



Challenger, Gray & Christmas, Inc.
The original outplacement company

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Survey: Affordable Care Act and Employers

MAJORITY OF EMPLOYERS PLAN TO MAINTAIN HEALTH COVERAGE

CHICAGO, June 26, 2013 -- Despite the potential for increased costs and more regulatory red tape, 82 percent of companies recently surveyed by global outplacement consultancy Challenger, Gray & Christmas, Inc. plan to continue providing health care coverage to their workers when the employee mandate provision of the Affordable Care Act goes into effect on January 1, 2014.

Surprisingly, none of the 100 human resources executives surveyed by Challenger said that their companies plan to drop health coverage when the mandate begins. Only 2 percent of respondents indicated that their companies do not currently offer health coverage and have no plans to add coverage beginning in 2104.

While the employer mandate is just six months away from kicking in, about one in ten (11.1 percent) said their companies have not reached a decision on health care coverage under the Affordable Care Act.

“It appears that concerns about companies' nationwide dropping health plans may have been premature. Certainly, some companies will decide it is more economical to pay the penalties than provide healthcare, but for those that have been offering coverage voluntarily for many years, it is unlikely that the new law will prompt them to suddenly stop,” said John A. Challenger, chief executive officer of Challenger, Gray & Christmas.

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Beginning in 2014, companies with more than 50 full-time employees will be required to provide affordable and adequate health insurance. Those that do not will be subject to a \$2,000 penalty for each full-time employee (minus the first 30 employees).

Employers with 50 employees or fewer are not required to offer health coverage and will not be subject to any penalties. In other words, 96 percent of the businesses in the U.S. will not be required to meet the new employer mandates prescribed by the new law. Most of the remaining businesses already offer some level of health coverage to employees.

According to data from the Henry J. Kaiser Family Foundation, 94 percent of firms with 50 to 199 employees provided health insurance in 2012. Meanwhile, 98 percent of firms with 200 or more workers offered health benefits. In fact, health coverage at large firms has remained relatively consistent since 1999, with an average of 97 percent providing insurance to employees.

“There are many complexities to the new requirements, including who qualifies as a full-time worker, how seasonal workers should be considered, and how a plan’s affordability and adequacy are determined. It is imperative that employers understand all of these nuances before determining the best course of action,” advised Challenger.

“Obviously, some companies are still crunching the numbers in an effort to determine whether it makes more financial sense to provide health coverage for all employees or to pay the penalties and force employees to obtain health coverage through state-run exchanges. Just over 11 percent of our survey respondents still had not made a decision. However, time is quickly running out and understanding the complexities of the new law will not get any easier as the deadline draws closer,” said Challenger.

It remains to be seen whether the new health care law will deliver on one of its primary promises, which was to stem the rising costs of health care insurance. According the Challenger survey, 64 percent of employers reported increased health care costs in 2012, with increases averaging about 8.0 percent. Nearly 58 percent of employers are already anticipating higher health care costs in 2013, with an average increase of 10 percent.

In an attempt to limit the impact of rising health care costs on the bottom line, 51 percent of survey respondents indicated that they are passing along a greater portion of the cost increase to employees. One in three said they moved to higher plan deductibles. In addition to these measures, 56 percent of companies are trying to contain costs by offering employees more wellness and preventive health programs.

“There are definite advantages to providing health benefits, including the fact that having health coverage means having access to preventive care, thus cultivating a healthier workforce. Healthier workers are typically happier and more productive. They have fewer unplanned absences and fewer major medical issues that can send insurance premiums higher. Health benefits are also effective in attracting and retaining talent, which is why employers began voluntarily offering health benefits in the 1940s,” said Challenger.

“Companies that opt to drop employee health insurance in 2014 may soon find out just how valuable a retention tool those benefits are. Unemployment is still relatively high, but the job market is recovering and jobless rates are falling. Some cities are already seeing unemployment rates drop below five percent. Companies that continue to offer health insurance in 2014 could have a clear recruiting advantage, which is a factor that undecided employers should definitely consider,” said Challenger.



CHALLENGER SURVEY RESULTS

How will your company address mandated employer coverage, which begins January 1, 2014?

We will continue to provide health care coverage for our employees	82.2%
We have not determined our strategy at this point.	11.1%
We have fewer than 50 employees and therefore do fall under the mandate	4.4%
We do not provide health care and will not do so beginning in 2014, opting to pay the taxes.	2.2%
We did not provide coverage, but will under the mandate	0.0%
We currently provide health care, but will opt to drop coverage and pay the increased taxes	0.0%

Did your company's health care costs increase in 2012?

Yes, our costs increased by _____%	64.4%	Avg. 7.6%
Our costs stayed about the same.	22.2%	
No, our costs declined by _____%	8.9%	Avg. 6.0%
We do not offer health care coverage to our employees.	4.4%	

Did your company's health care costs increase in 2013?

Yes, by _____%	57.8%	Avg. 9.9%
No	11.1%	
It is too early to tell	31.1%	

What steps does your company take to limit the impact of rising health care costs on the bottom line?

We have had to pass along a rising portion of the cost increase to employees.	51.1%
We dropped health care coverage entirely.	0.0%
We incorporated more wellness and preventive health programs to help lower costs.	55.6%
We changed insurance providers.	8.9%
We moved to higher plan deductibles and offset employees' increased out-of-pocket costs by contributing fixed dollar amounts to HRAs.	33.3%
Other (please specify)	31.1%