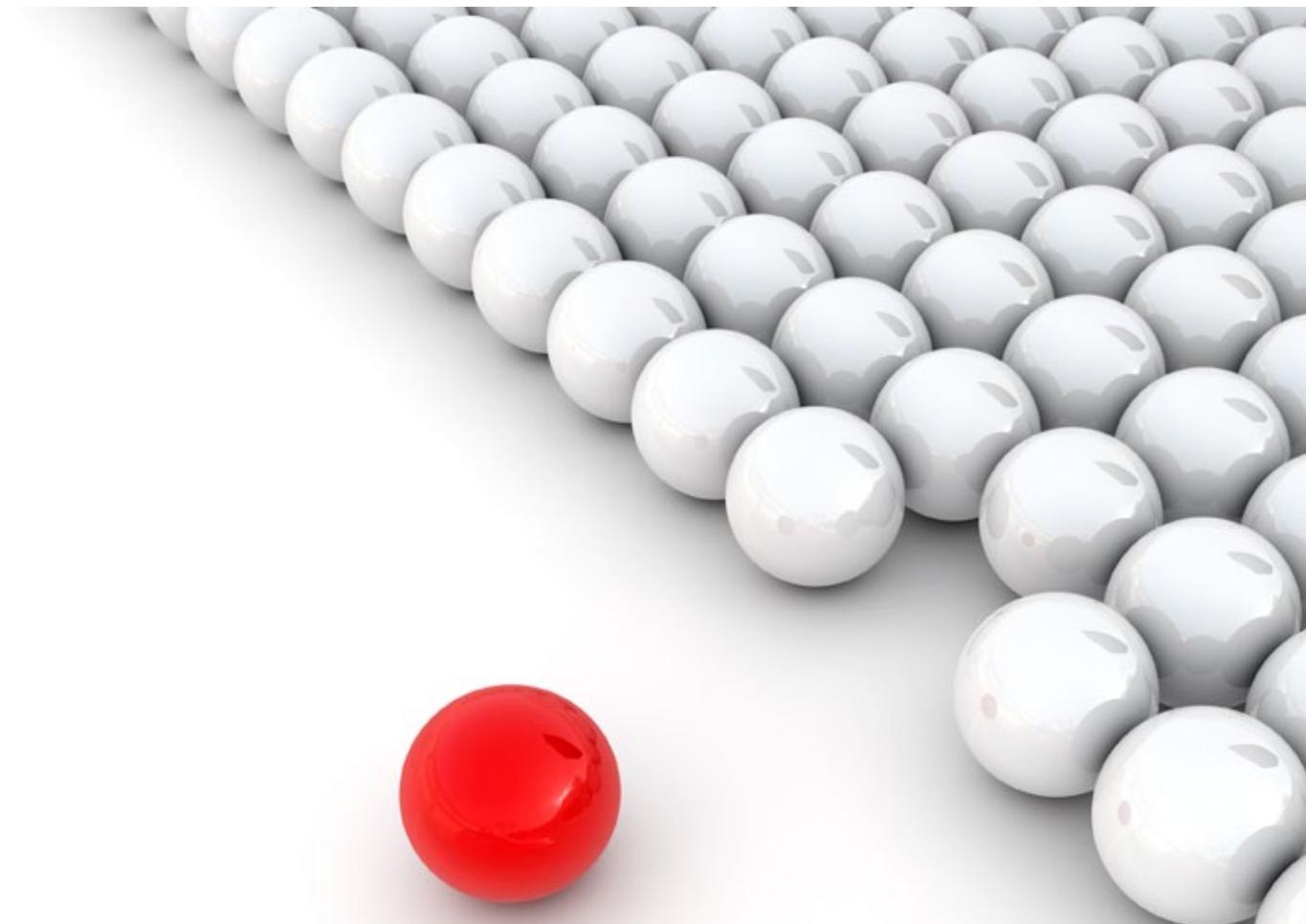




IN THE BUSINESS OF YOUR SUCCESSSM

A large number of white spheres are arranged in a grid-like pattern, receding into the distance. A single red sphere is positioned in the foreground, slightly to the left of the center, standing out from the rest of the white spheres.

Merchandising Consumer-Driven Health Plans (CDHPs)

Employee Benefits Planning Takes a Market Research-Based Approach

Contents

Introduction	3
The impetus for employers to “think like a retailer”	5
Decision support: The first step toward real change	6
Analytics: Leveraging behavioral data	7
ADP’s Decision Support and Analytics: Developing a market research mindset	8
Case study: ADP’s Decision Support and Analytics in action	9
Knowledge is power	14
About ADP	15

Introduction

Catering to the needs and wants of the consumer is a way of life in most industries. But when it comes to the purchase and consumption of healthcare, today's employers have been slow to adopt this model. Companies have historically viewed their employees as generally uninformed about their options and uninterested in becoming more involved in their own healthcare decisions.

With escalating healthcare costs and the advent of Health Care Reform, these long-standing views are changing. To control costs, many employers are turning to Consumer-Driven Health Plans (CDHPs), which generally combine a High Deductible Health Plan (HDHP) with some type of savings account, such as a Health Savings Account (HSA), Health Reimbursement Arrangement (HRA) or Flexible Spending Account (FSA). These plans require members to become more involved in their own healthcare decisions and to exercise greater control over how and where their healthcare dollars are used.

HDHP / HSA Enrollment



HSA and HDHPs now represent 10% of all new health insurance purchases.

Source: 2011 AHIP HSA / HDHP Census

The rise of CDHPs

Though not new to the market, CDHPs have steadily accelerated in popularity thanks to the dual pressures of rising costs and Health Care Reform. Most CDHPs include three major components:

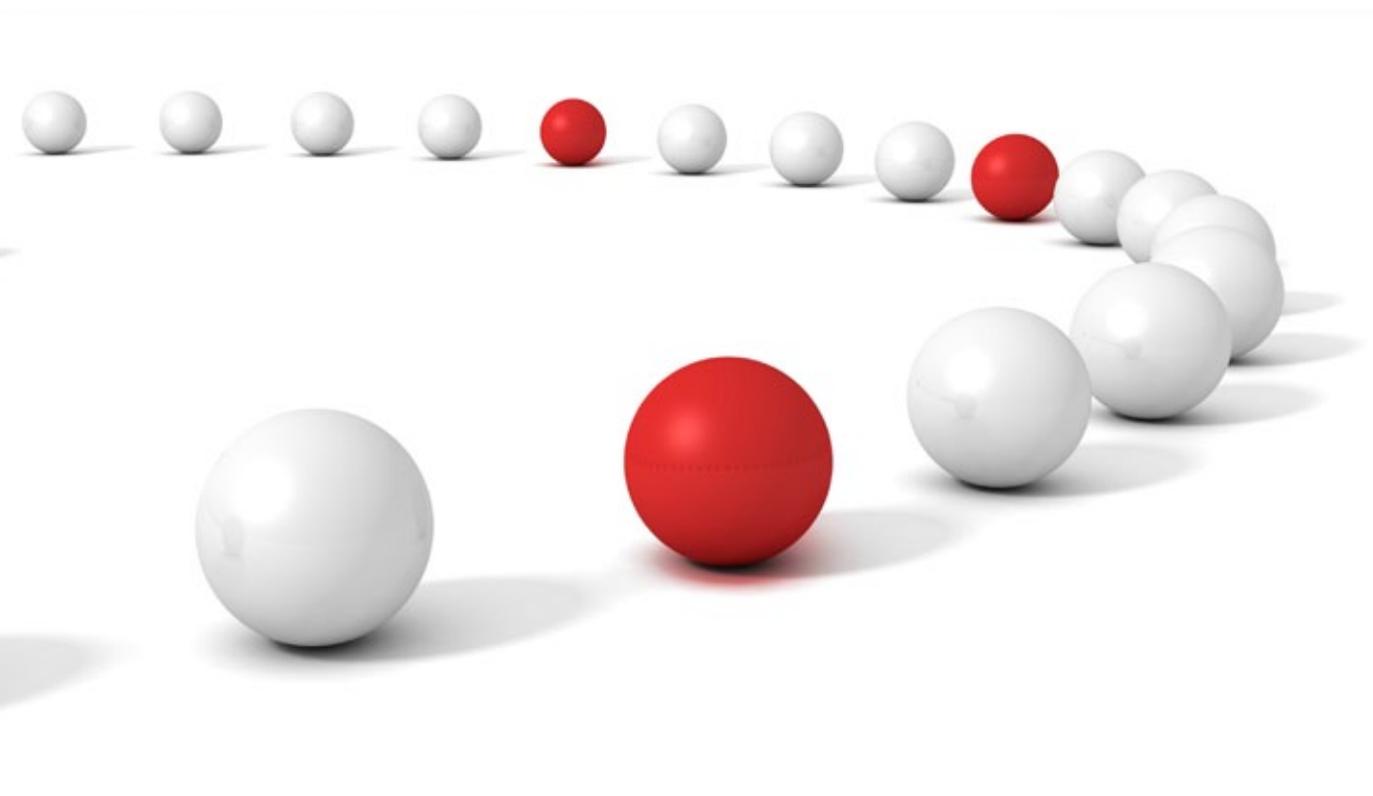
- A Flexible Spending Account, Health Savings Account or Health Reimbursement Arrangement
- High-deductible medical coverage that includes preventive care not charged against the deductible
- Access to informational tools that help consumers make informed decisions

But without an easy way to compare benefit plans and match their options to their individual circumstances, employees may end up selecting more coverage than

they really need. This may drive up benefit costs for employers while overlooking options that offer individual cost-saving opportunities.

For employers and employees alike to reap the full benefit of CDHPs, a shift of mindset is necessary. To truly understand the needs and purchasing behavior of their “buyers,” employers must become more effective product marketers — and strive to inform and engage employees with targeted, effective communication that drives the intended result.

Simply stated, if employers want their employees to think like healthcare consumers, they need to start thinking like healthcare retailers.



The impetus for employers to “think like a retailer”

Picture for a moment the typical shopping experience in today’s increasingly data-driven world. Buyers start with online research to become more knowledgeable and narrow down their options. Let’s use the example of a consumer in the market for a new TV. Does the shopper want 32, 40, or 50-inch screen size? LED or LCD? 1080i or 1080p? Surround sound or full home theater capability? Wall mount or stand? Do they shop by brand?

As our typical consumer browses various websites, retailers are happy to provide interactive tools to guide the shopper to the best choice for his or her needs. At the same time, retailers are hard at work gathering behind-the-scenes data — how long the shopper spends viewing a particular model or product attribute, what compels him or her to click through for technical specs, and where the shopper

goes next. When combined with demographic data, this information helps the retailer refine the mix of products presented, suggest related purchases, and effectively drive sales and profits.

But the process doesn’t end with the sale of a TV. Moving forward, the data gathered helps the seller further hone the product promotion strategy, product mix, and shelf space to better meet the needs and preferences of this buyer and many others.

Similarly, if employers want their employees to become more engaged and accountable in the purchase and consumption of healthcare, they need to provide the right decision support tools — helping shoppers just like our hypothetical TV buyer determine what features matter most.

In addition, employers need to analyze the resulting data — buying patterns, demographic variances, usage statistics, and more — to determine if open enrollment goals are being met and to formulate future strategies for success.

And just like the most effective marketers, employers need a solid communications plan — one that educates employees on what’s happening, and how it will ultimately benefit them by helping them make the most of their healthcare investment.



Decision support: The first step toward real change

In the healthcare realm, the use of decision support is not new. In fact, many employers offer some type of interactive support during the enrollment process — cost calculators and comparison tools to help employees identify important plan attributes, evaluate cost versus benefits, and ultimately choose the plan that best fits their medical and financial demands.

Use of these decision support tools provides invaluable “point-of-purchase” data — critical insights into employee buying behavior that can be used to drive strategy, adjust future plan design and control costs.

What makes this point-of-purchase data so valuable? Two words: relevancy and quality. Rather than being prospective or retrospective, point-of-purchase data is generated as employees use the tools, capturing the decision process as they make their enrollment choices.

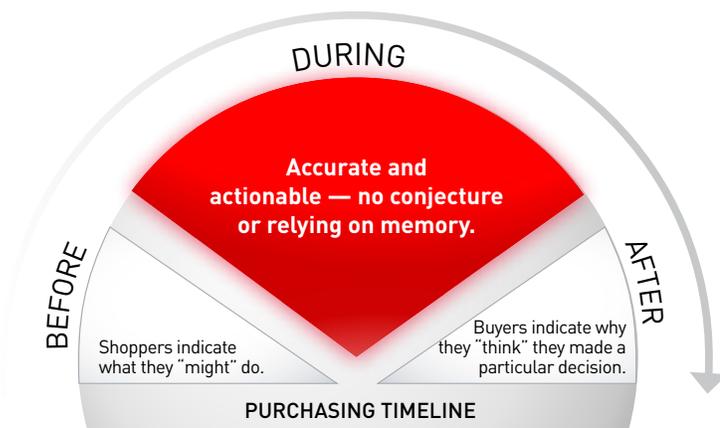
But use of decision support technology and the resulting data is really just the tip of the iceberg when it comes to changing the way employees view healthcare decision making.

Technology alone isn’t enough to foster the full change of mindset necessary to make employees accountable for the decisions they make concerning healthcare spending and consumption. Nor is technology the sole driver of cost savings in facilitating employees’ shift from one plan to another.

New plan designs such as CDHPs make it imperative for employees to fully understand the choices they’re making, and the resulting benefits and pitfalls that may occur as a result.

That’s why employers must commit to becoming effective **product marketers** — to leverage all the knowledge at their disposal to understand what employees want and need in terms of healthcare plans, and to effectively communicate how they are meeting those wants and needs.

Employers also need to understand that getting employees into the right plan is just the first step to realizing reduced healthcare costs. The true shift occurs when employees see the real cost of their healthcare decisions, and begin to think differently about how they consume services and allocate their healthcare dollars.



Analytics: Leveraging decision support data

When it comes to truly effecting change, decision support is just one part of the process for employers to start “thinking like a retailer.”

Just like product marketers continually seek to improve their understanding of the needs and purchasing behavior of their customers, so must employers. For example, open enrollment can be equated with the retail holiday buying season — the year’s single biggest opportunity to gather business intelligence on customer buying patterns.

By capturing information on employee preferences and plan usage, for example, employers can more accurately assess if open enrollment goals are being met. And by merging this data with enrollment outcome and demographic data, employers can gain

further insights into employees’ buying behavior, health plan performance, and other important information that can be used to make strategic decisions.

Using decision support and analytics to learn what matters most to employees in terms of healthcare, enabling employers to better manage the cost of healthcare for all while building a reputation as a proactive employer of choice.

Together, decision support and analytics turn open enrollment into a treasure trove of market research that can help companies optimize the way benefits are structured and delivered — an opportunity many are inadvertently leaving on the table.

WHAT CAN IMPACT DECISION SUPPORT SUCCESS?

Utilization of decision support tools varies across employers and year-to-year, with several factors affecting the percentage of employees who use the tools provided:

- **Employee communications.** Effective communications to eligible employees across multiple channels — print, email, even mobile — significantly influences site usage.
- **Plan changes.** When rolling out major changes to plan design, usage of support tools tends to increase.
- **Link placement.** Visibility of the links to online tools drives usage. If employees can easily find the tools, they are more likely to use them.
- **Incentive programs.** Employers who provide employees with incentives — financial rewards, e-learning credits, and other bonuses — have significantly greater site utilization.
- **Active enrollment.** Employers who conduct an active enrollment have greater site usage than those with passive enrollments.

ADP's Decision Support and Analytics: Developing a market research mindset

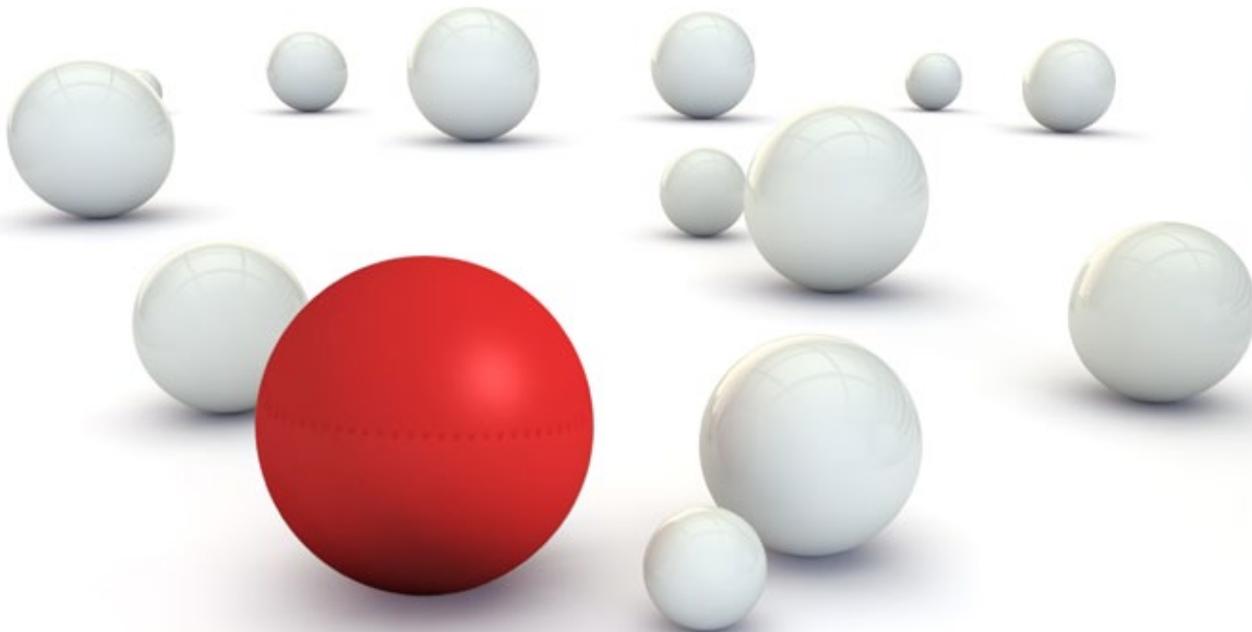
It's easier said than done for an organization to adopt a retail mindset regarding healthcare — and to expect its employees to do the same.

That's why ADP embedded our web-based Decision Support and Analytics right into our benefits administration outsourcing solution. Our proprietary research methodology can be used for data collection and analysis for employers, blending open enrollment decision support data with enrollment outcome and demographic data. The result? Invaluable insights into employees' buying behavior and health plan performance.

ADP clients also benefit from direct integration into their open enrollment process, and communication strategies and support to help achieve open enrollment goals.

It's a new way of "thinking like a retailer" — providing the information and tools employees need to become smarter consumers of healthcare services.

From the technology of decision support to the importance of employee education, ADP takes an advanced view of benefits. And we're helping companies like yours do the same.



Case study: ADP's Decision Support and Analytics in action

A Fortune 500 company recently used ADP's Decision Support and Analytics as part of its roll out of a Consumer Driven Health Plan (comprised of an HDHP w/HSA). In the six months approaching open enrollment, the company unveiled a multi-channel education and communication campaign featuring a pre-enrollment newsletter, an email blast with an embedded instructional video, webinars, and more. The effort familiarized employees with new plan terminology, gave them the opportunity to ask questions, and generally created positive buzz to ease the transition to come.

During enrollment, employees were asked if they needed assistance making their plan selection. Available to users was a suite of four decision tools:

- A preference module, which matched personal preferences to available plan options and ranked them in order of best fit
- A medical cost calculator, which helped users understand their total healthcare costs based on estimated usage of services
- A comparison module, which compared medical plan details such as out-of-pocket costs, access to care, and benefit coverage
- A savings account estimator, which determined user contributions to an HSA or FSA and compared the tax savings of each

Employees' enrollment behavior was analyzed to determine the effect of decision support on those who used the tools to help them select a health plan. The analysis found that employees who used the available tools made fundamentally different enrollment choices than those who did not.

Engaging employees as consumers

During the company's 2012 open enrollment period, the decision support site received nearly 16,000 unique visitors. Fifty-four percent of web enrollees completed one or more tools; 48% of this group returned to the site more than once.

“The value that the decision support tool brings is consumer engagement and awareness, which in turn limits adverse selection of high-cost plans.”

VP Benefits, Fortune 500 company

An analysis of enrollment by plan type for all employees showed the following:

• **HMO**

relatively unchanged for 2012
(approximately 7% in both years)

• **PPO**

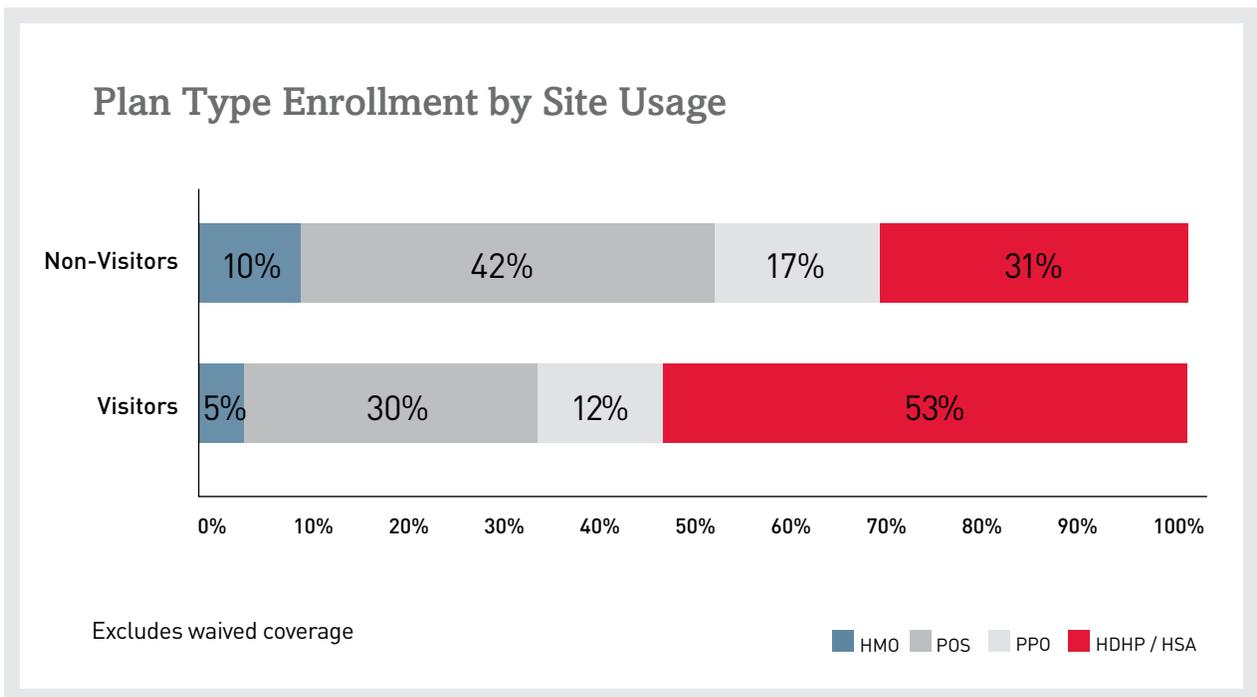
13% in 2012 compared to
19% in 2011

• **POS**

32% in 2012 compared to
59% in 2011

• **HDHP**

32% in 2012 (the first year
this plan was offered)

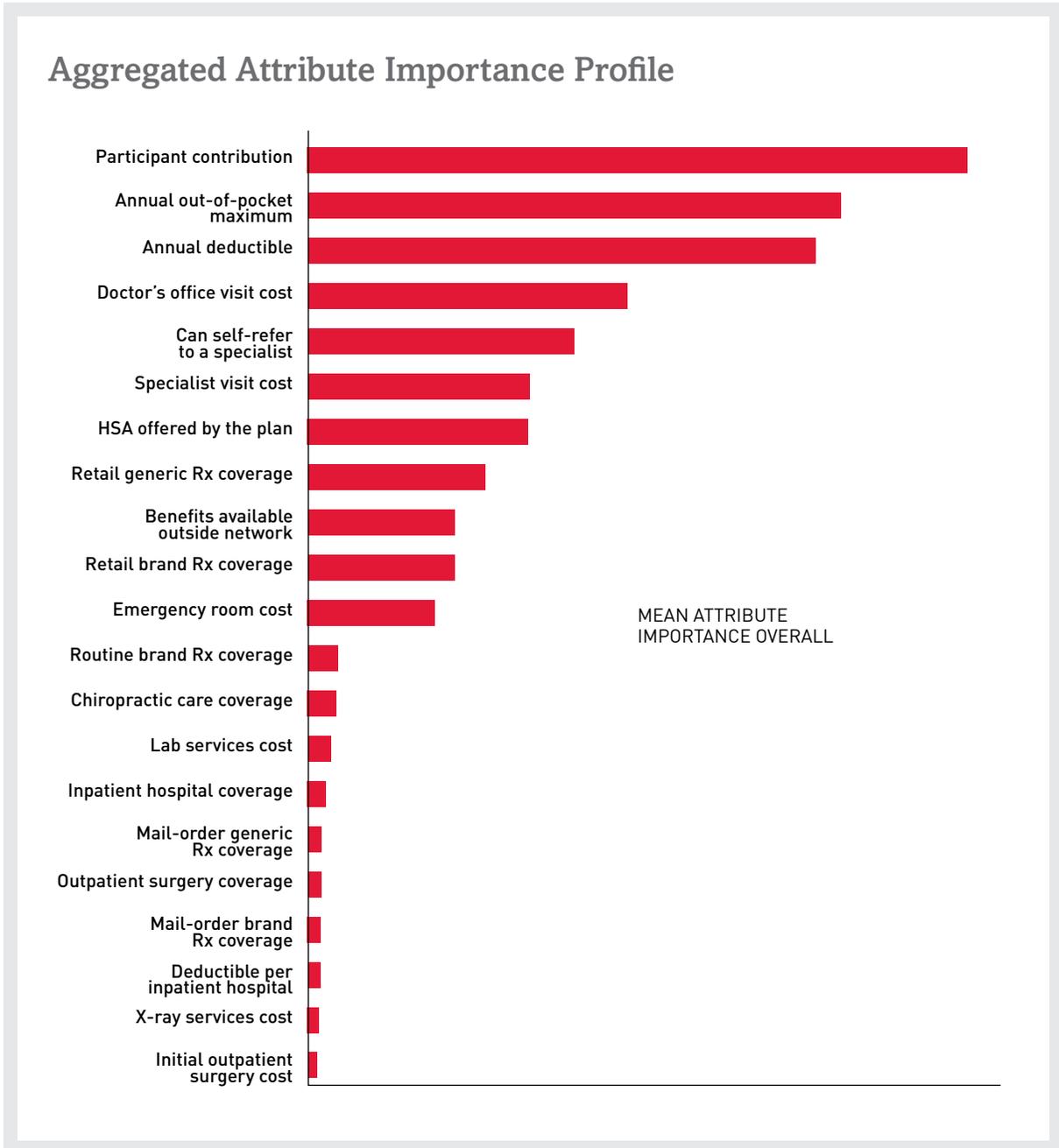


In examining the behavior of decision support site visitors versus employees who did not visit the site, an analysis indicated that site visitors were significantly more likely to enroll in an HDHP than non-visitors. They were also significantly less likely to enroll in an HMO or POS plan.

Importantly, site visitors were much more likely to migrate out of the benefit-rich POS option into the CDHP than non-visitors (22% of site visitors came from the POS versus 13% of non-site visitors).

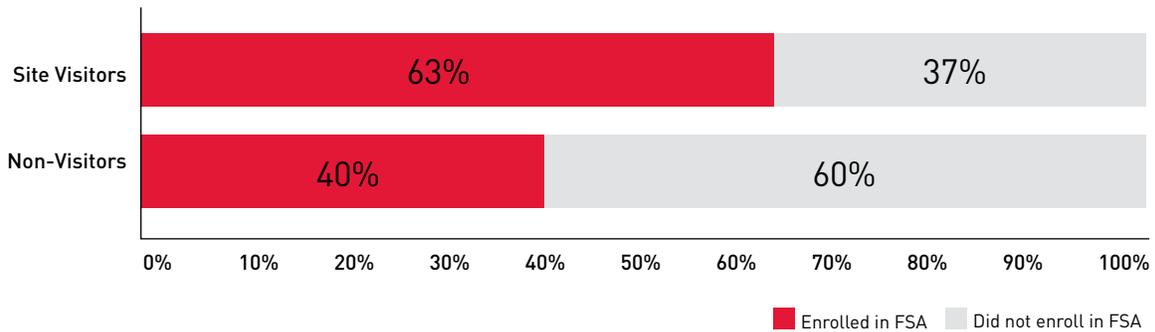
Finding the best possible fit

Data from the preference module was used to create an attribute importance profile — in essence, what matters most to respondents when it comes to plan design.

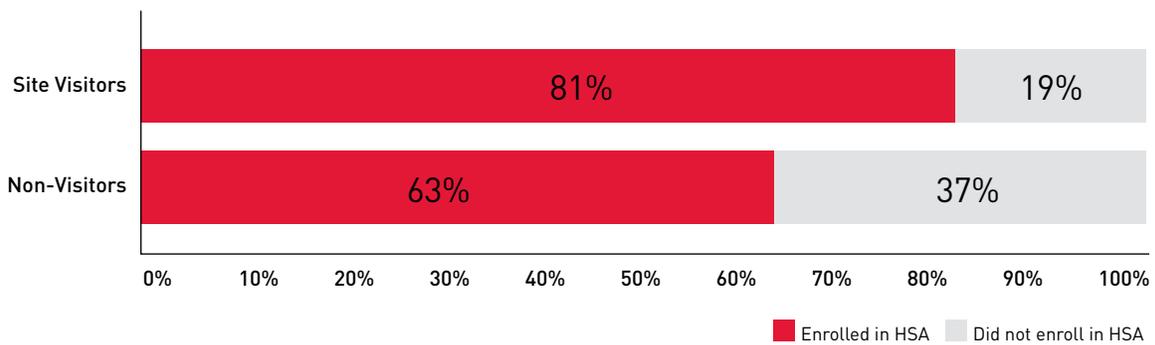


For this Fortune 500 company, users considered an average of six attributes when selecting a medical plan. Not surprisingly, eight of the 10 most important attributes were cost related. Employees also considered the availability of an HSA in their decision, and access-to-care items, such as ability to self-refer to a specialist.

FSA Enrollment by Site Usage



HSA Enrollment by Site Usage



A review of enrollment data showed that FSA enrollment increased among eligible employees as follows:

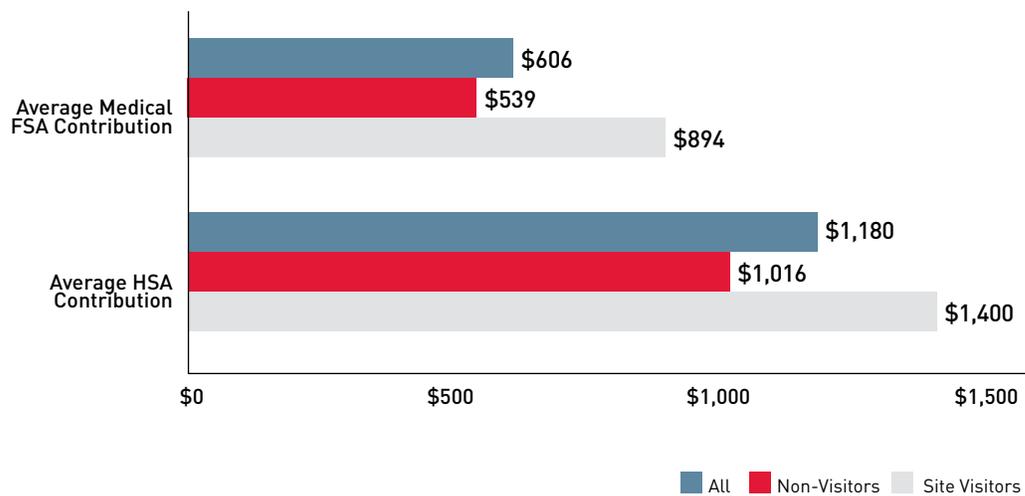
- 63% of site visitors enrolled in the FSA compared to 40% of non-visitors and 45% of all employees
- 80% of savings account estimator users enrolled in the FSA
- 63% of medical cost calculator users enrolled in the FSA

Controlling healthcare expenses for all

One of the more noteworthy benefits of decision support is its ability to guide employees to the plans that best suit their financial and healthcare consumption needs. Often, the result is a more effective plan at a lower cost and a reduction in tax liability for both employer and employee.

While hard return on investment projections can be difficult to quantify in advance of actual claims experience, analyzing enrollment patterns of decision support users versus non-users suggests meaningful savings can be realized. Specifically, decision support visitors, based on self-reported expected healthcare usage, saved \$360 per employee when compared to non-site visitors by enrolling in a plan that best fit their needs.

Employee Savings Contributions by Site Use



Additional cost savings were realized through greater FSA and HSA participation. Decision support users generated \$177 more in tax savings for themselves per user than those not using the tools, resulting in \$23 in additional FICA savings per user for the employer.¹

Prior to open enrollment, this Fortune 500 company estimated that 15 to 20% of its employees would enroll in the HDHP during its first year of availability. By achieving 32% enrollment, their benchmark for success was far exceeded. With continued employee communication and changes to plan design based on point-of-purchase analytics, they anticipate continuing to exceed expectations in subsequent years.

“ADP’s decision support tool removed fear of the unknown — catastrophic out-of-pocket expenses. By modeling forecasted utilization against real plan values and medical costs, participants were able to estimate total medical expenses (out-of-pockets and plan contributions).”

VP Benefits, Fortune 500 company

¹Savings based on federal marginal income tax rates assuming standard deduction. Excludes state income tax savings.

Knowledge is power

Healthcare benefits are at a crossroads. No longer can employers — and employees — afford to apply traditional thinking in a changing world.

When employees are empowered to understand the options available, they're able to make better decisions about how their healthcare dollars are spent. By thinking like a retailer and providing education, technology and tools at the point of purchase, employers can help employees develop a more consumer-oriented mindset.

And by leveraging the resulting data in future efforts, they can ensure the strongest possible outcome — engaged, invested employees and a mutual commitment to controlling healthcare costs.

When it comes to realizing the full return on investment potential of a CDHP strategy, ADP's Decision Support and Analytics is just one key piece of the puzzle. Decision support tools are the first critical step in requiring employees to take an active and informed role in making healthcare choices. In accepting this challenge, the company's employees are now contributors to its strategy for controlling healthcare costs.

Since real savings are generally measured by gross claims, as behaviors change over time so do the realized savings for the plans. True transformation comes with recognizing that consumerism and individual health behaviors must go hand in hand to meaningfully bend the trend line.

“We believe introducing decision support will be one of the contributing factors to driving engagement and changing individual behaviors, leading to a projected lowering of our trend by about 200 basis points when our claims fully mature next year.”

VP Benefits, Fortune 500 company

About ADP

Automatic Data Processing, Inc. (NASDAQ: ADP), with about \$10 billion in revenues and approximately 570,000 clients, is one of the world's largest providers of business outsourcing solutions. Leveraging over 60 years of experience, ADP offers a wide range of human resource, payroll, tax and benefits administration solutions from a single source. ADP's easy-to-use solutions for employers provide superior value to companies of all types and sizes. ADP is also a leading provider of integrated computing solutions to auto, truck, motorcycle, marine, recreational vehicle, and heavy equipment dealers throughout the world. For more information about ADP or to contact a local ADP sales office, reach us at **1-800-CALL-ADP (1-800-225-5237)** or visit the company's website at **www.ADP.com**.

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