



A Special Broker Trends Report

Perspectives on Employee Benefits Strategies & Communications, Brokers' Business Experiences & Current Concerns, and Health Care Reform

January 2013

National Employee Benefits Advisory Forum (NEBAF)

Background & Methodology

The National Employee Benefits Advisory Forum (NEBAF) conducted a special online information exchange in October and November 2012 among only brokers to understand their opinions and experiences regarding employee benefits and recent industry trends.

The information in this report is based on an online survey taken by almost 600 brokers.

The following pages include findings from brokers regarding their perspectives on the following:

- Employee Benefits Strategies,
- Employee Benefits Communications,
- Their Business Experiences & Current Concerns, and
- Health Care Reform.

Executive Summary

This Briefing includes insights and opinions of brokers in the area of employee benefits strategies.

- Nearly all brokers reported that they always/often recommend the following two strategies to their clients: actions to support employee participation in their clients' benefits program, and improving benefits plan designs to decrease benefits costs. These are the two most common strategies recommended by brokers.
- When we asked participants about the importance of reasons for recommending medical insurance benefits to their clients, the majority identified several reasons as highly important: assisting clients in vying for and retaining employees, enabling employees to stay healthy, and improving employee motivation and productivity.

Brokers also shared information on employee benefits communications.

- We asked them which activities they conduct with their clients' employees. Group in-person meetings are the most common, named by nearly all.

This report also contains the views and experiences of brokers related to various areas of their businesses.

- Brokers rated their level of concern with various business, economic, legal and regulatory factors. Keeping abreast of legal, regulatory and compliance issues was the top-rated concern, following by distinguishing their firm from competitors.
- We also asked them about their how their company's revenue structure had changed in the past few years. About half reported a move toward one particular revenue system.
- Half of brokers said they have clients who are providing benefits to employees working outside the U.S. Roughly half do not, and a small number do not know whether their clients do or not.

Lastly, brokers provided their opinions regarding aspects of health care reform.

- The majority of brokers think that their clients are highly dedicated to offering or continuing to offer health insurance.
- When it comes to understanding state health exchanges, half of brokers said they understand them very well. Others have a moderate understanding.

Employee Benefits Strategies

Brokers were asked several questions related to employee benefits strategies and their own views and actions in recommending these strategies.

Frequency of Recommending Strategies

We asked participants how frequently they recommend various employee benefits strategies to their clients.

Most commonly brokers reported that they recommend strategies related to *participation in benefits programs* and *cost reduction in benefits plan design*. **The majority said that they always or often recommend the following:**

- Actions to support employee participation in their clients' benefits program
- Improving benefits plan designs to decrease benefits costs

Other common strategies most brokers said they always or often recommend include: (in alphabetical order)

- Cost-sharing (having employees incur more of the cost of benefits)
- Designing benefits to support employees' ability to balance their work and personal lives
- Having wellness programs to drive employees' healthy activities
- Offering a variety of Voluntary Benefits to meet employees' various needs

These results show what strategies brokers tend to recommend on a regular basis – indicating what standard industry practices are as well as highlighting areas for possible differentiation.

Reasons for Recommending Medical Insurance

We asked participants how important various reasons are for recommending medical insurance benefits to their clients.

Roughly four in five brokers cited the following as highly important reasons: (in alphabetical order)

- ✓ Assisting clients in vying for and keeping employees
- ✓ Enabling employees to stay healthy
- ✓ Improving employee motivation and productivity

The Webinar: Past and Present

From Wikipedia: Web-based chat and instant messaging software appeared in the mid-1990s. In the late 1990s, the first true web conferencing capability became available. Web conferencing refers to a service that allows conferencing events to be shared with remote locations. These are sometimes referred to as **webinars** or, for interactive conferences, online workshops.

Today, webinars are well established as common communication tools. Most companies run more than one webinar a month.¹

A Look Back: The Economy Continues to Concern Brokers

Even though the 2008 recession 'officially' ended in 2009, its impact is certainly far from over. When asked about their current concerns, brokers cited 'clients reducing benefits due to the economy' among their top three concerns. This is consistent with what they have told us in past information exchanges.

Back in February 2009, we asked brokers about the impact of the state of the economy on future benefits offerings and actions. About 7 in 10 expected employers to do the following in the next 12 months:²

- Put on hold planned increases or implementation of new benefits
- Reduce the coverage level of employees benefits offered
- Shift costs for current health plan to employees

That was close to three years ago, yet, brokers concerns do not seem to have alleviated much. The future of the economy continues to be volatile, perhaps placing greater emphasis on the importance of brokers' top two concerns - keeping abreast of regulatory issues (and helping their clients keep up) and distinguishing themselves from competitors.

¹ 'Top 7 Webinar Statistics You Should Know' by ClickMeeting, e3webcasting.com.

² The National Employee Benefits Advisory Forum (NEBAF)'s online information exchange, Benefits Briefing, Volume 8, February 2009.

Reasons for Recommending Medical Insurance (cont.)

Beyond the obvious reason of keeping employees healthy, brokers clearly see medical insurance offerings as playing a key role in employee acquisitions / retention and employee motivation / productivity. With the adoption of health care reform, these reasons as well as others may become even more important.

Employee Benefits Communications

We asked brokers about their involvement in employee benefits communications activities.

Activities Conducted with Clients' Employees

We asked brokers about various activities and asked them which they conduct with their clients' employees.

The vast majority said they conduct group in-person meetings.

Roughly two in three reported that they conduct one-on-one in-person meetings with employees and /or webinars.

It's notable to see that webinars, a relatively new form of communication, are used with roughly the same prevalence as one-on-one in-person meetings, a more traditional form of benefits communications. See left sidebar for facts on webinars.

Business Experiences & Concerns

We asked brokers several questions about their own businesses.

Brokers' Current Concerns

We asked participants how concerned they are with various business, economic, legal and regulatory factors. They rated their level of concern with several factors.

Brokers rated the factors in the following order of concern, *based on 'highly concerned' scores*:

1. Keeping abreast of legal, regulatory & compliance issues
2. Distinguishing their firm from competitors
3. Clients decreasing benefits offerings due to the economy
4. Health care exchanges being used in place of brokers
5. Handling clients' increased demands for administrative services
6. Clients' global benefits solutions needs

Global Benefits: Results of a Recent Study by Aon Hewitt & American Benefits Institute³

In the spring of 2012, Aon Hewitt and the American Benefits Institute surveyed business leaders of multinational organizations about how they make and execute strategic policy decisions related to their employee benefit programs worldwide.

This study, the *2012 Corporate Governance of Global Benefits Study*, identified several key findings and trends related to global benefits and their growing importance and relevance to organizations, including the following:

- Execution of global benefits strategy to achieve desired outcomes, such as reduced financial and operational costs and risks, was noted as the single largest benefits governance challenge.
- The most common reason by far for sponsoring employee benefit plans is to be competitive in local markets.
- Most companies report that it is important or very important for corporate to exercise oversight and control of retirement, medical, and insured benefits. However, significantly fewer companies are satisfied with current levels of corporate involvement in local country decisions.

³ Aon Hewitt & the American Benefits Institute, *2012 Corporate Governance of Global Benefits Study*, Spring 2012.

Brokers' Current Concerns (cont.)

With the recent passage of health care reform, it's not surprising to find that **legal, regulatory and compliance issues are currently the top concern for brokers**. Brokers also report being concerned with another specific outcome of the Affordable Care Act – health care exchanges being used in place of brokers.

Differentiation is the second most common concern of brokers. Increasing market competition combined with the introduction of health care reform will make distinguishing oneself increasingly important.

Notably, clients' global benefits solutions needs are at the bottom of the list. As we report below, this could be due to the fact that not all participants have clients who are providing global benefits.

Revenue Structure of Business

We also asked brokers how their company's revenue structure has changed in the past three years.

Many reported no change. About one in three said that their firm has moved to a more fee-based revenue system, while about one in five reported that they have moved to a more commission-based revenue system.

This shows that about half of brokers' companies have been making changes and moving toward one system or another in the past few years. Yet, results do not indicate one common industry norm, trend or best practice.

Global Benefits Experience

Participants were asked whether they have any clients who are providing benefits to employees working outside the US, including expatriates.

Results were fairly evenly split; about half said they do have clients who are providing benefits to employees working outside the U.S., and about half said they do not. Interestingly, **nearly one in ten said they were not sure whether they do or not**.

The chart on the next page shows results of this question.

For half of brokers, global benefits represent an area where they can differentiate themselves by providing expertise and education to their clients with employees outside the U.S. See left sidebar for results of a recent study on global benefits.

For the other half of brokers without clients providing benefits to employees outside the U.S., global benefits are an area not to be overlooked. These brokers need to be generally knowledgeable on global benefits in order to maintain competitiveness.

These results also highlight the fact that some number of brokers are not sure whether their clients are providing benefits to employees

Health Care: Results of a Recent Towers Watson Survey ⁴

According to the 2012 Towers Watson *Health Care Changes Ahead Survey*, nearly two-thirds of employers (63%) expect little or no change to their health benefit plan design or employee premium subsidies for 2013. Yet 2014 promises to be a different story; 42% of employers considering changes to plan options and 31% considering reductions in subsidization of coverage for spouses or dependents.

What are Health Insurance Exchanges? ⁵

The Patient Protection and Affordable Care Act (PPACA), signed into law in March 2010, made broad changes to the way health insurance will be provided and paid for in the United States. PPACA created a new mechanism for purchasing coverage called Exchanges, which are entities that will be set up in states to create a more organized and competitive market for health insurance by offering a choice of health plans, establishing common rules regarding the offering and pricing of insurance, and providing information to help consumers better understand the options available to them. Initially Exchanges will serve primarily individuals purchasing insurance on their own and smaller employers; states will have the option of opening Exchanges to larger employers a few years after implementation.

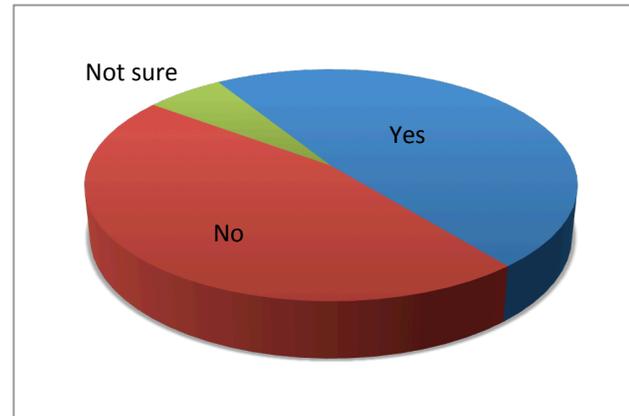
⁴ Towers Watson, *Health Care Changes Ahead*, Aug. 2012.

⁵ The Henry J. Kaiser Family Foundation website, www.kff.org.

Global Benefits Experience (cont.)

outside the U.S. This suggests an opportunity and a need for these brokers to learn more about their clients and further foster relationships.

Whether Broker Has Clients Providing Benefits to Employees Outside the U.S.



Health Care Reform

Lastly, we asked participants about their opinions and attitudes related to health care reform.

Intention of Clients to Offer Health Insurance

We asked brokers their opinion regarding their clients' intent in offering or continuing to offer health insurance coverage in the foreseeable future.

- ✓ **Roughly four out of five brokers reported that their clients are highly dedicated to offering or continuing to offer health insurance.**

This suggests that employers will continue to offer health insurance, a positive message for employees and the employee benefits market. Yet, the future of the coverage itself is somewhat less positive. See sidebar for results of a recent Towers Watson survey.

Understanding of State Health Exchanges

We also asked brokers how well they understand State Health Exchanges.

Here we see more mixed results.

- ✓ **Half of brokers indicated that they have a good understanding of state health exchanges.**

The other half said they have a moderate understanding.

More on Exchanges...Did You Know?

Coverage through the exchanges will begin in every state on January 1, 2014, with enrollment beginning October 1, 2013.

States can elect to build a fully state-based exchange, enter into a state-federal partnership exchange, or default into a federally-facilitated exchange. The Affordable Care Act (ACA) directs the Secretary of Health and Human Services (HHS) to establish and operate a federally-facilitated exchange in any state that is not able or willing to establish a state-based exchange. In a federally-facilitated exchange, HHS will perform all exchange functions. States entering into a state-federal partnership exchange may administer plan management functions, in-person consumer assistance functions, or both, and HHS will perform the remaining exchange functions. If a state opts for a state-federal partnership exchange, it has until February 15, 2013, to submit an exchange blueprint to HHS.

As of December 2012, 19 states had declared a state-based exchange.⁶

Understanding of State Health Exchanges (cont.)

These findings identify another area where there is a clear need for more information and education – in the area of health exchanges. It will be increasingly important for brokers to be educated in the details of health care reform including exchanges in order to be able to confidently inform and assist their clients.

About Participants

Below we have provided information on the brokers that participated in this exchange.

Years of Experience

We asked participants how many years they had been working in the employee benefits industry.

The majority of brokers reported that they have been working in the industry for 6 years or more. Four in five said they have 10 or more years experience in the employee benefits industry.

Years in Firm

We then asked participants how many years they had been working in their firm.

Roughly three out of four participants have been working at their current firm for more than five years.

Current Role

We also asked participants about their current role.

Two in five indicated being primarily in an account management role. Another two-fifths said they were both business acquisition and account management.

⁶ The Henry J. Kaiser Family Foundation website, www.kff.org.



National Employee Benefits Advisory Forum
Sponsored by Center for Strategy Research, Inc.
101 Federal Street, Suite 1900
Boston, MA 02110
(617) 451-9500
nebaf@csr-bos.com

We are continuing to invite Human Resource executives, Finance executives, Brokers, and Consultants to join the **National Employee Benefits Advisory Forum**. If you or someone you know is interested in joining, please visit www.NEBAF.org and click Join Us. Or, email us at nebaf@csr-bos.com for more information on how to join.