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# Employer-Provided Healthcare Benefits Expected to Rise 7% in 2013

According to a new survey just issued by the National Business Group on Health, the cost of employer-provided healthcare benefits for large U.S. employers is expected to rise another 7% next year. The survey suggests employers are eyeing a host of cost-control techniques but are also looking to beef up incentives for participation in health and wellness plans as a way to change the cost trajectory. The survey offers the industry's first look at costs and plan design changes for 2013 which include adjustments necessary to comply with additional provisions of the Patient Protection and Affordable Care Act (PPACA). The survey, based on responses from 82 of the nation's largest corporations, was conducted in June just prior to the Supreme Court's announcement to uphold the healthcare reform law. It is unclear what impact, if any, the outcome of the law may have on employer strategies for 2013, but some changes are likely.

Survey respondents indicated an expected 7% average increase in healthcare benefits costs in 2013, which mirrors this year's projected costs, but was smaller than employers experienced the previous three years. Despite being able to "hold the line" on increases, 60% of employers plan to increase the percentage of the premium paid by employees in 2013, although most indicated that it would be by less than 5%. Additionally, 40% plan to increase in-network deductibles, while roughly one-third will increase out-of-network deductibles (33%) and out-of pocket maximums (32%). While many employers continue to adopt cost-sharing provisions, survey respondents now consider consumer-directed health plans (CDHP) and wellness initiatives to be more effective in stemming costs than shifting costs to employees.

According to the survey, 43% cited a CDHP as the most effective cost control tactic followed by wellness programs (19%). Less than one in ten (9%) respondents reported increased employee cost-sharing as the most effective tactic. Last year, cost-shifting was cited as the most effective measure.

The survey found that employers – in their efforts to engage employees in healthy behaviors and lifestyles – continue to tinker with the most effective ways to incorporate financial incentives into wellness programs. While nearly half of respondents (48%) use incentives to encourage participation in programs, some employers are basing incentives on specific health outcomes. More than four in ten (44%) provide an incentive-based upon tobacco-use status while three in ten (29%) base awards upon achievement of outcomes such as body mass or cholesterol levels. Just one-fourth of respondents (22%) take a different approach – applying surcharges to employees for not participating in certain programs.

The survey also reported that employers plan to sharply increase the incentive amount for maintaining a healthy lifestyle or participating in a wellness program. Among employers that offer incentives, the median amount employees can earn will jump 50% from $300 this year to $450 next year. The median incentive amount that dependents can earn is expected to increase from $250 this year to $375 in 2013.

Respondents were asked what changes they made or are planning to make as regulations from PPACA continue to come into effect. The survey found the following:

- Annual Benefit Limits: Half of all respondents (50%) indicated they no longer have annual benefit limits in place, while nearly one-third (32%) reported that they did not make any changes to their annual limits this year. Among employers making changes for 2013, the most common benefits requiring adjustments to their annual limits were mental health and substance abuse (9%) and rehabilitative services and devices (9%).
- Grandfather Status: The majority of respondents (57%) did not have a benefit option in grandfather status this year, compared to 49% last year. However more than one-fourth (27%) will have at least one grandfathered health plan this year.
- Health Insurance Exchanges: More than half of respondents (51%) believe that some retirees might find state health insurance exchanges to be a viable option for health insurance. More than one-third (38%) felt that COBRA plan participants would find the exchanges attractive, while 35% felt that part-time employees might consider exchanges.

Conner Strong & Buckelew is a member of the National Business Group on Health. For more information about the results of the survey, please contact your Connect Strong & Buckelew account representative.

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