



2021

Benefitfocus[®]

S_oEB

Midsize
Employer
Edition

State of Employee Benefits

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For more information, visit
<https://www.benefitfocus.com/state-of-employee-benefits>



Introduction

When we published our Benefitfocus State of Employee Benefits™ 2021 report, we explored how an evolving multi-generational workforce and the impact of COVID-19 affected health care costs and health plan design for large employers (1,000+ employees). Now, this report focuses on the trends across midsize groups (100-999 employees) within our customer base. So, we asked ourselves:

- How did midsize employers respond to the same unique set of circumstances?
- How did their response compare to large employers?
- What does that mean for employees?

As with the large employer data, we aggregated, anonymized and analyzed the last four years of annual fall enrollment data from midsize employer customers using our platform to answer these questions. The result is an unprecedented view of employee benefit insights and trends from both before and during a global pandemic for:

- Health Insurance Offerings
- Health Care Spending Accounts
- Employee Health Insurance Participation
- Health Insurance Premiums
- Voluntary Benefit Offerings and Participation

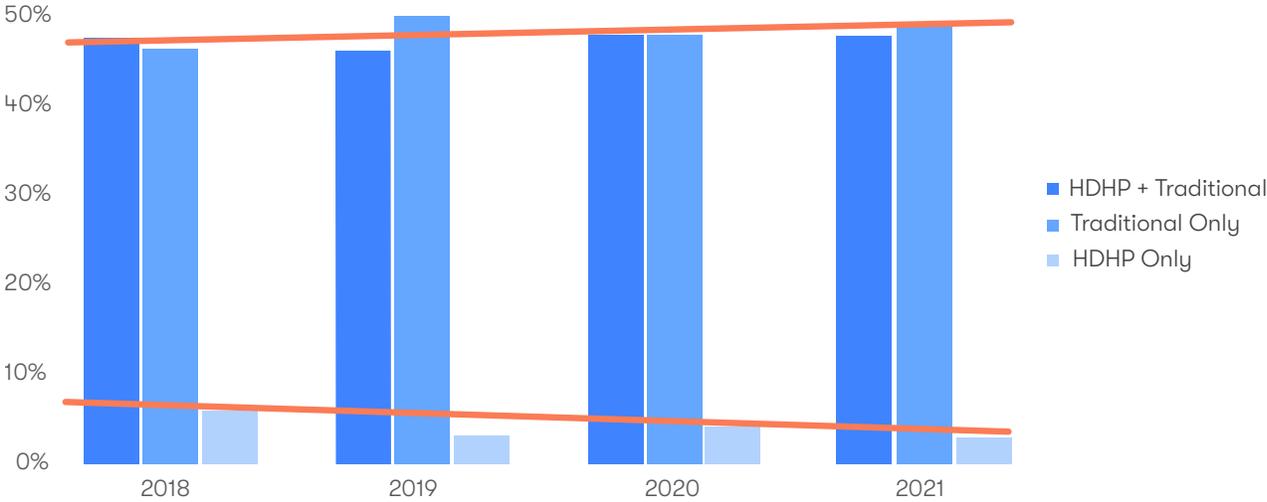
¹ Age groups used in this report: Generation Z (born after 1997), millennials (born 1981-1996), Generation X (born 1965-1980), baby boomers (born 1946-1964), and traditionalists (born 1945 or before).

² The phrases “the last four annual enrollment periods” and “the last four years” refer to the fall of 2017 through the fall of 2020 for effective dates of 1/1/18 and 1/1/21.

Health Insurance Offerings

Since 2018, the difference in the percentage of midsize employers only offering traditional health insurance options and those offering a combination of traditional and high-deductible health plans (HDHPs) hasn't varied significantly, while the percentage of employers offering only an HDHP has dropped by half.³

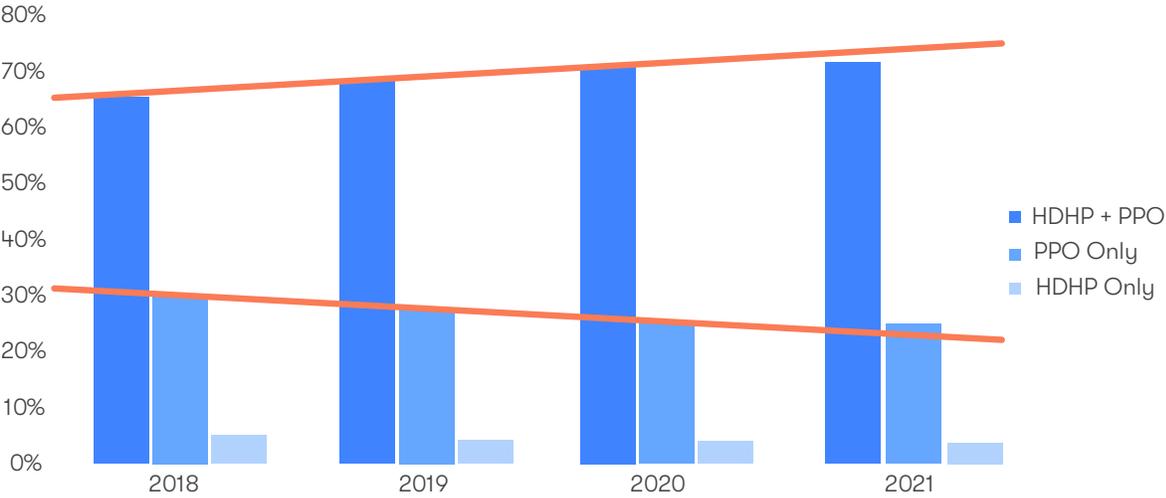
Figure 1.1: Average Annual Midsize Employer Health Insurance Offering, 2018-2021



(See Appendix Data Table 1)

In comparison, midsize employers are offering fewer choices when it comes to health insurance than large employers.

Figure 1.2: Average Annual Large Employer Health Insurance Offering, 2018-2021

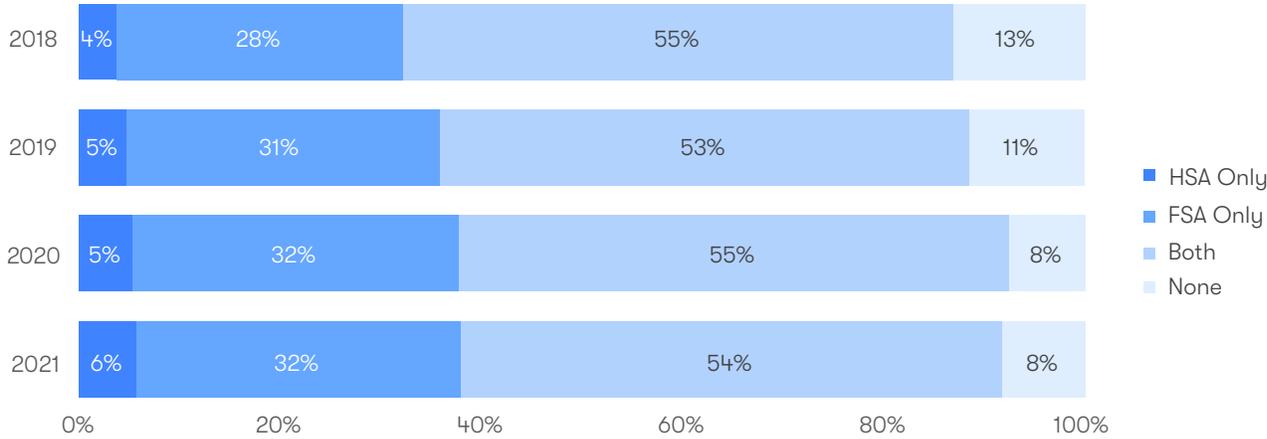


³ "Traditional" plans defined as a PPO and/or an HMO.

Health Care Spending Accounts

Since 2018, the percentage of midsize employers offering at least one health care spending account option has increased by nearly 40 percent. More than half now offer both a health savings account (HSA) and flexible spending account (FSA).

Figure 2.1: Average Annual Percentage of Midsize Employers Offering HSA/FSA, 2018-2021



(See Appendix Data Table 2)

In comparison, midsize employers offer either an HSA only or an FSA only option at a higher rate than large employers.

Figure 2.2: Average Annual Percentage of Large Employers Offering HSA/FSA, 2018-2021



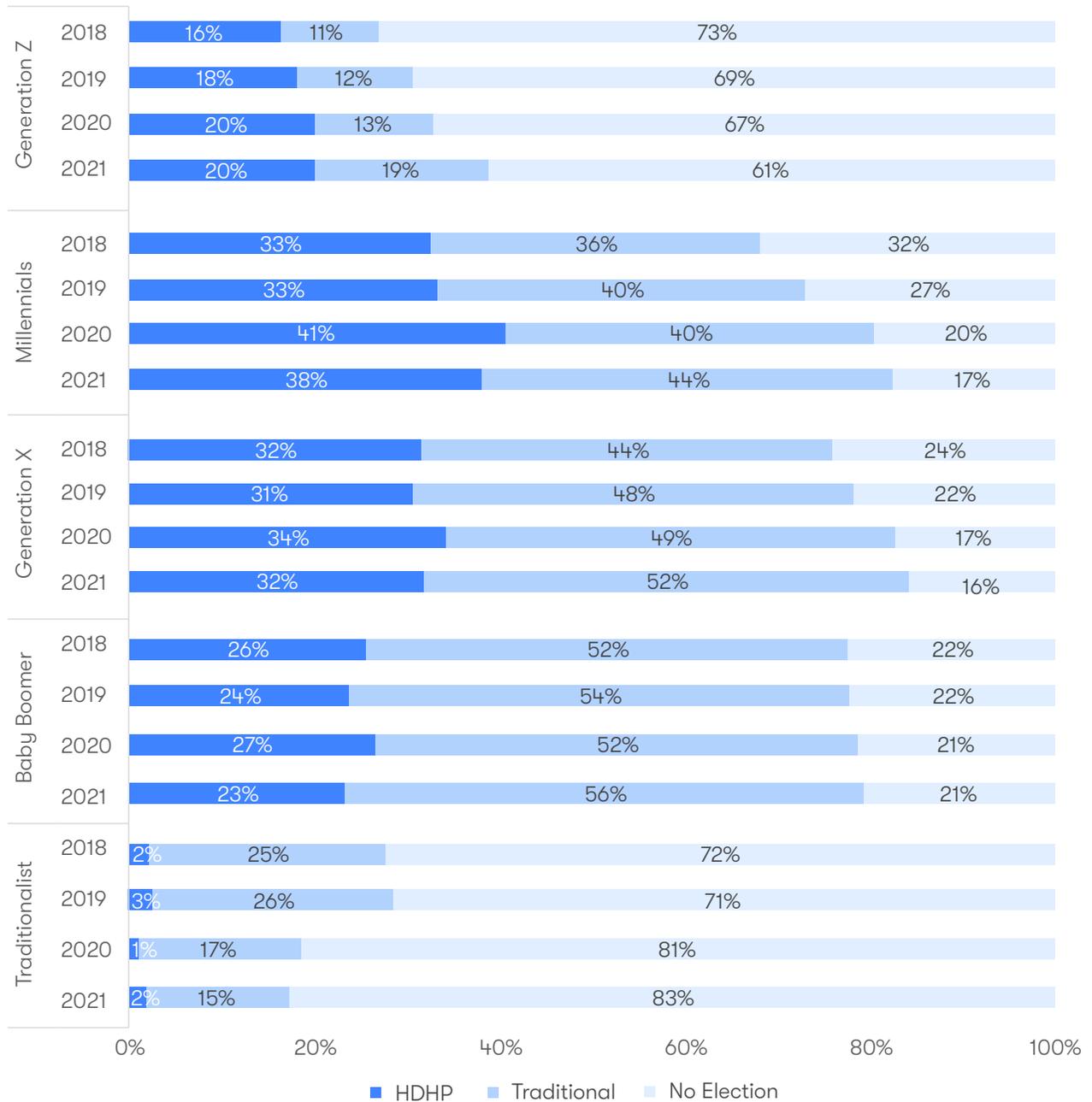
(See Appendix Data Table 3)

Employee Health Insurance Participation



Traditional plans remained the most popular choice across generations compared to HDHPs for employees of midsize employers. However, enrollment overall is increasing for all generations except for traditionalists as they're likely enrolled in Medicare or other coverage. Generation Z had the highest growth in participation across all plan types since 2018, while Gen Xers account for the most participation overall in employer-sponsored health insurance in 2021.

Figure 3.1: Average Annual Employee Health Insurance Participation by Generation When at Least One HDHP and One Traditional Plan Are Offered, 2018-2021

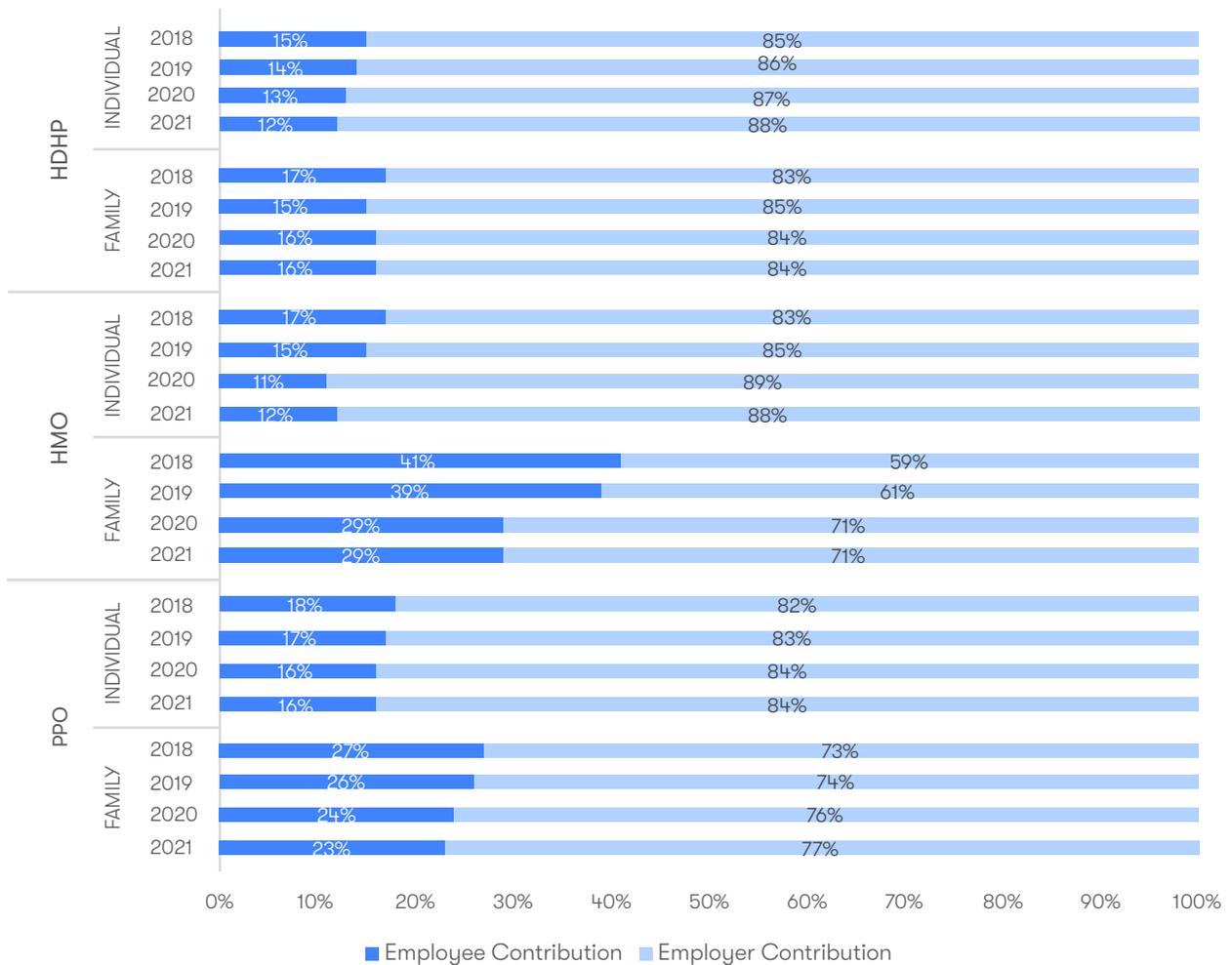


(See Appendix Data Table 4)

Health Insurance Premiums

On average, health insurance premiums increased in 2021 for both midsize employers and employees across most plan types. However, employee premiums are considerably less than they were in 2018. This is likely because employers are taking on a higher percentage of the total premium from 2019 through 2021 for most plan types. This differs from large employers, who increased their share of the total premium only in 2021.⁴

Figure 4.1: Average Annual Employee and Employer Premium Contribution by Plan Type and Coverage Level, 2018-2021



(See Appendix Data Tables 5 and 6)

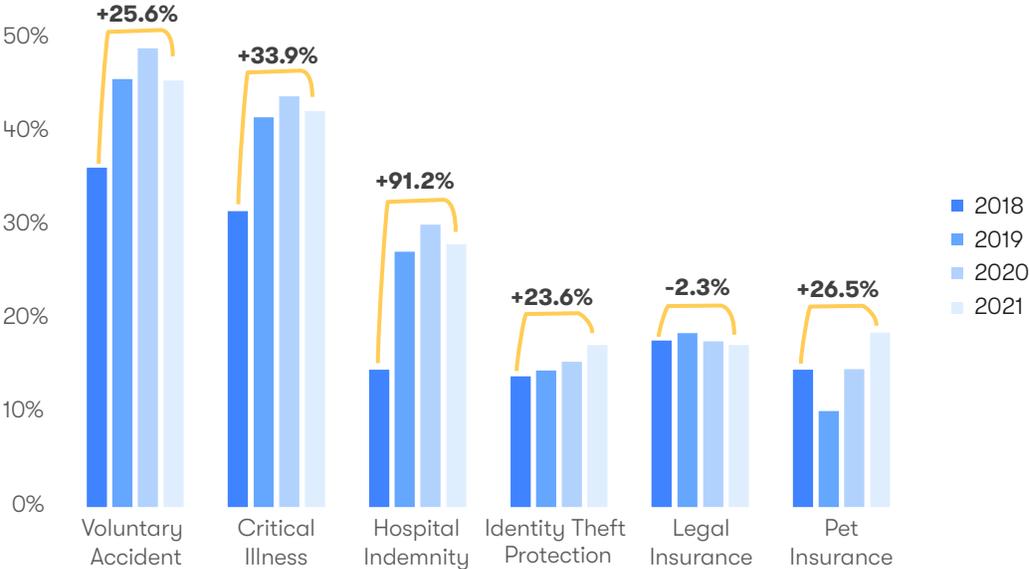
⁴Benefitfocus State of Employees Benefits™ 2021 Report, Large Employer Edition.

Voluntary Benefit Offerings and Participation

Voluntary benefit offerings for midsize employers have steadily increased since 2018, with hospital indemnity offerings nearly doubling from 15 percent to 28 percent. However, voluntary accident, critical illness, hospital indemnity and legal insurance offerings dropped slightly in 2021, while pet insurance and identity theft protection experienced growth during the same timeframe – 27 percent and 12 percent respectively.

Even with that growth, midsize employer voluntary benefit offering rates are significantly lower than those of the large employer groups, except for pet insurance.⁴

Figure 5.1: Average Annual Percentage of Employers Offering Voluntary Benefits, 2018-2021



(See Appendix Data Table 7)

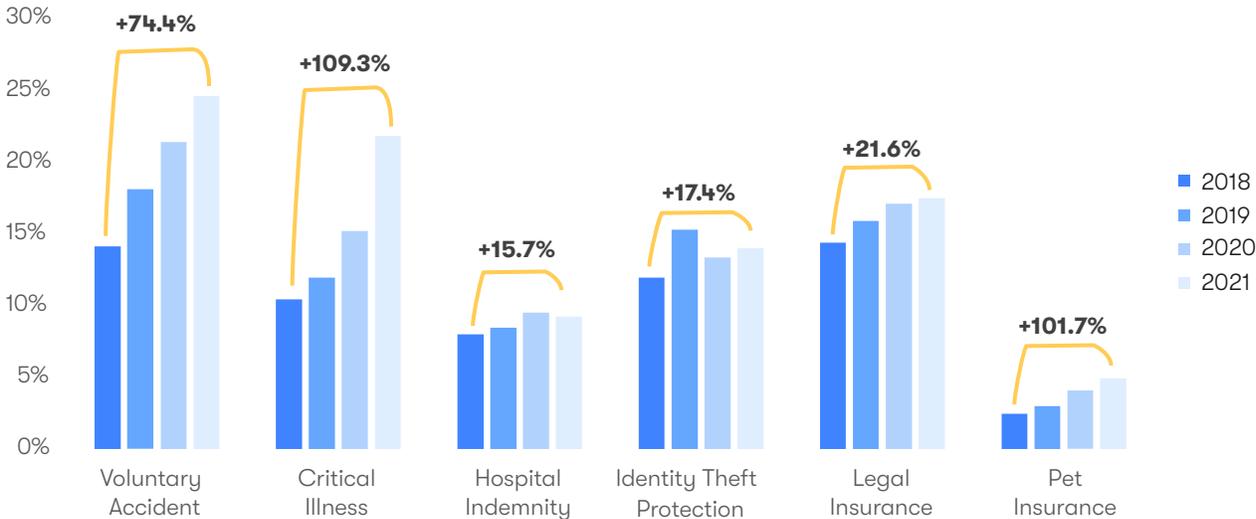
⁴Benefitfocus State of Employees Benefits™ 2021 Report, Large Employer Edition.





Employee voluntary benefits participation rates continue to grow, especially since 2018. Participation in critical illness and pet insurance more than doubled. Voluntary accident participation also increased by 75 percent.

Figure 5.2: Average Annual Percentage of Employee Participation in Voluntary Benefits, 2018-2021

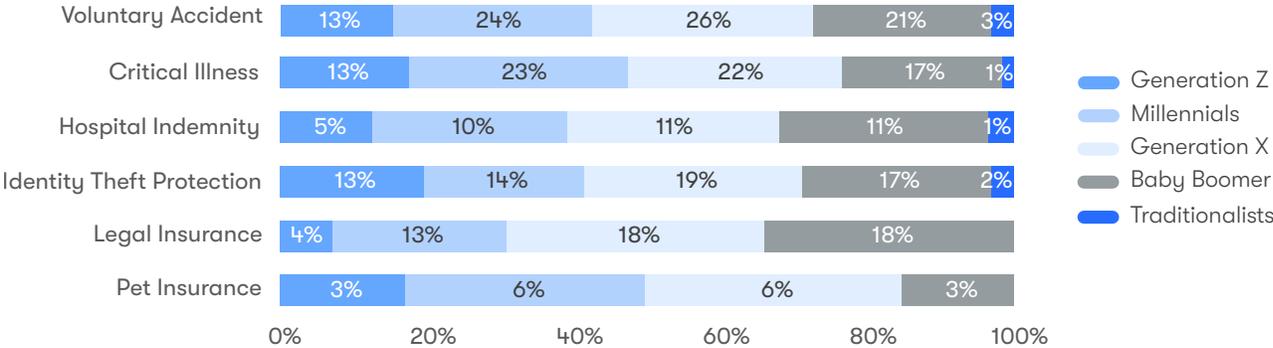


(See Appendix Data Table 8)

Voluntary Benefits Participation by Generation

Generation X had the highest adoption across most voluntary benefits in 2021, apart from critical illness in which millennials lead by a small margin at one percent. Millennials follow as the second highest adopters in accident insurance, critical illness and pet insurance.

Figure 5.3: Average Employee Participation in Voluntary Benefits (Income Protection and Specialty Benefits) by Generation, 2021

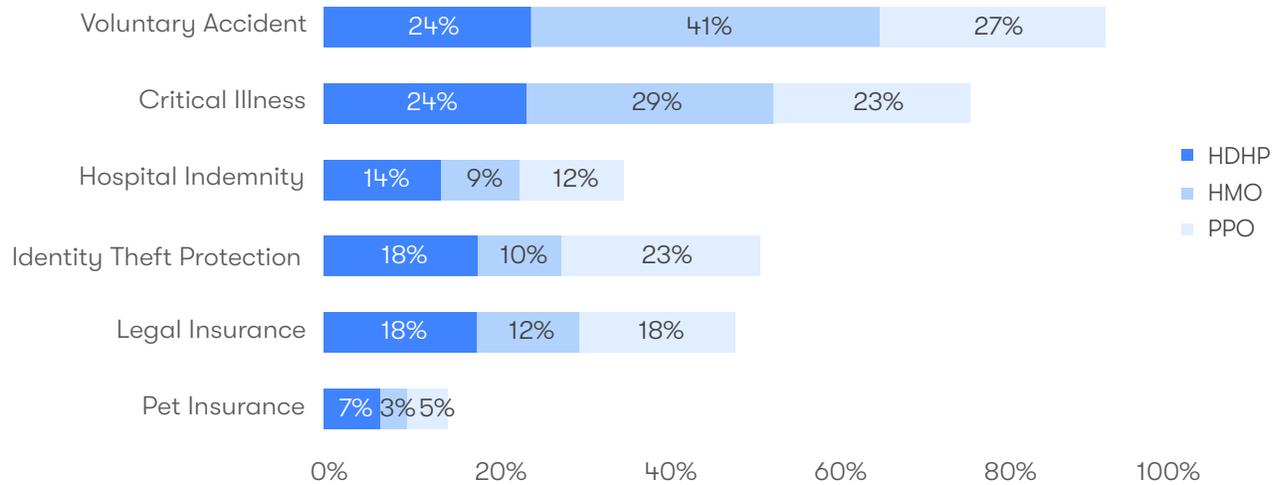


(See Appendix Data Table 9)

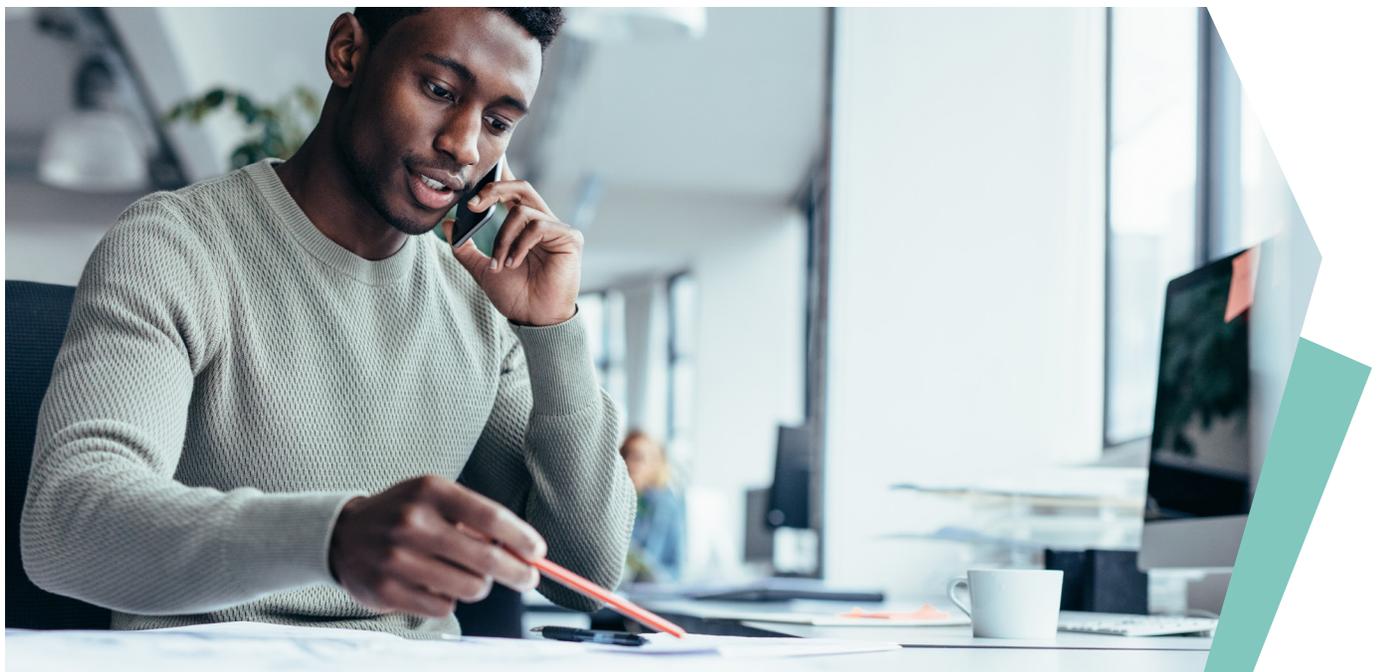
Voluntary Benefits Participation by Health Insurance Type

Voluntary benefits participation follows the large employer trend with similar adoption behavior, regardless of the medical plan employees elect. The adoption of voluntary accident plans by HMO participants is the exception with participation well above the average of those enrolled in other plan types at 41 percent. HMO participants are also less likely to adopt identity theft protection and legal insurance than HDHP and PPO subscribers.

Figure 5.4: Average Employee Participation in Voluntary Benefits (Income Protection and Specialty Benefits) by Plan Type, 2021



(See Appendix Data Table 10)



Conclusion

Midsize employers appear to have kept health insurance offerings and premium cost-sharing trends consistent from 2018 through 2021, which is similar to what we saw in the large employer market. However, as large employers remained consistent in their effort to increase voluntary benefit offerings in 2021, midsize employers reduced these offerings. Employees, on the other hand, are showing greater demand for voluntary benefit products – even those that are not employer funded – in the face of financial uncertainty likely caused by the pandemic.

Opportunity

Health care costs are projected to increase up to 10 percent in 2022, and the job market is beginning to rebound.⁵ Midsize employers need an efficient way to meet the expectations of employees for more flexible benefit packages not only to recruit and retain top talent, but also to improve the physical, financial and mental health of their employees and their families.



Midsize Employers

By partnering with health plans that offer sophisticated enrollment solutions for both medical coverage and supplemental voluntary benefits, midsize groups can streamline administration and deliver robust benefit packages through a single, seamless experience.

Health Plans

Investing in a modern platform that integrates both quoting and enrollment for medical coverage alongside voluntary benefits will position health plans to support seamless administration for both brokers and employers. The willingness consumers have shown to adopt voluntary products also creates the opportunity to build new revenue streams.

And as the full impact of the COVID-19 impact comes to light, the needs of consumers will evolve. A technology provider that has established integrations with trusted voluntary benefit suppliers can provide health plans with the ability to expand their product offerings without the need for developing new lines of business. This technology provider should also serve as a strategic partner, providing data insight and support to accelerate speed-to-market for in-demand products that meet employer and consumer expectations.

⁵Medical Cost Trend: Behind the Numbers 2021. PwC Health Research Institute.

About the Data



The State of Employee Benefits 2021 was compiled from enrollment transactions aggregated across 144 midsize employers (100–999 full-time employees) within the Benefitfocus customer base, representing 244,000 individual consumers in total. The data was evaluated on an anonymous basis. Enrollment records include both active and passive enrollments made by a variety of industry roles (employee, carrier representative, broker, benefits administrator, etc.) from the fall of 2017 through fall of 2020 for effective dates of January 1, 2018 through January 1, 2021. These measurements are not meant to be a nationally representative sample, but to represent the aggregate activity for midsize employers on the Benefitfocus platform.

“Family coverage” is defined as coverage levels that had at least one employee, one spouse/domestic partner and one child. For premium metrics, all averages are based on annual premium amounts. All dollar amounts have been rounded to the nearest whole dollar. All percentages, with limited exceptions, have been rounded to the nearest whole number within the report and single decimal within the appendix. Subscribers 17 years of age and younger have been removed. The data for insufficient sample sizes has been withheld.



About Benefitfocus

Benefitfocus (NASDAQ: BNFT) unifies the entire benefits industry through innovative technology solutions that bring efficiency, cost savings and simplicity to employee benefits administration. Our powerful cloud-based software, data-driven insights and thoughtfully designed services help employers, insurance brokers, health plans and suppliers address the complexity of benefits enrollment and engagement, while bringing easier access to health, wealth and lifestyle products through a world-class benefits experience. Our mission is simple: to improve lives with benefits.

Learn more at www.benefitfocus.com, LinkedIn, Facebook, Instagram and Twitter.

Benefitfocus is not an actuarial firm, and Benefitfocus is not acting as an actuary or determining any actuarial basis for employer benefit offerings. Benefitfocus does not underwrite insurance and does not give legal advice regarding the adequacy of coverage limits or types. This report is not a substitute for the advice of an attorney, tax, actuarial or other professional advisors.

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Data Appendix



Data tables include year-over-year percent change from 2020-2021, as well as since 2018 for comparison.

Table 1: Average Annual Midsize Employer Health Insurance Offering, 2018-2021

Plan Type	2018	2019	2020	2021	Percent Change Since 2018	Percent Change Since 2020
Traditional Only	46.4%	50%	47.9%	49.3%	+2.8%	+6.1%
HDHP Only	6%	3.8%	4.1%	2.9%	-29.5%	-51.3%
Both	47.6%	46.3%	47.9%	47.8%	-0.2%	+0.4%

Table 2: Average Annual Percentage of Midsize Employers Offering HSA/FSA, 2018-2021

Offering	2018	2019	2020	2021	Percent Change Since 2020	Percent Change Since 2018
HSA Only	3.8%	4.8%	5.4%	5.7%	+6.5%	+51%
FSA Only	28.4%	31.1%	32.4%	32.3%	-0.3%	+13.5%
Both	54.7%	52.7%	54.7%	53.7%	-1.8%	-1.8%
None	13%	11.4%	7.5%	8.3%	+9.7%	-36.5%

Table 3: Average Annual Percentage of Large Employers Offering HSA/FSA, 2018-2021

Offering	2018	2019	2020	2021	Percent Change Since 2020	Percent Change Since 2018
HSA Only	5.5%	4.8%	4.3%	3.8%	-11.3%	-30.1%
FSA Only	22.9%	20.4%	17.3%	16.6%	-3.9%	-27.5%
Both	63.5%	67.2%	71.5%	72.5%	+1.5%	+14.1%
None	8.1%	7.6%	6.9%	7%	+1.6%	-12.8%

Table 4: Annual Employee Health Insurance Participation by Generation When at Least One HDHP and One Traditional Plan Are Offered, 2018-2021

Generation	Health Insurance Plan	2018	2019	2020	2021	Percent Change Since 2020	Percent Change Since 2018
Generation Z	HDHP	16.4%	18.2%	20.1%	20.2%	+0.4%	+22.9%
	Traditional	10.5%	12.4%	12.8%	18.7%	+45.7%	+77.2%
	No Election	73%	69.4%	67.1%	61.2%	-8.9%	-16.3%
Millennials	HDHP	32.6%	33.3%	40.7%	38.2%	-6.2%	+17%
	Traditional	35.6%	39.7%	39.8%	44.4%	+11.6%	+24.8%
	No Election	31.8%	27%	19.6%	17.5%	-10.7%	-45.1%
Generation X	HDHP	31.6%	30.6%	34.3%	31.9%	-6.9%	+0.9%
	Traditional	44.4%	47.6%	48.5%	52.3%	+7.9%	+17.9%
	No Election	24%	21.8%	17.2%	15.8%	-8.4%	-34.3%
Baby Boomer	HDHP	25.6%	23.8%	26.6%	23.4%	-12.2%	-8.8%
	Traditional	52%	53.9%	52.1%	56%	+7.4%	+7.6%
	No Election	22.3%	22.2%	21.2%	20.6%	-2.8%	-7.6%
Traditionalist	HDHP	2.2%	2.6%	1.1%	1.9%	+72.7%	-13.6%
	Traditional	25.5%	26%	17.5%	15.5%	-11.6%	-39.3%
	No Election	72.3%	71.4%	81.4%	82.7%	+1.6%	+14.3%

Table 5: Annual Employee Premium Contribution by Plan Type and Coverage Level, 2018-2021

Plan Type	Coverage Type	2018	2019	2020	2021	Percent Change Since 2020	Percent Change Since 2018
HDHP	Family	\$4,233.25	\$3,386.68	\$3,678.35	\$3,813.70	+3.7%	-9.9%
	Individual	\$1,006.11	\$930.33	\$760.64	\$763.49	+0.4%	-24.1%
HMO	Family	\$6,199.72	\$5,863.32	\$5,309.83	\$5,241.52	-1.3%	-15.5%
	Individual	\$1,274.57	\$1,245.40	\$1,130.92	\$1,192.87	+5.5%	-6.4%
PPO	Family	\$4,970.47	\$4,926.05	\$4,792.54	\$4,899.32	+2.2%	-1.4%
	Individual	\$1,559.34	\$1,525.09	\$1,433.13	\$1,429.77	-0.2%	-8.3%

Table 6: Annual Employer Premium Contribution by Plan Type and Coverage Level, 2018-2021

Plan Type	Coverage Type	2018	2019	2020	2021	Percent Change Since 2020	Percent Change Since 2018
HDHP	Family	\$15,682.40	\$14,997.59	\$16,600.14	\$17,275.90	+4.1%	+10.2%
	Individual	\$5,508.44	\$5,391.52	\$5,501.80	\$5,786.79	+5.2%	+5.1%
HMO	Family	\$14,582.15	\$14,807.09	\$16,497.03	\$16,790.08	+1.8%	+15.1%
	Individual	\$5,663.07	\$5,664.08	\$5,982.89	\$6,273.17	+4.9%	+10.8%
PPO	Family	\$15,150.01	\$15,334.40	\$18,364.41	\$18,906.90	+3.0%	+24.8%
	Individual	\$5,295.38	\$5,325.18	\$6,232.82	\$6,530.26	+4.8%	+23.3%



Table 7: Average Annual Percentage of Employers Offering Voluntary Benefits, 2018-2021

Benefit Type	2018	2019	2020	2021	Percent Change Since 2020	Percent Change Since 2018
Voluntary Accident	36.3%	45.7%	49%	45.6%	-6.9%	+25.6%
Critical Illness	31.6%	41.6%	43.9%	42.3%	-3.6%	+33.9%
Hospital Indemnity	14.7%	27.3%	30.2%	28.1%	-7%	+91.2%
Identity Theft Protection	14%	14.6%	15.5%	17.3%	+11.6%	+23.6%
Legal Insurance	17.7%	18.6%	17.7%	17.3%	-2.3%	-2.3%
Pet Insurance	14.7%	10.2%	14.7%	18.6%	+26.5%	+26.5%

Table 8: Average Annual Percentage of Employee Participation in Voluntary Benefits, 2018-2021

Benefit Type	2018	2019	2020	2021	Percent Change Since 2020	Percent Change Since 2018
Voluntary Accident	14.1%	18.1%	21.4%	24.6%	+14.9%	+74.4%
Critical Illness	10.4%	11.9%	15.2%	21.8%	+43.7%	+109.3%
Hospital Indemnity	8.0%	8.5%	9.5%	9.2%	-2.7%	+15.7%
Identity Theft Protection	11.9%	15.3%	13.3%	14.0%	+5.2%	+17.4%
Legal Insurance	14.4%	15.9%	17.1%	17.5%	+2.3%	+21.6%
Pet Insurance	2.4%	3.0%	4.1%	4.9%	+20.5%	+101.7%

Table 9: Average Employee Participation in Voluntary Benefits by Generation, 2021

Benefit Type	Generation Z	Millennials	Generation X	Baby Boomer	Traditionalist
Voluntary Accident	13.3%	23.7%	26.2%	21.0%	2.7%
Critical Illness	13.3%	22.5%	22.1%	16.5%	1.2%
Hospital Indemnity	4.7%	10.1%	10.9%	10.8%	1.3%
Identity Theft Protection	12.6%	14.2%	19.3%	16.6%	2.0%
Legal Insurance	3.7%	12.5%	18.5%	17.8%	0.0%
Pet Insurance	3.0%	5.8%	6.2%	2.7%	0.0%

Table 10: Voluntary Benefits Participation by Health Insurance Type, 2021

Benefit Type	Plan Type	2021
Voluntary Accident	HDHP	24.3%
	HMO	41.2%
	PPO	26.5%
Critical Illness	HDHP	23.9%
	HMO	29.1%
	PPO	23.1%
Hospital Indemnity	HDHP	13.8%
	HMO	9.3%
	PPO	12.2%
Identity Theft Protection	HDHP	18.1%
	HMO	9.9%
	PPO	23.4%
Legal Insurance	HDHP	18%
	HMO	12.1%
	PPO	18.4%
Pet Insurance	HDHP	6.6%
	HMO	3.2%
	PPO	4.8%

