The Future of Employer-Sponsored Insurance

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Premium Increases Among Employers With 10 or More Employees, Worker Earnings and Inflation, 1988-2011

Percentage of Workers, Ages 18-64, With Employment-Based Health Benefits, Medicaid, or Without Health Insurance, 1994-2011

Note: 1994–1998 is not directly comparable with 1999–2010 data because of a methodological change in the way individuals with coverage were counted.
Percentage of Workers Who Were Self-Employed, Employed in Large Firms, or Employed Part-Time, 1994-2011

Percentage of Workers Ages 18-64 Employed in Manufacturing Jobs, 1999-2011

Percentage of Firms Offering Health Benefits, 1999–2012

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

Alternative Projection for 2019: Assuming PPACA
31 Million People in Insurance Exchanges; 20 Million Fewer in Employer Coverage

Average Deductible for Employee-Only PPO Coverage, by Firm Size, 2005-2012

Source: Kaiser Family Foundation.
Distribution of Primary Care Physician Office Visit Co-Payments, All Plan Types, 2006-2011

Source: Kaiser Family Foundation.
Average Co-Payment for Prescription Drugs, 2000-2012

Source: Kaiser Family Foundation.
Distribution of Covered Workers by Type of Cost Sharing for Prescription Drugs, PPO, 2007-2012*

Source: Kaiser Family Foundation.
* Among workers with the same cost sharing regardless of type of drug.
Percentage of Covered Workers Enrolled in a CDHP, 2006-2012

Source: Kaiser Family Foundation.
Value-Based Insurance Design (V-BID)

- Basic premise is to align out-of-pocket costs with the value of health services.
- This approach to designing benefit plans recognizes that different health services have different levels of value.
- Reduce barriers to high-value treatments through lower cost sharing.
- Discourage low-value treatments through higher cost sharing.
- In 2011, 23% of employers reported offering some type of V-BID approach. 55% considering it in next 3-5 years (Source: Aon Hewitt).
- Much more detailed information at http://www.sph.umich.edu/vbidcenter/.
ACA Leveled the Playing Field

Insurance Exchanges & Insurance Reforms
• Guaranteed issue
• Modified community rating
• Subsidies if below 400% FPL
  • Subsidies wipe out age-rating
  • Premiums range from 2% (100%-133% FPL) to 9.5% of income (300-400% FPL)
• (Theoretically) More choice of health plan
  • Standardized choices based on metallic tiers
• Essential health benefits
Pay or Play?

- Initial reaction was to pay $2,000
- Reality set in
  - Health benefits already provided voluntarily in absence of mandate
  - Recruitment & retention
  - Health status of workers
  - Productivity
  - Fear that $2,000 would increase
  - Lack of confidence in public exchanges
  - Public exchanges not open to large employers until at least 2017
- Private exchanges may be the middle ground between the status quo and dropping coverage completely.
Declining Confidence Among Employers That They Will Be Offering Health Care Benefits a Decade From Now

Source: NBGH/Towers Watson.
Statement That Best Categorizes Company Strategy Relating to Health Benefits For Active Employees Over the Next 10 Years, 2011 Survey

- 46% Continue offering employment-based defined benefit health plans as we do today
- 36% Give serious consideration to moving to a defined contribution strategy
- 6% Give serious consideration to discontinuing providing health care benefits
- 12% Not sure

Source: HR Policy Association.
The Dynamics are What’s Important

“While near-term changes in aggregate ESI rates are unlikely, longer-term erosion—over 10 to 20 years—is possible under certain circumstances. … if a few [emphasis added] large employers drop coverage after 2014, others could follow in a ‘me too’ effect. Both of these scenarios are difficult to model, but should be considered.” (Source: Avalere, 2011).

• Fidelity: 26% of small employers and 36% of large employers would seriously consider eliminating health care if other employers did.
• HR Policy Association: 80% reported that other companies moving away from health coverage would influence their decision to offer coverage.
• Benfield Group: 21% were highly likely and 49% somewhat likely to drop coverage if their industry competitors stopped offering health benefits.
Private Exchanges and Defined Contribution Health Plans

- Concept of DC health not new
  - Cafeteria plans introduced 30 years ago
- ACA gave it a renewed interest
- Employers interested in concept since 1990s
  - Alain Enthoven’s managed competition model around since the 1970s
- Financing vehicle to move to cost certainty
- Delivery vehicle would be a Private Exchange
- EBRI paper published in July 2012 – “Interest waned”
- “Attention turned elsewhere” would be more accurate
- June 2007 – ERISA Industry Committee
- Oct. 2007 – Committee on Economic Development
What is a Private Exchange?

• A private business – typically operated by insurance brokers, benefit consultants, or insurers – that sells insurance products to consumers through web-based portals

• Private exchanges offer:
  • The use of defined contribution health plans
  • Expanded “employee choice”
  • Decision support (e.g., “recommendation technology”)
  • End-to-end transactional services

• Single-carrier or multiple-carrier
• Single-employer or multi-employer
• Can also provide dental, vision, and other voluntary benefits
The Field of “Private Health Insurance Exchanges”
Distribution of Private Sector Participants in an Employment-Based Retirement Plan, by Plan Type, 1979-2010

Percentage of Employers Offering Health Coverage to Early Retirees, by Firm Size, 1993–2011

Source: Mercer and Medical Expenditure Panel Survey.
Percentage of Covered Workers Enrolled in a CDHP, 2006-2012

Source: Kaiser Family Foundation.