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United States 2019 Employee Benefit Benchmarking Report

Benefit norms for mid-market employers in the United States

Introduction

Alliant Employee Benefits provides independent employee benefit advice to over 8,000 United States employers and therefore has substantial benchmarking data to help companies see how their benefits compare within their sector. We are regularly asked by multinational employers to benchmark employee benefits in the United States, and this document provides basic guidance on the subject.

This document considers:

- Typical benefit provisions in the United States.
- The United States healthcare system, the role of insurance, and average associated costs.
- The benefit enrollment process.

We are proud to be an Asinta Partner, and hope this document is of use to you.

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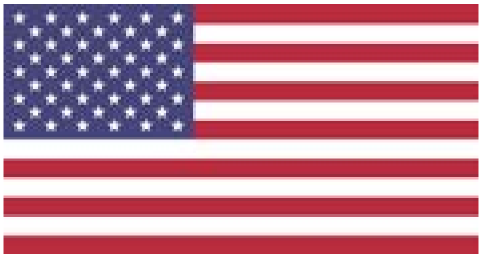
Inside

1.0 Overview of Employee Benefits in the United States

There is nothing standard or typical when it comes to offering an employee benefits package in the United States. There are almost no federal mandates to dictate benefits or contribution levels, and the 50 states' laws vary greatly in their impact on benefit design. While employer sponsored benefits are generally offered in the United States, what is specifically offered comes down to a company's employee population, industry, location(s), and employee salary levels.



1.1 Common United States Employee Benefits

BENEFIT	DESCRIPTION
Health Insurance	This is the most sought after benefit because healthcare and health insurance in the United States is very expensive. Section 2.0 outlines healthcare in greater detail.
Dental & Vision Insurance	Like healthcare, dental and vision is privatized so having some coverage for this care is desirable.
Retirement Contribution	In the past, companies in the Unites States would offer traditional defined benefit (DB) pensions. Some continue to do so, but the most common way to support an employee's retirement is through contributions to a defined contribution (DC) pension, often referred to in shorthand by one of the US federal tax codes, "a 401(k)." Employers will often match up to a certain amount of an employee's annual contribution to the 401(k). Contributions offer tax advantages for the employee and employer. There are a number of DC style pension plans utilized in the US, and although the 401(k) is the most common, others have a variety of names also drawn from the federal tax code.
Life & Disability Insurance	These policies vary greatly in coverage levels depending on the industry and employee population. They operate like similar policies offered in western Europe for example.
Paid Time Off	Vacation days and sick time are referred to as paid time off or PTO. Many companies offer two to three weeks of PTO, but lately some companies, especially hard-driving tech companies, have done away with PTO and instead have an honor system policy of 'take time off when you need it.'
Maternity/ Paternity Leave	Standard maternity and paternity leave is 12 weeks, which is mandated by the federal government's Family Medical Leave Act (FLMA). Some companies grant up to 18 weeks of maternity leave. The FMLA says this time off does not have to be paid, but some companies do continue to pay employees while they are on leave. Also, more and more states are enacting their own leave regulations and laws, so it needs to be addressed on a state by state basis.

As mentioned in the opening paragraph, how these plans are designed, and their associated costs, depend greatly on an employer's location, culture, and requirements.

2.0 Healthcare Costs and Laws

Three forces shape the United States' healthcare and health insurance systems:

- Health insurance is a market-based system for people who aren't retired or on government assistance. This translates to 85% of people with health insurance being covered by employer-sponsored plans.
- The United States fuels the research and development efforts for the majority of pharmaceutical companies in the world. With few restrictions on pricing, pharmaceutical costs in the United States are exorbitant compared to other countries. As of 2018, they are expected to represent 50% of medical insurance spend within the next five years.
- Healthcare providers are compensated on a fee for service basis which means the more services they provide, the more they can charge and earn. This is one of the main factors that significantly increases the cost of healthcare.

2.1 Costs

The United States healthcare system is extremely complex and expensive compared to other systems in the world. This is one of the reasons employer sponsored health insurance is a United States employee's most coveted benefit. Utilizing the private health system without health insurance is an extremely expensive proposition, often prohibitively so. To put it in perspective, United States healthcare consumers spend US $200 billion annually directly to healthcare providers according the United States government[1].

According to Alliant's latest benchmarking reports, employers' average annual healthcare costs per employee total US $15,000. This represents five to six times the cost for a Canadian multinational company to cover their Canadian employees for example. For employers who have a United States workforce that earns on the lower end of the salary scale, the relative costs for their employees' benefits can be striking.

An employer's healthcare spend ultimately depends on the demographics of its employees. It also depends on how much the employer contributes to the cost of dependents' coverage. Historically employers sponsored some or all of the costs for dependent coverage, but over the last ten years that's changed substantially. Now, employers are not incentivized to sponsor dependent coverage, but often the culture of a country or employer will dictate dependent coverage levels.

2.2 Federal Healthcare Laws

The Affordable Care Act (ACA), commonly known as "Obamacare," is a federal law, but it is not a federal medical system. It only subsidizes medical insurance for individuals and families living in extreme poverty. The law impacts employers who have 50 or more employees and does stipulate that employer sponsored health plans cover certain basic healthcare services like vaccinations and screenings at 100%. The ACA is constantly being revisited, updated and revised.

[1] mckinsey.com

2.3 State Healthcare Laws

Every one of the 50 states that make up the country has different healthcare regulations. This means each state may have different rules and regulations that must be followed.

2.4 Types of Health Plans

There are six major health insurance companies in the United States, with the top five insuring over 100 million people. Common health plans they offer often take the form of a Preferred Provider Organization (PPO), Health Maintenance Organization (HMO), and High Deductible Health Plan (HDHP) with an HSA (Healthcare Savings Account). Please note there are many other types of plans.

A very general way to think about the different plans, and the respective names they are given, is that they allow the insured access to particular networks of providers (e.g., healthcare providers, hospitals, pharmacies). The plans also dictate how an insured must seek specialist care in order to maximize coverage.

HEALTH PLAN TYPE	GENERAL DESCRIPTION
Preferred Provider Organization (PPO)	A PPO health plan typically offers the broadest provider network and employees do not need a general practitioner's referral to see a specialist. A PPO tends to be more costly than an HMO.
Health Maintenance Organization (HMO)	An HMO health plan gives the insured access to certain doctors, hospitals, and pharmacies. One primary care physician (or general practitioner) manages medical care. They also provide referrals for specialty care. An HMO tends to be more efficient with care and can be less costly than a PPO. HMOs tend to be regionalized, thus prevalent in certain locations and not others.
High Deductible Health Plan (HDHP) with an Healthcare Savings Account (HSA)	An HDHP is often combined with a PPO network giving the insured quicker access to specialty care. HDHP's have higher deductibles than a traditional insurance plan, but monthly contributions to the plan are usually lower for the employee. A high deductible plan (HDHP) can be combined with a health savings account (HSA), allowing employees to pay for certain medical expenses with money free from federal taxes. Employers contribute defined amounts to the HSA as do employees. Both groups receive tax advantages.

3.0 Benefit Enrollment

Employees must select from their benefit options when they are hired, and every year thereafter during what's known as 'open enrollment.' The benefit elections they make during open enrollment remain in place throughout the year unless the employee experiences a change in their life such as a marriage, divorce, or birth of a child.

4.0 Alliant Contact Person

We suggest contacting Sean Leary if you are planning on expanding your business into the United States and want to be certain you are offering a competitive, accurately benchmarked benefits package for your employees.

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