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Future of Health Benefits in the Workplace: Employers' Perspectives During the COVID-19 Crisis

By Jake Spiegel and Paul Fronstin, Ph.D., Employee Benefit Research Institute

AT A GLANCE

- The Employee Benefit Research Institute (EBRI) conducted over two dozen interviews with benefits executives representing a wide array of firm sizes and industries, accounting for more than 500,000 employees in the United States and over $3 billion in health benefits spending, focusing on the future of workplace-sponsored health benefits.
- Unsurprisingly, firms were preoccupied with navigating the challenges posed by the COVID-19 pandemic. Maintaining a safe work environment for employees who must report to work on-site and engaging employees who are working from home were top of mind.
- Interviewees expressed optimism about the future of telemedicine. While in-person elective care was delayed by employees at the outset of the pandemic, telemedicine engagements have increased significantly. Several interviewees indicated that telemedicine visits act as a substitute for emergency room and urgent care visits, which could prove to save employers money. However, others noted that their employee populations would likely revert to seeking care in person from their primary care physicians once the pandemic is over.
- Instead of using the COVID-19 pandemic as an opportunity to rework their benefits programs, most firms are retrenching their current benefits offerings and taking a wait-and-see approach.
- Among our interviewees, there was little appetite for severing the link between employment and health benefits. In particular, many employers still viewed this as a differentiator from their competitors, a useful tool to retain high-quality employees, or both. However, many interviewees indicated that they would consider dropping health benefits if their competitors started doing so.
- Our interviewees were split on the role of government and individuals in health care. In general, firms were curious about the potential effects of a Medicare buy-in program. However, we also heard from our interviews a lack of confidence in the government's ability to achieve specific policy goals in the health care market.

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Jake Spiegel is a Research Associate at the Employee Benefit Research Institute (EBRI). Paul Fronstin is Director of the Health Research and Education Program at EBRI. This *Issue Brief* was written with assistance from the Institute's research and editorial staffs. Any views expressed in this report are those of the authors, and should not be ascribed to the officers, trustees, or other sponsors of EBRI, EBRI-ERF, or their staffs. Neither EBRI nor EBRI-ERF lobbies or takes positions on specific policy proposals. EBRI invites comment on this research.

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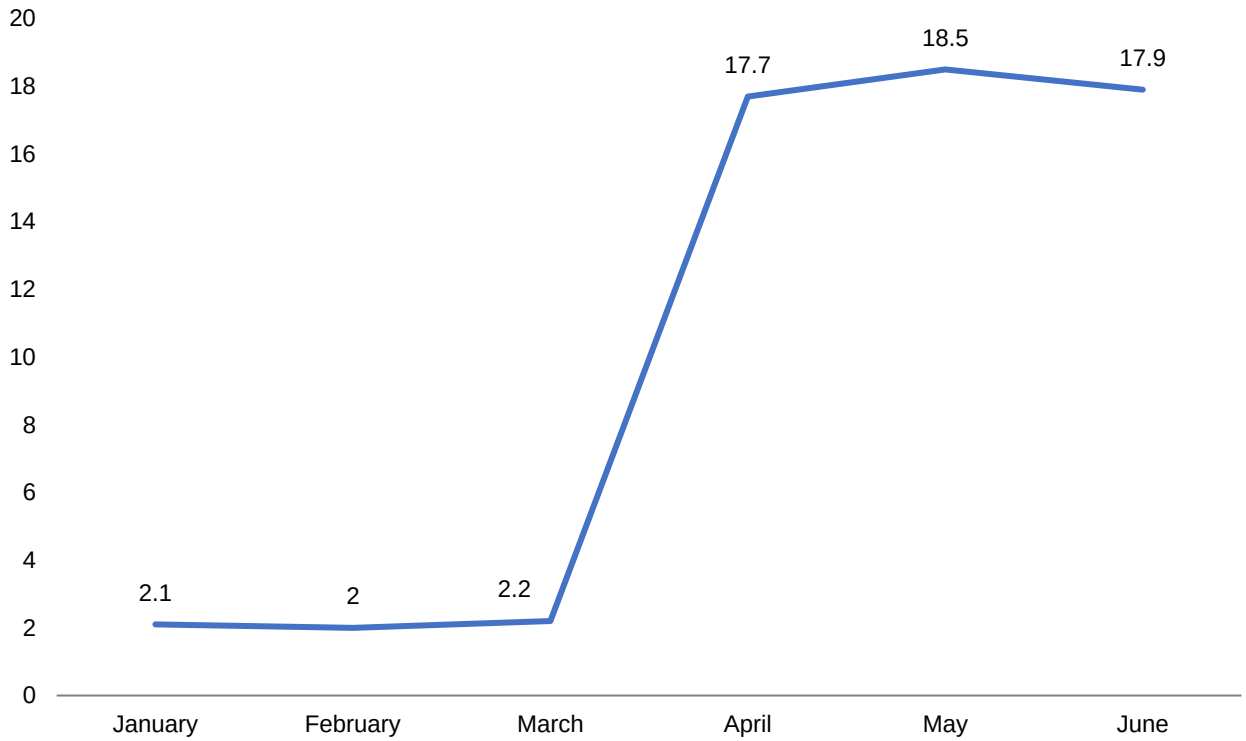
Introduction

The labor market in the United States at the beginning of 2020 was arguably one of the strongest in recent memory, with historically low unemployment rates and rising wages, including for segments of the labor market whose wages had been struggling to keep pace with inflation. Facing strong competition in the labor market, employers might have been feeling new pressure to make the benefits they provide to employees more generous, or even expand the menu of benefits they offered.

Then the COVID-19 pandemic hit the United States, causing significant economic disruption and dislocation in the job market. Indeed, an estimated 15.9 million workers lost their jobs between February and June 2020 (Figure 1).[1] The recession caused by the pandemic is the first since the implementation of the individual exchanges put in place by the Patient Protection and Affordable Care Act (ACA). Employers have long been chafing under the yoke of ever-increasing costs of providing health care benefits for their workers as premiums for health insurance have outpaced both overall inflation and — until very recently — worker wage increases, shown below in Figure 2. It could be argued that a recession might present an opportunity for some motivated firms to offload the responsibility of providing workplace-sponsored health insurance. Instead, employers could use tax-advantaged health reimbursement arrangements (HRAs) to give their employees a tax-free pot of money from which they could draw and purchase health insurance that best fits their needs from ACA exchanges.

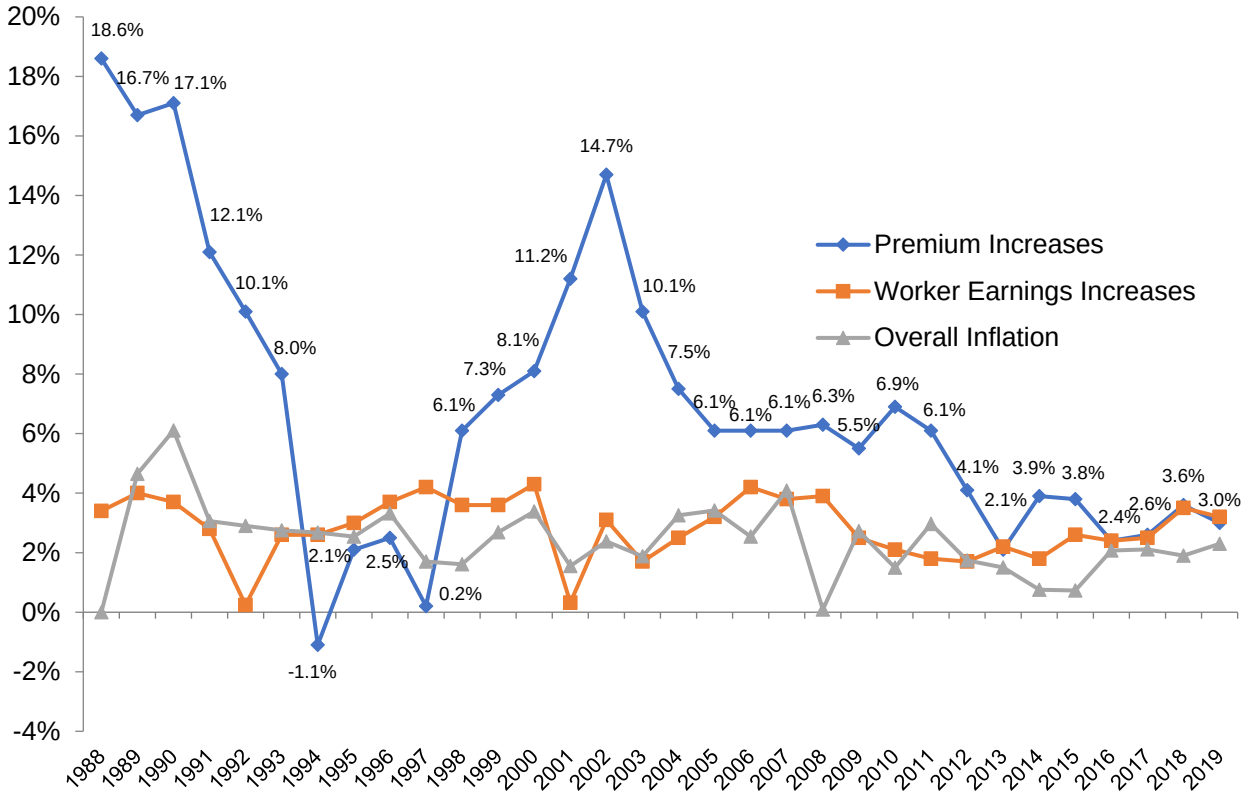
Figure 1

Number of Unemployed Workers (in millions) January – June 2020



Source: U.S. Department of Labor, Employment and Training Administration, Office of Unemployment Insurance.

Figure 2
Premium Increases Among Employers With 10 or More Employees, Worker Earnings and Inflation, 1988–2019



Source: Mercer, *National Survey of Employer-Sponsored Health Plans*, and Bureau of Labor Statistics.

Starting in May 2020, the Employee Benefit Research Institute (EBRI) interviewed over two dozen HR executives, with job titles such as benefits director and vice president of HR, who had at least a moderate amount of decision-making power over the provision of benefits for their firm's employees. Our interviewees represented a diverse array of firms across a wide variety of industries, each with unique employee populations with their own attendant set of challenges and opportunities, ranging from restaurants to manufacturing to professional services to membership organizations. Each of the firms we interviewed employed between 1,000 and 150,000 workers in the United States, and, in total, these firms accounted for an employee population of over 500,000 and covered over 650,000 lives under their health insurance plans. Collectively, they spent over $3 billion on health benefits for their workers and dependents.

We broached a wide range of topics during our interviews. While the conversations flowed freely, allowing interviewees to elaborate when they saw fit, we followed a loose structure and asked the same questions of all respondents. The conversations were "off the record," so interviewees could speak freely. The questions we asked included firms' handling of the pandemic, the trends in health care utilization they saw, telemedicine, the conditions (if any) that may nudge them to reconsider providing health insurance, and their views of the role of government in providing health benefits.

Conducting these interviews provided a glimpse into how benefits executives approach providing health benefits in an uncertain environment. To some, the COVID-19 pandemic could present an opportunity to innovate, such as by seeking

out new pharmacy benefit managers that better suit the needs of their employees or renegotiating payment contracts with insurers and/or providers of health care services. Others may be more focused on nudging employees to make better use of the firm's existing benefits framework, such as telemedicine and mental health benefits.

Though we interviewed a wide cross section of employers, the views expressed by our interviewees may not be representative of all firms. Employers are as diverse as their work forces. The employers we spoke to may not necessarily be representative of their respective industries, nor of firms of their respective sizes. However, medium- and large-sized firms tend to be early adopters of innovations that eventually propagate through the rest of the market. Additionally, the experience of large employers is likely different from that of smaller employers. Smaller employers generally do not have the luxury of setting industry-wide trends in the way that some large employers enjoy and instead rely on innovations by insurance carriers to address those trends. Also, smaller employers are more likely to be fully insured and therefore might be less flexible in how they manage health care cost increases.

This paper presents findings from the interviews we conducted. They include the common themes we heard and differential approaches to the challenges posed by the COVID-19 pandemic as well as the evolution of the benefits marketplace in general.

Background

The link between employment and health benefits goes back to World War II, when employers sought to circumvent wage controls to attract scarce workers. In 1954, Congressional action to exempt employer spending on health insurance benefits from taxation cemented the role employers play in the provision of health benefits. However, there are some who argue that the workplace and health benefits ought to be delinked, building on arguments that date back decades.[2] And this arrangement may be further put to the test by the recession caused by the COVID-19 pandemic.

Despite the apparently serendipitous link between employment and health benefits, there are many valid reasons to maintain that connection. Employers have a vested interest in developing and maintaining a happy, healthy, and productive work force. Workers at firms are a good "natural group" in which adverse selection is mitigated. Employers benefit from economies of scale to keep premiums below average for workers who participate in their health insurance plan. Also, employers can help their workers navigate the health care system and advocate on behalf of their workers during disputes between workers and insurers, and employers tend to be actively involved with monitoring the quality of services delivered by insurers and providers alike. Finally, workers widely report that they value health benefits in the workplace and trust their employers to provide reasonable health insurance options. The 2018 EBRI/Greenwald & Associates Health and Workplace Benefits Survey (WBS), for instance, found that 60 percent of workers were satisfied with their current mix of health care benefits and wages. Additionally, the WBS found that workers reported being more confident in their employer's ability to select the best health plans than in their own ability.

However, some have called for delinking health benefits and employment. A system in which health insurance is tied to voluntary provision from employers means that coverage is not universal: Only 23.1 percent of employers with fewer than 10 employees and 49.4 of firms with 10–24 employees provided coverage to their workers in 2018.[3] For firms that *do* offer health insurance coverage, the plans offered may not be particularly palatable to all of their workers. Additionally, the likelihood that a firm offers health benefits to workers is exogenously tied to the macroeconomy; firms may face pressure to cut costs during an economic downturn and face pressure to keep (or strengthen) health benefits during economic expansions to retain and lure employees in a competitive labor market.

Additionally, some analysts have posited that employers might move toward a paradigm in which firms offload responsibility for health benefits onto employees. Employers could give tax-free HRAs to their workers to purchase health insurance coverage on the individual exchanges. Putting employees in charge of purchasing their own health care would be similar to the transition away from defined benefit (DB) pension plans that rose to prominence in the mid-20th century to the defined contribution (DC) paradigm currently navigated by most workers with access to retirement benefits.

Prior to the pandemic, employment-based health insurance covered over 61 million workers as well as their partners and dependents in the United States, totaling 175 million covered lives.[4] Despite fewer smaller employers offering health insurance than a decade ago, more workers and their dependents receive health insurance through the workplace. This somewhat paradoxical result arises from a trend where employees are increasingly working for larger firms, which are more likely to offer health benefits (Fronstin 2019).

Consequently, we focused our efforts on interviewing representatives of medium and large employers. Not only are larger employers often leaders in their respective industries, many of our interviewees took pride in the fact that their firms, and, in particular, their HR departments, were agile and able to quickly implement new initiatives to help them navigate the challenges posed by the COVID-19 pandemic.

Riding the Corona Rollercoaster

We began each interview by asking the interviewee about how they and their firms have managed the COVID-19 pandemic since stay-at-home orders were issued in March. This question was open ended, which gave respondents the opportunity to elaborate on what they thought was the most important aspect, whether it was speaking on how their firms adjusted to states' stay-at-home orders or talking about the way that their employees have changed their benefits consumption in light of the pandemic.

All interviewees were principally occupied with ensuring the safety and welfare of their employees. Some of the interviewees represented firms with significant white-collar employee populations; several of the interviewees pointed out that their firms transitioned seamlessly from the daily office environment to one in which much of the work force telecommutes. Other interviewees represented firms with a more diverse work force. These firms were primarily focused on continuing daily operations while maintaining a safe working environment for their employees. Such efforts included providing personal protective equipment and ensuring manufacturing-line workers were able to socially distance.

Most but not all interviewees indicated that their firms moved to cover COVID-19 costs before required to by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Many interviewees also indicated that their firms completely eliminated employees' out-of-pocket costs for the costs not only of testing but also treatment of COVID-19 symptoms. Some employers went a step further and covered telemedicine visits at no cost as well as workers navigated the challenges of seeking out health care in the middle of a pandemic.

Other firms reported encountering second-order effects of widespread stay-at-home orders. One benefits executive at a member organization noted that employees were initially more productive as a result of no longer having to commute to the office every day, but as work-from-home initiatives continue with no end in sight, the lines between work life and personal life are increasingly blurred and less varied; their firm has encouraged greater usage of mental health benefits and more vacation leave for time off.

Health Care Spend Trending Down

All of the benefits executives we spoke to represented self-insured firms and accordingly all keep a close eye on their firms' health care expenditures over the course of the year. Each interviewee noted that their firms were well below what their expected spending trend would be absent a pandemic.

Most suspected that discretionary care, such as elective procedures and surgeries, were put off on account of prospective patients' hesitation with making unnecessary trips. Indeed, an article in *The Washington Post* examined the issue, reporting that cancer screenings fell between 86 to 94 percent early in the pandemic and, as of June, still rung 20 to 30 percent below trend according to an electronic health records company.[5] Elective care cannot be put off indefinitely without deleterious side effects, and so most interviewees expected their overall 2020 spending to remain relatively flat once patients felt comfortable returning to doctors' offices and hospitals, though a few respondents

thought they might realize some savings from reduced utilization. However, there was a broad expectation among HR departments that expenditures will rebound after the pandemic ends.

The Role of Telemedicine

Most of the benefits executives we talked to noted a dramatic increase in the utilization of telemedicine benefits since the beginning of the pandemic. Indeed, one executive at a financial services firm remarked that telemedicine usage at their firm was up 1,600 percent. Several interviewees noted what they perceived to be underutilization of telemedicine benefits prior to the pandemic but were in general pleased with uptake since March.

Many interviewees said that their firms made telemedicine visits completely free to reduce barriers to seeking care. Several expressed hope that utilization would remain high after the pandemic ends, whenever that may be. Others, however, expressed skepticism that the current level of engagement with telemedicine that they observe represents a "new normal" and that employees would return to their typical health care usage patterns after the conclusion of the pandemic. However, a benefits executive for a restaurant chain intentionally did not subsidize telemedicine in a way that competitors did, as the firm did not want to implement a special carve-out only to remove the benefit down the road.

Still, others took a more measured view of telemedicine. One interviewee representing a large manufacturing firm remarked that while telemedicine was good for prescriptive services, it is not a one-size-fits-all solution and likely would not replace a traditional primary care physician for more complicated visits.

Some interviewees anticipated that telemedicine visits would more commonly be used as substitutes for acute health ailments. Some expressed hope that the habits formed during the pandemic would carry over when the pandemic recedes and workers return to the lives they used to know. A benefits executive for a manufacturing firm estimated that each telemedicine visit saves their firm between $120 and $800 per visit, depending on whether the telemedicine visit substituted a doctor's office visit or a trip to the emergency room. The benefits of telemedicine visits are quite clear to employers, and, accordingly, HR departments are working to cement the telemedicine habits that workers are building during the pandemic.

While interviewees tended to be heartened by the upticks in telemedicine usage they observed, how telemedicine visits compare with brick-and-mortar doctor's office visits remains relatively less well known. Many interviewees noted a lack of data on the longer-term effects of substituting those visits with telemedicine visits. Early indications at a financial services firm suggest that employees are substituting urgent care and emergency room visits with telemedicine consultations, which stands to save firms money, but closer study is necessary. These experiences run contrary to some of the early evidence in extant literature examining telemedicine. One study estimated that only 12 percent of telemedicine visits were substitutes for in-person care and 88 percent of the visits were for care that would not have been sought in person.[6] This study was conducted pre-pandemic, though, and the pandemic may have fundamentally altered the composition of telemedicine visits.

One theme that emerged from our discussions was the perception that telemedicine must change from its current format. Seeing a doctor through a third-party telemedicine vendor is significantly cheaper than visiting a doctor in person as well as telemedicine visits with their own doctors via the doctor's telemedicine platform. Several of our interviewees noted that they viewed this arrangement in particular as unsustainable and anticipated changes in the market in the near future. The pandemic may serve as a focusing event that pushes third-party telemedicine providers, and health plans more generally, to reconcile these discrepancies. As more patients seek care via telemedicine with their own doctors, instead of with third-party telemedicine vendors, costs may increase. Still, despite these challenges and a general lack of data on outcomes, there was a widespread perception among our interviewees that telemedicine is a trend with staying power, and firms are working to find the right place for it alongside their traditional health benefits offerings.

Most Not Planning to Cut Plan Generosity

The COVID-19 pandemic has disrupted supply chains and shocked household budgets, and as a result many firms are struggling to negotiate an uncertain economic environment. Still, few interviewees indicated that cutting benefits or making plans less generous was under serious consideration at their respective firms. A benefits director at a restaurant chain noted that, since the beginning of the pandemic, their firm had cut little-used fringe benefits, such as discounts and gym memberships, and several respondents indicated that their firms had frozen pay increases. However, additional cost-savings measures, such as reducing the generosity of health benefits, were not widely being implemented. Several interviewees noted that their departments had additional contingency plans in place in case of continued cost pressures.

A few benefits directors we interviewed noted that, if anything, their firms had *increased* the benefits available to their workers. These initiatives included rolling out new telemedicine benefits, mental health benefits, childcare benefits, and sabbatical programs, and are aimed at helping their workers navigate new challenges posed by the pandemic. A benefits executive at a financial services company noted that their firm does not expect to return to offices until 2021 at the earliest and now views their team's challenge as delivering a benefits programs that can be accessed remotely or digitally, rather than on-site, where they had previously operated a clinic.

A few interviewees, however, reported that they were under additional pressure to contain cost increases. One executive at a large restaurant chain indicated that reworking pharmacy benefits to exclude particularly expensive drugs was under consideration. In a similar vein, a benefits director for a membership organization noted that employers are particularly focused on reining in specialty drug costs. Another benefits director at a different restaurant chain responded that their company was considering paring down their health insurance offerings to only include high-deductible plans.

Follow the Leader?

Again, some analysts have posited that the passage of the Affordable Care Act has weakened the link between employers and health benefits. Individuals can now buy insurance from individual health insurance exchanges where they cannot be denied coverage for preexisting conditions and may be eligible for premium and cost-sharing subsidies if they earn less than 400 percent of the federal poverty limit. Indeed, many pundits predicted that workplace-sponsored health insurance would soon be a thing of the past. Ezekiel Emanuel, a health advisor to President Obama, predicted that fewer than 20 percent of workers would have health insurance coverage through their jobs in 2025.[7] S&P Capital IQ Global Markets Intelligence projected that by 2020, 90 percent of workers with employment-based coverage would be shifted to the individual exchanges. Hindsight is 20/20, but it is safe to say that these extreme predictions were off the mark.

Still, the recession caused by COVID-19 might cause some firms to rethink their role in providing health benefits. If employers *do* wish to sever the link between employment and health benefits, they may find a mechanism to do so in the form of HRAs, which allow employees to purchase health insurance on the individual exchanges using tax-advantaged accounts paid for by employers. Indeed, pursuant to an executive order from 2018, several executive agencies promulgated a rule to formally give employers the ability to drop health insurance benefits in favor of providing an HRA. This arrangement could prove attractive to employers that want to drop traditional benefits and "DC-ify" health benefits.

In our interviews, we heard a mixed reaction to this potential route. When asked if they were considering cutting health benefits, most interviewees noted that they viewed health benefits as a real differentiator from their competitors, viewed them as a useful tool to retain talented employees, or both. Most scoffed at the idea that their firms would sever the link between employers and health insurance and, indeed, struggled to think of a focusing event or set of criteria that would cause them to stop offering health insurance as a benefit. One interviewee from a large manufacturing company highlighted that their firm considered itself an industry leader in benefits, offering platinum-level plans for all their workers. Another interviewee from a professional services firm thought the idea sounded like "a

nightmare" for their employees, noting that the firm wants their employees to be productive and "not run around figuring out what plan to buy." An executive at a membership organization stated confidently that "the best employers are going to provide health insurance" and that none of their members were considering dropping health insurance benefits; "It would be a bad sign if they did," they added.

However, when given a hypothetical world in which their firm's competitors stopped providing health insurance benefits in lieu of HRAs, several interviewees responded that they, too, would consider cutting health benefits and offer an HRA instead. One executive at an insurance company stated that they would wait to see how the first few companies fared before deciding whether to jump in. An executive at a restaurant chain expressed tepid support of such an arrangement but expressed reservations about sending employees to the individual exchanges, particularly given that the ACA has been used as a political football of late. They worried the individual exchanges might not prove to be sufficiently robust, leading to a situation in which plans become less generous and more expensive over time. An executive at a financial services firm noted that if HRAs proved to be a viable model, they would implement HRAs. The appeal of offering HRAs if competitors started doing so sums up an oft-heard conventional wisdom: Nobody wants to be first, but nobody wants to be third, either.

Further, our interviews reveal that at least some HR departments would be relieved by an outcome that resulted in the end of employment-based health care coverage. Despite touting the benefits of sponsoring a workplace health insurance plan as a crucial recruiting and retention tool, some employers are fed up with the constant health care cost increases. They also worry about upsetting employees when plan designs are tweaked to blunt increasing prices, such as increasing deductibles, premiums, or cost-sharing more generally. Indeed, one executive for a large manufacturing company noted that they and their colleagues are "flustered" by how to provide high-quality care for their employees in the face of rising prices.

The Pandemic Is Not a Health Care Change Agent

For the present, however, the firms we interviewed seemed content with retrenching their current approaches rather than using the pandemic as an opportunity to innovate and implement new cost-saving strategies or renegotiate service contracts, for example. When asked whether the pandemic presented any opportunities for rethinking their benefits ecosystem, most interviewees indicated that their firms were instead focusing on maintaining their current benefits arrangements.

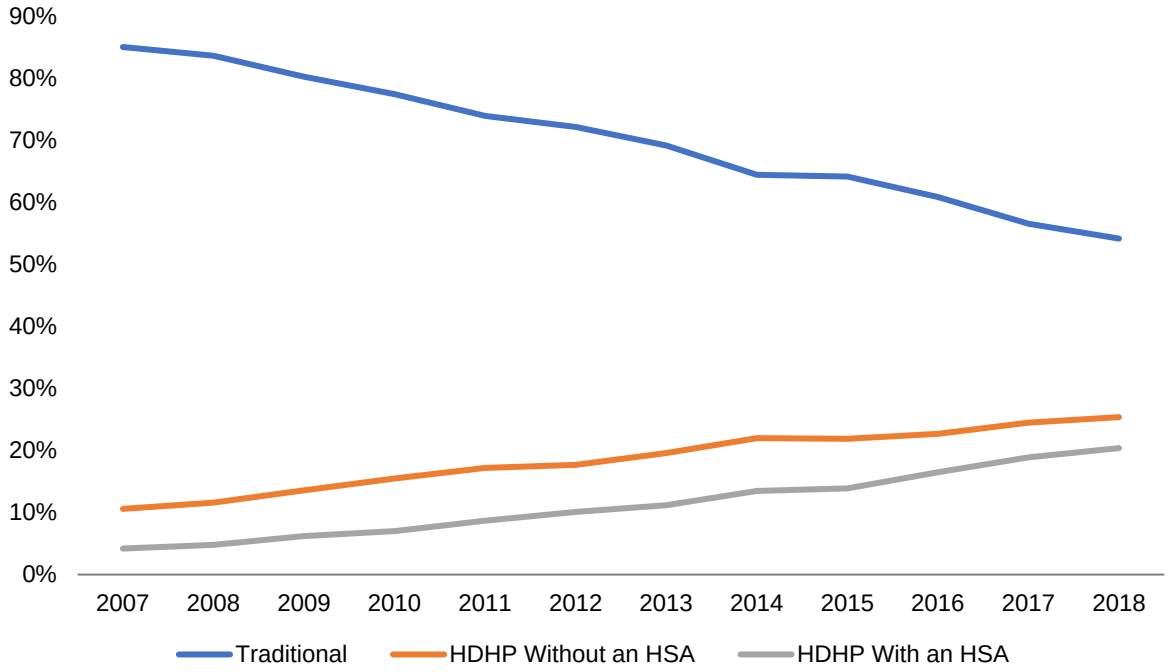
Some interviewees responded that the COVID-19 pandemic did not necessarily provide a better opportunity to renegotiate service contracts than any other time. As a result, they felt their energies were more productively directed toward managing and navigating the current crisis rather than looking toward the future.

The most significant changes firms were planning, it seems, were ancillary to health insurance. For instance, a benefits executive for a pharmaceutical firm indicated that they were implementing remote care for chronic conditions as a part of their telemedicine suite. A benefits director for a local government agency indicated that mental health benefits and wellness programs were the largest changes currently being implemented.

The Future of HDHPs

In our interviews, we also explored how companies view high-deductible health plans (HDHPs), a type of health insurance plan that features lower premiums but higher deductibles. They are often paired with a tax-privileged health savings account (HSA). Since HDHPs feature lower premiums, they also tend to be less expensive for employers to offer for their employees and consequently have enjoyed significant growth over the past decade; the National Center for Health Statistics estimates that 46 percent of people under 65 covered by private insurance were enrolled in an HDHP in 2018, with 20.4 percent with a tax-privileged account and 25.4 percent without one, shown below in Figure 3.[8]

Figure 3
Enrollment in Employment-Based Health Insurance Among Adults, by Plan Type



HDHP = high-deductible health plan; HSA = health savings account.
Source: National Center for Health Statistics.

Some interviewees expressed satisfaction in HDHPs. A few of the executives we interviewed noted that their firms had already undergone full replacement; that is, HDHPs are the *only* type of insurance plan on offer, and they have experienced no evidence of widespread dissatisfaction among workers. One executive at a financial services firm that offers HDHPs as the only insurance option remarked that there was "little pushback" from employees, who, after seeing progressively higher enrollment in HDHPs, "had come to expect it," and another at a professional services firm noted no dissatisfaction from their employees about their HDHP options.

High-deductible plans have enjoyed significant growth among employers over the past decade, but the public-sector representatives we interviewed expressed some hesitancy. For instance, a large government employer responded that their organization only began offering HDHPs at the behest of their younger employees. However, they did not aggressively market HDHPs, worrying that it might cause some consternation among their many mid-career workers whom they perceived to be averse to those plans. The interviewee also expressed concern that some of their employees might enroll in the HDHP not because it was an appropriate choice for them but because it featured cheaper premiums and employer contributions to an HSA. Another benefits director for a local government noted that this was their first year offering HDHPs, so their experience was limited. Yet another benefits executive at a non-profit university noted that they do not offer an HDHP yet and do not plan to offer one anytime soon.

Other benefits executives are less convinced that HDHPs are appropriate for their employees. An interviewee at a manufacturing firm seemed philosophically opposed to HDHPs — their firm does not offer an HDHP and only offers plans with an actuarial value equivalent to a platinum plan. The respondent noted, however, that HSAs are "one of the best retirement vehicles around" and that if they were ever untethered from HDHPs, their firm would happily sponsor HSAs for their employees.

A benefits director for a manufacturing firm noted that their employees might struggle with HDHPs. Despite HDHPs offering lower premiums, this benefits director predicted their lower-paid manufacturing employees might find HDHPs to be unaffordable, expecting them to struggle to cope with a higher deductible in a way that their white-collar employees would not.

Public Program Skepticism

We next asked our interviewees about their views of the role of government and employers in providing health care in general and whether a Medicare buy-in option would be appealing specifically. Unsurprisingly, the responses we received were as diverse as the firms they represented. Respondents ranged from skeptical about government intervention in health care to enthusiastically supporting a socialized health care system like those found in other countries.

Several interviewees, particularly those who worked for companies with an international presence, were optimistic about a Medicare-for-all system. An interviewee at a financial services firm remarked that if a public insurance option were implemented well, then "employers wouldn't miss sponsoring a plan at all." Another from a professional services firm thought that a public insurance regime, like those found in other countries in which the firm operates, "makes a lot of sense … it allows employers the ability to truly differentiate themselves rather than spending the lion's share of their benefits dollars on health care." An executive for a pharmaceutical firm noted that government intervention in the health insurance industry has produced positive results in the past and added that they "don't have post-65 retirees complaining about their coverage."

Our interviews revealed that such a plan does not have universal support. Several interviewees had a paternalistic view of their role in providing health care benefits and expressed concern that a public option might be less generous than the insurance plan that their firm sponsors. One executive at a large manufacturing firm lamented that the benefits leaders he talks to are fatigued by ever-increasing health care costs but was wary that a public option would merely shift costs around and thought that competition among private-sector insurers was the key to wrangling health care cost inflation. An executive at a membership organization felt that workers benefitted from the holistic support structure that private employer-sponsored insurance provides, and those workers would not thrive under a socialized health care system.

When asked about the attractiveness of a Medicare buy-in program that would allow older workers — say, 50– or 55–64-year-old workers — to choose Medicare over employer coverage, several interviewees responded that they are intrigued and would like to learn more about such a plan. Older employees often account for a disproportionate share of health care spending, and so a health care reform that would enable employers to remove them from their insurance rolls could very well be appealing.[9] A benefits manager at a pharmaceutical firm expressed enthusiastic support for being able to enroll older workers in a Medicare-Advantage-type plan.

However, others expressed skepticism, and some noted that the devil is in the details. A benefits executive for a technology firm responded that they would not be particularly enthusiastic about a buy-in if the result simply shifted costs around or if the taxes necessary to finance the program outweighed the cost savings from removing the older workers from the workplace-sponsored plan. An executive at a manufacturing firm expressed skepticism that the government could successfully manage a public insurance option for the near-elderly employee population. An interviewee from a different manufacturing firm opined that many changes implemented by the ACA were burdensome on employers and hadn't resulted in many positive outcomes for employees, and took an equally dim view of a Medicare buy-in policy.

Conclusion

To put it mildly, the COVID-19 pandemic has presented manifold challenges to employers. Navigating stay-at-home orders and teleworking arrangements while maintaining a happy, healthy, and productive work force, all while facing

pressure to contain health care costs, has tested many HR departments. Our interviews provided valuable insights into how HR departments have navigated these issues. While health care spending was depressed, particularly when state governments issued widespread stay-at-home orders, our discussions revealed that HR departments saw spending rebound as patients pursued elective procedures, and there is a widespread expectation that health care spending will rebound next year.

Despite the pandemic clouding firms' economic outlooks, few interviewees indicated that significant benefits cuts were in the cards. A few interviewees mentioned they faced cost pressures and that they had moved to cut little-used fringe benefits like gym memberships and reworked drug formularies to trim pharmaceutical spending. However, most replied that they were holding pat. Others still, on the other hand, mentioned that they had *increased* benefits offerings during the pandemic, such as expanded childcare, telemedicine, and mental health benefits.

Our interviews indicate that the pandemic does not seem to be a focusing event for a radical transformation in the health benefits market. In the face of uncertainty and clouded economic outlooks, maintaining health benefits remains a priority for many employers. And, at least for now, the link between employment and health insurance remains strong. While our interviews indicated that if several early movers offer their workers money in HRAs to buy insurance on individual exchanges then others may quickly follow, there was no appetite among the HR departments we interviewed to make that move anytime soon.

Despite the lack of an appetite for propagating significant changes in health benefits, interviewees did not universally express aversion to government-led reforms. In general, employers were mixed about the prospects of a large-scale reform like a Medicare buy-in program but wanted to learn more. Some interviewees expressed frustrations about ever-increasing health care costs, and others seemed enthusiastic about a health care regime that included a public option for older workers. However, such a reform may have to assuage several concerns of HR departments in order to achieve widespread support. In particular, some employers reported worrying that a Medicare buy-in would be less generous than the plans they offered and also that the taxes necessary to finance the system would outweigh the cost savings for employers.

Endnotes

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