



**Hickok & Boardman**  
HR INTELLIGENCE

Building a Smarter Workforce



## Employee Benefits

Unparalleled resources and services to meet the unique demands of our customers with head-on solutions.



## Organizational Wellness

Leaders in Workplace Wellness by aligning wellness, benefits and HR consulting to create truly well organizations.



## HR Technology Solutions

Technology to automate your company's HR and Benefits processes to become more effective, efficient and paperless.



## HR Compliance & Payroll Solutions

Reducing employer concerns and non-compliance risks while increasing efficiencies and improving communications.



## Retirement Solutions

Inspiring retirement plans and their participants to be retirement ready.



## Voluntary Worksite Benefits

Enhancing the overall benefit strategy of your organization while meeting the diverse protection needs of your employees.

Building a Smarter Workforce

# Vermont Economic Progress Council Board Presentation: Act 157 Vermont Economic Growth Initiative Policy Overview

November 3, 2016



**Hickok & Boardman**  
HR INTELLIGENCE



# Who We Are, What We Do

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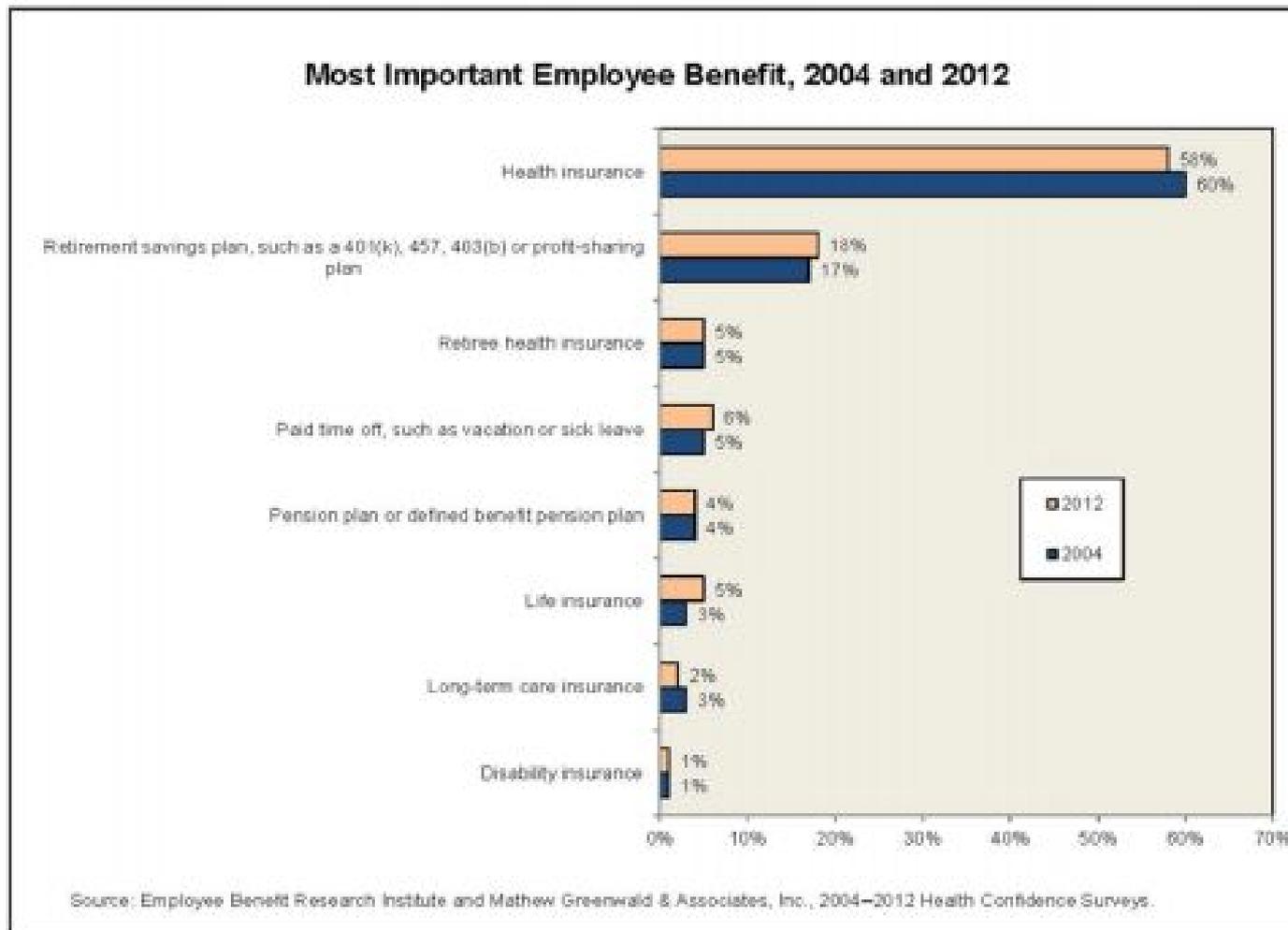
## Tom Rugg, Sr. V.P., Principal; Hickok & Boardman HR Intelligence

- 15 years experience in the insurance benefits industry
- Prior ten years working in government affairs

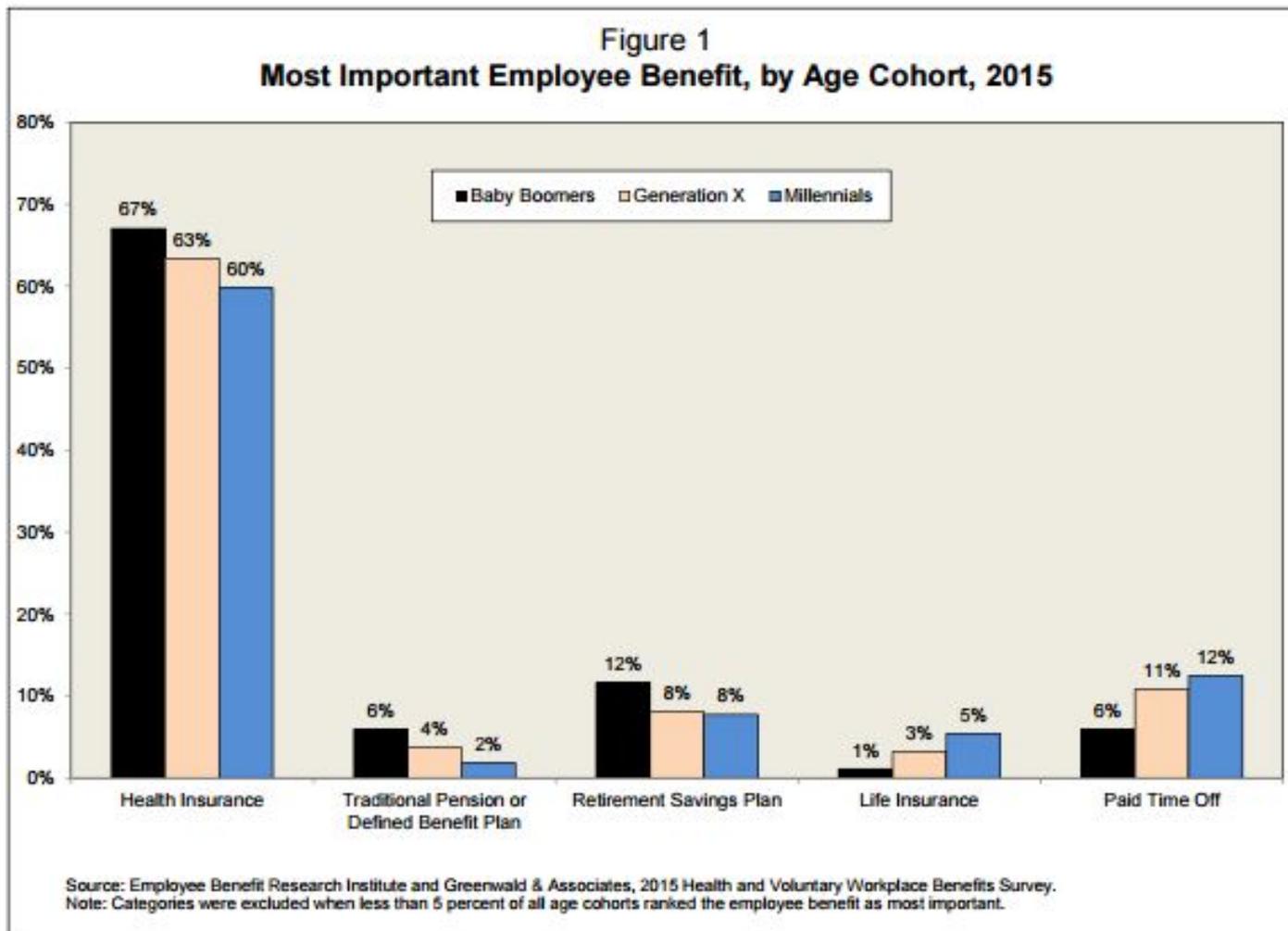
### Our firm:

- Staff of 15 employee benefits consultants
- Provide brokerage and consulting services to employers for group insurance coverages including medical, dental, vision, life insurance, short and long term disability, high deductible health plans, and various other tax favored benefits
- Serving nearly 400 employer groups throughout Vermont
- Employer group sizes range from 2 employees to 7,500 employees
- Diverse mix of employers represented including for profit firms, nonprofit organizations, municipalities, and employers with multi-state locations

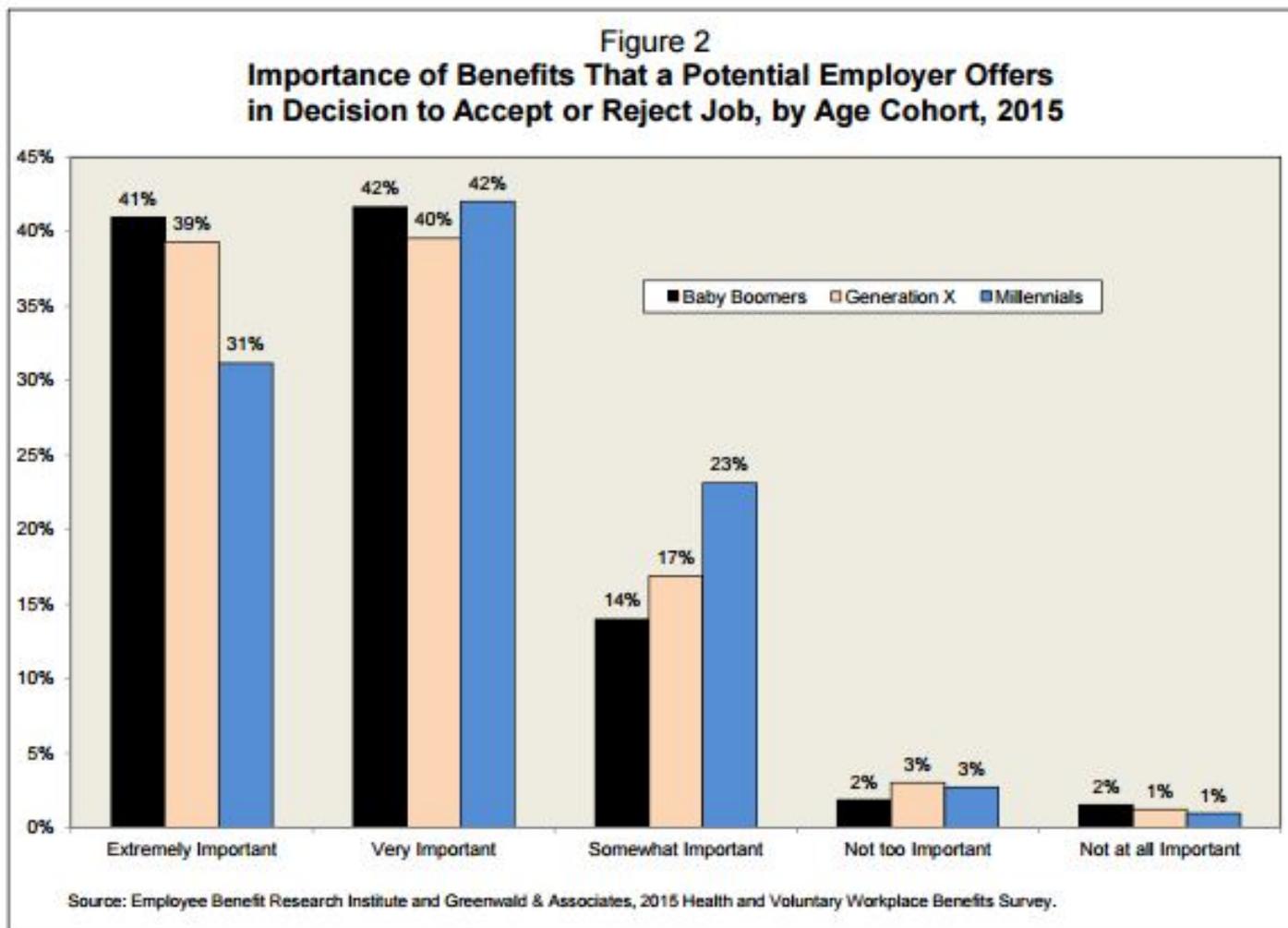
# Benefit Importance Over Time, Pre-ACA



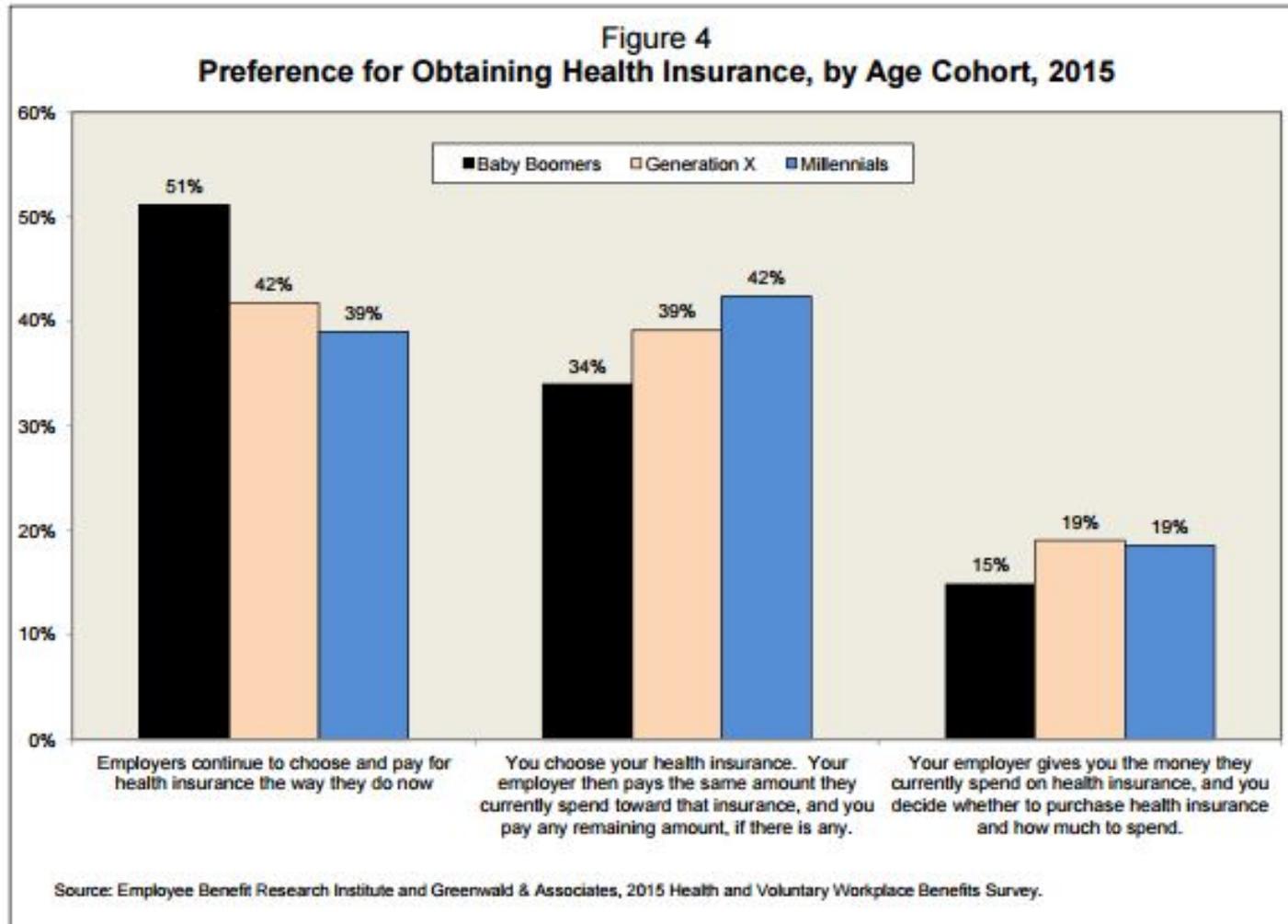
# What Do Employees Want Most?



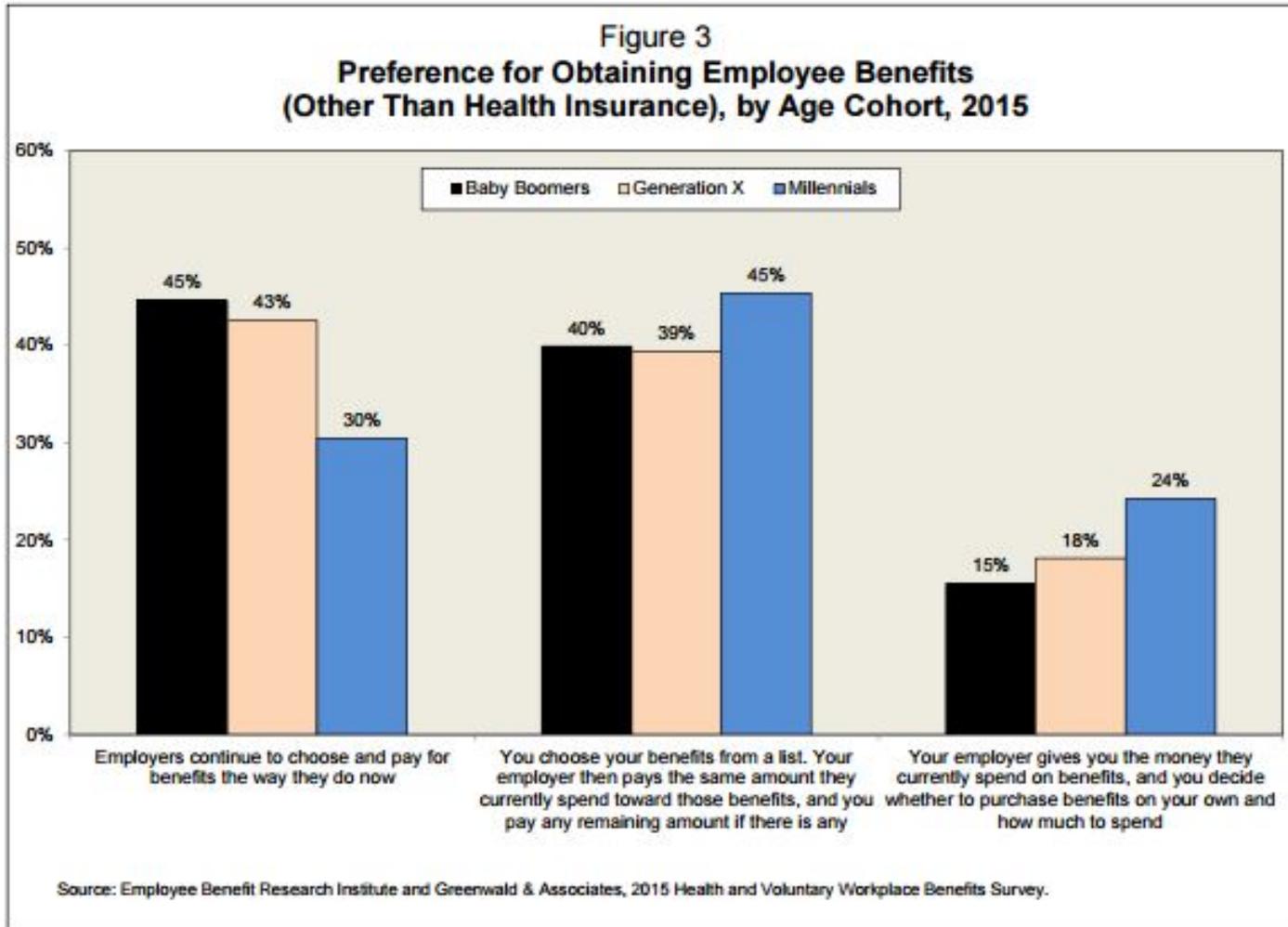
# The Value of Benefits When Accepting a Job



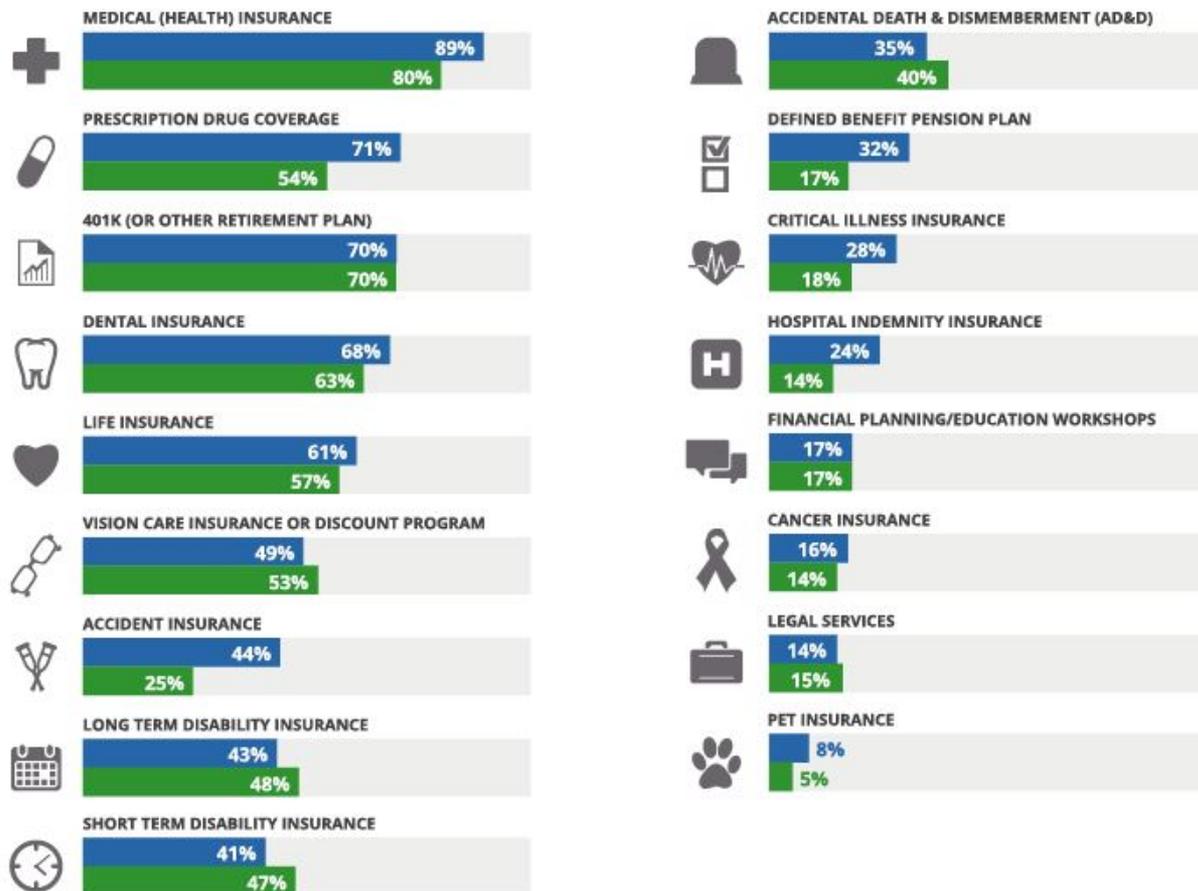
# Purchasing Preference, Health Insurance



# Purchasing Preferences Excluding Health Insurance



# Listing of Desired Employee Benefits (Source: MetLife Employer Survey, 2016)



■ Employees' must-have benefits

■ Benefits offered by employers



# Employer Sponsored Health Insurance Remains the Holy Grail of Employee Benefits...

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## Despite Employers' Willingness to Provide Health Insurance, They're Dealing with:

- Medical Plan Sticker Shock
- 4 Generations of Employees in the Workplace with Different Benefit Needs
- Increasing Legal Compliance Burdens
- Plan Complexity (HDHP/HSA/FSA/HRA)
- Public Exchanges
- Increased Cost Sharing Combined with Weaker Plan Designs

## Disruption in our Market

1. Affordable Care Act
  - *Fees, Taxes, Regulations and Reporting*
2. Health Care Exchanges
  - *Vermont Health Connect*
3. Single Payer Initiative
  - *Financing/Benefits*
5. Provider/Network Consolidation
6. All Payer Waiver



### THE EXCHANGE:

*Employers of 50 employees or less - 2014*  
*Employers of 51-100 employees - 2016*  
*All Employers – ???*

## THE RESULT: COMPLEXITY, UNCERTAINTY AND PARALYSIS



# The Affordable Care Act: Establishing A Minimum Threshold For Employer-Sponsored Health Insurance

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## The Enactment of the ACA in 2014 Established the Following:

- Individual Mandate – every person now required to have credible health insurance coverage, penalties apply if an individual does not have insurance
- Employer Mandate – determining small versus large employer
  - Employers with less than 50 employees:
    - Exempt from federal compliance mandates and penalties
  - Employers with greater than 50 employees:
    - Employees working more than 30 hours per week must be offered health insurance that meets minimum value standards and is affordable
- Health Care Marketplaces (Exchanges)
- Government assistance (subsidies) to a much greater percent of the population

***The intentions were good, but these rules have created an health insurance abyss***



## 2016 H&B Vermont Benefits Survey

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- Conducted annually since 2004
- Respondent average is typically 175 Vermontbased employers
- Size of employers ranges from 5 employees to 8,000 employees
- Annual questions regarding medical and dental plan offerings
- Other categories include life and disability offerings, wellness, and popular discussion topics like health care reform



# Participating Companies

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A.N. Deringer

ASIC North, Inc.

Avonda Air Systems, Inc.

Bennington College

Bio Tek

Bogner of America, Inc.

Cathedral Square

Champlain College

Champlain Housing Trust

Community College of Vermont

Co-operative Insurance Companies

Critical Process Systems Group

Downs Rachlin Martin

DuBois & King, Inc.

Engelberth Construction

Engineers Construction, Inc.

Flynn Center for the Performing Arts

Gardener's Supply

Green Mountain Power

Hallam-ICS

Hampton Direct, Inc.

Hazelett Corporation

Health Care Rehabilitation Services

Hickok & Boardman, Inc.

Howard Center

Hunger Mountain Cooperative

J Hutchins Inc.

King Arthur Flour

Laraway Youth & Family Services

Liquid Measurement Systems

Mascoma Savings Bank

Merchant's Bank

MyWebGrocer, Inc.

Nathaniel Group

National Bank of Middlebury

National Life Group

New England Federal Credit Union

NG Advantage LLC

Northfield Savings Bank

Northwestern Medical Center

Omega Optical, Inc.

Paul Frank + Collins

PC Construction Company

Pizzagalli Properties, LLC

Porter Medical Center

Planned Parenthood of NNE

Primmer Piper Eggleston & Cramer PC

Priority Express

Rhino Foods, Inc.

Rivendell Interstate School District

Rock of Ages

Rutland County Comm. Services

Rutland Regional Medical Center

Seventh Generation

Shelburne Farms

Simon Pearce

Spherion Staffing

St. Mikes College

Stern Center

Transition II



# Participating Companies

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Twincraft Skincare	Vermont Housing Finance Administration
Union Bank	VNA of Chittenden & Grand Isle
Union Mutual	Vermont Public Radio
UVM Medical Center	VT Food Bank
Vermont Energy Investment Corporation	VT Smoke and Cure
Vermont – NEA	Wake Robin Corp
Vermont Adult Learning	Washington County Mental Health
Vermont Federal Credit Union	WCAX-TV
Vermont Hard Cider Company, LLC	Westport Hospitality, LLC
Vermont League of Cities and Towns	Wright & Morrissey Inc. Company
Vermont Mutual Insurance Group	
Vermont Student Assistance Corporation	
Vermont Teddy Bear Company	
Vertek Corporation	

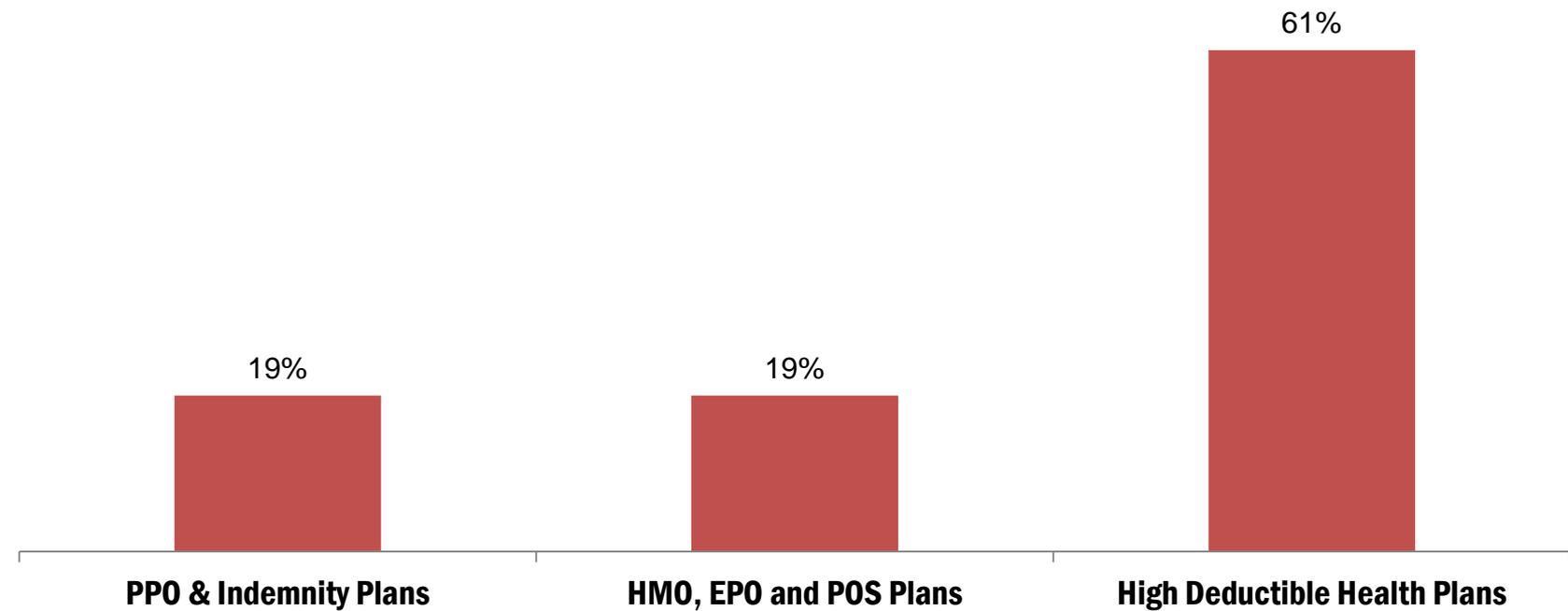


# 2016 Medical Plan Details

All Employers	Traditional Plans Vermont Average	High Deductible Plans Vermont Average
Deductible (Single/Family)	\$875 / \$1,803	\$3,075 / \$6,134
Coinsurance	83%	N/A
Office Visit Co-Pay – Primary Care	\$19	N/A
Out-of-Pocket Maximum (Single/Family)	\$2,651 / \$5,556	\$3,510 / \$7,046
Rx Co-Pays		
Generic Retail	\$10	
Preferred Retail	\$31	N/A
Non-Preferred Retail	\$48	
Monthly Premium Rate		
Single	\$629	\$515
Two Person	\$1,233	\$978
Family	\$1,727	\$1,727
Monthly Employee Contributions		
Single	\$128	\$87
Two Person	\$315	\$248
Family	\$474	\$363
HSA Employer Funding		
Single		\$956
Two Person	N/A	\$1,782
Family		\$1,928

# Health Plans Offered

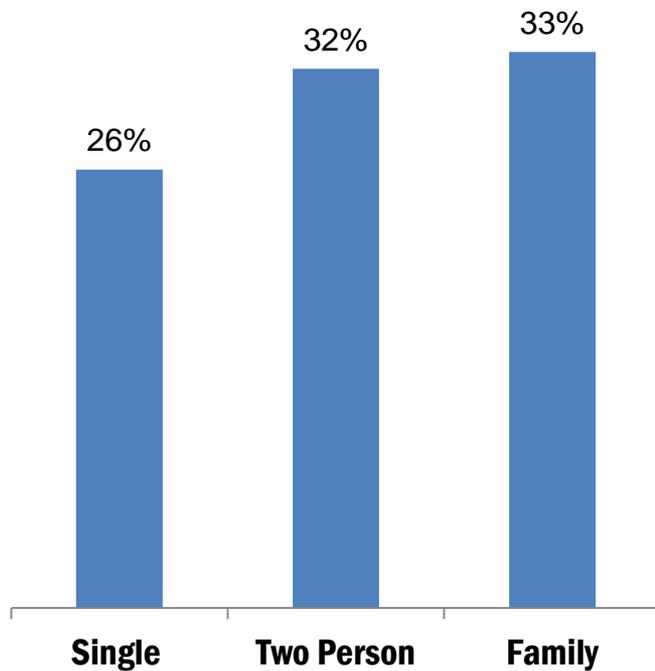
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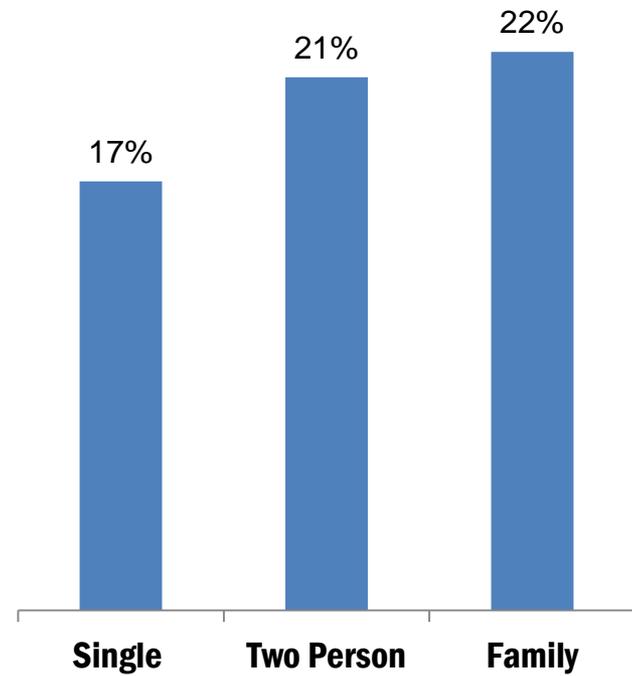
■ Large Employers

# Monthly Employee Contribution Amounts (as a % of Premium)

## Traditional



## High Deductible



■ All Employers



# 2016 Life Insurance Plan Design

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## All Employers

## Vermont Average

**Benefit Schedule**

**Multiple of Salary**

(67% of employers)

**Multiple of Salary Benefit Amount**

**1.8x Salary**

**Flat Benefit Amount**

**\$33,581**

**Plan Funding**

**100% Employer Funded**

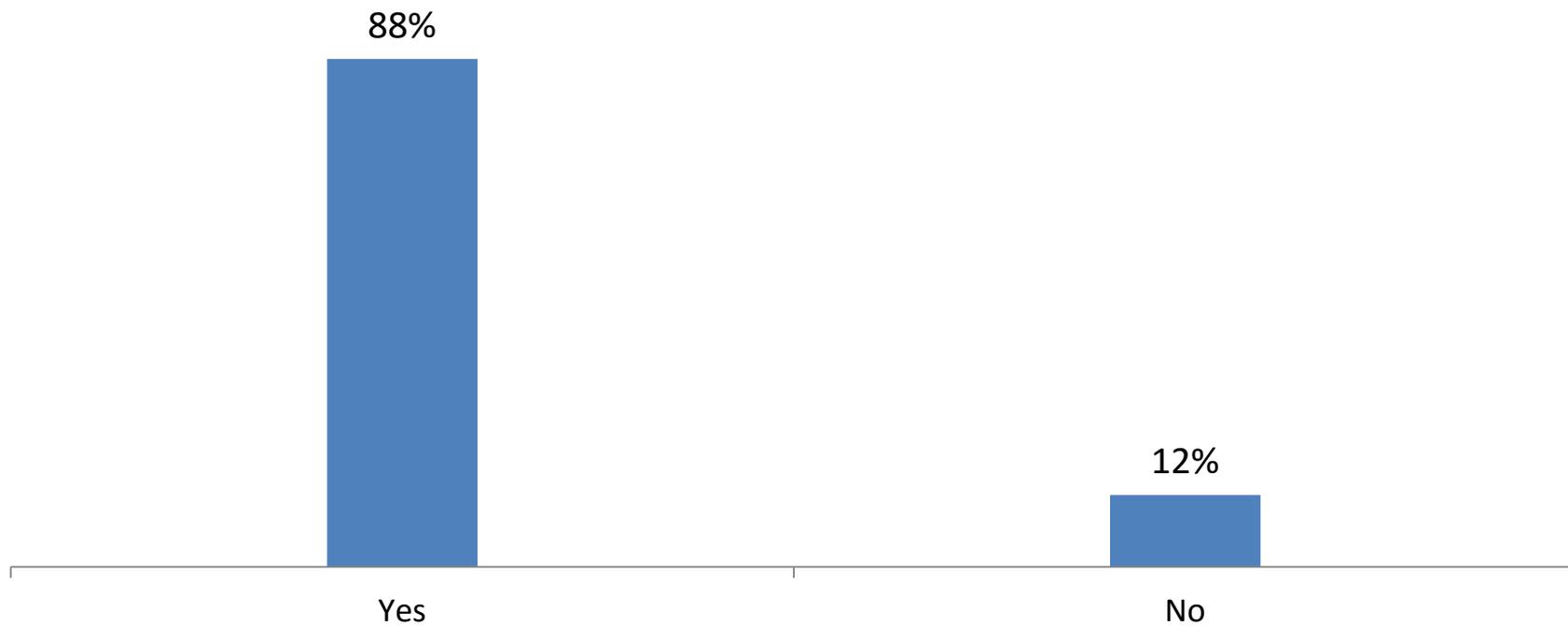
(89% of employers)

**Rate per \$1,000 (Life/AD&D)**

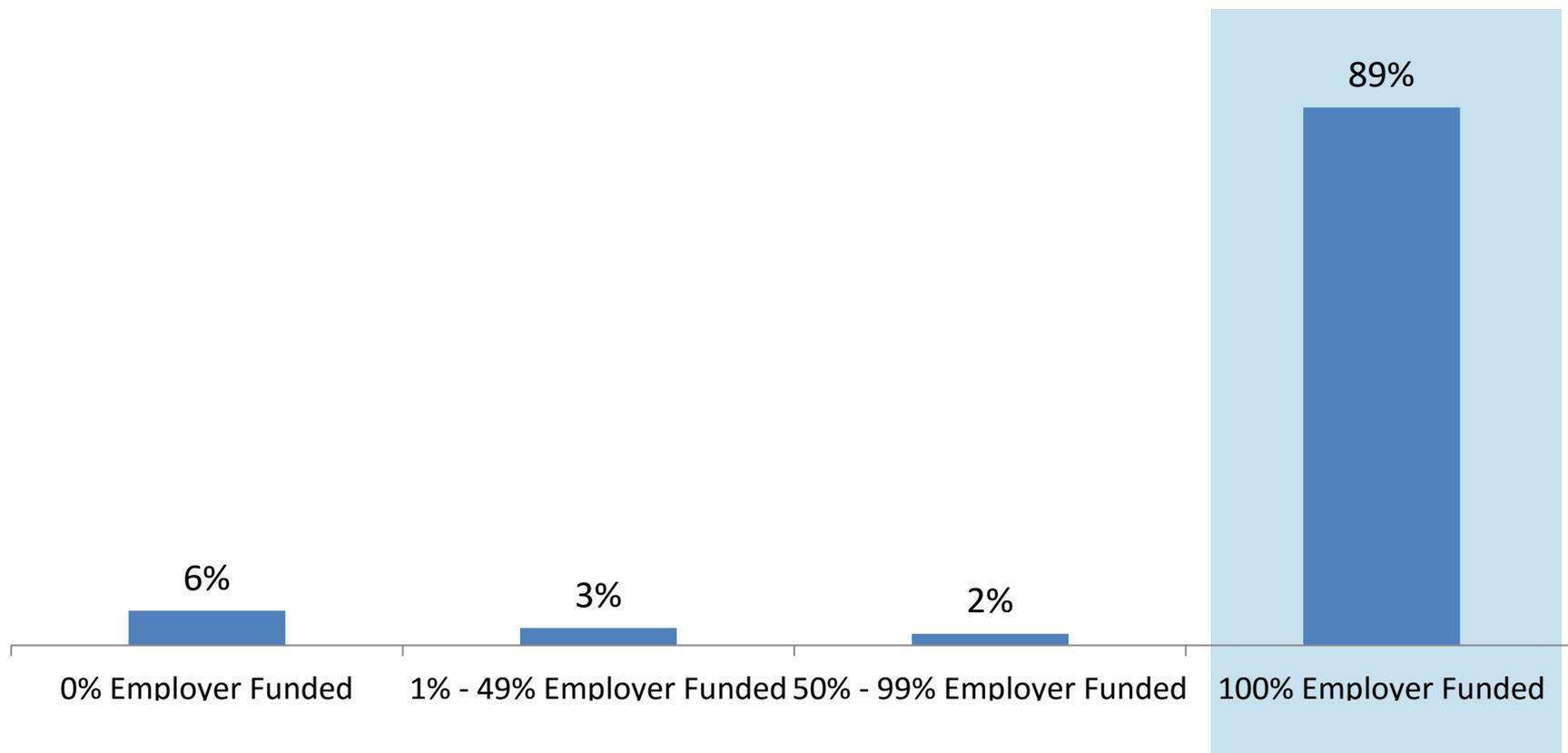
**\$0.19 / \$0.02**

## Percentage of Employers Offering a Life Insurance Benefit

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# Funding of Life Insurance Plans



■ All Employers



## 2016 Dental Plan Details

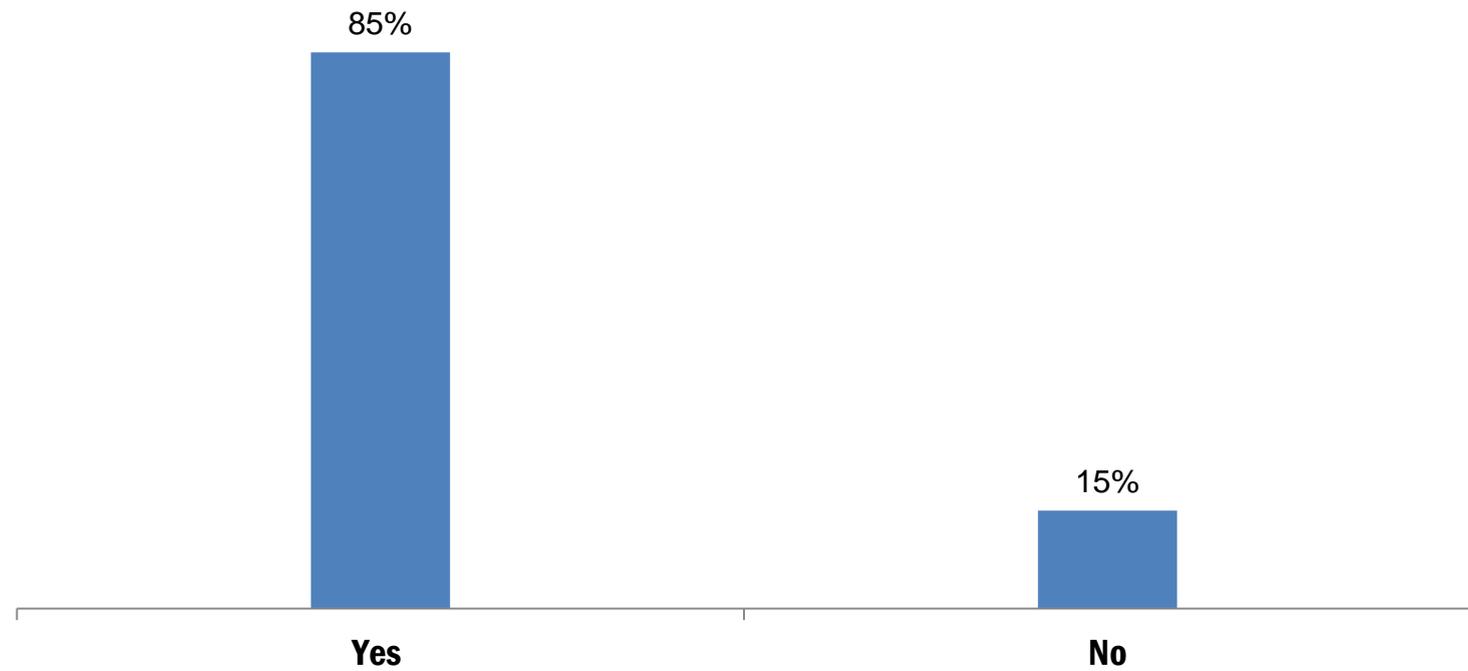
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All Employers – Dental Plans	Vermont Average
Deductible (Single / Family)	\$51 / \$124
Class A Coverage (Preventive)	95 %
Class B Coverage (Basic)	73 %
Class C Coverage (Major)	54%
Plan Year Maximum (Class A, B, C)	\$1,487
Class D Coverage (Orthodontic)	53%
Lifetime Maximum for Orthodontic Coverage	\$1,552
Monthly Premium Rate	\$42
Single	\$78
Two Person	\$130
Family	
Monthly Employee Contributions	\$18
Single	\$39
Two Person	\$68
Family	



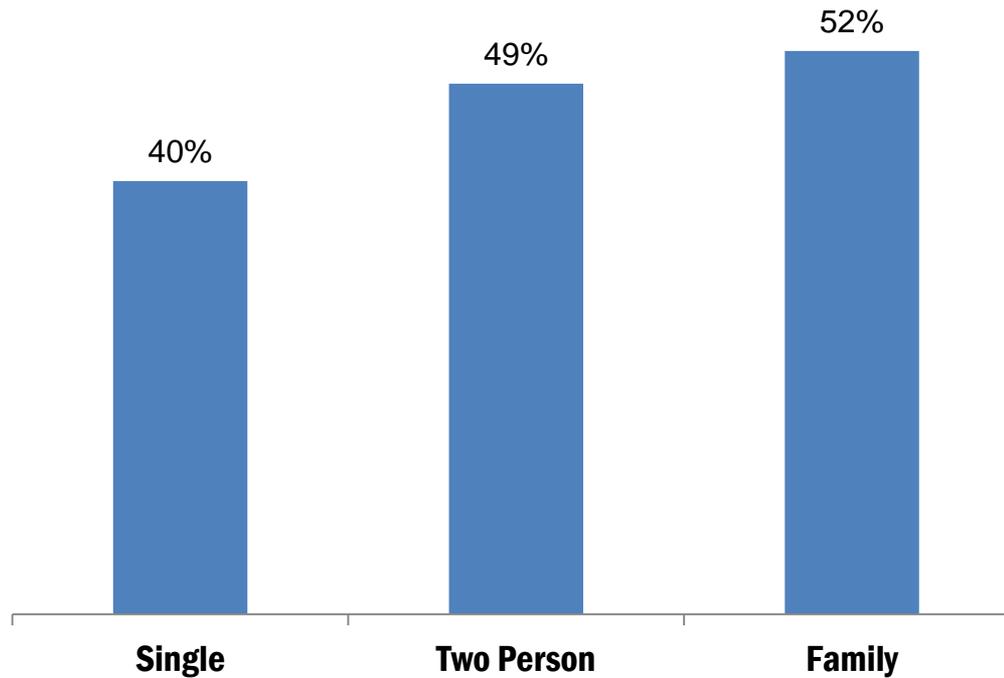
# Percentage of Employers Offering Class D (Orthodontic) Coverage

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## Average Monthly Employee Contributions (as a % of Premium)

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■ All Employers

## Potential Solutions to Consider

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# DC v. DB

**1. Retirement**

**2. Health Insurance**

(and other employee benefits)



## Defined Contribution

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1. Cafeteria plans failed in the 1980's and 1990's due to administrative complexities and adverse selection that eroded choice over time.
2. Technology through on-line enrollment and decision support has reduced administrative complexities. Employees do like choice – just not too much choice.
3. Adverse selection risk is still real as low utilizing, young employees opt for lower cost options and those savings are redirected to take home pay, 401(k) or alternative benefits. Fewer medical premiums to offset roughly the same amount of claims can result in the spiraling cost of plan choices.
4. Employers may have lost interest in affordability and advocacy. The rising cost of healthcare could be viewed as an economic fact of life.