



2016

Equine Industry Survey:
Medical Insurance Focus
for Kentucky Thoroughbred
Horse Operations





INTRODUCTION

There is more to the horse industry than breeding, training, and competing equine athletes. And there is more to the Thoroughbred industry than owners, trainers, jockeys, and fans.

This report focuses on employees who work on the farm and who are with the horses day in and day out to ensure a successful operation. Furthermore, it addresses employment benefits and medical insurance that farms provide to their employees.

Dean Dorton partnered with Benefit Insurance Marketing (BIM) and the Kentucky Thoroughbred Association (KTA) and Kentucky Thoroughbred Owners and Breeders (KTOB) on this survey.

We thank the 49 horse farms who have taken the time to provide feedback and insights into their respective operations. It is evident that those serving the missions of the hundreds of Thoroughbred farms in the region are dedicated to success of both their operations and employees' well-being.

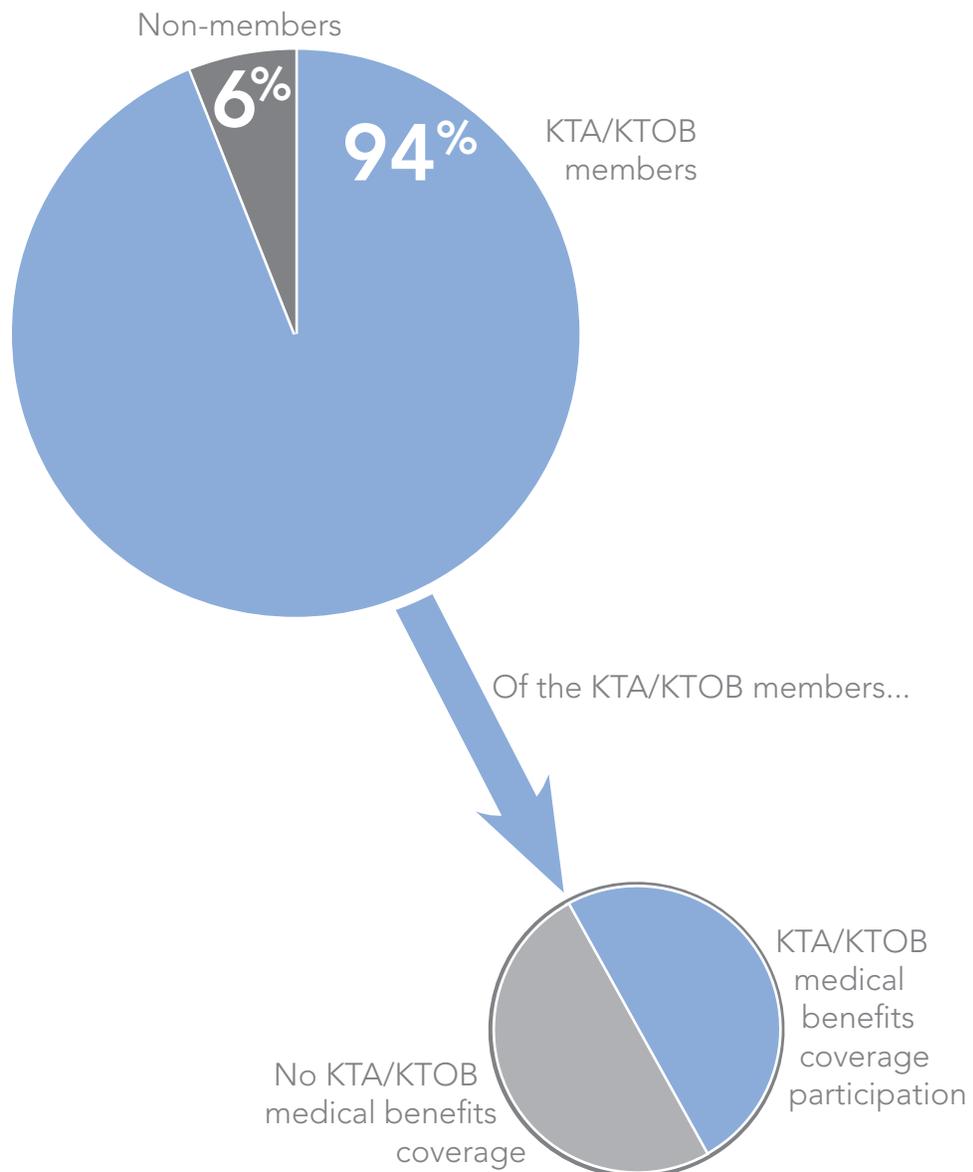




SURVEY RESPONDENTS

Approximately 94% of the respondents are members of the Kentucky Thoroughbred Association (KTA) and Kentucky Thoroughbred Owners and Breeders (KTOB), joint organizations in the Commonwealth that are committed to long-term solutions to protect and promote the Thoroughbred industry.

Of the KTA/KTOB members involved in this survey, exactly half actively participate in the KTA/KTOB medical benefits coverage program.





FARM SIZE

Farm size, in terms of year-round full-time employees, varies significantly from farm to farm, but the majority of respondents fall into the 5-20 range. Most farms participating in this survey have fewer than five part-time employees and fewer than five seasonal workers.

Employees working 30+ hours per week

Employees working fewer than 30 hours per week

Seasonal employees (working fewer than six months per year)

Number of employees:

- Fewer than 5
- 5-20
- 21-49
- 50-99
- More than 100

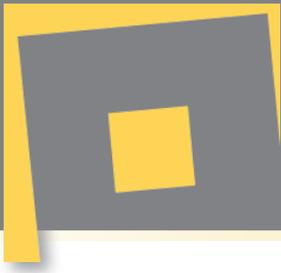




INSURANCE PROVIDERS

Anthem is the medical insurance provider for a vast majority of the respondents.

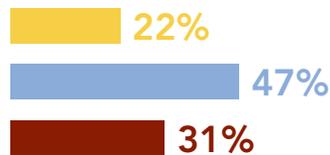




HEALTH INSURANCE

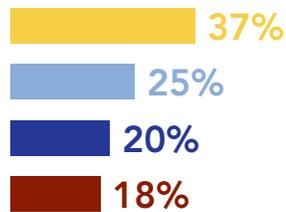
- Coverage not provided
- Employer pays 100%
- Employee pays 100%
- Both employer and employee pay

Single coverage



The majority of farms that responded cover 100% of the cost of farm employees' health insurance. For the farms that have the employees contribute towards the cost of employee health insurance, the employer contribution amount varied from 25% - 99%, with the bulk of employer contributions falling in between the 50% - 80% range. For a few farms, employer contributions are based on position, so the farm may cover 100% for salaried employees but 80%-85% for hourly employees.

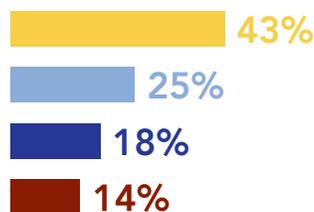
Employee/spouse coverage



When family coverage is added, more farms share the cost of insuring family members with the employee or do not offer coverage for additional family members.

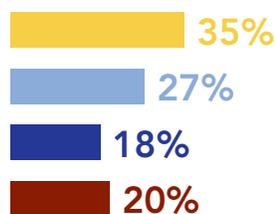
Roughly 20% of the farms that responded pass 100% of the cost for spouse's insurance on to the employee. For those farms that share the cost of a spouse's insurance with the employee, farms cover between 20% - 99% of the insurance cost, with the bulk of these farms paying between 60% - 80% for the spouse.

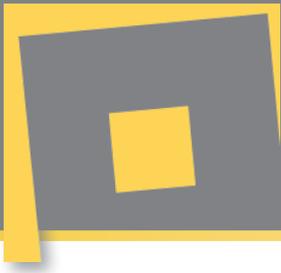
Employee/child(ren) coverage



Similarly, roughly 18% of the farms pass 100% of the cost for family premiums (including children's insurance) on to the employees. For those farms that share the cost of premiums with the employee, the employer contribution amount ranges from 20% - 99%, with the bulk of these farms contributing 60% towards family coverage premiums.

Family coverage

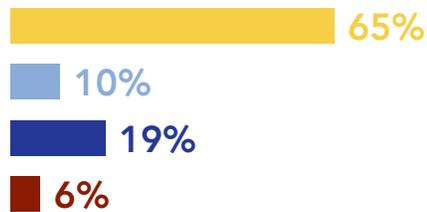




DENTAL AND VISION

- Coverage not provided
- Employer pays 100%
- Employee pays 100%
- Both employer and employee pay

Dental insurance



The majority of farms do not offer dental insurance. Of the farms that offer these plans, most employees are responsible for 100% of the cost. Only 16% of farms which responded cover 80 – 100% of the cost of this insurance for employees.

Vision insurance



Most farms do not provide vision insurance. If offered, the employee pays 100% of the cost at the majority of farms.

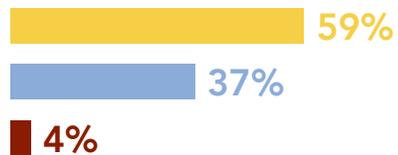




OTHER INSURANCE

- Coverage not provided
- Employer pays 100%
- Employee pays 100%
- Both employer and employee pay

Employer-paid life insurance

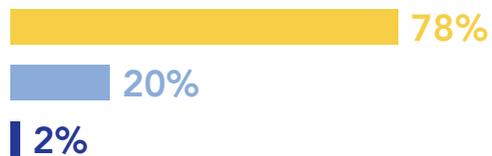


As indicated by the charts, the majority of farms do not offer life insurance or disability.

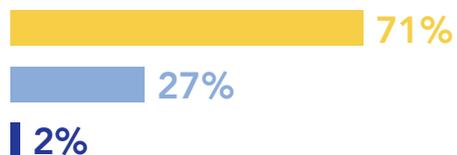
Voluntary life insurance



Short-term disability insurance



Long-term disability insurance

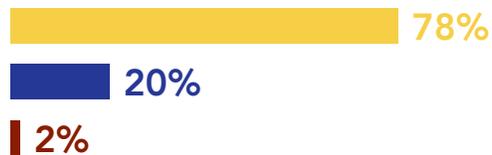




VOLUNTARY BENEFITS

- Coverage not provided
- Employer pays 100%
- Employee pays 100%
- Both employer and employee pay

Cancer



Very few farms offer the voluntary coverage programs listed on this page. If provided, the employee most often funds the cost of premiums.

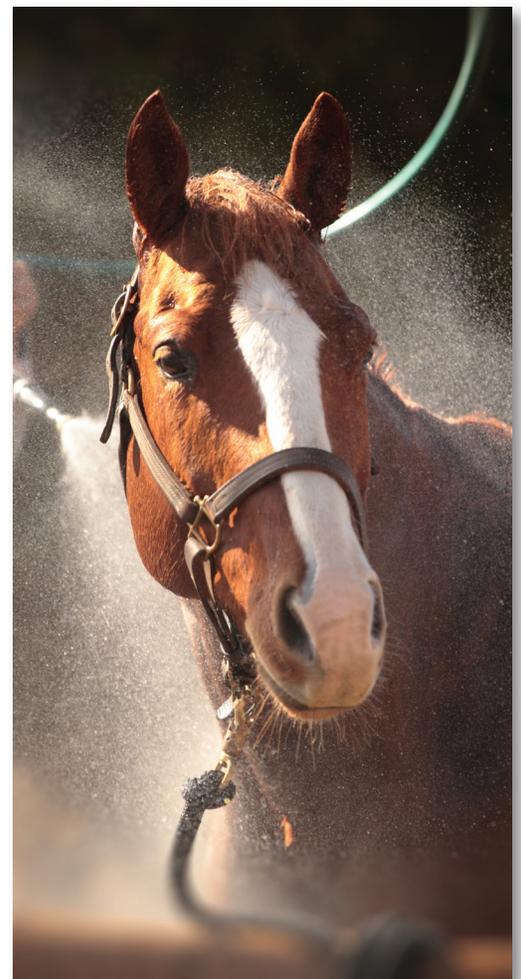
Critical illness



Accident



Medical bridge (gap)

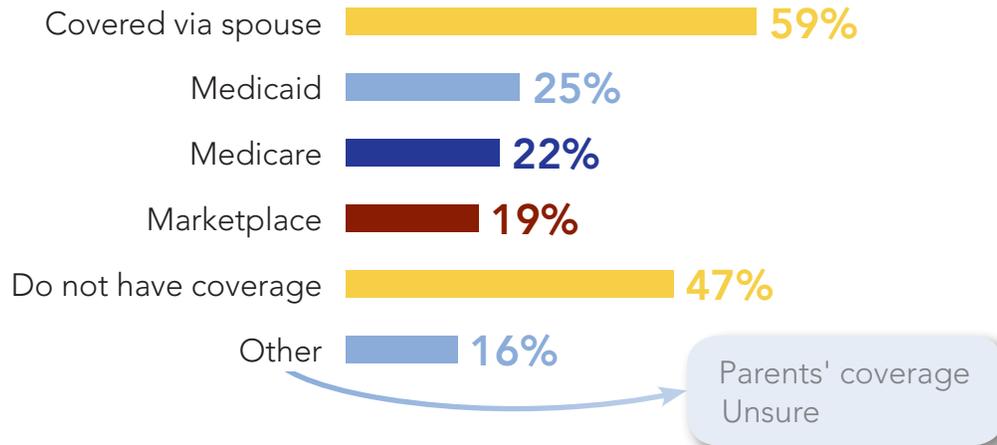




PARTICIPATING EMPLOYEES

35% of the participating farms indicated that all of their eligible employees participate in the farm's medical insurance plan. Of the remaining 65% of respondents, the percentage of participating employees ranged from 1% to 99%, with a median of 65%.

The non-participating employees use a range of other qualified medical plan coverage:



Employees without medical insurance coverage are subject to penalties under the Affordable Care Act. For 2016, the penalty for not having insurance is the greater of \$695 per adult and \$347.50 per child (up to \$2,085 for a family) or 2.5% of their household income above the tax return filing threshold for their filing status.





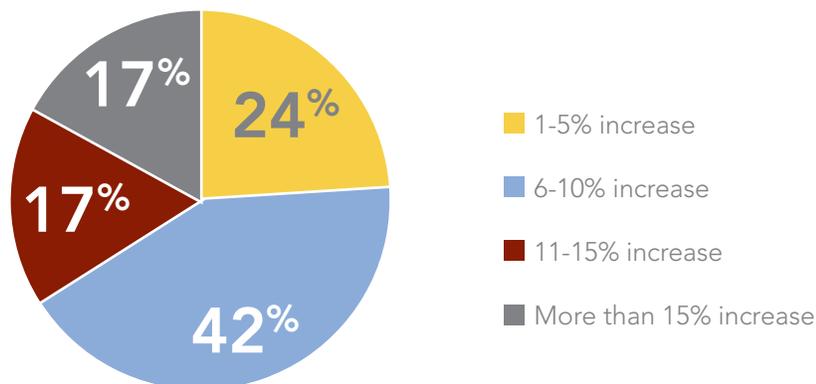
MEDICAL PLAN COSTS

Surprisingly, 47% of farms are *not* employing strategies to control medical plan costs. The other respondents utilized multiple strategies over the past three years in order to control medical plan costs. **The most popular strategy, reduction of benefits, is practiced by over 40% of the farms.** Some farms reduced benefits by increasing deductibles, out-of-pockets, and copays.

Other strategies include:

- 12% Offer additional medical plans (dual choice and triple choice options)
- 6% Reduce employer contributions for employee only coverage
- 4% Reduce employer contributions for dependent coverage
- 2% Drop medical plan

More than 85% of the farms participating in this survey saw an increase in health insurance premiums this year. The graph below illustrates the rate of increase:

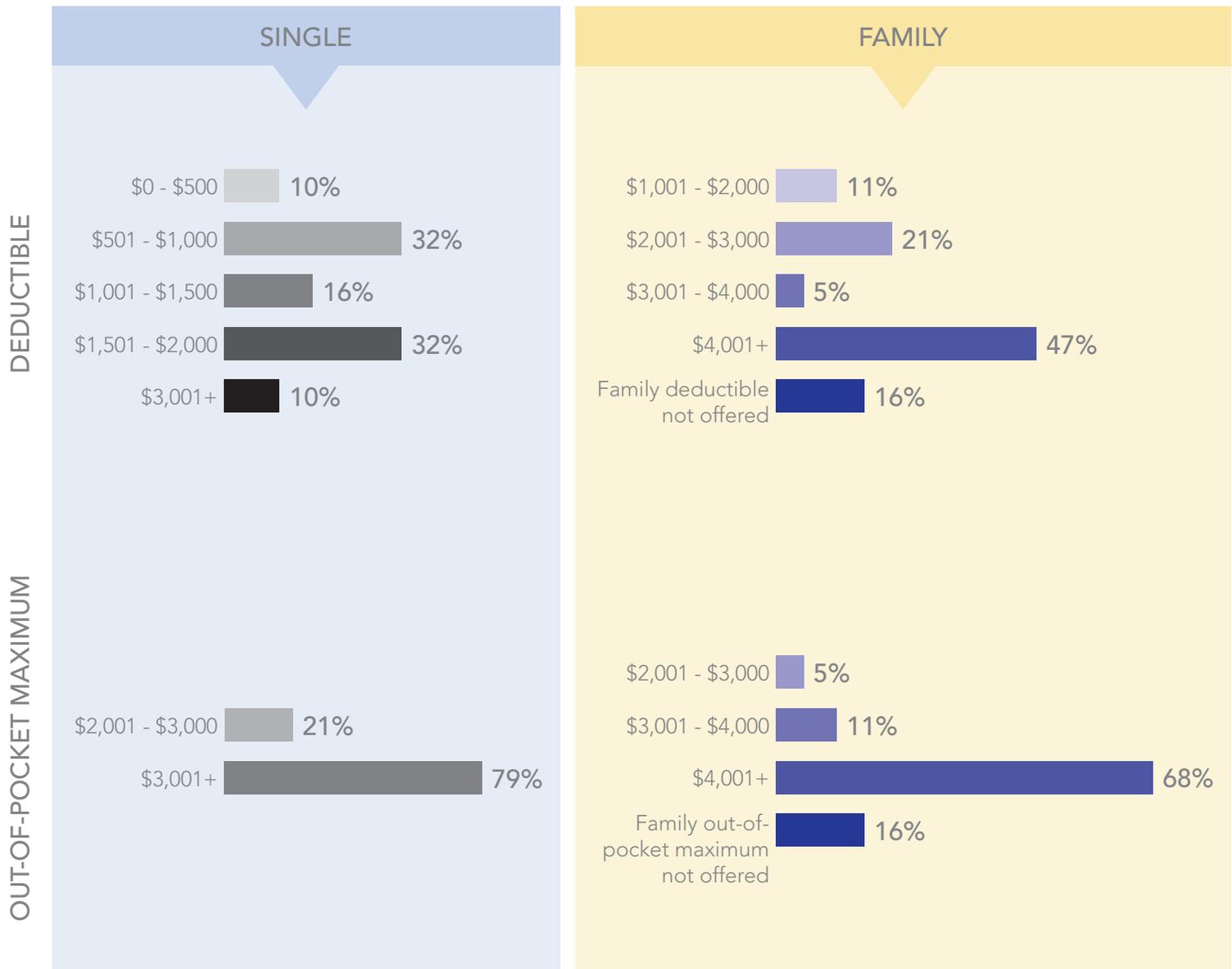




PPO PLANS

39% of the responding farms offer a PPO plan as a plan option for employees.

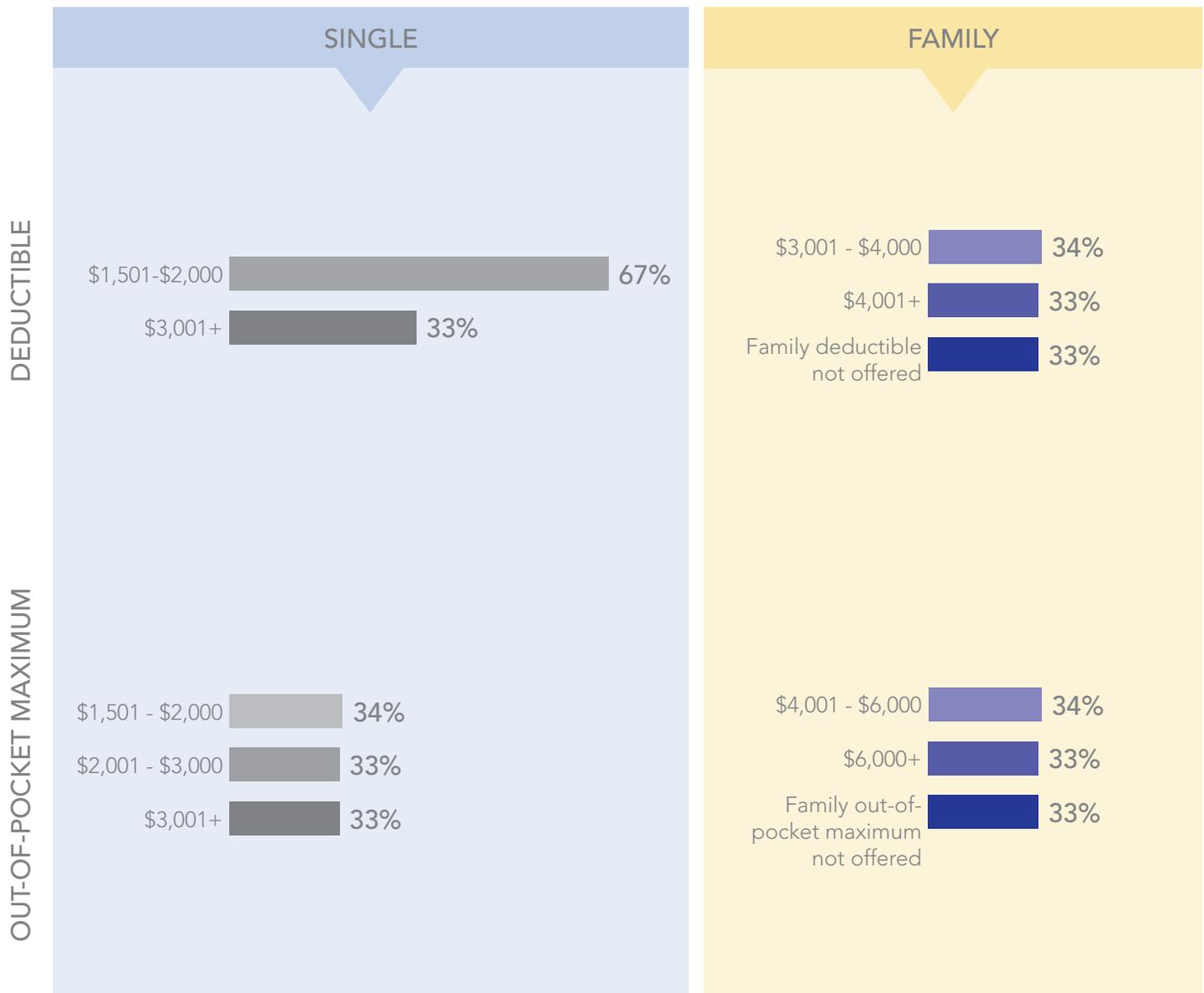
The "Preferred Provider Organization" plan, or PPO plan, allows employees to visit whatever in-network healthcare provider they wish without first requiring a referral from a primary care physician.





HIGH-DEDUCTIBLE PLANS

Only 6% of respondents offer a high-deductible plan with a health savings account (HSA) as a plan option for farm employees. None of the participating farms contribute to their employees' HSA accounts.



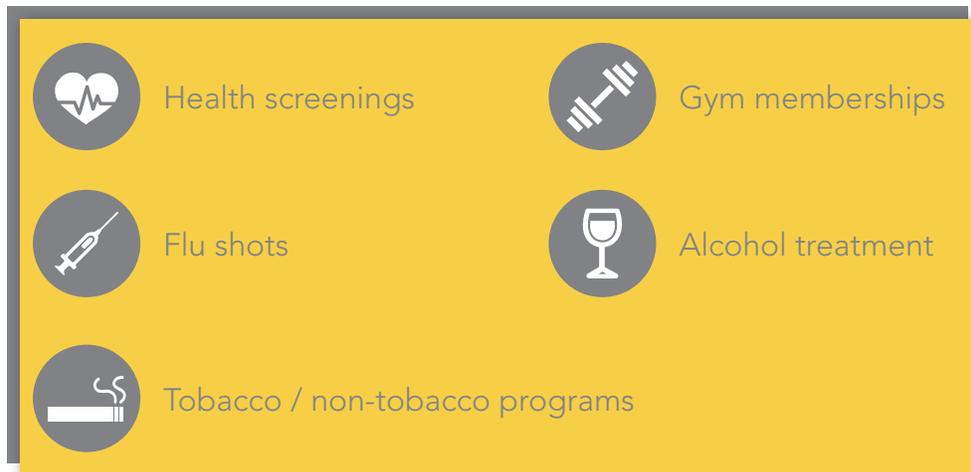


CLASSIFICATION & WELLNESS

Of the 18% of survey respondents who offer medical coverage, more than half offer different waiting periods and/or payroll deductions based on employee classification (e.g. executive officers, office workers, farm staff, et cetera).



12% of responding farms offer a wellness plan to farm employees. Of the farms offering wellness plans, half of them offer insurance premium cost reductions for employees based on wellness plan participation.





CAFETERIA PLANS

25% of responding farms have a cafeteria (Section 125) plan, meaning pre-tax premium deductions for employees with a written plan document.

A **cafeteria plan** meets regulations of section 125 of the Internal Revenue Code and provides participants an opportunity to receive certain benefits on a pre-tax basis. Common cafeteria plans are premium only plans, flexible spending accounts, and contributions to health savings accounts.

Of those farms, exactly **half** have a premium only plan. None of the responding farms have a flexible spending account plan or a dependent care account plan.

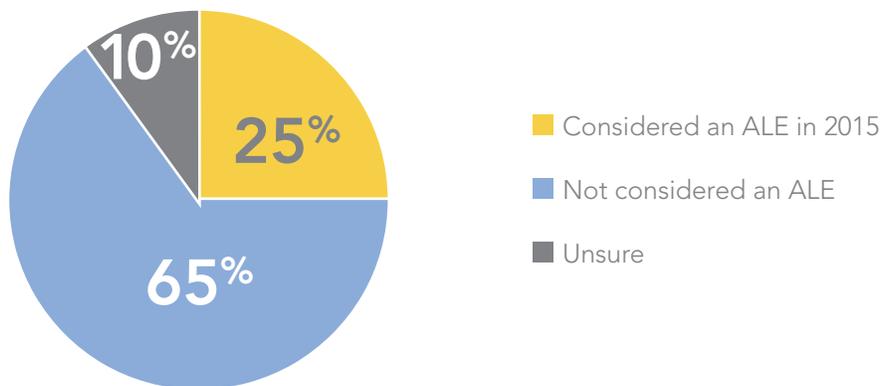
A **premium only plan** (POP) allows employees to pay certain health insurance premiums with pre-tax dollars. Some qualified premiums include health, dental, and vision insurance, prescriptions, and employee group term life insurance.





AFFORDABLE CARE ACT

Under the Affordable Care Act, one-quarter of participating farms were considered "Applicable Large Employers" (ALE) in 2015. An ALE is an employer with 50 or more full-time equivalent employees in the prior calendar year (2014). Full-time equivalents include full-time, part-time, and seasonal employees who work more than 120 days per calendar year.



Of those who were considered ALEs in 2015, 71% completed the 1094/1095 ACA reporting to employees and the IRS. Nearly 60% used an external vendor to prepare the reports. Common vendors used were:

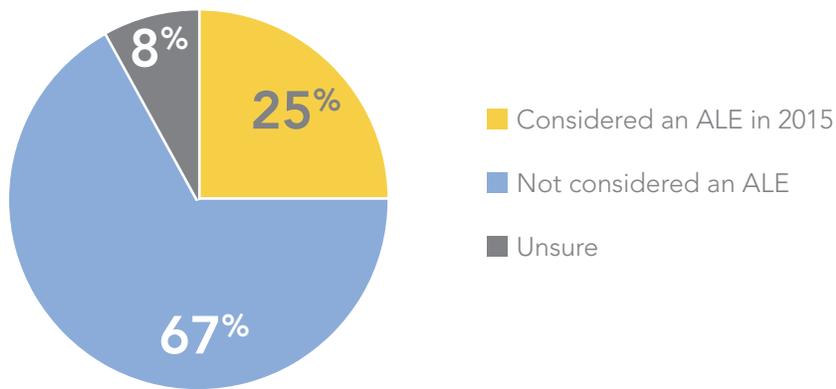
- CXC Solutions
- Payroll Solutions
- McGregor & Associates
- ACA Comply
- Sky Insurance Technologies
- ADP

More than 80% of the farms plan on using the same process in 2017 for tax year 2016.

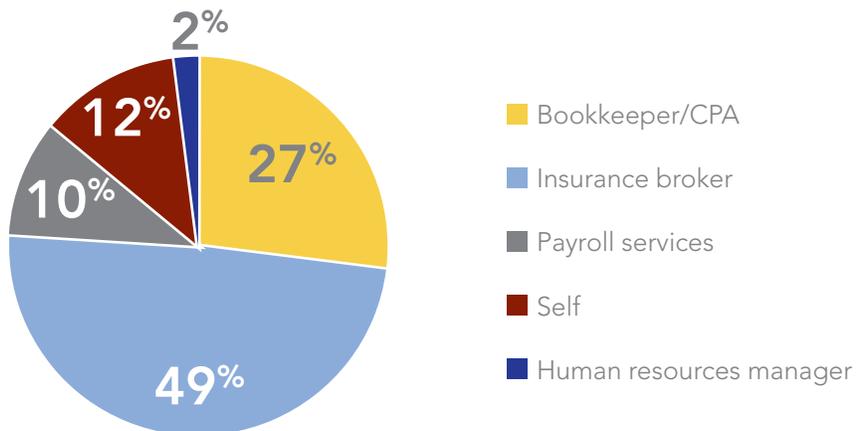


AFFORDABLE CARE ACT

The ALE 2016 information is quite similar to 2015. The number of farms who will be considered ALEs in 2016 is identical to those who were considered ALEs in 2015. 2016 will see a 2% increase of farms who are not considered ALEs with a 2% decrease in those who are unsure.



Farms rely on multiple sources to ensure compliance with ACA reporting.





ABOUT DEAN DORTON

Located in Kentucky, known for its world-class horse farms, racing, and sales, our firm has provided accounting, tax, and business consulting services to the horse industry for over 35 years. Our clients cover a broad spectrum of organizations involved in the horse industry, from small boarding farms to large multi-departmental farms involved in boarding, breeding, selling, and stallion management; from racing stables to a racetrack; from bloodstock agents to equine veterinary firms; and from industry associations to equine insurance agencies.

Not all of our clients are based in Kentucky; horse industry clients from other parts of the country and from outside the United States also gain comfort from having our industry specialists work with them. As a firm, we endeavor to know the business of horses, not just accounting and tax rules relating to the industry. We accomplish this in a number of ways, including, most usefully, by working with our many clients in the industry on their business matters.

We perform a variety of services for our clients involved in the equine industry. And, we welcome inquiries, whether from new participants in the industry who want assistance in properly structuring and administering their stables or farms or from longtime industry participants seeking to improve the performance and administration of their operations.





DEAN DORTON TEAM

The Dean Dorton equine team is available to assist you with your needs throughout the year.



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ABOUT BIM

Founded in 1980, Benefit Insurance Marketing (BIM) has grown organically into a recognized industry leader — serving the needs of approximately 450 employer clients representing 60,000+ employees. BIM's clients represent broad industry segmentation including equine, manufacturing, healthcare, coal, construction, legal, education, and retail.

As an industry leader, BIM's clients receive unsurpassed expertise from the team of dedicated professionals they have assembled in their practice over the past 30+ years. BIM's team possesses diverse professional capabilities ranging from health and welfare consulting, compliance, and human resources to experts in graphic design and employee communication. Based on their client's unique needs and the size of their employee population, BIM assembles the needed skill sets to serve them.



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ABOUT KTA/KTOB

The Kentucky Thoroughbred Association (KTA) and Kentucky Thoroughbred Owners & Breeders (KTOB) are a horseman's group and trade association representing Thoroughbred breeding and racing in Kentucky. Kentucky is the biggest producer of Thoroughbred foals in the world, responsible for 34% of the U.S. foal crop. The Commonwealth also has the largest concentration of stallions, veterinary practices and breeding farms, and is home to the largest yearling and breeding stock sales. Kentucky is home to premier race meetings at Keeneland and the Kentucky Derby at Churchill Downs, and year-round racing at Turfway Park, Ellis Park, and Kentucky Downs.

KTA/KTOB's membership includes Thoroughbred owners, breeders, trainers, and associate members. As they increase their membership, they broaden their support base, increase their visibility on issues that impact the industry on a local, state and national level, while continuing to promote the Kentucky Thoroughbred racing and breeding industry to its highest levels.





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Dean Dorton is a full-service accounting and business consulting firm which provides services to clients of all sizes in a variety of industries. The firm has grown to be one of the largest Certified Public Accounting firms based in the Commonwealth of Kentucky.

At Dean Dorton, our philosophy centers on an unyielding commitment to provide services that exceed our clients' expectations and are consistently superior to our competitors in quality and timeliness. Further, we strive to do so in a setting that is satisfying professionally and personally for firm employees.