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For Immediate Release

Aon Hewitt Research: Employers Will Continue Sponsoring Health Benefits for Employees and Retirees, but Deliver Those Benefits in New Ways

LINCOLNSHIRE, Ill., February 19, 2014 – New research from Aon Hewitt, the global talent, retirement and health business of Aon plc (NYSE: AON), shows that the majority of employers plan to continue sponsoring health benefits for active employees and retirees, but will change the way those benefits are managed and delivered in the coming years.

According to Aon Hewitt's soon-to-be-released Health Care Survey of more than 1,230 employers covering more than 10 million employees, 95 percent of employers say they plan to continue providing health care benefits to active employees in the next three-to-five years. However, a growing number plan to move away from their traditional "managed trend" approach, which includes aggressively managing costs through vendor management and employee cost sharing.

Almost 40 percent of organizations expect to migrate toward a "house money/house rules" approach, which requires employees to take a more active role in their health by offering them a few plan options, plus initiatives designed to improve health and reduce costs. Thirty-three percent said offering group-based health benefits to active employees through a private health exchange will be their preferred approach in the next three-to-five years.

Employers' Current and Future Health Strategies for Active Employees

	Now	**3-5 Years**
Manage risk via "House Money/House Rules" approach	40%	36%
Move to a private health exchange	5%	33%
Exit health care completely	1%	5%
Maintain traditional trend mitigation approaches	52%	21%

"Traditional cost management tactics do not address foundational issues in health care, including worsening population health and misaligned provider payment methodologies," said Jim Winkler, Aon Hewitt's chief innovation officer for Health & Benefits. "Employers remain committed to providing health benefits, but recognize the need for new approaches that fix those problems."

Despite having the ability to direct part-time employees to purchase health coverage through the public marketplaces, Aon Hewitt's survey shows very few employers plan to do so in the near future. Almost two-thirds plan to continue to offer the same level of benefits to part-time employees as they do to full-time employees, with or without an employer subsidy. Just 38 percent plan to offer no benefits to part-time workers in the next three-to-five years.

Pre-65 Retirees

According to Aon Hewitt's annual Retiree Health Care survey of 424 employers covering 3.8 million retirees, 20 percent said they are favoring moving all or a portion of their pre-65 retiree population to the individual market/state exchanges to purchase coverage in the next three-to-five years. Today, just 3 percent of employers do so.

"Employers will be moving at least some portion of their pre-65 retiree populations to state and Federal exchanges, but they are waiting for these marketplaces to become more robust, competitive and mature," said John Grosso, leader of Aon Hewitt's Retiree Health Care Task Force. "This movement will be slow and methodical, as the public marketplaces evolve and as employers understand the implications of the 2018 excise tax, which will only impact group-based health insurance plans."

Post-65 Retirees
According to Aon Hewitt, the number of employers offering subsidized retiree health benefits has slowly declined over the past decade, with just 25 percent of large employers doing so today, compared with approximately 50 percent in 2004.

Of those companies that offer health benefits to post-65 retirees, a growing number of organizations now provide or are seriously considering providing health benefits coverage through the individual Medicare plan market. Aon Hewitt's annual Retiree Health Care Survey found that 30 percent of companies have already sourced benefits through the individual market—most through a multi-carrier private health exchange. Of those companies contemplating future changes to their post-65 retiree strategies, two-thirds are considering this approach.

"A growing number of employers are leveraging multi-carrier private exchanges for Medicare beneficiaries because they see the value in both the competitive mix of plans offered and the Medicare-specific navigation and advocacy offered by these private exchanges," said Grosso.

Added Winkler, "The competitive nature of the individual Medicare market has resulted in more moderate year-over-year rate increases than what employers have experienced on their own. As health insurers regain control for creating a competitive market that is accountable to the consumers within it, we expect to see similar cost moderation across the system, including the new competitive markets emerging for pre-65 retirees and active employees."

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