



Benfield

ARTHUR J. GALLAGHER & CO.

Special Report on Healthcare Reform & Private Exchanges

BENFIELD RESEARCH

Employer Panel

135 SURVEYS | 10 INTERVIEWS | 6.6 MILLION COVERED U.S. LIVES

EMPLOYER PARTICIPANTS BY NUMBER OF U.S. EMPLOYEES



EMPLOYER RESPONDENT ORGANIZATIONAL POSITION



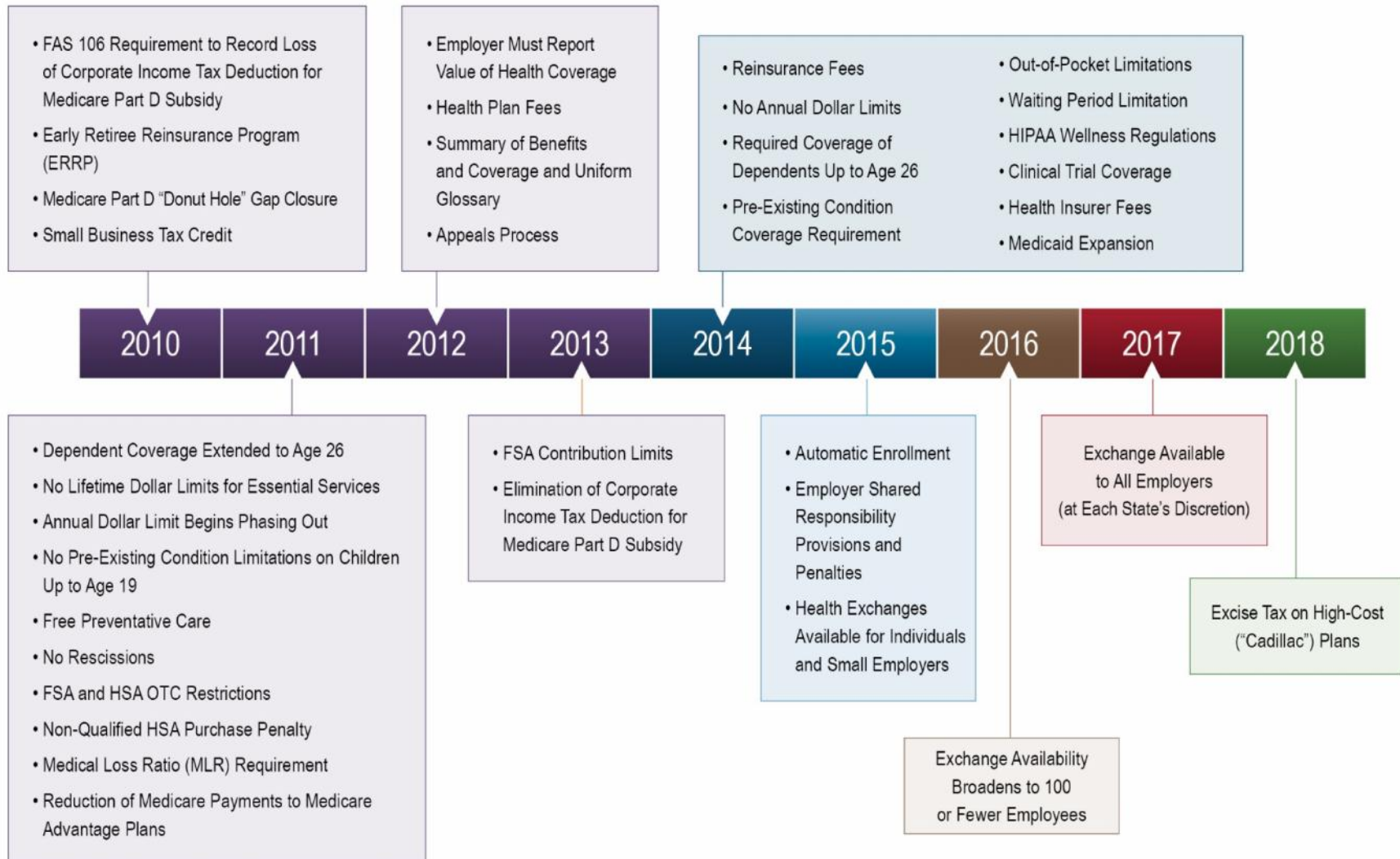
ADDITIONAL INSIGHTS:

5 Private Exchange Interviews

- Aon Hewitt
- Bloom Health
- Buck
- Mercer
- Towers Watson

Supplemental survey of 115 mid-sized employers (50-4,999 employees).

Employer Implementation Timeline*



Congressional Budget Estimates of Excise Tax Payments

(in billions of dollars)

2018	2019	2020	2021	2022	2023	2024	2025	Total
\$3	\$6	\$7	\$9	\$11	\$14	\$17	\$21	\$88

Source: CBO, Insurance Coverage Provisions of the Affordable Care Act—CBO's March 2015 Baseline

Impact of ACA on Employer Healthcare Costs; Cadillac Tax Will Layer on Top of These...

HEALTHCARE REFORM COST INCREASES¹

In 2013, **87%** of employers experienced **ACA-related** cost increases. In 2014 & beyond, **nine out of ten** employers anticipate increases.



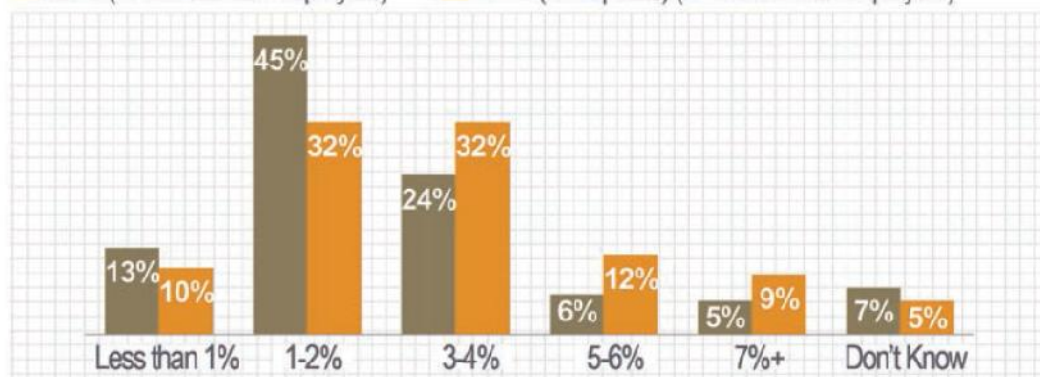
2014 Increase in healthcare expenses:

Originally Expected: **\$330 million**

Adjusted Expectation: **\$500 million**

ORGANIZATION'S INCREASE IN COSTS DUE TO ACA¹

■ 2013 (n=127 Jumbo Employers) ■ 2014 (Anticipated) (n=127 Jumbo Employers)



Increases Resulting from:

- Higher employee enrollment
- Higher healthcare costs

"Healthcare costs increased approximately \$180 million versus last year and were well above our initial estimates."

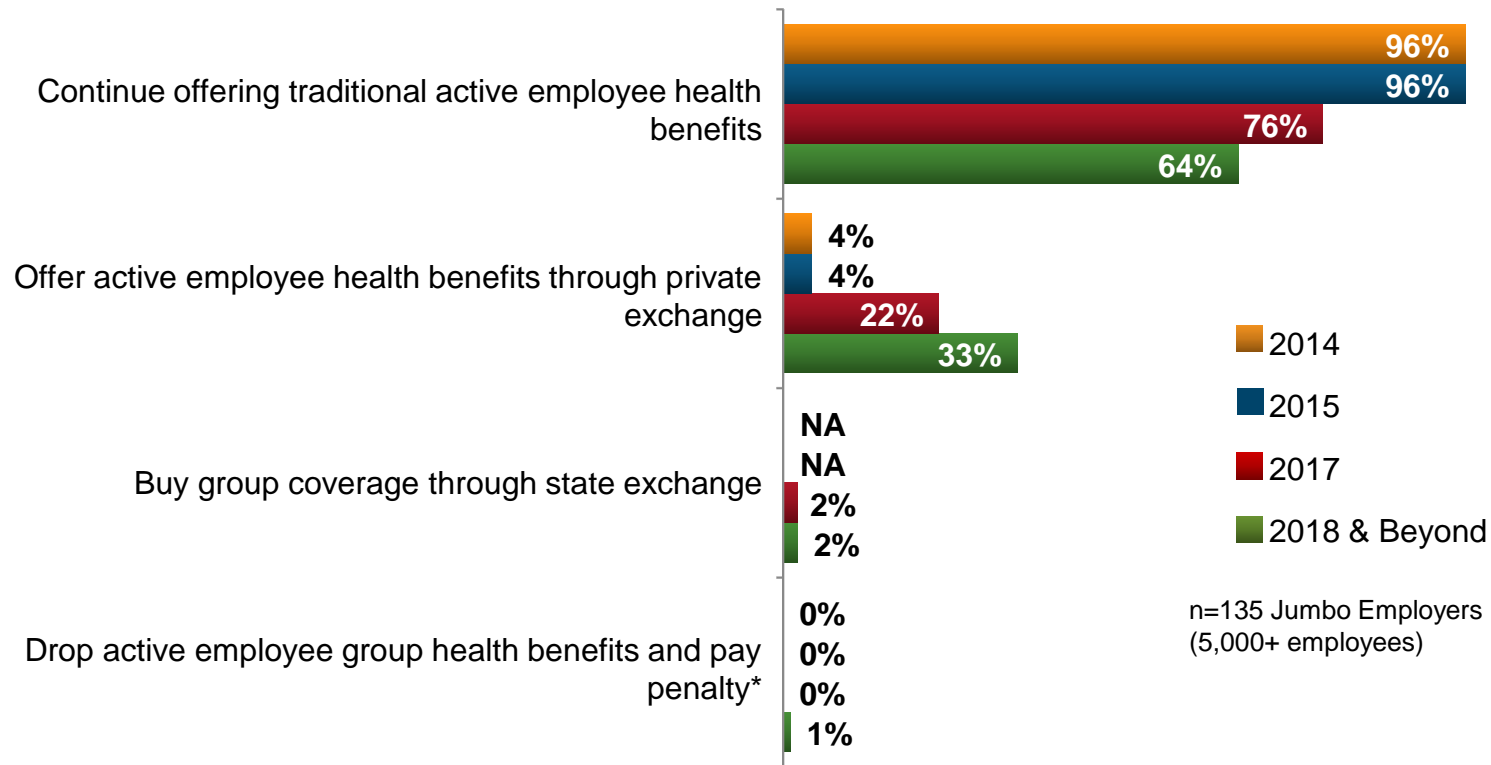
-Wal-Mart U.S. CEO Greg Foran

¹ Benfield Research LLC, Healthcare Reform & Private Exchanges 2014.

Jumbo employers plan to continue offering traditional health benefits for active employees; In 2017 and 2018 & beyond, more employers plan to offer active healthcare benefits through a private exchange

Jumbo Employer Approach to Active Employee Health Benefits: 2014–2018+

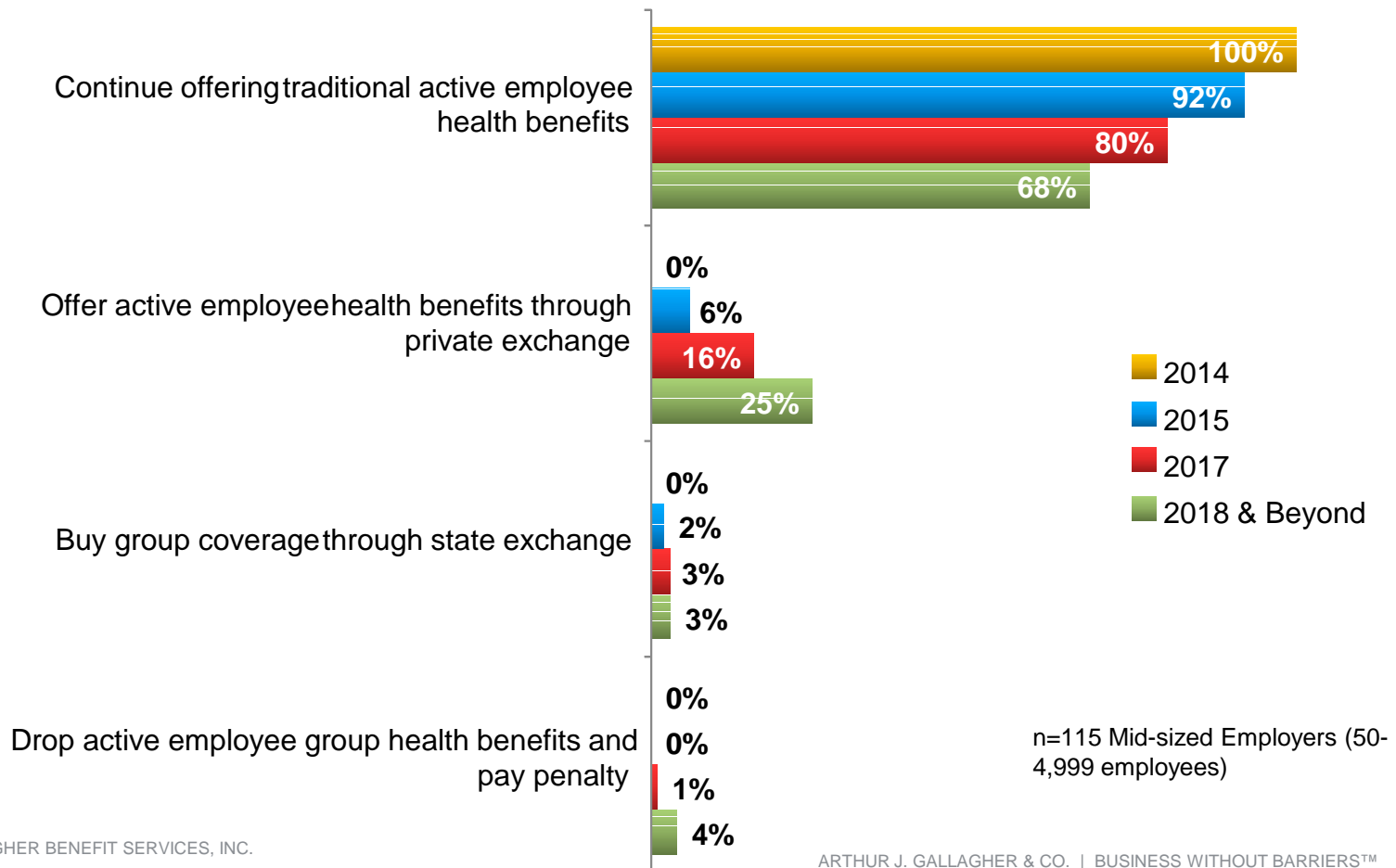
(select one per year that best describes approach)



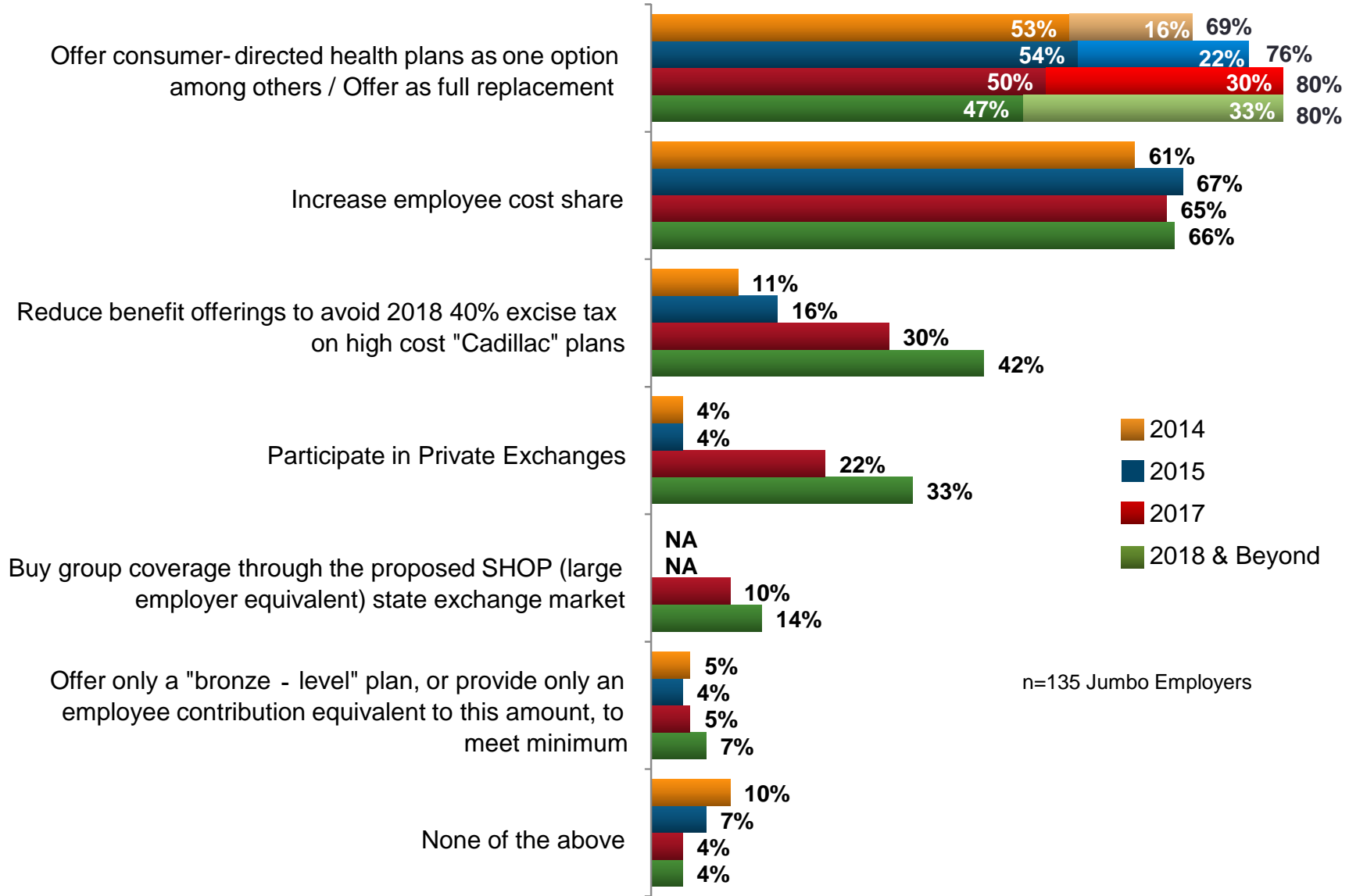
*The employer planning to drop coverage and pay a penalty in 2018 and beyond will provide employees money to buy individual coverage on the state exchange or individual market.

Mid-sized employers plan to continue offering traditional employee healthcare; In 2017, this decreases as more employers plan to offer health benefits through a private exchange

Mid-Sized Employer Approach to Active Employee Health Benefits: 2014-2018+
(select one per year that best describes approach)



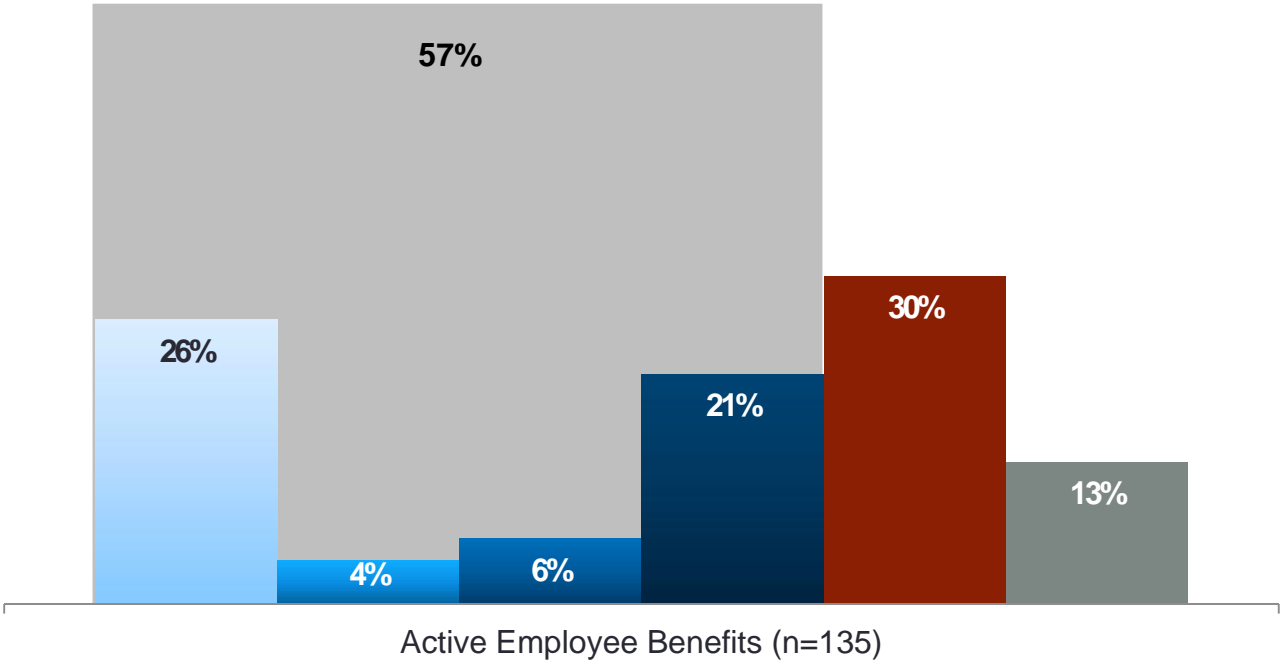
Employer Healthcare Benefit Actions for Active Employees and Dependents: 2014–2018 & Beyond



Employers are most likely to trigger the Cadillac tax in years 2018 and 2021 & beyond

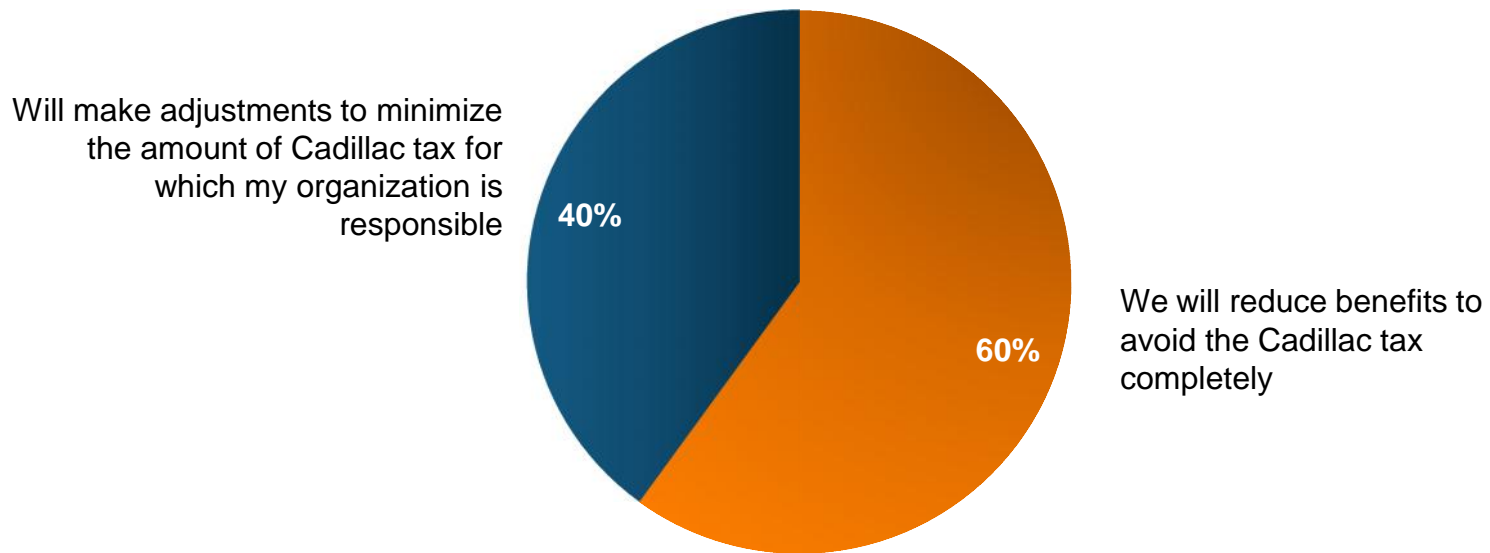
Employers With Benefit Offerings That Will Trigger the Cadillac Tax

■ Yes, in 2018 ■ Yes, in 2019 ■ Yes, in 2020 ■ Yes, in 2021 or later ■ No ■ Don't know



Although a sizable percent of employers project that their current benefits would trigger the tax, 60% will completely avoid the tax by reducing benefits and 40% will take steps to minimize the amount owed

Employers' Approach to the Cadillac Excise Tax
(among those indicating they will trigger the tax for their active and/or retiree benefits)



n=80 Jumbo Employers



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Thank You

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