2023

HEALTH INSURANCE SURVEY RESULTS

Based on 2022 data.

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INTRODUCTION

This report is the result of the 9th annual New Jersey Coalition of Automotive Retailers *(NJ CAR)* survey of employers regarding health insurance and related employee benefits. Throughout the history of the survey, the collection of data has been consistent, using the Survey Monkey platform. This allows us to present trends seen over prior years. To better support the decision-making process, we will continue to limit the data presented to the last five years. Also note, **key financial data is often based on the respondent's plan with the greatest enrollment, even when multiple plans are offered.** Each year we make modifications to questions asked, to better understand the current benefits environment. This will be seen in the accompanying charts and comments.

nj car

EXECUTIVE SUMMARY

Dealer survey participation in 2022 was less than in prior years although the sample size is still credible, with almost 100 participating locations represented. We continue to see a broad range of responding dealerships, with a good mix of employee count, geography, and manufacturers represented. We will share trends over a five-year period, to provide meaningful data to make educated employee benefits decisions.

In 2022 we again saw an increase in dealerships offering three or more plans, at 58%. Offering diverse plans to meet the needs of diverse populations is a sound strategy to aid in the attraction and retention of employees. We did see a modest shift in carrier selection; Cigna and AmeriHealth gained market share, at the expense of Horizon and Aetna. We continue to see dealerships embrace self-insurance with approximately 40% choosing that financial model.

High Deductible Health Plans *(HDHP)* continue to see growth in popularity, with two-thirds of all stores reporting they offer a HDHP, and 35% saying it is their most popular plan. We also saw an increase in dealerships funding a part of the deductible in 2022, and a corresponding trend towards funding a higher percentage of the deductible. Again, related to HDHP growth, we saw more dealerships reporting that pharmacy benefits and doctor's visits were provided with a copay after deductible. One trend that may be concerning is that employee maximum out-of-pocket costs continue to rise although this increase is most likely a result of the carrier's plan changes. Lastly, while ancillary benefits offerings were relatively stable in 2022, it is worth noting that for the first time, 100% of all dealerships reported offering Life Insurance.

According to our survey, health insurance premiums increased an average of 7.1% in 2022, down from initially released renewal levels of 10.1%, after plan changes and negotiations, when available. We saw a sharp increase in dealerships settling for double digit renewal increases, at 28% of respondents in 2022, vs. 18% in 2021. Employer contributions increased on average by 8%, with employee contributions increasing by 5-6%. Dealerships covered 54% of premium in 2022. Despite these higher renewal increases, dealerships preferred to minimize changes to employee benefits programs, including fewer reporting that they reduced benefits or changed carriers. It is difficult to forecast future renewal levels, but early indications are that average renewals will be at or above 2022 levels.

Again, this year, we provided a survey question asking for respondents to tell us what employee benefit topics they would like to learn more about. Our goal is to treat our annual employee benefits seminar as an informative benefit round table – where NJ CAR members can share ideas about what has worked and what has not. Based on 2022 survey results, we will explore how to mitigate the cost drivers leading to higher renewal increases and strategies to attract and retain employees.

Finally, according to a survey by Kaiser Family Foundation, the annual change in premiums is slightly higher year-to-year than workers' earnings and inflation, though over time what employers and workers pay toward premiums continues to rise more quickly than wages and inflation. Since 2016, average family premiums have increased 25%, close to twice as fast as inflation, while wages have increased just 21%.

SURVEY DEMOGRAPHICS

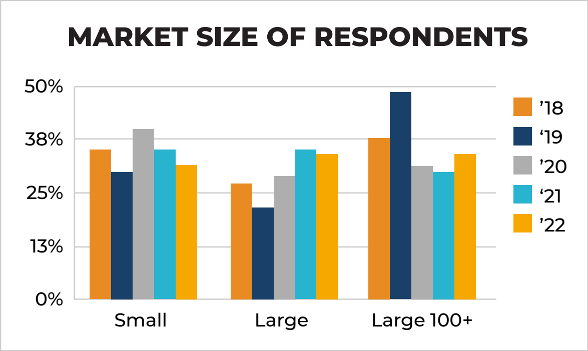
Our survey goal is to provide key information to help dealer principals make educated employee benefits decisions. The responses received represent approximately 94 individual dealer locations, a decrease of 25% over last year. However, there is still a good sample of dealerships based on size, geography, and manufacturers represented.

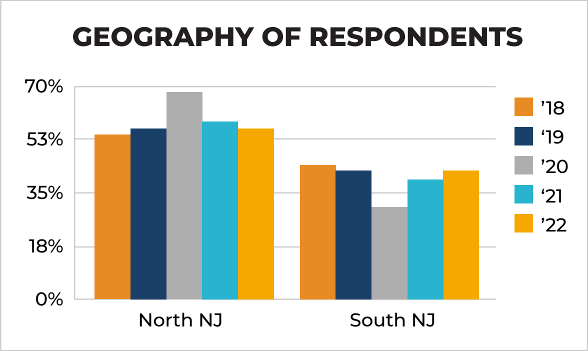
KEY DEMOGRAPHIC HIGHLIGHTS

Below you can see basic demographic information about the responding dealerships.

The number of employers with over 51 employees who responded **increased to 68%** in 2022.

There was a moderate shift in the geographical split of participating dealerships, with **the South growing and the North decreasing**, which is consistent with 2021 data.





THE BASICS

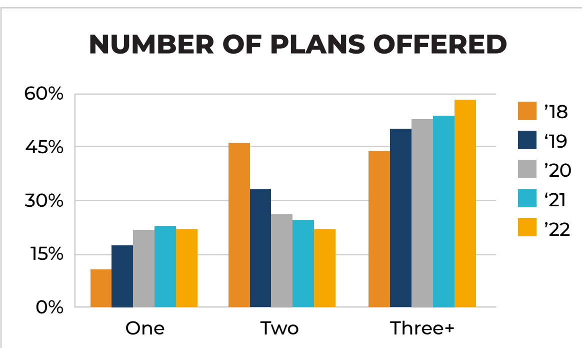
Our focus here is to capture the breadth of plan designs offered, as well as the funding model used to pay for health insurance costs. We will also review carrier market share and the prevalence of each plan design type.

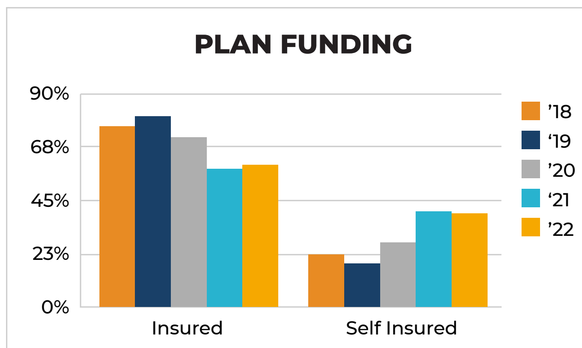
KEY BASIC HIGHLIGHTS – PLAN COUNTS AND FUNDING CHOICES

Again, we saw an increase in the average number of plans offered by member dealerships in 2022, with **three or more plan options the most common offering (58%).**

We saw a leveling off in self-insurance, which includes level-funded, at **40% in 2022.**

Dual option plan offerings, once the gold standard, have steadily declined. Offering three or more options continued to grow for the 5th straight year, representing the greatest number of respondents. We also saw a slowdown in the adoption of self-insured plan funding, after three years of consistent growth.

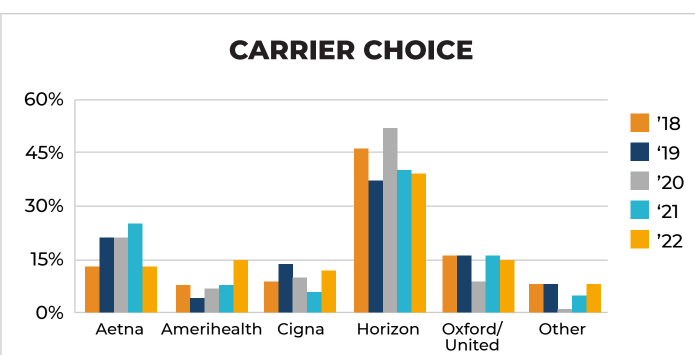




KEY BASIC HIGHLIGHTS – CARRIER CHOICE AND PLAN TYPE

Cigna and AmeriHealth saw **market share increases in 2022** at the expense of Horizon and Aetna, although Horizon still has the largest market share.

Cigna and AmeriHealth doubled their market share over 2021, while Horizon lost 14% market share among dealers over the last two years.

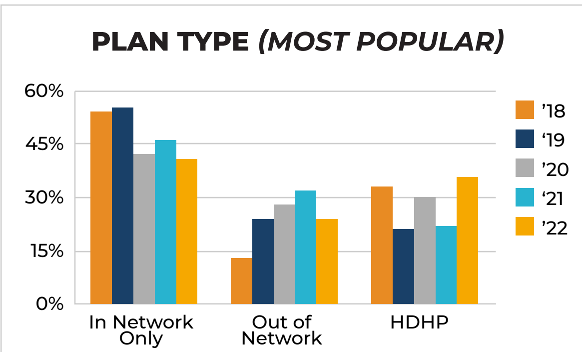


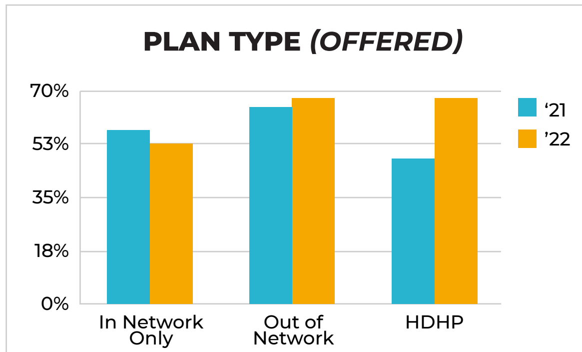
This year we are continuing to report on the most popular plan type offered, but as we did for the first time in 2021, we are also sharing all plan types offered to depict the market more accurately.

HDHPs reached their **highest level of popularity** over the past 5 years, at 35%.

Out-of-network coverage plans decreased in popularity after 4 years of growth, **falling to 25%.**

Dealerships offering plans with "in-network only" and out-of-network *(OON)* coverage remained relatively flat. However, we saw significant growth of HDHPs being offered, with two out of three dealers now offering these plans.





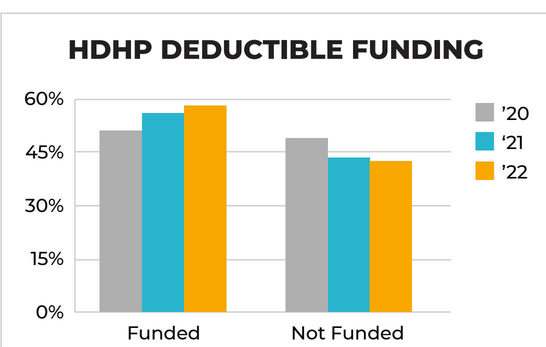
HDHP FUNDING

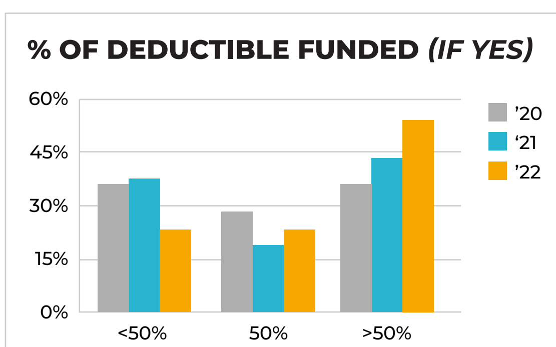
Employers offering High Deductible Health Plans *(HDHP)*, often consider funding the deductible to help offset out-of-pocket expenses during the deductible period required in a HDHP. This is our third year capturing this data.

We saw a **slight increase** in the number of dealerships funding a part of the deductible.

We saw a more significant increase in those same dealerships funding 50% or greater of the deductible, an **increase to 77%** in 2022 from 64% in 2021.

HDHP strategies, when designed well, can be a practical and flexible solution to controlling health insurance costs – particularly when funding a part of the deductible. 67% of all locations are now offering a HDHP, and there was an increase in the levels at which dealers are funding the deductible.





PLAN DESIGN SPECIFICS

In 2021 we changed how we collect and report data about physician co-pays. In 2022, we continue to focus on the "type of cost sharing" rather than specific benefit levels.

KEY PLAN DESIGN HIGHLIGHTS – COPAYS AND MAXIMUM OUT-OF-POCKET

54% of dealerships responded that their most popular plan offers first dollar coverage *(co-pays)* for physicians, representing a slight decrease from 2021.

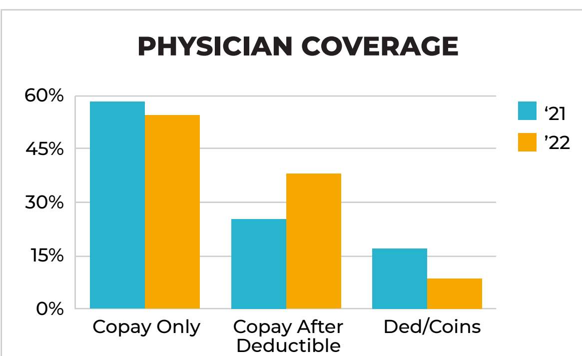
Of those plans offering physician coverage post-deductible *(46%)*, we saw **a shift towards co-pays** rather than coinsurance after the deductible is met.

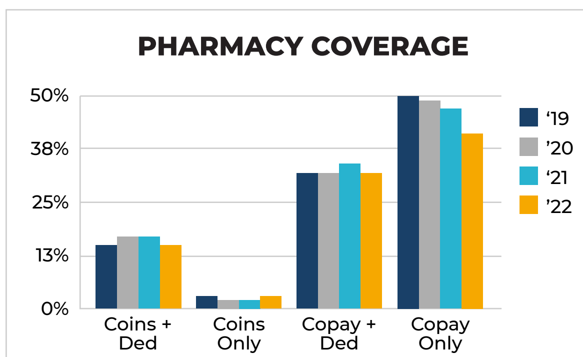
We continue to see a decrease of co-pay only pharmacy coverage, with a greater number of employees subject to deductible and/or coinsurance for pharmacy coverage.

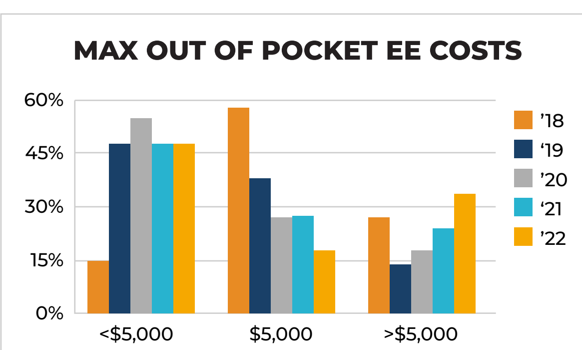
There is an **increase to employees' maximum out-of-pocket costs.** The percentage of employees affected by a greater than $5,000 out-of-pocket cost has grown four consecutive years

Employees exposed to less than $5,000 out-of-pocket has **remained steady** over that same period.

We saw a trend in an employee's out-of-pocket costs to use their plan. Employee exposures of "greater than $5,000" increased for the 4th straight year, with greater cost sharing for pharmacy coverage in the form of deductibles and coinsurance.







ANCILLARY BENEFITS

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

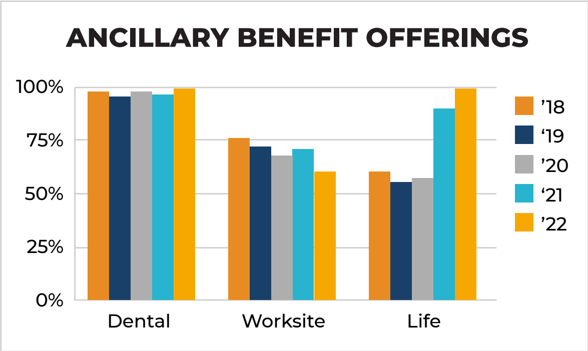
KEY ANCILLARY BENEFITS HIGHLIGHTS

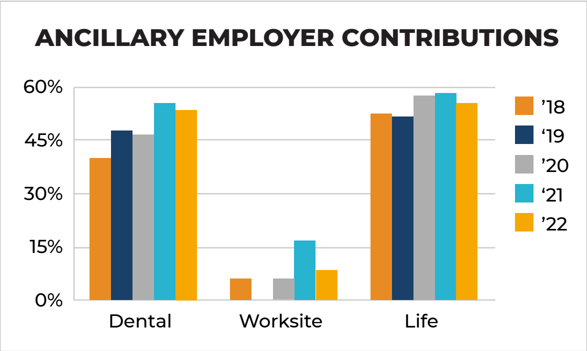
Ancillary Benefit offerings have **remained relatively stable** over the last several years with the exceptions of Life Insurance, which is now being provided by all respondents.

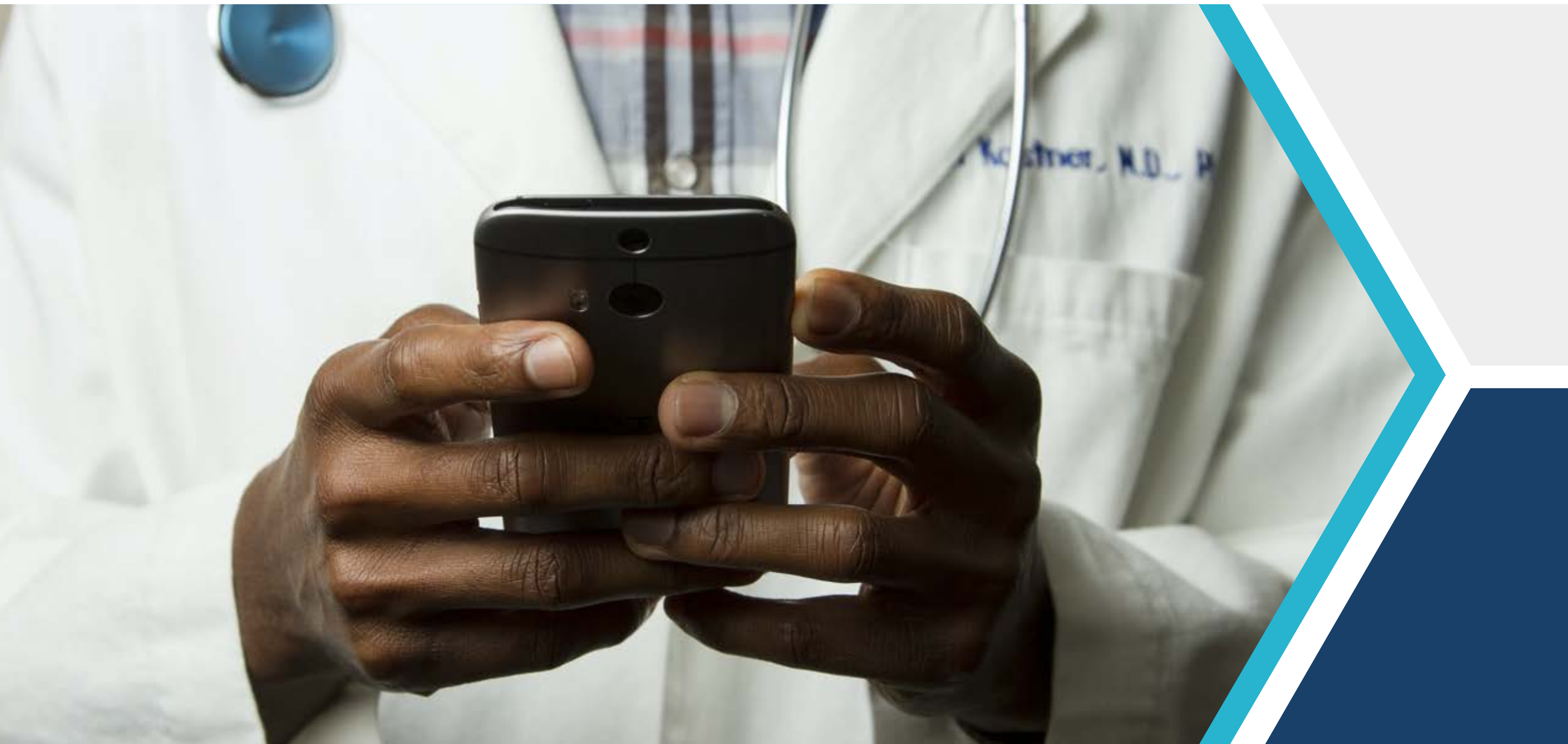
Employers contributing towards dental and life insurance **remained flat** compared to 2021.

Employer-sponsored worksite benefits saw **a decrease in employer contributions** in 2022, from a high of 17% in 2021.

While employer contributions for ancillary benefit offerings have remained stable over the last 5 years, we saw a continued increase in employers offering life insurance.

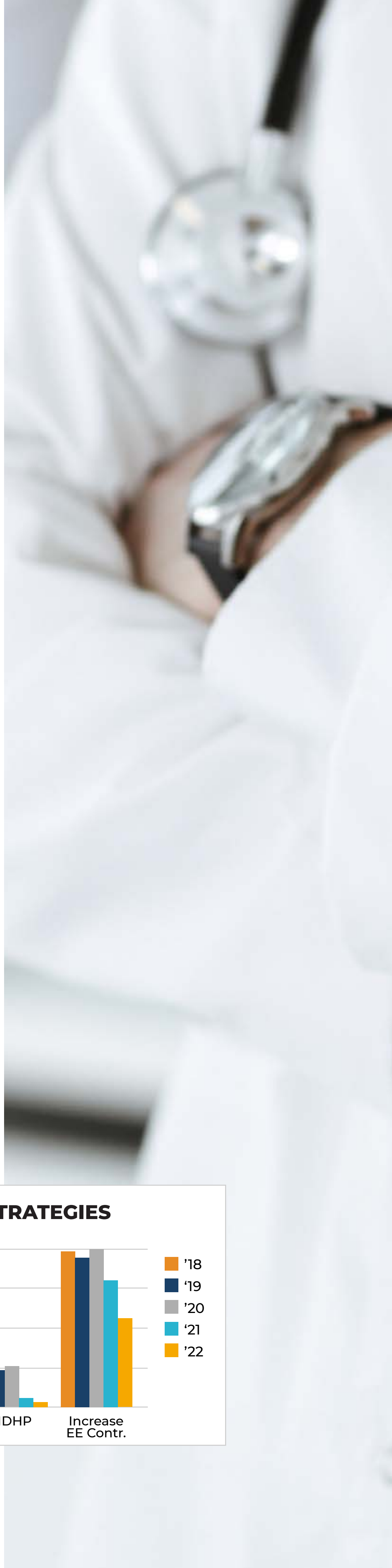






RENEWAL INCREASES AND RESULTING STRATEGIES

A primary goal of our annual survey is to identify trends specific to health insurance premium renewals. We can gauge what others in the industry are experiencing, and how renewal increases are being addressed. New for 2022, we captured the initial renewal increase, in addition to the final renewal *(after negotiation and/or plan changes)*.



KEY RENEWAL INCREASE HIGHLIGHTS

The average final renewal level reported was **7.1% in 2022,** up from 5.6% for 2021.

The average initial renewal release in 2022 was **10.1%.**

The average renewal was **reduced by 3%** through negotiation and/or plan design changes.

Double-digit renewal increases **rose sharply** from 18% of respondents in 2021, to 28% in 2022.

Conversely, renewals under 5% **fell to 42%** of respondents in 2022, from 53% in 2021.

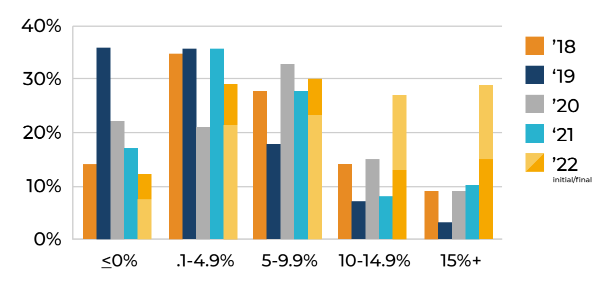
KEY RENEWAL STRATEGY HIGHLIGHTS

We saw **less willingness** to increase employee contributions in 2022, likely a response for the need to attract and retain employees.

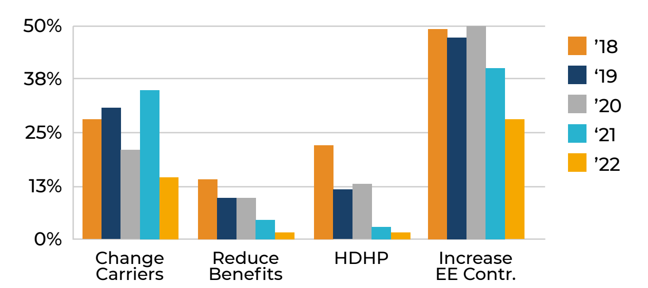
Despite higher increases, dealerships preferred to **minimize changes to employee benefits programs,** such as a reduction in benefits and changing carriers.

Renewal increases created an even greater burden in 2022. However, responding dealerships limited their reactions to remain best positioned with their existing employee base and prospective new hires.

RENEWAL LEVELS



RENEWAL STRATEGIES



FINANCIALS

Each year, we look at average health insurance premiums and employer contribution levels seen within the automotive retail industry. These statistics can be benchmarked against your own program, to confirm the competitiveness of one's program.

KEY FINANCIAL HIGHLIGHTS – PREMIUMS

Premiums increased across all tiers *(average increase was 7.1%)* in 2022.

The average "single" premium is now $639 monthly, and $7,668 annually.

The average "family" premium is now $2,177 monthly, and exceeds $26,000 annually.

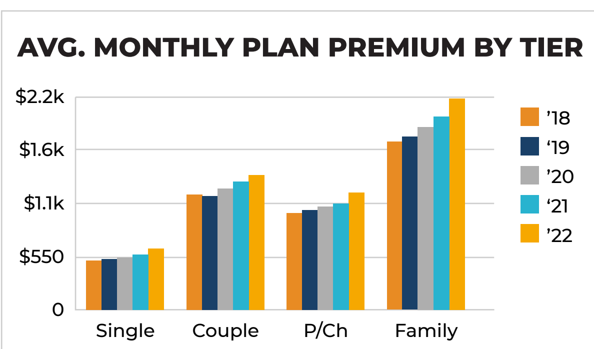
KEY FINANCIAL HIGHLIGHTS – EMPLOYER CONTRIBUTIONS

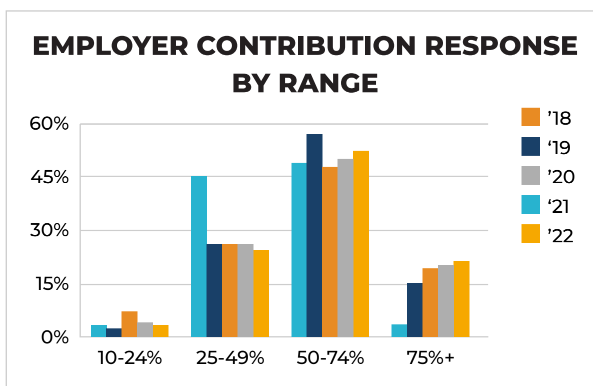
In 2022, we saw a **modest increase** in employers contributing 50% or more towards premiums.

The average employer contribution percentage was **up slightly** in 2022, to 54%.

Premiums continue to increase, with the **highest average increase** seen over the past 5 years.

The survey also allows us to share specific data related to employer and employee cost sharing dynamics.





KEY FINANCIAL HIGHLIGHTS – EMPLOYER COST-SHARING

Dealerships **contributed more in 2022** for all tiers of coverage.

In 2022, dealerships spent $345 monthly and over $4,000 annually for an employee's "single" coverage, an **increase of approximately $500 annually.**

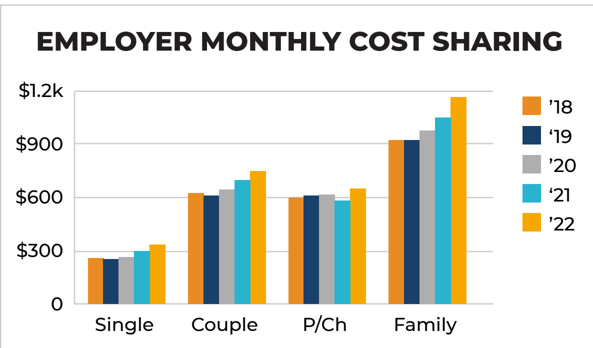
Dealerships spent $1,175 monthly and over $14,000 for an employee's "family" coverage, an **increase of $1,300 annually over 2022.**

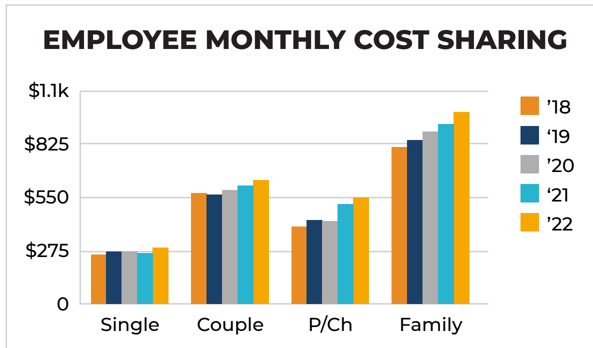
KEY FINANCIAL HIGHLIGHTS – EMPLOYEE COST-SHARING

2022 employee costs **continue to rise** *(6%)*, though at a slower rate than employer contributions *(8%)*.

Employees, **for the first time,** now contribute more than $1,000 per month for family coverage.

Premium averages are up more significantly than the past few years. As a result, employer costs and employee costs both saw increases of 6-8% in 2022. While there is a sense renewals will continue on a similar path, now in the 7% range, the market has become more difficult to predict.





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 $7,668 for single *(employee only)* coverage. Couple costs average $16,700, parent/child costs average $14,800, and family costs average $26,000.

Employer contribution costs, as a percentage of premiums, are 54% for single coverage. Dependent coverage costs range from 49% to 58%.

Putting some perspective on this survey, we looked at the results of premiums for employer-sponsored health coverage nationwide. According to a survey by Kaiser Family Foundation *(KFF)*, **they rose by about 3% in 2022.** Family premiums on all employer-sponsored plans rose to an average of $22,463 this year, according to the 2022 benchmark KFF Employer Health Benefits Survey. **On average, workers this year are contributing $6,106 toward the cost of their coverage, with employers paying the rest.** The average deductible among covered workers in a plan is $1,763 for single coverage.

The survey was conducted from January to July of 2022, as the COVID-19 pandemic continued and may not capture its full impact on costs and coverage. This year's report also looked at employers' experiences and views about mental health and substance use services, telemedicine, and wellness programs. **The annual change in premiums is slightly higher on a year-to-year rise than workers' earnings and inflation,** though over time what employers and workers pay toward premiums continues to rise more quickly than wages and inflation. Since 2016, **average family premiums have increased 25%, almost twice as fast as inflation, while wages have increased 21%.**

SUMMARY

For 2022, we saw employer contributions, as a percentage of premium, remain relatively steady at 54%. As a result of premium increases of 7.1%, employers generally split the cost of higher premiums with employees. However, employers' costs increased approximately 8%, while employee costs increased approximately 6% in 2022. It is still difficult to forecast 2023 renewal levels, but it is unlikely to be less than 2022, based on early indications. At the same time, attracting and retaining employees has become increasingly difficult. This dichotomy will likely create challenges in 2023.

We continue to see employers increase the amount they are funding of overall premiums. As such, employer costs and employee costs have risen in concert. We see reluctance to pass on significant increases to employees, and a lesser likelihood to change carriers to reduce costs. Key decision points remain the competitiveness of the coverage offered and the affordability for both the employer and employees. It appears that respondents have determined that ancillary benefits, beyond medical and dental, are more important than ever, as part of a well-rounded benefits portfolio. While we saw minimal changes to plan design, there is a trend towards greater out-of-pocket costs for employees.

Insurance costs continue to be a significant expense for dealerships, but employee benefits are more important than ever in running a successful operation. To be successful, one must carefully consider carrier selection, plan design choices, premium funding options, and payroll contribution strategies.

We will continue to provide this survey on an annual basis so long as there continues to be strong participation. Like last year, we provided a survey question asking for respondents to tell us what employee benefit topics they would like to hear more about. This year it was clear that dealers would like to learn more about understanding the top cost drivers to health insurance premiums, how to mitigate increases, and how to attract and retain employees.

As is the case each year, our goal is to provide a practical report that will improve a dealership's ability to make informed employee benefits decisions. We hope this year's seminar can support that initiative by discussing the survey results and sharing in-depth information about the topics mentioned above in a roundtable format.

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