NEW JERSEY COALITION OF AUTOMOTIVE RETAILERS

2020 Health Insurance Survey Results

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INTRODUCTION

The information in this report represents the results of our 6th annual New Jersey Coalition of Auto Retailers (NJ CAR) survey regarding health insurance and related employee benefits. The consistency in the collection of previous data 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.

nj car

EXECUTIVE SUMMARY

While dealer survey participation was down slightly this year, there is still a sizable sample size to validate the data we received, which allows us to share meaningful trends over a 4-year period of time.

In 2019, 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 population. In terms of carrier selection, market leader Horizon surprisingly saw a decrease in market share. It is likely the "level-funded" ASO programs offered by Aetna and Cigna picked up those lost clients, due to plan design flexibility, access to claims data, eligibility for claims surpluses, and a cap on maximum costs.

Ancillary benefit offerings have remained stable over the last 4 years. We do see modest trends with employer paid dental increasing for the first time since 2016. Conversely, we saw employers offering paid life insurance decrease again, as it has every year since 2016.

For the first time in several years, we are seeing a beneficial reduction to employees' costs to use the plan. We see lower doctor copays and less exposure in the event of a large claim - reducing barriers to accessing care. 2019 was a very good year in terms of health insurance renewal premium increases. Three out of four dealerships saw a less than 5% renewal increase. As such, fewer employers were forced to reduce benefits or implement HDHPs to combat increasing costs.

Premium averages for each of the last two years have risen modestly, in the 2% range after carrier and/or plan changes. While premiums have remained stable for most dealerships over the last few years, those costs still represent a significant line item in an employers' budget. Still, many employers have demonstrated an ability and desire to increase their portion of overall premiums, to the highest levels since this survey's inception. 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. This is positive, not only for the dealership's bottom line, but also reaps benefits in employee hiring and retention. We also looked at the results of several national health benefits surveys. Overall, the average annual cost of coverage increased approximately 5%.

New 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 seminars, 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 topics:

- Controlling pharmacy costs
- What does an effective wellness program look like?
- Creative employee contribution strategies, and
- How to address Medicare eligible employees?
- The role of an effective insurance broker

In addition, we have invited ADP to provide a data analytics overview for the auto retail industry on topics such as average earnings, turn over, and benefits participation. If you cannot make it, we strongly suggest your CFO or Head of Human Resources attend one of our seminars in the Spring.

SURVEY DEMOGRAPHICS

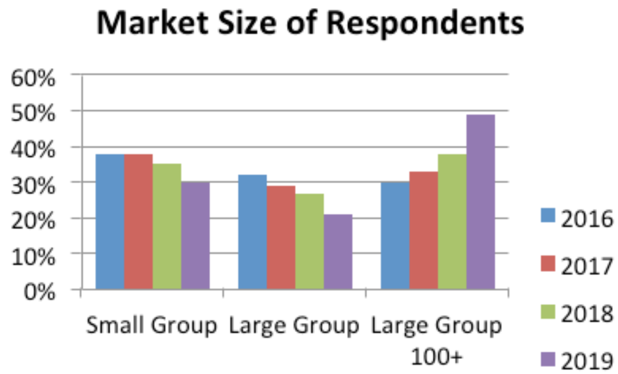
Our goal is simple – provide key information to help dealer principals make balanced decisions regarding their employee benefits programs. The responses received represent approximately 135 individual dealer locations, a little below last year's participation. As always, the data has remained "blinded", meaning no individual dealership will be identified. Once again, we see a mix of dealership size, geography, and both foreign and domestic dealers.

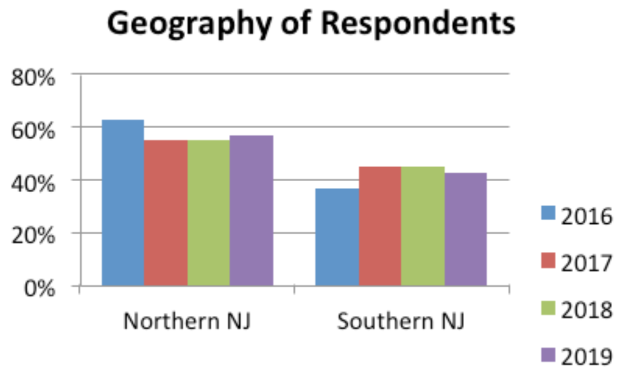
Key Demographic Highlights

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 increased significantly in 2019.
- There was a moderate shift in the geographical split between North and South Jersey.

While dealer survey participation was down, 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.





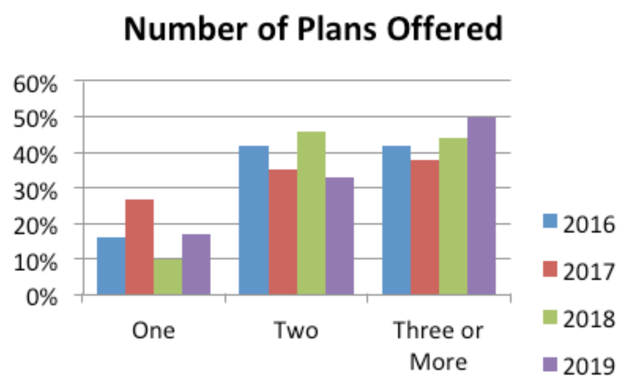
THE BASICS

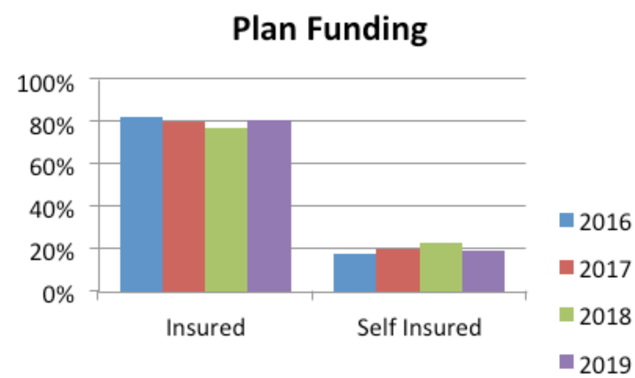
Our focus is to capture the number of plans offered, as well as the funding model used to pay for health insurance costs. Additionally, we will review carrier market share and the prevalence of each plan design type.

Key Basic Highlights – Plan Counts and Funding Choices

- We saw an increase in the average number of plans offered by member dealerships in 2019, with three plan options the most common number offered (50%).
- We saw an unexpected increase in "single" option respondents (up 70%, to 17%).
- We saw a modest decrease in dealerships choosing self-insurance (from 23% in 2018, to 19% in 2019).

For the first time, 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.

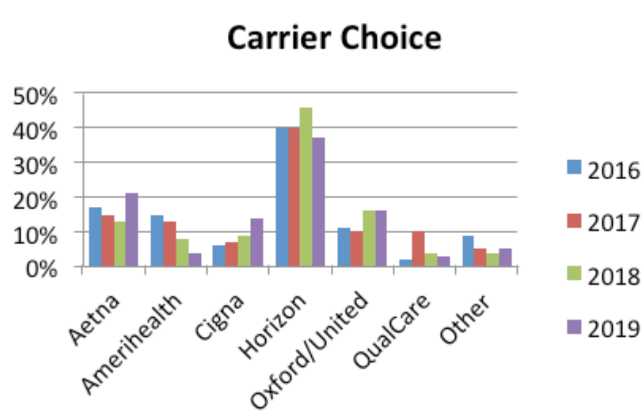


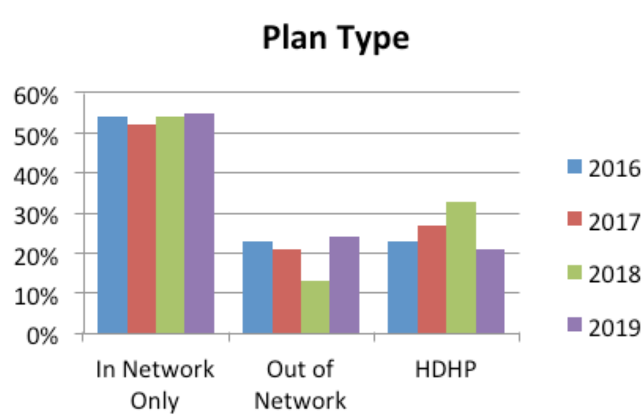


Key Basic Highlights • Carrier Choice and Plan Type

- There was significant carrier movement in 2019.
- Cigna and Aetna saw their highest market share since 2016.
- Horizon saw its lowest market share since 2016.
- Plans with out-of-network coverage saw a significant increase, reaching its highest level since 2016.
- High Deductible Health Plan (HDHP) popularity fell for the first time.

It is surprising Horizon saw a decrease in market share, given their position as the market leader. It is likely the "level-funded" ASO programs offered by Aetna and Cigna picked up those lost groups. Clients with "level-funded" plans pay a fully insured equivalent rate that includes administration fees, stop loss premiums and a maximum monthly claim fund. These plans are growing in popularity because if claims run better than expected, the carrier will return all or part of that claims surplus, with no added risk if the plan runs poorly. To summarize, level-funded plans can be viewed as a bridge between fully insured programs and partially self-insured programs.





PLAN DESIGN SPECIFICS

Let's take a look at plan design trends seen over the last several years. Our focus will be on Copay levels for Primary Care Physicians (PCPs) and Specialists, as well as pharmacy copays and maximum out-of-pocket costs to employees.

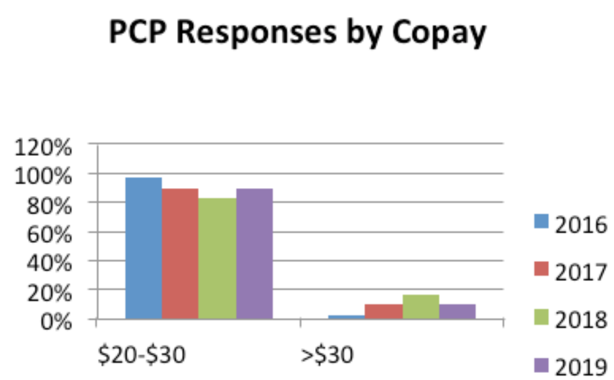
Key Plan Design Highlights - Copays

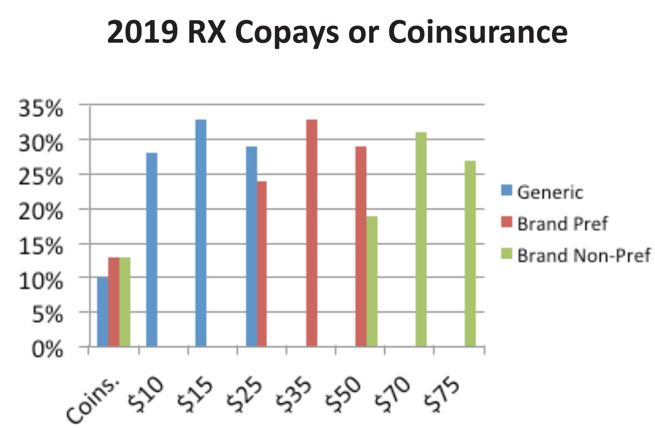
- PCP copay levels decreased for the first time since 2016.
- Specialist copay levels decreased for the first time since 2016.

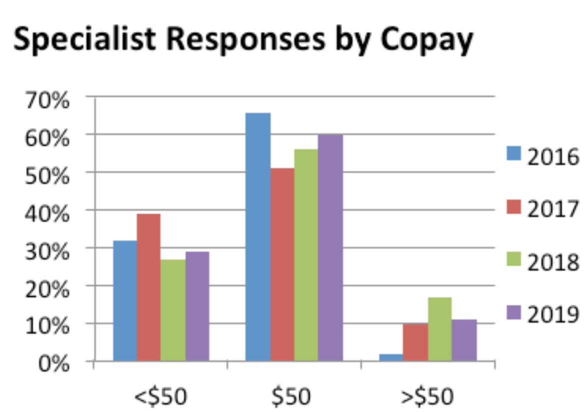
Key Plan Design Highlights – Maximum out-of-pocket and Rx Copays

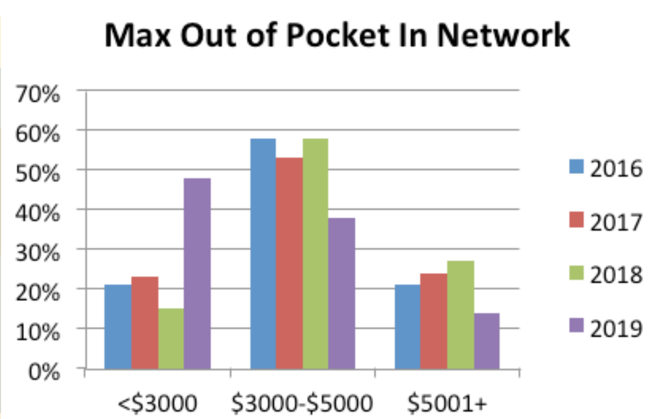
- Pharmacy copays remained consistent with past years.
- Maximum out-of-pocket levels decreased for the first time since 2016.

For the first time in several years, we are seeing a beneficial reduction to employees' costs to use the plan. We see lower doctor copays and less exposure in the event of a large claim - reducing barriers to accessing care.









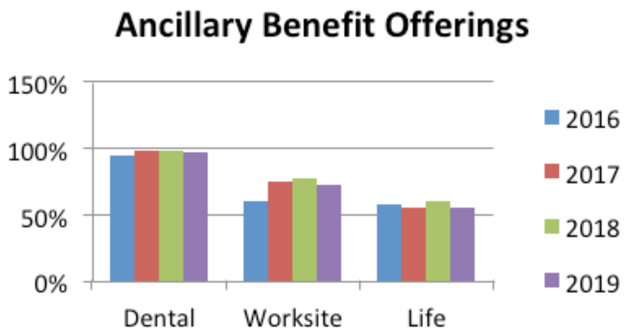
ANCILLARY BENEFITS

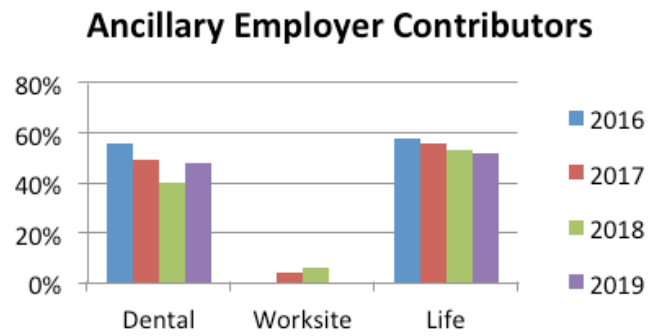
Since 2016, our survey has been expanded beyond health insurance, to ask some basic questions around ancillary benefit offerings. We also dig a little deeper to understand who pays for these programs, if offered.

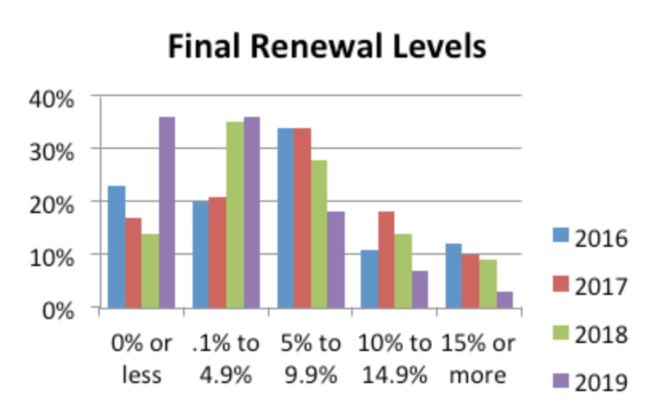
Key Ancillary Benefits Highlights

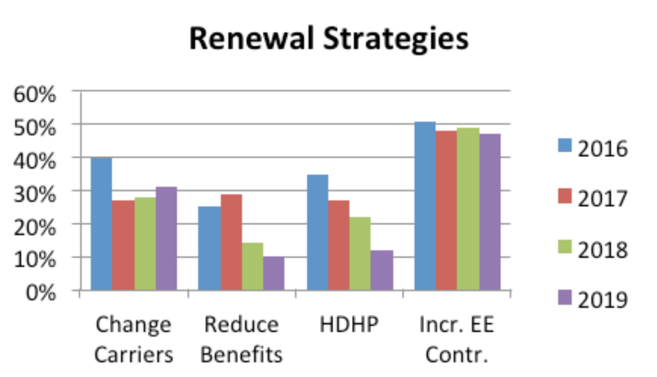
- Ancillary benefit offerings have remained relatively stable over the last several years.
- Employer-paid dental coverage increased in 2019, after a three-year decline.
- Employer-sponsored life insurance has declined each year.

While ancillary benefits offered have remained stable over the last 4 years, we do see modest trends with employer-paid dental increasing for the first time since 2016. Conversely, we saw employer-paid life insurance decrease again, as it has every year since 2016.









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

- We saw the highest level of “0% or less” renewals since 2016.
- We saw the least amount of “10% or greater” renewals since 2016.
- 72% of dealerships responding saw a 5% or less renewal increase.

Key Renewal Strategy Highlights

- We saw the fewest number of dealerships moving to HDHPs since 2016 as a tool to combat renewal increases – nearly a 50% drop to 12%.
- Reducing benefits as a strategy to reduce costs is trending down, at just 10% in 2019.
- Carrier changes have remained in the 30% range.
- Employers increasing employee contributions has remained stable each year, at just under 50%.

2019 was a very good year in terms of health insurance renewal premium increases. Three out of four dealerships saw a less than 5% renewal increase. As such, fewer employers were forced to reduce benefits or implement HDHPs to combat increasing costs.

FINANCIALS

Concerning financials, we were able to review average premiums seen in the marketplace. We can also see where dealerships fell within ranges of employer contributions made toward the cost of that coverage. Furthermore, we can provide statistics around how much employers are contributing by tier of coverage, as well as the level of employee contributions.

Key Financial Highlights – Premiums

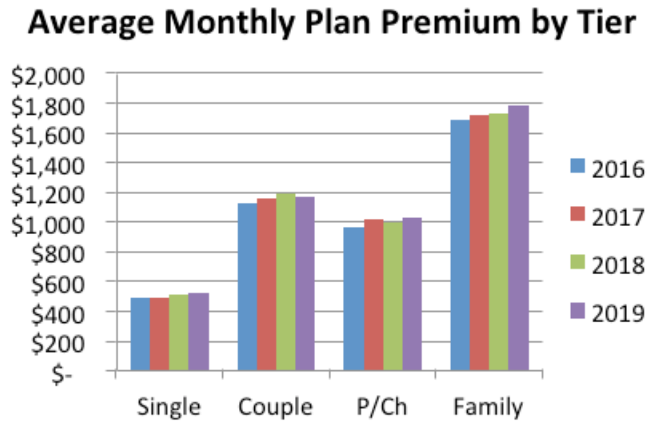
- Average increase by tier was 2% in 2019, consistent with 2018.
- The average "single" premium now exceeds $6,300.
- The average "family" premium now exceeds $21,000.
- Rates in 2019 are within 10% of 2016 rates, indicating positive cost trend management.

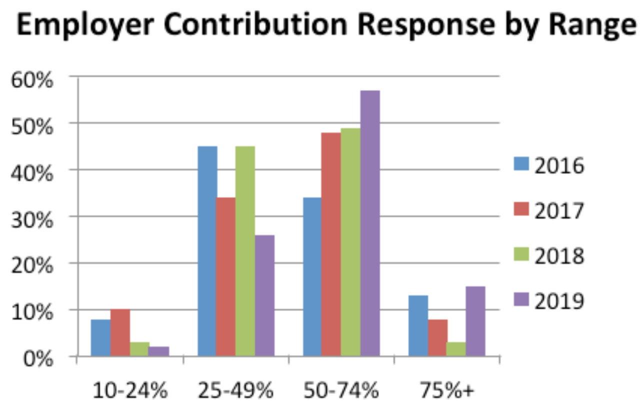
Key Financial Highlights – Employer Contributions

- In 2019, we saw a significant increase in employers contributing 50% or more towards premiums.
- The percentage of employers contributing 75% or more is at its highest level since 2016.
- As a result of the above, less than 30% of respondents indicated a contribution of less than 50%, compared to the prior three-year average of 47% of dealerships contributing less than 50% toward premiums.

While the cost of premiums has remained stable over the last few years, those costs still represent a significant expense within employers' budgets. However, many employers have demonstrated an ability and desire to increase their portion of overall premiums, to the highest levels since this survey began.

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





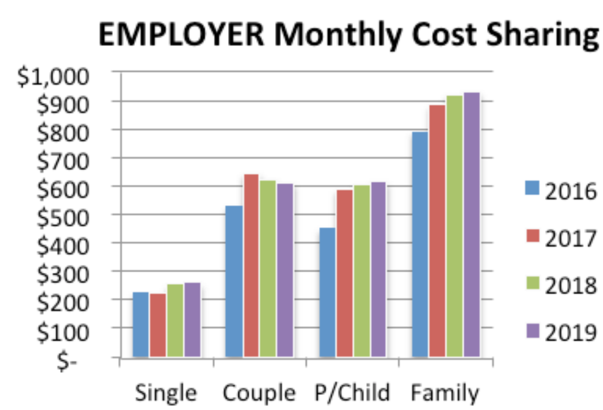
Key Financial Highlights – Employer Cost Sharing

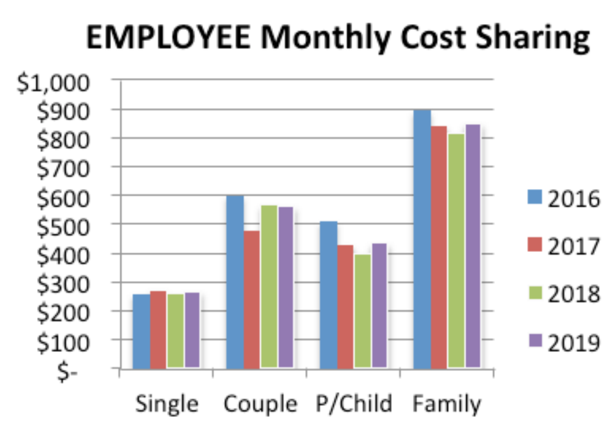
- Dealerships contributed modestly more in 2019 for all tiers except “couple” coverage.
- Dealerships spent over $3,100 for an employee’s “single” coverage, only a 1.5% increase over 2018.
- Dealerships spent nearly $11,200 for an employee’s “family” coverage, an increase of just 1% over 2018.

Key Financial Highlights – Employee Cost Sharing

- Employee costs are generally lower in 2019 than we observed back in 2016.
- 2019 employee costs rose moderately as compared to 2018.
- 2019 employee costs are consistent with the average contributions for 2016-2018, confirming stability.

Premium averages for each of the last two years have risen modestly. As a result, employer costs and employee costs have been reasonably stable. This is positive not only to the dealerships’ bottom line, but also reaps benefits with regard to employee retention.





MARKETPLACE COMPARISON

Putting some perspective on this survey, we looked at the results of several national health benefits surveys. Overall, the average annual cost of coverage increased approximately 5%.

It should be noted, after accounting for changes in benefit design, the net growth rate was approximately 4%. Employers worked hard to stem increases by making changes to their plans, such as increasing cost-sharing provisions, expanding high-deductible and savings plans, and broadening uses of wellness incentives.

Looking at the 2019 Kaiser Foundation health benefits survey, the average annual cost of coverage for a single was $7,188. The average annual cost of coverage for a family was $20,576. Small to mid-size firms reported paying approximately 65% of the health care cost for single *(employee-only)* coverage. Small- to mid-size firms reported paying approximately 35% of the health care cost for dependent coverage. Many small to mid-size companies took steps *(similar to NJ CAR)* to contain costs by increasing deductibles and introducing HDHPs. 2019 saw a decrease in employee contributions for single coverage and an increase in employee contributions for family coverage. Additional programs were cited that identified health issues and helped manage acute and chronic conditions. This included health and wellness programs, as well as use of telemedicine and retail health clinics.

SUMMARY

For 2019, we saw a beneficial reduction to employees' costs to use their chosen health benefits plan. We see lower doctor copays and less exposure in the event of a large claim - reducing barriers to accessing care. 2019 was a very good year in terms of health insurance renewal premium increases. Three out of four dealerships saw a less than 5% renewal increase. As such, fewer employers were forced to reduce benefits or implement HDHPs to combat increasing costs.

We continue to see employers demonstrating an ability and desire to increase their portion of overall premiums, to the highest levels since this survey's inception. 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 2019. 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 one's ability to attract and retain quality employees. Designing and implementing a comprehensive employee benefits program can create many challenges. One 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 as long as there continues to be interest by the dealers to participate. With the survey approach stabilizing over time, we will be able to provide even more meaningful data and better identify long-term trends. This will improve every dealership's ability to use this report to make informed employee benefits decisions.

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