The 2015 Nonprofit Employee Benefits Survey

COMPREHENSIVE ANALYSIS
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EXECUTIVE SUMMARY

2015 is a monumental year for employer-sponsored benefits as the Affordable Care Act’s (ACA) Employer Mandate, or “Pay or Play,” became effective January 1st for employers with 100 or more full-time equivalent employees. In addition to the perennial strain of rising healthcare costs, these unprecedented regulatory changes are putting additional pressure on employers as they determine if, when, and how the law applies, whether they qualify for a delay in its implementation, what constitutes a full-time employee, and how to satisfy the new IRS reporting requirements. Our 2015 Nonprofit Employee Benefits Survey results indicate that nonprofits’ understanding of the ACA has dropped: in 2014, 92% of surveyed nonprofits felt they had at least a moderate understanding of the law; in 2015 that number plummeted to 47%. In 2014, 18% of employers felt that they were extremely knowledgeable of the ACA, only 5% made that claim in 2015.

Although few nonprofit organizations (NPOs) are going so far as to eliminate healthcare benefits or reduce their employee-only premium contributions as a result of the ACA, they are changing the types of plans being offered and decreasing dependent contributions, thus shifting more cost onto employees. This trend is reflected among our 2015 survey results. 56% of surveyed nonprofits now have a Health Savings Account (HSA) option in place, up from only 12% in 2014, evidence that consumer directed health plans (CDHPs) are quickly gaining momentum throughout the nonprofit sector.

As a trade-off for lower premiums, HSA-compatible plans feature high deductibles, exposing consumers to the true costs of the care they receive. To help offset these high deductibles, more employers are offering group voluntary products that feature very low premiums and help reduce an employee’s overall out-of-pocket expenses. One might infer that access to these products supports nonprofit employee retention efforts, which can be a challenge in an accelerating economy.

Although not highest on the list of challenges, easing the benefits administration burden through automation can impact the bottom line, especially given the volume of data employers must maintain and harvest to comply with new regulations. In addition, we see less resistance to employee self-service, as former concerns about the lack of Internet access and familiarity among personnel are waning. In 2014, 15% of surveyed nonprofits used employee self-service, and in 2015, that number has increased to 23%. As more NPOs embrace technology to manage their operations, it is likely that employee self-service adoption will continue on this upward trend.

We hope the following survey report provides you with helpful information! We welcome your feedback and ideas for future surveys.

Key 2015 Results:

- Nonprofits are growing less confident in their understanding of Healthcare Reform (ACA) as new regulations are put into effect: see page 25.
- The majority of nonprofits have not calculated the cost of compliance with Healthcare Reform (ACA): see page 25.
- More employers are offering High Deductible Health Plans and Tax Advantage Accounts to control costs: see page 6.
- The prevalence of voluntary benefits continues to rise as a way to increase choice for employees at little to no cost for employers: see page 6.
- The transition away from paper enrollment has been slow among nonprofits, but use of online self-service is steadily increasing: see page 11.
PREVALENCE OF BENEFITS

All Benefits.

The most prevalent benefits among surveyed nonprofits are group medical, group dental, and employer-paid life insurance, each of which are offered by more than 90% of participants. Nearly 100% of participants offer group medical to employees, which may be a result of new regulations imposed by Healthcare Reform (ACA).

These regulations state that beginning in 2015, employers with 100 or more full-time employees (which made up about 75% of our 2015 survey participants) must offer affordable medical coverage to full-time employees, and their dependents, or be subject to certain penalties.
Medical Plans.

Preferred Provider Organizations (PPOs) are the most common medical plan type offered by surveyed nonprofits. In addition, 55.6% of nonprofit medical plans can be categorized as a High Deductible Health Plan (HDHP). HDHPs have lower premiums and higher deductibles than traditional health plans.

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPO</td>
<td>54.6%</td>
</tr>
<tr>
<td>POS</td>
<td>35.2%</td>
</tr>
<tr>
<td>HDHP</td>
<td>55.6%</td>
</tr>
<tr>
<td>HMO</td>
<td>31.9%</td>
</tr>
<tr>
<td>Indemnity</td>
<td>0.5%</td>
</tr>
<tr>
<td>EPO</td>
<td>21.3%</td>
</tr>
</tbody>
</table>

Dental Plans.

Preferred Provider Organizations (PPOs) are the most common dental plan type offered by surveyed nonprofits, accounting for 73.7% of results.

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPO</td>
<td>73.7%</td>
</tr>
<tr>
<td>POS</td>
<td>10.5%</td>
</tr>
<tr>
<td>HDHP</td>
<td>55.6%</td>
</tr>
<tr>
<td>DMO/DHMO</td>
<td>39.8%</td>
</tr>
<tr>
<td>Monthly Switch</td>
<td>4.7%</td>
</tr>
<tr>
<td>Indemnity</td>
<td>2.3%</td>
</tr>
</tbody>
</table>

The general characteristics of a dental PPO, POS, and DMO/DHMO (refer to HMO in the chart) are comparable to medical, so please refer to the chart on the left for basic guidance.

A dental plan described as a “monthly switch” allows employees to switch between a DMO/DHMO and either a PPO or indemnity plan. An indemnity plan, or fee-for-service plan, reimburses the covered person for incurred expenses once the deductible is met.

What’s the Difference Between a Medical PPO, POS, HMO, and EPO?

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Have To Stay In-Network?</th>
<th>Cost-Sharing</th>
<th>Advantages/Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPO (Preferred Provider Organization)</td>
<td>No</td>
<td>Deductible, copay</td>
<td>Flexibility; no referrals; expensive copays</td>
</tr>
<tr>
<td>POS (Point of Service)</td>
<td>No</td>
<td>Deductible, copay</td>
<td>Lower cost if in-network</td>
</tr>
<tr>
<td>HMO (Health Maintenance Organization)</td>
<td>Yes, except emergencies</td>
<td>Copay</td>
<td>Lower cost; less freedom to choose provider</td>
</tr>
<tr>
<td>EPO (Exclusive Provider Organization)</td>
<td>Yes</td>
<td>Copay</td>
<td>Lower cost; more restrictive network</td>
</tr>
</tbody>
</table>

PPI Benefit Solutions 2015 Nonprofit Employee Benefits Survey
Tax Advantage Accounts.

Flexible Spending Accounts (FSAs) are the most common type of tax advantage account offered by nonprofits, accounting for 82.0% of results. This shows a 23.8% increase over 2014, when FSAs were offered by 58.2% of participants.

<table>
<thead>
<tr>
<th>Account Type</th>
<th>2014 Percentage</th>
<th>2015 Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>HSA (Health Savings Account)</td>
<td>51.9%</td>
<td>55.6%</td>
</tr>
<tr>
<td>HRA (Health Reimbursement Account)</td>
<td>49.6%</td>
<td>51.9%</td>
</tr>
<tr>
<td>FSA (Flexible Spending Account)</td>
<td>27.8%</td>
<td>49.6%</td>
</tr>
</tbody>
</table>

What’s the Difference Between an HSA, HRA, and FSA?

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Who contributes?</th>
<th>Who owns the account?</th>
<th>Does the money roll over?</th>
</tr>
</thead>
<tbody>
<tr>
<td>HSA (Health Savings Account)</td>
<td>Employer or employee</td>
<td>Employee</td>
<td>Yes</td>
</tr>
<tr>
<td>HRA (Health Reimbursement Account)</td>
<td>Employer only</td>
<td>Employer</td>
<td>Employer decides</td>
</tr>
<tr>
<td>FSA (Flexible Spending Account)</td>
<td>Employer or employee</td>
<td>Employer</td>
<td>Some employers allow up to $500; otherwise the money goes back to the employer</td>
</tr>
</tbody>
</table>

INSIGHT:

More Employers Offering HDHPs, Tax Advantage Accounts, and Voluntary Benefits to Help Control Costs

1) More HDHPs

2) More Tax Advantage Accounts

*Graph shows change from 2014 to 2015

3) More Voluntary Benefits

*Graph shows change from 2014 to 2015

What is the Difference Between an HSA, HRA, and FSA?
Employer-Paid Life Insurance.

The most common employer-paid life insurance is “1X Salary,” accounting for 36.1% of results. Of the 8.4% of participants who selected “other,” 65% wrote in “1.5X Salary”.

Paid Leave.

The most prevalent paid leave benefits offered by nonprofits are holidays, bereavement time, and sick leave. Vacation days and personal days are also offered by the large majority.
Wellness Programs.

Employee assistance programs (EAPs) are the most common wellness benefit offered by nonprofit employers, as reported by 66.9% of participants. This represents a 7.5% increase from 2014 results, and a 33% increase since 2013. Following EAPs are flu vaccinations, gym membership discounts or reimbursements, health fairs, and health/biometric screenings.
SELECTING BENEFIT PLANS

Objectives.

Not surprisingly, the number one objective when selecting benefit plans continues to be “controlling costs,” as indicated by the 97.3% of participants who rated it “very” to “extremely” important. This was considered the top objective in both 2013 and 2014 as well.

Following this is “attracting and retaining employees” and “increasing employee job satisfaction.” This combination of trying to control the cost of benefits while using them to attract talent and improve employee job satisfaction creates a tough balancing act for employers.

Nearly 80% of employers also consider “providing benefit options that are easy to understand” a top objective. Very few participants consider any of the listed objectives to be “slightly” to “not at all important.”
Challenges.

The most challenging factor when providing employee benefits is “cost to nonprofit,” as indicated by the 89.4% of participants who rated this “very” to “extremely” challenging. “Cost to employees” is the second most challenging factor, and has been a rising concern since 2009.

It is surprising that the number of participants who consider “Healthcare Reform Implementation” to be “extremely challenging” has decreased almost 10% in the last year, from 28.3% in 2014 to 18.4% in 2015. This contradicts results listed later in this report which show that nonprofits are growing less confident in their understanding of Healthcare Reform. We suspect that this is because nonprofits have begun relying more heavily on their brokers or benefits administrators when it comes to Healthcare Reform, and therefore see it as less of a challenge.
ENROLLMENT METHODS

Paper enrollment is the most widely used enrollment method among nonprofit employers. Although paper has been the top result for the last several years, its prevalence has begun to decline, dropping from 83.8% in 2014 to 72.8% in 2015.

We find it surprising that nonprofits still rely so heavily on paper, while corporate employers continue to move towards paperless enrollment. We expect to see this downward trend continue in years to come.

In comparison, online employee self-service rose from 14.5% in 2014 to 22.8% in 2015.

INSIGHT:
Nonprofit Use of Employee Self-Service Steadily Increasing

Why Are Nonprofits Moving to Employee Self-Service?

• Reduces burden on limited staff by eliminating time consuming and tedious paper processing
• Empowers employees to become more involved in their benefits
• Increases security of employees’ personal and identifiable information
• Easier to manage eligibility data over multiple classes of employees
• Gives employees 24/7 access to benefits information
ELIGIBILITY AND WAITING PERIODS

Medical Eligibility.

A majority of nonprofits, 52.1%, require employees to work 30 hours per week to be eligible for medical benefits. This was true in 2014 as well, and accounted for 35.2% of results.

To be eligible for medical benefits, 12.4% of participants still require employees to work more than 30 hours per week. Depending on the size of the employer and its orientation period, this may not comply with ACA requirements.

What is the ACA’s Employer Mandate?

The ACA’s Employer Mandate requires employers to offer health insurance that is affordable and provides minimum value to their full-time employees and dependents or face penalties.

Who does this apply to?

<table>
<thead>
<tr>
<th>Employers with 1-49 Full-Time Equivalent Employees</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 30 Hrs/Wk</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>21-29 Hrs/Wk</td>
<td>Additional one-year delay as long as certain conditions are met</td>
<td>Employer must offer coverage to 95% of full-time employees</td>
</tr>
<tr>
<td>20 Hrs/Wk</td>
<td>Employer must offer coverage to 70% of full-time employees</td>
<td>Employer must offer coverage to 95% of full-time employees</td>
</tr>
<tr>
<td>Less than 20 Hrs/Wk</td>
<td>Employer must offer coverage to 70% of full-time employees</td>
<td>Employer must offer coverage to 95% of full-time employees</td>
</tr>
<tr>
<td>30 Hrs/Wk</td>
<td>Employer must offer coverage to 70% of full-time employees</td>
<td>Employer must offer coverage to 95% of full-time employees</td>
</tr>
</tbody>
</table>

Who is considered a full-time employee?

An employee who works an average of 30 hours or more per week.

Who is considered a full-time equivalent employee?

A combination of employees, each of whom individually is not full-time, but who, in combination, are equivalent to a full-time employee.

What does “minimum value” mean?

A plan provides “minimum value” if it is designed to pay at least 60% of the total cost of medical services for a standard population.

How is “affordable” coverage determined?

Coverage is considered “affordable” if the employee’s contribution for self-only coverage does not exceed 9.5% of the employee’s wages.

For more information, please see our Healthcare Reform Kit at ppibenefits.com/HCR-Kit.
Medical Waiting Period.

“First of the month following the date of hire” is the most common waiting period for nonprofit medical plans, accounting for 25.3% of results. 2.8% of surveyed nonprofits impose a medical waiting period of “first of the month after 90 days,” which, depending on the date of hire, may not be in compliance with the ACA.

Under the ACA, a group health plan or payer offering group health insurance coverage may not apply any waiting period that exceeds 90 days. For plan years beginning 1/1/2015, final rules allow for a one month employment-based orientation period. However, depending on the length of the subsequent waiting period, the employer may be out of compliance with the Employer Mandate which requires coverage be offered to a full-time employee by the first day of the fourth month following employment.

Life Waiting Period.

“First of the month following the date of hire” is the most common waiting period for nonprofit life plans, accounting for 26.1% of results.

12.4% of respondents selected “other,” the majority of whom wrote in “first of the month after 90 days.” Some, however, indicated that their waiting periods are as long as “one year” or “first of the month after 12 months.”
CONTRIBUTION STRATEGIES

Medical Contribution Strategies.

The majority of nonprofit medical plans feature a percentage of premium contribution with a four tier rate structure (employee only, employee plus spouse, employee plus child(ren), employee plus family).

Of the participants who selected “Other,” most specified that they base contributions on the number of hours employees work.

Defined Contribution Strategies.

We asked participants who currently use a defined contribution funding strategy to describe how the contributions are structured:

- Some coverages remain 100% employer-paid: 82.2%
- Health plan waivers retain full contribution: 1.4%
- Health plan waivers forfeit contributions: 19.2%
- Health plan waivers receive a smaller contribution: 8.2%
- Employees forfeit any remaining credit: 8.2%
- Employees retain any unused credit: 1.4%

- Equal, fixed dollar amount for all employees: 27.4%
- Separate contributions for medical and other benefits: 25.3%
- Fixed dollar amount by dependent tier: 33.7%
- Other: 13.7%
Funding of Medical Coverage For Employees and Dependents.

The cost of medical coverage for employees and dependents is most often split between the organization and the employee. The majority of surveyed nonprofits do not extend medical coverage to part-time employees, non-dependent children*, or dependent grandchildren.

*Employers who do not offer coverage to non-dependent children may not be in compliance with the ACA. The ACA requires that if coverage is offered to children, eligibility cannot be conditioned upon financial dependence. It can only be conditioned upon relationship (birth or adopted children) and age (until 26).
Funding of Additional Benefits.

The cost of dental coverage is most commonly shared by employer and employee, as noted by 60% of participants. About 25% of employers cover the full cost of dental coverage for employees.

Life insurance is most often covered 100% by the employer, as indicated by nearly 85% of participants. The majority of surveyed nonprofits also cover the cost of long-term disability, 71.4%, and short-term disability, 53.3%.

Funding of employer-sponsored vision is fairly evenly split between employer-paid and cost shared. Almost 25% of participants only offer voluntary vision (employee-paid), and nearly 30% do not offer vision coverage at all.

<table>
<thead>
<tr>
<th>Key</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid in full by employer</td>
<td>59.6%</td>
</tr>
<tr>
<td>Cost shared by employer and employee</td>
<td>26.9%</td>
</tr>
<tr>
<td>Employer-paid base plan with</td>
<td>10.5%</td>
</tr>
<tr>
<td>employee buy-up</td>
<td></td>
</tr>
<tr>
<td>Employee-paid (voluntary)</td>
<td>6.0%</td>
</tr>
<tr>
<td>Do not offer</td>
<td>5%</td>
</tr>
</tbody>
</table>

Statistics less than 5% are not labeled.
Monthly Employee Payroll Deduction for the Medical Plan with the Most Enrolled Participants.

### Employee Only - Employee Payroll Deduction

- None: 14.4%
- Less than $50: 20.7%
- $50 to $100: 33.9%
- $101 to $150: 19.0%
- $151 to $200: 5.7%
- $201 to $250: 2.3%
- $251 to $300: 1.1%
- $301 to $400: 1.1%
- $401 to $500: 1.1%
- $501 to $600: 0.0%
- $601 to $750: 0.0%
- More than $750: 0.6%

### Employee Plus Child(ren) - Employee Payroll Deduction

- None: 6.5%
- Less than $50: 1.9%
- $50 to $100: 12.3%
- $101 to $150: 13.0%
- $151 to $200: 17.5%
- $201 to $250: 6.5%
- $251 to $300: 7.1%
- $301 to $400: 12.3%
- $401 to $500: 7.8%
- $501 to $600: 3.9%
- $601 to $750: 5.2%
- More than $750: 5.8%

### Employee Plus Spouse - Employee Payroll Deduction

- None: 7.7%
- Less than $50: 1.9%
- $50 to $100: 12.3%
- $101 to $150: 11.6%
- $151 to $200: 12.9%
- $201 to $250: 5.2%
- $251 to $300: 6.5%
- $301 to $400: 16.1%
- $401 to $500: 6.5%
- $501 to $600: 7.1%
- $601 to $750: 3.2%
- More than $750: 9.0%

### Employee Plus Family - Employee Payroll Deduction

- None: 5.6%
- Less than $50: 1.9%
- $50 to $100: 4.4%
- $101 to $150: 6.9%
- $151 to $200: 11.3%
- $201 to $250: 8.1%
- $251 to $300: 10.0%
- $301 to $400: 8.8%
- $401 to $500: 12.5%
- $501 to $600: 6.3%
- $601 to $750: 6.9%
- More than $750: 17.5%
**Annual** Percentage of Premium Employer Contribution for the Medical Plan with the Most Enrolled Participants.

### Employee Only - Percentage of Premium Contribution

<table>
<thead>
<tr>
<th>Contribution Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 25%</td>
<td>6.5%</td>
</tr>
<tr>
<td>25% to 40%</td>
<td>3.8%</td>
</tr>
<tr>
<td>41% to 55%</td>
<td>4.3%</td>
</tr>
<tr>
<td>56% to 70%</td>
<td>7.6%</td>
</tr>
<tr>
<td>71% to 85%</td>
<td>34.6%</td>
</tr>
<tr>
<td>86% to 99%</td>
<td>30.3%</td>
</tr>
<tr>
<td>100%</td>
<td>13.0%</td>
</tr>
</tbody>
</table>

### Employee Plus Family - Percentage of Premium Contribution

<table>
<thead>
<tr>
<th>Contribution Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 25%</td>
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</tr>
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</tr>
<tr>
<td>71% to 85%</td>
<td>36.5%</td>
</tr>
<tr>
<td>86% to 99%</td>
<td>13.8%</td>
</tr>
<tr>
<td>100%</td>
<td>4.2%</td>
</tr>
</tbody>
</table>

### Employee Plus Dependent - Percentage of Premium Contribution

<table>
<thead>
<tr>
<th>Contribution Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 25%</td>
<td>13.4%</td>
</tr>
<tr>
<td>25% to 40%</td>
<td>6.7%</td>
</tr>
<tr>
<td>41% to 55%</td>
<td>6.1%</td>
</tr>
<tr>
<td>56% to 70%</td>
<td>16.5%</td>
</tr>
<tr>
<td>71% to 85%</td>
<td>36.6%</td>
</tr>
<tr>
<td>86% to 99%</td>
<td>15.9%</td>
</tr>
<tr>
<td>100%</td>
<td>4.9%</td>
</tr>
</tbody>
</table>
Annual Fixed Dollar Amount Employer Contribution for the Medical Plan with the Most Enrolled Participants.

Employee Only - Fixed Dollar Contribution

Employee Plus Family - Fixed Dollar Contribution

Employee Plus Dependent - Fixed Dollar Contribution
COPAYS, COINSURANCE, AND DEDUCTIBLES

In-Network PCP and Specialist Copayment Amounts for the Medical Plan with the Most Enrolled Participants.

The copayment (copay) amount for nonprofit medical plans is most often between $20 and $35 for a primary care physician (PCP), as reported by 75.1% of surveyed nonprofits. For a specialist, the copay is most often between $40 and $45, as reported by 33.3% of surveyed nonprofits.

None of our participants reported a copay of more than $60 for a PCP, and only 6.4% reported that their copay was this high for a specialist.

In-Network PCP and Specialist Coinsurance Amounts for the Medical Plan with the Most Enrolled Participants.

The coinsurance amount for nonprofit medical plans is often less than 10% for both primary care physicians (PCPs), as reported by 38.9% of surveyed nonprofits, and specialists, as reported by 39.3% of surveyed nonprofits.
Annual, In-Network Deductible for the MEDICAL PLAN with the Most Enrolled Participants.

PPO Plan - Annual, In-Network Deductible

- $0: 32.6%
- $1 to $999: 20.7%
- $1,000 to $2,499: 20.7%
- $2,500 to $3,999: 14.1%
- $4,000 to $5,499: 8.7%
- $5,500 to $6,999: 3.3%
- $7,000 to $8,999: 0.0%
- $9,000 to $14,999: 0.0%

POS Plan - Annual, In-Network Deductible

- $0: 38.7%
- $1 to $999: 9.7%
- $1,000 to $2,499: 29.0%
- $2,500 to $3,999: 11.3%
- $4,000 to $5,499: 4.8%
- $5,500 to $6,999: 6.5%
- $7,000 to $8,999: 0.0%
- $9,000 to $14,999: 0.0%

HMO Plan - Annual, In-Network Deductible

- $0: 44.8%
- $1 to $999: 11.9%
- $1,000 to $2,499: 14.9%
- $2,500 to $3,999: 19.4%
- $4,000 to $5,499: 7.5%
- $5,500 to $6,999: 1.5%
- $7,000 to $8,999: 0.0%
- $9,000 to $14,999: 0.0%

EPO Plan - Annual, In-Network Deductible

- $0: 34.0%
- $1 to $999: 14.9%
- $1,000 to $2,499: 25.5%
- $2,500 to $3,999: 14.9%
- $4,000 to $5,499: 4.3%
- $5,500 to $6,999: 2.1%
- $7,000 to $8,999: 2.1%
- $9,000 to $14,999: 2.1%
Annual, IN-NETWORK Deductible for the DENTAL PLAN with the Most Enrolled Participants.

Annual, OUT-OF-NETWORK Deductible for the DENTAL PLAN with the Most Enrolled Participants.

What’s the difference between copays, coinsurance, and deductibles?

### Copays/ Copayments
- **Definition**: A fixed amount you pay for healthcare services that is typically paid at the time of service. Copayments vary by plan and can change depending on the type of care you receive.
- **Example**: The copayment you owe when you visit your primary care physician (PCP) might be $25. However, your copayment may be higher if you go to the emergency room, to a specialist, or to an out-of-network doctor.

### Coinsurance
- **Definition**: Your share of the cost of a covered health care service, calculated as a percentage of your plan’s allowed amount for that service. You will start paying coinsurance once you’ve met your plan’s deductible.
- **Example**: If your health insurance or plan’s allowed amount for an office visit is $100 and you’ve already met your deductible, your coinsurance payment of 20% would be $20. The health insurance or plan will pay $80.

### Deductibles
- **Definition**: The amount you owe for health care services before your health insurance or plan begins to pay.
- **Example**: The amount you owe for health care services before your health insurance or plan begins to pay.
- **Example**: The amount you owe for health care services before your health insurance or plan begins to pay.
- **Example**: For example, if your deductible is $2,500, you will pay 100% of the cost of covered health care services until you’ve paid $2,500. After that, you'll share the cost with your plan through copays and coinsurance. The deductible may not apply to all services.
PRESCRIPTIONS

Prescription Drug Plans.

The majority of surveyed nonprofits offer a three tier prescription drug plan to employees, as indicated by 66% of participants.

What do prescription drug tiers mean?

Drug tiers divide prescription drugs into different levels of cost. Drugs in Tier 1 will be the least expensive, while drugs in Tier 4 will be the most expensive.

<table>
<thead>
<tr>
<th>Tier Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>First-Tier Drugs</td>
<td>Often includes generic medications.</td>
</tr>
<tr>
<td>Second-Tier Drugs</td>
<td>Often includes preferred brand name medications.</td>
</tr>
<tr>
<td>Third-Tier Drugs</td>
<td>Often includes non-preferred brand name medications.</td>
</tr>
<tr>
<td>Fourth-Tier Drugs</td>
<td>Often includes specialty medications.</td>
</tr>
</tbody>
</table>

Single Tier Plan: Payment is the same regardless of the drug.

Two Tier Plan: Prescription drugs will typically be grouped into two levels of payment:
- Tier 1: Low cost, generic drugs
- Tier 2: Higher cost, brand-name drugs

Three Tier Plan: Prescription drugs will typically be grouped into three levels of payment:
- Tier 1: Low cost, generic drugs
- Tier 2: Intermediate cost for specially selected brand-name drugs
- Tier 3: Highest cost for specially selected brand-name drugs

Four Tier Plan: Prescription drugs will typically be grouped into four levels of payment:
- Tier 1: Low cost, generic drugs
- Tier 2: Intermediate cost for specially selected brand-name drugs
- Tier 3: Higher cost for specially selected brand-name drugs
- Tier 4: Highest cost for specially selected brand-name drugs

First-Tier Drugs - 12.3%
- Plan pays once deductible is met

Single tier - 4.3%

Two tiers - 8.6%

Three tiers - 66.0%

Four tiers - 8.6%
30-day Supply (Retail) **Copayment** Amounts for the Prescription Drug Plan with the Most Enrolled Employees.

<table>
<thead>
<tr>
<th>Tier</th>
<th>Less than $20</th>
<th>$20 to $39</th>
<th>$40 to $59</th>
<th>$60 to $79</th>
<th>$80 to $99</th>
<th>$100 or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>First-Tier Drugs</td>
<td>10.0%</td>
<td>20.0%</td>
<td>50.0%</td>
<td>10.0%</td>
<td>0.0%</td>
<td>17.1%</td>
</tr>
<tr>
<td>Second-Tier Drugs</td>
<td>0.0%</td>
<td>46.8%</td>
<td>52.6%</td>
<td>10.5%</td>
<td>10.5%</td>
<td>19.1%</td>
</tr>
<tr>
<td>Third-Tier Drugs</td>
<td>18.5%</td>
<td>10.5%</td>
<td>10.5%</td>
<td>15.8%</td>
<td>22.6%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Fourth-Tier Drugs</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Statistics less than 5% are not labeled.

30-day Supply (Retail) **Coinsurance** Amounts for the Prescription Drug Plan with the Most Enrolled Employees.

<table>
<thead>
<tr>
<th>Tier</th>
<th>Less than 40%</th>
<th>40% to 89%</th>
<th>90% to 100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>First-Tier Drugs</td>
<td>20.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Second-Tier Drugs</td>
<td>60.0%</td>
<td>20.0%</td>
<td>17.1%</td>
</tr>
<tr>
<td>Third-Tier Drugs</td>
<td>33.3%</td>
<td>33.3%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Fourth-Tier Drugs</td>
<td>51.9%</td>
<td>33.3%</td>
<td>14.8%</td>
</tr>
</tbody>
</table>

Statistics less than 5% are not labeled.
INSIGHT:

Nonprofits Growing Less Confident in their Understanding of Healthcare Reform (ACA)

Understanding Healthcare Reform (ACA).
More than 50% of nonprofits report that they have “very little” to “no” understanding of how Healthcare Reform (ACA) and its reporting requirements apply to their organization.

Cost of Healthcare Reform (ACA) Compliance.
56.4% of nonprofits have not yet calculated the cost of compliance with Healthcare Reform (ACA). This number has decreased slightly over the last year, from 60.5% in 2014.

How can you learn more about Healthcare Reform (ACA)?
Check out our Healthcare Reform Kit at: ppibenefits.com/HCR-Kit.
The kit includes:
- Employer Action Overview, including how PPI can help
- Healthcare Reform Timeline
- Employer Mandate Flowchart
- Summary of the Impact on Employees
- And more!
Cost-Saving Strategies in Response to Rising Costs.

“Increasing employee contributions,” “offering a high deductible medical plan (HDHP),” and “implementing or expanding a wellness program with incentives” are among the top cost-saving strategies implemented by nonprofit employers in response to rising healthcare costs. These results are consistent with those of 2014.

Among the least likely cost-saving strategies are “reduce or eliminate dependent coverage,” “restrict eligibility for coverage,” and “offer a Minimum Value plan only.”
INSIGHT:
Nonprofits Show a Slow, but Steadily Growing Interest in Private Exchange Marketplaces

Compliance with State and Federal Regulations.
More than 90% of nonprofits are “very” to “extremely” confident that their benefit plans are compliant with state and federal regulations. Only 1.2% are “slightly” to “not at all” confident.

Likelihood to Discontinue Healthcare Benefits and Send Employees to a State or Federal Healthcare Exchange.
Almost 80% of surveyed nonprofits are “not at all likely” to discontinue healthcare benefits and send employees to a state or federal exchange.

Why Are More Nonprofits Considering Private Exchange Marketplaces?
• Defined contribution funding allows for more predictable cost control
• Retail-like shopping experience with extensive plan choice
• Decision support and educational tools
• Reduced administrative burden on human resources departments
## CONCLUSION

<table>
<thead>
<tr>
<th>2015 Trend</th>
<th>Opportunity for Nonprofit Employers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonprofit employers are struggling to understand and maintain compliance</td>
<td>Gain a better understanding of the Affordable Care Act (ACA) and develop a plan to comply</td>
</tr>
<tr>
<td>with the complex tracking and reporting requirements put in place by the</td>
<td>with 2015/2016 requirements.</td>
</tr>
<tr>
<td>Affordable Care Act (ACA).</td>
<td>- Look to your benefits administrator or broker for ACA information and service solutions</td>
</tr>
<tr>
<td></td>
<td>- Leverage data collection and reporting from Benefits, Payroll, and HRIS systems</td>
</tr>
<tr>
<td></td>
<td>- Access PPI’s Healthcare Reform Kit at <a href="ppibenefits.com/HCR-Kit">ppibenefits.com/HCR-Kit</a></td>
</tr>
<tr>
<td>Consumer directed health plans (CDHPs) and tax advantage spending</td>
<td>Consider the cost benefits and higher deductibles offered by consumer directed health</td>
</tr>
<tr>
<td>accounts continue to gain momentum among nonprofit employers.</td>
<td>plans (CDHPs) and tax advantage spending accounts.</td>
</tr>
<tr>
<td></td>
<td>- Assumes that employees are better managers of their overall healthcare expenses and</td>
</tr>
<tr>
<td></td>
<td>encourages careful consideration of costly procedures</td>
</tr>
<tr>
<td>Voluntary, employee-paid benefits are growing in popularity as attractive,</td>
<td>Adding employee-paid, voluntary plans to benefits packages may encourage enrollment in</td>
</tr>
<tr>
<td>supplemental benefit options.</td>
<td>consumer directed health plans (CDHPs) and reduce employees’ overall out-of-pocket</td>
</tr>
<tr>
<td></td>
<td>expenses.</td>
</tr>
<tr>
<td></td>
<td>- Offers employees more choice, at little to no expense for the employer</td>
</tr>
<tr>
<td></td>
<td>- Aids in employee retention efforts</td>
</tr>
<tr>
<td>Benefits administration services, such as online employee self-service,</td>
<td>Evaluate the option of switching to online employee self-service to lessen the strain on</td>
</tr>
<tr>
<td>are increasing in prevalence as nonprofit employers struggle with the</td>
<td>human resources and offer employees a more favorable enrollment experience.</td>
</tr>
<tr>
<td>volume of data they must maintain to comply with new regulations.</td>
<td>- Eliminates time-consuming, inefficient, and tedious paper processes</td>
</tr>
<tr>
<td></td>
<td>- Increases security of employees’ personal and identifiable information</td>
</tr>
<tr>
<td></td>
<td>- Employees gain access to a 24/7 enrollment portal with benefits information</td>
</tr>
</tbody>
</table>
OVERVIEW OF PARTICIPANTS

The 2015 Nonprofit Employee Benefits Survey was conducted over a period of four weeks, beginning March 9, 2015 and ending April 3, 2015. A total of 299 responses were received, representing a 16% increase over last year’s participation. The majority of responses were submitted by human resources professionals at mid-sized private nonprofits located in northeastern United States.

Nonprofit Location.

Company Size.

501(c) Classifications.
Nonprofit Classifications.

- **Human Services**: 24.4%
- **Healthcare**: 15.9%
- **Education**: 15.5%
- **Housing & Shelter**: 5.8%
- **Mental Health & Crisis Intervention**: 3.9%
- **Arts, Culture, & Humanities**: 3.1%
- **Environment**: 2.3%
- **Volunteerism & Grant Making Foundations**: 2.7%
- **Foundations**: 2.7%
- **Environment**: 2.3%
- **Education**: 15.5%
- **Volunteerism & Grant Making Foundations**: 2.7%
- **Human Services**: 24.4%
- **Healthcare**: 15.9%
- **Education**: 15.5%
- **Housing & Shelter**: 5.8%

Participant Job Title.

- **Benefits Manager/ Director/Coordinator**: 13.3%
- **CFO/Controller/ Director of Finance**: 11.3%
- **COO/Operations Director/Manager**: 2.3%
- **Executive Director/ President/CEO**: 6.3%
- **Human Resources Manager/ Director/Coordinator**: 48.0%
- **Office Manager**: 6.3%
- **Program Manager/ Director/Coordinator**: 1.2%
- **Other**: 11.3%
ABOUT PPI

PPI Benefit Solutions, working exclusively through benefits brokers, helps smaller, mid-sized employers relieve the day-to-day challenges of managing an employee benefits program.

With over 40 years of benefits administration experience working with nonprofit organizations, PPI leverages strategic relationships with a broad array of nationally recognized insurance carriers and powerful, web-based technology to provide a single solution for multiple carrier enrollments and eligibility processing (including online enrollment and employee self-service), electronic eligibility data and discrepancy management, true premium billing and payments, COBRA administration, and member advocacy services, all at little or no cost to the employer.

PPI (Professional Pensions Inc., dba PPI Benefit Solutions) is a subsidiary of NFP Corp. (NFP). For more information, visit www.ppibenefits.com.

ABOUT THE SURVEY

Supporting the nonprofit community with insurance and service solutions that meet unique fiscal and management needs is a rich part of our history and value system. As a result, we continually strive to improve the way we support the benefit selection and management process.

In 2009, we recognized that most compensation and benefit surveys did not target smaller, private nonprofit organizations and offered very little benefits-specific data. We set out to close that gap and developed an annual survey that would help our nonprofit clients benchmark their benefit plans against organizations of similar size and location.

Each year, our Annual Nonprofit Employee Benefits Survey continues to grow in number of participants, and now reaches far beyond our own nonprofit client base. As the health care marketplace continues to evolve, PPI will continue to provide valuable insight into the fundamental concerns and challenges of nonprofit benefit plan sponsors.

Key Facts

Year Established............................................................................1967
PPI Employees...................................................................................55
Clients...................................................................................1,381
Covered Members....................................................................140,000
Annual Premium..........................................................................$418 million