White paper

2014 Employee Benefits Trends Survey

Trends in employee benefits: Perspectives from the C-suite and HR/benefit managers

Wells Fargo Insurance Employee Benefits Practice | January 2015

"The landscape for employee benefits is ripe with many opportunities. As evidenced by the results of our first employer trends survey, companies continue to perform a delicate dance — thoughtfully refining their human capital approach to maximize employee productivity, retention and morale, while still striving to create savings in overall benefit costs."

— Dan Gowen, national practice leader for employee benefits, Wells Fargo Insurance

Together we'll go far

Healthcare reform is driving benefit design changes

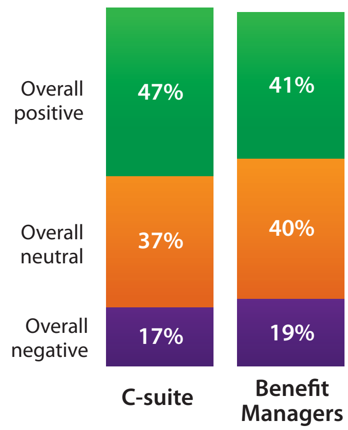
More than four years after the passage of the Affordable Care Act (ACA), media headlines continue to stream about the potential impacts on employers of all sizes. Yet according to the 2014 Employee Benefits Trends Survey commissioned by Wells Fargo Insurance, employers themselves are split on how reform will impact business.

- About half of employers have concern regarding their ability to attract and retain employees given the implementation of the changes mandated by healthcare reform.
- However, over one-third feel the reform legislation will have a neutral impact on their business.

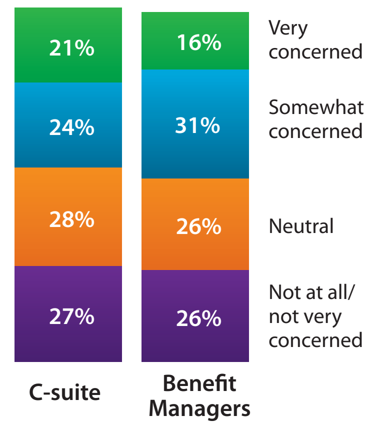
No matter where on the continuum an employer's sentiments fall, the study clearly shows that healthcare reform has prompted benefits managers — and increasingly C-suite executives — to look at employee benefits issues through a more critical lens. From spousal coverage to wellness programs, employers are reviewing and updating a wide array of benefits to ensure they remain poised to attract and retain the best talent, improve employee productivity, and boost morale.

This white paper looks at a few key highlights of the survey. Please watch for additional content to be produced from areas of the survey on **wfis.wellsfargo.com.**

Impact of Affordable Care Act on employee benefit program



Concern for employee attraction and retention due to changes caused by the Affordable Care Act



Impact to company due to healthcare reform legislation

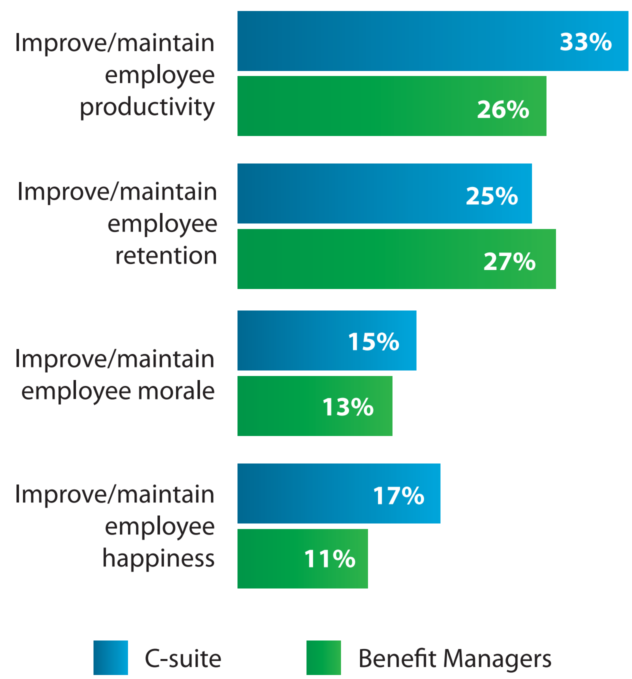
	C-suite				Benefit Managers			
	Impact in 12-18 months	Impact in 19 months - 5 years	No impact	Not sure	Impact in 12-18 months	Impact in 19 months - 5 years	No impact	Not sure
Individual mandate	36%	22%	33%	12%	34%	24%	31%	13%
Change in definition of "full-time" employees	33%	20%	40%	9%	34%	28%	30%	10%
Defined contribution	33%	25%	31%	12%	30%	26%	29%	16%
Public exchanges	33%	22%	32%	14%	29%	29%	26%	17%
Private exchanges	32%	27%	31%	12%	25%	31%	28%	17%
Employer mandate (pay or play)	29%	25%	39%	10%	36%	25%	27%	14%
Excise Cadillac Tax	29%	20%	36%	17%	20%	29%	29%	22%
Expansion of Medicaid	27%	24%	37%	14%	26%	27%	34%	15%

About the survey

In 2014, Wells Fargo Insurance commissioned the Employee Benefits Trends Survey of executives and benefit managers from across the United States at companies with more than 50 employees. The survey was designed to better understand how organizations are responding to healthcare reform requirements while providing a competitive benefits strategy for employees. More than 950 respondents answered a series of questions that covered topics such as cost containment strategies, employee attraction and retention strategies, overall outlook on healthcare reform, and the financial impact of employee health.

> **"We want to keep employees engaged with the goals of the organization, retain good employees, attract high levels of commitment and talent, maintain and increase levels of employee morale and interaction, and ensure all employees feel respected and valued."**
>
> **– Survey respondent**

Main objectives of human capital strategy



Key findings

Employee productivity, retention, and morale are top human capital objectives

Many employers believe that a strong employee benefits offering will help reduce turnover and offer employees an incentive for staying with their organization. The study showed that while both C-suite executives and benefit managers cite improving employee retention as a main human capital objective, the C-suite considers maintaining employee productivity to be the primary objective.

- **Morale:** C-suite executives place more importance on the role of benefits in improving morale than benefit managers and 92 percent believe their efforts in this area are effective. In contrast, 80 percent of benefit managers believe in their effectiveness, most likely due to their closer interface with employees.
- **Decision-making:** Most decision-making falls within the company's executive committee. However, nearly six in 10 benefits managers feel that functional staff is involved in management of strategies and benefits compared with only four in 10 of C-suite executives.

Two-thirds of companies measure ROI, are effective at it

Not only are companies measuring return on investment (ROI) of their employee benefit offerings, but 84 percent of C-suite executives and 85 percent of benefits managers that measure ROI feel they are effective in doing so.

- **Impact:** C-suite and benefits managers agree that employee benefits have the most impact on improved employee loyalty, engagement and lowering medical costs for both the organization as well as for employees. This is followed by reduced absenteeism, reduced cost of temporary or fill-in workers, and reduced presenteeism.

Four in five employers say it is important to measure the impact of improving employee health; however, their confidence in effectiveness at measuring it is lower. Employers can help ensure their programs are properly designed to accomplish desired objectives by embracing available tools and guidance from benefit providers to help measure ROI.

Productivity and managing costs are top goals

From a short-term perspective (the next 12-18 months), C-suite executives and benefit managers agree that maintaining employee productivity and managing costs are among the top three goals for employee benefits programs. However, benefit managers are consistently more focused on maintaining the current level of benefits than the C-suite, most likely since they field employee questions and complaints. Further, with the economy improving and the quantity of job-seekers expected to increase, maintaining benefits will aid in attracting the right talent and retaining high performers.

Long-term (next five years): Maintaining employee productivity and managing costs remain among the top three goals, mirroring the short-term goals. However, among both C-suite executives and benefit managers, managing overall costs jumps to the top spot. This comes as no surprise with the ACA's excise tax looming in 2018.

Impact of employee benefits program on organization

Employee benefits program short-term and long-term goals

Short-term (top three)	**Long-term** (top three)
Maintaining productivity of employees	Managing the overall cost of offering healthcare benefits
Managing the overall cost of offering healthcare benefits	Maintaining productivity of employees
Maintaining the current level of employee benefits offered to employees	Maintaining the current level of employee benefits offered to employees

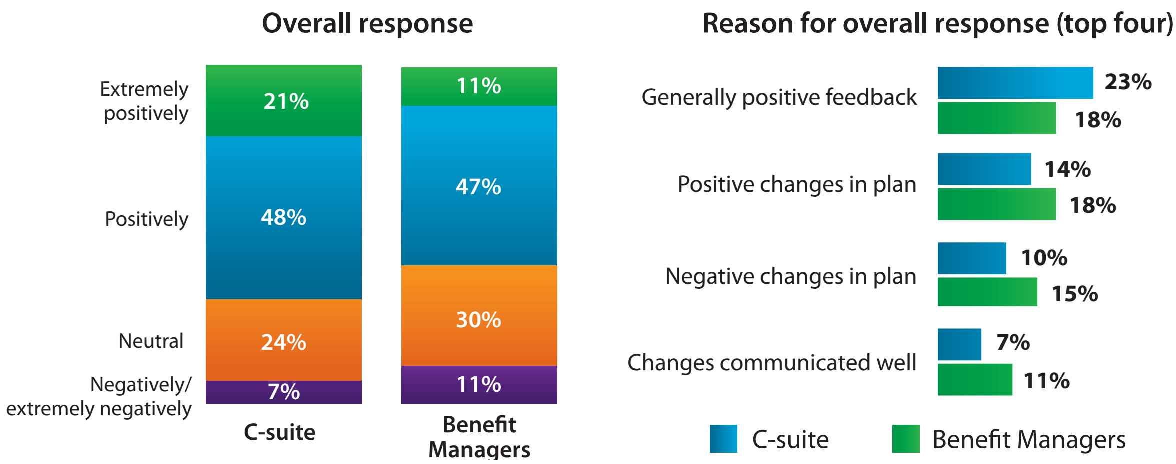
Most companies have already made strategic changes to plan offerings in 2015

Seven in 10 companies have already made or are in the process of making changes related to coverage for spouses and to increase the percentage employees contribute to premiums. Six in 10 have changed or are changing the options for type of plan and increased the co-insurance feature. While offering a high-deductible plan ranked as only the fifth most common change, it held the top spot for options currently "under consideration."

Not surprisingly, given their stated importance on maintaining current program levels, less than six in 10 benefit managers felt employees had reacted positively to benefit changes, compared with nearly seven in 10 C-suite executives.

C-suite decision-makers may be overestimating the positive goodwill received from employees about changes made to benefits. Employers can help increase positive employee acceptance by partnering with their benefit providers to help communicate changes to employees and position them as beneficial.

Reaction to changes communicated



Managing costs, wellness offerings, family coverage highlight next five years

With many healthcare changes complete, employers face uncertainty about their next strategic management initiatives. While most employers have not yet made changes such as moving from fully-insured to self-funded or using private exchanges, those two strategic items took the top spots in the "under consideration" category. Compared with benefits managers, C-suite executives are more strongly anticipating the increase of changes that shift the cost burden.

Both C-suite executives and benefit managers cite the top four changes expected in the next five years as:

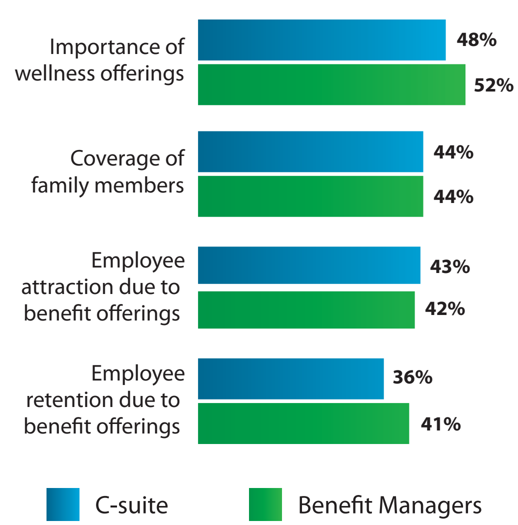
1) Importance of wellness offerings

2) Coverage of family members

3) Employee attraction due to benefit offerings

4) Employee retention due to benefit offerings

Changes to employee benefits program over next five years



> **"We keep our employees well-informed in all aspects of where we are headed as a company, and offer incentives for them to continue to be part of our company. Benefits are the number one issue when it comes to employment with our company."**
>
> **– Survey respondent**

The focus on wellness is strong: 93 percent of C-suite executives anticipate an increase or improvement in the importance of wellness offerings. Furthermore, about half of those companies that have considered, will consider, or are considering a change in wellness offerings, are doing so as a result of the Affordable Care Act. Employers who take a more coordinated approach to integrating wellness programs with their existing employee benefits and productivity solutions will be the best-positioned to realize the potential for growth and cost savings.

How can we help?

Whether your company is a small startup or a large corporation, navigating the shifting complexities of employee benefits can be a huge undertaking. By taking into consideration your corporate philosophy, financial plan and, most importantly, your employees, Wells Fargo Insurance can help you create a smart and strategic program that provides the best value for your business and the best benefits for your workforce.

For more information, contact your local Wells Fargo Insurance sales executive.