

ADP RESEARCH INSTITUTE®

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# ADP® Annual Health Benefits Report

2013 Benchmarks and Trends for Large Organizations

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# Executive Summary

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In recent years, employers have become increasingly concerned with the multifaceted issues impacting the health benefits they provide to employees. This inaugural ADP® Annual Health Benefits Report highlights significant trends in employer-provided health benefits between 2010 and 2013, and creates a foundation for decision making. In addition, the 2013 data establish key benchmarks as organizations prepare for the implementation of the Shared Responsibility provisions of the Affordable Care Act (ACA). A valuable baseline, this report is the first in a series of annual studies to track key trends in the years ahead.

This report aggregates data on key metrics from 175 U.S.-based client organizations and draws from actual, anonymous client data, rather than self-reported surveys.

The ADP Annual Health Benefits Report brings to light the relative impacts of the initial provisions of the ACA, health plan premium dynamics, changing economic conditions, and changing workforce demographics. It is intended to provide employers with strategic insights as they enter the uncharted territory of health benefits after national Health Care Reform. The findings reported here form a solid foundation upon which organizations can build effective benefits strategies for the future.

## **Participation steady with variances in age demographic**

Between 2010 and 2013, the percentage of full-time employees who were eligible for employer-provided health benefits remained relatively steady at an average of 88%, a decline of just 2% over the period. The overall percentage of those participating in health benefits also remained relatively constant at an average of 65%. However, although the averages were relatively constant, there were marked variances among specific age groups.

The data showed distinct trends at either end of the age spectrum. The average age of the “insured” workforce, along with that of the total workforce, increased. A growing number of older employees were eligible and participated in employer-provided health benefits. Employees ages 50 to 59 participated in the largest percentage. In all groups 40 and older, participation was near 70% or higher in 2013. These trends are consistent with the overall aging of the workforce as baby boomers work into their later years. Also, as children can now remain on their parents’ health insurance policy up to age 26, there may be an additional motivation for older parents to participate in their employer-sponsored health insurance.

In comparison, among employees under age 30, only half participated in their employer’s health benefits program in 2013. Although eligibility has declined slightly in every age group since 2010, the largest decrease was among this group. This trend is consistent with the slow entry of college graduates into the workforce during the recession. It also may indicate that jobs taken by younger people were less likely to offer health benefits.

Health plan premiums rose for employees of all ages, but the steepest increase was for those under 30. The lower participation among those under 30 may be linked to the rise in premiums for this age group.

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### Health plan premiums rising – but moderating

The average monthly premium rose 13.9% from 2010 to 2013. However, after a spike of 7.6% between 2010 and 2011, the rate of increase moderated. Premiums rose 3.1% in the last year. In 2013, the average monthly health plan premium was \$832.\*

The moderating of premium costs may have been due, in part, to an increasing number of employers reducing actual coverage value, using high-deductible health plans with higher co-pays, or implementing spending accounts and consumer-directed health plans.

### Costs vary by state

An analysis of 21 states with the largest employee populations showed the cost of health plan premiums — as well as premium increases — varied widely from state to state. In 2013, of the 21 states analyzed, New Jersey had the highest monthly premium, \$968, and Colorado had the lowest, \$733. Also in 2013, the employer's contribution share of the health plan premium ranged from 79% in New York to 72% in Colorado.

### Employees with higher incomes covered more dependents

Employees with higher incomes tended to incur higher premiums, but also covered more dependents. When premiums were adjusted for total covered lives — employees plus dependents — premium costs were constant among income levels, averaging \$388 per month in 2013.

### Early impacts of the ACA

Several trends identified may be attributable to the provision of the ACA that enables dependents up to age 26 to stay on a parent's health policy. Higher premium costs in older age groups may have been linked to the growing likelihood that a covered employee could have dependents who may be up to age 26. Although take rates were up for all age groups between 2010 and 2013, the take rate rose only 0.4% among those under 30.

In what may be a response to the ACA, employers increased their contribution share for single-coverage health plans and decreased their share for family coverage. In 2013, the largest employer contribution share was for single coverage, at 77%.

When looking at employer contribution by age, the only slight increase in employer contribution share since 2010 was among those age 39 and younger. Among all other age groups, the employer share declined.

### Strategies for the future

The findings show that, in recent years, employers have been insuring a larger proportion of older workers and a smaller proportion of younger ones. The ACA is prompting many organizations to re-examine their benefits strategies as they move into 2014, when the major provisions of the law will go into effect. In an effort to reduce the risk in their pool of insured workers and possibly reduce costs for everyone, employers may extend coverage to those who were not previously eligible. They may change the health plan premium tiers or levels of coverage, or they may reduce the employer's contribution to the coverage of dependents. These strategies and others could have far-reaching impacts on employers and employees.

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\* The average monthly health plan premium includes both employer and employee contributions.

# About This Study

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Among its wide range of products and services for employers, ADP offers comprehensive health and welfare benefits solutions. By using anonymous and aggregated data from its client community, ADP can draw findings that enable it to conduct studies that cannot be done via other sources. Whereas most studies of health benefits collect summarized data from employers, 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 2010 to 2013. This research considered the same set of organizations each year in order to provide consistent comparisons across years. In total, the "matched" set of 175 U.S.-based organizations was comprised of more than 600,000 employees each year, on average. All organizations used in this study had 1,000 or more employees for at least one of the four years and no fewer than 800 in any given year. For this study, the ADP Research Institute focused on nonunion, full-time employees.

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. 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, state, 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

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# Participation in Health Benefits

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# Participation in Health Benefits

## Eligibility & Participation Among Full-Time Employees

The 2013 ADP Annual Health Benefits Report gives employers a snapshot of the time period leading up to the implementation of the Shared Responsibility provisions of the Affordable Care Act in 2014. It is a valuable baseline for measuring key trends in the years ahead.

Among full-time employees, the percentage who were eligible for employer-provided health benefits, as well as those participating in health benefits, remained relatively steady between 2010 and 2013.

Eligibility declined by only 2% during this time period. Despite these consistent averages, there were marked variances among different demographic groups as shown on the next several pages.

Overall trend:

**Eligibility and participation rates among full-time employees remained relatively steady**

**88%**

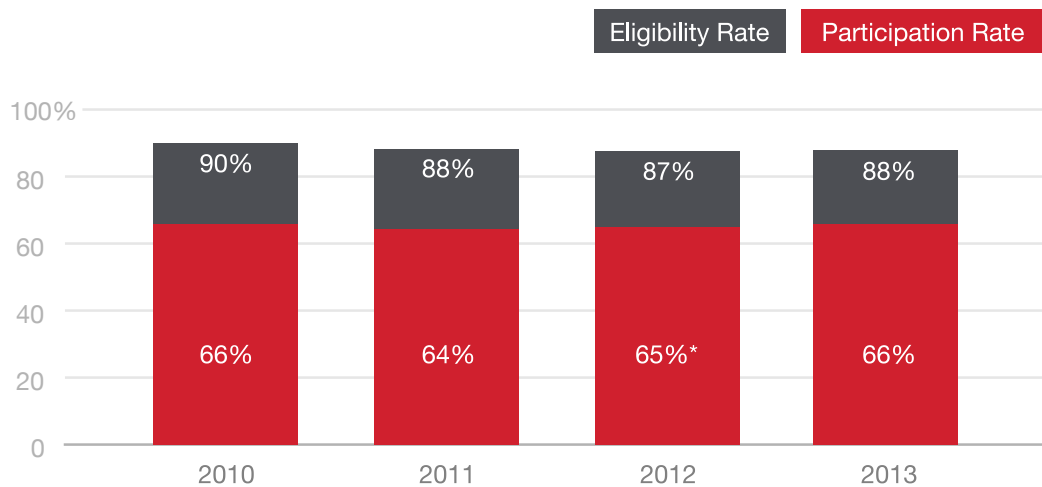
Eligibility rate in 2013

**75%**

75%\*\* of those eligible chose to purchase benefits in 2013

**66%**

Participation rate in 2013



Source: ADP Research Institute

\* Dataset used for the 2013 ADP Annual Health Benefits Report is defined slightly different from that used in an earlier study, ADP's 2012 Study of Large Employer Health Benefits, where the Participation Rate was shown at 66%. In this report, the dataset is constrained to the subset of organizations that appear in all four years.

\*\* In 2013, the take rate was 75% (as calculated by dividing the participation rate of 66% by the eligibility rate of 88%).

## Eligibility & Participation Among Full-Time Employees by Marital Status

Although married workers experienced higher eligibility and participation rates than unmarried people, the take rates showed little difference between the two groups. When eligible for health benefits, both groups purchased insurance at nearly the same rate.



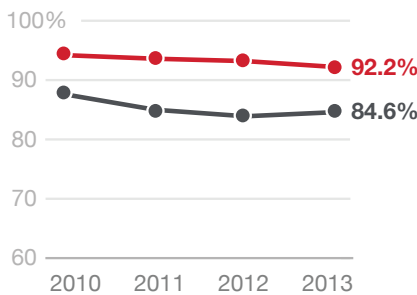
Overall trend:

**Take rates increased for both married and unmarried workers**

### Demographic profile — 2013



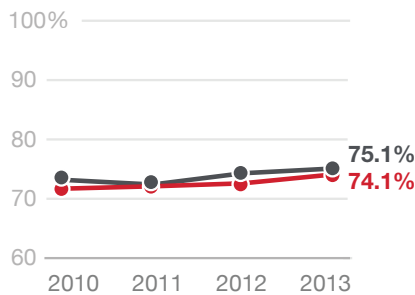
### Eligibility by marital status



**7.6%**

Married workers experienced eligibility rates that were 7.6 percentage points higher than unmarried workers

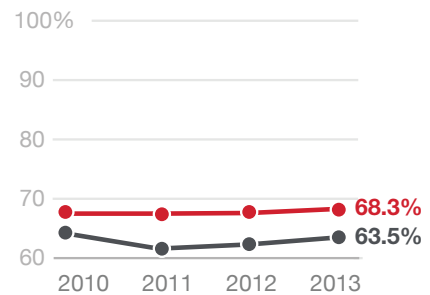
### Take rate by marital status



**▲ 1.0%**

Take rates between the two groups are quite close, only 1% difference

### Participation by marital status



**4.8%**

Married workers experienced participation rates that were 4.8 percentage points higher than unmarried workers



## Eligibility & Participation Among Full-Time Employees by Gender

Among full-time employees, both genders experienced declining eligibility and increasing participation rates. However, eligibility declined slightly more for men.

Unlike the pronounced difference in eligibility rates between married and unmarried, little difference in eligibility rates existed by gender.



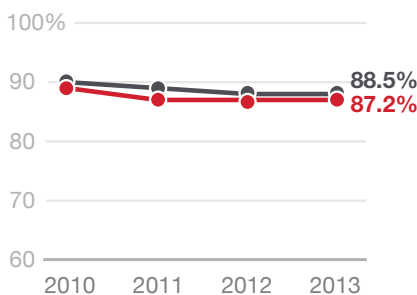
Overall trend:

**Take rates for male workers increased at a greater rate than females**

### Demographic profile — 2013



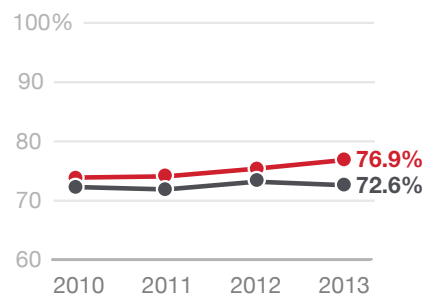
### Eligibility by gender



**1.3%**

Females experienced eligibility rates that were slightly higher than males in 2013

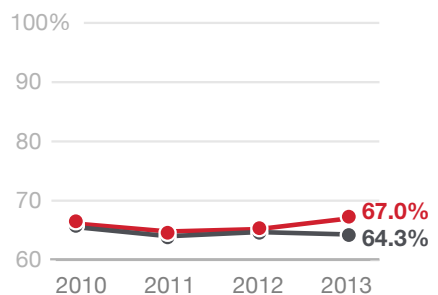
### Take rate by gender



**4.3%**

Difference in take rate between males and females in 2013

### Participation by gender



**▲ 1.0%**

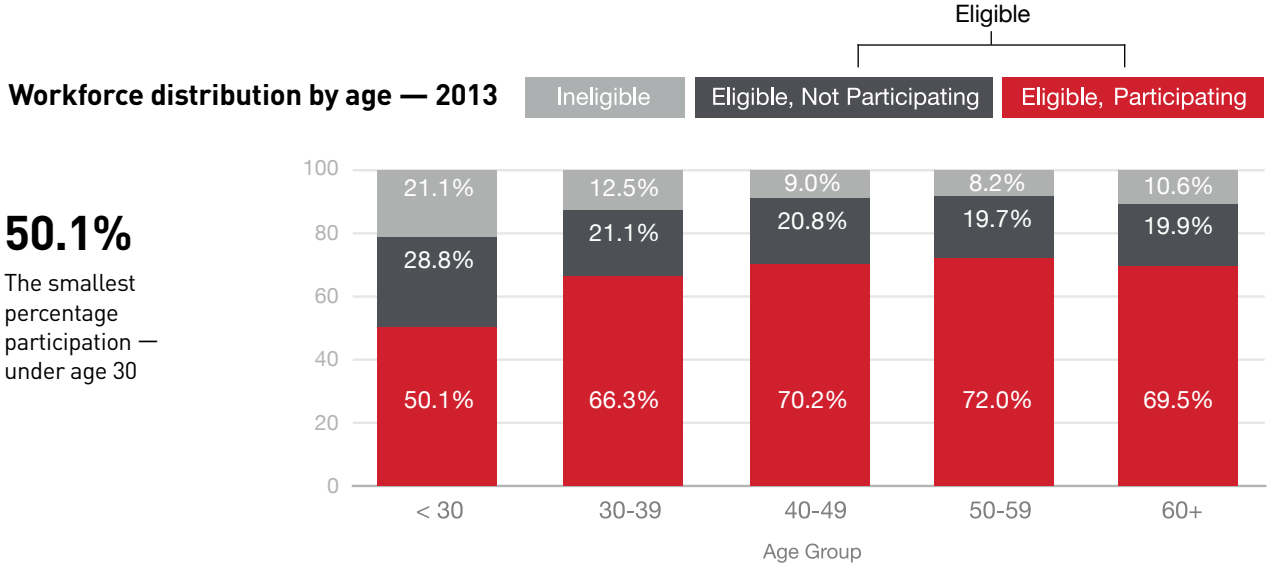
Participation rate increase for males since 2010; the rate for females has decreased by 1.2%

## Age Distribution of Full-Time Employees

Older employees experienced higher eligibility rates and participation rates in employer-provided healthcare benefits. In 2013, employees age 40 and above had participation rates of nearly 70% or higher. The highest participation was among those ages 50 to 59, at 72%. The largest increase in participation since 2010 was among those 60 and above.

**Overall trend:**  
**Eligibility and participation rates were higher for older employees**

Participation is considerably lower among those under 30, at 50.1%. Younger employees may be more likely to have lower incomes and may typically place a lower priority on health coverage. Lower participation may also be linked to the provision of the Affordable Care Act that allows dependents up to age 26 to stay on a parent's health policy.



**50.1%**  
 The smallest percentage participation — under age 30

### Percentage point change - 2010 to 2013

Age Group	< 30	30-39	40-49	50-59	60+
Eligible	-4.6%	-3.4%	-1.6%	-0.7%	-0.4%
Participants	-2.6%	-0.5%	-0.1%	0.1%	1.0%

**▼ -4.6%**  
 The largest decline in eligibility from 2010 to 2013 was among those under age 30

**▲ 1.0%**  
 The largest increase in participation was among those age 60 and up

Source: ADP Research Institute

## Eligibility Among Full-Time Employees by Age

Among full-time employees, eligibility declined in every age group, but the largest decrease was among those employees under 30. This trend may indicate that jobs taken by younger people were less likely to offer health benefits, although younger people were generally the least expensive to insure.\*



Overall trend:

**All age groups have seen declines in eligibility**

**▼ -4.6%**

The largest percentage decrease in eligibility was among those under 30

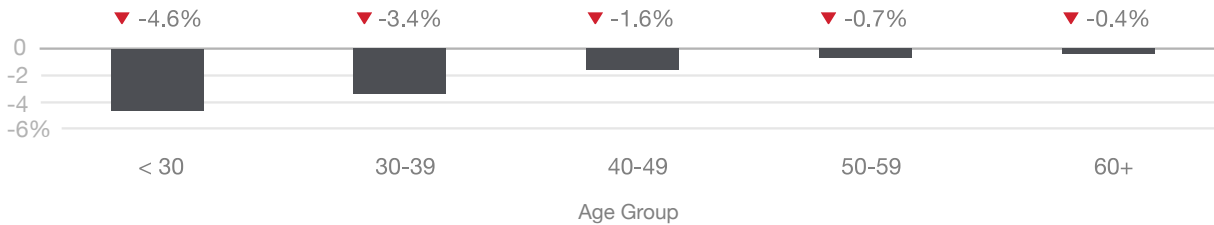
**zero**

The number of age groups that increased in eligibility

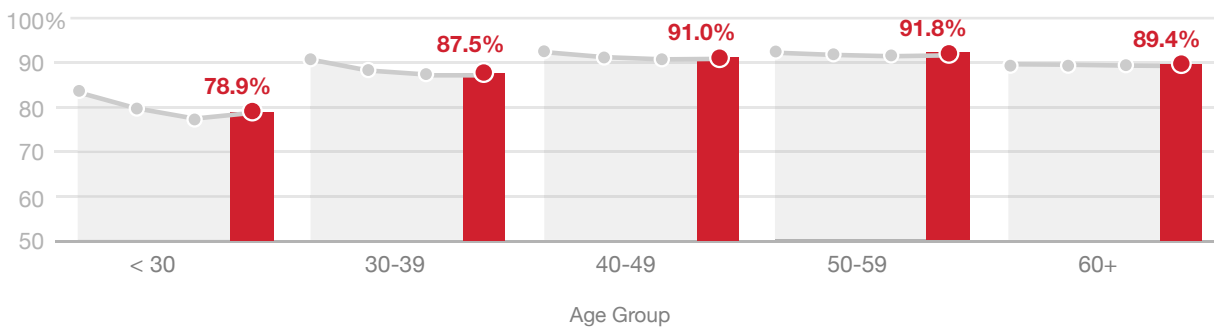
**ages 50-59**

The age group with the highest level of eligibility

### Percentage change in eligibility — 2010 to 2013



### Eligibility rate by year



Source: ADP Research Institute

\*Source: ADP's 2012 Study of Large Employer Health Benefits: Benchmarks for Organizations with 1,000+ Employees.

## Take Rate Among Full-Time Employees by Age

Among all age groups of full-time employees, the take rate increased 1.7%. When eligible for health benefits, more than 75% of full-time employees chose them in all age groups (except those under 30). The largest percentage increase between 2010 and 2013 was among those ages 30 to 39, at 2.3%. The only exception to this trend was among employees under 30, whose take rate was 63.5%. The take rate for this youngest group rose only 0.4% over the same period.

**Overall trend:**  
**All age groups experienced an increase in take rate**

The less pronounced rise in the take rate among younger workers may be linked to the provision of the Affordable Care Act that enables dependents up to age 26 to stay on a parent's health policy.

**▲ 2.3%**

The largest percentage increase in take rate was among those ages 30-39

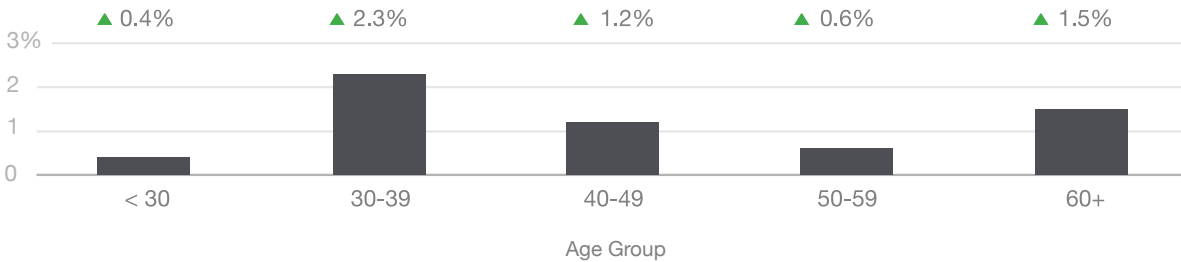
**zero**

The number of age groups that decreased in take rate

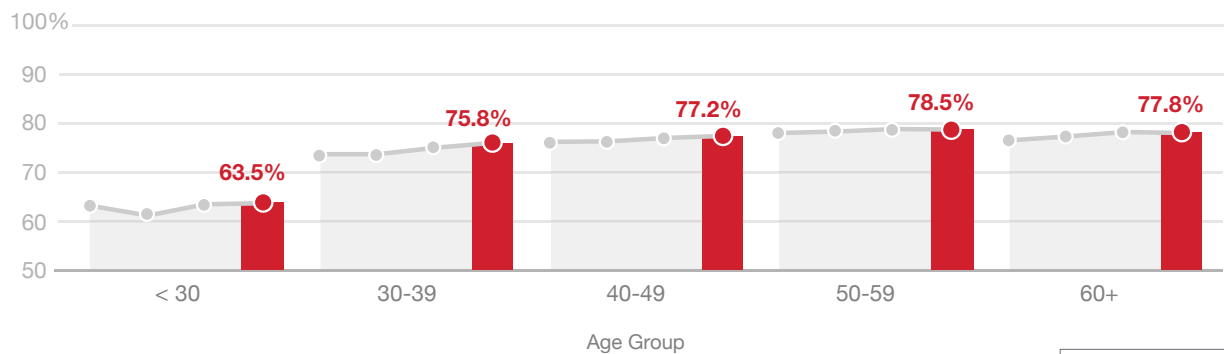
**ages 50-59**

The age group with the highest take rate

### Percentage change in take rate — 2010 to 2013



### Take rate by year



Source: ADP Research Institute

## Participation Among Full-Time Employees by Age

The participation rate for all ages combined held steady for the past four years, but the participation within specific age groups changed. Full-time employees ages 50 to 59 participated in employer-provided health plans at the highest rates. However, the largest increase in participation was among those 60 and over.

Also of significant note, among employees under 30, only 50.1% participated. This age group experienced the largest decrease in participation, -2.6%.

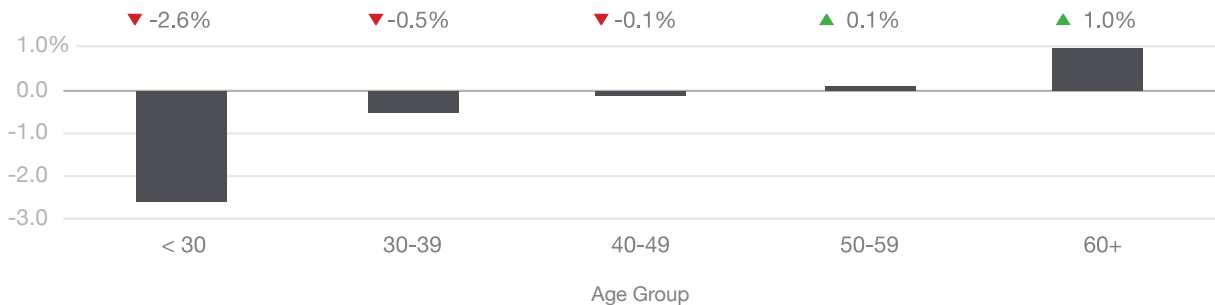
**Overall trend:**  
Participation rates vary among specific age groups but held steady overall

**▲ 1.0%**  
Largest percentage increase in participation, age 60 and up

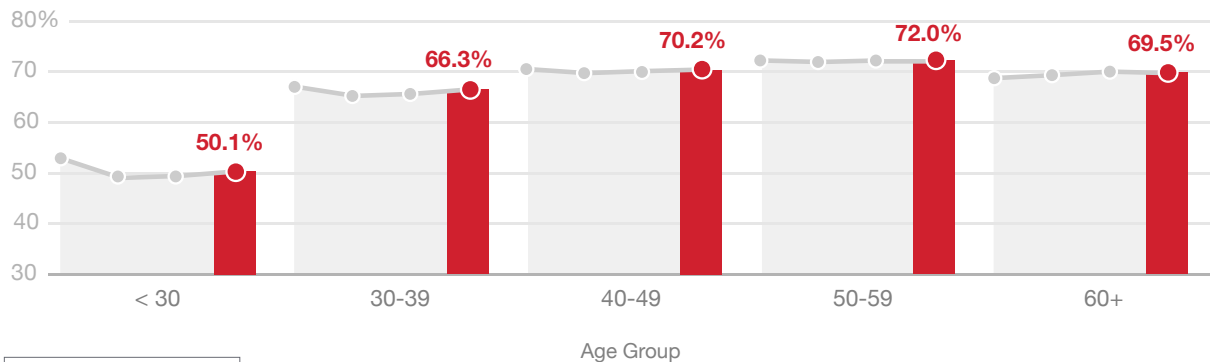
**72.0%**  
Largest percentage participation, age group 50-59

**50.1%**  
Smallest percentage participation, under 30

### Percentage change in participation — 2010 to 2013



### Participation rate by year



Source: ADP Research Institute

SECTION TWO

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# Health Plan Premiums

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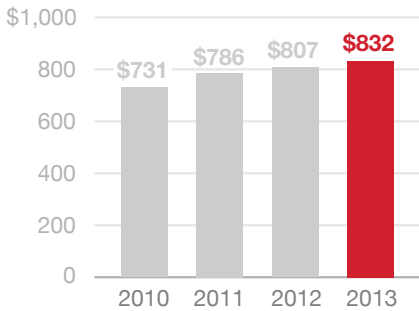
# Health Plan Premiums

## Average Monthly Premium in the United States\*

The study considered premium costs of full-time employees in organizations where both employees and the employers contributed to the health plan premium. Across all industries and demographic groups, the average monthly premium rose 13.9% between 2010 and 2013. The largest percentage increase was between 2010 and 2011, when premiums spiked 7.6%. In the last year, they rose 3.1%.

 Overall trend:  
**Premiums grew every year but the rate of increase has slowed**

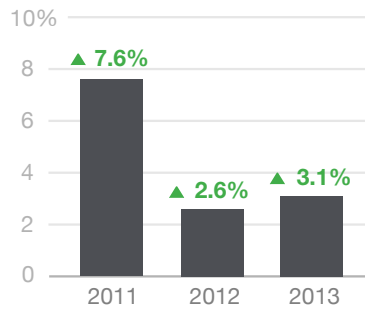
### Average total monthly premium



**\$832**

Average total monthly premium in 2013

### Percentage change in premium



**▲ 13.9%**

Percentage premium increase from 2010 to 2013

Source: ADP Research Institute

\* Health plan premiums for full-time employees where both the employee and employer contribute.

## Employer Contribution as a Percentage of Total Premium

The share employers contributed to the health plan premium declined slightly across most age groups from 2010 to 2013. The exception was among those under 40, where there was a slight increase in employer contribution share. The increase may be linked to the practice of increasing subsidies for single coverage (zero dependents), as described on page 17.

When averaged across all demographic groups, employer contributions to health plan premiums rose at rates that roughly corresponded with total premium increases.



Overall trend:

**Employer contribution share has declined slightly since 2010 for those over age 40**

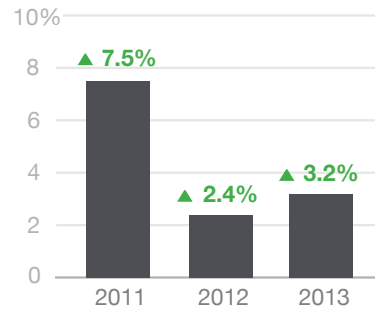
**▲ 1.4%**

Largest percentage increase in employer contribution share since 2010, those under age 30

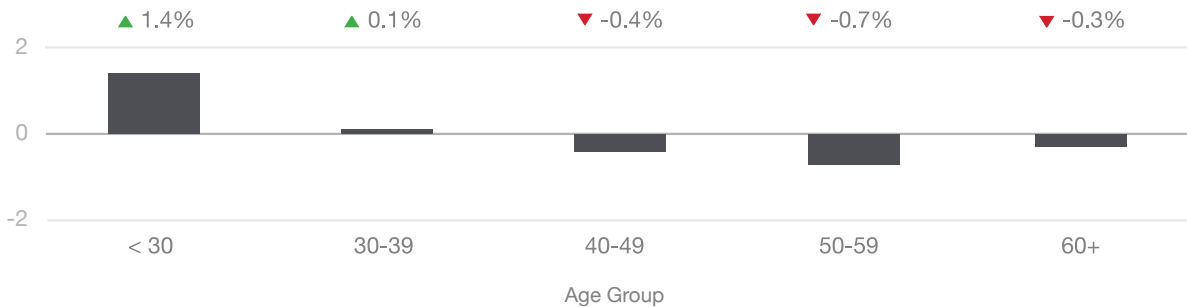
**\$627**

Average total employer contribution in 2013

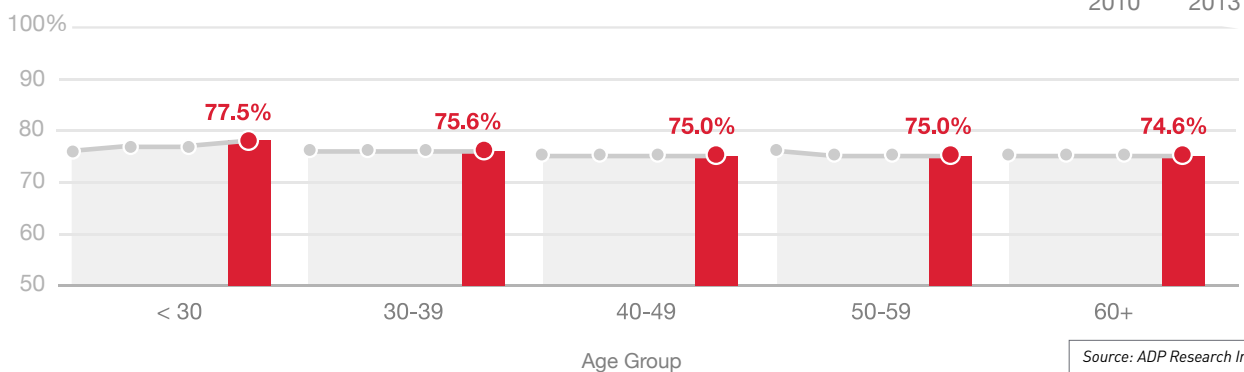
Employer premium contribution (percentage change by year)



Percentage point change in employer contribution share — 2010 to 2013



Percentage contribution by age



Source: ADP Research Institute



## Total Monthly Premium by Number of Dependents

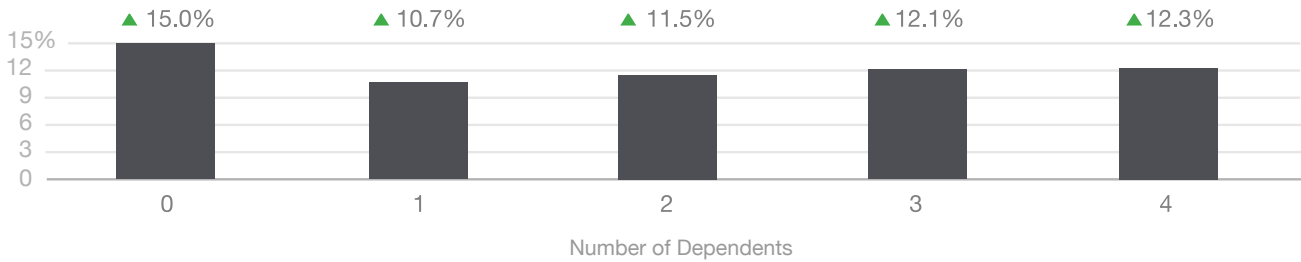
Monthly health plan premiums rose for all dependent categories from 2010 to 2013, but most rapidly for individuals with no dependents and most slowly for employees with just one dependent — 15.0% and 10.7%, respectively.

Overall trend:  
**Premiums rose for all dependent categories**

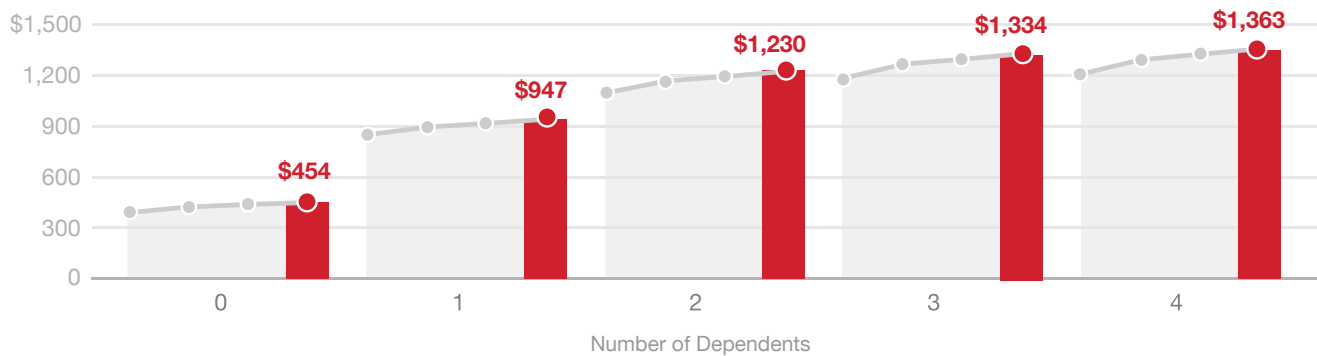
▲ **15.0%**

Largest percentage change in premium since 2010 — employees with zero dependents

### Percentage change — 2010 to 2013



### Monthly premium by year



Source: ADP Research Institute

## Employer Contribution by Number of Dependents

The more dependents employees had, the greater decrease they experienced in employer contribution share to health plan premiums. The largest percentage decrease since 2010 was among those with four or more dependents. Those with no dependents experienced an increase in employer contribution share.

Although premium costs for individual coverage grew at a faster rate, employer contribution share to individual coverage actually increased since 2010, as noted on a previous page. These findings may be linked to a general employer trend toward smaller subsidies for family coverage as compared to individual coverage.



Overall trend:

**Employer contribution share declined for those with a higher number of dependents**

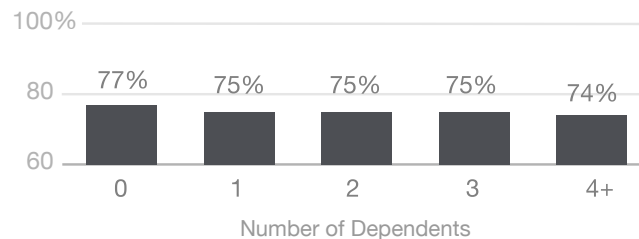
**▼ -0.9%**

Largest percentage point decrease in employer contribution share since 2010 — those with four or more dependents

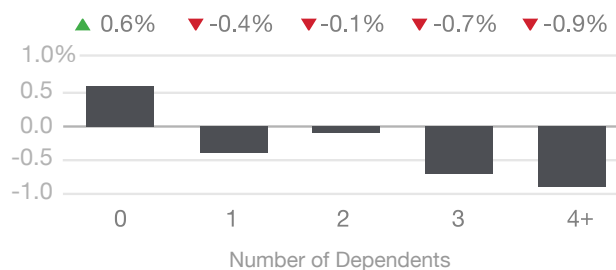
**▲ 0.6%**

The only increase in employer contribution share since 2010 — those with zero dependents

**Employer percentage contribution — 2013**



**Employer contribution percentage point change — 2010 to 2013**



## Total Monthly Premium by Age

Health plan premiums rose for employees of all ages, but the steepest increase since 2010 was for those under age 30. The smallest percentage increase in premiums was for ages 30 to 39. The highest monthly premium was in the 40-to-49 age group at \$949.

The increase in premium for ages 40 to 49 may be linked to these workers having dependent children up to age 26 on their health plan.



Overall trend:

**Premiums grew for employees in all age groups, although the rate of increase slowed**

**\$949**

Largest monthly premium — those ages 40-49

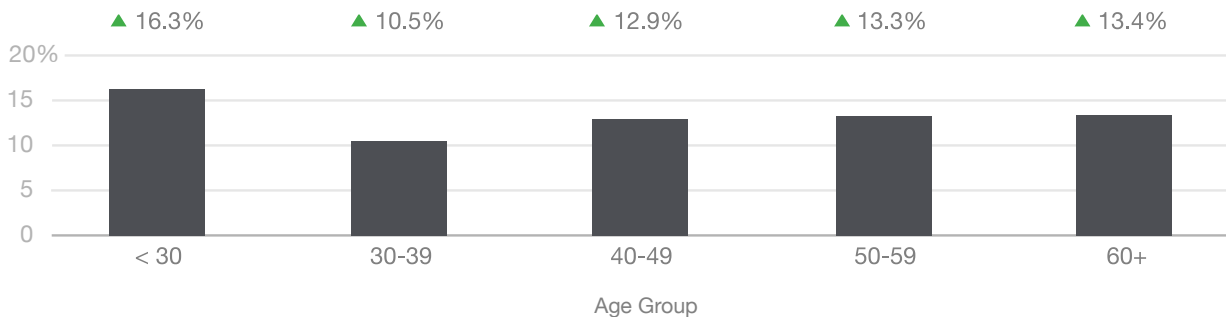
**▲ 16.3%**

Largest percentage increase in premium since 2010 was among those under age 30

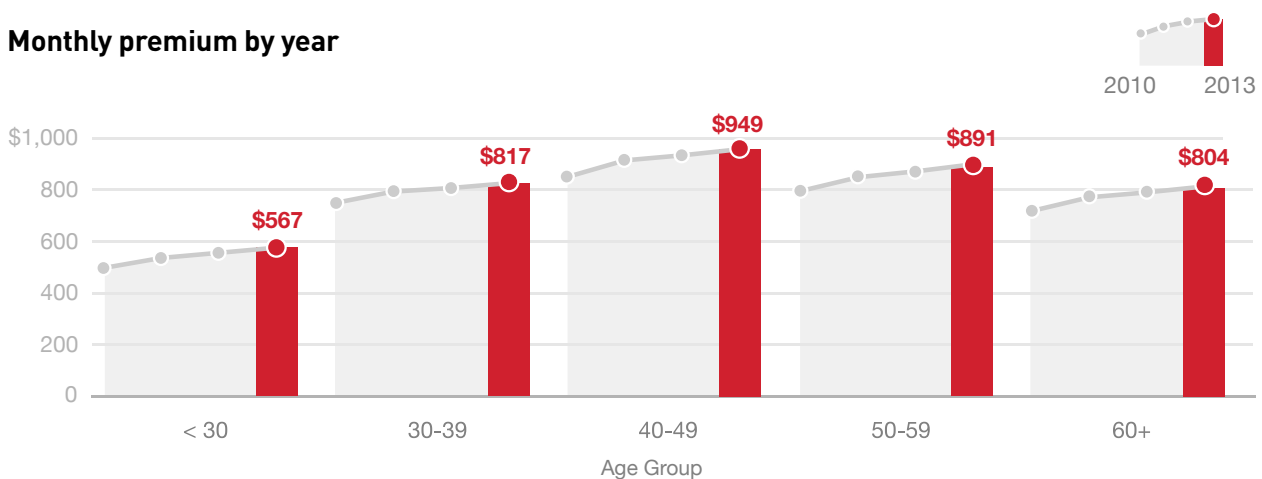
**▲ 10.5%**

Smallest percentage increase in premium since 2010, ages 30-39

### Percentage change — 2010 to 2013



### Monthly premium by year



Source: ADP Research Institute

## Total Monthly Premium by State (selected states\* only)

The cost of health plan premiums varied widely from state to state. An analysis of 21 states with the largest employee populations showed New Jersey had the largest monthly premium — but experienced the smallest percentage increase since 2010. On the other hand, the largest percentage increase was in North Carolina, while that state’s average monthly premium was nearly equal to the national average in 2013.



Overall trend:

**Premium costs and increases since 2010 varied widely by state**

**▲ 18.8%**

Largest percentage increase in premium since 2010, in North Carolina; monthly premium (\$830) is nearly equal to the national average

**\$968**

Largest monthly premium, in New Jersey; smallest percentage change since 2010 (6.9%)

**\$733**

Smallest monthly premium, in Colorado; second smallest percentage change since 2010 (8.8%)



Source: ADP Research Institute

\* The above chart shows the 21 states with the largest employee populations.

## Employer Premium Contribution by State (selected states\* only)

The share contributed by employers to health plan premiums declined or experienced no change in most states since 2010. However, there is no discernable pattern related to geography and the rate of decline.



Overall trend:

**Employer contribution share declined or remained unchanged in most states**

**▼ -2.8%**

Largest decrease in employer contribution — in New Jersey

**79.0%**

Largest percentage employer contribution — in New York

**15 of 21**

States that have had a decrease or no change in employer contribution share since 2010



Source: ADP Research Institute

\* The above chart shows the 21 states with the largest employee populations.

## Premium by Income Range

The health plan premium per participating employee increased as income levels increased. In 2013, employees earning an annual salary of \$15,000 to \$19,999 had the lowest monthly premium of \$558 while those earning more than \$120,000 paid \$1,130 per month. At first glance, the data suggest a relationship between income level and health plan premium. This is consistent with a common assumption that employees with higher incomes are more likely to purchase more expensive insurance policies.

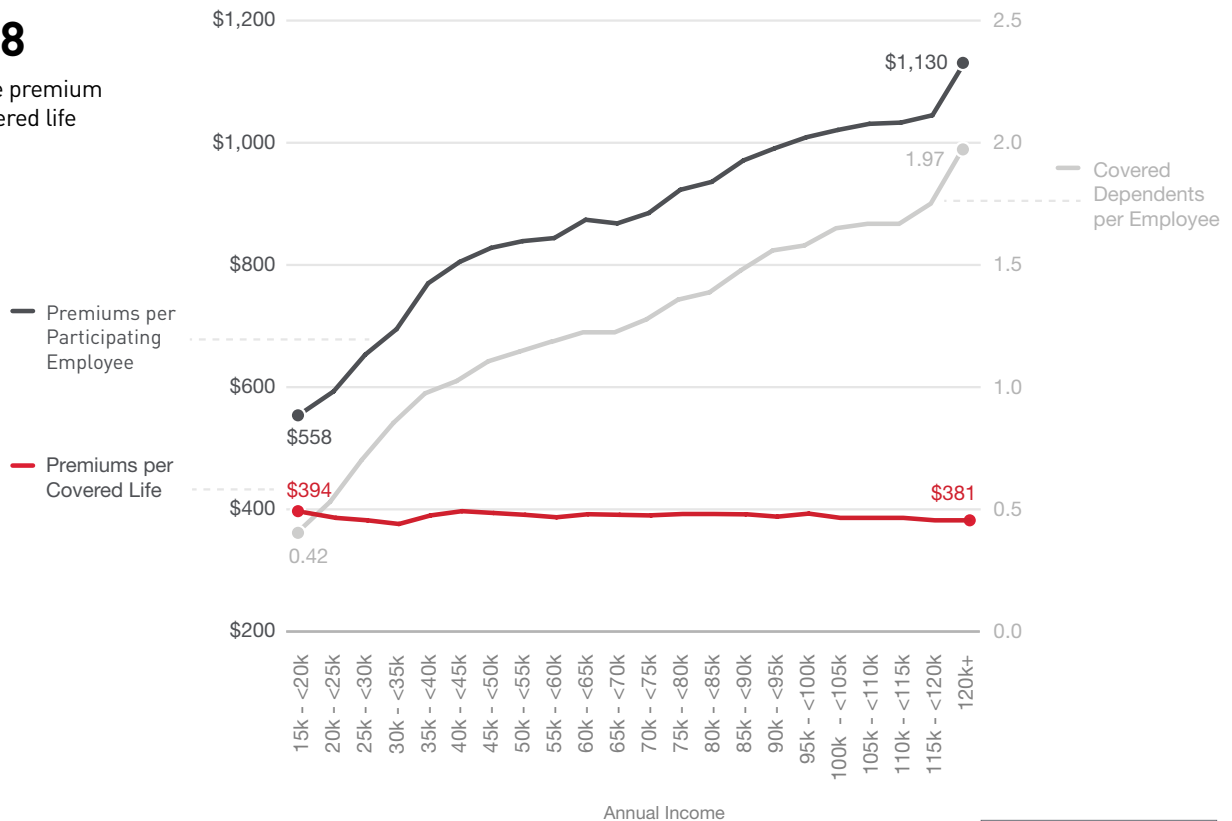
However, when premiums were adjusted for total covered lives — employees plus dependents — the statistical relationship between income levels and premium costs disappeared. This is because the number of covered dependents per employee also increased as income levels increased. In other words, employees with higher incomes had higher premiums because they 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**

### Monthly health plan premiums — 2013

**\$388**

Average premium per covered life



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. Since 2010, all income levels experienced an increase in the percent 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 generally 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 lower-wage employees, health plan premiums represented a larger percentage of income.

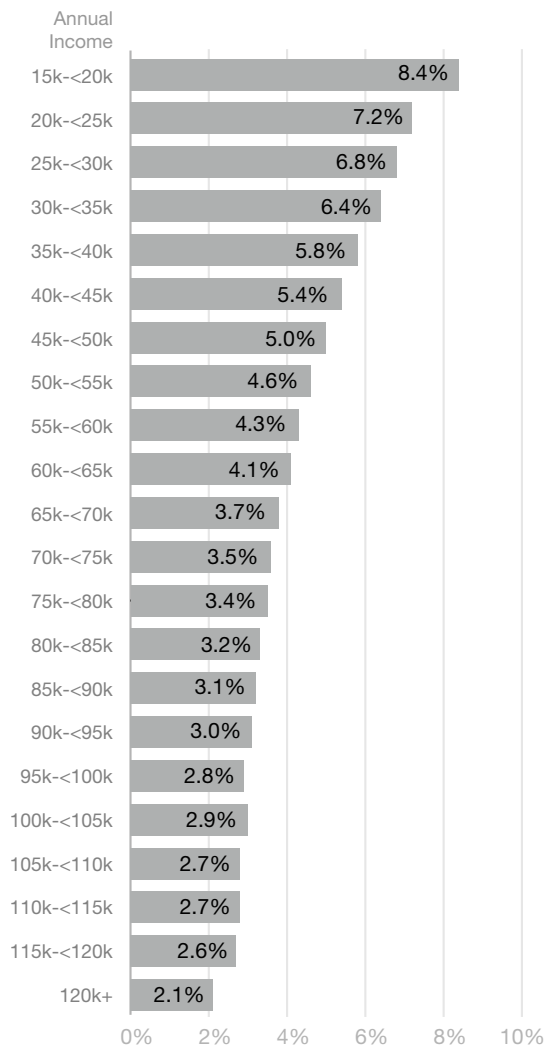


Overall trend:

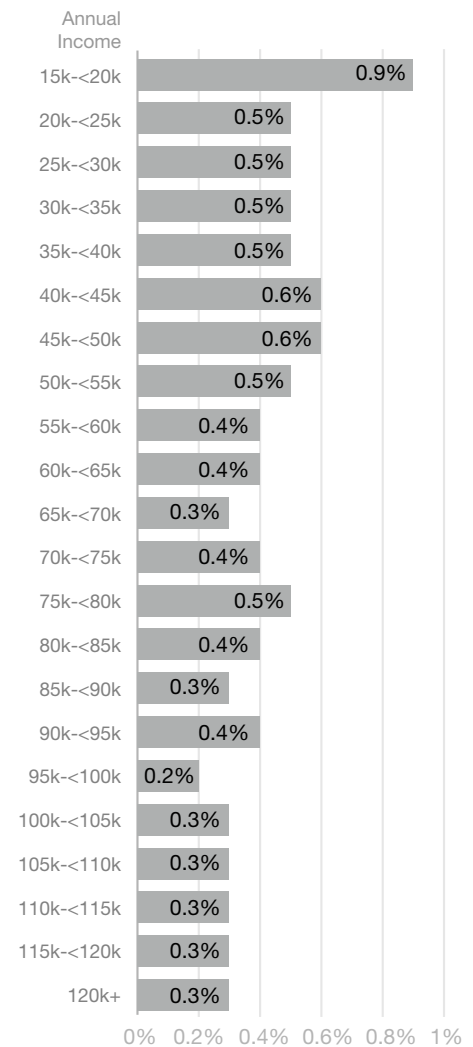
**Cost of premium as a percentage of income increased across all income levels**

**▲ 0.9%**  
Largest increase in percentage of income since 2010 — 15k-<20k

**Percentage of income — 2013**



**Percentage change — 2010 to 2013**



Source: ADP Research Institute

# Looking Ahead to 2014

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The 2013 ADP Annual Health Benefits Report gives employers a snapshot of the time period leading up to the implementation of most ACA provisions in 2014. It is a valuable baseline for measuring key trends in the years ahead.

In 2014, the ADP Research Institute will be watching with particular interest to find answers to questions such as:

- Will the ACA affordability clause change employer contributions to health plan premiums?
- To what extent will the individual mandate (which imposes a tax penalty on employees who do not obtain coverage) drive up participation rates?
- As organizations must offer coverage to those working 30 or more hours per week, how will the ratio of eligible vs. ineligible employees change?
- Will there be a spike in health plan premiums?

As ADP conducts this study annually, the ongoing report should reveal important information regarding the impact the ACA is having on employer-sponsored health coverage, while providing HR professionals with strategic insights over the coming years.





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