



## Benefits Briefing VOLUME 22

Perspectives on the Americans with Disabilities Act (ADA), Segmentation of the Employer Market, Insurance Exchanges, and Voluntary Benefits from a Survey of Employers & Brokers  
(Q1, 2014)

National Employee Benefits Advisory Forum (NEBAF)

## Background & Methodology

The National Employee Benefits Advisory Forum (NEBAF) conducted an online information exchange in March & April 2014 to understand its participants' interest and experience regarding important employee benefits and some new approaches to the kinds of choices employers and employees may have in the near future.

The information in this report is based on an online survey taken by 484 brokers and 262 employers.

The following pages include findings from brokers and employers regarding their perspectives on all or some of the following:

- The Americans with Disabilities Act (ADA),
- Segmentation of the Employer Market,
- Public & Private Insurance Exchanges, and
- Voluntary Benefits.

## Executive Summary

This Briefing explores brokers' and employers' opinions of and experiences with the Americans with Disabilities Act (ADA).

- Similarly, most brokers and most employers are not very familiar with organizations that offer compliance, administrative, and support services related to the ADA.
- The majority of employers report that they do not currently contract with an outside provider for compliance, administrative, and support services related to the ADA.
- Nearly all brokers indicate that their firm does not currently offer compliance, administrative, and support services related to the ADA to clients or prospects, for a fee.

Brokers *only* provided feedback and insights into segmentation of the employer market.

- Brokers cite the following ways as the most valuable for segmenting the employer market: by company size, by region and by industry.
- They also report that these same ways are the ones they most commonly use to segment the employer market.
- Most brokers say that their company's segmentation by company size is very effective.
- Despite this effectiveness, many brokers say they face challenges in segmenting by company size.
- When we asked brokers which employee benefits providers are doing a good job at segmenting by company size, the most popular mentions are: Blue Cross/Blue Shield, Aetna, Cigna, MetLife and Guardian.

Employers *only* were asked to share their views on public and private insurance exchanges for both medical and non-medical insurance benefits.

- Almost a third of employers report being very familiar with private exchanges for medical benefits; this number is slightly higher than employers who say they are very familiar with private exchanges for non-medical insurance benefits (about a fourth).
- When we asked employers about their interest in learning more about private exchange providers and offerings for both medical and non-medical insurance benefits, nearly half show some level of interest.
- Yet, employers' likelihood of switching to either a private or a public exchange for medical or non-medical insurance benefits in the next 3 to 5 years is low.



## Executive Summary (cont.)

Lastly, the Briefing delves into the area of voluntary benefits with employers *only*.

- Roughly four-fifths of employers say that their organization currently offers its employees voluntary benefits.
- We asked employers about the role of voluntary benefits in their organization. Most employers think voluntary benefits play an important role in employees' satisfaction with their benefits plan, while fewer say voluntary benefits are important for attracting and retaining employees.

## What is the Americans with Disabilities Act (ADA)?

According to Wikipedia, "the Americans with Disabilities Act (ADA) is a wide-ranging civil rights law that prohibits, under certain circumstances, discrimination based on disability.

Disability is defined by the ADA as '...a physical or mental impairment that substantially limits a major life activity.' The determination of whether any particular condition is considered a disability is made on a case-by-case basis. Certain specific conditions are excluded as disabilities, such as current substance abuse and visual impairment that is correctable by prescription lenses."

Additional information can be found at [www.ada.gov](http://www.ada.gov).

# Americans with Disabilities Act (ADA)

We asked both brokers and employers various questions about their knowledge of and experiences with the Americans with Disabilities Act (ADA). See the left-hand side bar for a brief description of the law.

## Familiarity with Organizations Offering Services Related to the ADA

First, we asked both brokers and employers how familiar they are with organizations that offer compliance, administrative, and support services related to the ADA.

We see similar results for both groups. **Only about one in ten brokers and one in ten employers say they are very familiar with organizations offering these types of services.** Most brokers and employers report that they are not familiar.

These results show that both brokers and employers could become much more familiar with organizations that offer compliance, administrative, and support services related to the ADA.

## Use of Providers of ADA Support Services

We asked employers only (those who said they were at least somewhat familiar with organizations that offer compliance, administrative, and support services related to the ADA) whether their company currently contracts with an outside provider for compliance, administrative, and support services related to the ADA.

**The majority of employers indicate that their company does not currently contract with an outside provider** for these services related to the ADA.

This suggests that services supporting the ADA may need more attention, and that perhaps, the ADA itself may be underserved by employers. Employers may want to learn more about these types of providers and their capabilities.

## Brokers Offering ADA Support Services

We asked brokers only (those who said they were at least somewhat familiar with organizations that offer compliance, administrative, and support services related to the ADA) whether their firm currently offers compliance, administrative, and support services related to the ADA to clients or prospects, for a fee.

**The majority of brokers say that their firm does not currently offer these services related to the ADA.**

Brokers may want to consider offering such services to their clients, as a way to both differentiate themselves and fill a potential need.

See left-hand column on the next page to find brokers talking about their clients' challenges related to the ADA.

## Brokers talking about their clients' challenges related to the ADA...

Here are brokers talking about the challenges their clients face related to complying with the ADA:

*"Determining if they have made the appropriate accommodations to avoid any type of litigation situations."*

*"Keeping up with the amount of change in the regulatory landscape, especially for clients that operate in multiple states, is a nearly impossible task. In this way, I would just say that complying with the ADA is but one of many headaches our clients face, especially with so much brainpower dedicated to ACA currently."*

*"Understanding what their responsibilities are and how to train their managers on these responsibilities."*

*"Staying abreast of the ever changing ADA compliance laws."*

*"Not knowing all the rules and fines they can potentially face with not following ADA rules and regulations."*

*"They don't understand what their responsibilities are and don't have a resource to reach out to especially if they are a smaller client."*

*"They don't have the time to fully understand the law and potential ramifications."*

*"In general, "reasonably" accommodating specific situations is always a difficult call for the small to medium sized client because they have less experience. Larger organizations tend to have more experience on the corporate level and direct their divisions to access that experience."*

# Segmentation of the Employer Market

Some brokerage firms and insurance carriers segment employers in the market in ways that maximize business results. In this section, we asked brokers only about ways they may segment the employer market and the value of these segmentation methods.

## Value & Use of Segmentation Methods

We asked brokers how valuable various ways to segment the employer market are to their firm (and if their firm doesn't use certain methods, what could be the potential value). We also asked in which ways their firm currently segments the employer market.

We asked them about the following ways to segment employers, by: company size, industry, union workforce, skill level of the workforce, and region.

For both most valuable and most commonly used segmentation, brokers name the same **top three methods** (in order of mentions):

1. Company size
2. Region
3. Industry

**Notably, segmentation by employer company size is at the top of both lists.** Not surprisingly, we find that brokers most commonly use the segmentation methods that they have found to be most valuable.

Brokers may want to consider segmenting their clients in these ways if they are not already.

## Effectiveness of Company Size Segmentation

We asked brokers how effective they feel their firm's **company size segmentation** is in terms of making benefits recommendations and helping employers to navigate the group insurance market.

Nearly all brokers say that their segmentation by company size is effective. **More than two in three brokers feel that their firm's company size segmentation is very effective.**

These findings demonstrate that this method is working well for the vast majority of brokers' firms.

## Challenges of Company Size Segmentation

We also asked brokers what are the biggest challenges their firm faces when segmenting the employee market by company size.

The **most common responses** include: (named unaided)

- Accurately accounting for part-time employees
- Accurately segmenting companies
- Adjusting segmentation to be current and most appropriate with changes in the marketplace

## Brokers talking about what works with employer segmentation by company size...

Here are brokers talking about what works best about how their firm approaches segmenting the employer market by company size:

*"Company size dictates the types of benefits that can be offered, the number of options, and rating methodology options."*

*"Account executives can specialize in legislative requirements and underwriting requirements for a certain segment rather than trying to know all segments."*

*"Each segment has very different needs. Larger the group, more spread out the employees are."*

*"It allows us to have specialized service groups that are well informed about marketing and services offered in the specific market segments."*

*"Different products are available to small group vs. large so it was important for us to segment our business to do the best job for the customer."*

*"By segmenting it allows you to look at regional markets as well as national carriers. On smaller groups there may be an ability to use a local carrier to provide the best fit for that client."*

*"By breaking the clients up into size ranges we can see patterns and be aware of trends that are going on with that size group."*

*"With the advent of ACA/health care reform, it seems this is becoming almost necessary as the differences between "small" and "large" are becoming much more apparent. It certainly would simplify matters to draw a clear line, as it gets very confusing to remember what requirements apply to which of your clients."*

## Challenges of Company Size Segmentation (cont.)

The **most common responses** include: (named unaided) – cont.

- Appropriately allocating internal resources to segments
- Determining the most appropriate segments (number of and sizes)
- Keeping up with regulations, particularly the ACA
- Keeping up with changes in companies' sizes
- Keeping up-to-date on carrier's products and offerings relative to company size
- Limited broker knowledge base of only one segment size

See left hand column on the next page for representative comments.

Despite the effectiveness and value of segmenting the employer market by company size, brokers do face challenges in approaching and maintaining company size segmentation.

## Company Size Segmentation by Insurance Carriers

**Nearly all brokers report that they work with Employee Benefits insurance providers that segment** either sales, products or services by company size. So, we also asked brokers which employee benefits insurance providers they feel do a good job segmenting by company size.

The **top five mentions include:** (list in order of mentions)

- Blue Cross/Blue Shield
- Aetna
- Cigna
- MetLife
- Guardian

For brokers looking for help or guidance on company size segmentation, these carriers present potential resources.

## Insurance Exchanges

We also asked employers only about insurance exchanges, or the public and private online marketplaces for medical and non-medical insurance benefits.

## Familiarity with Private Exchanges

We asked employers how familiar they are with the private exchange providers and offerings that might be available to their organization for medical and non-medical (i.e. Life, Dental, Disability, etc.) insurance benefits.

**Employers indicate similar familiarity with private exchange providers and offerings for both medical and non-medical insurance benefits.** About three in ten employers are very familiar

## Brokers talking about challenges with employer segmentation by company size...

Here are brokers talking about challenges their firm faces when segmenting the employer market by company size:

*"Providing too many resources to groups that don't give us the needed profit margin."*

*"May be deceptive if company size is 2,000 yet only 400 are benefit eligible."*

*"Flux in group size due to the economy."*

*"As carriers have changed in recent years, services and products have changed. The need to stay on top of the products and services offered is ever present."*

*"Keeping up with all the new government regs based on group size."*

*"Having enough team capacity per segment depending on the business we earn."*

*"Case/Work Load being distributed between teams. Heavy January 1 renewal seasons make this especially challenging when you are trying to manage books of business."*

*"Keeping current of health reform issues and change regulations, in each segment."*

*"Making sure to qualify FTE's, Union, actual number of employees on the plan."*

*"The market is very fluid and it's not always clear which segment an employer falls into."*

*"Employees have limited knowledge about all of the different market sizes but extensive knowledge about the segment that they work in."*

## Familiarity with Private Exchanges (cont.)

with private exchanges for medical benefits, slightly higher than about one in four employers who say they are very familiar with private exchanges for non-medical insurance benefits.

Not surprisingly, most employers are not very familiar with private insurance exchanges, and could learn more about these options.

## Interest in Learning About Private Exchanges

We also asked employers how interested they are in learning more about the private exchange providers and offerings that might be available to their organization for medical and non-medical (i.e. Life, Dental, Disability, etc.) insurance benefits.

**Almost half of employers say they would be at least somewhat interested in learning more about private exchange providers and offerings for both medical and non-medical insurance benefits.**

Employers clearly express a need and a desire for more information in this area.

## Likelihood of Switching to a Private Exchange

We then asked employers how likely they are to consider switching to a private exchange provider in the next 3 – 5 years for their medical and non-medical insurance benefits.

About one-quarter of employers say they don't know if their company would consider switching or not. Among those providing an answer, **slightly more than one in ten employers indicate they are very likely to switch to a private exchange provider for either medical or non-medical insurance benefits in the next 3 – 5 years.**

Employers' lack of familiarity with private exchanges may be partially impacting their likelihood to consider these markets. It's clear that this is an area where brokers could help their clients become more informed.

## Likelihood of Switching to a Public Exchange

We also asked employers how likely they are to consider switching to a public exchange (state or federal) in the next 3 – 5 years for their medical and non-medical insurance benefits.

Again, we find that nearly one in four employers don't know if their company would consider switching or not. Beyond that, employers indicate they are **even less likely to consider switching to a public exchange than they are to switch to a private exchange for either medical or non-medical insurance benefits in the next 3 – 5 years.** Five percent or less say they would be very likely to switch to a public exchange.

## Did you know?

A recent report by Accenture<sup>1</sup> suggested that private health insurance exchanges will rapidly "upend insurance purchasing" for employees who receive benefits through their employer in the next 3 to 5 years. Accenture estimates that private exchange participation will approach public exchange enrollment levels as soon as 2017 and surpass them soon after. The company estimates that one million people will enroll in a private exchange in 2014, and number could grow to 40 million by 2018<sup>2</sup>.

Yet, Accenture also reports that consumers are widely unfamiliar with private exchanges, presenting a potential challenge for employers; among a survey of 2000 consumers, 83% said they are entirely unfamiliar with the private exchange concept.

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<sup>1</sup> 'Are you Ready? Private Health Insurance Exchanges Are Looming'. Retrieved from <http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture-Are-You-Ready-Private-Health-Insurance-Exchanges-Are-Looming.pdf>

<sup>2</sup> 'Private Exchanges Rise as Health Care Options'. Retrieved from [http://www.nytimes.com/2013/11/20/your-money/private-exchanges-rise-as-health-care-options.html?\\_r=0](http://www.nytimes.com/2013/11/20/your-money/private-exchanges-rise-as-health-care-options.html?_r=0)

## Likelihood of Switching to a Public Exchange (cont.)

The flurry of negative media attention to and coverage of public exchanges may be impacting employers' views of public insurance exchanges.

## Voluntary Benefits

In this last section, we asked employers only about their voluntary benefits offerings.

### Use of Voluntary Benefits

We asked employers whether their organization currently offers voluntary benefits (as defined by benefits offered at work where the employee pays all of the cost).

**The majority of employers, roughly four in five, report that their organization currently offers its employees voluntary benefits.**

These findings show that voluntary benefits are prevalent in the marketplace as a viable alternative or supplement to employer-paid benefits.

### The Role of Voluntary Benefits

We went further to ask employers about their views of the role of voluntary benefits for their organization in regard to:

- Attracting employees,
- Retaining employees, and
- Employee satisfaction with their benefits plan

Nearly three-fifths of employers think that voluntary benefits play an important role in employees' satisfaction with their benefits plan. Less than a third feel voluntary benefits play an important role in attracting employees, and/or retaining employees.

These results suggest that employers could benefit from additional education and assistance on how to maximize the role of voluntary benefits for their company.



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