

Federal Health Reform and Employers

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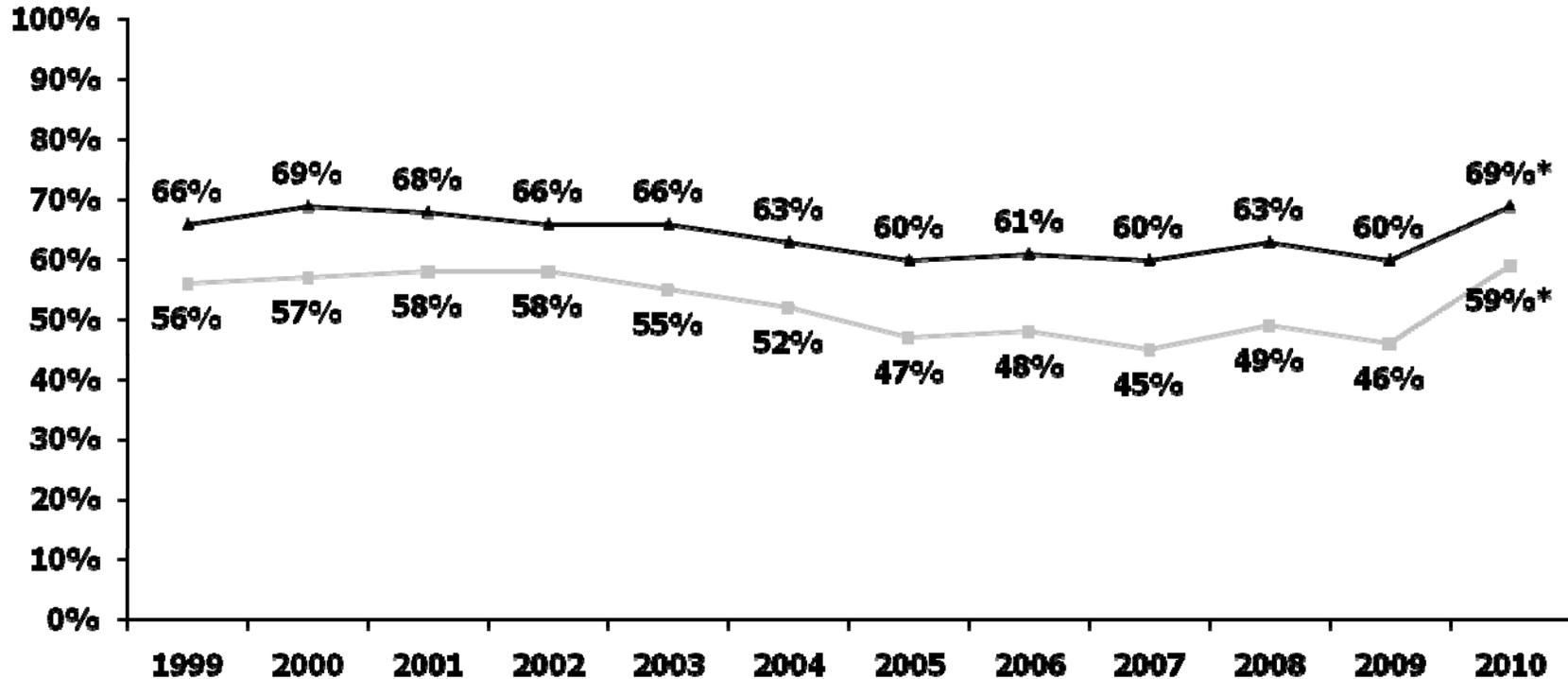
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Percentage of All Firms Offering Health Benefits, 1999-2010



*Estimate is statistically different from estimate for the previous year shown ($p < .05$).

Note: Estimates presented in this exhibit are based on the sample of both firms that completed the entire survey and those that answered just one question about whether they offer health benefits. The percentage of firms offering health benefits is largely driven by small firms. The reason for the increase in 2010 is unclear, but it is primarily driven by a 13 percentage point jump in the percentage of firms with 3 to 9 employees offering coverage, from 46% in 2009 to 59% in 2010. We have seen some fluctuation in this category in the past but never of this magnitude.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2010.

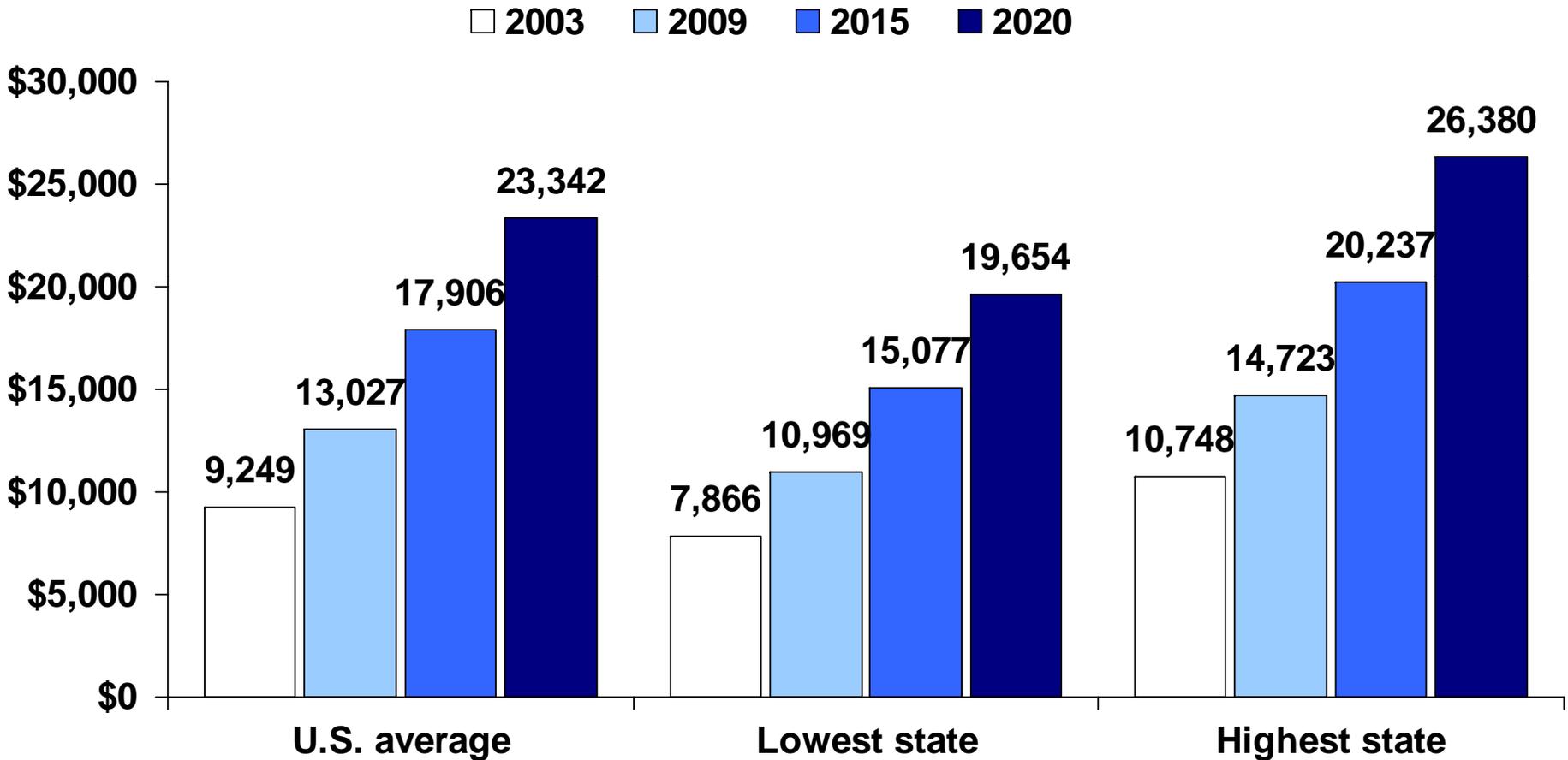


Issues Facing Employers and Employees

- **Declining number of firms offering health insurance**
- **High and rising costs of insurance resulting in slower growth in cash wages**
- **Unpredictable premiums particular for smaller employers and self-insured**

Premiums for Family Coverage, 2003, 2009, 2015, and 2020

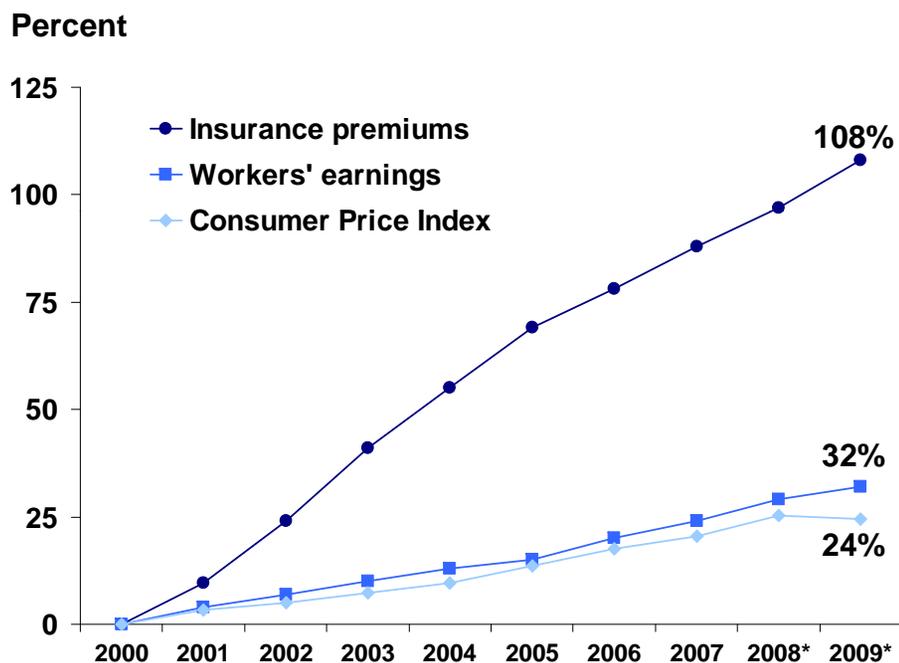
Health insurance premiums for family coverage



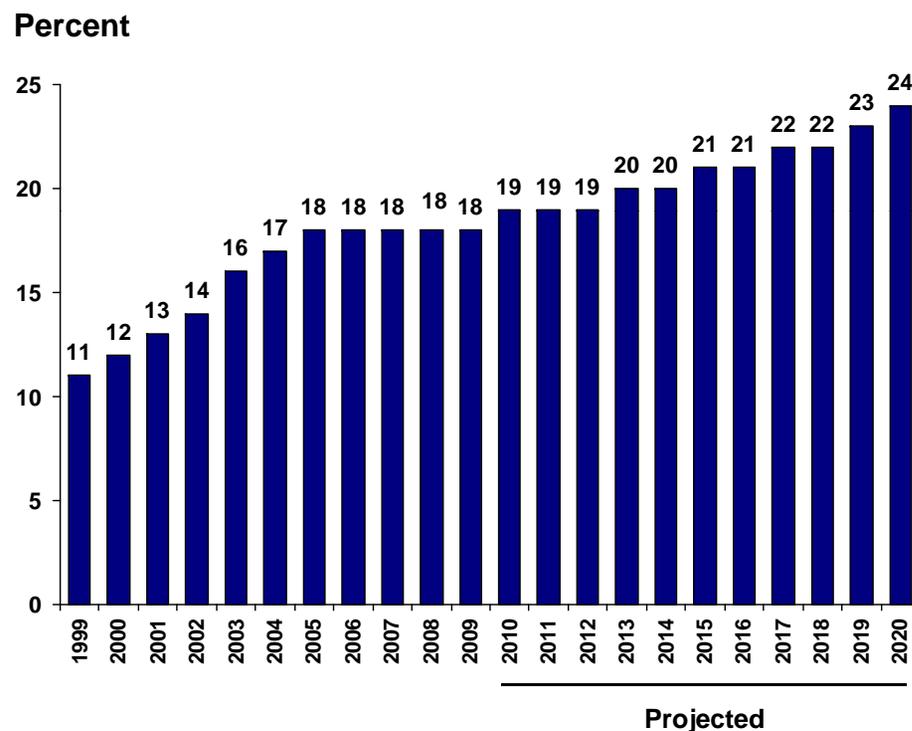
Data sources: Medical Expenditure Panel Survey–Insurance Component (premiums for 2003 and 2009); Premium estimates for 2015 and 2020 using 2003-09 historic average national growth rate.

Premiums Rising Faster Than Inflation and Wages

Cumulative Changes in Components of U.S. National Health Expenditures and Workers' Earnings, 2000–09



Projected Average Family Premium as a Percentage of Median Family Income, 2008–20



* 2008 and 2009 NHE projections.

Data: Calculations based on M. Hartman et al., "National Health Spending in 2007," *Health Affairs*, Jan./Feb. 2009 and A. Sisko et al., "Health Spending Projections Through 2018," *Health Affairs*, March/April 2009. Insurance premiums, workers' earnings, and CPI from Henry J. Kaiser Family Foundation/Health Research and Educational Trust, *Employer Health Benefits Annual Surveys, 2000–2009*.

Source: K. Davis, *Why Health Reform Must Counter the Rising Costs of Health Insurance Premiums* (New York: The Commonwealth Fund, Aug. 2009).

Key Provisions of the ACA

- **Employers with 49 or fewer workers do not have to provide health insurance**
- **Employers with 50 or more workers do have to provide benefits or pay a per worker tax**
- **Lower costs for early retirees**
- **Role of health insurance exchanges could transform the small group market**

Impacts on Employers that Offer Insurance

- **Tax credits equal to the lesser of: 50 percent of the contributions made by the employer of behalf of employees, or 50 percent of the contributions an employer would have made based on average premiums in 2014 and beyond (for 2010-2013, eligible employers can receive a small business tax credit for up to 35 percent of their contribution toward the employee's health insurance premium).**

Impact?

- **25 million individuals receive coverage through a small employer today**
- **About 12% of these individuals would be eligible for a tax credit (to qualify average wages need to be under \$50,000)**
- **Would result in about a 10 percent reduction in the cost of private health insurance**
- **Results in \$37 Billion in savings to small business over the next decade**

Early Retirees

- **For 2011 and 2012, employers receive federal help with early retirees**
- **Government pays 80% of health care expenditures between \$15,000 and \$90,000**
- **Result: Saves employers \$3.8 Billion**

Health Insurance Exchanges

- **Pools small businesses into state (or at state's decision federal) designed exchanges**
- **Pooled purchasing power could increase bargaining power**
- **Lower yearly variation in small business and individual health insurance premiums**

Insurance Reforms

- **Eliminates denial of coverage based on pre-existing condition**
- **Eliminates lifetime and annual benefit caps**
- **Eliminates rescissions**
- **Adds preventive benefits with no cost sharing**
- **Limits variation in premiums**

Insurance Reforms

- **Medical loss ratio (provider payments as percent of total premium)**
 - 80% for individual and small group market and 85% for large group market
- **Allows for premium differentiation of up to 30 percent for employer wellness programs**
- **Covers young adults to age 26 in group health plans**

Concerns?

- **Definition of qualified coverage (bronze with actuarial value of 60%)**
- **Some employers offer less generous plans, so... they either**
 - Upgrade
 - Get a waiver from HHS

Concerns

- **ACA defines 4 benefit design –ranging from actuarial value of 60 to 90%**
- **Results in reduction in product diversity in the market today**
- **Selling across state lines?**
- **Does the ACA really do enough to reduce the growth in health insurance premiums?**

Questions?

