TOWERS WATSON

Annual Benefit Enrollment 2011

Flash Survey

About the Survey

In December 2010, Towers Watson surveyed employers to learn what actions they have taken to manage health and welfare annual enrollment this year, and what changes they expect to make next year. The survey was completed by 209 U.S. employers (47 large and 162 midsize companies) from 22 industries. This year's participants offer an average of 5.45 health plans and have an average of 14,232 employees.

Executive Summary

With health costs continuing to spiral upward, benefit plans becoming more complicated, and health care reform, more communication with participants and solutions for technology-related challenges are increasingly important this year.

At a Glance

The greatest challenges for employers in this enrollment period remained the same as last year: helping employees understand new plan features, handling an increased number of calls to service centers and explaining price changes to employees.

This year, nearly six in 10 respondents (57%) used decision support tools after more than half of last year's survey respondents reported they planned to increase their use of these tools. However, overall satisfaction with these tools dropped this year in a number of key areas.

In the coming year, nearly two-thirds of survey respondents plan to continue increasing their communication with participants. Almost half expect to make a plan design change. Close to half are also planning to provide more self-service capabilities. About a quarter reported they will evaluate their vendors, and 8% are looking to change vendors.

Our study shows that large and midsize companies handle the enrollment process differently. For example, nearly half (47%) of midsize (fewer than 15,000 participants) companies insource annual enrollment, while only about one-third (32%) of large organizations do. Three-quarters of the midsize companies that currently insource, however, are planning to outsource.

This year's survey confirms that a greater number of plan sponsors than ever are providing decision support tools for plan participants. For next year, continuing to increase support and communication with participants is a high priority.

Key Findings

- The number of companies still using paper-based enrollment dropped by more than five percentage points in 2010 and is now less than 9% (down from 14% last year).
- Companies increased their use of technology to communicate with employees, but they also held more face-to-face meetings — organizations are not dispensing with personal interactions.
- More than half of respondents (52%) reported that implementing health care reform-related administrative changes in 2010 was somewhat easy. However, for organizations that outsource, it was even easier.
- A significantly higher percentage of companies that outsource (69%) use decision support tools during open enrollment, compared to 44% of companies that insource. Overall satisfaction with these tools, however, dropped in a number of key areas this year.
- Challenging issues for plan sponsors remain helping employees understand new plan features, handling a greater number of service center calls and explaining price changes.
- The volume of merger and acquisition (M&A) activity among benefits outsourcing vendors was high this year: Close to half (44%) of the larger organizations (15,000 or more participants) surveyed use vendors affected by these changes.

Insourcing vs. Outsourcing: the Benefit Enrollment Process

Nearly half of midsize companies insource enrollment, while only about one-third (32%) of large organizations do. Significantly, three-quarters (78%) of the midsize companies that currently insource are planning to outsource their enrollment process. Companies that outsource are more satisfied with enrollment technology.

It's not that dissatisfaction levels with insourcing are high, but that dissatisfaction is specific to technology-related functions such as enrollment technology, the self-service experience, and self-service technology and reporting.

The effect of health care reform on benefit enrollment

More companies that outsource reported that implementing health care reform-related administrative changes was easy. Most organizations described the implementation as somewhat easy. In addition, companies that insource cited slightly larger increases in call volume due to health care reform than did organizations that outsource.

Preparing employees for the enrollment period

Even though organizations added more technology-based communication, they did not dispense with personal interactions: The number of conversations with HR and face-to-face meetings was even higher. Though the number of companies using social media (Web 2.0 communication) is small (4%), it has doubled from last year (2%). Many employers are expressing interest in the use of social media for health and welfare communication, a trend we'll keep our eye on in 2012.

Figure 1. Main reasons for dissatisfaction among companies that manage enrollment in-house

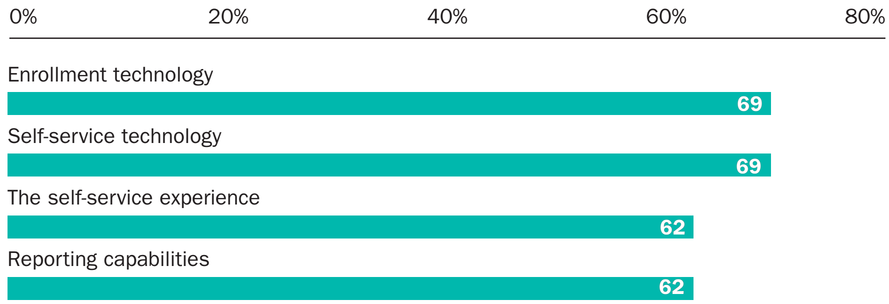
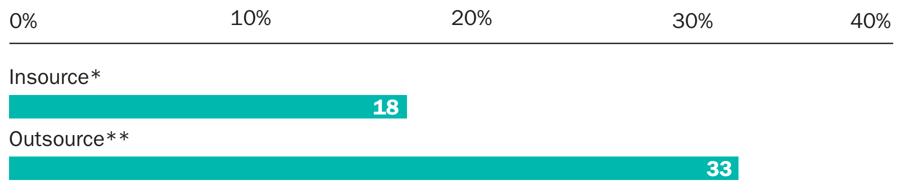


Figure 2. Ease of health care reform implementation



*Insource data includes companies that use ERP, a paper-based or an internally built system.
**Outsource data includes companies that cosource or outsource to a third-party provider.

Figure 3. Communication with participants

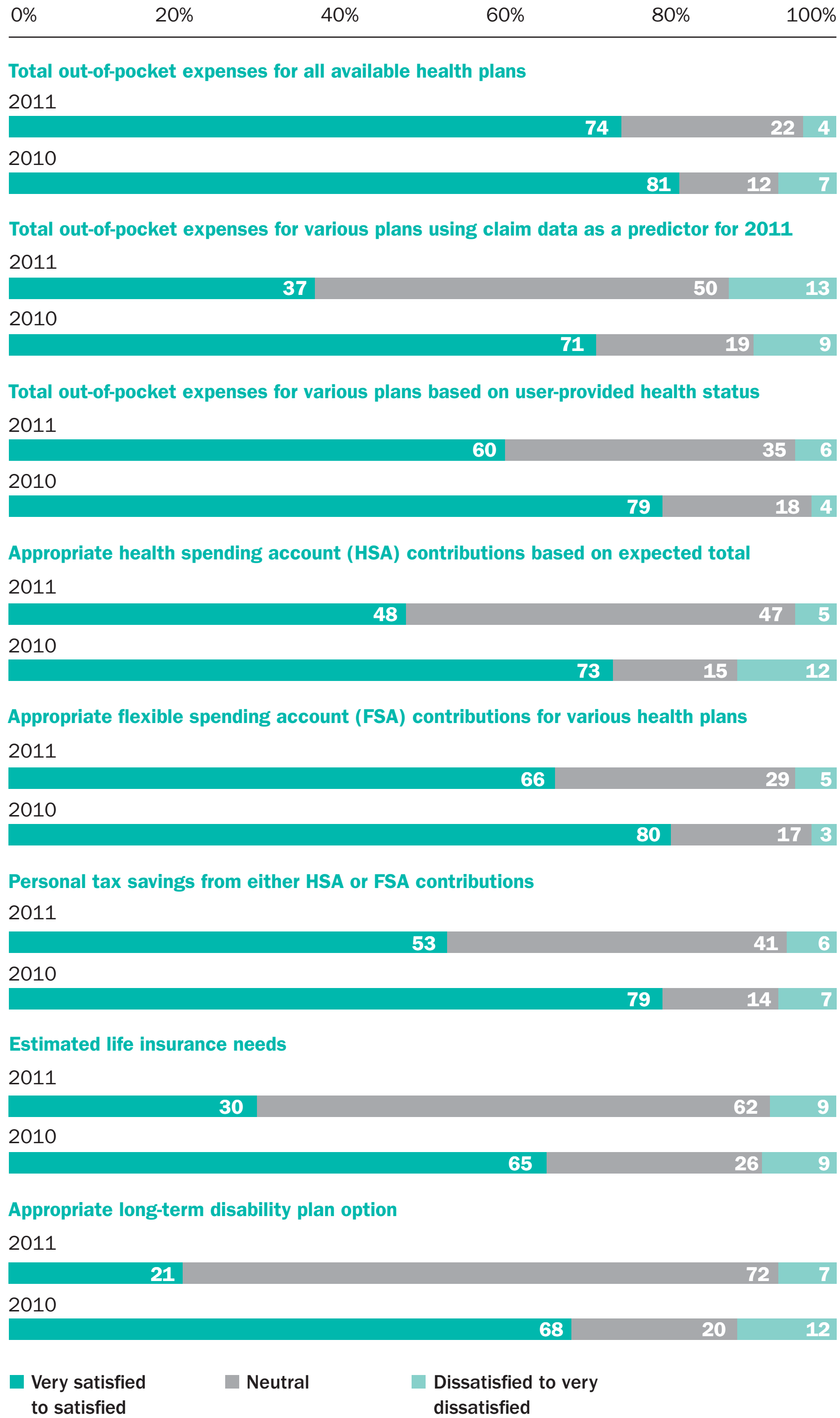
	2011	2010	Amount of change*
E-mails	84%	76%	↑ 8%
Intranet (behind the firewall)	75%	71%	↑ 4%
Printed materials sent to home	73%	69%	↑ 4%
Face-to-face meetings	60%	53%	↑ 7%
Conversations with human resources	58%	50%	↑ 8%
Printed materials provided at work	40%	44%	↓ 4%
Health fairs	38%	43%	↓ 5%
Internet	37%	40%	↓ 3%
Interactive or multimedia (podcasts, web video, online chat)	33%	27%	↑ 6%
SharePoint workspace or team site	8%	6%	↑ 2%
Web 2.0 communication (blog, wiki, text messages, RSS)	4%	2%	↑ 2%
Messages pushed through a mobile application	1%	N/A	N/A

*Amount of change is noted as percentage points, not percent of change.

Use of decision support tools

This year, nearly six in 10 plan sponsors (57%) provided decision support tools for participants. However, dissatisfaction with these tools increased, most notably for total out-of-pocket expenses for various plans using claim data as a predictor for 2011 and for estimated life insurance needs.

Figure 4. Decision support tools for participants



Integrating claim data

Results of the survey show that more than eight in 10 respondents (83%) do not integrate claim data with their tools.

Most challenging issues of 2010

Respondents cited helping employees understand new plan features (32%), handling an increased number of service center calls (29%) and explaining price changes (26%) as more challenging issues than last year. Compared to last year, the big change was in the number of calls to the service center, which rose from third to second place.

M&A activity

In a year characterized by a high volume of M&A activity among benefits outsourcing vendors, overall, fewer than one-quarter (22%) of survey respondents' benefits outsourcing vendors were involved in M&A deals. The percentage approaches one-half (44%), however, among large organizations (with 15,000 or more participants).

Eight in 10 of these plan sponsors report that service remains unchanged so far, but nearly one-third (30%) expect slightly or very positive changes in the future.

Our results also show nearly half (48%) of these respondents expect their vendors' enrollment platform to remain unchanged. However, almost as many (44%) expect a positive change. Large organizations (50%) are more likely to expect an enrollment platform change than midsize companies (38%). It will be interesting to follow how these expectations play out over the next year.

Changes expected in the next 12 months

Plan sponsors responding to our survey reported changes they are planning to make for next year's annual enrollment:

- Nearly two-thirds (64%) will increase their communication efforts.
- Almost half (47%) will make a plan design change.
- Close to half (44%) will provide more self-service capabilities to their employees.
- About one-quarter (24%) will evaluate outsourcing vendors, and 8% plan to change outsourcing vendors.

Figure 5. Most challenging issue compared to last year

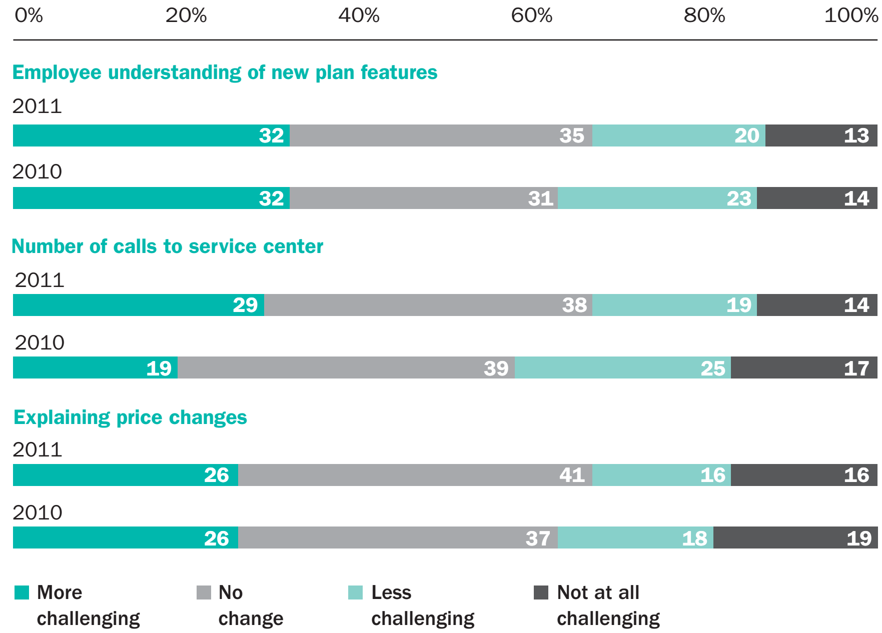
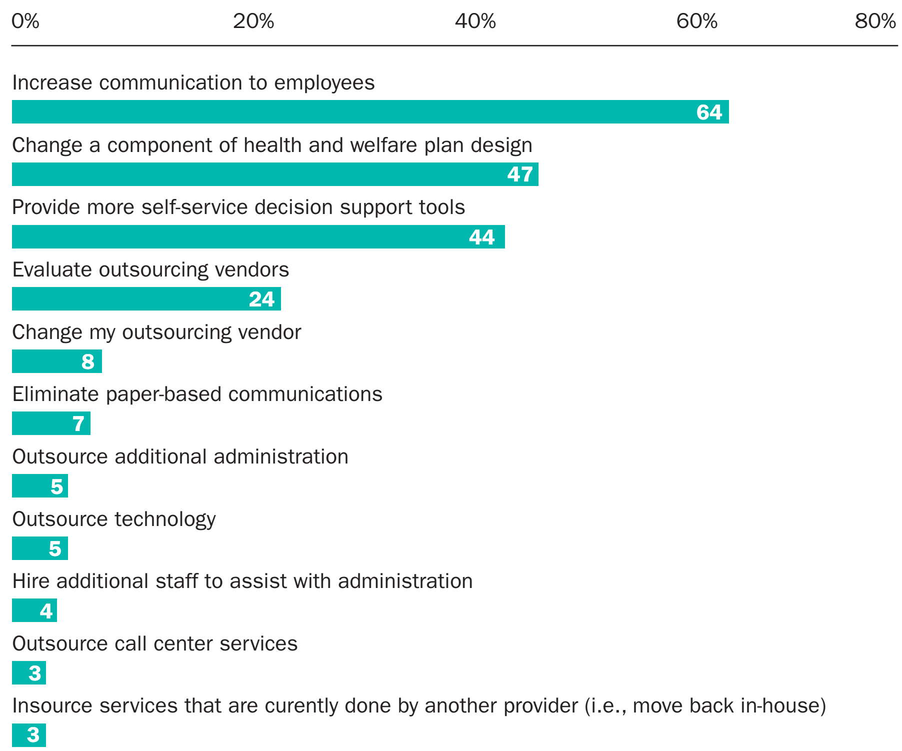


Figure 6. Effect of M&As on benefits outsourcing vendors

Figure 7. Changes employers expect to make in the next 12 months



Preparing for Next Year's Enrollment Period

This year's survey confirms that a greater number of plan sponsors than ever are providing decision support tools for plan participants. For next year, continuing to increase support and communication with participants is a high priority. Our own Towers Watson research has shown that integrating wellness communication with the enrollment tool is a best practice. As employers increasingly adopt premium differentials based on member completion of an HRA or biometric screening (and some are even limiting plan elections based on member willingness to engage in health improvement), effectively communicating wellness information and available resources at the time of enrollment is becoming more necessary than in the past. In addition, since enrollment is a time when members are more engaged in health decisions, it makes sense to use the enrollment time and tool to promote the wellness resources and tools.

About Towers Watson

Towers Watson is a leading global professional services company that helps organizations improve performance through effective people, risk and financial management. With 14,000 associates around the world, we offer solutions in the areas of employee benefits, talent management, rewards, and risk and capital management.

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