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Significant Portion of Newly Eligible Employees May Opt to Remain Uninsured

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Payroll, HR benefits and human capital management provider ADP has announced the results findings of a new ADP Research Institute study that shows that if 2012 health benefit participation rate patterns persist into next year, then a portion of newly eligible employees may opt to remain uninsured because they perceive the cost of insurance is too significant a percentage of their annual income.

ADP's "Planning for Health Care Reform: How Income Impacts Employee Health Benefits Participation," is a companion study to the previously published "ADP's 2012 Study of Large Employer Health Benefits" and is based on actual, real-world data for approximately one million employees and more than two million covered lives. The new study provides a comprehensive examination of the impact of income on employee health benefits participation.

With data showing how employee income and health benefit plan participation are closely intertwined, the study details the potential impact and ramifications of the Affordable Care Act (ACA) on employers who will need to comply with new mandates beginning in 2014.

Specifically, the ADP Research Institute study findings show that employees with W-2 wages greater than 400% of the Federal Poverty Level (FPL), or roughly $45,000 for a single individual under 2012 guidelines, consistently participate in health coverage at a rate of 81%. However, as income declines below 400% of the FPL, health plan participation rates decline sharply to just 37% for single employees earning between $15,000 and $20,000 per year.

"While no one can predict the future, the ADP Research Institute findings suggest

However, among a certain subset of employers, nearly one out of every four employees spent more than 9.5% of their wages on health coverage.

According to the ACA, beginning in 2014, employers may begin paying an annual penalty of $3,000 (calculated monthly) for every employee for which the premium for self-only coverage exceeds 9.5% of their wages (with respect to each full-time employee who receives a federal premium credit for public exchange coverage, assuming the employer offers health insurance coverage to at least 95% of full-time employees).

Employees earning $22,340 or more per year (200% of the FPL for a single wage earner) may still be better off obtaining coverage through their employer's group health plan, despite affordability issues, rather than participating in a public health exchange with government-provided subsidies.

"While many project that the impact of the ACA will be most significant upon small businesses, certain industries, such as retail, hospitality, construction and business services, could face a dramatic increase in the number of employees that are newly eligible for health benefits," notes Clifford.

"In some cases, employers could face a sharp increase in the number of covered employees and subsequent costs, and if they choose to stop offering employer-sponsored benefits, they may face a significant tax penalty."

"How employers choose to comply with ACA requirements can have a very significant impact upon multiple aspects of their business and their human capital management strategy," Clifford adds.

"While increases in total health care benefit plan costs and potential penalties can have a direct impact upon revenue, employers also need to consider the full business implications of their benefits decisions, as they can affect employee compensation,

employees under the ACA. Entitled: Health Care Reform: How Income Impacts Participation in Employee Health Benefits, the webcast will be available at 11:00 a.m. ET on Thursday, March 28. Registration information is at http://www.hr.com/stories/1362424920044.

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