



EMPLOYER PERSPECTIVES ON THE HEALTH INSURANCE MARKET: A SURVEY OF BUSINESSES IN THE UNITED STATES

INTRODUCTION

A new survey conducted by the Associated Press-NORC Center for Public Affairs Research shows that many employers in the United States that offer health insurance to employees are unfamiliar with objective metrics of health plan quality information, and most consider costs both to their organization and their employees as important factors when selecting plans. The survey, funded by the Robert Wood Johnson Foundation, also finds that employers are looking to the Affordable Care Act (ACA) as they make significant decisions on the benefits they offer, with the costs of health plans as a key consideration.

A major goal of the ACA is to improve health care quality while lowering costs, and the government is making significant investments in providing quality information as a result. This nationally representative survey of employers—the largest purchasers of health care in the country—shows that most employers offering insurance to employees do consider health plan quality ratings to be important. Yet when it comes to measuring quality, most employers offering insurance are unfamiliar with several objective sources of quality information, such as Consumer Assessment of Healthcare Providers and Systems (CAHPS) data and Health Effectiveness Data and Information Set (HEDIS) Scores collected by the National Committee for Quality Assurance (NCQA). Further, while many employers are indeed providing wellness programs to benefit their employees' health, relatively few are actively promoting those programs or offering incentives for participation.

Five Things You Should Know

From the AP-NORC Center's Employer Survey

Among Private Sector Employers with at Least Three Employees

- Most employers think the ACA will have an impact on businesses' decisions about the health benefits they offer, though some say it will make scaling benefits back easier and others say harder.
- One in 5 employers say their organization is examining the design of health insurance exchange plans as they work on updating or changing the insurance benefits they offer.
- Six in 10 employers offering insurance think plan quality ratings are important, but 9 in 10 are unfamiliar with objective quality metrics.
- When selecting health plans, employers' top consideration is their own bottom line, but the cost to their employees is also important.
- Only 4 percent of companies offering insurance that employ 100 or more workers plan to change employee schedules to reduce the number of full-time employees to comply with the ACA.

A key feature of the ACA is the requirement that most businesses with 100 or more full-time equivalent employees provide health insurance to at least 70 percent of workers by 2015, and 95 percent by 2016; these rules will begin for employers with 50-99 full-time employees in 2016.^{1,2} If employers do not meet the requirement, they face fines of \$2,000 per employee annually. Seventy-two percent of private sector workers are employed by firms that need to comply with this requirement eventually,³ and more than half of all Americans have health insurance coverage through an employer.⁴ As implementation of this provision is underway, there are major questions surrounding how employers will respond to the requirement in their health plan purchasing decisions.

Many employers report recently changing health plans, shopping around for new plans, or that they are examining the design features of exchange plans as they work to update employee benefits. A third of employers surveyed say that the ACA will make it harder for businesses to scale back the benefit plans offered to employees, but a quarter say it will make it easier. And with costs a prominent concern for nearly all employers that offer insurance in selecting health care plans, financial concerns are even greater for small businesses with less than 50 employees that do not face the ACA employer requirement.

As employers change their purchasing behaviors to accommodate ACA requirements and as the health insurance marketplace evolves as a result of employers' new purchasing decisions, this survey provides timely data on the quality information employers offering insurance do, or in many cases, do not, use when evaluating plans. The survey also provides insights into employers' key considerations when choosing health insurance plans. Further, the survey shows how employers in general view the impact of the ACA as businesses consider changing employee benefits, and also provides data on employers' wellness program offerings and promotion strategies.

The AP-NORC Center conducted interviews with representatives⁵ of 1,061 private sector employers with three or more employees, including 878 businesses that report offering health insurance benefits to employees and 181 businesses that report the company does not offer health insurance benefits to employees. The surveyed employers include 413 small businesses (3-49 employees), 353 medium businesses (50-499 employees), and 295 large businesses (500 or more employees). It is important to note that the findings in this report reflect the percentages of employers, which proportionally are comprised mostly of small businesses. However, medium and large businesses employ the vast majority of the workforce. In the United States, a majority (96 percent) of employers are small businesses with fewer than 50 employees, although these organizations only employ 28 percent of workers. Medium- and large-sized businesses, with 50 or more employees, are 4 percent of the employer population, but they employ 72 percent of workers.⁶ Insurance offer rates also vary dramatically by business size: 99 percent of large businesses (500+ employees), 93 percent of medium-sized businesses (50-499 employees), and 56 percent of small businesses (3-49 employees) offer insurance to their employees.

1 U.S. Treasury Department. Fact Sheet. Final Regulations Implementing Employer Shared Responsibility under the Affordable Care Act (ACA) for 2015. <http://www.treasury.gov/press-center/press-releases/Documents/Fact%20Sheet%20021014.pdf>.

2 U.S. Small Business Association. Employers with 50 or More Employees. <http://www.sba.gov/content/employers-50-or-more-employees>.

3 U.S. Census Bureau. Statistics of U.S. Businesses. Employer Firms, Establishments, Employment, and Annual Payroll Small Firm Size Classes, 2011. <http://www.sba.gov/advocacy/firm-size-data>.

4 U.S. Census Bureau. Health Insurance Coverage in the United States: 2013. <https://www.census.gov/library/publications/2014/demo/p60-250.html>.

5 A "most knowledgeable respondent" method was used to select the respondent in the organization who could best answer the survey. Thirty-one percent of respondents identified themselves as business owners, 30 percent as office managers, 18 percent as executive officers, 11 percent as human resources managers, 2 percent as benefits managers, 2 percent as project managers, and 6 percent as another position.

6 U.S. Census Bureau. Statistics of U.S. Businesses. Employer Firms, Establishments, Employment, and Annual Payroll Small Firm Size Classes, 2011. <http://www.sba.gov/advocacy/firm-size-data>.

Firms by number of employees, percentage of total U.S. firms, percentage of total workforce, and insurance offer rate

Employer Size	Percent of total number of firms in the United States⁷	Percent of total workforce the firm employs⁸	Percent of firms that offer insurance⁹
0-2 employees ¹⁰	46.3	2.5	
3-9 employees	33.0	8.4	49
10-24 employees	12.6	9.4	68
25-49 employees	4.3	7.4	76
50-199 employees	3.0	13.3	93
200-999 employees	0.7	12.9	98
1,000-4,999 employees	0.1	12.7	100
5,000+ employees	0.0	33.4	100

Knowing where to find quality information—and balancing health care costs and quality—can be difficult for employers, particularly small businesses.

- Even though 6 in 10 employers offering health insurance say quality ratings are an important factor when choosing a plan, most are unfamiliar with independent sources of quality data such as CAHPS or HEDIS metrics. Businesses with 50 or more employees are more likely than those with fewer than 50 employees to use independent sources.
- Eleven percent of employers that offer insurance plans to employees say they are extremely or very likely to pay more to offer a plan with higher-quality ratings. Forty-four percent are somewhat likely and 45 percent say they are unlikely to do so. Businesses with 50 or more employees are more likely than smaller businesses to say they will pay more for higher quality ratings.
- Asked another way, 10 percent of employers that offer insurance plans to employees say they are very or extremely likely to accept lower-quality ratings in order to save money, 27 percent are somewhat likely, and 62 percent are unlikely to accept lower ratings.

Employers place a high importance on the bottom line for the business and its employees when selecting health insurance plans.

- Eighty-six percent of employers that offer health plans say the cost to the organization is very or extremely important, with half (49 percent) saying it is extremely important. Seventy-eight percent say the cost of premiums for employees is an important factor, and 72 percent say the same for the amount of the deductible and out-of-pocket costs. These findings are similar among small, medium, and large businesses.
- In an open-ended question about which factors are most important in choosing health plans to offer, the cost to the organization emerged as the most mentioned answer.
- Employers offering high-deductible health plans (HDHPs)¹¹ are more likely to say that the cost of premiums to employees is an extremely important factor in their decision than those that do not offer HDHPs (44 percent vs. 25 percent).

7 U.S. Census Bureau. Statistics of U.S. Businesses. Data by Employment Size 3-9, 2011. The Number of Firms and Establishments, Employment, and Annual Payroll in 2011 Tabulated by Establishment Industry and Enterprise Employment Size. SOURCE: 2011 County Business Patterns.

8 U.S. Census Bureau. Statistics of U.S. Businesses. Data by Employment Size 3-9, 2011. The Number of Firms and Establishments, Employment, and Annual Payroll in 2011 Tabulated by Establishment Industry and Enterprise Employment Size. SOURCE: 2011 County Business Patterns.

9 Based on data from this AP-NORC Center study of employers.

10 This survey conducted interviews with businesses with at least three employees.

11 Among the employers that offer health insurance plans to employees, 6 in 10 (58 percent) say that at least one of the plans they offer can be considered a HDHP. Respondents were read the following definition of a HDHP: *That is, do any of the plans that your organization offers have an annual single deductible of at least \$1,250 and a family deductible of at least \$2,500 for in-network or preferred providers?*

Many employers believe the ACA is playing a serious role in businesses' current health plan purchasing decisions, although they are divided on the impact.

- Six in 10 employers say the ACA is impacting businesses' benefit design. Thirty-four percent of employers say that the ACA will make it harder for businesses to scale back the benefit plans offered to employees, and 26 percent say it will make it easier. Thirty-five percent say it will have little effect. Employers that do and do not offer insurance have similar views about the ACA's impact on scaling back benefit plans, while employers of large, medium, and small businesses hold varying views.
- Faced with the prospect of penalties under the ACA, 4 percent of companies offering insurance that employ 100 or more workers say that they plan to change employee schedules to reduce the number of full-time employees who must be covered under the law. Eleven percent are not sure if they will attempt to reduce the number of full-time employees. The proportion of businesses planning to change employee schedules is similar across business sizes.

- Twenty percent of employers say their organization is examining the design of health insurance exchange plans¹² as they work on updating or changing the insurance benefits they offer.

Half of employers offer wellness programs, but they are not actively promoted or incentivized.

- Although half of employers (50 percent) offer some sort of wellness program to their employees, fewer (24 percent) have any promotion strategy for those programs. Small businesses are less likely to offer a wellness program or to promote such programs than are larger firms.
- Even among the businesses offering wellness programs, few offer financial incentives for participation: 5 percent of employers offering disease management programs for chronic diseases (24 percent of businesses) also offer financial incentives to participate.

NOTE ON INSURANCE OFFER RATES IN STUDY

Results for most question responses discussed in this report refer to the group of employers that offer health insurance benefits to employees (n=878). Some questions refer to employers that do not offer insurance (n=181). Results that refer to employers generally, refer to the full sample of employers surveyed (n=1,061), regardless of whether health insurance plans are offered to employees or not.

Fifty-nine percent of employers surveyed report offering health insurance coverage or a health insurance plan to employees, including 99 percent of large businesses (500+ employees), 93 percent of medium-sized businesses (50-499 employees), and 56 percent of small businesses (3-49 employees). Private for-profit organizations (58 percent) and not-for-profit organizations (62 percent) offer health insurance

coverage or a health insurance plan at similar rates. Fifty-four percent of businesses that report being in the service, retail, or wholesale industries category say they offer health insurance coverage. Sixty percent of manufacturing organizations, 62 percent of health care organizations, and 70 percent of professional service organizations say they offer health plans to their employees.

Thirty-five percent of businesses surveyed report offering dental coverage, including all large businesses (100 percent), 82 percent of medium-sized businesses, and 32 percent of small businesses. A quarter of businesses surveyed offer vision coverage, including 92 percent of large businesses, 59 percent of medium-sized businesses, and 22 percent of small businesses.

AN OVERWHELMING MAJORITY OF EMPLOYERS THAT OFFER HEALTH INSURANCE PLANS SAY THEY DO SO BECAUSE IT IS THE RIGHT THING TO DO, AND MANY ALSO SAY IT HELPS WITH EMPLOYEE RECRUITMENT AND RETENTION.

A variety of factors influence employers' decisions to offer health insurance plans. More than 8 in 10 employers (81 percent) that offer insurance say that they do so because

it is the right thing to do, making this the most cited reason for employers to offer it. Further, more than 6 in 10 businesses say that employee retention (61 percent) and

¹² Employers were asked the following in regards to exchange plans: *Insurance exchanges are now offering subsidized private coverage in every state. Is your organization examining the design of the exchange plans as you think about updating or changing the insurance benefits your organization offers, or not?*

recruitment (57 percent) are major reasons for offering health insurance plans. Large and medium-sized organizations—those with 50 or more employees and which employ 72 percent of the workforce—are more likely than businesses with less than 50 employees to report that offering health plans helps with recruitment (78 percent vs. 55 percent, respectively).

More than 4 in 10 employers (41 percent) that offer plans cite increased productivity as a result of keeping employees healthy as a major factor in their decision to provide health care benefits. More than a third cite other major reasons, including that employees demand or expect it (36 percent), competitors offer it (34 percent), and it reduces absenteeism by keeping employees healthy (34 percent).

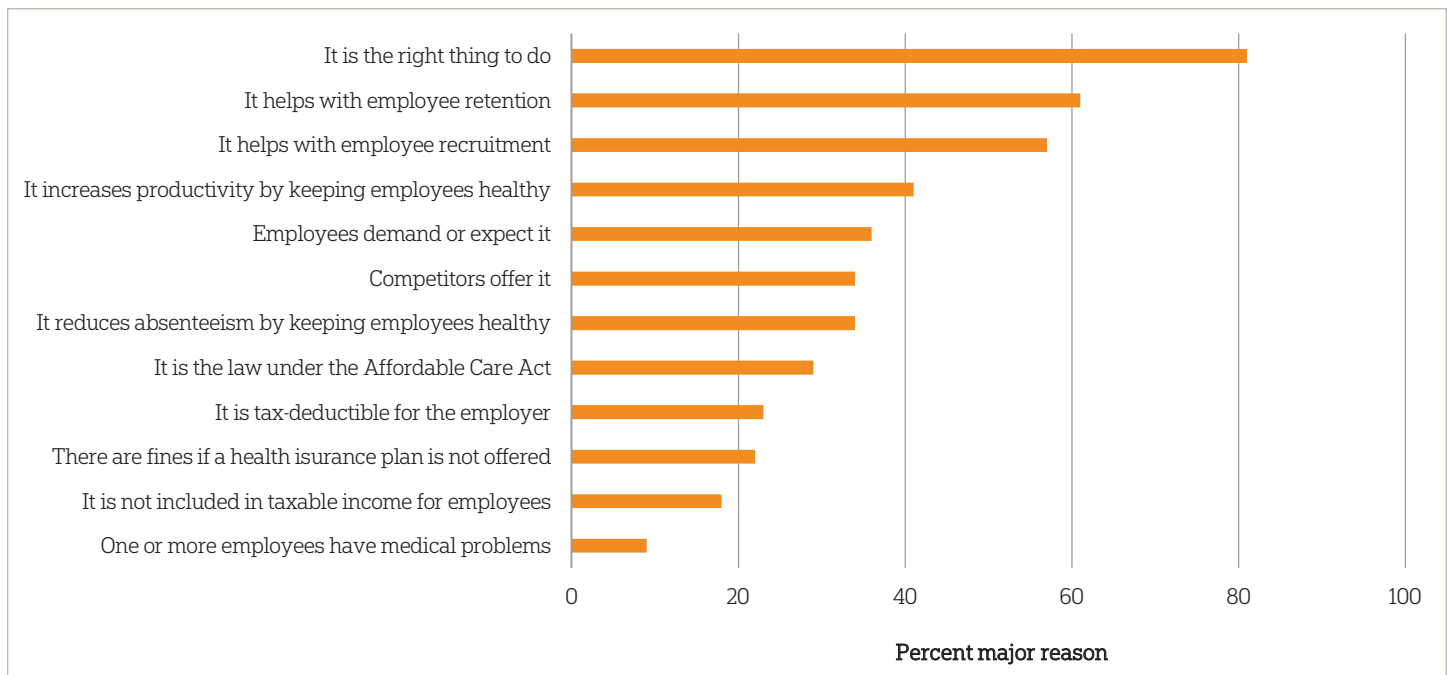
Three in 10 organizations that offer health insurance plans report that the ACA's employer mandate is a major factor. Less than a quarter of employers cite other factors such as insurance being tax-deductible for the employers (23 percent), that there are fines for not offering health

insurance plans (22 percent), the fact that it is not included in taxable income for employees (18 percent), and that some of their employees have medical problems (9 percent) as major reasons to offer insurance.

At most organizations, a select few handle the decision-making process about health care plans. About 4 in 10 say that these decisions are made by individuals (45 percent), and another 4 in 10 say the task is handled by a small group of employees (38 percent). An additional 11 percent say decisions are made by a committee, and 6 percent say both individuals and a committee.

However, many of these businesses receive professional guidance in these decisions. Nearly two-thirds of businesses (63 percent) say they always use a broker or consultant for assistance in choosing a health care plan, while 23 percent say they use one sometimes, and 14 percent say never. Small organizations are less likely to say they always use a broker than medium or large organizations (60 percent vs. 80 percent).

The percentage of employers that offer health insurance plans to employees saying a number of factors are major reasons for offering plans



Question: I am going to read you some reasons employers give for offering a health insurance plan. For each one, tell me if it is a major reason, a minor reason, or not a reason why your organization offers (a) health insurance plan(s).

WHEN IT COMES TO HEALTH PLAN QUALITY INFORMATION, EMPLOYERS ARE MOSTLY UNFAMILIAR WITH MORE OBJECTIVE SOURCES, AND TEND TO RELY INSTEAD ON DATA PROVIDED BY PLANS DIRECTLY OR BY OTHER SOURCES OF INFORMATION.

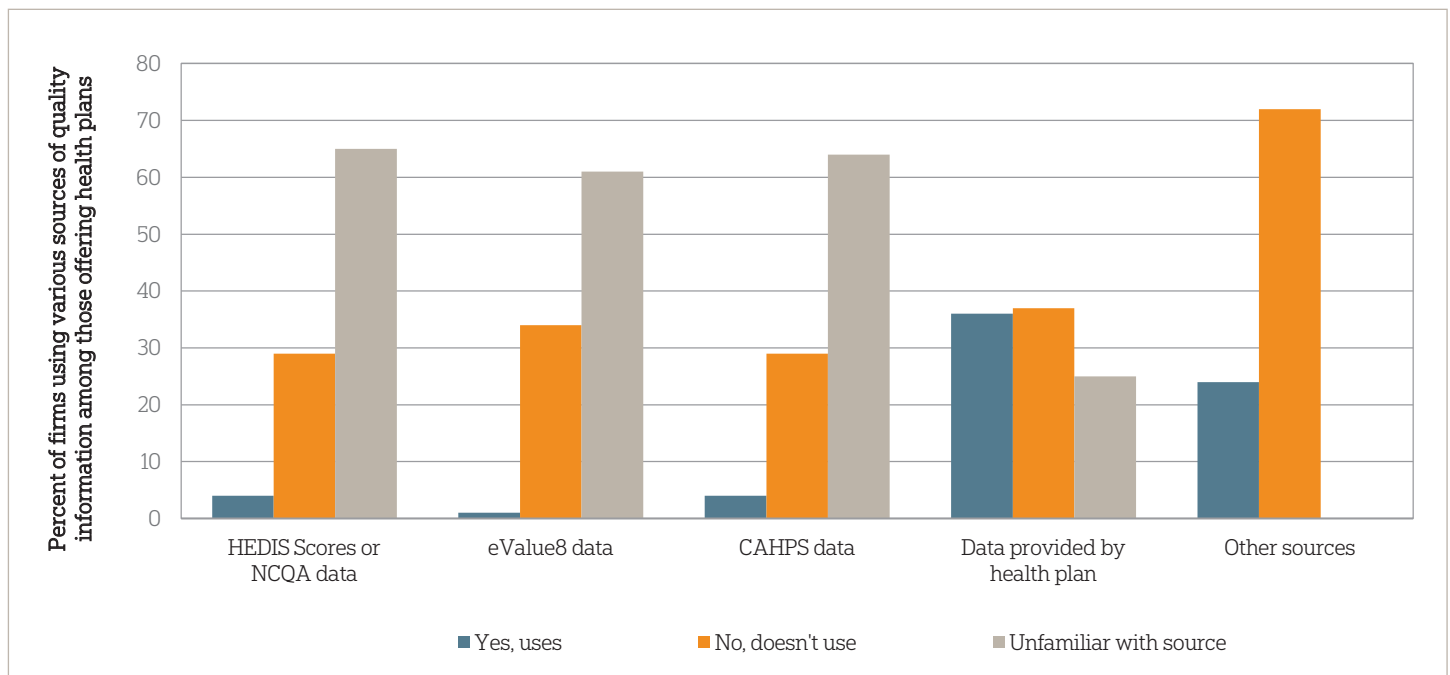
A recent AP-NORC Center report showed that even though consumers agree with health policy experts in principle that public reporting requirements for doctors would improve health care quality, less than a quarter are receiving provider quality information, and most are not very confident they could find provider quality information they can trust on their own.¹³ This survey of employers indicates that employers, too, lack familiarity with health quality information—particularly, objective data on the quality of health insurance plans. Just 7 percent of employers that offer health insurance use objective quality information from sources tested in the survey; 89 percent do not use or are unfamiliar with any of the objective sources tested.

The survey measured the extent to which employers are familiar with HEDIS Scores, which are health insurance plan quality ratings collected by the NCQA; eValue8 data from the National Coalition on Business Health (which includes performance reports that allow business participants to assess health care plans); and CAHPS data (which is a survey of consumers and patients about their experiences with health care plans and providers).

Despite their use by many health plans to measure health care quality, a majority of employers offering health insurance are unfamiliar with HEDIS Scores, eValue8 data, and CAHPS data. Four percent of employers say their organization uses HEDIS Scores, 29 percent say they do not, and 65 percent say they are not familiar with this source. Another 4 percent say their organization uses CAHPS data, 29 percent say they do not, and 64 percent say they are not familiar with this source. Even fewer employers say they use eValue8 data. Just 1 percent of employers say their organization uses this source, 34 percent say they do not, and 61 percent say they are not familiar with it.

Rather, 36 percent of employers offering health insurance say their organization uses quality data provided directly by the health plan, 37 percent say they do not use this source, and 25 percent are unfamiliar with such a source. Twenty-four percent say their organization uses other sources to evaluate health insurance plan quality, including brokers or consultants (15 percent), references from other businesses (2 percent), employee feedback (2 percent), and their own research (2 percent).

Data sources used by employers that offer health insurance to evaluate health insurance plan quality



Question: For each source I mention, please indicate whether your organization uses that source of quality information or not. If you are not familiar with it, please just tell me.

13 The Associated Press-NORC Center for Public Affairs Research. Finding Quality Doctors: How Americans Evaluate Provider Quality in the United States. 2014. <http://www.apnorc.org/projects/Pages/HTML%20Reports/finding-quality-doctors.aspx>.

Businesses with 50 or more employees, which employ the vast majority of the workforce, are more likely than those with less than 50 employees to use HEDIS Scores (15 percent vs. 2 percent), eValue8 data (6 percent vs. 1 percent), and CAHPS data (12 percent vs. 4 percent). Larger businesses are also more likely than smaller businesses to use quality data provided by health insurance plans (55 percent vs. 33 percent). Brokers also make a difference when it comes to using any of these more objective quality rating sources. Employers using brokers always or sometimes are more likely than those who never use brokers to report using either HEDIS, CAHPS, or eValue8 data (8 percent vs. 1 percent). There is no difference between firms that do and do not use brokers and use of quality data provided by health insurance plans.

When it comes to communicating quality information to employees, employers offering insurance report having frequent communication with employees about the quality of their health insurance plans.¹⁴ Two-thirds (65 percent) of all employers offering health plans say they have relayed quality information to their employees at least once a year,

12 percent say less often than once a year, and 23 percent say they have never communicated this information to employees. Large and medium-sized companies are more likely than small companies to communicate quality information about insurance plans offered to employees at least once a year. Eighty-six percent of businesses with 50 or more employees say they communicate health insurance plan quality data to employees, more than the 75 percent of businesses with 3-49 employees that say they communicate such information.

Eighty-five percent of employers using CAHPS, HEDIS, or eValue8 data communicate quality information to their employees at least once a year. Seventy-nine percent of employers that use quality data provided by the health insurance plan communicate quality information at least once a year.

FOR EMPLOYERS, COST AND QUALITY IS A FINE BALANCE; THOSE OFFERING HEALTH PLANS ARE UNCERTAIN ABOUT PAYING MORE FOR HIGHER-QUALITY PLANS, BUT AT THE SAME TIME, THEY DON'T WANT TO SACRIFICE QUALITY TO SAVE MONEY.

When it comes to weighing the cost and quality of health insurance plans, few employers that offer health insurance to their employees are very likely to pay more for a plan with higher-quality ratings. Eleven percent say that they are very or extremely likely to pay more to provide a health care plan with higher-quality ratings. Many are uncertain about the idea: 44 percent of employers say they are only somewhat likely to pay more for a high-quality plan. Forty-five percent say they are not too likely or not likely at all to sacrifice cost savings for quality.

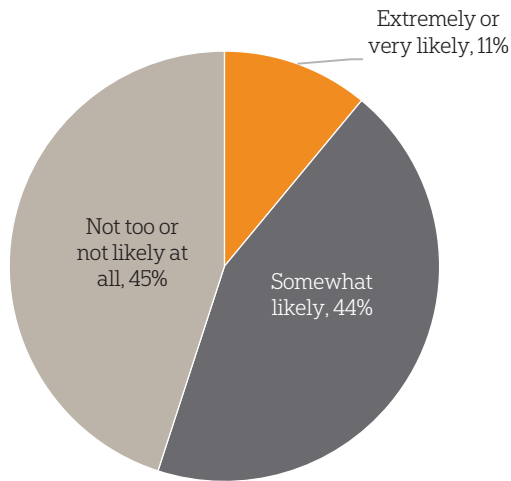
On the other hand, most employers do not want to sacrifice the quality of a health insurance plan to save money. Over 6 in 10 employers (62 percent) say they are not too likely or not likely at all to accept lower-quality ratings in order to save money. Still, 37 percent say they are at least somewhat likely to sacrifice quality to save on costs; 1 in 10 say they are extremely or very likely to do so.

Small businesses appear to be the most cost-conscious when it comes to the balance they strike between cost and quality ratings. Forty-seven percent of small businesses (3-49 employees) say they are unlikely to pay more for a health care plan with higher-quality ratings. Comparatively, 29 percent of businesses with 50 or more employees say they are unlikely to pay more for a health care plan with higher-quality ratings.

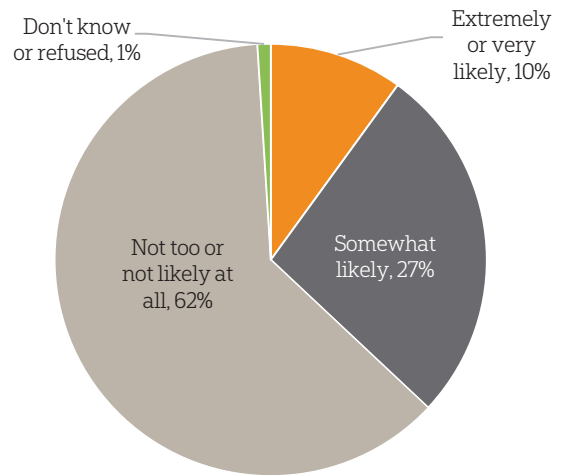
¹⁴ Employers were asked: *About how often, if at all, does your organization communicate data about the quality of its health insurance plans to its employees? Would you say...monthly or more often, quarterly, twice a year, once a year, less often than once a year, or never?* This question was asked among all employers offering health insurance, regardless of whether the employer reported using health plan quality sources in the previous question.

Employers that offer health insurance are uncertain about paying more for health plans with higher-quality ratings, but are unlikely to accept lower-quality ratings to save money

How likely would your organization be to pay more for a health care plan with higher quality ratings?



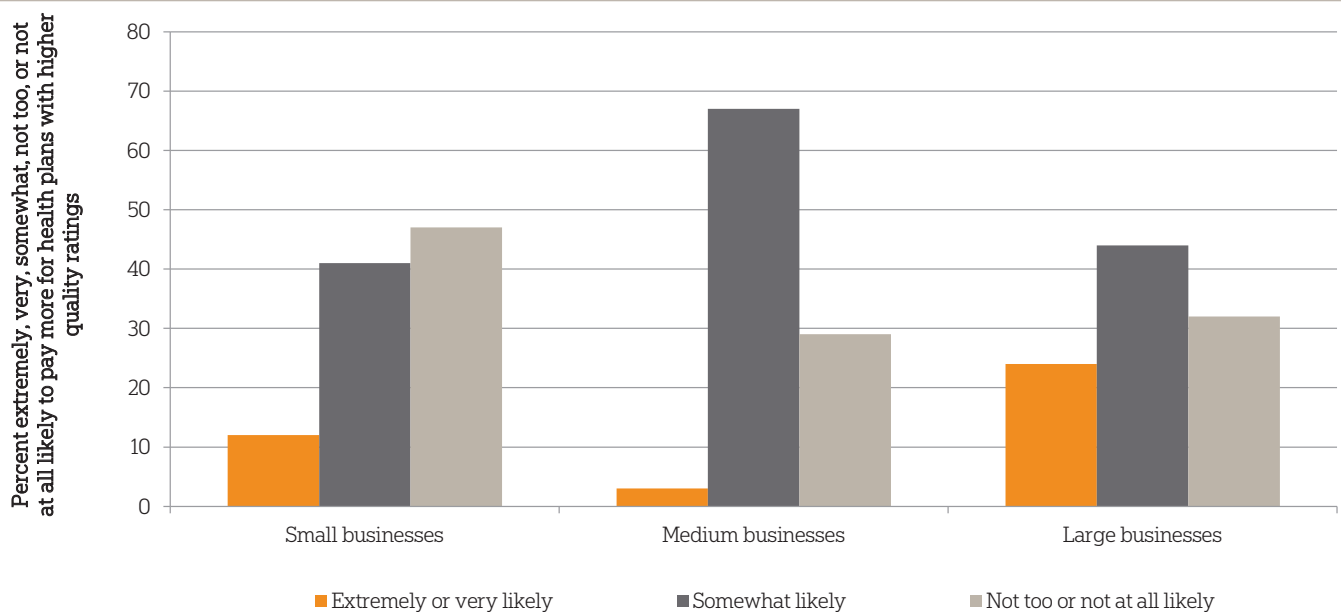
How likely would your organization be to accept lower-quality ratings in order to save money for both your organization and its employees?



Questions: How likely would your organization be to pay more for a health care plan with higher-quality ratings? Would you say extremely likely, very likely, somewhat likely, not too likely, or not likely at all?

How likely would your organization be to accept lower-quality ratings in order to save money for both your organization and its employees? Would you say extremely likely, very likely, somewhat likely, not too likely, or not likely at all?

Small businesses offering health insurance plans are most divided over whether they would pay more for a health care plan with higher-quality ratings



Questions: How likely would your organization be to pay more for a health care plan with higher-quality ratings? Would you say extremely likely, very likely, somewhat likely, not too likely, or not likely at all?

THE COST OF THE HEALTH CARE PLAN TO THE ORGANIZATION IS THE MOST IMPORTANT FACTOR WHEN EMPLOYERS ARE SELECTING A PLAN, BUT EMPLOYERS ALSO CONSIDER BENEFITS AND THE COSTS TO EMPLOYEES.

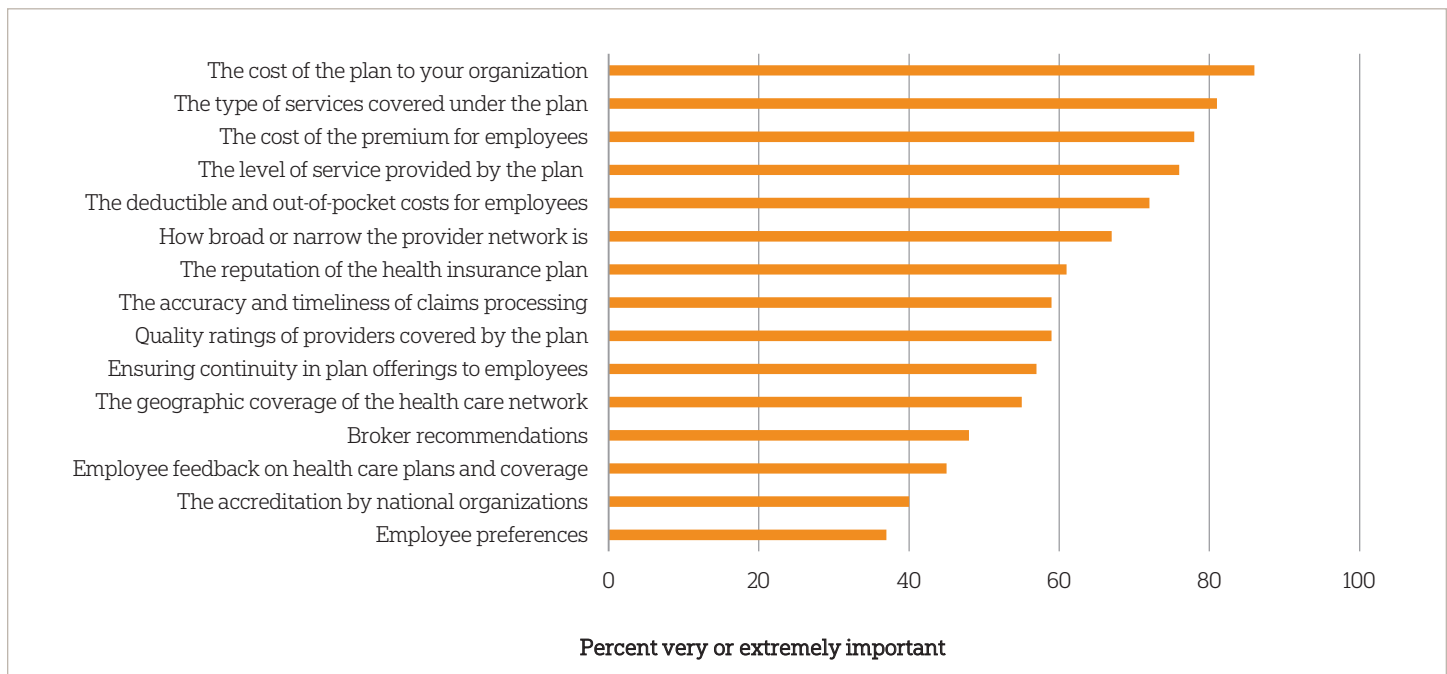
In the survey, employers that offer health insurance were asked to assess the importance of various factors in choosing plans to offer to their employees. Almost 9 in 10 employers (86 percent) that offer plans say the cost to the organization is very or extremely important, including half (49 percent) saying it is extremely important.

Costs to employees, including premiums, deductibles, and out-of-pocket costs, fall slightly behind, but are also important considerations. Eight in 10 (78 percent) say the cost of premiums for employees is a very or extremely important factor, and 72 percent say the same for the amount of the deductible and out-of-pocket costs. And although costs to employees are important, fewer employers say they place high importance on employee feedback on current health care plans or coverage (45 percent) or employee preferences (37 percent).

Employers also say that when making a plan selection, they consider factors related to the service provided by the plan to be very or extremely important, including the type of services covered under plans (81 percent) and the level of service provided by the plan to the organization (76 percent). Two-thirds (67 percent) cite how broad or narrow the provider network is as highly important.

About 6 in 10 employers report that a number of other factors are important, including the reputation of the health insurance plan with other companies (61 percent), quality ratings of providers covered by the plan (59 percent), the accuracy and timeliness of claims processing (59 percent), ensuring continuity in plan offerings to employees (57 percent), and the geographic coverage of the health care network (55 percent). Half of employers (48 percent) who use brokers say their recommendations are very or extremely important. And 40 percent say accreditation by national organizations is an important factor.

The importance of several factors employers offering health insurance plans consider when choosing which plans to offer



Questions: Thinking about factors your organization might consider when selecting a health insurance plan to offer to its employees, how important is each of the following as a factor in your organization's decision when selecting a health insurance plan to offer to its employees? Would you say it is...not important at all, not too important, moderately important, very important, or extremely important as a factor in your organization's decision when selecting a health insurance plan to offer to its employees?

Asked in an open-ended question which factor was the single most important in their decision as to which health insurance plans to offer employees, cost to the organization is the most common answer, with 13 percent of employers mentioning it explicitly. This is followed by 6 percent of employers that cite unspecified cost concerns, 5 percent that cite employee premium costs, and 5 percent that cite the type of services covered by the plan.

A survey conducted by the AP-NORC Center earlier this year suggests adults age 18-64 with employer-sponsored insurance place high importance on factors that are similar to those valued by employers when selecting a health plan.¹⁵ Similar to employers' reports, adults with employer-sponsored insurance put considerable weight on the services offered by different plan options. Over 7 in 10 said whether plans covered necessary medical care was very or extremely important, and 6 in 10 said the same about the doctors who accept the plan. The privately insured, like employers, placed more importance on the cost of premiums than other costs. Fifty-seven percent said the cost of premiums were important in their decisions, while fewer said the same about the amounts of deductibles (50 percent) and the amounts of copayments (48 percent).

For sizable proportions of employers offering health insurance, these decisions about health care plans are fresh.

Nearly 3 in 10 employers (27 percent) report that they have changed health care plans or carriers in the last year, and nearly half (46 percent) of those that have not switched plans or carriers have shopped around or considered other options.

Employers offering HDHPs are no more likely than those that do not offer HDHPs to say cost to the organization is an important factor in deciding which plans to offer. More than 8 in 10 from each group report that these costs are an important factor.

Employers offering HDHPs, however, are more likely to consider employee costs in their plan selection. They are more likely to say that the cost of premiums to employees is an extremely important factor in their decisions about plans than are those employers that do not offer HDHPs (44 percent vs. 25 percent). This finding mirrors another from the survey of privately insured adults age 18-64, which found that cost generally was considered more important among those who say they have HDHP coverage than those who say they do not (59 percent considering this a very or extremely important factor vs. 47 percent). This pattern was also true when the privately insured were asked about costs of premiums specifically, with 69 percent of those who said they have HDHPs saying these costs were very or extremely important, compared to 56 percent of those who said they did not have an HDHP.

EMPLOYERS OFFER MIXED OPINIONS ABOUT WHETHER THE ACA WILL IMPACT PURCHASING DECISIONS.

Starting in 2015, the ACA will require employers with 100 or more employees to offer coverage to at least 70 percent of their full-time employees or face financial penalties; the requirement will apply to firms with 50-99 full-time employees in 2016. There has been speculation that firms will cut back hours to circumvent these penalties.¹⁶ Four percent of employers with 100 or more workers who currently provide health insurance say they plan to change employee schedules to reduce the number of full-time employees who must be covered under the law. Eleven percent are not sure if they will attempt to reduce their number of full-time employees. A significant majority—84 percent—say they will not change employee schedules as a result of the law. These rates change very little among businesses with 50-499 workers or businesses that employ 500 or more, and even when looking just at

businesses employing 50-99 employees. The low percentage of larger firms saying they will change employee schedules is particularly important since these firms employ the most workers in the United States. It also varies little by industry or not-for-profit status.

Employers in general are divided over whether the law will restrict businesses' ability to scale back the benefits design for plans offered. Of all businesses surveyed, 34 percent say that the ACA will make it harder for businesses to scale back the benefit plans offered to employees, 35 percent say it will have little effect, and 26 percent say it will make it easier. Among businesses that offer insurance, 23 percent say the ACA will make it easier, 38 percent say it will make it harder, and 37 percent say it will have little effect. Among businesses that do not offer insurance, 32 percent say the

15 The Associated Press-NORC Center for Public Affairs Research. Privately Insured in America: Opinions on Health Care Costs and Coverage. 2014. <http://www.apnorc.org/projects/Pages/privately-insured-in-america-opinions-on-health-care-costs-and-coverage.aspx>.

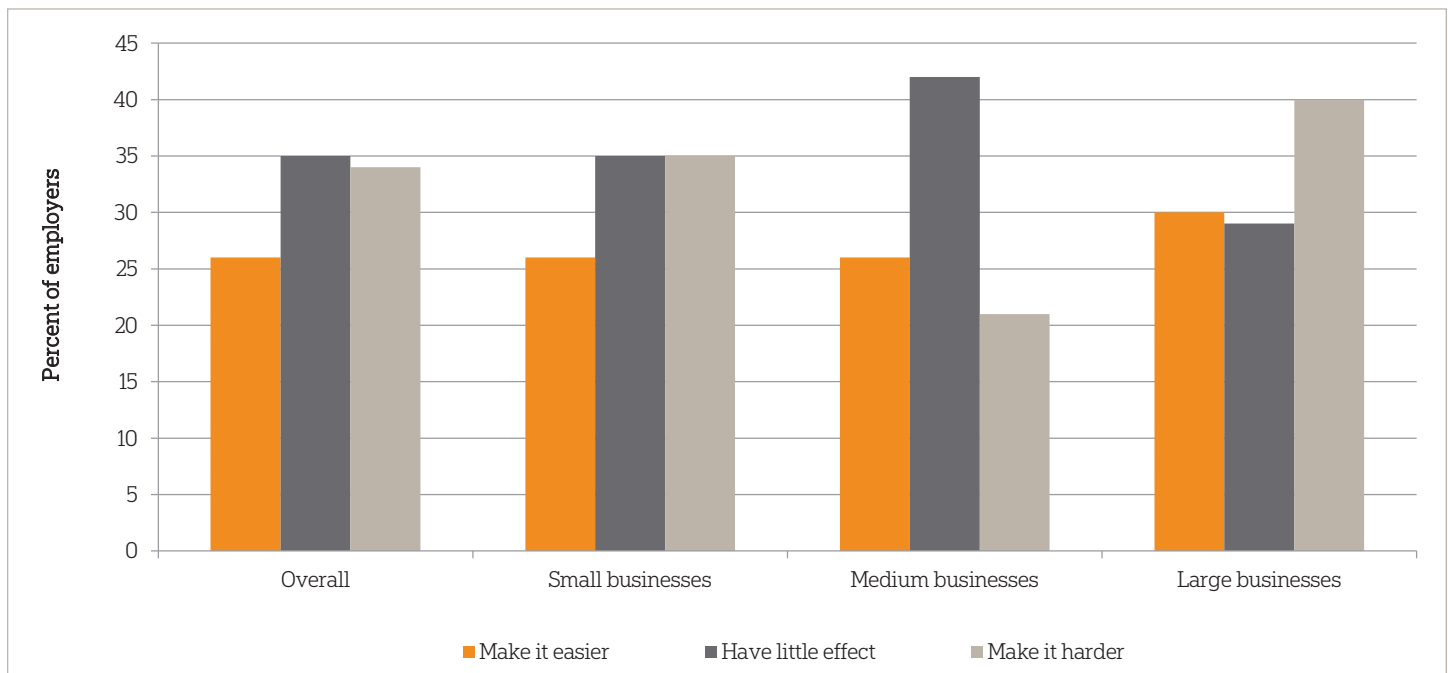
16 Congressional Budget Office. Appendix C: Labor Market Effects of the Affordable Care Act: Updated Estimates. <http://www.cbo.gov/sites/default/files/cbofiles/attachments/45010-breakout-AppendixC.pdf>.

ACA will make it easier for businesses to scale back benefits designs, 29 percent say it will make it harder, and 33 percent say it will have little effect. The differences in opinion on this question between employers that do and do not offer insurance are not statistically significant.

Views on the extent to which the ACA will affect employers' ability to scale back on health benefits are mixed across business sizes. Among all large businesses, the greatest proportion say that the ACA will make it harder for

employers to scale back benefits packages (40 percent), while 30 percent say it will make it easier and 29 percent say it will have little effect. A plurality of all medium-sized businesses say that the ACA will have little effect (42 percent) on businesses' efforts to scale back employee benefits, while the rest are split between whether it will make it easier (26 percent) or harder (21 percent). Small businesses are divided between thinking it will have little effect and that it will make it harder on employers to scale back benefits packages (35 percent each); 26 percent say it will make it easier.

Employers overall are divided on what effect the ACA will have on businesses' ability to scale back the benefits offered to employees



Question: As the Affordable Care Act is implemented over the next three years, do you think it will make it easier for employers to scale back their own health benefit plans, make it harder for employers to scale back their own health benefit plans, or have little effect on employer decisions about their own health benefit plans?

EMPLOYERS THAT ARE EXAMINING NEW HEALTH CARE EXCHANGE PLANS REPORT THEY ARE NOT VERY LIKELY TO INCORPORATE A NUMBER OF DESIGN FEATURES INTO THEIR HEALTH PLAN OFFERINGS.

Few businesses are opting to offer employees funds to purchase insurance on an exchange, and for those that do, 6 in 10 offer less than \$500 a month.¹⁷ Sixteen percent of all employers say their organization offers funds to their employees to purchase insurance on a private exchange, including 16 percent of small, 8 percent of medium, and 1 percent of large businesses. Nineteen percent of employers

that do not offer insurance to employees provide funds to their employees to purchase insurance on a private exchange.

A majority of employers say they are not likely to join a private exchange in the near term. Six percent of employers say it is very or extremely likely that their organization will

¹⁷ According to the Kaiser Family Foundation and Health Research and Education Trust survey, the average monthly premiums for covered workers for all plan types is \$502 monthly for single coverage and \$1,403 monthly for family coverage. <http://files.kff.org/attachment/2014-employer-health-benefits-survey-full-report>. Employers contribute an average of \$4,266 annually for single premiums and \$11,237 for family premiums. <http://kff.org/other/state-indicator/family-coverage/>.

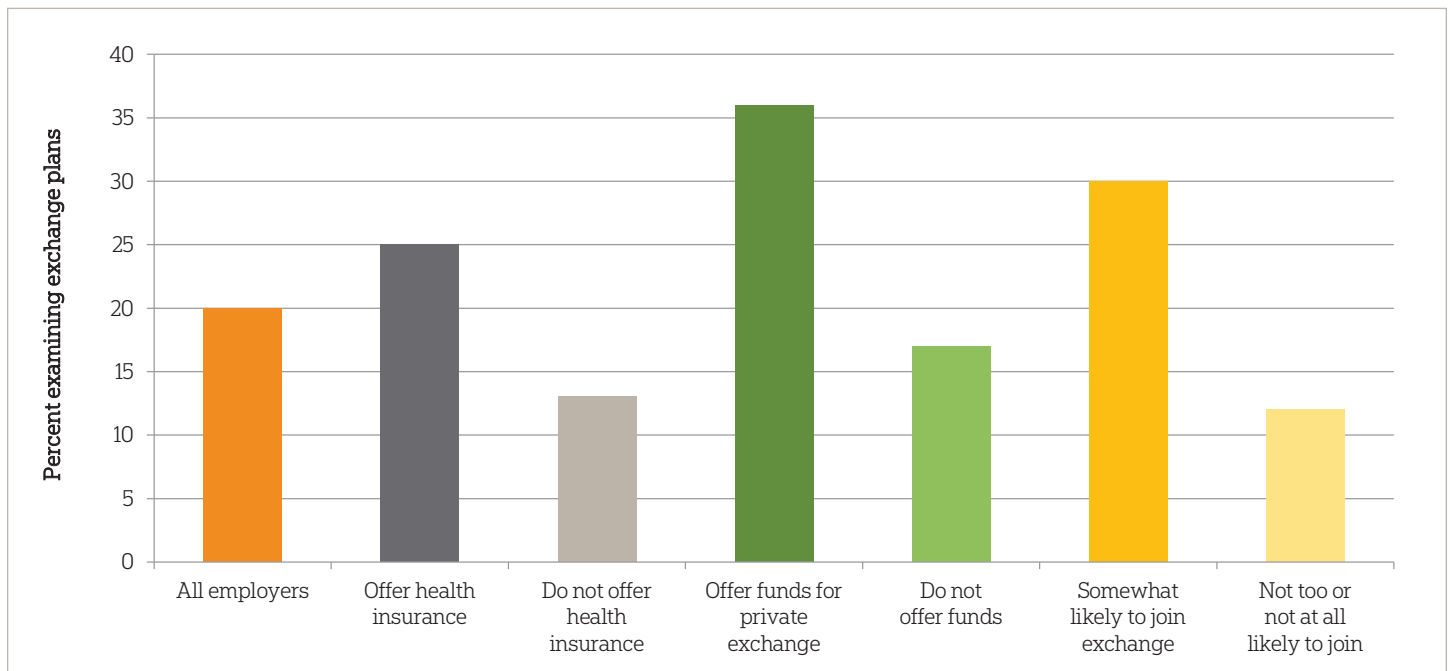
join a private exchange in the next three years, 27 percent say it is somewhat likely, and 64 percent say it is not too or not at all likely. The likelihood of joining a private exchange is similar across business sizes. Four percent of small businesses—those with less than 50 employees—that currently offer health insurance say that their organization participates in the Small Business Health Options Marketplace, a public exchange sometimes called SHOP. Small employers may qualify for tax credits if they participate in the exchange.

Few are looking to exchange plans in general as a model for their own coverage offerings. One in 5 employers (20 percent) say their organization is examining the design of the health insurance exchanges as they work on updating or changing the insurance benefits they offer. Employers that offer health insurance coverage are more likely than those that do not to say they are examining the exchange plans (25 percent vs. 13 percent). Organizations that offer funds to employees to purchase insurance on a private exchange are more likely than those that do not to be examining the design of the exchange plans (36 percent vs. 17 percent). Employers that say they believe their organization is somewhat likely to join

a private exchange within the next three years are more likely than those that do not to be examining the design of the exchange plans while updating their current plan offerings (30 percent vs. 12 percent).

The survey asked the 20 percent of employers that say they are taking a closer look at the new health care exchanges about the likelihood that they will incorporate a number of different exchange plan design features into their own coverage in the next two years. These 20 percent of employers are most likely to say they will incorporate a combined deductible for medical and prescription costs (21 percent very or extremely likely). Nineteen percent say it is likely that their organization will start charging smokers a financial penalty on top of their standard premium. Fourteen percent say it is likely that they will place many or most brand-name prescription drugs on high cost sharing tiers, and 10 percent say it is likely that their organization will drop coverage for spouses and other dependents. Employers that are taking new health care exchanges into consideration are least likely to say they will select a plan with narrow provider networks (1 percent).

Percent of employers examining the design of exchange plans as they think about updating or changing the insurance benefits their organization offers



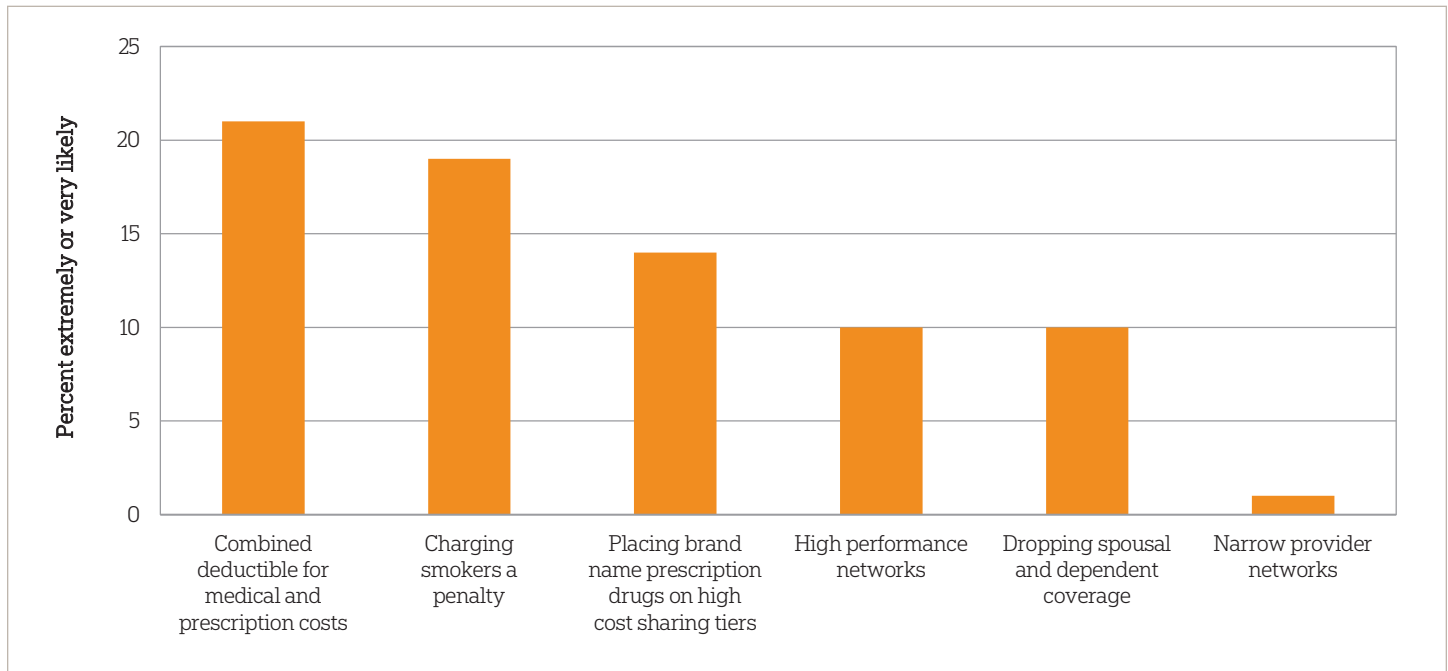
Questions: Insurance exchanges are now offering subsidized private coverage in every state. Is your organization examining the design of the exchange plans as you think about updating or changing the insurance benefits your organization offers, or not?

Does your organization offer health insurance coverage or a health insurance plan, or not?

Does your organization offer funds to purchase insurance on a private exchange, or not?

Private exchanges allow employees to shop for individual coverage from a range of health insurance plans and may or may not include a financial contribution to employees from the organization. Within the next three years, how likely do you think your organization will be to join a private exchange?

Percentage of employers who are offering insurance and examining exchange plans that say they are likely to incorporate specific features into health insurance plans



Question: Is it extremely likely, very likely, somewhat likely, not too likely, or not likely at all that your organization will incorporate this feature in its health insurance plans in the next two years?

Fourteen percent of employers offering health insurance say that any of their organization's plans include a high-performance or tiered provider network. Among the 20 percent of employers examining new health care

exchanges as they consider benefits plans, 10 percent say it is likely that they will select a plan with high-performance networks.

HALF OF EMPLOYERS OFFER SOME TYPE OF WELLNESS PROGRAM, AND THE MOST COMMON PROGRAMS ARE WEB-BASED RESOURCES AND NEWSLETTERS.

As documented in other surveys of employers on the topic, such as the Kaiser Family Foundation and the Health Research & Educational Trust Employer Health Benefits (Kaiser/HRET) Annual Survey, wellness programs are a core feature of the health benefits many U.S. businesses offer.¹⁸ As the ACA is a mechanism for encouraging employer wellness programs by increasing employer rewards, this AP-NORC Center survey of employers shows that overall, half of businesses (50 percent) offer at least one of the 11 types of wellness programs asked about in the survey. About 3 in 4 businesses (76 percent) that offer health insurance and 14 percent of businesses that do not offer insurance provide at least one type of wellness program; 2 percent of businesses offer all of the 11 specific types of wellness programs asked about on the survey.

The most commonly offered wellness programs are web-based resources for healthy living (35 percent), wellness newsletters (27 percent), and management programs for chronic diseases (24 percent).

Small businesses are less likely than larger firms to offer a wellness program. Forty-eight percent of businesses with fewer than 50 employees offer at least one wellness program compared with 82 percent of those with 50 or more employees. But still, wellness programs are part of the workplace for a large majority of the U.S. workforce, since businesses with 50 or more workers employ 72 percent of the workforce.

¹⁸ The 2014 Kaiser/HRET survey finds 74 percent of firms offering health benefits also offer a wellness program. The Kaiser/HRET survey asks about 10 different types of programs, and this survey asks about 11 different types of programs. <http://files.kff.org/attachment/2014-employer-health-benefits-survey-full-report>.

Percent of employers offering different wellness programs				
	All employers	Small businesses	Medium businesses	Large businesses
At least one program	50	48	81	100
Web-based resources for healthy living	35	33	56	76
A wellness newsletter	27	25	51	59
Management programs for chronic diseases such as diabetes	24	22	42	67
Smoking cessation program	20	19	41	81
Employee assistance programs or other behavioral programs	20	18	45	95
Health risk assessments or appraisals	20	18	44	67
Weight loss programs	19	17	39	66
Gym membership discounts or on-site exercise facilities	18	18	24	69
Biometric screening	19	17	33	66
Class in nutrition or healthy living	18	17	28	55
Lifestyle or behavioral coaching	18	16	31	77
Any other benefit	4	4	13	38

Question: Does your organization or any of its health insurance plans offer the following wellness or health promotion programs to at least some employees, or not?

Of those businesses that offer a wellness program, 59 percent provide some wellness benefit to employees' dependents. Among those providing wellness programs, businesses that offer insurance are much more likely to also offer some kind of wellness program for employees' dependents (65 percent) than those that do not offer insurance (27 percent).

Wellness plans are considered a moderately important factor for Americans with employer-sponsored insurance when choosing a health care plan. A recent AP-NORC Center survey¹⁹ of privately insured adults shows that half say wellness programs were at least a moderately important reason for choosing their plan, and 1 in 5 say it was a very or extremely important reason.²⁰

WHILE HALF OF EMPLOYERS OFFER WELLNESS PROGRAMS, FEW ACTIVELY PROMOTE THE PROGRAMS, AND FINANCIAL INCENTIVES FOR PARTICIPATION IN SUCH PROGRAMS ARE RARE.

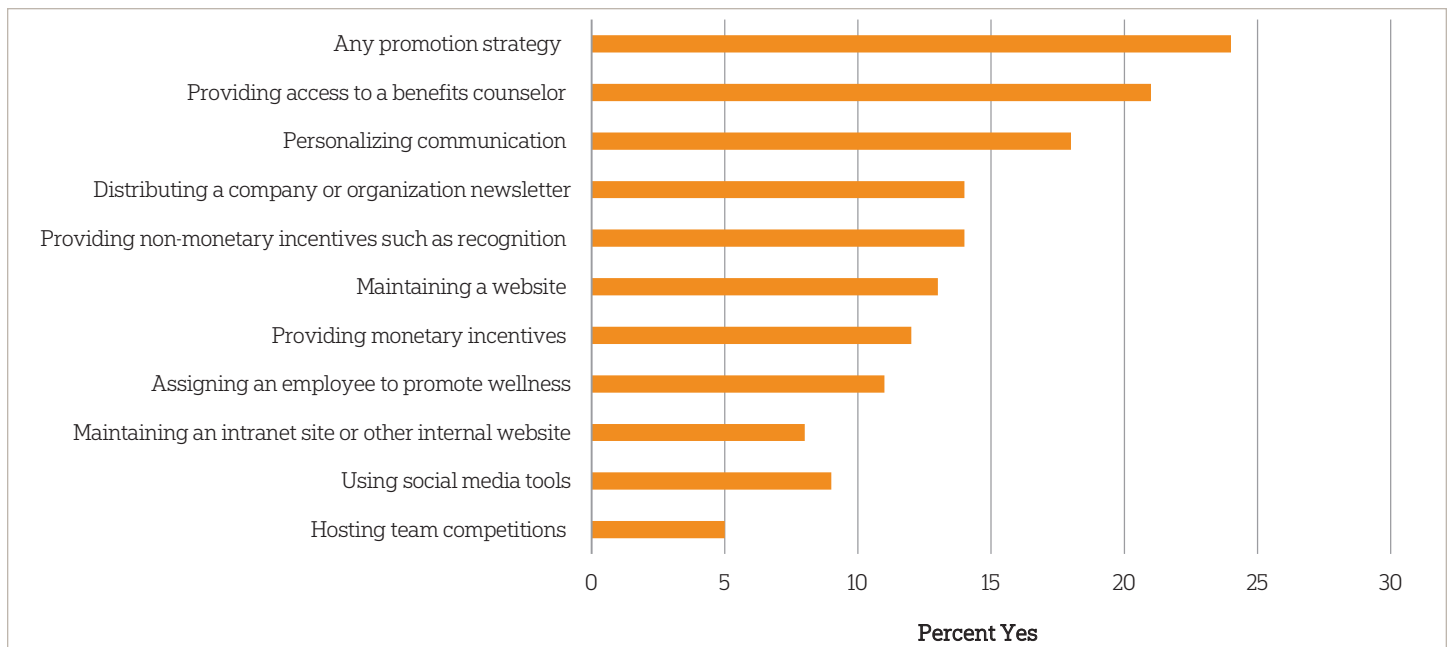
While half of employers report that they are providing wellness programs, relatively few are actually reaching out to employees with information about wellness plan offerings. Indeed, less than a quarter of companies (24 percent) offering wellness initiatives use any of the strategies tested in the survey to promote wellness programs. The most common approaches used to promote wellness programs are providing access to a benefits counselor (21 percent),

personalizing communication (18 percent), distributing an organizational newsletter (14 percent), and providing non-monetary incentives (14 percent).

19 The Associated Press-NORC Center for Public Affairs Research. Privately Insured in America: Opinions on Health Care Costs and Coverage. 2014. <http://www.apnorc.org/projects/Pages/privately-insured-in-america-opinions-on-health-care-costs-and-coverage.aspx>.

20 Ibid. <http://www.apnorc.org/projects/Pages/HTML%20Reports/privately-insured-in-america-opinions-on-health-care-costs-and-coverage1009-5052.aspx>.

Different strategies to promote wellness programs used by employers offering wellness initiatives



Question: Does your organization use any of the following strategies to promote your wellness offerings or not?

Large and medium businesses are more likely to promote wellness programs than small businesses. Ninety-three percent of businesses with 500 or more employees use some means to promote a wellness program, and 57 percent of businesses with 50-499 employees do so as well; this compares with 22 percent of businesses with fewer than 50 employees.

Across industries, health care organizations are twice as likely to use a strategy to promote wellness programs (38 percent) than service, retail, and wholesale businesses (18 percent).

Few employers offer financial incentives for participation in different wellness programs. Among those that offer health risk appraisals or assessments, 11 percent offer financial incentives for participation. Five percent of those that offer management programs for chronic diseases provide incentives for participation.

Thirteen percent of firms that provide them offer financial incentives for participation in biometric screening, and 6 percent penalize employees financially if they do not meet specified outcomes.

ABOUT THE STUDY

Study Methodology

This survey, funded by the Robert Wood Johnson Foundation, was conducted by the Associated Press-NORC Center for Public Affairs Research between the dates of August 19 and October 8, 2014. Staff from NORC at the University of Chicago, the Associated Press, and the Robert Wood Johnson Foundation collaborated on all aspects of the study.

This nationally representative survey of employers was conducted via web and telephone with 1,061 employers with at least three employees, full-time or part-time. Interviews were completed over the telephone by professional

interviewers who were carefully trained on the specific study (n=445) or through an online survey (n=616).

Respondents were offered a \$50 monetary incentive for participating, as compensation for their time. A “most knowledgeable respondent” method was used to select the respondent in the organization who could best answer the survey. Thirty-one percent of respondents identified themselves as business owners, 30 percent as office managers, 18 percent as executive officers, 11 percent as human resources managers, 2 percent as benefits managers, 2 percent as project managers, and 6 percent as another position.

NORC selected the sample of businesses from the Dunn and Bradstreet business data supplied by Survey Sampling International and included an oversample of large businesses to ensure sufficient sample size for analysis. In the United States, a majority (96 percent) of employers are small businesses with fewer than 50 employees, although these organizations only employ 28 percent of workers. Medium- and large-sized businesses, with 50 or more employees, are 4 percent of the employer population, but they employ 72 percent of workers.²¹

The sample was weighted to adjust for unequal sampling probabilities, unknown eligibility, nonresponse, and population coverage. A base weight was computed first to account for the selection probabilities under the sample design. The base weight was then adjusted to compensate for businesses that are of unknown eligibility and for those that refused to participate in the survey. Finally, a poststratification adjustment was applied to all complete cases to align the weighted sample distribution to 2011 census business (firm) counts by census region and size class. The 28 poststrata are defined by the four census regions crossed by seven size classes: 3-9, 10-24, 25-49,

50-199, 200-999, 1,000-4,999, and 5,000 or more workers.

Only complete cases have a final weight. The weighted data, which represent the target population of the study, were used for all analyses. Unweighted sample sizes by business size groupings appear in the table below.

The final response rate was 22 percent, based on the American Association for Public Opinion Research Response Rate 3 method. The overall margin of error was +/- 5.6 percentage points, taking into account the complex sample design.

All analyses were conducted using STATA (version 13), which allows for adjustment of standard errors for complex sample designs. All differences reported between subgroups of businesses are at the 95 percent level of statistical significance, meaning that there is only a 5 percent (or less) probability that the observed differences could be attributed to chance variation in sampling. Additionally, bivariate differences between subgroups are only reported when they also remain robust in a multivariate model controlling for other demographic and geographic covariates. The unweighted sample sizes for the main subgroups evaluated in the report are listed in the table below.

Demographic groups	
Businesses by size*	
Small (3-49 employees)	n=413
Medium (50-499 employees)	n=353
Large (500+ employees)	n=295
Industry	
Manufacturing	n=174
Health care	n=166
Service, retail, or wholesale	n=442
Professional services	n=131
Education	n=52
Construction	n=35
Other	n=61
Offer health insurance	
Yes	n=878
No	n=181
Offer health insurance by business size	
Small (3-49 employees)	n=260
Medium (50-499 employees)	n=324
Large (500+ employees)	n=294
Offer a high-deductible health plan	
Yes	n=556
No	n=317
Business type	
Private for-profit	n=818
Not-for-profit	n=217
Other	n=19

21 U.S. Census Bureau. Statistics of U.S. Businesses. Employer Firms, Establishments, Employment, and Annual Payroll Small Firm Size Classes, 2011. <http://www.sba.gov/advocacy/firm-size-data>.

Region of headquarters	
Northeast U.S.	n=235
Midwest U.S.	n=366
Southern U.S.	n=305
Western U.S.	n=143
International location	n=6
Employers that use brokers	
Always, sometimes	n=804
Never	n=64
Changed health plans or carriers in last year	
Yes	n=245
No	n=628
Employers that say their organization will join a private exchange within the next three years	
Extremely, very, or somewhat likely	n=312
Not too or not at all likely	n=723
Employers that believe the ACA will make it easier for employers to scale back their own health benefits	
Easier	n=270
Harder	n=362
Little Effect	n=393
Employers that offer funds to employees to purchase insurance on a private exchange	
Yes	n=92
No	n=959
Employers that say they are taking a closer look at the new health care exchanges	
Yes	n=257
No	n=772
Employers that offer wellness programs	
Offer at least one of 11 programs tested in survey or volunteered another program	(n=812)
Offer at least one of 11 programs tested in survey	(n=807)
Do not offer any wellness programs	(n=254)
Employers using HEDIS, CAHPS, or eValue8	
Yes	n=145
No/Unfamiliar/Don't know/Refused	n=733
Employers using quality data provided by the health insurance plan	
Yes	n=462
No/Unfamiliar/Don't know/Refused	n=416

*Total employees were calculated by adding together reported full-time and part-time employees. If a respondent did not provide a total for either full-time or part-time employees, the estimate provided in the original sample file was used.

A comprehensive listing of all study questions, complete with tabulations of top-level results for each question, is available on the AP-NORC Center for Public Affairs Research website: www.apnorc.org.

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About the Associated Press-NORC Center for Public Affairs Research

The AP-NORC Center for Public Affairs Research taps into the power of social science research and the highest-quality journalism to bring key information to people across the nation and throughout the world.

- The Associated Press (AP) is the world's essential news organization, bringing fast, unbiased news to all media platforms and formats.
- NORC at the University of Chicago is one of the oldest and most respected, independent research institutions in the world.

The two organizations have established the AP-NORC Center for Public Affairs Research to conduct, analyze, and distribute social science research in the public interest on newsworthy topics, and to use the power of journalism to tell the stories that research reveals.

The founding principles of the AP-NORC Center include a mandate to carefully preserve and protect the scientific integrity and objectivity of NORC and the journalistic independence of AP. All work conducted by the Center conforms to the highest levels of scientific integrity to prevent any real or perceived bias in the research. All of the work of the Center is subject to review by its advisory committee to help ensure it meets these standards. The Center will publicize the results of all studies and make all datasets and study documentation available to scholars and the public.

The complete topline data are available at www.apnorc.org.

For more information, visit www.apnorc.org
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