nutrition/Weight Mgmt Program |  | 4%           | 3%    | 10%   | 23%     | 41%  |
| On-site health screening      |  | 2%           | 5%    | 18%   | 38%     | 53%  |
| On-Site Fitness               |  | 4%           | 6%    | 10%   | 25%     | 32%  |
| Stress Management             |  | 4%           | 8%    | 4%    | 13%     | 32%  |
| Other                         |  | 4%           | 8%    | 4%    | 16%     | 9%   |
| None                          |  | 83%          | 71%   | 56%   | 32%     | 15%  |

### Wellness

In increasing numbers, NJBIA member companies are offering wellness programs to their employees. As with voluntary benefits, the larger the company, the more likely they are to offer these programs. Thirty-two percent of companies with more than 250 employees offer fitness club reimbursement (slightly below the 38 percent in our 2014 survey). In other categories, there has been a sharp increase in wellness offerings among business with more that 250 employees. Thirty-two percent offer an on-site fitness or walking programs (compared to 18 percent two years ago); 53 percent offer health education (compared to 44 percent); 53 percent offer smoking cessation programs (compared to 32 percent); 53 percent offer on-site health screening (compared to 50 percent); and 41 percent offer on-site nutrition or weight management programs (compared to 29 percent).

The smaller the company (1-24 employees), the less likely it is to provide wellness programs. However, those numbers have increased since our last survey. Five percent offer fitness club reimbursement (compared to 3 percent); 5 percent offer smoking cessation programs (compared to 2 percent); and 4 percent offer nutrition or weight management programs (up from 2 percent).

### Conclusion

New Jersey employers continue to be challenged in their ability to provide employee healthcare benefits at reasonable and affordable rates. The 2016 NJBIA Health Benefits Survey shows that a wide majority of members continue to provide healthcare benefits and even continue to take a hit to their bottom line to do so. Most say that they continue providing benefits both to attract and retain good employees.

Members are still reporting double-digit healthcare coverage rate increases, but these increases are occurring at lower rates than the increases reported in 2014 – at the beginning of the implementation of the Affordable Care Act. In order to keep their rates reasonable so that they can continue to provide healthcare coverage for their employees, members are utilizing various strategies such as moving toward high deductible health plans and requiring their employees to pay a greater share of healthcare premiums, deductibles, co-pays and coinsurance.

NJBIA members have traditionally reported that the ever-increasing cost of health benefits is their biggest problem. Judging by the results of the most recent health benefits survey, that is still the case.

### About this Survey

The NJBIA 2016 Health Benefits Survey was conducted online between late June and early July 2016. In total, 853 members responded to the questionnaire with a margin of error of plus or minus 3.26 percent. **NJB**