

ADP RESEARCH INSTITUTE®

ADP® Annual Health Benefits Report

2015 Benchmarks and Trends for Large Organizations



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Executive Summary

It has been more than five years since the Patient Protection and Affordable Care Act (ACA) was signed into law. For employers who offer health coverage to their employees, the ACA has introduced sweeping changes that impact everything from medical plan design and eligibility determination to employee communications, compliance reporting, and tax filings. Given the scope of change, how has the ACA impacted premium costs and participation rates for employer-sponsored coverage?

In order to address questions related to health benefits trends, including the ACA impact, the ADP Research Institute® has published the 2015 edition of the ADP® Annual Health Benefits Report. Now in its third year of publication, the report tracks key health benefits metrics for a diverse sample of nearly 200 large employers with 1,000 or more employees over a five year time horizon from 2011 through enrollment for plan year 2015 – a period in which many key ACA provisions were phased in. Because the report uses de-identified empirical data taken from benefit enrollment records, it provides a precise record of employee participation, medical premiums, and demographics for these employers.

The 2015 ADP® Annual Health Benefits Report highlights several trends and key metrics that employers can leverage and that may be partially attributable to the ACA. Several dimensions were evaluated, including the percent of employees eligible for employer-sponsored health insurance, the percent of employees enrolled in a plan, the premiums charged for health insurance, and the fraction of those premiums covered by the employer.

Employer-sponsored health plan system remains stable

The focused analysis of data from 2013 and 2015 – two years marking the points before and after key provisions of the ACA went into effect – revealed how employers may be responding to healthcare reform. Although some demographic shifts occurred, overall participation remained constant and premiums rose modestly. As employers began to comply with the ACA, they appeared to increase their use of high-deductible plans combined with health savings accounts (HSAs).

As eligibility rises, participation remains steady

Over the five-year period studied, the percentage of full-time employees (as designated by the employer) who were eligible for employer-provided health benefits, rose by 2.0%. This rise may reflect employers offering health insurance to more employees in order to comply with the ACA. Despite a rise in eligibility, the number of eligible employees who opted to take insurance dropped by -1.7% during the same period, keeping the overall participation rate steady at 69.3%.

Employees under 26 see spike in eligibility

While eligibility increased for all age groups, it increased the most dramatically – by 8.5% – for employees under age 26, with an eligibility rate of 83.4%. In this age group, the take rate was just 44.1%, a decline of 12.6% since 2011. During the same period, all other age groups had a take rate of at least 75%. This trend may indicate that many eligible employees under age 26 are obtaining insurance from a source other than their employers. A strong possibility is that they are remaining on a parent's health insurance plan until age 26, as permitted by the ACA's extended dependent coverage provision.

Difference in eligibility diminishing between married and single workers

Eligibility rates of married versus single workers became much more similar. In 2011, the difference in eligibility between the two marital statuses was 6.1%. In 2015, the difference had declined to 3.4%. Single employees had a higher take rate than married employees, likely because many married employees choose to be included on a spouse's health plan.

Males and females have similar eligibility rates

Eligibility went up for both males and females. In 2015, there was a 0.4% difference in their eligibility, with females having a slightly higher rate. While take rates decreased for both genders, the take rate among females was markedly lower. In 2015, eligible females enrolled in their health plans at a rate that was 6.8% lower than males. This difference could be partially attributed to more females than males opting to be on a spouse's benefits plan.

Premiums rising at a modest rate

Total premiums (including the employer and employee portions) increased by 9.4%, about 2% each year, which is modest when compared to the previous decade. This moderation could be partially due to more employers offering high-deductible plans with higher co-pays and implementing spending accounts and consumer-directed health plans.

Although premiums went up for all demographic groups, employees with more dependents had a higher increase in premiums than employees with no dependents. Additionally, employees with dependents had an employer contribution share 3% lower than that of employees with no dependents. Higher numbers of dependents also tended to correlate with higher income, and employees in higher income groups had higher premiums.

Total premiums increased the most for workers in the under-26 age group, who saw a 13.8% increase in average monthly premium. The largest average monthly premium, however, was in the 40 to 49 age group at \$991.

Premiums vary by industry

This study analyzed the average monthly premiums in five selected industry groupings: Education and Health Services; Financial Activities; Manufacturing; Professional and Business Services; and Trade, Transportation and Utilities. Over the period studied, average monthly premiums increased in all five selected industries, but at varying rates. The strongest increase occurred in Trade, Transportation and Utilities, which had an 11.4% increase in premiums. Professional and Business Services, however, had the lowest increase at 5.8%. In 2015, this industry also had the highest total monthly premium, at \$911. Education and Health Services had the lowest monthly premium in 2015, at \$792. All industries experienced a decrease in employer contribution share except Financial Services, which had a 0.4% increase in employer contribution.

The bottom line

Taken together, the results of the 2015 ADP® Annual Health Benefits Report suggest that large employers have been effective in managing overall health costs despite concerns over ACA mandated changes. Employers may be struggling with ACA compliance and reporting requirements¹, but five years in, this study reveals the underlying cost trend for large employers remains modest.

Going forward, employers will adopt a range of strategies in an effort to contain costs while delivering value to employees. These strategies could have far-reaching impacts on employers and employees alike as they continue to navigate the changing health benefits landscape.

1. *The Affordable Care Act and Employer Confidence - Navigating a Complex Compliance Challenge*, ADP Research Institute, 2015

About This Study

The ADP® Annual Health Benefits Report leverages anonymous and aggregated data from its client community. 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.

Data and Research Methodology

The ADP Research Institute® used anonymous, employee-level yearly panel data from a set of employers spanning 2011 to 2015. This research considered the same set of organizations each year in order to provide consistent comparisons across years. In total, the "matched" set of nearly 200 U.S.-based organizations was comprised of approximately 500,000 employees each year. All organizations used in this study had 1,000 or more employees for at least one of the five years and no fewer than 800 in any given year. For this study, the ADP Research Institute focused on nonunion, full-time employees.

ADP's industry mix of clients does not exactly mirror that of the total U.S. across all industries. Relative to the U.S. distribution, ADP may be more heavily concentrated in some industries, while less concentrated in others. Different industries have different concentrations of age groups. For example, Retail and Leisure/Hospitality industries have a large proportion of younger workers, while Finance/Insurance industries have a large proportion of middle-age employees. As a result, the age distribution of ADP's client base differs in comparison to the total U.S. market. These differences in ADP versus the total U.S. may impact the computations to a degree.

This research evaluated the dataset along several dimensions, including the percent of employees eligible for employer-sponsored health insurance, the percent of employees enrolled in a plan, the premiums charged for health insurance, and the fraction of those premiums covered by the employer. For eligibility and participation rates, this analysis considered variations across years, both for the entire employee panel and for specific employee subgroups based on marital status, gender and age. For the "monthly premium" data, the study distinguished between plans where either only the employee or only the employer pays, and plans where both contribute toward the cost of the plan. In addition, for the "matched" set of companies offering a Health Savings Account (HSA) from 2011 to 2015, contribution rates were explored among those HSA-eligible employees.

The premium analyses in this research were conducted using only the group where both employers and employees pay part of the premium. Using this group of employees, representing most of those enrolled in an insurance plan, the study analyzed changes over time in total premiums for the entire group, as well as for specific demographic subgroups. This analysis evaluated differences in annual premium increases by age, industry, income, and number of dependents. The study also analyzed changes over time in the percent of insurance premiums covered by the employer for the same demographic subgroups, as well as for the employee panel as a whole.

Eligible Percentage refers to the segment of the employee population that is qualified to enroll in the health insurance offered by their employers.

Take Rate refers to the percentage of eligible employees who enroll in the health insurance offered by their employers. Take rate is also known as "take-up rate."

Participation Rate refers to the percentage of all employees (eligible and ineligible) who enroll in the health insurance offered by their employers.

SECTION ONE

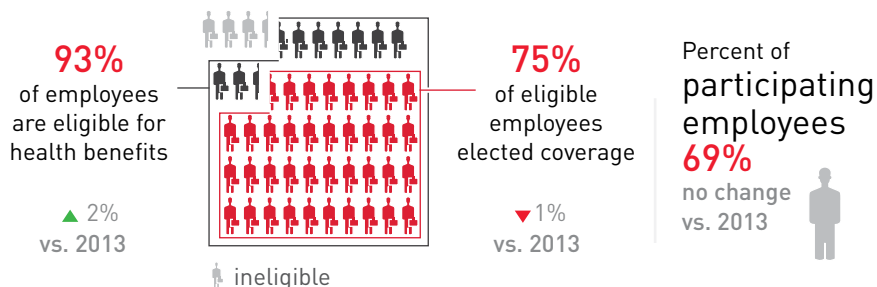
The Impact of the Affordable Care Act

The Impact of the ACA on Employer-Sponsored Health Coverage

Key provisions of the Affordable Care Act took effect between 2013 and 2015. This time interval provides an initial opportunity to observe potential ACA impacts to cost and participation rates for group health benefits. How have employers responded to the ACA legislation?

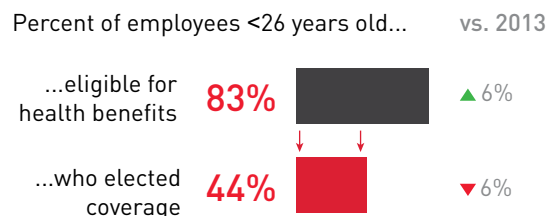
Employee eligibility rates have increased...

Eligibility for full-time employees has increased as employers seek to comply with ACA regulations. But the percentage of employees electing coverage has declined. As a result, the net participation rate for health coverage remains unchanged.



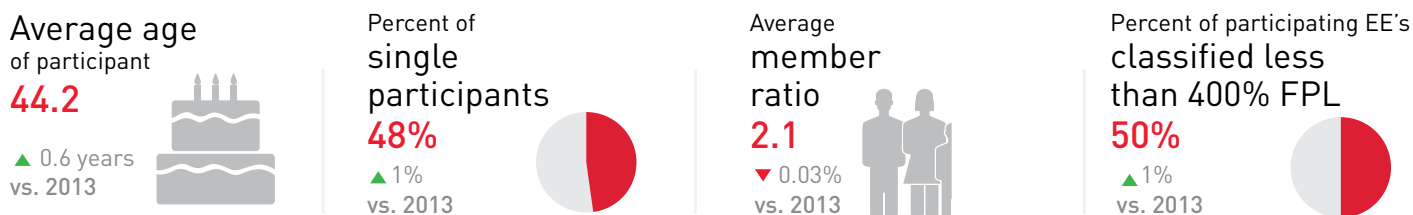
Employees Under Age 26

Eligibility for employees under 26 years of age has increased, but their participation has declined, consistent with a multi-year trend first observed in 2011.



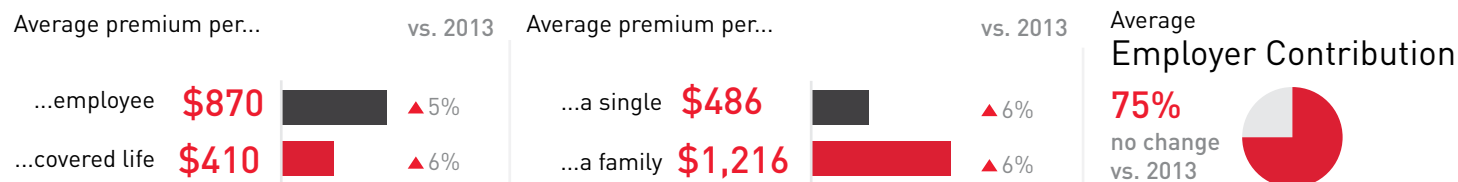
Demographics for covered workers have shifted...

The covered workforce is now older, and includes more single employees with fewer dependents. The number of participating employees who are single with base pay less than 400% of Federal Poverty Level has also increased.



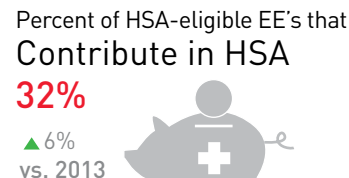
Premiums for health coverage have increased slightly...

Premiums per participating employee have increased by a modest 5% over a 2 year period (roughly 2.4% annually). Premiums per covered life grew slightly faster. These cost increases were distributed evenly between single and family coverage. Employers continue to pay 75% of total health premium costs—unchanged from 2013.



Use of high deductible health plans with an HSA have risen...

The number of employers offering a high deductible health plan (HDHP) with a health savings account (HSA) has grown between 2013 and 2015. When an HDHP/HSA plan is offered, the percentage of employees electing this type of plan has also increased.



This third Annual Health Benefits Report by the ADP Research Institute analyzes five-year trends among large employers with primarily self-funded health plans. For the first time, this year the Institute also conducted a more narrowly focused analysis of data from 2013 and 2015. These two years mark the points before and after key provisions of the ACA went into effect. Concentrating on these two years provides a snapshot of how employers may be responding to the major provisions of the ACA that were enacted during this pivotal two-year period.

Large, private-sector employers with self-funded health plans are an important source of health benefits for working Americans. The data trends and patterns exhibited by these employers may provide some insight into the overall impact of the ACA. The data studied confirmed the overall solidity of the employer-sponsored health plan system and reflected gradual change resulting from the enactment of the ACA as well as an improving economy, a more competitive labor market, and other factors. Although there have been shifts in coverage trends for certain demographic groups, overall participation and premiums have remained stable.

Eligibility rates increased from 2013 as employers began to offer coverage to more workers to ensure compliance with the ACA Employer Shared Responsibility mandate. Although eligibility has increased, the number of employees electing coverage decreased, possibly indicating that many employees have alternate forms of coverage. Due to the rise in eligibility and lower election rates, participation rates remained relatively unchanged.

While eligibility rose drastically for the under-26 age group, the number of employees in that group who elected insurance decreased considerably, resulting in lower participation rates. This trend may be a reflection of the ACA's extended dependent coverage provision. Lower incomes, coverage from school or Marketplace/Exchange plans, and temporary positions may also have contributed to the lower election rates for this group.

There were several demographic shifts during the two-year time period. The data showed a rise in the average age of insured workers. This trend may affect cost, as medical risk increases with age. Additionally, the average dependent ratio decreased, which could point to higher numbers of single people signing up for coverage or could be the result of more companies imposing surcharges for spousal coverage or not offering spousal coverage. Another demographic shift was reflected in the rising number of low-income individuals signing up for health plans. This is a possible indicator of the ACA individual mandate achieving its objective of widening coverage to previously uninsured Americans.

Since 2013, premiums increased modestly. The average premium per member, which can be an indicator of medical inflation, changed little. The employer contribution share also remained stable. As employers began to comply with the ACA, they appeared to increase their use of high-deductible plans combined with health savings accounts (HSAs). This approach could potentially shift some cost, risk, and decision making to the employee.

Overall, the data was noteworthy in its lack of dramatic swings. Employers with self-funded health plans appear to have made appropriate adjustments to contain costs, while complying with ACA requirements.

SECTION TWO

Participation in Health Benefits

Participation in Health Benefits

Eligibility & Participation Among Full-Time Employees

The percentage of full-time employees who were eligible for employer-provided benefits rose by 2.0% between 2011 and 2015. This increase in eligibility could be due to employers offering health benefits to more employees in compliance with the Affordable Care Act (ACA). Despite higher eligibility, the take rate decreased by 1.7%. Thus, the overall participation rate remained steady.

Among various demographic groups, there was a wide range of change in eligibility, take rate and participation. These differences will be discussed in the following pages of this report.



Overall trend:

While eligibility among full-time employees increased, participation rates remained steady

93%

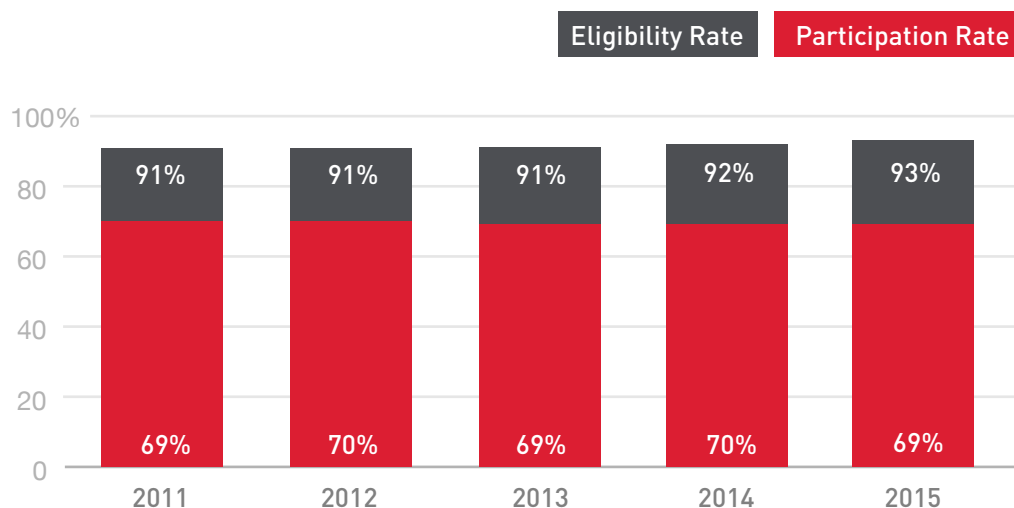
Eligibility rate
in 2015

75%

Take rate – 75%
of those eligible
chose to purchase
benefits in 2015

69%

Participation
rate in 2015



Eligibility & Participation Among Full-Time Employees by Marital Status

The difference in eligibility rates between married and unmarried employees diminished between 2011 and 2015. There was a 3.4% difference between the two marital statuses in 2015. In 2011, the difference was 6.1%.

The take rate was higher for unmarried workers, but that difference also diminished. In 2015, there was a 2.4% difference, but in 2011, that difference was 3.7%.

Although eligibility rates and take rates increased for both groups between 2011 and 2015, unmarried workers experienced a 0.5% increase in participation rate, while married workers saw a decrease of -0.5%. Despite this difference, the participation rates of the two groups remained nearly the same, with a 0.2% higher participation rate among married workers in 2015.

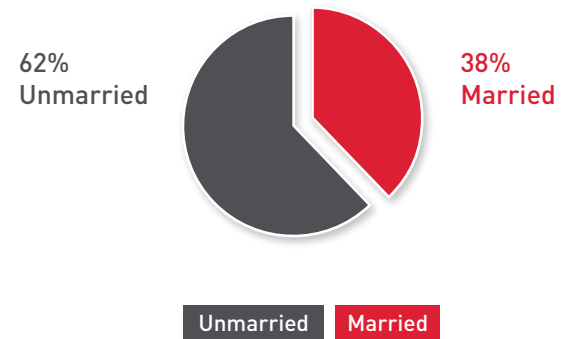
It is important to note that marital status varies by age. That said, changes over time in the eligibility of unmarried employees may be attributable to an influx of younger employees entering the workforce.



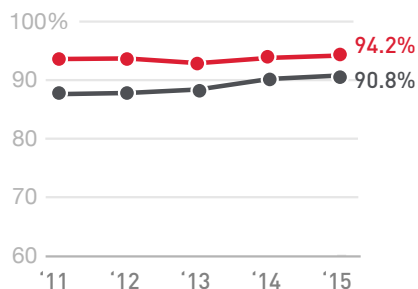
Overall trend:

Married workers had a higher eligibility and take rate than unmarried, but the participation rates of the two groups were nearly the same

Demographic profile — 2015



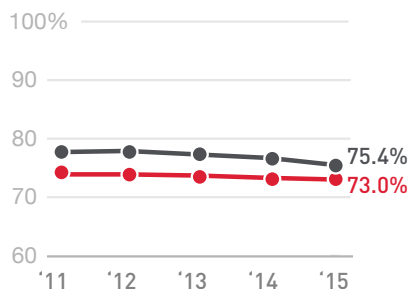
Eligibility by marital status



3.4%

Married workers experienced eligibility rates that were 3.4% higher than unmarried workers

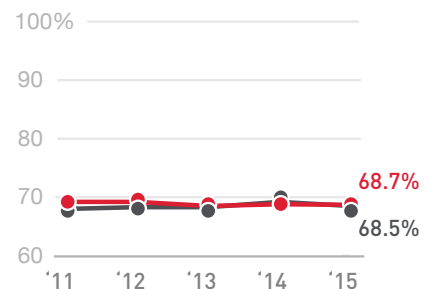
Take rate by marital status



2.4%

Take rate among unmarried workers was 2.4% higher than the take rate for married workers

Participation by marital status



0.2%

Participation rates among married workers were only 0.2% higher than unmarried workers

Eligibility & Participation Among Full-Time Employees by Gender

For both males and females, eligibility went up and take rates went down. Participation rates increased slightly for males during the period studied and decreased slightly for females.

Eligibility rates for males and females remained close, but the take rate among females was markedly lower. In 2015, eligible females enrolled in their health benefits at a rate that was 6.8% lower than males. This difference could be partially attributed to more females than males opting to be on their spouse's benefits plan.



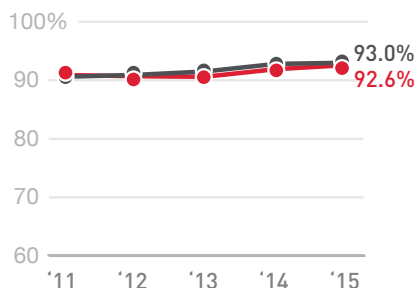
Overall trend:

Females had a lower take rate than males

Demographic profile — 2015



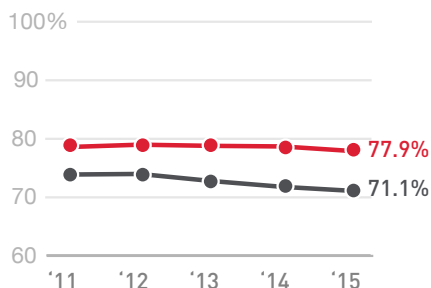
Eligibility by gender



0.4%

There was little difference in the eligibility rates of males and females in 2015

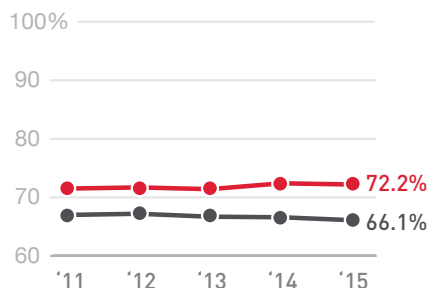
Take rate by gender



6.8%

Difference in take rate between males and females in 2015

Participation by gender



▲ 0.7%

Participation rate increased for males since 2011; the rate for females has decreased by -0.8%

Source: ADP Research Institute

Age Distribution of Full-Time Employees

Older employees experienced higher eligibility rates and participation rates for employer-provided healthcare benefits. In 2015, employees age 40 and above had participation rates higher than 72%. The highest participation was among those ages 50 to 59, at 74.7%. The largest increase in participation since 2011 was among those age 60 and above.

Participation was considerably lower among those under age 26, at 36.8%, and participation decreased -5.7% in this age group. Lower participation in this age group may reflect the provision of the ACA allowing young adults to stay on a parent's health plan until age 26. Younger employees also may be more likely to have lower incomes and may place a lower priority on health coverage.



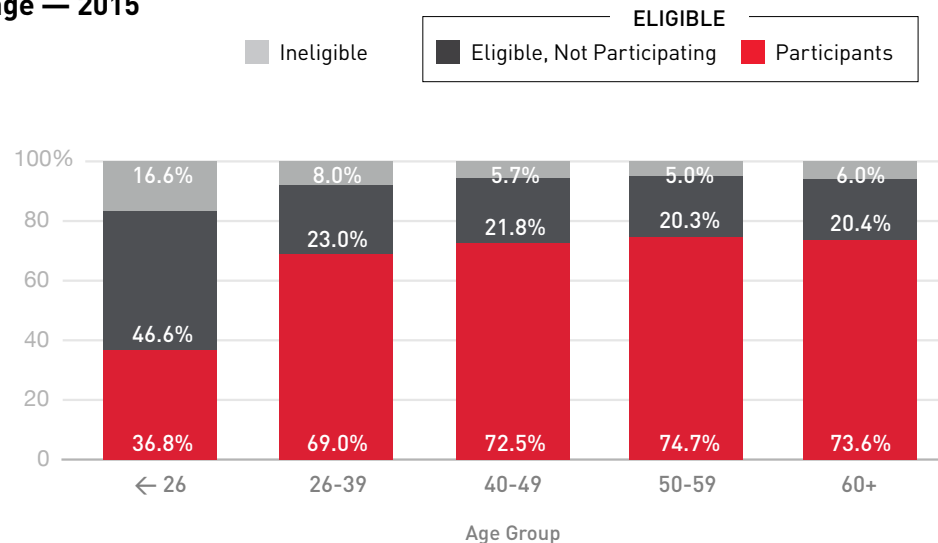
Overall trend:

Employees under age 26 had the highest increase in eligibility but the lowest take rates and participation rates

Workforce distribution by age — 2015

36.8%

The smallest percentage participation – under age 26



Percent change — 2011 to 2015

Age Group	< 26	26-39	40-49	50-59	60+
Eligible	8.5%	1.8%	1.0%	0.9%	0.7%
Participants	-5.7%	-0.4%	0.0%	0.2%	0.3%

▲ 8.5%

Workers under 26 had the largest increase in eligibility

▼ -5.7%

From 2011 to 2015, the participation rate declined by -5.7% among workers under age 26

Eligibility Among Full-Time Employees by Age

An overall increase in eligibility was reflected across all age groups. Employees under age 26 experienced the largest increase in eligibility by far, at 8.5%. Some possible explanations for the increase include: a recovering economy; employers converting part-time positions to full-time in light of the ACA; employers offering more competitive benefits packages to attract workers; and higher rates of retirement in older age groups making way for younger workers.

At 83.4%, the under-26 age group had the lowest eligibility in 2015. All other age groups had eligibility rates that were 92% or greater. Employees in the 50-to-59 age group had the highest eligibility rate at 95.0%.



Overall trend:

**Eligibility increased
for all age groups from
2011 to 2015**

83.4%

The eligibility rate for workers under 26, up 8.5% from 2011 to 2015

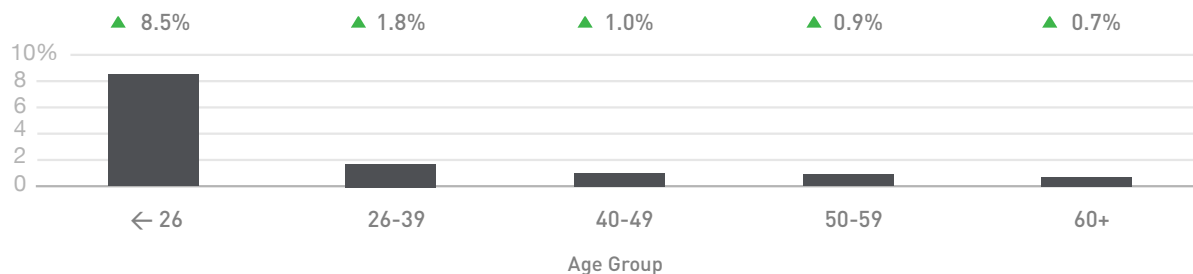
Ages 50-59

The age group with the highest level of eligibility, at 95.0%

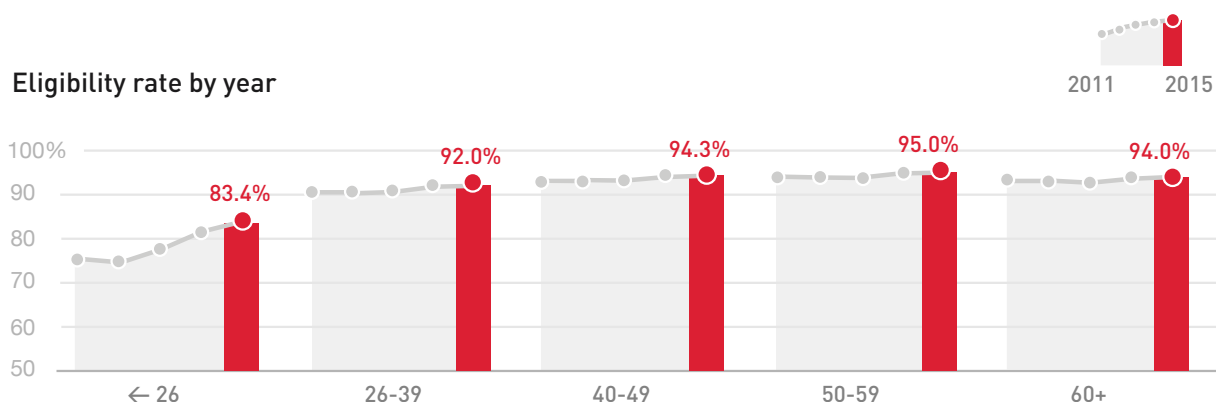
▲ 0.7%

The increase in eligibility rate for workers 60+ was the least of any age group from 2011 to 2015

Percent change in eligibility — 2011 to 2015



Eligibility rate by year



Source: ADP Research Institute

Take Rate Among Full-Time Employees by Age

The take rate decreased only slightly for all age groups except those under age 26. For this youngest group, the take rate declined considerably, at -12.6%. In 2015, this group had a 44.1% take rate, while all other age groups experienced a take rate of at least 75%. The lower take rate for workers in the youngest age group could possibly be linked to extended dependent coverage under the ACA, which allows them to remain on a parent's health insurance policy until age 26. Because of this, many eligible workers under age 26 may have declined their own employers' health plans in favor of continuing on a parent's plan.

The highest take rates were among the two oldest age groups, those 50 to 59 and 60 and over. These groups' take rates decreased at a lower rate over time than those of other age groups.



Overall trend:

Take rate declined most considerably for those under age 26

▼-12.6%

The largest percentage decrease in take rate was among those under 26

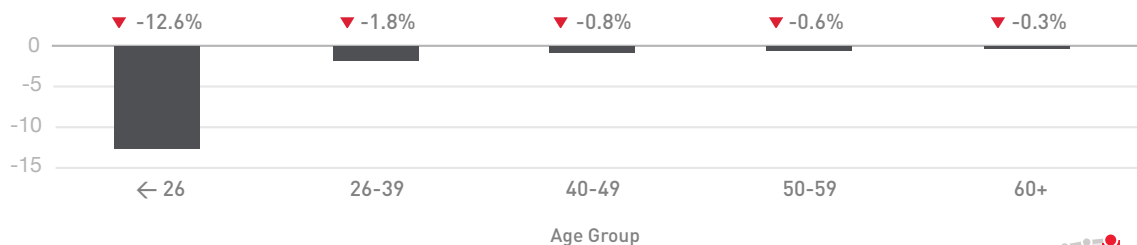
44.1%

The lowest take rate, those under 26

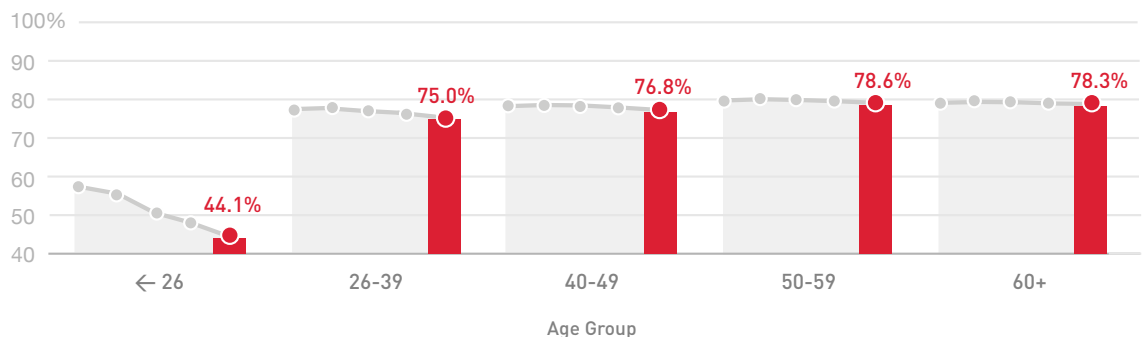
Ages 50-59

The age group with the highest take rate

Percentage change in take rate — 2011 to 2015



Take rate by year



Source: ADP Research Institute

Participation Among Full-Time Employees by Age

For employees under 26 years old, the participation rate declined by -5.7%. This age group participated in health plans at a rate of only 36.8%, roughly half the rate of the other age groups. A key question going forward is whether auto-enrollment into an employer's health plan (mandated by the ACA, but regulations not yet implemented) will increase the participation of employees under age 26 in their employer's health plan. For the 26-to-39 age group, participation had a slight decrease of -0.4%. For all other age groups, there was little to no change in participation rate. Full-time employees in the 50-to-59 age group participated in health plans at the highest rate, 74.7%.



Overall trend:

Participation rates declined for the under-26 age group but remained steady for other age groups

▼-5.7%

Largest percentage decrease in participation, workers under 26

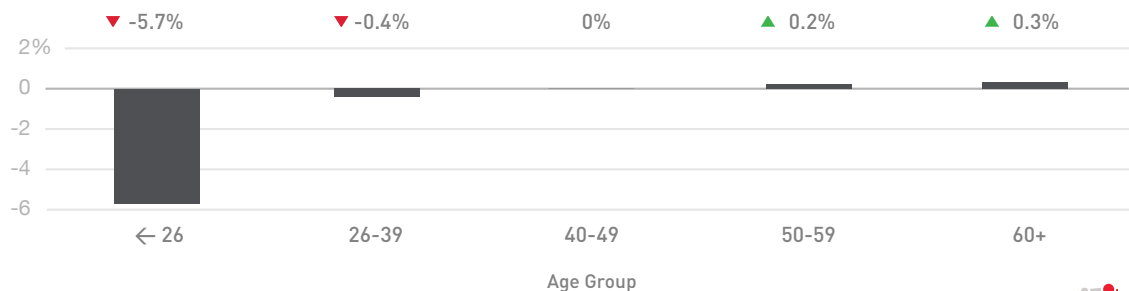
36.8%

Workers under 26 had the lowest percentage participation

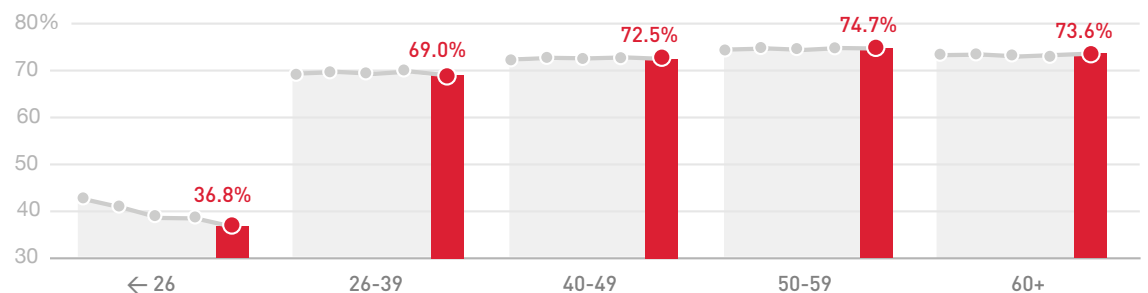
74.7%

The largest percentage participation was in the 50-to-59 age group

Percentage change in participation — 2011 to 2015



Participation rate by year



Source: ADP Research Institute

SECTION THREE

Health Plan Premiums

Health Plan Premiums

Average Monthly Premium in the United States

This study considered premium costs of full-time employees in organizations in which both the employees and employers contributed to the health plan premium. From 2011 to 2015, the average monthly premium rose a little over 2% each year, for an aggregate increase of 9.4% across all industries and demographic groups combined. This slow growth stands in stark contrast to the double-digit inflation experienced in health premiums of previous decades.²

Many factors can impact health care premiums, including: actual medical care costs; a slowing or rebounding economy; risk in the pool of those signed up for health plans; and changes in the types of plans employers offer. If employers reduce actuarial coverage value with high-deductible plans and consumer-directed plans, premium increases could be expected to moderate.

Overall trend:
Premium increases appeared to moderate from 2011 to 2015

\$870

Average total monthly premium in 2015

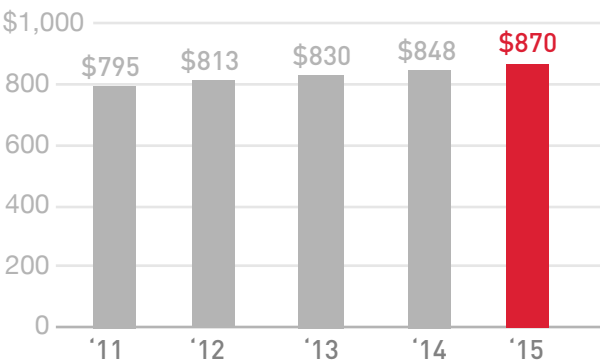
▲ 9.4%

Percentage premium increase from 2011 to 2015

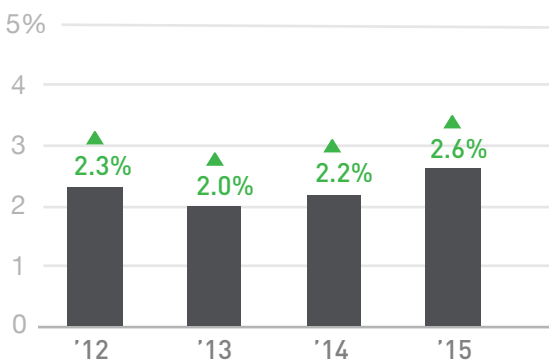
▲ 2.6%

Percentage premium increase from 2014 to 2015

Average total monthly premium



Percent change in premium



Source: ADP Research Institute

2. <http://www.healthsystemtracker.org/2014/08/benefits-firm-predicts-health-spending-may-bounce-back-in-2015-but-double-digit-increases-still-unlikely/>

Employer Contribution as a Percentage of Total Premium

Employer contributions to health plan premiums declined slightly in all groups. The percentage change ranged from a decline of -0.1% for employees under 26 to a decline of -0.9% for employees in the 50-to-59 age group. The highest employer contribution share is in the under-26 age group at 77.9%. That variance is partially explained by differences in family size and number of dependents across age groups.



Overall trend:

Employer contribution share declined slightly in every age group

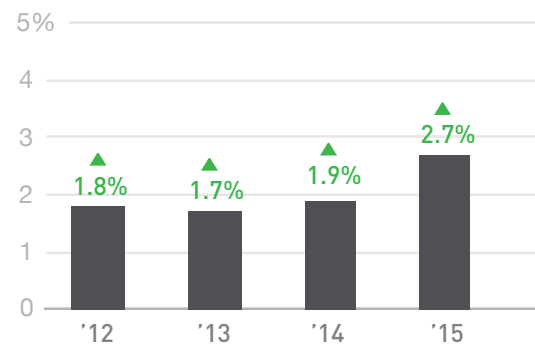
▼-0.7%

Overall percentage point change in employer contribution share from 2011 to 2015

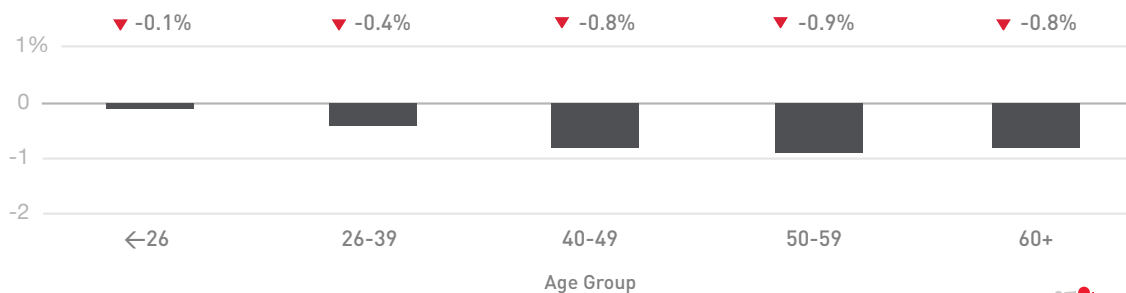
\$650

Average total employer contribution in 2015

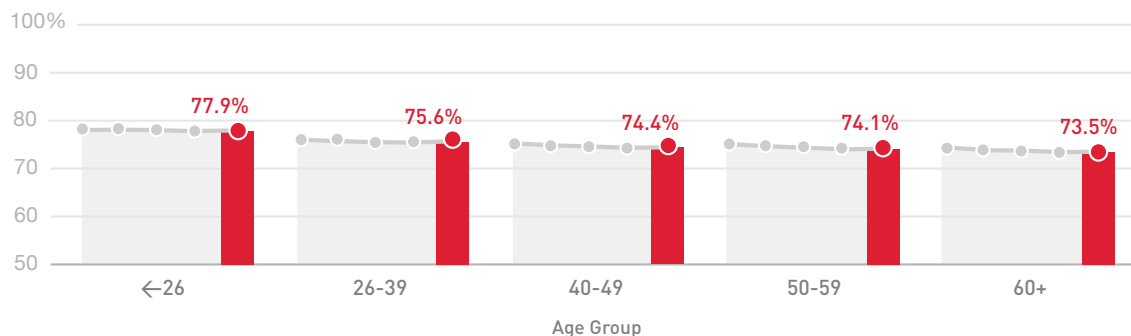
Employer Premium Contribution (percentage change by year)



Percentage point change in employer contribution share — 2011 to 2015



Percentage contribution by age



Source: ADP Research Institute

Total Monthly Premium by Number of Dependents

The rise in monthly health plan premiums was experienced by all dependent categories. While each of the categories showed increases of more than 10%, the overall premium increase was just 9.4%. This anomaly is explained by a slight decline in the average number of dependents over the period, which taken alone, results in lower premiums. There is no evidence that employers have made health premiums more affordable for single individuals at the cost of family coverage. However this data does not identify employers who may have a premium surcharge for spouses.



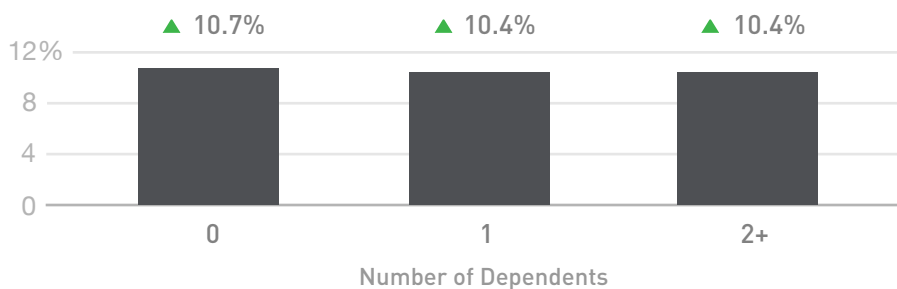
Overall trend:

All dependent categories experienced a similar rise in premiums

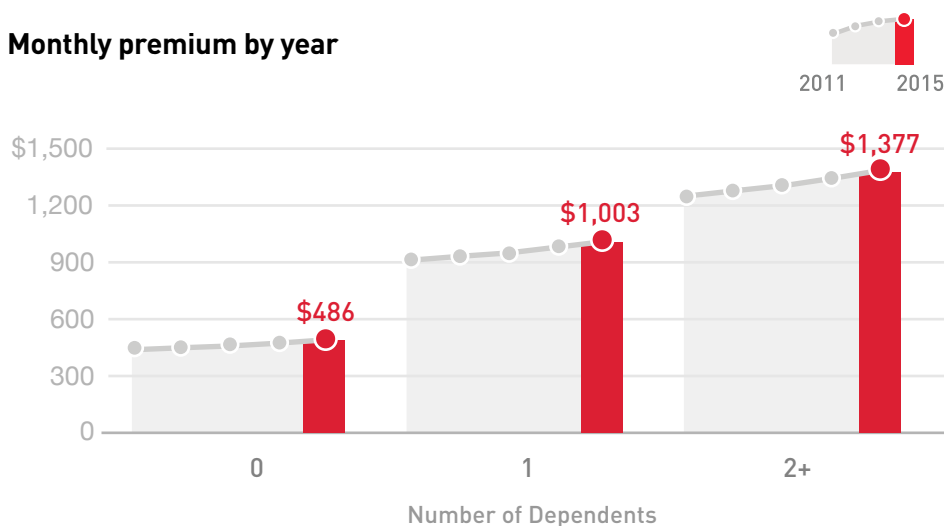
▲ 10.4%

Those with one or more dependents experienced a monthly premium increase of 10.4% from 2011 to 2015; those with no dependents had a 10.7% increase.

Percent change — 2011 to 2015



Monthly premium by year



Employer Contribution by Number of Dependents

Employer contribution decreased slightly for all employees regardless of their number of dependents. For employees with one dependent, employer contribution decreased by -0.9%. For employees with at least two dependents, employer contribution decreased by -0.6%.



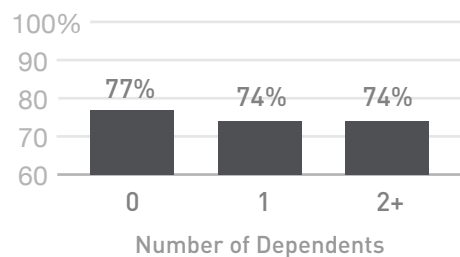
Overall trend:

Employer contributions declined slightly across all dependent groups

77%

Employer percentage contribution share for employees with no dependents; for those with one or more dependents, employer contribution was at 74%

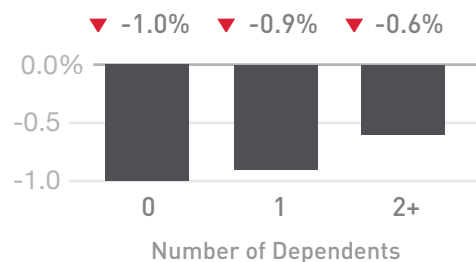
Employer percentage contribution — 2015



▼ -1.0%

Employees with no dependents had the largest percentage decrease in employer contribution share since 2011

Employer contribution percentage point change — 2011 to 2015



Total Monthly Premium by Age

Health plan premiums rose for all age groups. The greatest increase during this period was for the under-26 age group. However, this group had the lowest monthly premium overall, which was \$552 in 2015. The highest monthly premium was in the 40-to-49 age group at \$991, followed by the 50-to-59 age group at \$936. Those who are ages 40 to 59 are likely to have the most dependents (including adult children staying on a parent's policy until age 26), which could explain their higher monthly premiums. Most 26-39 year olds would be less likely to have adult children.



Overall trend:

Premiums increased for all age groups from 2011 to 2015

\$991

Largest monthly premium in 2015, ages 40 to 49

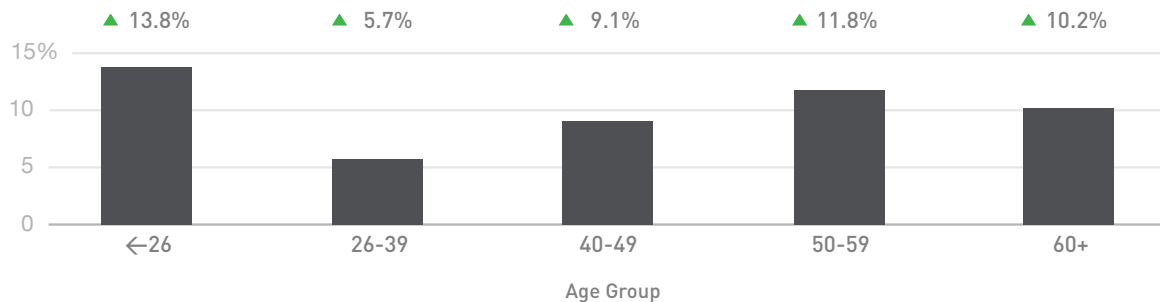
▲ 13.8%

Largest percentage increase in premium since 2011 was among employees under 26

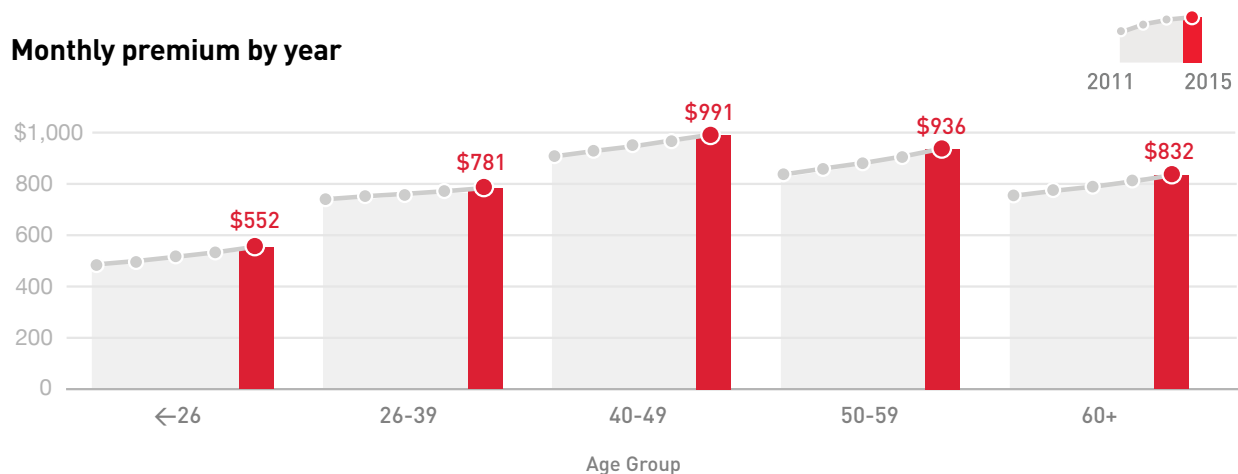
▲ 5.7%

Smallest percentage increase in premium since 2011, ages 26 to 39

Percent change — 2010 to 2014



Monthly premium by year



Source: ADP Research Institute

Total Monthly Premium by Industry (selected industries only)

This study looked at the monthly premiums in five selected industries: Education and Health Services; Financial Activities; Manufacturing; Professional and Business Services; and Trade, Transportation and Utilities. From 2011 to 2015, total monthly premiums increased at varying rates in all five industries. Trade, Transportation and Utilities saw the highest percentage increase at 11.4%, while Professional and Business Services had the lowest percentage increase at 5.8%.

Industry premium trends suggest gradual cost convergence. High premium industries tended to have smaller premium increases versus low premium industries. A partial explanation is that high cost industries may focus more on cost containment, while lower cost industries may have been required to adjust coverage to comply with ACA coverage requirements.



Overall trend:

All selected industries saw an increase in total monthly premiums from 2011 to 2015

▲ 11.4%

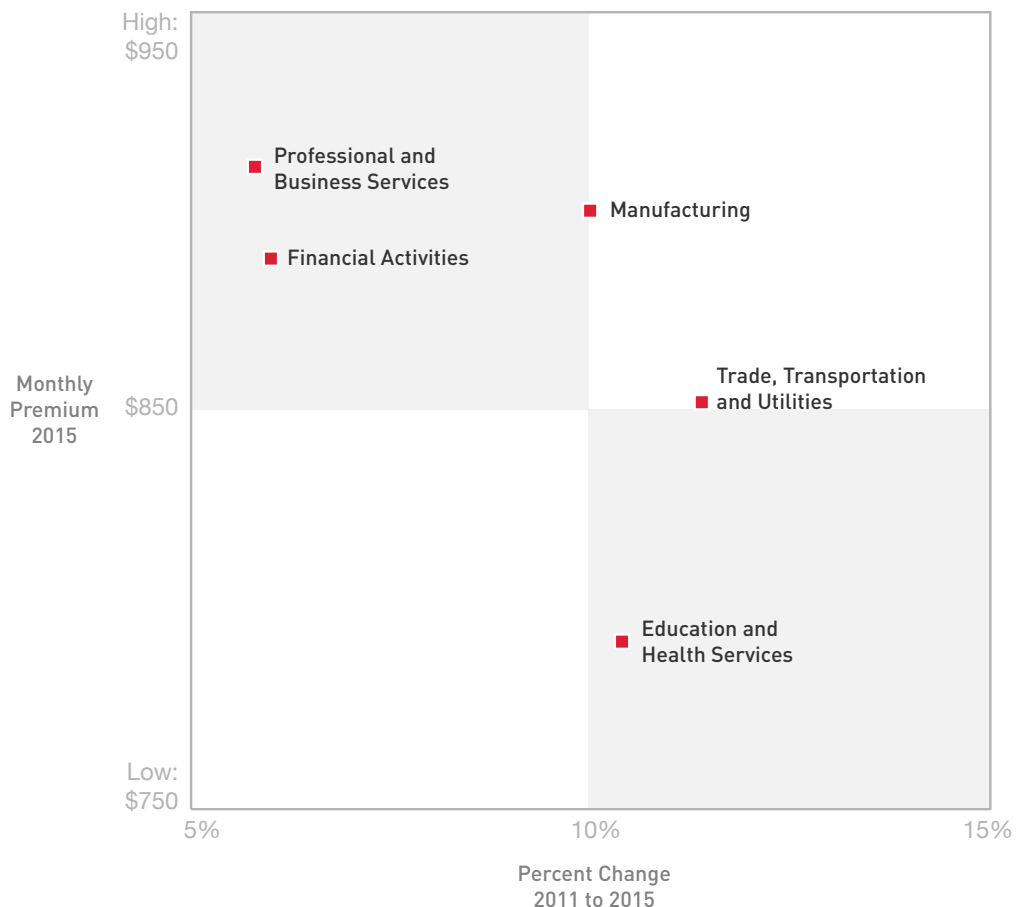
Largest percentage increase in premium since 2011, in Trade, Transportation and Utilities

\$911

Largest monthly premium in 2015, in Professional and Business Services

\$792

Smallest monthly premium, in Education and Health Services



Source: ADP Research Institute

Employer Premium Contribution by Industry (selected industries only)

Employer premium contributions decreased in four of the five industries selected for this report. The only industry that experienced an increase in employer contribution was Financial Activities, at 0.4%. The largest decrease was in Education and Health Services, where the employer contribution went down -1.5%.

Financial Activities had the largest percentage employer contribution at 77.6%, while Professional and Business Services experienced the lowest percentage employer contribution at 72.5%. Employer contribution can vary among industries for many reasons, including differences in the types of positions within each industry.



Overall trend:

Employer contribution rates changed little since 2011 among the selected industries studied

▲ 0.4%

The only increase in employer contribution was in Financial Activities

▼ -1.5%

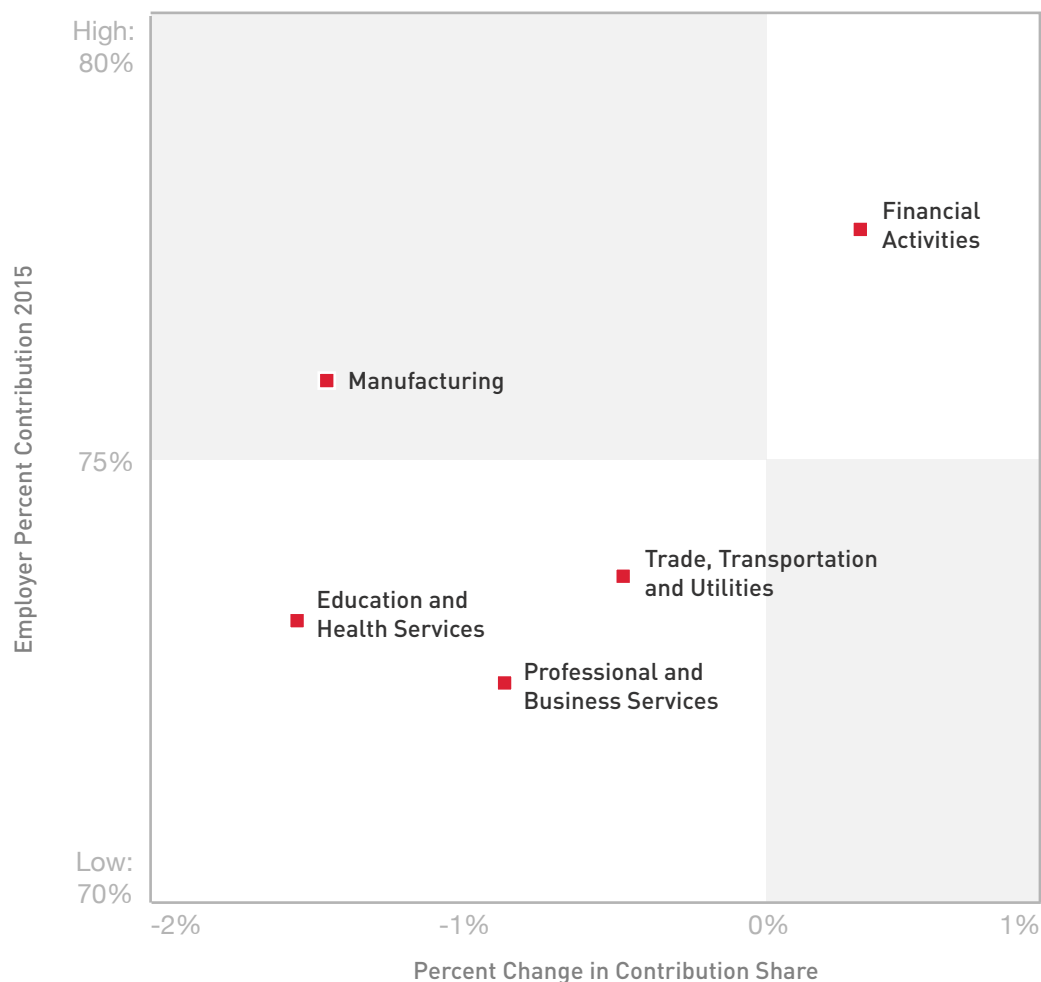
The greatest percentage decrease in employer contribution was in Education and Health Services

77.6%

The largest percentage employer contribution was in Financial Activities

72.5%

The lowest employer contribution was in Professional and Business Services



Source: ADP Research Institute

Premium by Income Range

The health plan premium per participating employee increased as income levels increased. In 2015, employees earning an annual salary of \$15,000 to \$20,000 had the lowest monthly premium of \$589, while those earning more than \$120,000 paid \$1,188 per month.

However, when premiums were adjusted for total covered lives, the statistical relationship between income levels and premium costs disappeared. When the premium was considered per covered life – rather than per employee – the cost remained fairly constant across all income levels. Although premiums increased as income levels increased, the higher premiums may have been because these employees were more likely to purchase health coverage for additional family members.

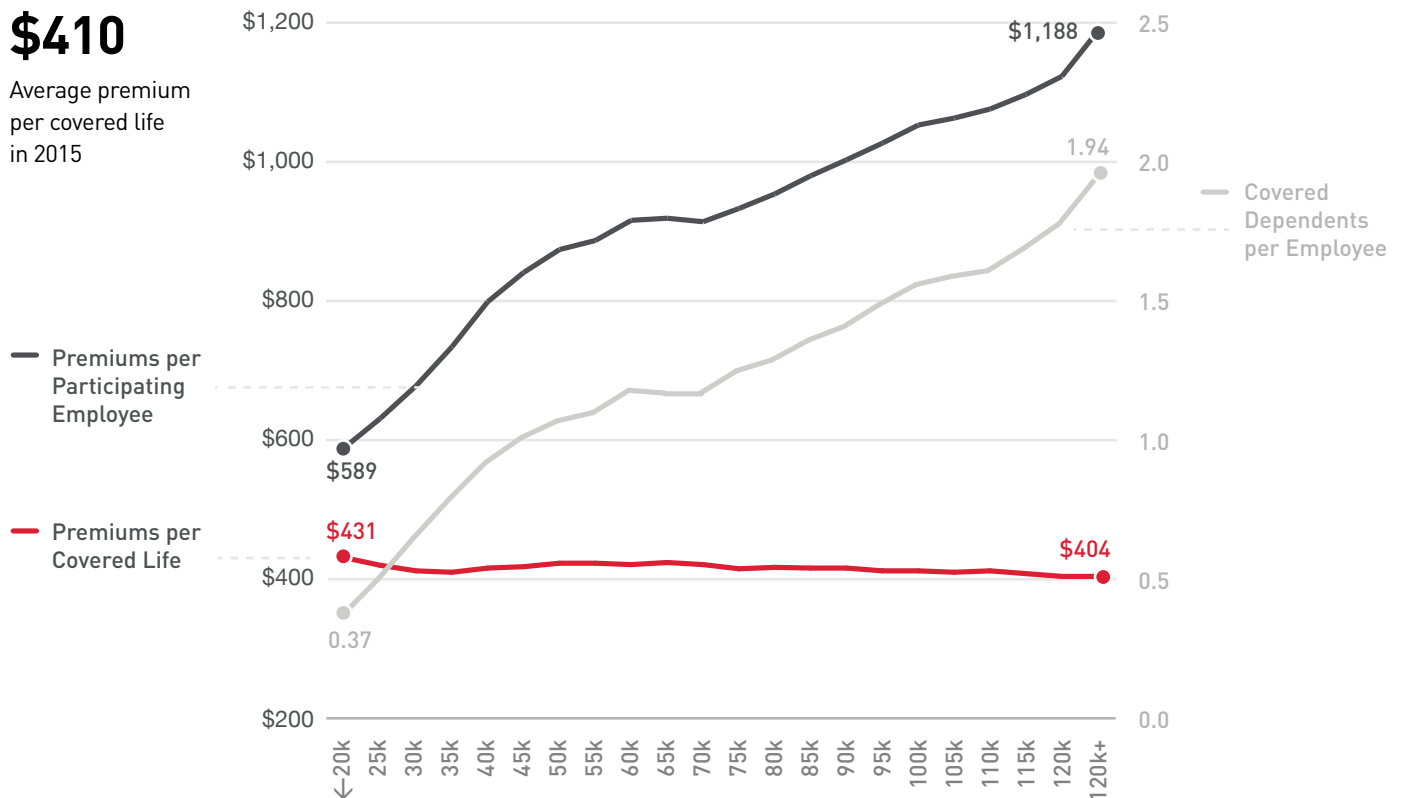


Overall trend:

Employees with higher incomes tended to cover more dependents, resulting in higher premiums

\$410

Average premium per covered life in 2015



Source: ADP Research Institute

Employee Premium Contribution as a Percentage of Income

The percentage of income employees paid for health plan premiums generally decreased as income rose, averaging 5.5% in aggregate for 2015. Since 2011, all income levels experienced an increase in the percentage of income spent on health plan premiums. However, the largest percentage change was among those with incomes between \$15,000 and \$20,000. Those with higher incomes saw smaller percentage changes.

Because health plan premiums grew more quickly than wages, premium contributions as a percentage of income increased more rapidly for lower-wage employees. For these employees, health plan premiums represented a larger percentage of income.



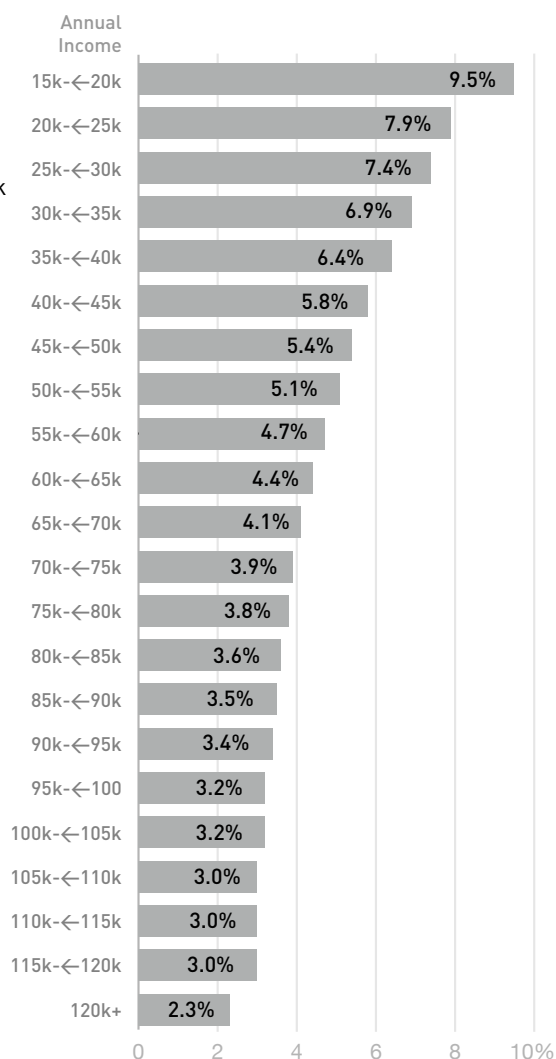
Overall trend:

Cost of premium as a percentage of income increased across all income levels

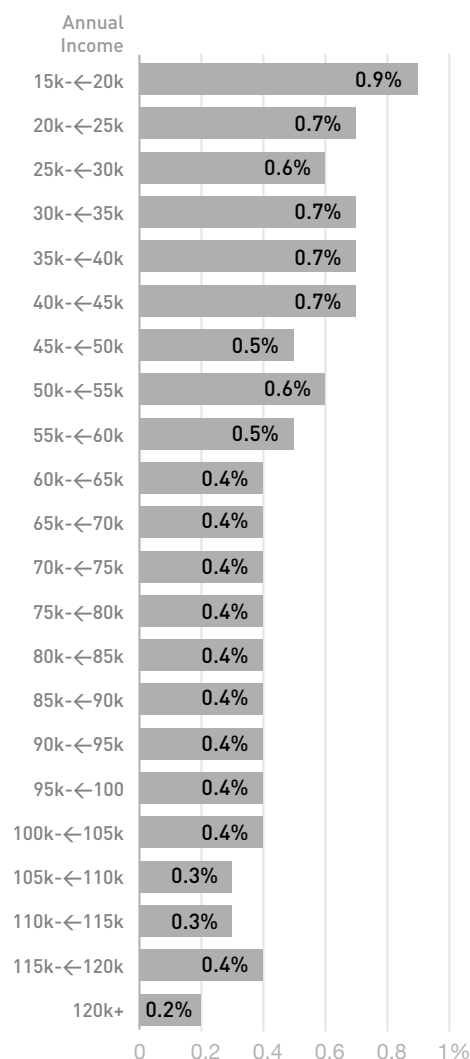
▲ 0.9%

Largest increase in percentage of income since 2011 — those earning 15k-<20k

Percentage of income, 2015



Percentage of change — 2011 to 2015



Source: ADP Research Institute

Conclusion

In the five years since the Patient Protection and Affordable Care Act (ACA) was signed into law, there have been sweeping changes across the healthcare benefits landscape. The 2015 ADP® Annual Health Benefits Report highlights several trends and key metrics that show how large employers are dealing with the evolving state of health benefits.

Eligibility rates for full-time employees have increased while participation rates for employees under age 26, whom the ACA permits to remain on a parent's health plan, have declined. In aggregate, premium increases have been modest, employee participation rates remain stable, and employers continue to pay roughly 75% of the total cost of coverage. Increased use of high deductible health plans and a decline in the ratio of dependents covered may provide a partial explanation for these results. Taken together, the results of the 2015 ADP® Annual Health Benefits Report suggest that large employers have been effective in managing overall health costs despite concerns over ACA mandated changes.

The most important revelation from the 2015 ADP Annual Health Benefits Report may be evidence of the viability of group health coverage offered by large employers. The market for group health coverage within this employer segment appears to be stable and sustainable into the foreseeable future, but with a gradual evolution towards consumer directed health plans combined with personal spending accounts. Given that the majority of large employers operate self-funded health plans, and may have direct liability for the health claims incurred by their covered employees and dependents, this stability is welcome news, and constitutes a significant finding.

About the ADP Research Institute®

The ADP Research Institute® provides insights to leaders in both the private and public sectors regarding issues in Human Capital Management (HCM), employment trends, and workforce strategy.

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