

ADP RESEARCH INSTITUTE®

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# ADP® Annual Health Benefits Report

2014 Benchmarks and Trends for Large Organizations

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# Executive Summary

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Health benefits represent a significant cost for all large employers. With dramatic changes occurring in the healthcare industry, employers are finding it necessary to have a clear understanding of trends in benefits in order to strategically plan for the future, and recruit and retain employees.

In its second year, the 2014 ADP® Annual Health Benefits Report highlights significant trends in employer-provided health benefits between 2010 and 2014, and creates a set of benchmarks that enable employers to better gauge the effectiveness of their current strategies. In addition, the 2014 data give employers a foundation for decision-making as they face additional changes on the horizon. This report is an annual study that tracks key trends and provides a baseline for the years ahead.

This report aggregates data on key metrics from U.S.-based client organizations and draws from actual, anonymous client data, rather than self-reported surveys. These are large employers (1,000 or more employees), who are primarily self-funded.

The ADP Annual Health Benefits Report brings to light the relative impacts of health plan premium dynamics as well as changes in economic conditions, legislation, and workforce demographics. It is intended to provide employers with a snapshot of the recent time period and a valuable baseline for measuring key trends in the years ahead. With these strategic insights, organizations can build effective benefits strategies for the future.

## **Overall participation steady, but varies with age**

Between 2010 and 2014, the percentage of full-time employees\* who were eligible for employer-provided health benefits remained relatively steady at an average of 90%. The overall percentage of those participating in health benefits also remained relatively constant at an average of 68%. However, the averages do not reflect the 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, with 73% of those eligible participating. In all groups 40 and older, participation was over 70% in 2014. These trends are consistent with the overall aging of the workforce as baby boomers work into their later years. Also, as children 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 just over half participated in their employer’s health benefits program in 2014. In this age group, the take rate declined -7.6% between 2010 and 2014.

Health plan premiums (defined as employee plus employer contributions) rose for employees of all ages over the period, but the steepest increase was for those age 50 to 59, who saw premiums rise by 16.4%.

\* Employees are designated as “full-time” based on a classification as defined by the employer.

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### Premium increases leveling

In 2014, the average monthly health plan premium was \$870,\*\* an increase of 15% since 2010. However, after a spike of 6.9% between 2010 and 2011, the rate of increase moderated. Premiums rose 1.7% between 2013 and 2014.

The cause of moderating premium costs is unclear. It 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 20 selected states showed the cost of health plan premiums — as well as premium increases — varied widely from state to state. In 2014, of the 20 states analyzed, New Jersey had the highest monthly premium, \$999, and Georgia had the lowest, \$807. New York had the largest percentage of employer contributions, 78%. In three states, average premiums actually declined in the last year.

### Regardless of salary, premium per covered life fairly constant

Employees with higher incomes tended to incur higher premiums, but they also covered more dependents. When premiums were adjusted for total covered lives — considering each insured person, rather than each employee — premium costs were fairly constant among income levels, averaging \$411 per month in 2014.

### Dependents on parent's plan until age 26

Several trends identified may be linked to the ability of dependents up to age 26 to stay on a parent's health policy, if the plan offers dependent coverage. Higher premium costs in older age groups may have been linked to the growing likelihood that a covered employee could have covered dependents who may be up to age 26. Among those 30 and under, the take rate declined -7.6% between 2010 and 2014.

### Employers contributing slightly less

In 2014, employers contributed 74% of the premium cost for those with dependents, whereas those with no dependents experienced a 77% employer contribution share. Employer contributions to health premiums declined slightly for all groups from 2010 to 2014, within a tight range of -1.0% with no dependents to -1.5% with dependents.

### Eligibility mostly flat or increasing

From 2010 to 2014, eligibility remained relatively flat or increased for all groups. The increase in eligibility was highest among those under 30, at 4.2%. This trend is consistent with a recovering economy, a tightening labor market where employers offer more competitive benefit packages to attract talented employees, and the current legislative environment.

### Strategies for the future

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 in the years ahead. 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 alike.

\*\* 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 conduct studies that cannot be done via other sources. Whereas most studies of health benefits collect summarized data from employers, ADP's unique, anonymous 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 2014. This research considered the same set of organizations each year in order to provide consistent comparisons across years. This year's report incorporated an additional set of organizations, supplementing the dataset used in last year's report. In total, the "matched" subset of more than 200 U.S.-based organizations was comprised of roughly 550,000 full-time 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 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.

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

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 2014.

Eligibility stayed nearly constant at 90% during this time period. Despite these consistent averages, there were marked variances among various demographic groups, as shown on the next several pages.

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

**91%**

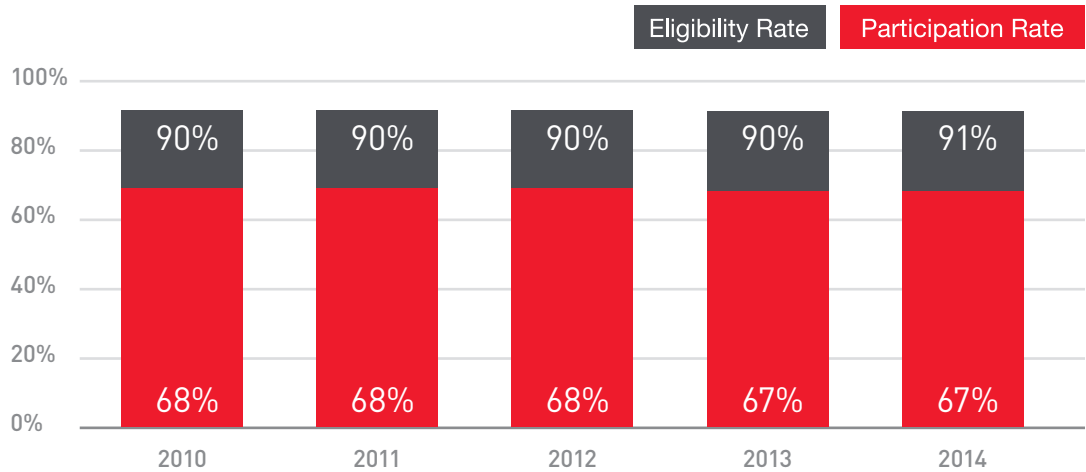
Eligibility rate in 2014

**74%**

74% of those eligible chose to purchase benefits in 2014 (67% of 91%=74%)

**67%**

Participation rate in 2014



Source: ADP Research Institute



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

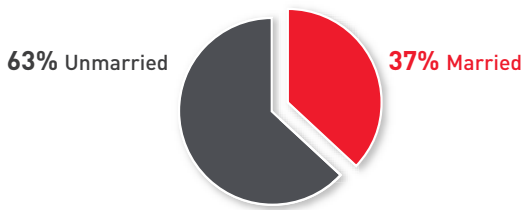
Although married workers experienced 4.8% higher eligibility rates than unmarried workers, there was far less difference between the two groups when comparing their take rates and participation rates. When eligible for health benefits, both groups purchased insurance at nearly the same rate. Among those eligible for benefits, the take rate for married people decreased -0.3% between 2010 and 2014; the take rate for unmarried people decreased -1.1%.



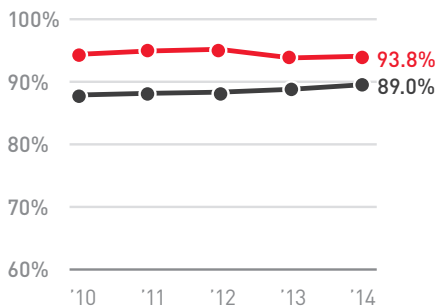
Overall trend:

**Take rates decreased slightly for both married and unmarried workers**

### Demographic profile — 2014



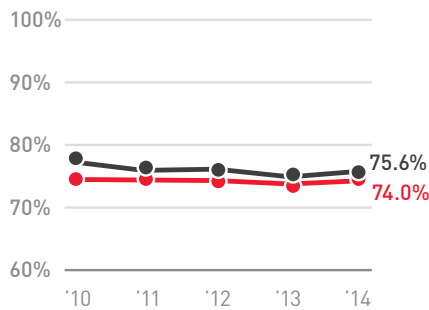
Eligibility by marital status



**4.8%**

Married workers experienced eligibility rates that were 4.8% higher than unmarried workers

Take rate by marital status



**▲ 1.6%**

Take rates between the two groups are quite close, with only 1.6% difference

Participation by marital status



**2.1%**

Married workers experienced participation rates that were 2.1 percentage points higher than unmarried workers

Source: ADP Research Institute

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

Among full-time employees, both genders experienced declining take rates and participation rates. However, females experienced more of a decline in both rates. The take rate for females was 5.1% lower than for males. This may be partially due to a larger portion of females on the spouses' benefit plan in comparison to males.

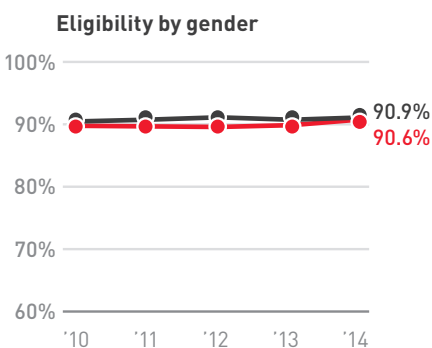
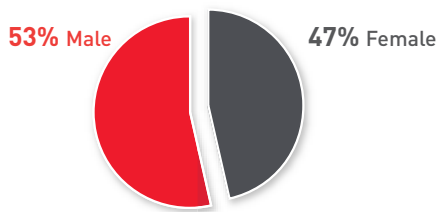
Unlike the pronounced difference in eligibility rates between married and unmarried people, little difference in eligibility rates existed by gender.



Overall trend:

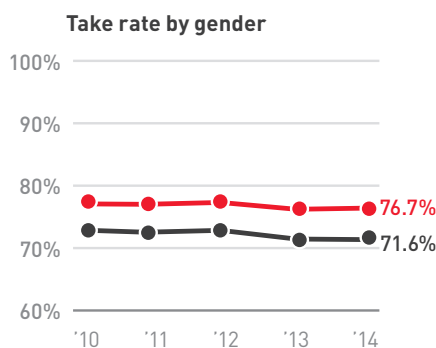
**Females have a take rate lower than males**

### Demographic profile — 2014



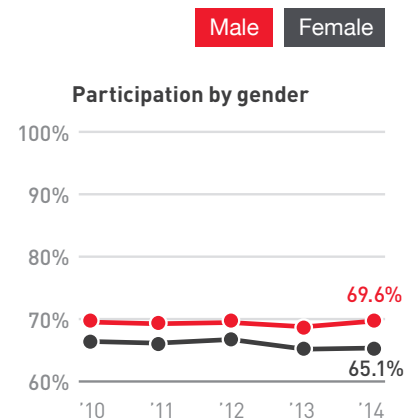
**0.3%**

There was little difference in the eligibility rates of males and females in 2014



**5.1%**

Difference in take rate between males and females in 2014



**▲ 0.1%**

Participation rate increase for males since 2010; the rate for females has decreased by -1.0%

## Age Distribution of Full-Time Employees

Older employees experienced higher eligibility rates and participation rates in employer-provided healthcare benefits. In 2014, employees ages 40 and above had participation rates higher than 70%. The highest participation was among those ages 50 to 59, at 73%. The largest increase in participation since 2010 was among those 60 and above.

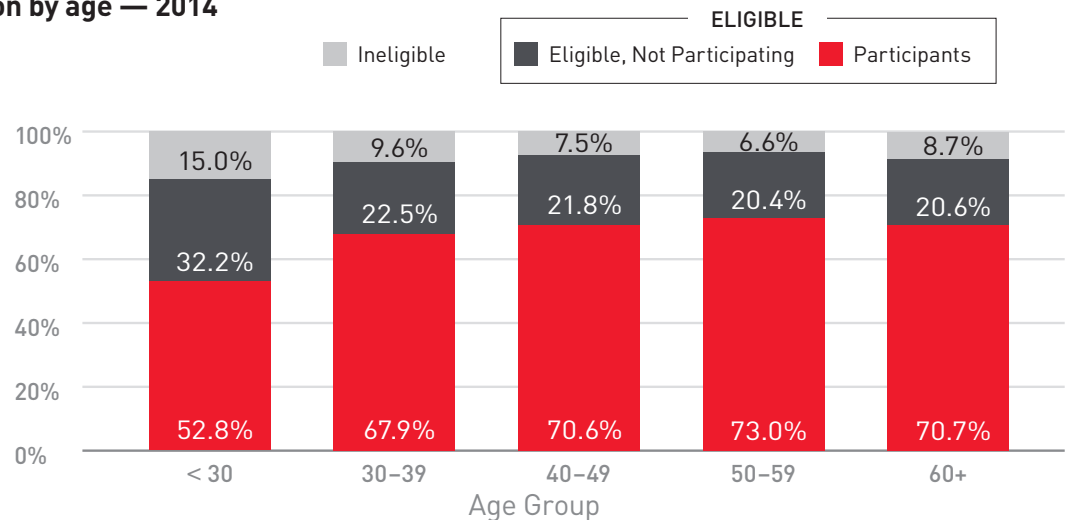
Participation was considerably lower among those under 30, at 52.8%, decreasing 3.6% in this age group from 2010 to 2014. Younger employees may be more likely to have lower incomes and may typically place less of a priority on health coverage. Lower participation may also be linked to dependents up to age 26 staying on a parent's health policy.

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

### Workforce distribution by age — 2014

**52.8%**

The smallest percentage participation — under age 30



### Percent change — 2010 to 2014

Age Group	< 30	30-39	40-49	50-59	60+
Eligible	4.2%	-0.1%	0.0%	0.5%	0.7%
Participants	-3.6%	-0.8%	-0.2%	0.8%	1.8%

**▼ -0.1%**

The only age group experiencing a decline in eligibility was those 30 to 39

**▲ 1.8%**

The largest increase in participation was among those ages 60 and up

Source: ADP Research Institute

## Eligibility Among Full-Time Employees by Age

Among full-time employees, eligibility remained relatively flat or increased from 2010 to 2014 for every age group. Those under 30 experienced, by far, the largest increase, 4.2%. This trend of increasing eligibility among those under 30 is consistent with a recovering economy and a tightening labor market where employers offer more competitive benefit packages to attract talented employees. This group also had the lowest eligibility rate, 85%, while all other age groups had eligibility rates that were 90% or greater.



Overall trend:

**Those ages 30 and below experienced the largest increase in eligibility since 2010**

**▼-0.1%**

The only age group experiencing a decline in eligibility was among those 30 to 39

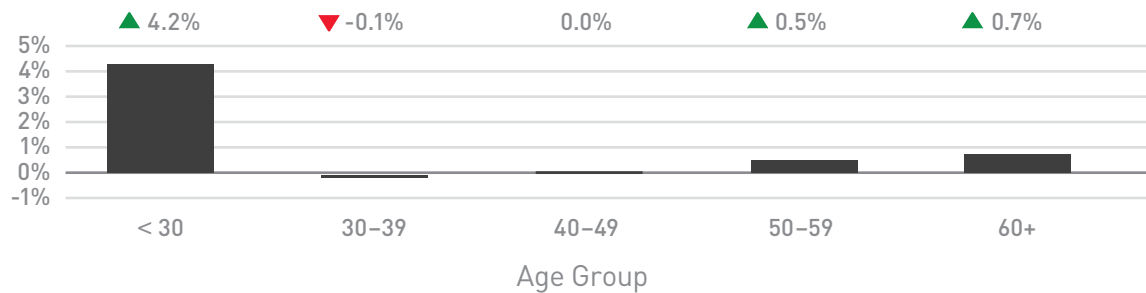
**Three**

The number of age groups that increased in eligibility: under 30, 50 to 59 and 60+

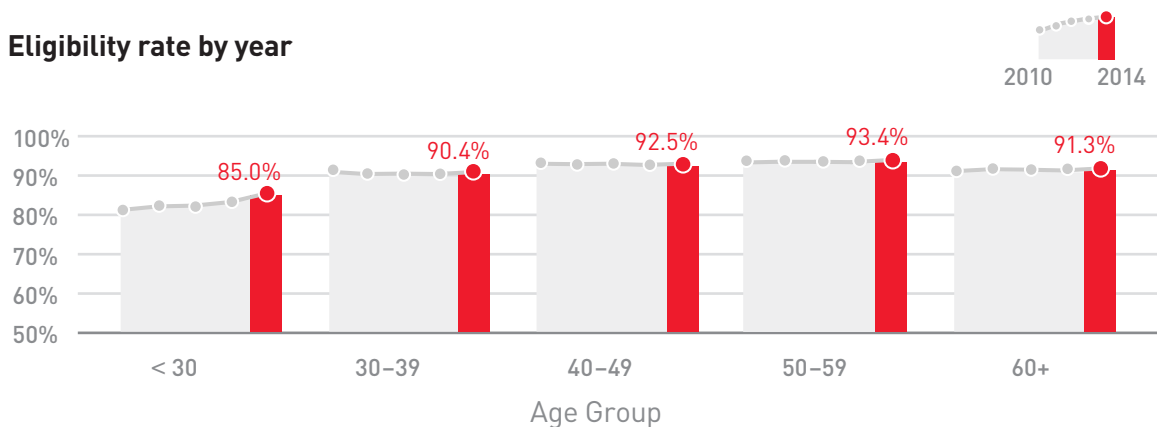
**Ages 50-59**

The age group with the highest level of eligibility

### Percent change in eligibility — 2010 to 2014



### Eligibility rate by year



Source: ADP Research Institute

## Take Rate Among Full-Time Employees by Age

When eligible for health benefits, more than 75% of employees chose them in all age groups, except those under 30. The take rate for this youngest age group declined -7.6%. The lower take rate among younger workers may be linked to dependents staying on a parent's health policy until age 26.

The take rate for all age groups under 50 declined, but it increased for those above 50. The largest percentage increase between 2010 and 2014 was among those ages 60 and older, at 1.5%.

**Overall trend:**  
All age groups under 50 experienced a decline in take rate

**▼-7.6%**

The largest percentage decrease in take rate was among those under 30

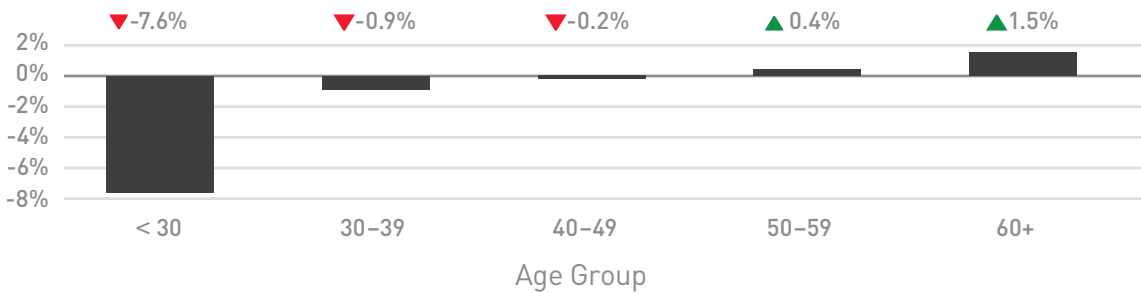
**62.1%**

The lowest take rate, those under 30

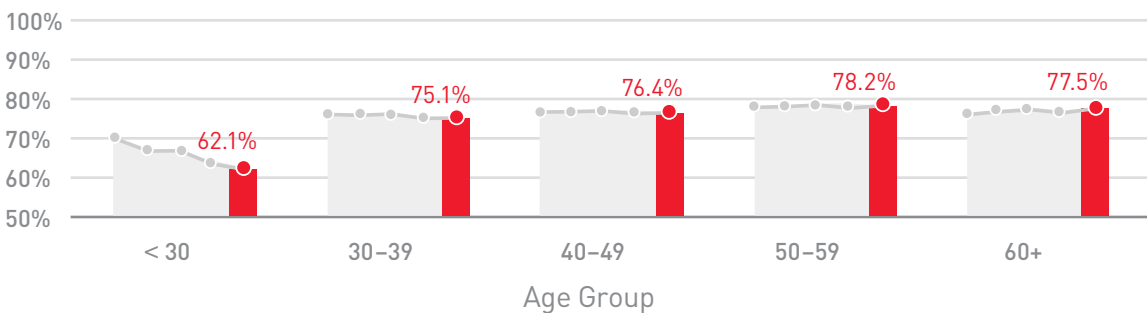
**Ages 50-59**

The age group with the highest take rate

Percentage change in take rate — 2010 to 2014



Take rate by year



Source: ADP Research Institute

## Participation Among Full-Time Employees by Age

The participation rates decreased for those under 50 and increased for older age groups. 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 52.8% participated. This age group experienced the largest decrease in participation, -3.6%.

**Overall trend:**  
**Participation rates declined for younger age groups and increased for older ones**

**▲ 1.8%**

Largest percentage increase in participation, ages 60 and up

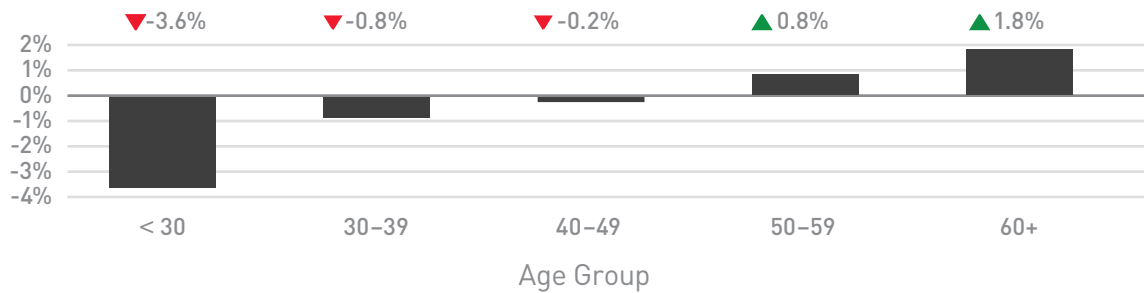
**73.0%**

Largest percentage participation, age group 50 to 59

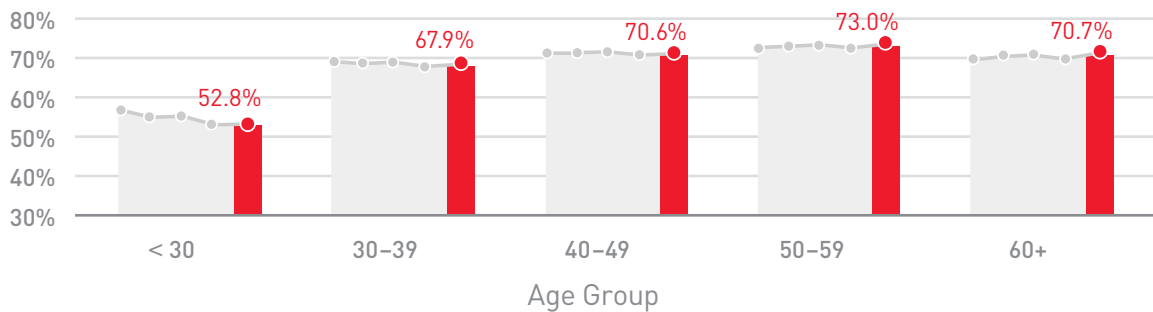
**52.8%**

Smallest percentage participation, under 30

### Percent change in participation — 2010 to 2014



### 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

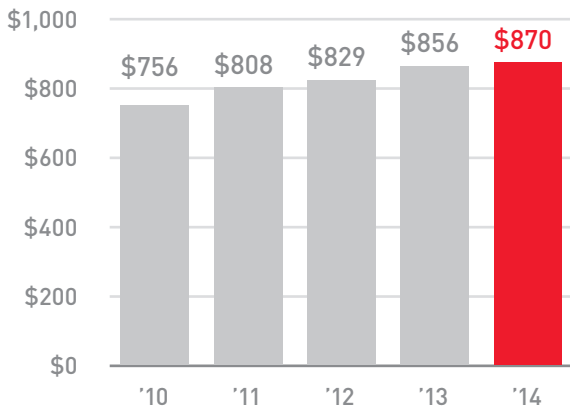
The study considered premium costs of full-time employees in organizations where both employees and the employers contributed to the health plan premium. Across all industries and demographic groups combined, the average monthly premium rose 15% between 2010 and 2014. The largest percentage increase was between 2010 and 2011, when premiums spiked 6.9%. In the last year, they rose 1.7%. 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.



Overall trend:

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

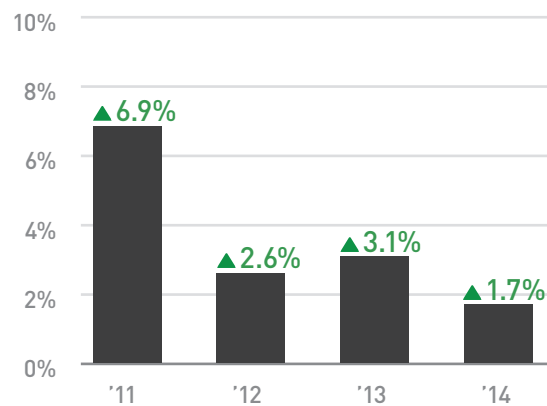
**Average total monthly premium**



**\$870**

Average total monthly premium in 2014

**Percent change in premium**



**▲ 15.0%**

Percentage premium increase from 2010 to 2014



## Employer Contribution as a Percentage of Total Premium

The share employers contributed to the health plan premium declined in all groups from 2010 to 2014. The percentage change ranged from a decline of -0.1% for those under 30 to a decline of -1.7% for those 50 to 59. Those age 30 and younger experienced the highest employer premium contribution share, at nearly 77%.

**▼-1.7%**

The largest decrease in employer contributions, among those 50 to 59

**\$650**

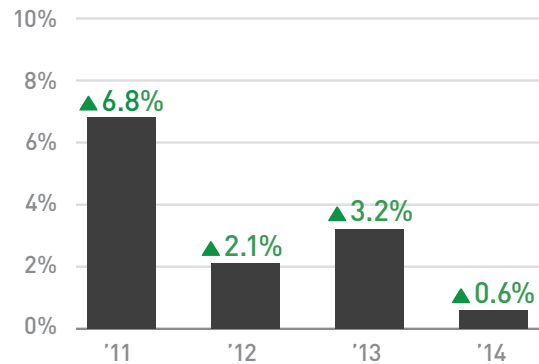
Average total employer contribution in 2014



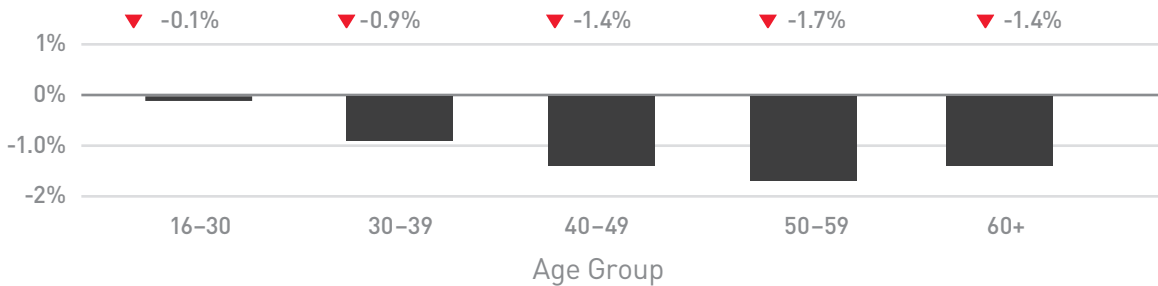
Overall trend:

**Employer contribution share has declined in every age group**

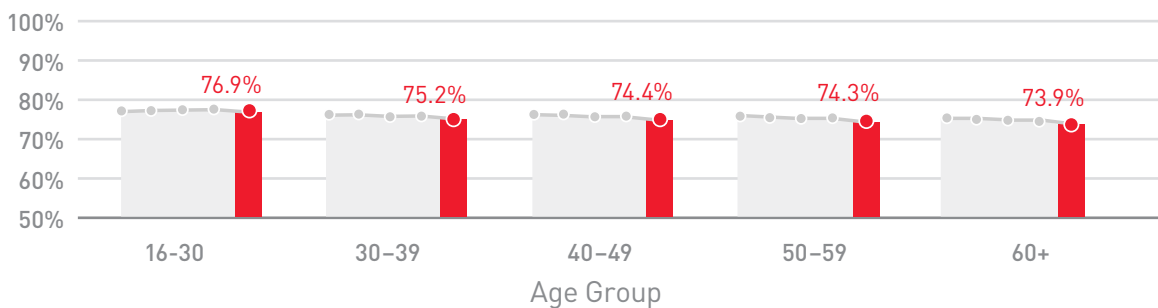
### Employer Premium Contribution (percentage change by year)



### Percentage point change in employer contribution share — 2010 to 2014



### Percentage contribution by age



Source: ADP Research Institute

## Total Monthly Premium by Number of Dependents

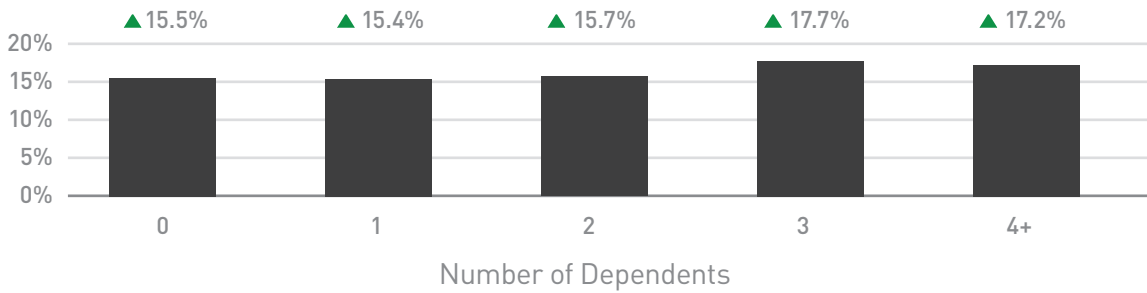
Monthly health plan premiums rose for all dependent categories from 2010 to 2014, but most rapidly for individuals with three or more dependents and most slowly for employees with two and fewer dependents — approximately 17.5% and 15.5%, respectively.

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

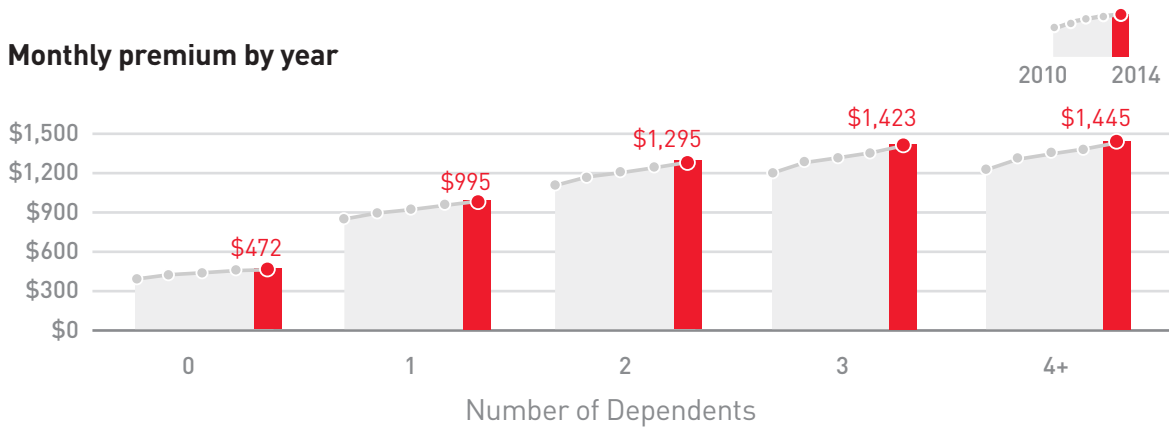
### ▲ 17.7%

Largest percentage increase in premium since 2010, those with three dependents; those with four or more dependents experienced a similar increase of 17.2%

### Percent change — 2010 to 2014



### Monthly premium by year



Source: ADP Research Institute

## Employer Contribution by Number of Dependents

Regardless of how many dependents they had, employees experienced declines in employer contributions. The declines were in a very tight range across all groups, ranging from -1.0% to -1.5%. The smallest decline was in the group with no dependents. This group also experienced the largest employer premium contribution share in 2014, at 77%.

Overall trend:  
**Employer contributions declined across groups**

In aggregate, those with dependents had the largest percentage increase in premiums (shown in the previous page) and steepest employer percentage share decline since 2010, as well as smallest contribution share, at 74%. This may suggest that there is a premium rebalancing towards those with dependents picking up more of the premium burden.

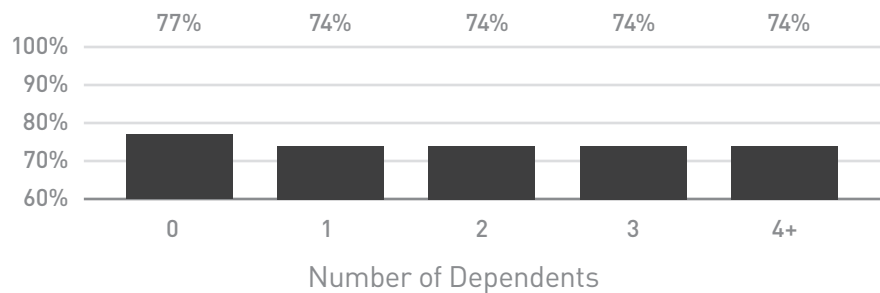
**▼ -1.5%**

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

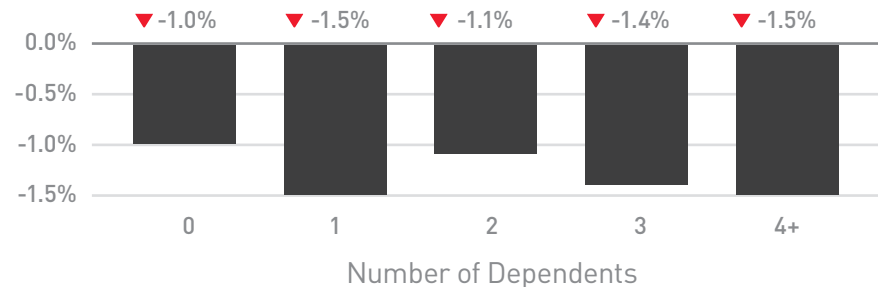
**74%**

Employer percentage contribution share for those with one or more dependents

Employer percentage contribution — 2014



Employer contribution percentage point change — 2010 to 2014



## Total Monthly Premium by Age

Health plan premiums rose for employees of all ages, but the steepest increase since 2010 was for those ages 50 to 59. This may be partially due to these workers now being allowed to have dependent children up to age 26 on their health plan. 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 \$988. This may be linked to many of these workers having more dependent children than other age groups.

Overall trend:  
**Premiums increased across all age groups**

**\$988**

Largest monthly premium, ages 40 to 49

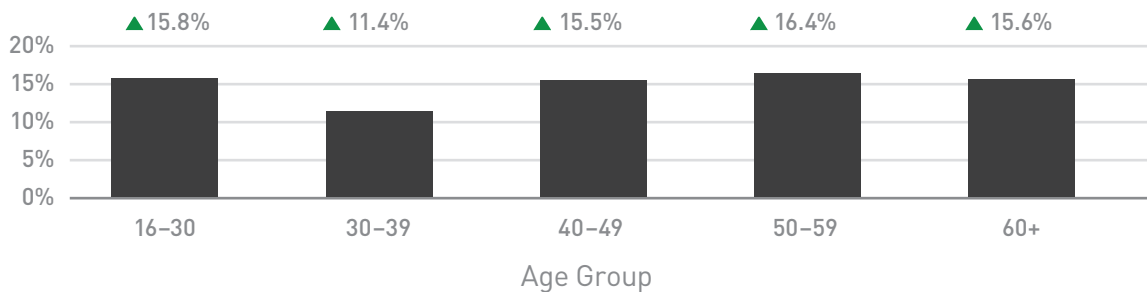
**▲ 16.4%**

Largest percentage increase in premium since 2010 was among those 50 to 59

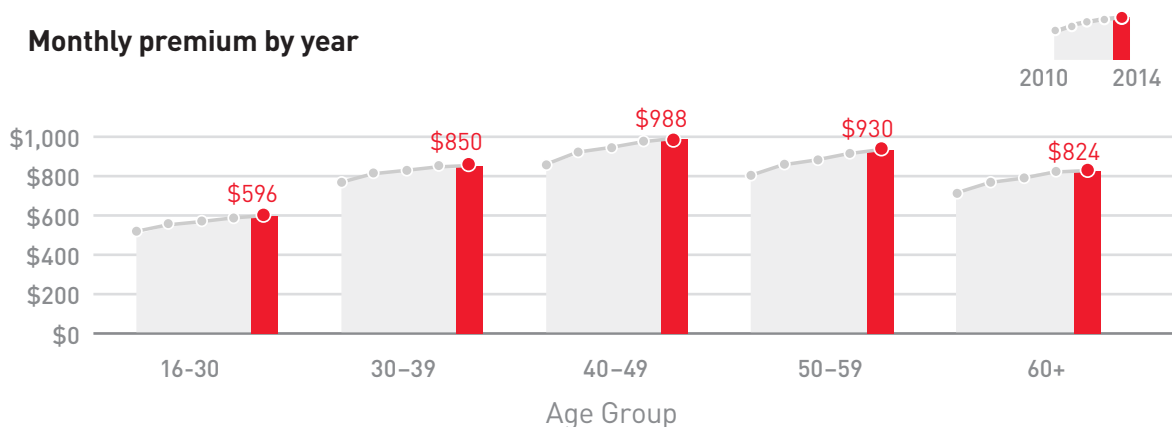
**▲ 11.4%**

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

### Percent change — 2010 to 2014



### 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 20 selected states 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 Illinois, which had an average monthly premium of \$869. The smallest monthly premium was in Georgia, at \$807. Georgia and two other states saw declines in premiums between 2013 and 2014.

Overall trend:  
**Premium costs and increases since 2010 varied widely by state**

**▲ 19.1%**

Largest percentage increase in premium since 2010, in Illinois; monthly premium (\$869)

**\$999**

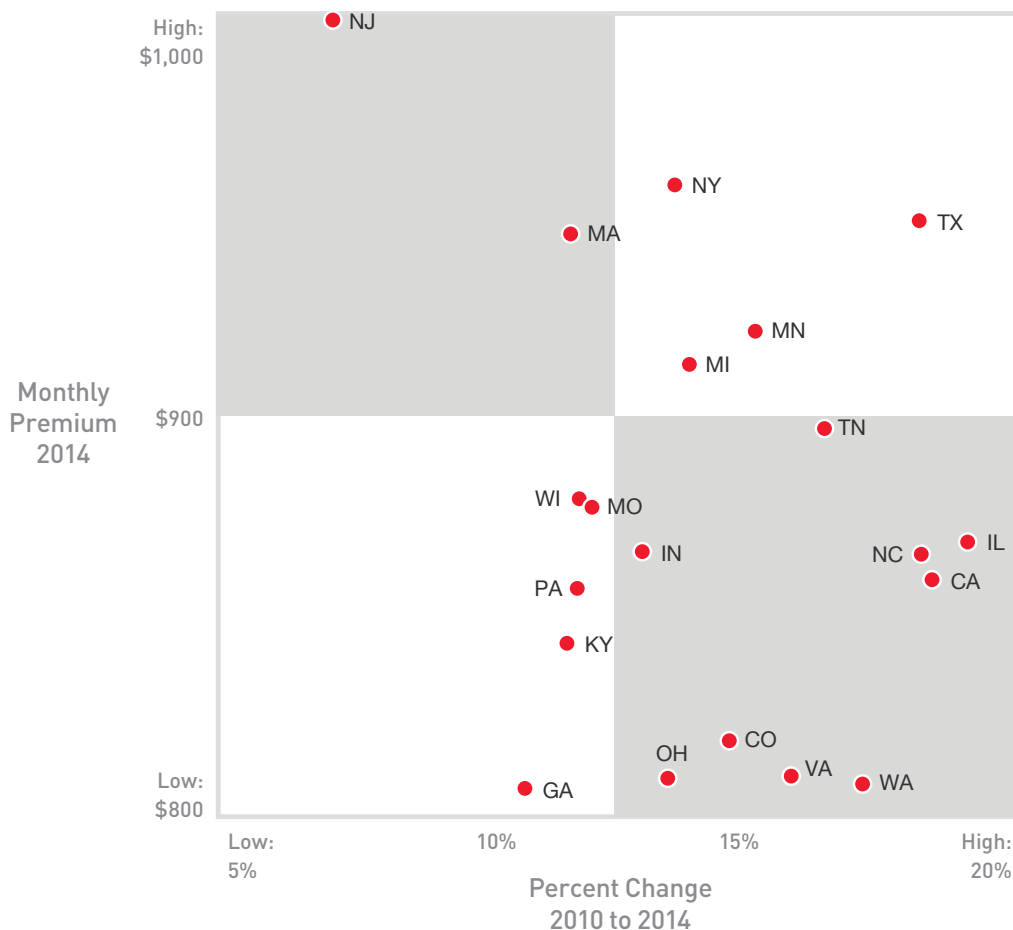
Largest monthly premium, in New Jersey; smallest percentage change since 2010 (7.2%)

**\$807**

Smallest monthly premium, in Georgia; premium declined -2.1% between 2013 and 2014

**Three**

Number of states that saw a decrease in premiums between 2013 and 2014; New York, Missouri and Georgia



Source: ADP Research Institute

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

The share contributed by employers to health plan premiums declined in most states since 2010. However, in two states, Washington and Tennessee, the percentage increased slightly. In 2014, employer contribution share ranged from a low of 71.0% in Massachusetts to a high of 78.0% in New York.



Overall trend:

**Employer contribution share declined in most states**

**▼ -3.4%**

Largest decrease in employer contribution — in New Jersey

**78.0%**

Largest percentage employer contribution — in New York, declined 0.9% since 2010

**18 of 20**

States that have had a decrease in employer contribution share since 2010



Source: ADP Research Institute

## Premium by Income Range

The health plan premium per participating employee increased as income levels increased. In 2014, employees earning an annual salary of \$15,000 to \$19,999 had the lowest monthly premium of \$598 while those earning more than \$120,000 paid \$1,185 per month. At first glance, the data suggest a relationship between income level and health plan premium. It is a common assumption that employees with higher incomes are more likely to purchase more expensive insurance policies.

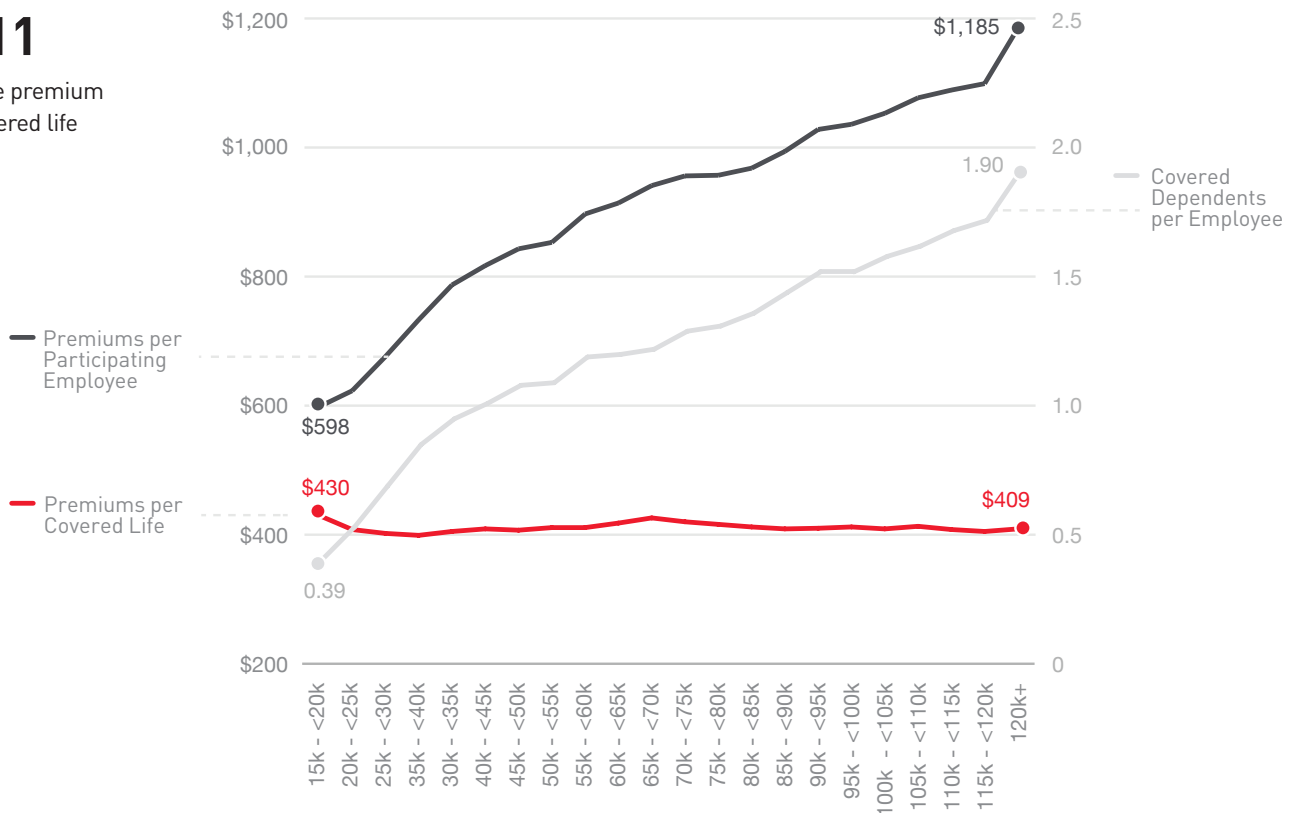
However, when premiums were adjusted for total covered lives, the statistical relationship between income levels and premium costs disappeared. When the premium was considered per covered life – rather than per employee – the cost remained fairly constant across all income levels. Although premiums increased 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**

### Monthly health plan premiums — 2014

**\$411**

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, averaging 5.3% in aggregate. 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.



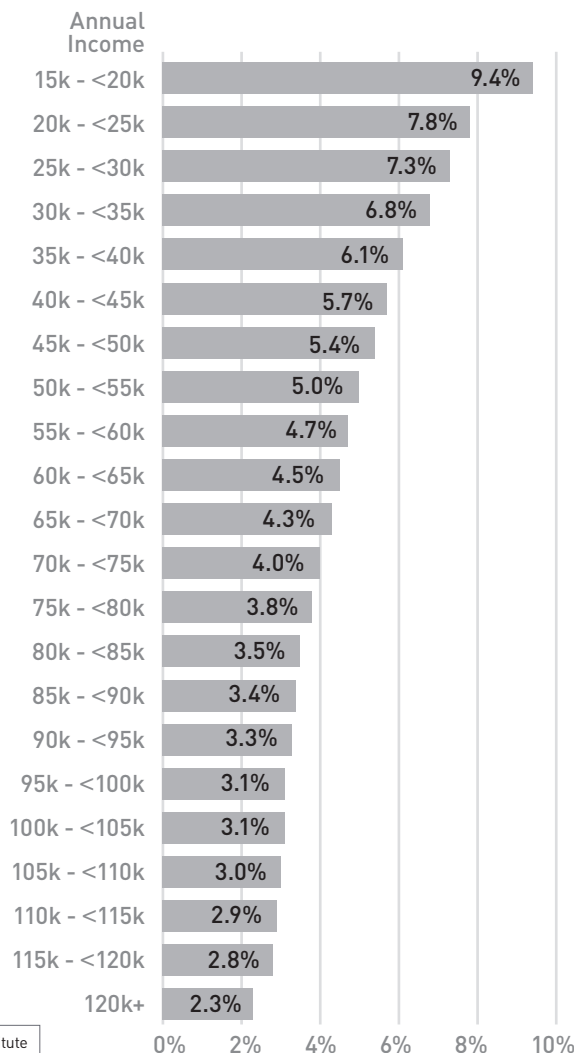
Overall trend:

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

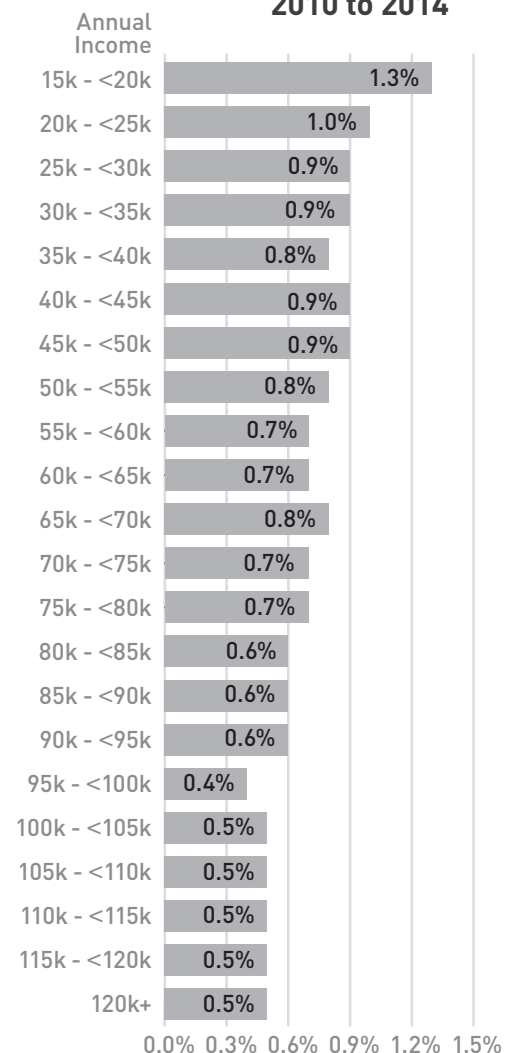
**▲ 1.3%**

Largest increase in percentage of income since 2010 — those earning 15k-<20k

**Percentage of income, 2014**



**Percentage of change — 2010 to 2014**



Source: ADP Research Institute



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## Looking Ahead to 2015

The 2014 ADP Annual Health Benefits Report gives employers a valuable baseline for measuring key trends in the years ahead. It is the intention of this report to provide strategic insights that enable organizations to create effective benefits strategies. As ADP conducts this study annually, the ongoing research should reveal important information regarding the changing healthcare landscape and how employers can plan for the future.







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About ADP:

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