2020 HEALTH INSURANCE SURVEY RESULTS

This report is compiled from 2020 data collected and prepared by: Brian Hughes – NJ CAR and Ward Bauman – Corporate Synergies
White paper written by Bruce Mazzarelli – Fotek Insurance Solutions and Louis Young – WithumSmith + Brown

INTRODUCTION

The information in this report represents the results of the 7th annual New Jersey Coalition of Automotive Retailers (NJ CAR) survey regarding health insurance and related employee benefits. The consistency in the collection of data, through Survey Monkey, provides the opportunity to present trends that can be seen over several years. As a reminder, the data is based on the respondent's plan with the greatest enrollment, even when multiple plans are offered. Also, please note modifications have been made to questions around copays, high deductible health plans, and telemedicine to better represent the current health benefits environment.

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EXECUTIVE SUMMARY

While dealer survey participation was down slightly, the sample size allows us to continue sharing meaningful trends over a significant period of time. We did see a shift towards more small dealerships responding, as well as an increase in participation by Northern New Jersey dealers, compared to Southern New Jersey dealers.

In 2020, more than half the responding dealerships offered three or more plans, demonstrating they understand the need to offer a variety of plan options to diverse employee populations. In terms of carrier selection, Horizon saw a significant increase in market share, more than making up for losses in 2019. This growth came at the expense of Cigna, Oxford, and MHP. We also saw a shift towards a greater number of self-insured plans, up to 28% in 2020.

With High Deductible Health Plans (HDHP) now being offered by 59% of dealerships, and 30% responding that HDHP was their most popular plan, we expanded our questions to address the funding of the deductible. More than half of those offering a HDHP provide some level of employer funding to offset the deductible costs. Of those employers offering funding, 64% are covering at least half (or more) of the deductible, most often through a debit card program.

Ancillary benefit offerings have remained stable over the last four years. We do see modest trends, in particular with employer paid Life Insurance increasing for the first time in several years. Of those respondents answering the question on telemedicine utilization, 80% saw a noticeable increase in utilization – a true sign of the times.

Plan designs and carrier selection remained stable, showing a hesitancy to disrupt employees. In part, that drove an increase of 6% in premiums, on average. The percentage of dealerships seeing a renewal in excess of 5% grew to 57%. Renewals of greater than 10% doubled to 24% in 2020 as compared to 2019. Employer contributions, as a percentage of premium, remained steady at 52% in 2020. As a result of premium increases, employers generally split the cost of higher premiums with employees. Each paid approximately 6% more for coverage in 2020. In these uncertain times, it is difficult to forecast 2021 renewal levels, but it is unlikely to improve based on early indications.

Again this year, we provided a survey question asking respondents to tell us what employee benefit topics they would like to hear more about. Rather than focus on the survey results at this year's training, we want to treat the event as an informative benefits round table – sharing ideas and talking about what has worked and what hasn't.

As a result, we will focus on the following five important benefits topics:

- Balanced benefits portfolio;
- Latest benefits, including financial wellness;
- Wellness program impact on costs;
- Role of technology and EE advocacy; and
- Who is an ideal fit for self-insurance.

We strongly suggest Dealer Principals, General Managers, CFO's or Human Resources personnel attend our training in the Spring.

Finally, according to a survey by Kaiser Family Foundation, the annual change in premiums is similar to the year-to-year rise in workers' earnings (3.4%) and inflation (2.1%). That being said, over time, what employers and workers pay toward premiums continues to rise more quickly than wages and inflation. Since 2010, average family premiums have increased 55%, at least twice as fast as wages (27%) and three times faster than inflation (19%).

SURVEY DEMOGRAPHICS

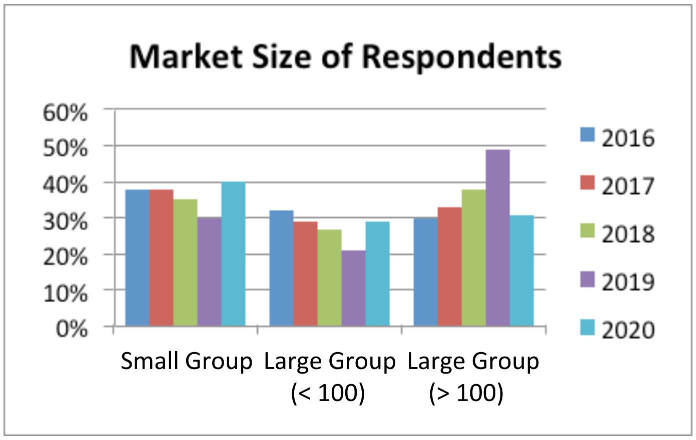
Our goal is simple – provide key information to help dealer principals make balanced decisions regarding their employee benefits programs. The responses received represent approximately 116 individual dealer locations, a decrease from last year. As always, the data has remained "blinded", meaning no individual dealership will be identified. Once again, we see a mix of dealership size, geography, and both foreign and domestic dealers.

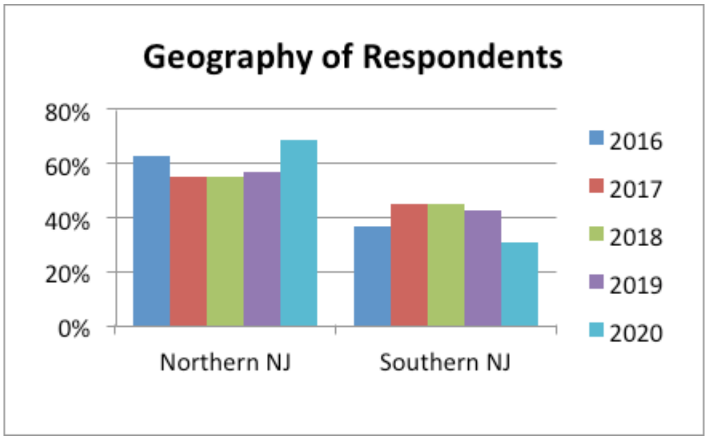
Key Demographic Highlights

Let's take a look at the basics. Below you can see some basic demographic information regarding the responding dealerships.

- The number of employers with over 100 employees who responded decreased significantly in 2020
- There was a moderate shift in the geographical split, with the North growing and the South decreasing

Dealer survey participation was down, but there is still a sizable sample size to validate the data. Additionally, due to consistency in data collection, there is the ability to share meaningful trends over a significant period of time. Note we did see a shift to a lower average respondent market size, with "small groups" increasing and 100+ groups decreasing. Additionally, we saw a shift in geography from Southern NJ to Northern NJ.





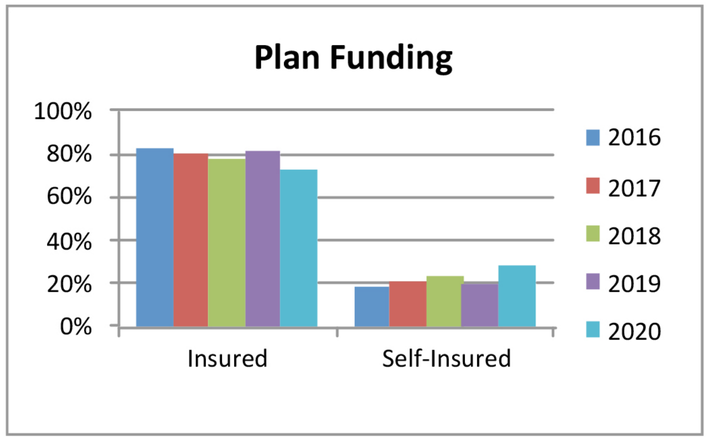
THE BASICS

Our focus here is to capture the number of plans offered, as well as the funding model used to pay for health insurance costs. Additionally, we will review carrier market share and the prevalence of each plan design type.

Key Basic Highlights – Plan Counts and Funding Choices

- We saw an increase in the average number of plans offered by member dealerships in 2020, with three or more plan options the most common offering (53%)
- We saw an increase in "single" option respondents, continuing the 2019 trend (to 21%)
- We saw a meaningful increase in self-insurance (from 19% in 2019 to 28% in 2020)

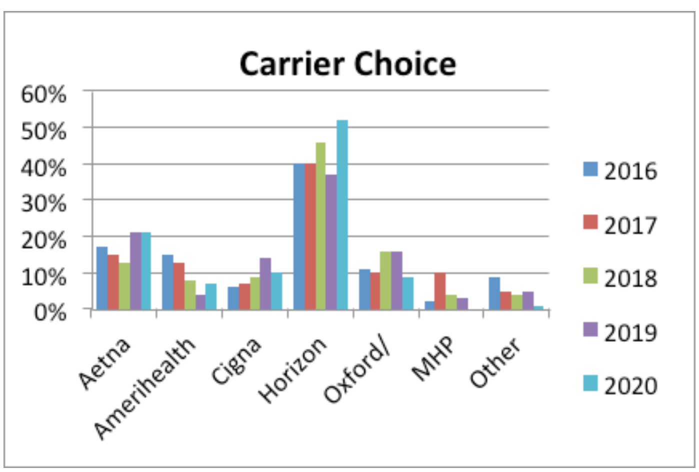
For the first time, more than half the responding dealerships offered three or more plans, demonstrating an understanding that it is difficult to pick just one or two plans to meet the needs of a diverse employee population.

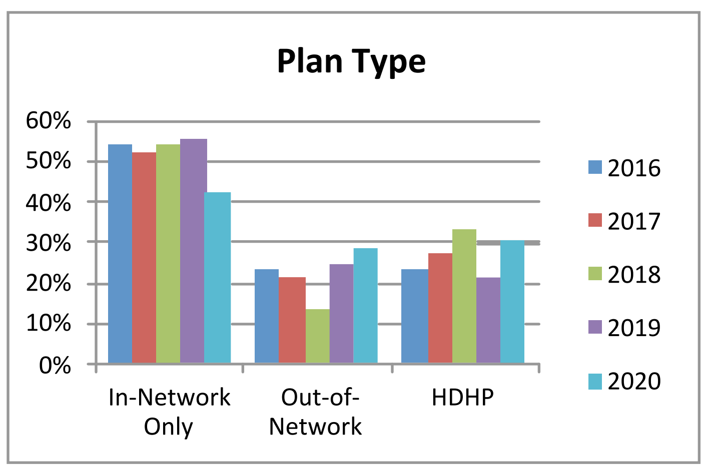


Key Basic Highlights – Carrier Choice and Plan Type

- There was significant carrier movement in 2020
- Horizon saw its highest market share since 2016
- MHP, Oxford and Cigna all saw a decrease in market share in 2020
- Out-of-network coverage plans increased for the 3rd year in a row, at the expense of in-network-only plans
- High Deductible Health Plans grew significantly in 2020, increasing in popularity by 40% over 2019

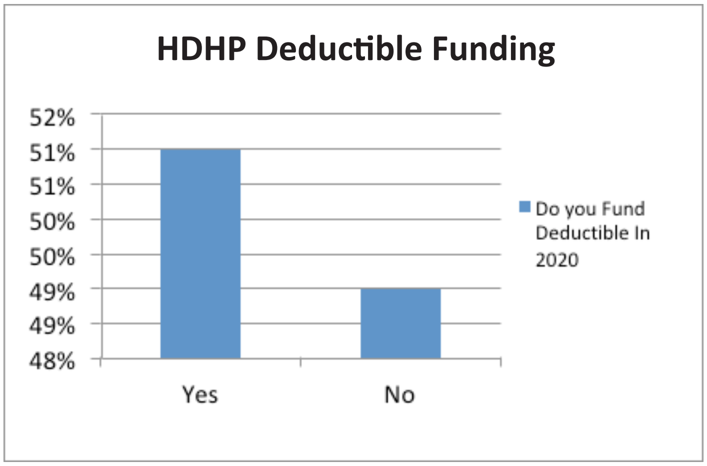
Unlike 2019, Horizon saw a significant increase in market share in 2020. That growth was primarily at the expense of Oxford, QualCare (now Members Health Plan), and Cigna.

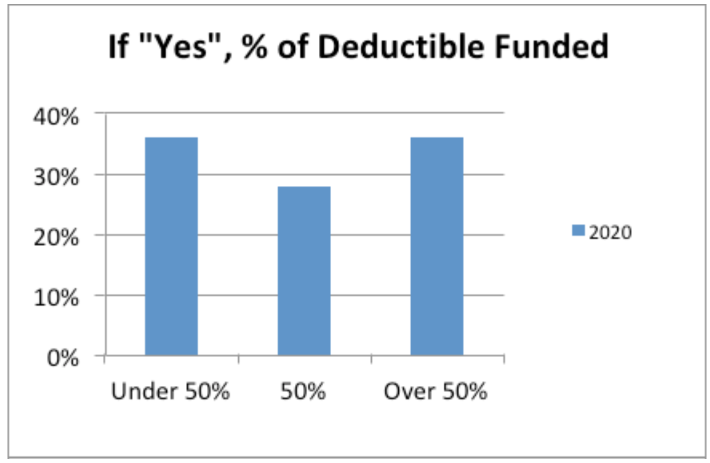




HDHP Funding

Given the growth of High Deductible Health Plans, we thought it was important to address how dealerships are funding the required deductibles. This is the first year capturing this data, but we will see trends develop in coming years.





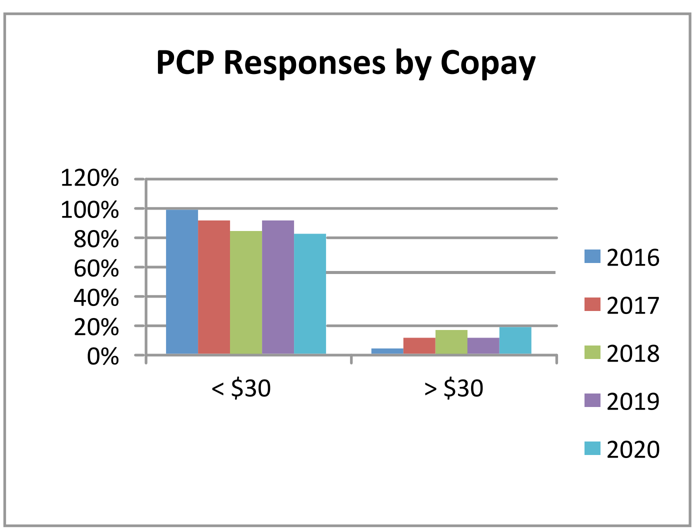
- Slightly more than half the dealerships offering HDHP plans fund the deductible
- Among those funding the deductible, 64% fund at least half

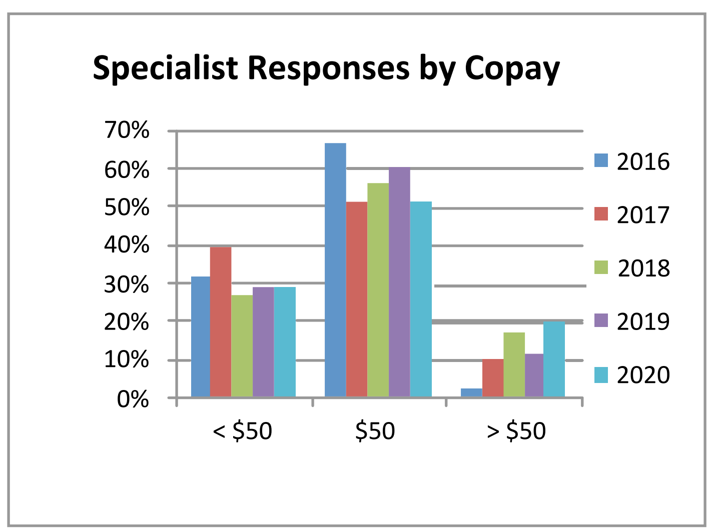
PLAN DESIGN SPECIFICS

Let's now take a look at plan design trends seen over the last several years. Our focus will be on Copay levels for PCP's and Specialist's, as well as pharmacy copays and maximum out-of-pocket costs for employees. For the 2020 report, we simplified copay reporting.

Key Plan Design Highlights - Copays

- PCP copay levels have seen a modest increase
- Specialist copay levels increased in 2020, with 20% of respondents indicating a specialist copay of over $50 – the highest level since the survey began



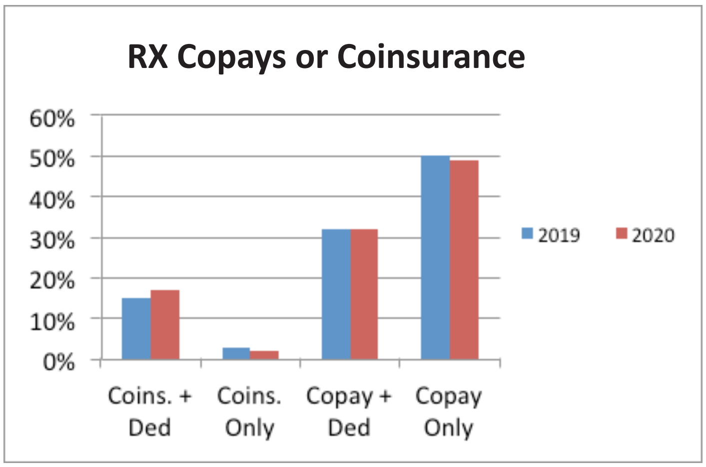


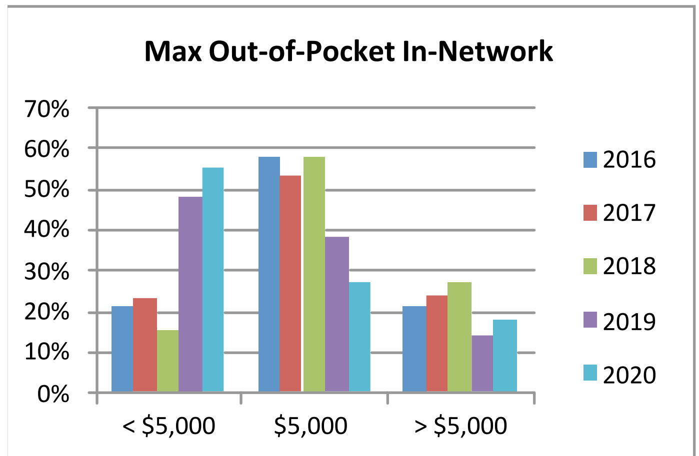
Key Plan Design Highlights – Maximum out-of-pocket and Rx Copays

- Pharmacy cost sharing models in 2020 remained mostly consistent with 2019 levels
- Average maximum out-of-pocket levels remained about the same in 2020, although there was an increase to both under and over $5,000

In 2020, we modified Rx copay questions to allow for a long-term view of trends. We saw a modest increase to HDHP plans, resulting in an increase to employees who have to meet a deductible prior to Rx coverage.

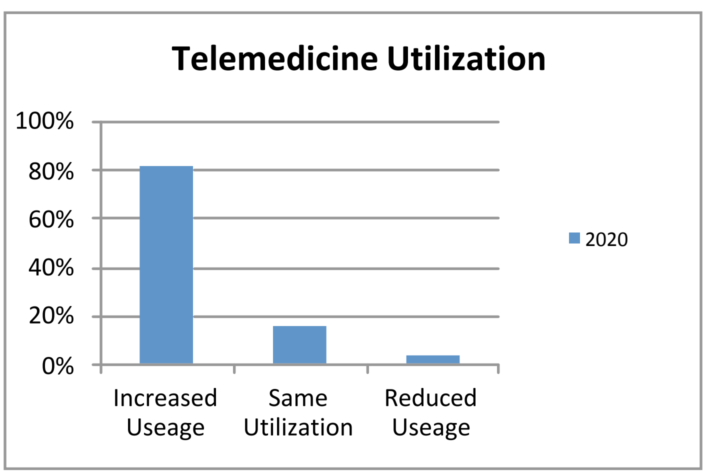
We are seeing consistency in employees' costs to use their plan. While average out-of-pocket costs remained the same, we saw more employees with exposures of less than $5,000.





Telemedicine

As a result of the coronavirus pandemic, visiting a doctor's office was more difficult in 2020. Accordingly, we saw many carriers heavily promote their Telemedicine partners. This resulted in significantly more utilization of virtual doctor's appointments and telephonic medicine.



- 81% of respondents indicated an increase in telemedicine utilization

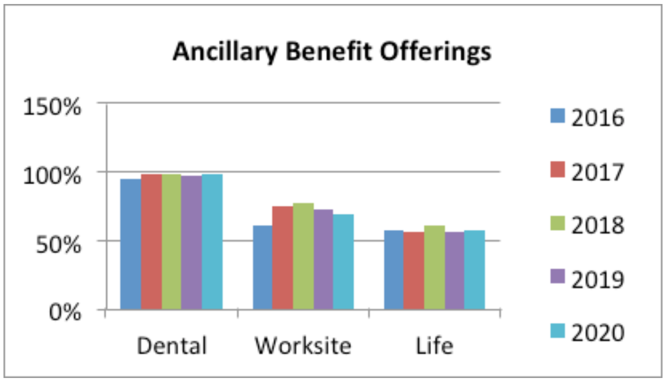
ANCILLARY BENEFITS

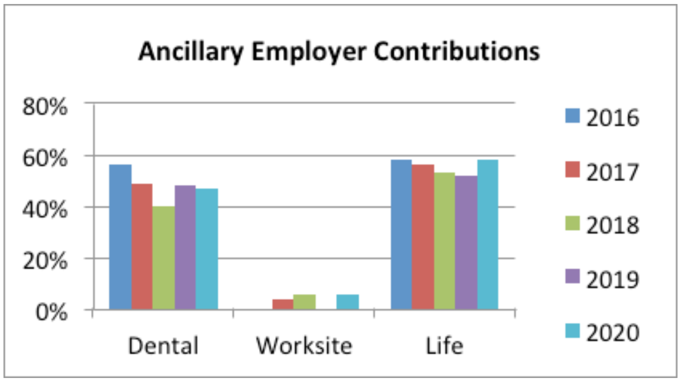
As part of the benefits survey, we asked some basic questions regarding ancillary benefit offerings. We also dig a little deeper to understand who pays for these programs, if offered.

Key Ancillary Benefits Highlights

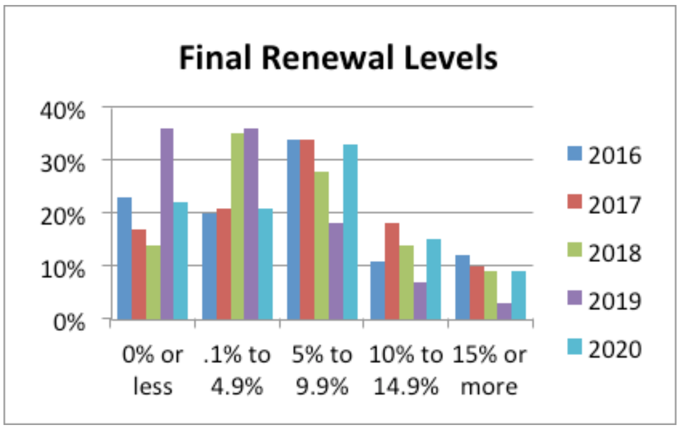
- Ancillary Benefit offerings have remained relatively stable over the last several years
- Employer paid Dental coverage increased in 2019, and remained stable in 2020
- Employer sponsored Life insurance has seen an increase in employer contributions

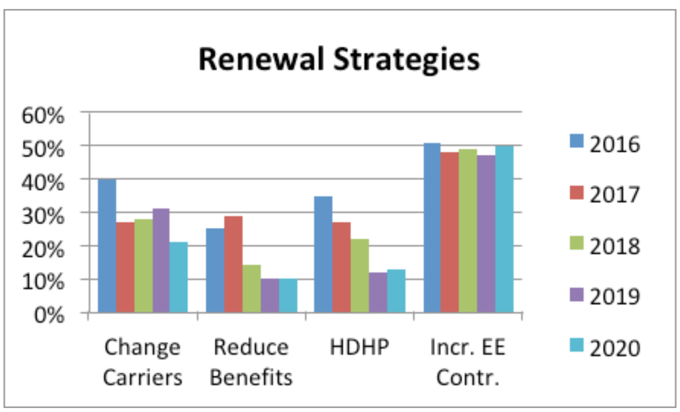
While ancillary benefits offered has remained stable over the last five years, we saw modest trends with employer-paid ancillary coverages increasing, particularly employer paid life insurance.





RENEWAL INCREASES AND RESULTING STRATEGIES





A key goal of our annual survey is to identify trends specific to health insurance premium rate actions. We can gauge what others in our industry are experiencing, and how renewal increases are being addressed.

Key Renewal Increase Highlights

- Renewals of greater than 5% grew significantly, with a considerably reduced number of dealerships reporting renewals under 5%
- Renewals of "10% or greater" doubled in 2020, compared to 2019
- 57% of dealerships responding saw a 5% renewal increase or greater
- 24% of dealerships saw a renewal increase of higher than 10%

Key Renewal Strategy Highlights

- We saw a hesitancy of dealers to change carriers to address a renewal increase
- Reducing benefits as a strategy continues at just 10% in 2020, the same as 2019
- Moving to HDHP's saw a slight uptick in 2020
- Employers increasing employee contributions saw a modest rise in 2020

2020 was a more challenging year, compared to 2019, in terms of health insurance renewal premium increases. The number of dealers with renewals greater than 5% grew, while those under 5% shrunk. We also saw a significant increase in double digit premium renewals. Still, employers generally held the line against changing carriers and benefit levels – changes that disrupt employees.

FINANCIALS

Concerning financials, we looked at average premiums seen in the marketplace and reviewed where dealerships fell within ranges of employer contributions made toward the cost of that coverage. Furthermore, we also provided statistics around the level of employee contributions.

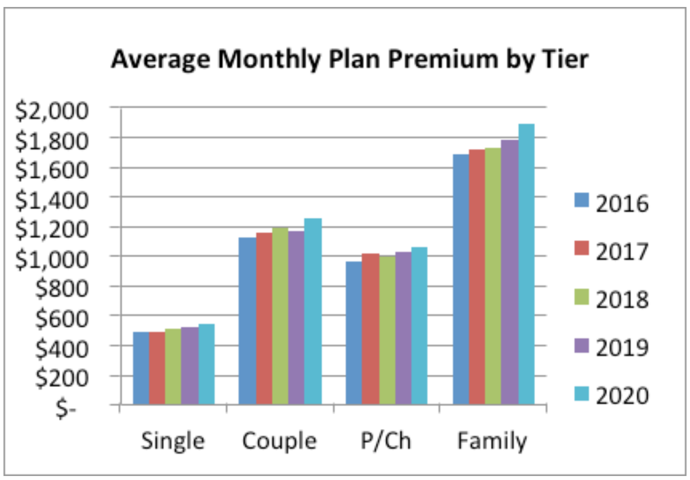
Key Financial Highlights – Premiums

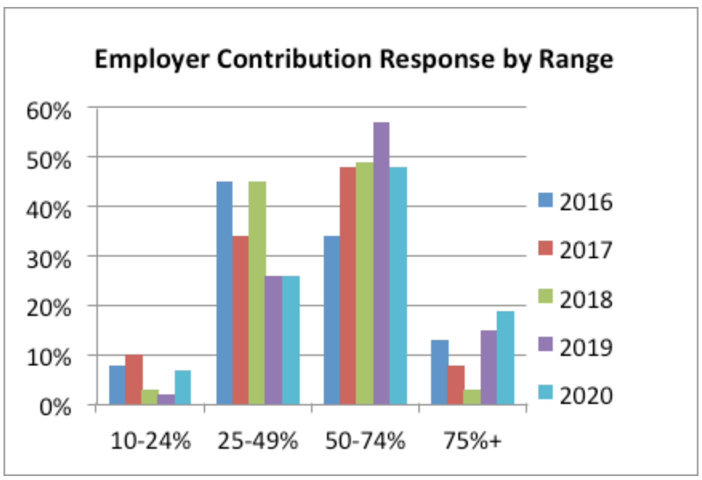
- Average increase was 6% in 2020, the highest level since 2017
- The average “single” premium now exceeds $6,600
- The average “family” premium now exceeds $22,600

Key Financial Highlights – Employer Contributions

- In 2020, we saw a decrease in employers contributing 50% or more towards premiums
- Conversely, the percentage of employers contributing 75% or more increased again in 2020
- The average employer contribution percentage remained 52%

While the cost of premiums has remained stable over the last few years, costs in 2020 were up more than 6%. This represents a growing expense within employers’ budgets. In spite of higher renewals, the employer percentage of premium paid remained stable, representing a sharing of that increase.





In furtherance of the financial discussion, the data also allows us to review actual cost sharing statistics between employers and employees.

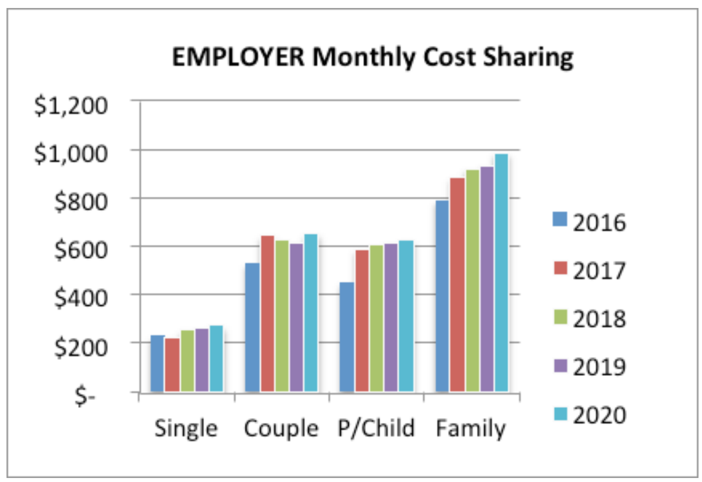
Key Financial Highlights – Employer Cost-Sharing

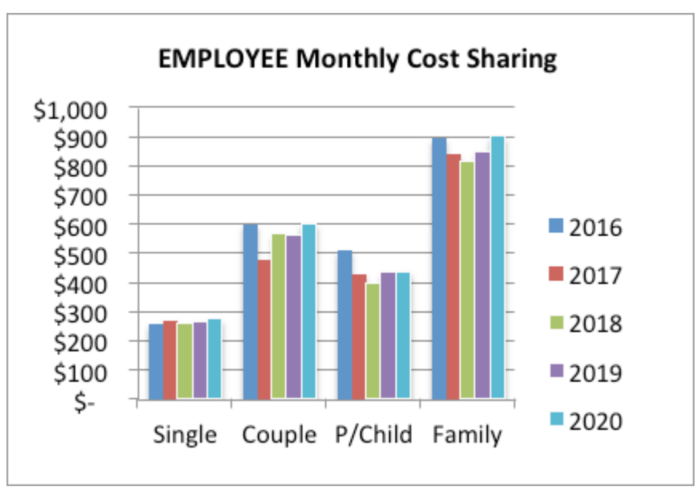
- Dealerships contributed more in 2020 for all tiers- on average nearly 6%
- In 2020, dealerships spent almost $3,300 for an employee’s “single” coverage, an increase of $600 over 2017
- Dealerships spent over $11,616 for an employee’s “family” coverage, an increase of $800 over 2019

Key Financial Highlights – Employee Cost-Sharing

- Employee costs were generally higher in 2020, on par with the employer increase of 6%
- 2020 employee costs are the highest seen in the past 5 years
- Employees now contribute an average of $901 per month for family coverage

While premium averages in the prior two years had been stable, 2020 costs have trended up. As a result, employer costs and employee costs both saw increases of around 6%. Given the unknowns in the marketplace for 2021, it is difficult to forecast if this trend will continue.





MARKETPLACE COMPARISON

Based on the responses for the most popular plan offered by each respondent, the average annual cost for health insurance among NJ CAR respondents is $6,612 for single (employee only) coverage. Couple costs average $15,072, parent/child costs average $12,756, and family costs average $22,656.

Employer contribution costs, as a percentage of premiums, are 50% for single coverage. Dependent coverage costs range from 49% to 58%.

Putting some perspective on this survey, we looked at the results of the recent NJBIA health premium survey. Overall, the average annual cost for single coverage in the NJBIA survey was $8,292. The average annual cost of coverage for a couple was $15,120 while the average annual cost of coverage for a parent/child only was $12,240. Finally, the average annual cost of coverage for a family was $19,764. NJBIA members took steps (similar to NJ CAR members) to contain costs by increasing deductibles, introducing HDHP's, increasing employee contributions, and changing carriers.

Premiums for employer-sponsored health coverage nationwide rose by about 4% in 2020, according to a survey by Kaiser Family Foundation (KFF). Family premiums on all employer-sponsored plans rose to an average of $21,342, according to the 2020 benchmark KFF Employer Health Benefits Survey. On average, workers are contributing $5,588 toward the cost of family coverage, with employers paying the rest. The survey was conducted from January to July 2020, as the COVID-19 pandemic and economic crisis unfolded, and may not capture its full impact on costs and coverage. The annual change in premiums is similar to the year-to-year rise in workers' earnings (3.4%) and inflation (2.1%). However, over time, what employers and workers pay toward premiums continues to rise more quickly than wages and inflation. Since 2010, average family premiums have increased 55%, at least twice as fast as wages (27%) and nearly three times more than inflation (19%).

SUMMARY

For 2020, we saw employer contributions, as a percentage of premium, remain steady at 52%. As a result of premium increases, employers generally split the cost of higher premiums with employees. Each paid approximately 6% more for coverage in 2020. In these uncertain times, it is difficult to forecast 2021 renewal levels, but it is unlikely to improve based on early indications.

We continue to see employers demonstrating an ability and desire to increase their portion of overall premiums. In fact, we saw the strategy of increasing employee cost sharing at its lowest level since 2016. As a result, employer costs and employee costs have been reasonably stable. Key decision points are the competitiveness of the coverage being offered and the affordability for both the employer and employees. Plan designs saw minimal changes in 2020. While we continue to see the popularity of High Deductible Health Plan options and self-insurance, copays, Rx coverage, and maximum out-of-pocket expenses have remained relatively constant over the past few years.

These insurance costs represent a significant line-item expense for dealerships. Nonetheless, they are also an integral component of a dealership's ability to attract and retain quality employees. Designing and implementing a comprehensive employee benefits program can create many challenges. Dealers must consider carrier selection, plan design choices, premium funding options, and payroll contribution strategies.

We will continue to provide this survey on an annual basis for as long as there continues to be interest by the dealers to participate. We believe this report will improve every dealership's ability to make informed employee benefits decisions and we hope this year's training can be an informative, topic-related round table, discussing the issues mentioned in the Executive Summary and sharing ideas.

New Jersey Coalition of
Automotive Retailers
856 River Road
Trenton, NJ 08628
609.883.5056

njcar.org