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Large Employers Adjusting Benefits Strategies Due to Affordable Care Act Mandates

ROSELAND, NJ -- (Marketwired) -- 06/15/16 -- The results of the [2016 ADP® Health Benefits Report](#) reflect that employer-provided healthcare plans in the large employer market are stable, and employers are effectively adjusting to changes mandated by the Affordable Care Act (ACA). Changes in costs have been modest, and shifting demographics in the workforce are keeping overall growth of cost per employee lower than in the past. The data analyzed from 2014 to 2016 reflects stability in the way employer-sponsored benefits at large organizations are offered and consumed.

This marks the fourth year the [ADP Research Institute®](#) has produced the report.

"Most large employers, who have offered health benefits through self-funded plans for years, appear to have made appropriate adjustments to contain costs while complying with the ACA," said Christopher Ryan, vice president, Strategic Advisory Services at ADP. "One strategy has been offering more low-premium, high-deductible plans, also referred to as 'consumer-directed health care plans.' However, there can be lack of understanding around these plans among employees, or fear that a high deductible ultimately results in high out-of-pocket health care costs. Effective education programs on the benefits to employees are a key to encouraging greater participation."

Key findings of the *2016 ADP Annual Health Benefits Report* include:

Premiums rising at a modest rate each year

Total health premium cost per employee rose 5.0% from 2014 to 2016. This moderate cost trend is likely due to focused cost management on the part of employers, including the use of self-funding, high deductible health plans, employee health and wellness programs, and resources to assist with provider selection.

Premiums and increases vary by industry

Over the period studied, the largest increase occurred in Health Care and Social Assistance at 10.2 percent. Manufacturing had the lowest increase at 2.1 percent, but also the second highest total monthly premium in 2016, at \$949. Retail Trade had the lowest monthly premium at \$719. Demographic composition of employees and variations in industry benefit practices may explain some of these differences.

Plan costs directly tied to compensation

Health premiums correlated directly with employee earnings. Lower income workers tended to have lower premiums, and higher income workers tended to have higher premiums. But when premiums are adjusted to account for dependents covered, premium costs tend to be similar for employees across all income levels. The key insight is that income is highly correlated with number of covered dependents, resulting in the higher premiums. Employer contributions to health premium costs also decreased slightly as income rose.

"Another trend is that the workforce is getting younger, helping to keep overall growth of cost-per-employee lower than in the past," added Ryan. "While cost per covered life has increased, employees are more likely to be unmarried and have fewer dependents. The annual cost per employee increase of only 5.0% from 2014 to 2016 is the result of this trend."

About this Report

The ADP® Annual Health Benefits Report leverages anonymous and aggregated data from ADP's client community spanning 2014 to 2016. ADP's unique employee-level data enables it to analyze dynamics at both the employer level and on a participant basis, most notably as they relate to benefits participation, demographics, and health plan premiums paid by employees and employers.

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