



IMPLICATIONS

a chro education series by the

FOR

american health policy institute

EMPLOYERS

Part Six of Six



AMERICAN
HEALTH
POLICY
INSTITUTE

OBJECTIVES OF THE SERIES

We hope this CHRO Education Series will increase member awareness of the spectrum of potential future health care reforms that may be proposed over the next two years—and will help senior HR leaders assess the implications of various types of reform on their future business and talent strategies. We will also use these papers as the basis for follow up discussions with members in 2019 that will help shape the Association’s work with policymakers.

Nearly a decade after the passage of the Affordable Care Act, health care continues to be a top issue among voters in the U.S., with the two major parties offering distinctly different visions of the direction of future reform. To help CHROs, their teams, stakeholders, and the public better understand the health care landscape and the prospects for change, we’re launching a series of short papers that will discuss the various types of reform proposals being discussed among policy makers, political candidates and other key stakeholders.



*Employers and the U.S.
Health Care System*



*The Health Care
Reform Spectrum*



*Spotlight:
Replace the ACA*



*Spotlight: The
Medicare for All Act*



*Spotlight: Medicare
Extra for All*

VI. Implications for Employers

PART SIX of SIX

VI. Implications for Employers

PART SIX of SIX

Introduction

With the 2020 presidential election approaching, momentum is building in Washington D.C. around a renewed debate on federal health care reform. Additionally, state-based policy innovations are providing a laboratory for experimentation to address the nation’s health care challenges at the state level.

In this education series, we have looked at the role that employers play as one of the many players in our large, complex, and costly health care system.

Employers and the U.S. Health Care System

You may read more in Part I in the education series [here](#).

Employers provide health care coverage for nearly half of the nation’s insured population. This should be a top consideration for policymakers when making any changes to the system—particularly since most large employers remain committed to offering health coverage, and most employees are happy with the coverage they receive.

We have evaluated proposals using the “Health Care Reform Spectrum” showing how each proposal ranks on increasing government control:

- Provides financial incentives for the purchase of private insurance;
- Provides direct coverage to specific populations (*e.g.*, Medicare, Medicaid);
- Influences supply and demand for insurance, primarily through regulation; and
- Exerts full control (single-payer).

The Health Care Reform Spectrum

You may read more in Part II in the education series [here](#).

In the series, we’ve spotlighted three proposals along the reform continuum that are likely to be pushed in Congress and/or serve as the basis for plans endorsed by future presidential nominees. These include:

- **Replacing the ACA:** The Graham-Cassidy bill/Health Care Choices Proposal;
- **Single-Payer:** Sen. Sanders (I-VT) Medicare for All Act; and
- **Public Option:** Medicare Extra for All by the Center for American Progress.

Each proposal has different implications for employers, which we will summarize in this final installment in our series. The purpose of this paper is to recap the spotlighted reform proposals and specifically examine their impact on employers.

Top Concerns of Employers Providing Health Benefits

Employers will evaluate health care reform proposals according to how they will impact their business processes, their financials, and their employees. They will also judge a proposal according to how it addresses concerns currently facing employer-sponsored health insurance (ESI).

These include:

- **Rising costs:** Medical expenses for employers are projected to increase 6 percent this year.ⁱ The cost increase has moderated compared to previous years but is still increasing faster than inflation. Since 2008, general annual deductibles for covered workers have increased eight times as fast as wages.ⁱⁱ
- **Lack of price transparency:** Leads to a lack of consumerism and employee engagement.
- **Policy issues:** These include repealing the Cadillac tax, preserving the tax treatment of ESI, protecting ERISA preemption, and liberalizing Health Savings Account (HSA) rules and contribution limits.
- **The evolving workforce:** Employers are concerned with the ability of the current system to accommodate changing workforce and the rise of non-traditional employment arrangements.

Top Concerns of CHROs and Their Teams

You may read more on the state of employer-sponsored health care [here](#).

“Replace the ACA”

To anticipate what future Republican reform plans will look like, we analyzed the last GOP health care reform bill which was brought to a vote but did not pass, the Graham-Cassidy amendment to the American Health Care Act (AHCA).

Provisions

Graham-Cassidy contains a number of provisions that would impact employers. First, it would repeal the Cadillac Tax and maintain the tax-preferred treatment of ESI. It would also repeal the Affordable Care Act’s (ACA) employer mandate and encourage the use of HSAs by increasing contribution limits.

The bill would also establish a new state block grant program to fund reforms designed by states. It would allow states to set market rules for coverage, such as premium rating based on age and geographic location, and permitting insurers to establish multiple risk pools.

It also would repeal most ACA benefit mandates and eliminate Minimum Essential Coverage standards—though the vast majority of large employer-sponsored plans already met these requirements prior to passage of the ACA.

Considerations

Graham-Cassidy would not have dramatically changed ESI as we know it, but instead would have made more changes to Medicaid and the individual market.

It is important, however, to understand how these changes would indirectly affect employers. Reforms strengthening the individual market could give employees another alternative to ESI. Moreover, giving more authority to states could result in a patchwork of state schemes, potentially

creating significant complexity for employers and adding to their administrative costs.

For example, if a state were to expand Medicaid eligibility to cover more low-income Americans, more low-wage part-time and full-time employees could opt-out of employer offered coverage and enroll in the newly expanded Medicaid program. While this could directly reduce employer health care costs, it is unclear what impact it would have on employer risk pools, which may increase costs in other ways.

While Graham-Cassidy is no longer being considered by Republicans in Congress, it is instructive to look at it when anticipating what type of plan Republicans might set forth as an alternative to Democrats' reform proposals in 2020.

The Trump Administration has said that it will not support an appeal of a district court decision, *Texas v. Azar*, which would result in a full repeal of the ACA. Yet, as of now, it is unclear what the Republicans' ACA alternative will be.

*Spotlight:
"Replace the ACA"*

You may read more in Part III in the education series [here](#).

Single-Payer

The Medicare for All Act would drastically impact employers by significantly changing the role of employers' involvement in their employees' health.

Provisions

Medicare for All would replace all private insurance coverage, including ESI, that duplicates newly-created government-sponsored coverage. Employees would lose

the employer coverage that they overwhelmingly like and appreciate.

Medicare for All would provide universal health care coverage for all Americans and replace the current Medicare program after a four-year phase in period. By providing universal coverage, the plan would provide greater flexibility to employees who want to retire or work part time, since they would not be compelled to stay in the workforce to maintain health insurance.

Individuals and providers would be allowed to enter private contracts for payment outside of the government program, meaning that employers would be permitted to provide supplemental benefits so long as they do not duplicate Medicare for All coverage.

Considerations

While one might assume that under Medicare for All employers would no longer play a role in their employees' health, this is not necessarily true.

Regardless of who pays for health care coverage, employers have a vested interest in maintaining the health of their workforce. The presence of supplemental health plans and workplace wellness programs in some countries with single-payer systems is evidence of this.

Employers and human resources professionals will still play a key role in the well-being of employees—since better health outcomes improve productivity and can contribute to a positive work environment. However, employers would lose the financial leverage they have now of offering discounts on employee contributions to encourage employees to participate.

Since health insurance would be provided by the government, it would be portable, allowing employees to keep the same

coverage when switching jobs. It would also provide coverage for employees who want to retire but haven't yet due the current limited options for pre-65 retirees.

In a single-payer system, the government would set prices for health care services at a lower rate than what private payers currently pay. It is unknown what this would mean for health care providers, many of which currently rely on payments from private insurance companies to offset lower payments received by Medicare and Medicaid.

Spotlight: Medicare for All Act

You may read more in Part IV in the education series [here](#).

Public Option

The Center for American Progress' "Medicare Extra for All" is one example of a proposal that creates a "public option"—a government-run plan available to all American citizens—while preserving ESI.

While the Medicare Extra proposal has not been translated into legislative language, there are several other bills that have been introduced in Congress and at the state level that would implement a similar public option approach while maintaining private insurance.

Provisions

Medicare Extra: Medicare Extra would preserve ESI and its current favorable tax treatment but would eliminate all other private insurance that duplicates Medicare Extra coverage.

Employers would have the option to sponsor Medicare Extra and employees would have the option to choose Medicare Extra over

their employer coverage. If an employer chooses to continue sponsoring its own plans for employees, those plans would be required to deliver 80% actuarial value and employers must pay 70% of premiums to hold down costs for employees.

If an employer were to opt that all employees receive Medicare Extra coverage, the public plan would set caps on individual premiums based on income.

Medicare Buy-In for Older Americans:

More limited in scope, current Medicare buy-in bills would allow a buy-in to the existing Medicare program at either age 50 or 55. Only one bill, H.R. 3748ⁱⁱⁱ, would permit those eligible for employer coverage to buy in—and would allow employers to contribute to the cost of coverage.

State Medicaid Buy-In: At least ten states^{iv} are considering ways to allow residents to buy in to Medicaid, and eight states have introduced legislation.

Public Plan on Exchanges: Bills offering a public option on the existing ACA exchanges would compete with individual private plans and allow ACA subsidies to be used to purchase coverage.

Considerations

Like the Medicare for All Act, a public option could alleviate the "job lock" problem that employees wishing to retire before age 65 face by providing an affordable public plan to purchase. It could also provide an affordable option for non-traditional employees such as independent contractors.

These proposals could give employers the flexibility to decide what is best for their business and employees.

However, state-based public option bills could create a patchwork of state schemes that employers would need to comply with. The unknown is how the costs of what an

employer is currently paying would compare to the new scheme.

It is expected that the presence of a government-run public option would mean some downward pressure on health care prices. However, it is uncertain whether providers and insurers would shift costs to private plans, including employer-sponsored plans.

While we don't have all the specifics regarding each of the proposed reforms, we can evaluate how they would address the key employer concerns of our current system. Table I summarizes these:

Spotlight: Medicare Extra for All Proposal

You may read more about various public option proposals in Part V of the education series [here](#).

Table I:

Employer Concern	“Replace the ACA”	Single-Payer	Public Option
Rising Costs	Removing regulations and allowing states to set market rules for coverage could reduce costs by giving access to more affordable insurance plan options	Would constrain costs by setting a national budget for health care spending and establishing provider reimbursement rates; government would negotiate drug prices	Provider payment rates in Medicare Extra would reflect an average of rates under Medicare, Medicaid, and commercial insurance; government would negotiate drug prices
Lack of Price Transparency	Does not address	No need for price transparency when prices are fixed	Unknown
Policy Issues	Repeal Cadillac Tax, maintain tax-preferred treatment of ESI, repeal employer mandate, increase HSA contribution limits	Tax treatment and ERISA issues eliminated, but new costs imposed on employers to fund single-payer system	Maintains tax-preferred treatment of ESI
The Evolving Workforce	Strengthening the individual market would provide more options for non-traditional workers	Single-payer would address uncovered population, eliminate job lock	Public option would address uncovered population, eliminate job lock

Conclusion

Understanding how these proposals will affect ESI will better help senior HR leaders assess the implications of various types of reform on their future business and talent strategies. We hope this CHRO Education Series has increased awareness of the spectrum of potential future health care reforms that will be considered over the next two years.

Endnotes

ⁱ <https://www.pwc.com/us/en/industries/health-industries/library/behind-the-numbers.html>

ⁱⁱ <http://files.kff.org/attachment/Report-Employer-Health-Benefits-Annual-Survey-2018>

ⁱⁱⁱ <https://www.congress.gov/bill/115th-congress/house-bill/3748>

^{iv} <https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2019/01/10/medicaid-buy-in-could-be-a-new-health-care-option-for-the-uninsured>