



89<sup>TH</sup> PUBLIC POLICY FORUM  
MAY 13, 2021

TEARING DOWN THE ACA FIREWALL: IMPLICATIONS FOR EMPLOYMENT-BASED HEALTH  
BENEFITS UNDER THE BIDEN HEALTH CARE PLAN

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# GET READY FOR THE PATH FORWARD!



Monday, May 10 —

**Department of Labor: The Next Four Years and Lessons Learned From COVID-19: State of Retirement**

Tuesday, May 11 —

**Emergency Saving and Financial Resilience: The Role of the Employer**

Thursday, May 13 —

**Tearing Down the ACA Firewall: Implications for Employment-Based Health Benefits Under the Biden Health Care Plan**

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# TEARING DOWN THE ACA FIREWALL: IMPLICATIONS FOR EMPLOYMENT-BASED HEALTH BENEFITS UNDER THE BIDEN HEALTH CARE PLAN



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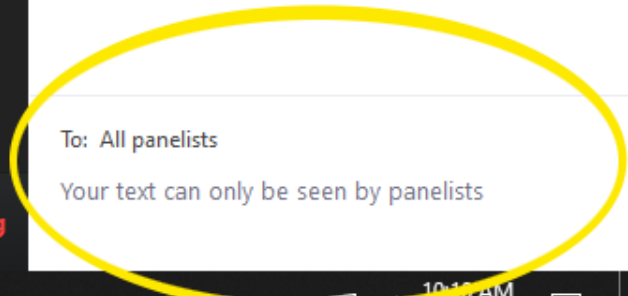
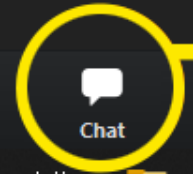


**Tami Simon,**  
SVP, Global Corporate  
Consulting Business Leader,  
Segal

# John Doe

Click this button

Type question(s) here





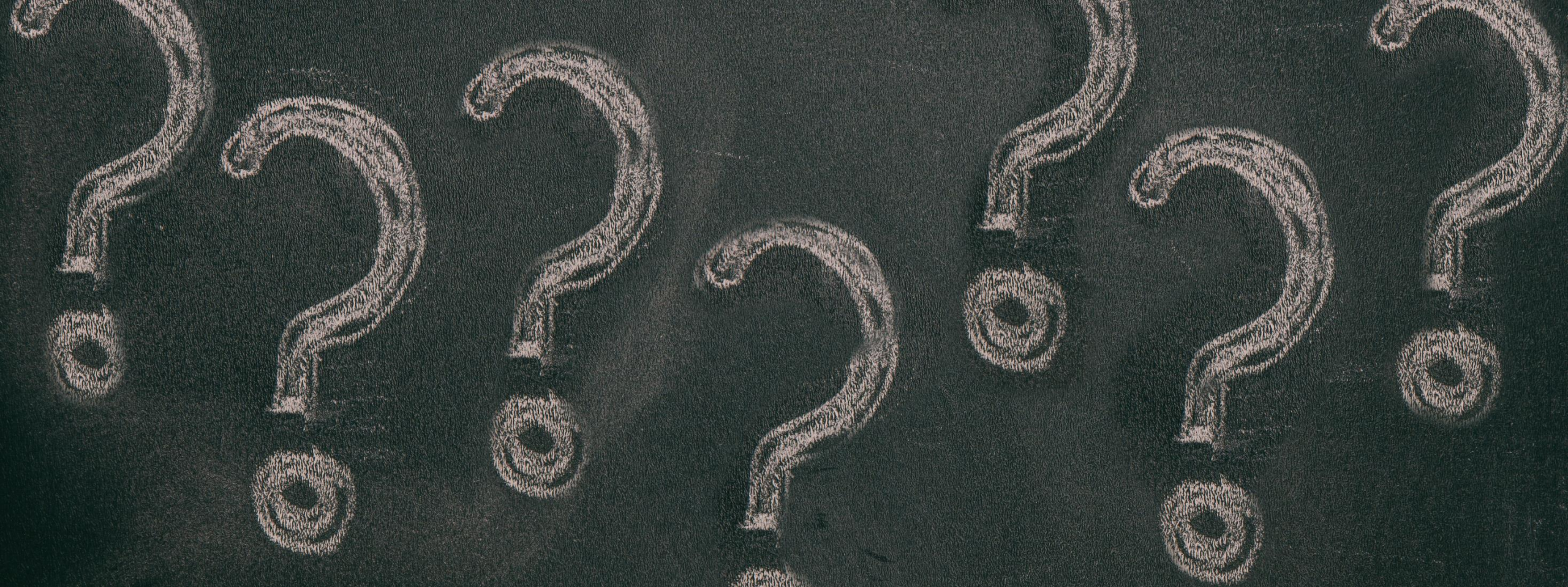
# **Tearing Down the ACA Firewall: Implications for Employment-Based Health Benefits Under the Biden Health Care Plan**

Paul Fronstin, Ph.D.

Employee Benefit Research Institute

May 13, 2021





# POLLING QUESTION

PLEASE SHARE YOUR THOUGHTS



## Predicting Employer Behavior

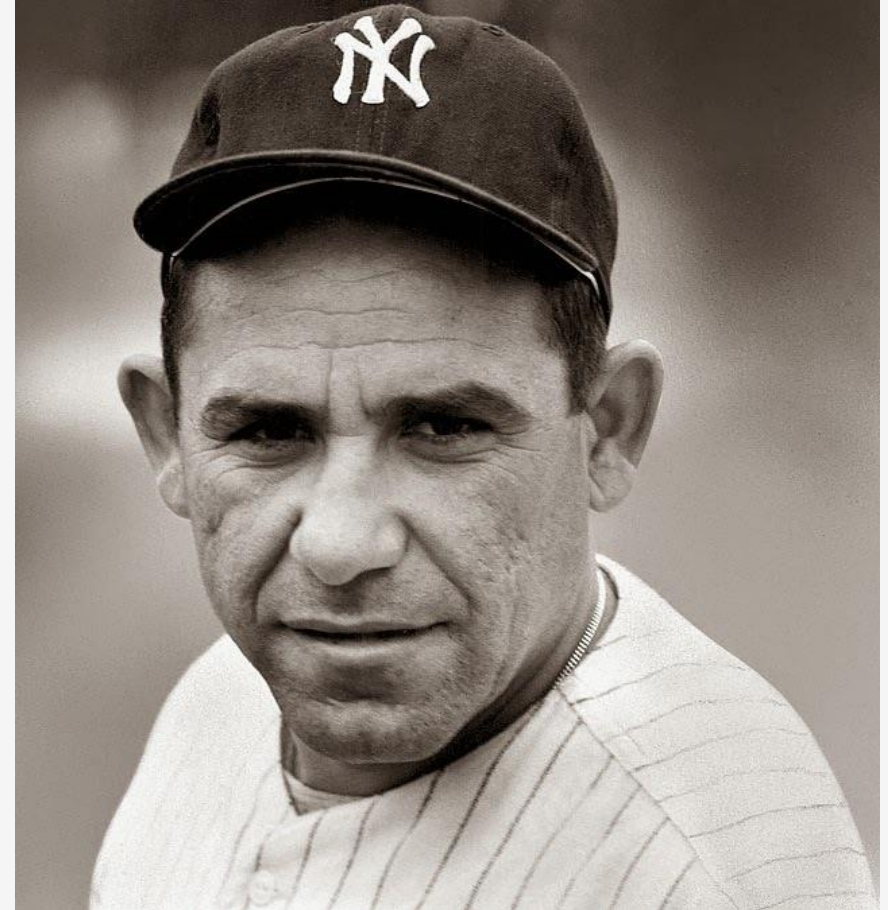
***“It's tough to make predictions, especially about the future.”***

***Yogi Berra***

*“It is very easy to predict future trends in employment-based health benefits.*

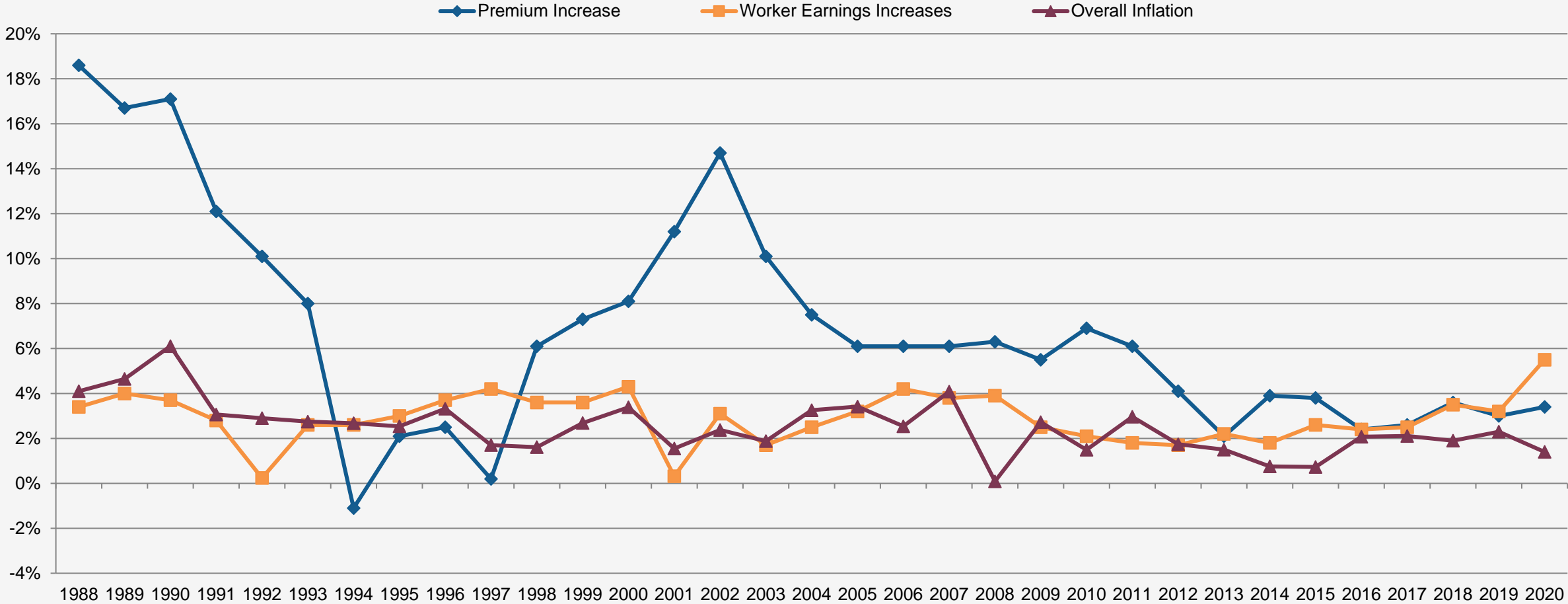
*It is very hard to be correct with your predictions.”*

*Paul Fronstin*

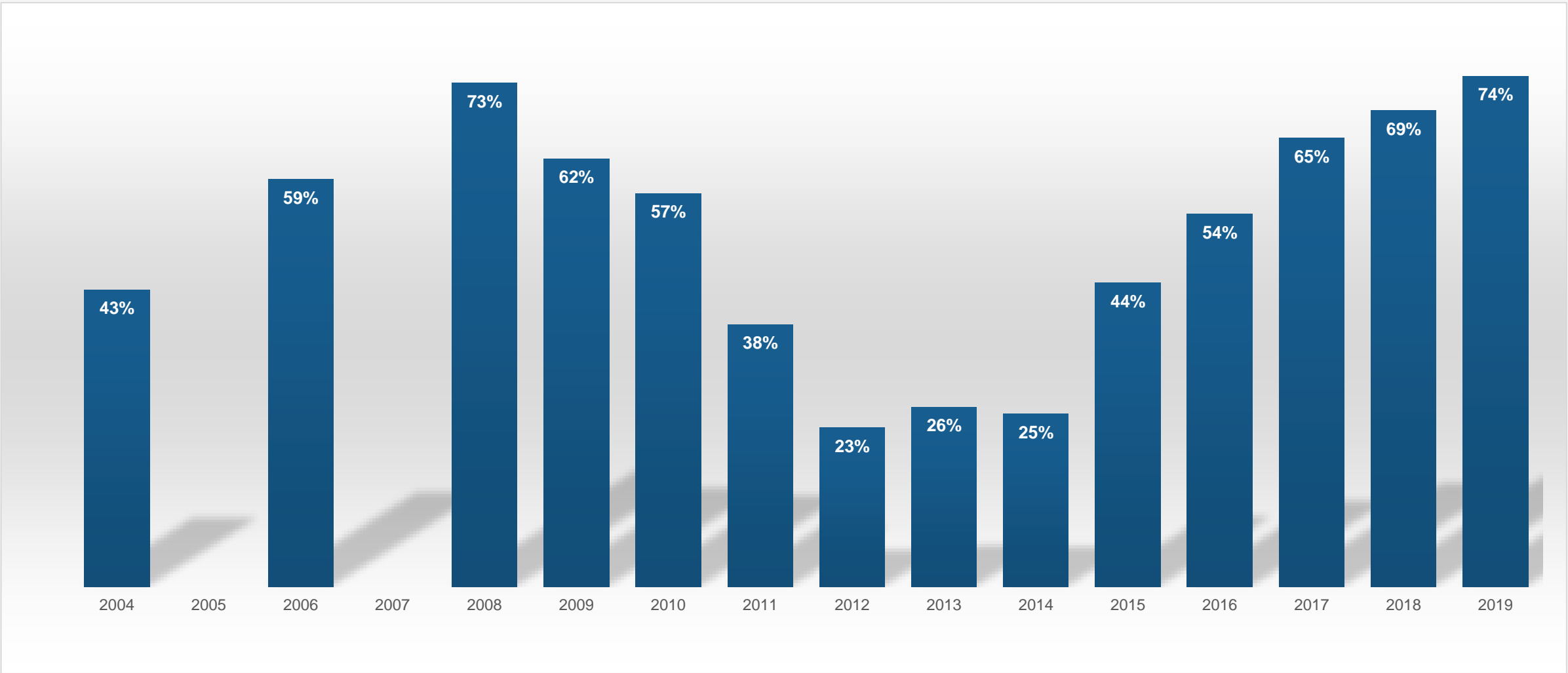




# Premium Increases, Employers With 10 or More Employees, Worker Earnings and Inflation, 1988-2021



# Confidence Among Employers That They Will Be Offering Health Care Benefits a Decade From Now; Where Does it Go From Here?



# “Defined Contribution” Health Benefits



The NEW ENGLAND  
JOURNAL of MEDICINE

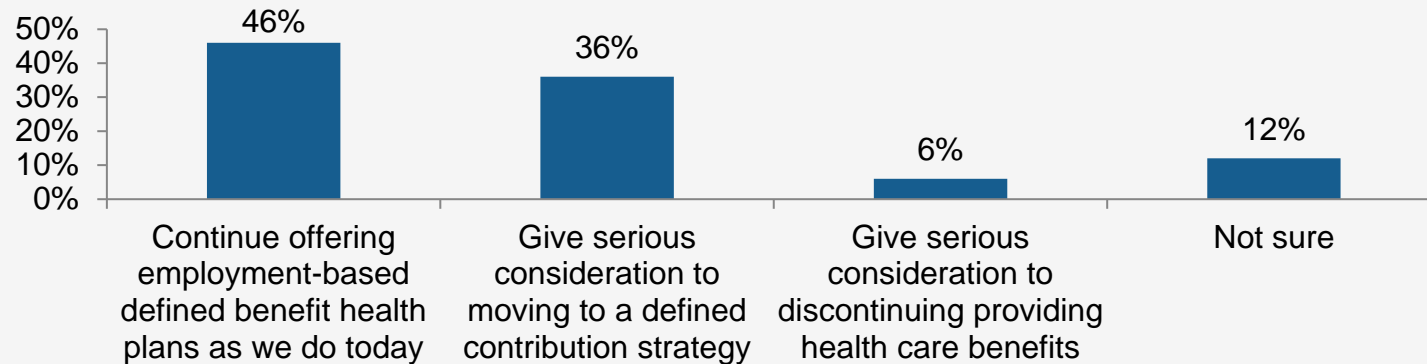
**SPECIAL ARTICLE**

Consumer-Choice Health Plan — Inflation and Inequity in Health Care Today: Alternatives for Cost Control and an Analysis of Proposals for National Health Insurance

Alain C. Enthoven, Ph.D.

March 23, 1978  
N Engl J Med 1978; 298:650-658

## Statement That Best Categorizes Company Strategy Relating to Health Benefits For Active Employees Over the Next 10 Years, 2011 Survey



Source: HR Policy Association



# Issue BRIEF

## Private Health Insurance Exchanges and Defined Contribution Health Plans: Is It Déjà Vu All Over Again?

By Paul Fronstin, Ph.D., Employee Benefit Research Institute

This *Issue Brief* examines issues related to private health insurance exchanges, possible structures of an exchange, funding, as well as the pros, cons, and uncertainties to employers of adopting them. A summary of recent surveys on employer attitudes are examined, as are some changes that employers have made to other benefits that might serve as historical precedents for a move to some type of defined contribution health benefits approach.

**AT A GLANCE**

- The combination of insurance market reforms and the embodiment of the exchange structure in the Patient Protection and Affordable Care Act (PPACA) has brought a renewed focus on limiting employer's health care cost exposure.
- The key provisions of PPACA influencing these considerations are not the availability of exchanges per se, but a number of insurance market reforms that are combined with the exchanges, such as guaranteed issue, modified community rating, premium and cost sharing subsidies, and increased choice of health plan.
- Following the growth of defined contribution (DC) retirement benefits, DC health benefits were seen as promising tools to help control employer benefit costs by capping the employer's per-worker insurance contribution and engaging workers in their health care choices.
- Employers never moved in the direction of giving workers a defined or fixed contribution to purchase health insurance for a number of reasons: They were hesitant to drop group coverage in favor of offering individual policies, and they were concerned that many employees would not be able to secure coverage in the individual market.
- Employer issues addressed with an exchange/fixed contribution approach include cost certainty, total compensation transparency, uniformity of benefits in multi-state environments, COBRA costs, the looming excise tax on high cost coverage (the so-called "Cadillac tax") under PPACA, the potential for reduced administrative costs, and higher employee satisfaction.
- Employer issues that need to be addressed in adopting a private exchange/fixed contribution approach include plan design, implications of adverse selection, setting the level of fixed contribution, the amount of plan choice, and geographic cost variation.
- Issues not addressed by an exchange/fixed contribution approach include worker preference of, and satisfaction with, employment-based coverage, group purchasing efficiencies, the role of employer as advocate in coverage disputes, delivery innovation and health care quality, and health literacy issues.

A monthly research report from the EBRI Education and Research Fund © 2012 Employee Benefit Research Institute



## ACA Raised Question About Employers and Need to Offer Health Benefits

1<sup>st</sup> time in history that a recession was paired with insurance market reforms

- Guaranteed issue – workers can get coverage from exchange, no denials for pre-existing conditions
- Premium subsidies < 400% FPL
- Cost sharing subsidies <250% FPL
- Limited premium differences between old & young
- More choice of health plan than what workers are used to from employer



## Individual Coverage Health Reimbursement Arrangements (ICHRA)

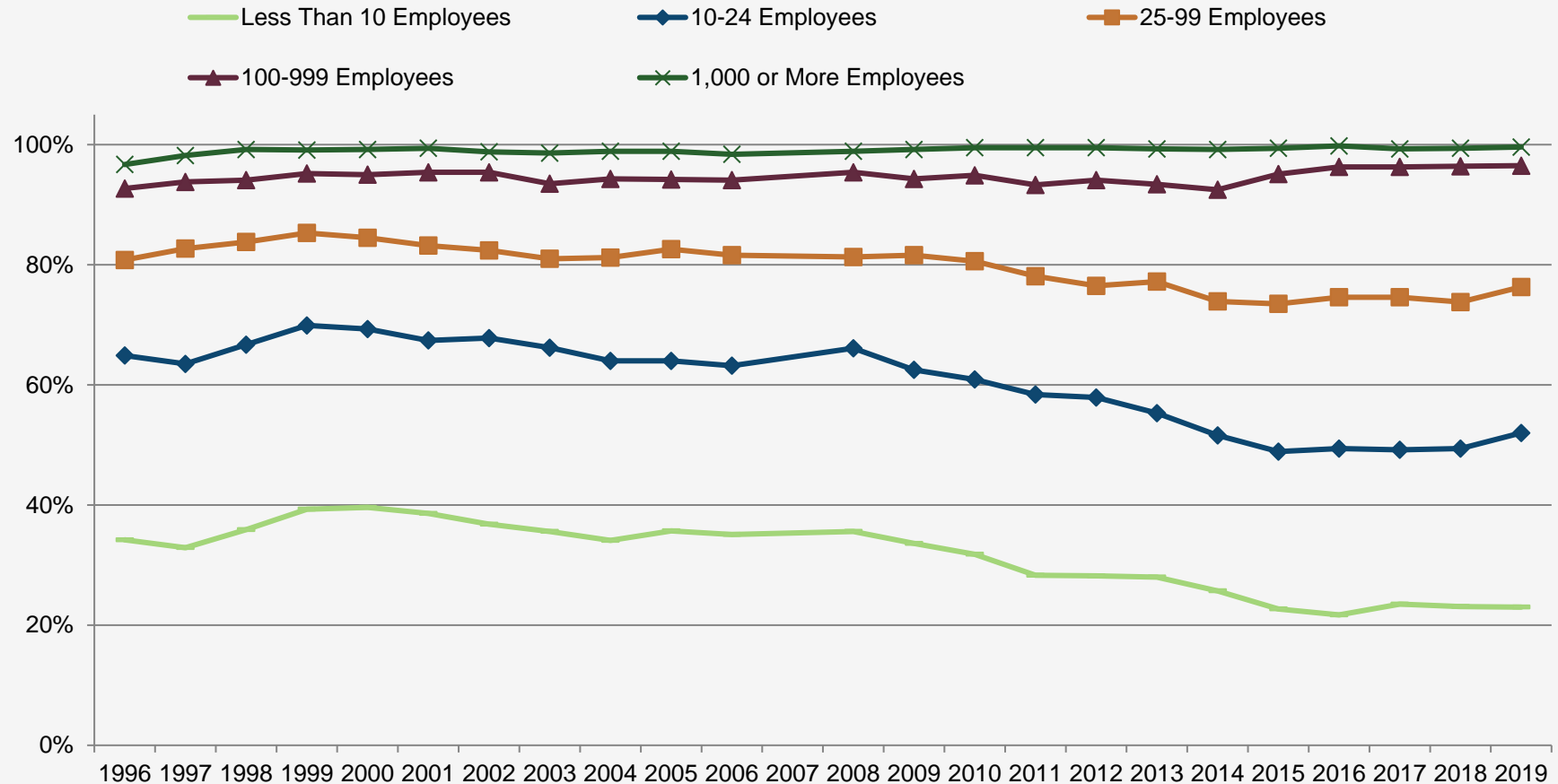
- Existed prior to ACA
- Pulled by Obama Administration after ACA passed
- Pre-ACA rule brought back by Trump Administration
- Gives employers the means to provide pre-tax income without offering health plan (true DC health)
- Today, 1<sup>st</sup> time in history that pre-tax income (via HRA) could be used to purchase coverage in non-group market during a recession combined with insurance market reforms



## Minor Erosion in ESI Availability

- Fewer smaller employers (<100 employees) offer coverage
- Most larger employers (100+ employees) continue to offer coverage

**Percent of Private-Sector Establishments That Offer Health Insurance, by Establishment Size, 1996-2019**





# Biden Health Care Plan – Removing the Firewall?

- Expanded subsidy availability to workers offered “affordable” coverage from employer
  - Increases subsidies for the lower income
  - Introduces subsidies for higher income
- “Public Option” Health Plan
- Medicare “Buy-In” Program for 60–64-year-olds



Joe Raedle, Getty Images



# Why Might Today Be Different?

## Offering A Price Transparency Tool Did Not Reduce Overall Spending Among California Public Employees And Retirees

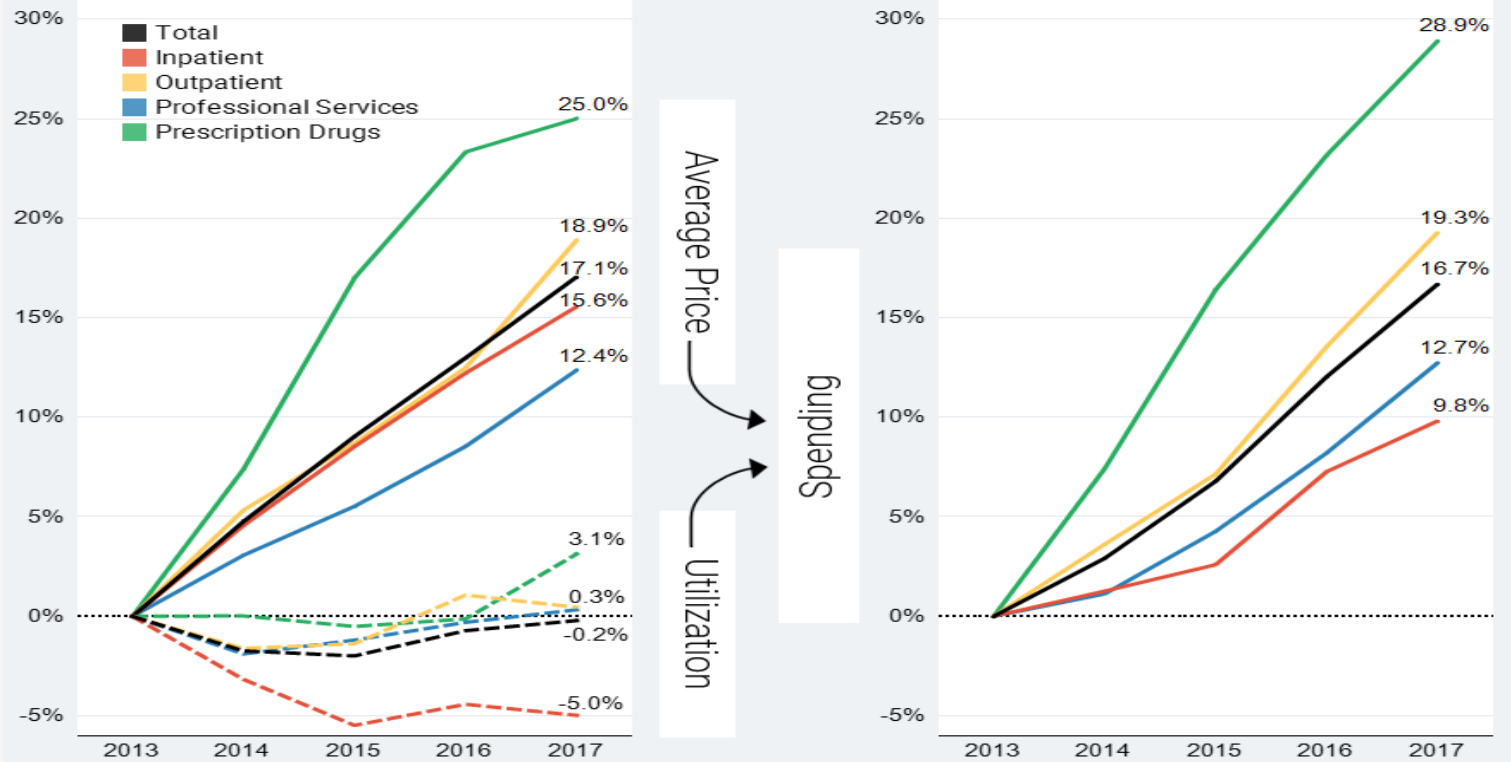
**KEY TAKEAWAYS:** Health plans, employers, and unions increasingly encourage price transparency so that patients can compare health care prices across providers. However, the evidence on whether price transparency tools encourage patients to receive lower-cost care and reduce overall spending remains limited and mixed. We examined the experience of a large insured population that was offered a price transparency tool, including as a set of “shoppable” services (lab tests, office visits, and advanced imaging services). Overall, offering the tool was not associated with lower shoppable service spending. Only 11 percent of employees who were offered the tool used it in the first three months after it was introduced, and use of the tool was not associated with lower prices for lab tests or office visits. The average price paid for imaging services provided by a price search was 10 percent lower than that paid for imaging services not provided by a price search. However, only 1 percent of those who received advanced imaging conducted a price search. Simply offering a price transparency tool is not sufficient to successfully decrease health care prices or spending.

**T**he health care industry is increasingly offering price transparency tools to its members and employees. These tools allow members to compare prices for health care services across providers. However, the evidence on whether price transparency tools encourage patients to receive lower-cost care and reduce overall spending remains limited and mixed. We examined the experience of a large insured population that was offered a price transparency tool, including as a set of “shoppable” services (lab tests, office visits, and advanced imaging services). Overall, offering the tool was not associated with lower shoppable service spending. Only 11 percent of employees who were offered the tool used it in the first three months after it was introduced, and use of the tool was not associated with lower prices for lab tests or office visits. The average price paid for imaging services provided by a price search was 10 percent lower than that paid for imaging services not provided by a price search. However, only 1 percent of those who received advanced imaging conducted a price search. Simply offering a price transparency tool is not sufficient to successfully decrease health care prices or spending.

## AN EMPLOYEE'S GUIDE TO HEALTH BENEFITS UNDER COBRA

## Uwe Reinhardt: “It’s the Prices, Stupid” 2013-2017: Utilization down 0.2%; prices up 17.1%

Figure 2: Cumulative Change in Spending per Person, Utilization, and Average Price since 2013



**Note:** Utilization and average prices account for changes in the type or intensity of services used, with the exception of prescription drugs. Prescription drug spending is the amount paid on the pharmacy claim, which reflects discounts from the wholesale price, but not manufacturer rebates.

# Vast Majority of Large Employers Surveyed Say Broader Government Role Will Be Necessary to Control Health Costs and Provide Coverage, Survey Finds

Most Business Leaders Favor Increased Anti-Trust Enforcement, Prohibitions on Anti-Competitive Practices, Capping Drug and Hospital Prices in Non-Competitive Markets; A Public Option and Lower Medicare Eligibility Age Seen as Viable Options

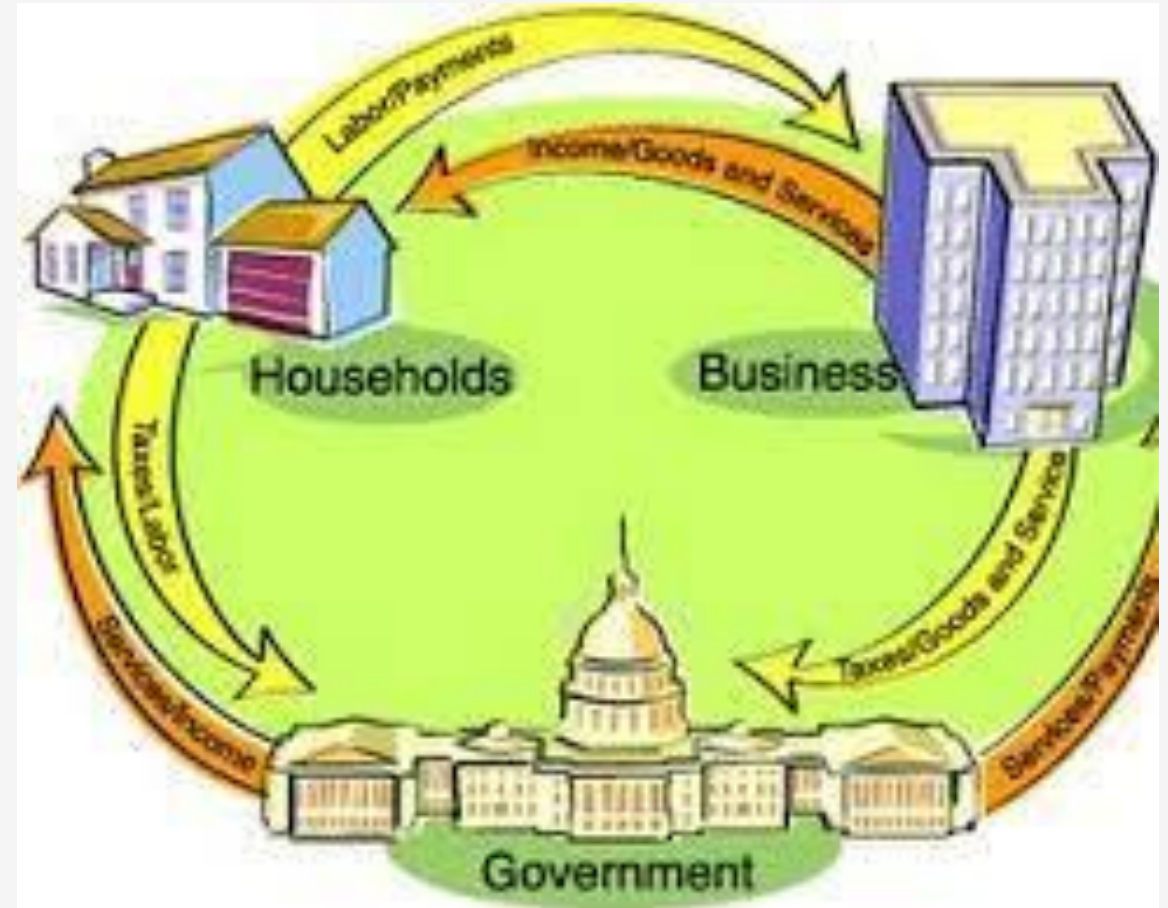
Published: Apr 29, 2021

- nearly 90% of large employers believe the cost of providing health benefits to employees will become unsustainable in the next 5-10 years
- 85% expect the government will be required to intervene to provide coverage and contain costs



## All the Other Reasons Why Employers Might Continue to Offer Health Benefits

- Recruitment/retainment of workers
- Skeptical of government programs
- Concern about exchange plans
- Relationship between employee health and productivity



**EBRI** EMPLOYEE BENEFIT  
RESEARCH INSTITUTE

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# EBRI 2021 SPRING POLICY

Holly Wade

NFIB Research Center

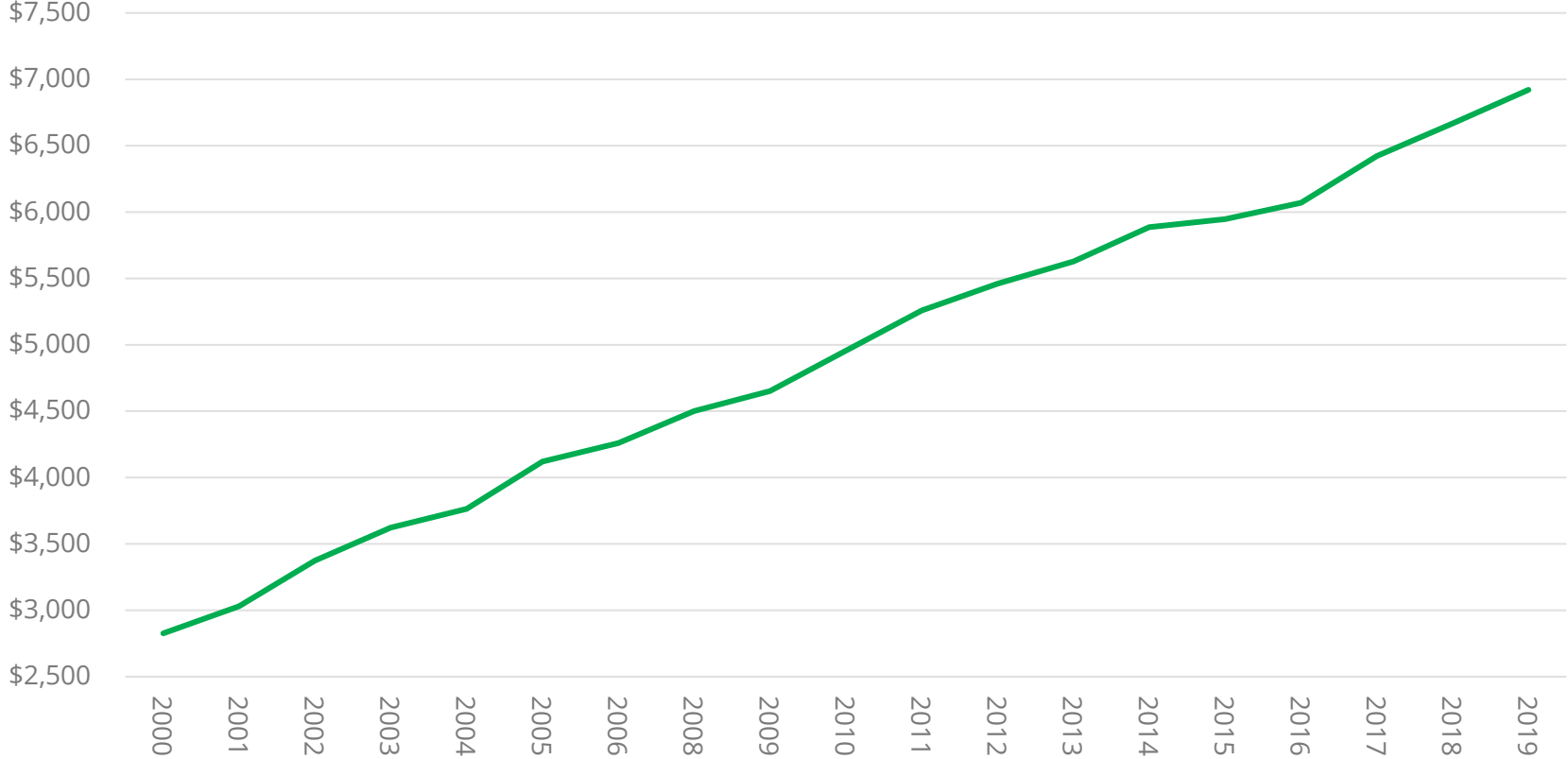
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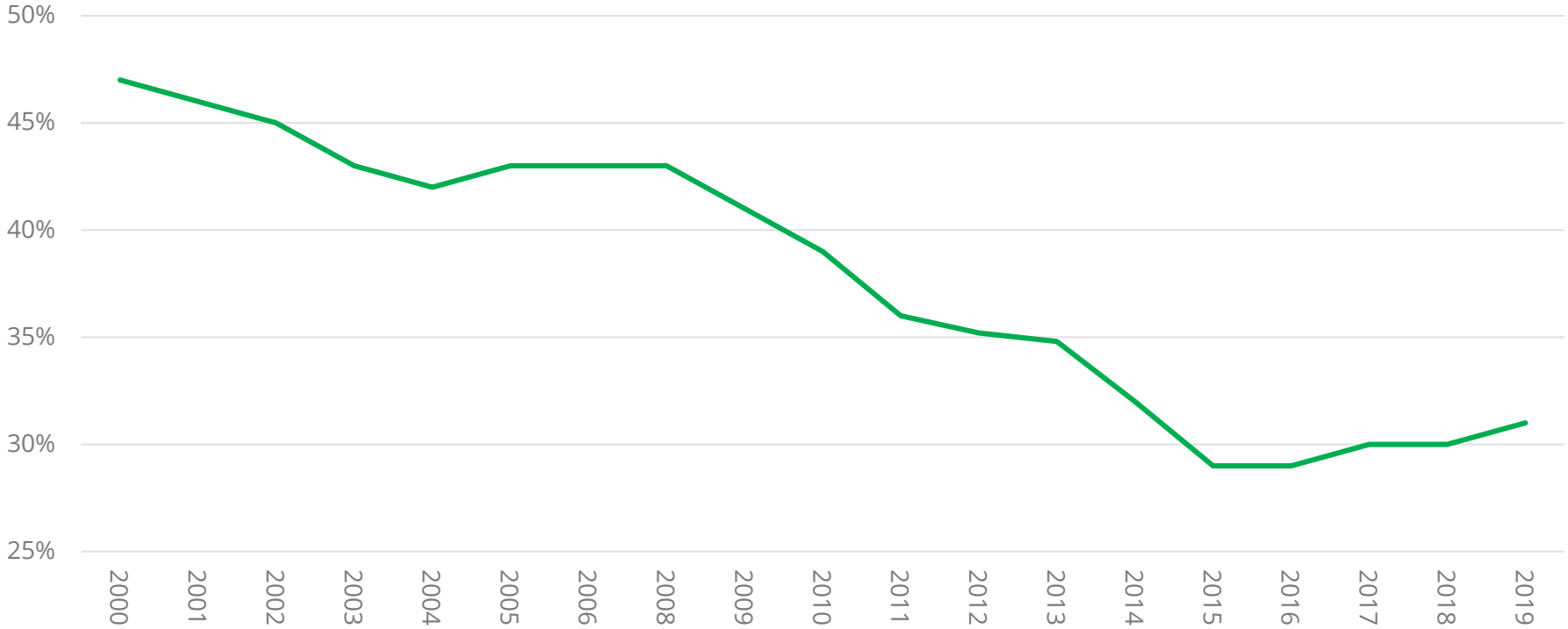
# Small Business Health Insurance Premiums

Average Yearly Premiums for Businesses with Less Than 50 Employees, 2000-2019



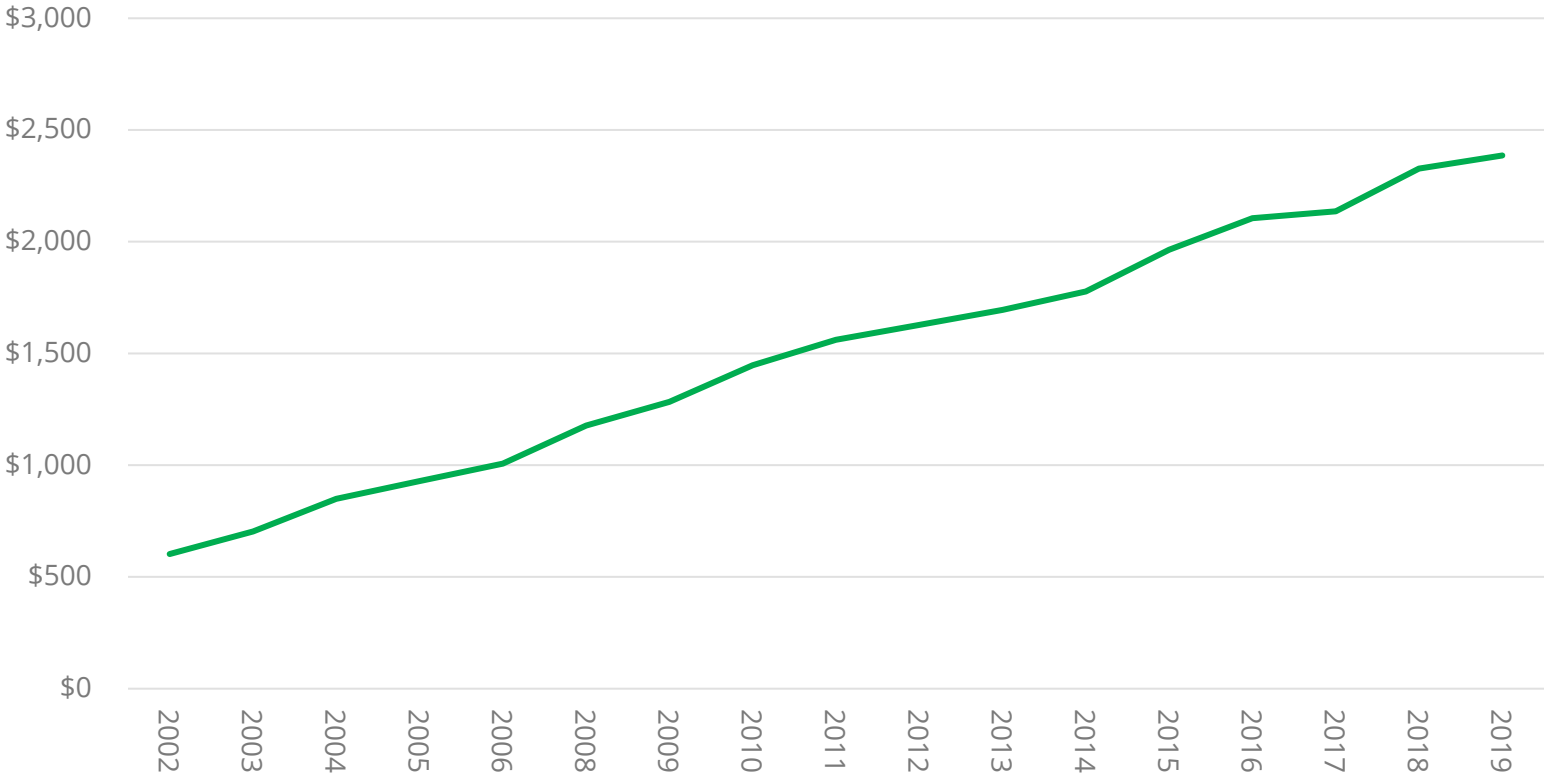
# Small Business Health Insurance Offer Rates

Health Insurance Offer Rates for Businesses with Less Than 50 Employees, 2000- 2019



# Small Business Health Insurance Deductibles

Average Individual Deductible (firms with less than 50 employees),  
2000-2019



## Small Business Problems and Priorities, 2020

- Cost of health insurance is the #1 most severe problem out of 75 potential issues.
- Cost of health insurance is a “critical” issue for 51% of small business owners.
- Cost is the main reason for small employers do not offer health insurance.

NFIB's Small Business Problems and Priorities

<https://assets.nfib.com/nfibcom/NFIB-Problems-and-Priorities-2020.pdf>





# EBRI 2021 SPRING POLICY

Holly Wade

NFIB Research Center

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**Greater Philadelphia  
Business Coalition  
On Health**

*"Building Bridges to Better Healthcare"*

- Started in 2012, with 8 founding employer members
- Today have 50 employer members, representing 1.6 million covered lives nationally (roughly 50% of lives local to Southeastern PA, Southern NJ, and all of DE)
- Mission: **The Greater Philadelphia Business Coalition on Health (GPBCH)** seeks to increase the value of health benefit spending for the region's employers. We do this by improving workforce and community health, increasing healthcare quality and safety, and reducing healthcare costs. The Coalition represents employer interests in working with health plans, healthcare providers, benefits consultants, suppliers and other system stakeholders to address population health priorities and to ensure that when healthcare is needed it is accessible, affordable, high-quality, and safe

50 independent regional coalitions from around the country, that have come together to learn from each other and help drive health and value at the national level

**NATIONAL ALLIANCE ORGANIZING FRAMEWORK**



# Initial Thoughts for Discussion

- Reflections from ACA:
  - As much as we complain about health benefits, we don't trust government (or anyone else) to do it better
  - We don't trust consumers to make wise choices
  - We will still bear the cost of health care, whether through premiums, taxes, account contributions...
  - We ultimately bear the cost of poor health
- Concerns about exacerbating inequities (information, \$, access...)
- Concerns about increasing fragmentation (will employer still be responsible for "total person health?")





# Tearing Down the ACA Firewall:

Implications for Employment-Based Health Benefits Under the Biden Health Care Plan

Shaun O'Brien  
Research & Collective Bargaining

# AFSCME

## 1.4 million members working in public service

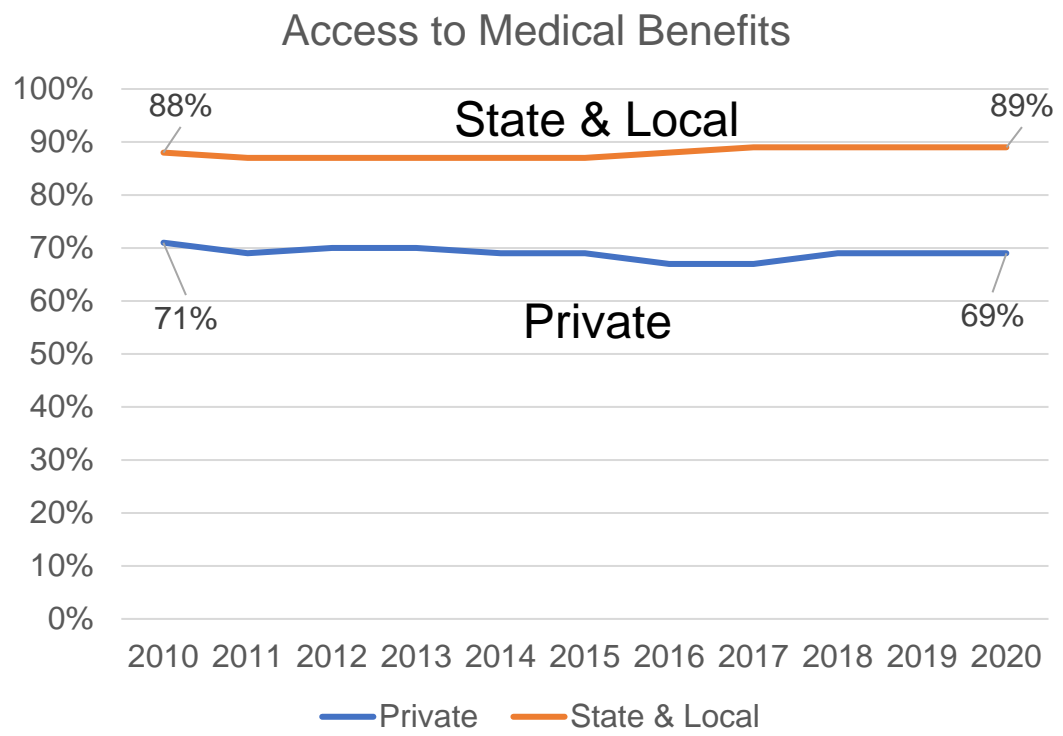
- ✓ Public Works
- ✓ Transportation
- ✓ Corrections
- ✓ Probation & Parole
- ✓ Law Enforcement
- ✓ Housing
- ✓ Environmental Stewardship
- ✓ Health Care Workers
- ✓ Home Care
- ✓ Nurses
- ✓ Emergency Services
- ✓ Behavioral Health
- ✓ Library Workers
- ✓ Museums & Cultural Institutions
- ✓ K-12 Schools
- ✓ Higher Education
- ✓ Early Childhood Ed.
- ✓ Public Administration
- ✓ Attorneys & Judiciary Workers
- ✓ Human Services

## Health Benefits

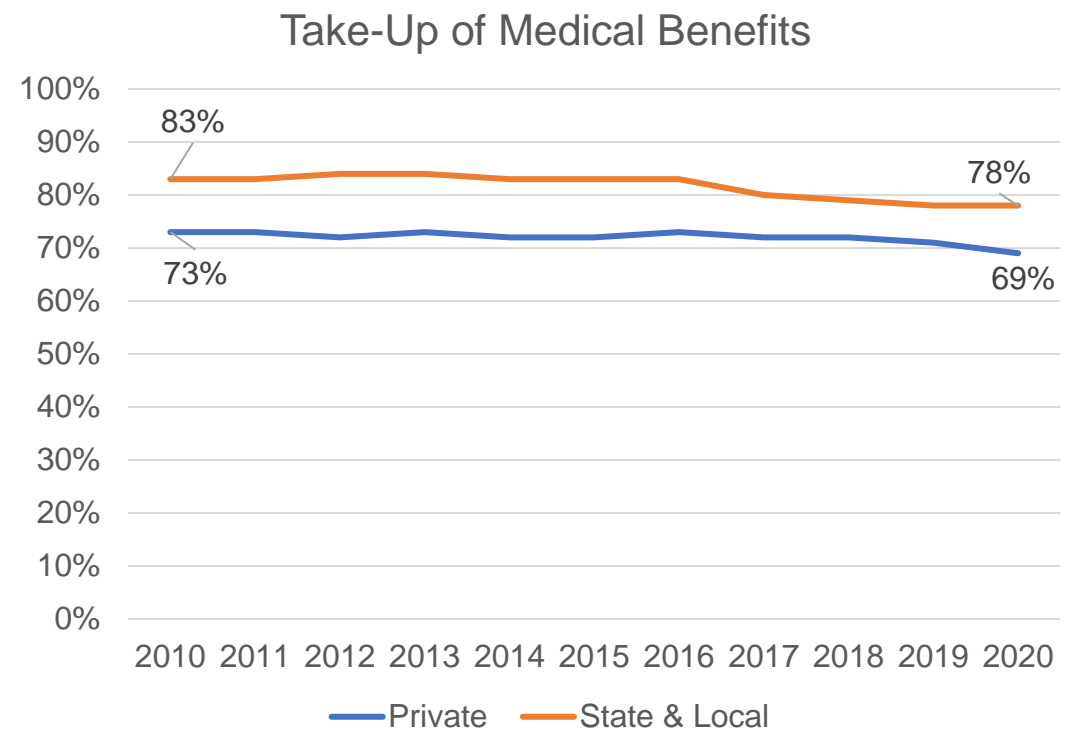
- Employment-Based — state & local government plans; ERISA-covered; single, multiple and multiemployer; jointly and solely trustee
- Other — individual; Medicare — MA/EGWP and Med Supp

# Health Benefit Offer & Take-Up, 2010-2020

## Steady Access



## Somewhat Declining Take-Up Rates



Source: Bureau of Labor Statistics, National Compensation Survey.

# Proposals Affecting Employment Based Coverage

## ACA & Public Option

Whether you're covered through your employer, buying your insurance on your own, or going without coverage altogether, Biden will give you the choice to purchase a public health insurance option like Medicare.

## Medicaid & Non-Expansion States

"Biden's plan will ensure these individuals get covered by offering premium-free access to the public option for those 4.9 million individuals who would be eligible for Medicaid but for their state's inaction, and making sure their public option covers the full scope of Medicaid benefits."

## Medicare Eligibility Age

"I have directed my team to develop a plan to **lower the Medicare eligibility age to 60**.... This would make Medicare available to a set of Americans who work hard and retire before they turn 65, or who would prefer to leave their employer plans, the public option, or other plans they access through the Affordable Care Act before they retire."



# At the edges, or more?



# Q&A



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