

PPACA heightens the need to benchmark benefit programs

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Employers like to look over one another's shoulder when it comes to benefits programs, and benchmarking data provides this opportunity.

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Yet, some experts believe that health care reform not only has created greater employer interest in benchmarking benefits programs, but also will slightly alter what employers want to measure.

Traditionally, employers most often benchmark short-term and long-term disability, workers' compensation, leave and absence, medical benefits, employee assistance programs and health promotion initiatives.

However, the Patient Protection and Affordable Care Act shakes up benchmarking because some businesses will use the data to determine whether they will continue to offer health benefits. Others, however, will use the data to ensure that their health benefits and costs fall in line with certain PPACA mandates, while still remaining competitive.

"Employers want to figure out how their competitors are responding to the different provisions under the Patient Protection and Affordable Care Act. There is always the need to know what other employers are doing, so that the company can target its programs, making sure benefits are not too rich or too skimpy," says Beth Umland, a principal at Mercer.

For example, in the retail industry, there is benchmark interest in what employers are doing about PPACA's requirement to offer affordable coverage to all employees who work over 30 hours a week. Employers want to know if their competitors are changing the eligibility hours in anticipation of reform and their workforce strategies to address reduced hours.

Although key provisions of the law don't go into effect until 2014, employers want to know now how their plans stack up against their competitors. "When you are a big employer with many plans, you are definitely looking at what you should be doing between now to get ready for the changes in 2014," says Umland.

Health care reform will require employers to make an explicit decision to stay in or get out of health benefits, says Dr. Thomas Parry, president of the Integrated Benefits Institute.

Benchmarking benefits programs can provide employers with "access to critical metrics around a variety of measures covering incidence, cost and claims duration," he adds. As a result, the data puts them in a better position to make smart decisions about health and health care down the road.

"Without fully understanding the broader dimensions of health, such as absenteeism and its consequences on productivity, some employers may make bad decisions on keeping or dropping health benefits, especially if they only view health as health care costs," explains Parry.

Benchmarking is popular among employers because over the last decade the costs to manage benefits programs have drastically increased. Even in a post-reform world, managing costs still rest with the employers. Thus, certain PPACA provisions have sparked employers' interest in benchmarking data.

Marie Kobos, principal of health and benefits consulting at Aon Hewitt, expects more benchmarking interest on dependent coverage for children up to age

26, the impact of no copays or cost-sharing on preventive care and the removal of annual limits on non-grandfathered plans.

Under PPACA, the approaches to benchmarking programs will not necessarily change, but the data can tell employers whether they are gaining what the company intended to gain from its benefits programs or whether they need to change course, explains Kobos.

One provision that is creating a buzz on the benchmarking front is the auto-enrollment provision, says Umland. "This is a kind of sleeper provision people are talking about." The provision requires large employers to automatically enroll all new full-time employees and continue the enrollment of current employees.

Employers typically have about 20% of their workers who choose to waive coverage, because they have coverage somewhere else or they simply chose to go without it.

Once that auto-enrollment provision kicks in, employers, especially ones with generous plans, can expect a significant cost increase in health spending, since employees who had historically waived coverage now will be part of the plan. "If you have a generous plan, you may also want to set up a low-cost option for those employees," Umland suggests.

Classic benchmarking focuses on examining comparative data on the costs, designs and value of the plan or the program. Employers prefer to benchmark their programs against their industry peers because they are tapping into the same labor pool.

Continuing to benchmark based on industry is important in light of health care reform because PPACA provisions will affect employers differently based on workforce demographics and the level of benefits that they offer.

Many employers will continue to sponsor health plans, despite PPACA. And as such, they will be responsible for cost effective delivery of those programs. Benchmarking will always be important to employers because without data they don't know what to change, says Mary Tavarozzi, a senior consultant at Towers Watson.

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