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New from EBRI:

Experts Agree a Tax on Health Plans Likely to Cut Benefits

WASHINGTON—Since the vast majority of Americans who have health coverage get it through their jobs, one obvious question raised by the health reform legislation pending in Congress is: How might it affect the U.S. employment-based health benefits system?

The nonpartisan Employee Benefit Research Institute (EBRI) recently asked that question of more than a dozen experts from a wide range of specialties at a day-long conference, and—not surprisingly, given the sharp disagreements that exist over health reform—got a wide range of answers.

But on one point there was general consensus: Imposing a tax on health benefits (such as the proposed tax on so-called “Cadillac” health plans) is likely to cause major cuts in health benefits and might result in structural changes in the employment-based benefits system.

Employers “will go ahead and cut benefits if that’s what it takes to avoid an additional tax,” Beth Umland, head of health and benefits research for the Mercer consulting firm, told the EBRI conference, citing a recent Mercer survey. Her comments were widely echoed, including by representatives from organized labor, management, and other groups.

And a common disappointment voiced at the forum was that the initial effort in Congress to reform the *delivery and cost* of health care in America gradually became focused on just *financing and coverage* of health insurance. “Overall, the problem of high cost isn’t being fixed by healthcare reform,” said Bruce Pyenson, principal and consulting actuary with Milliman, Inc., a New York-based consulting firm.

These and other comments were made at EBRI’S biannual policy forum held in Washington, DC, on Dec. 10, 2009, on the topic, “Employers, Workers, and the Future of Employment-Based Health Benefits.” The forum brought together a wide range of economic, benefits, management, and labor experts to share their perspectives at a time when major health reform legislation was being debated in Congress, and their presentations are summarized in the February 2010 *EBRI Issue Brief*, online at www.ebri.org

Among the key points from the forum:

The employment-based health benefits system: Most people who have health insurance coverage in the United States get it through their job: In 2008, about 61 percent of the nonelderly population had employment-based health benefits, 19 percent were covered by public programs, 6 percent had individual coverage, and 17 percent were uninsured.

Differences, agreements: Not surprisingly, given the deep conflicts that exist over President Obama’s health reform plan and the different bills that have passed the House and Senate, benefits experts also do not agree on what “health reform” will mean for either workers or employers. Views ranged from “Will anyone notice?” to predictions of great upheaval for workers and their employers, patients and health care providers, and the entire U.S. health care system.

Recent trends: The ever-rising cost of health insurance affects different employers and workers in different ways—with small employers and low-wage workers being the most disadvantaged. With health premiums having risen almost five times as much as the overall rate of inflation since 2000, employers face unsustainable cost increases in health benefits. For a minimum-wage worker, the cost of family coverage (averaging about \$13,700 a year in a small firm) exceeds their total annual income (about \$11,500 a year). Small employers, if they offer health benefits at all, pay proportionately more than large employers for the same health coverage.

Public opinion: As reflected by the debate in Congress, the American public has conflicted opinions on both the U.S. health care system and on reform: Surveys find that people tend to be satisfied with the quality of their own care but not with costs and access, and a majority rates the system as fair or poor. Opinions divide sharply along partisan lines.

Perspectives: While large employers tend to express continued commitment to health benefits, small employers see themselves strongly disadvantaged by the current system. Consultants report many employers privately want to drop benefits to control costs, but realize there are risks to doing so and none wants to be first. Employers express strong interest in wellness and disease management programs as a way to control costs, even though some experts say there is no evidence these work. Consumer-driven health plans are expected to continue their slow rate of growth.

The complete February *EBRI Issue Brief*, summarizing all the expert presentations, is online at EBRI home page, www.ebri.org

Presenters at the policy form included:

- **Panel on Recent Trends:** Jon Gabel, of the National Opinion Research Center; Beth Umland, head of Mercer’s health and benefits research unit; Paul Fronstin, senior research associate at EBRI; Mathew Greenwald, principal of Matthew Greenwald and Associates; Claudia Deane, associate director of public opinion and survey research at the Kaiser Family Foundation; and Michael Dimock, with Pew Research Center for the People and the Press.
- **Panel on Consultant Views:** Jeff Munn, a benefits consultant with Hewitt Associates; David Guilmette, of the consulting firm Towers Perrin; and Bruce Pyenson, principal and consulting actuary with Milliman, Inc.
- **Panel on Consumer Views:** Rebecca Burkholder, of the National Consumers League, and Kevin Kelleher, a representative for the New Jersey Education Association.
- **Panel on Employer and Insurer Views:** Pam French, director of global benefits and integration for Boeing, Inc.; Alissa Fox, of the BlueCross BlueShield Association; Robert Graboyes, of the National Federation of Independent Businesses; and Jeanne Denz of General Mills, Inc.

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