

The Future of Employment-Based Health Benefits: Have Employers Reached a Tipping Point?

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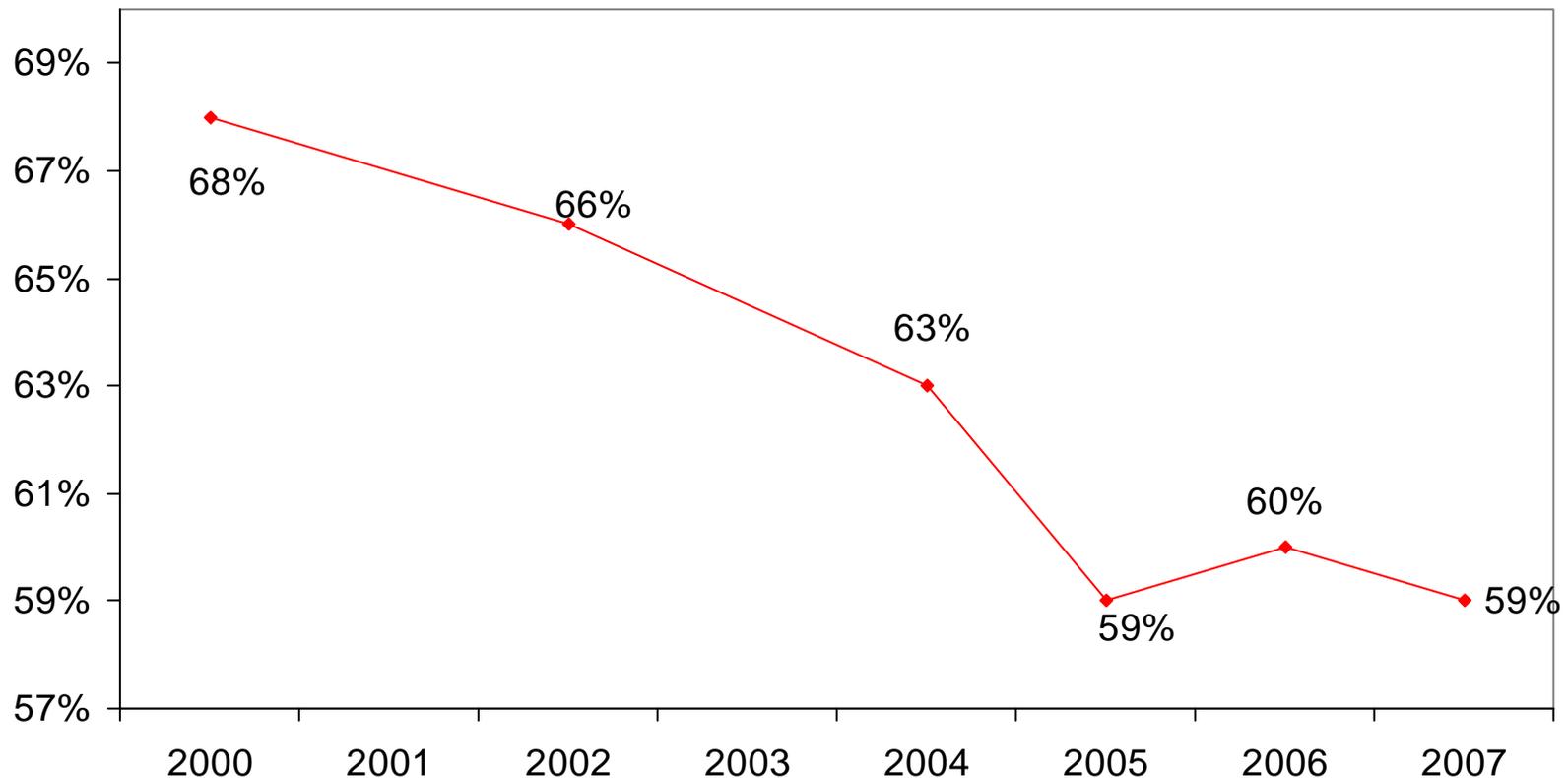
What is a “Tipping Point”?

- Employers dropping coverage → employment-based coverage ceasing to exist.
- Employers changing what the employment-based system looks like.
 - Variations in level of employer involvement.

“Headlines”- Characterizations of the Employment-Based System

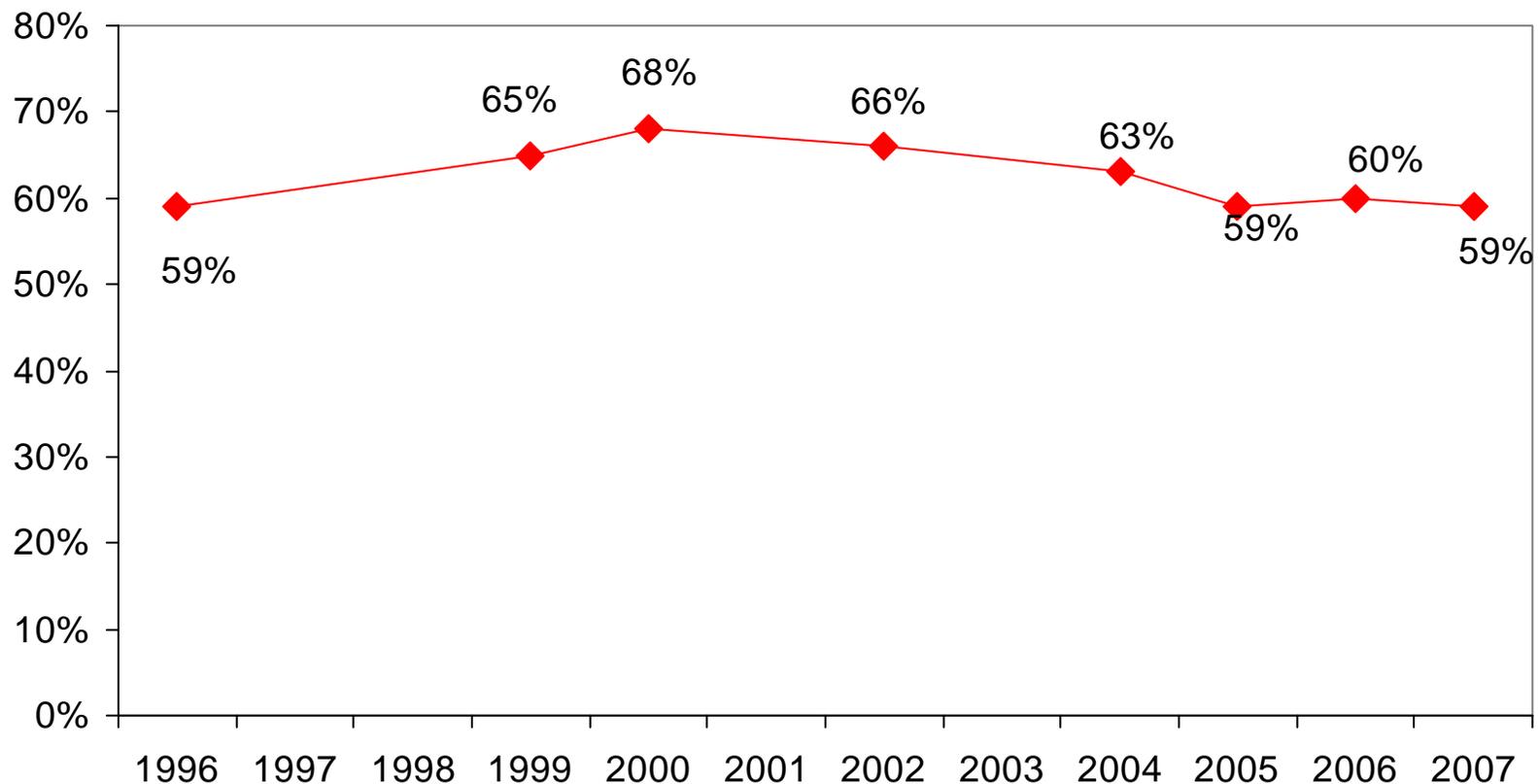
- Vanishing
- Employers are fleeing the system
- Employer-based health care is ending. It is dying in front of our very eyes
- Employer-based health coverage is melting away like a popsicle on the summer sidewalk

Percentage of Employers With 3-199 Employees Offering Health Benefits, 2000-2007



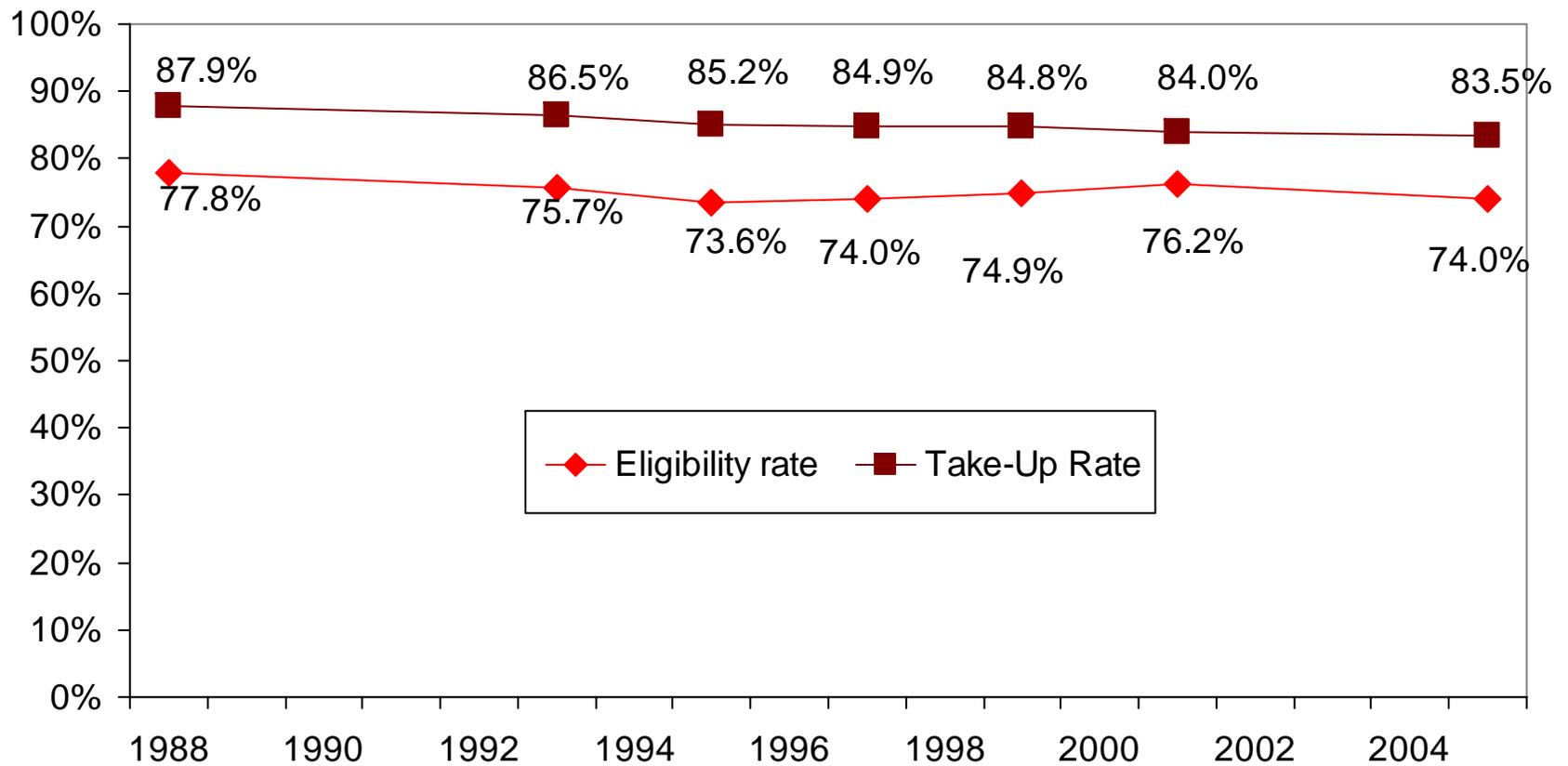
Source: Kaiser Family Foundation.

Percentage of Employers With 3-199 Employees Offering Health Benefits, 1996-2007



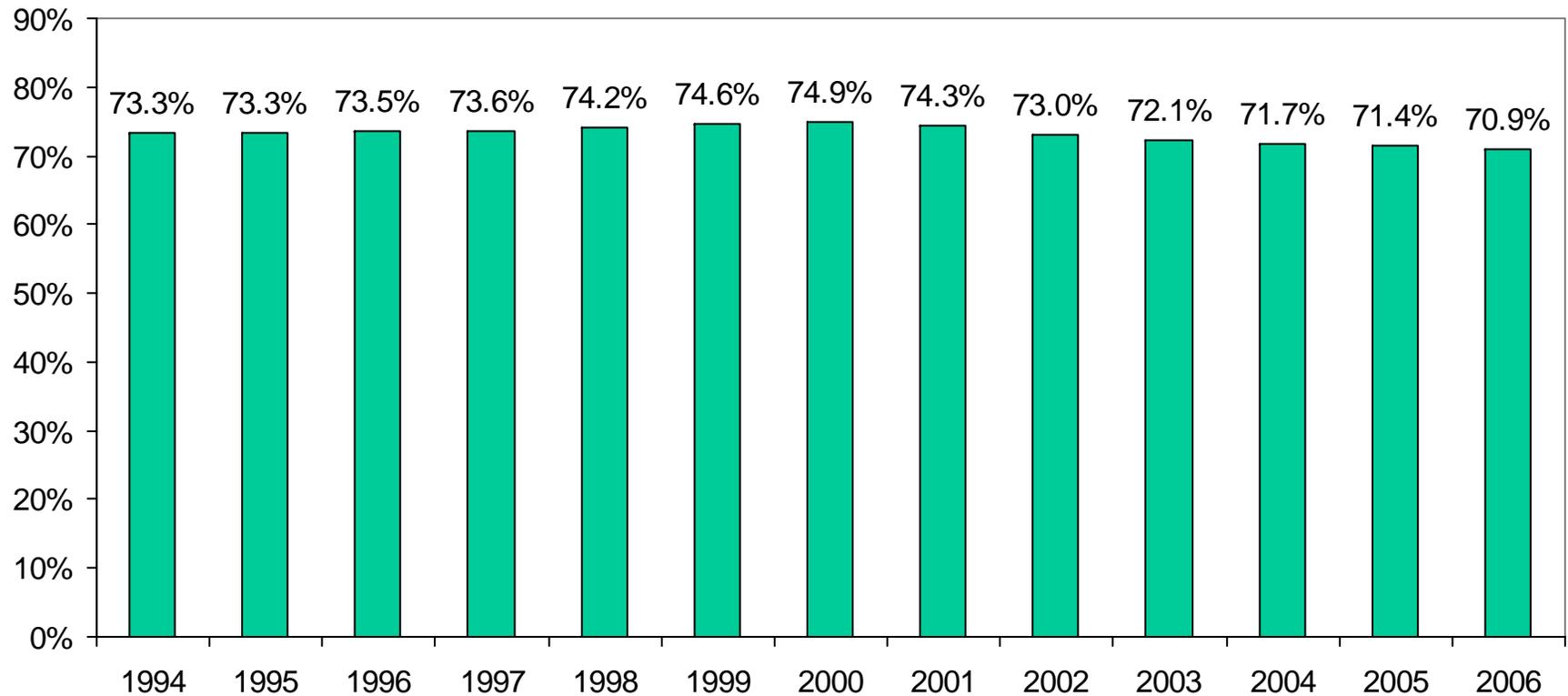
Source: Kaiser Family Foundation.

Worker Eligibility and Take-Up Rates for Own Employer Health Benefits, Wage and Salary Workers Ages 18-64, 1988-2005



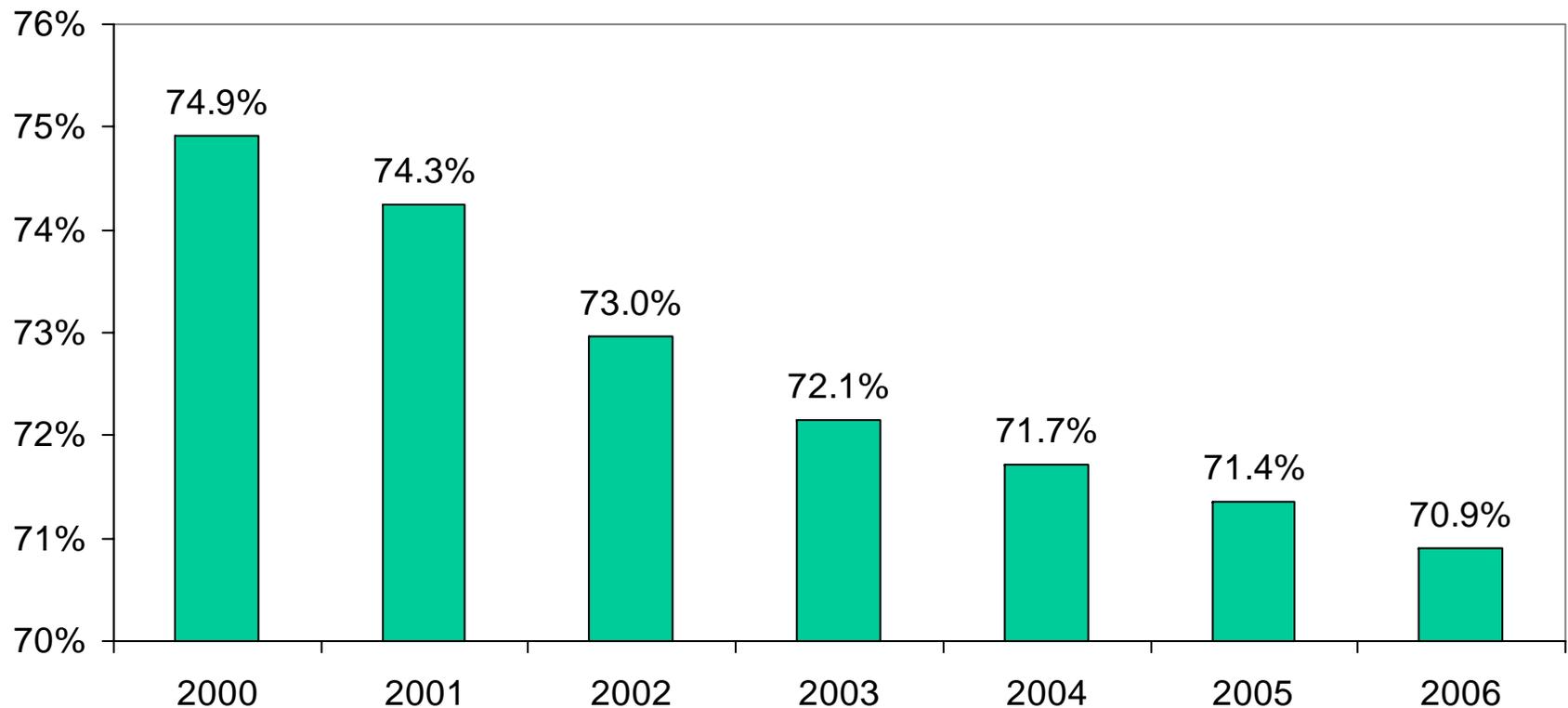
Source: Employee Benefit Research Institute estimates based on data from the Current Population Survey.

Percentage of Workers, Ages 18-64, With Employment-Based Health Benefits, 1994-2006



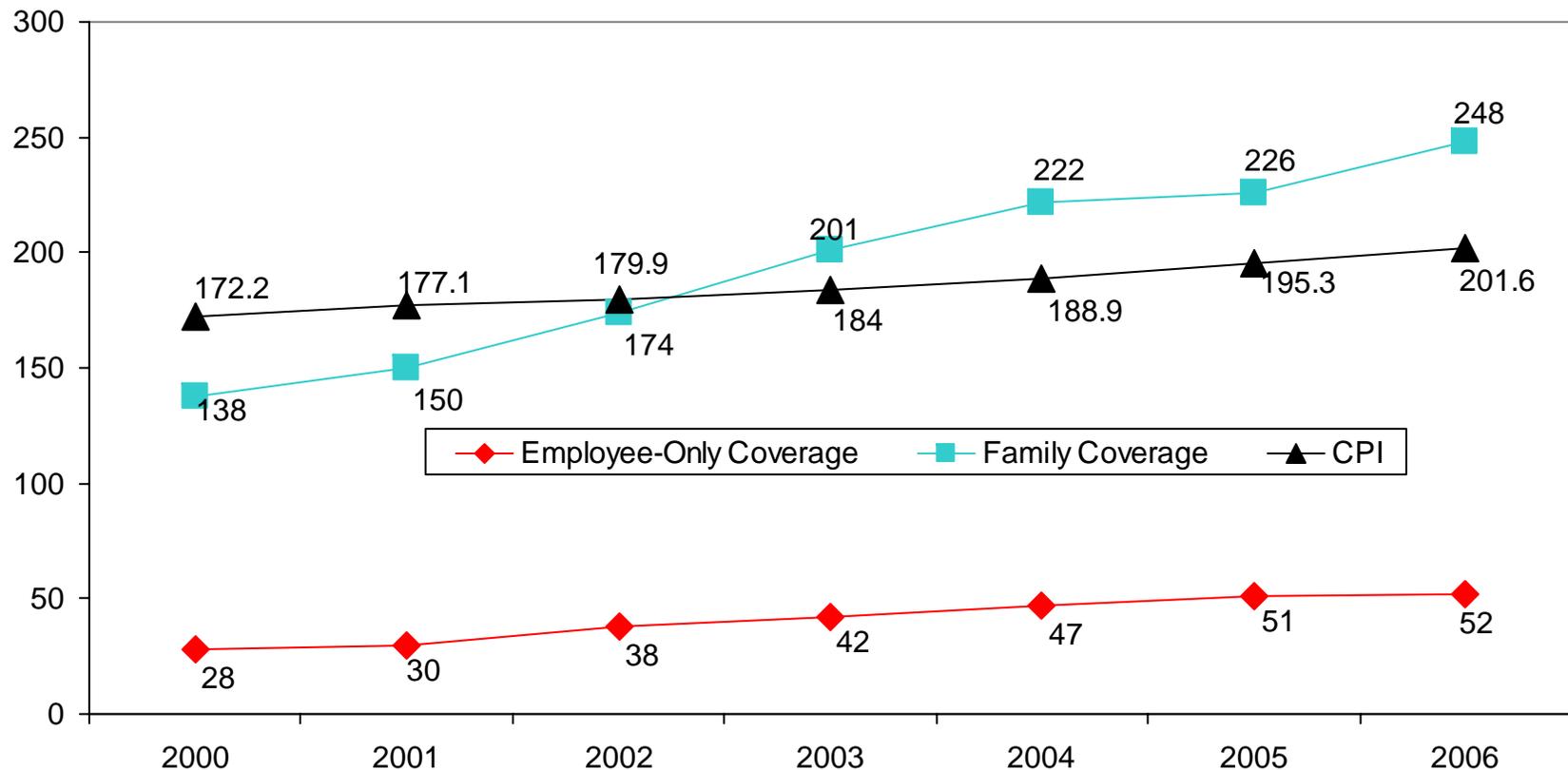
Source: Employee Benefit Research Institute estimates based on data from the Current Population Survey, March Supplement.

Percentage of Workers, Ages 18-64, With Employment-Based Health Benefits, 2000-2006



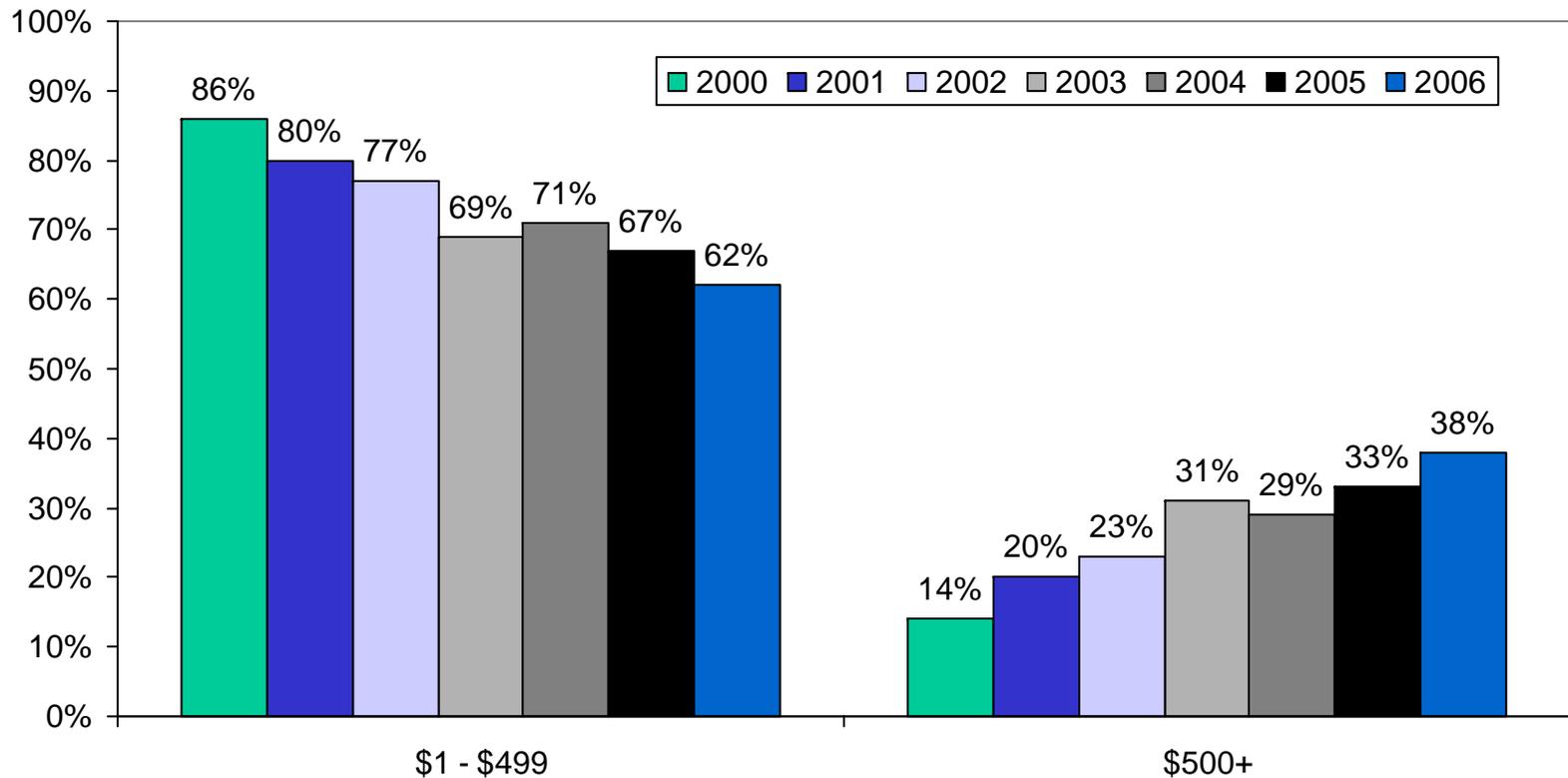
Source: Employee Benefit Research Institute estimates based on data from the Current Population Survey, March Supplement.

Average Monthly Premiums for Employee-Only Coverage and Family Coverage, and CPI, 2000-2006



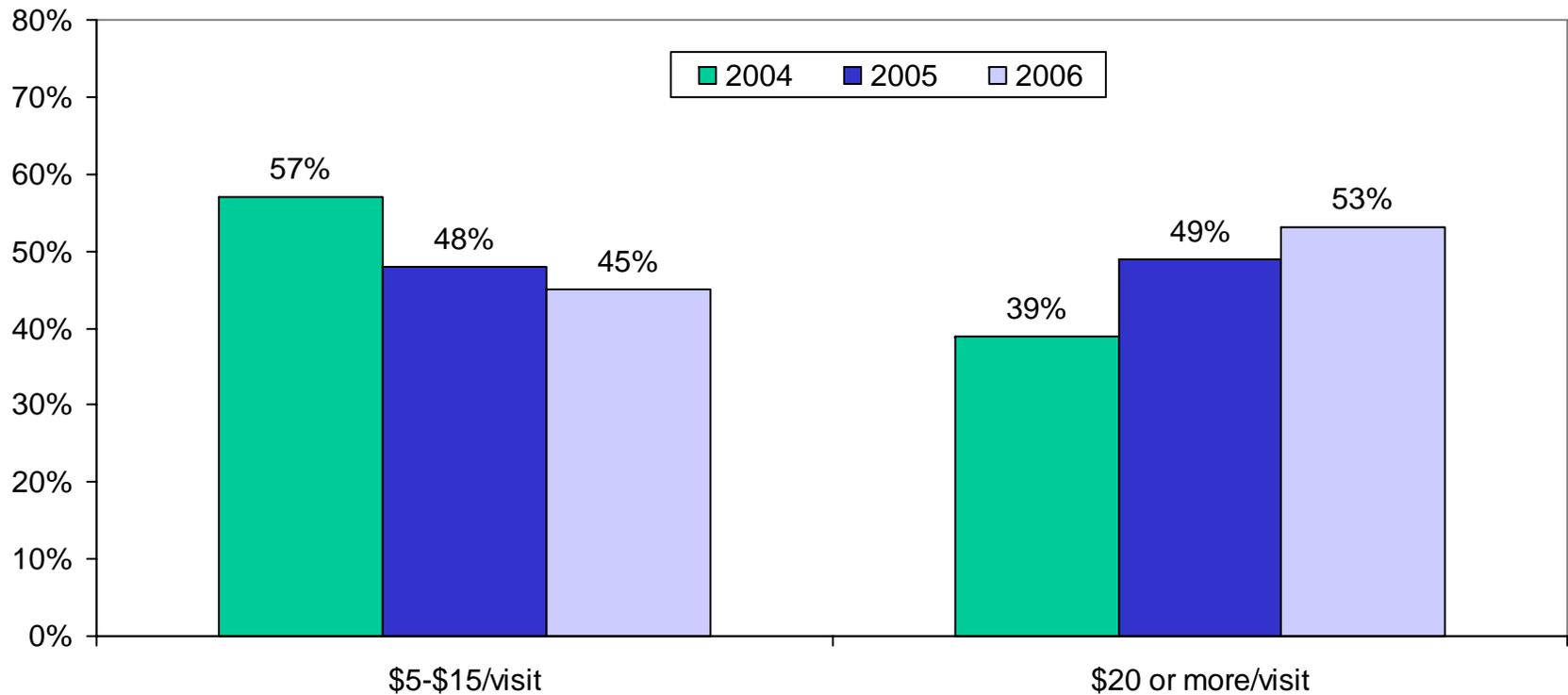
Source: Kaiser Family Foundation and Bureau of Labor Statistics (BLS).

Distribution of Deductibles for Employee-Only PPO Coverage, 2000-2006



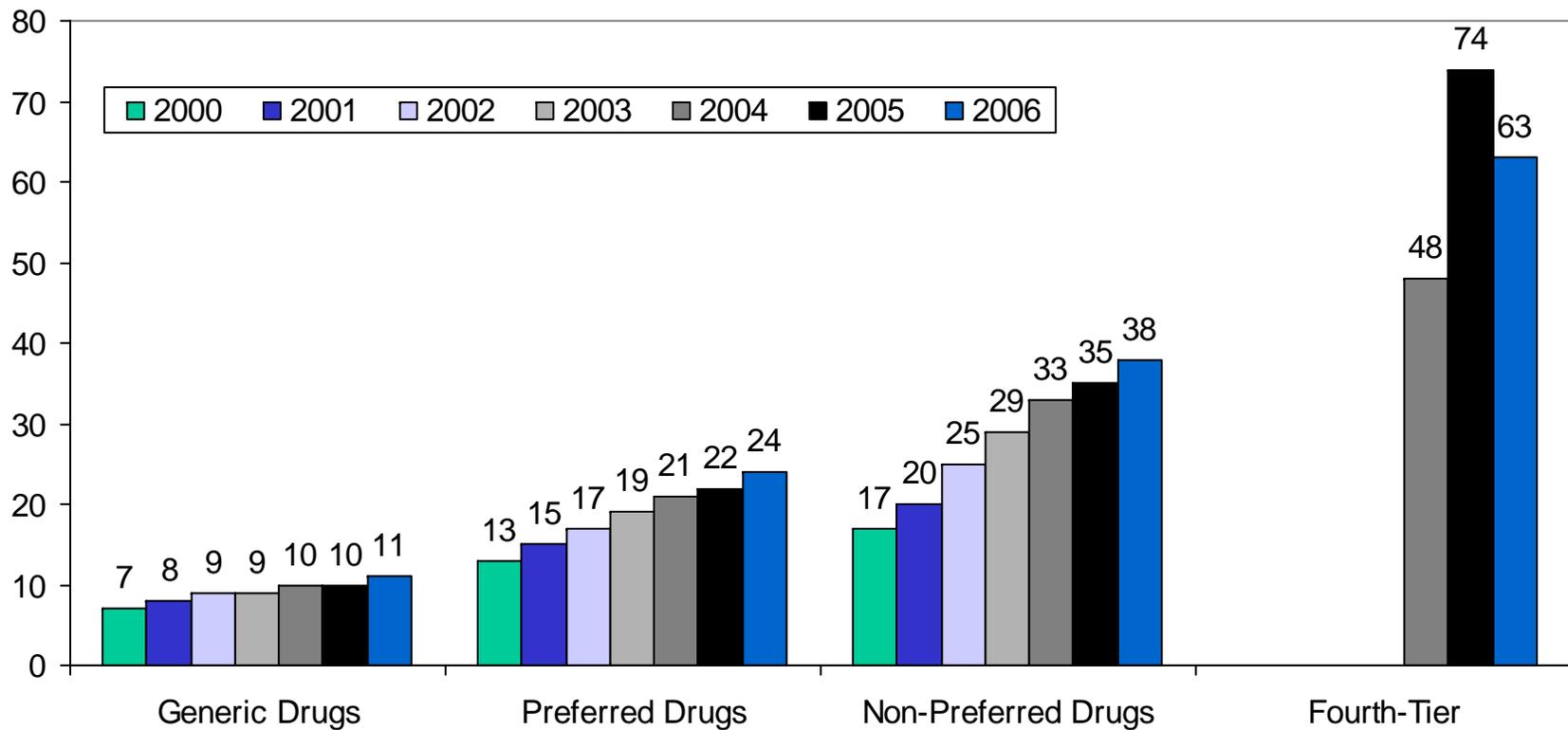
Source: Kaiser Family Foundation.

Distribution of Physician Office Visit Co-Payments, All Plan Types, 2004-2006



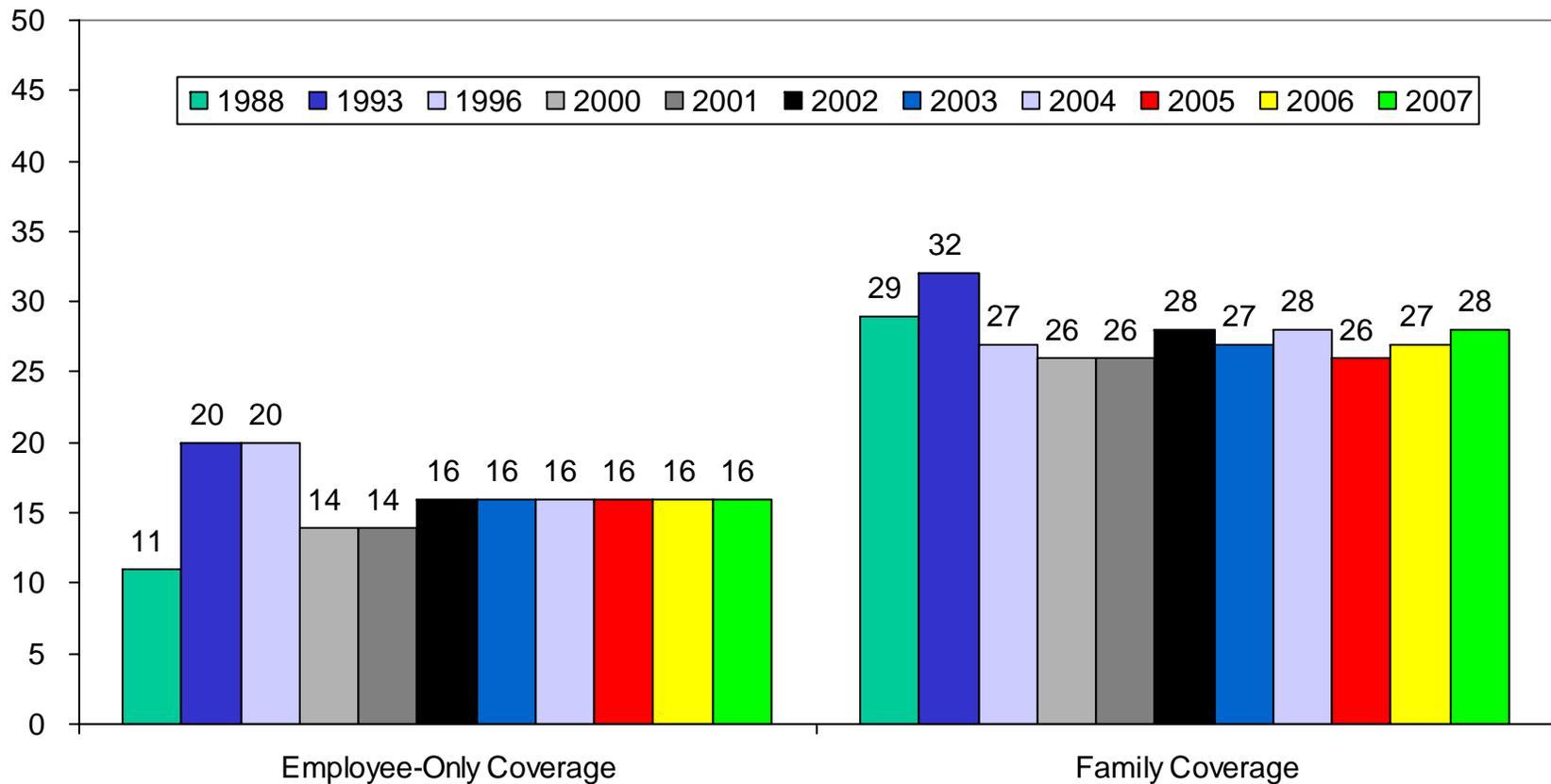
Source: Kaiser Family Foundation.

Average Co-Payment for Prescription Drugs, 2000-2006



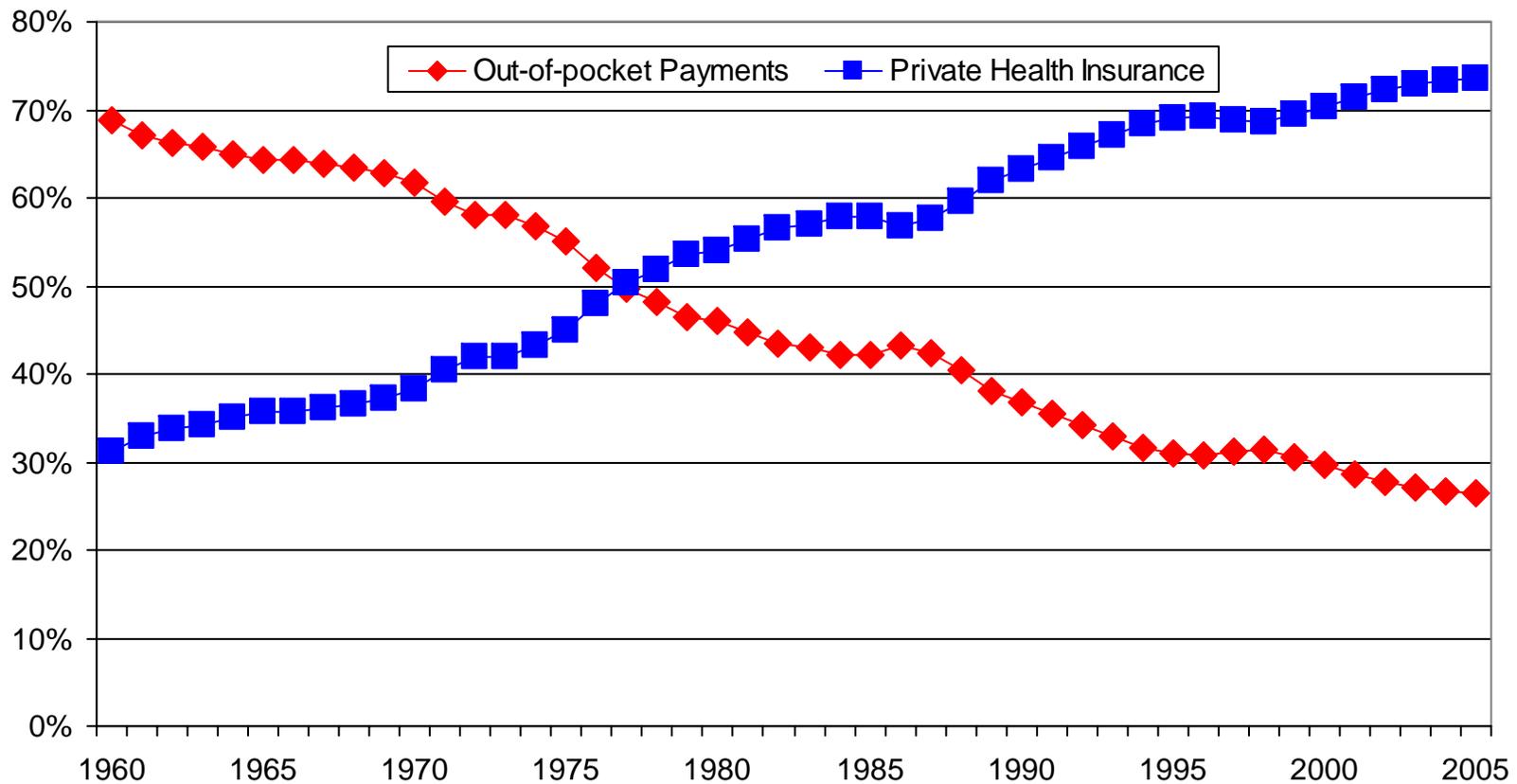
Source: Kaiser Family Foundation.

Average Percentage of Premium Paid by Covered Workers for Employee-Only and Family Coverage, 1999-2007



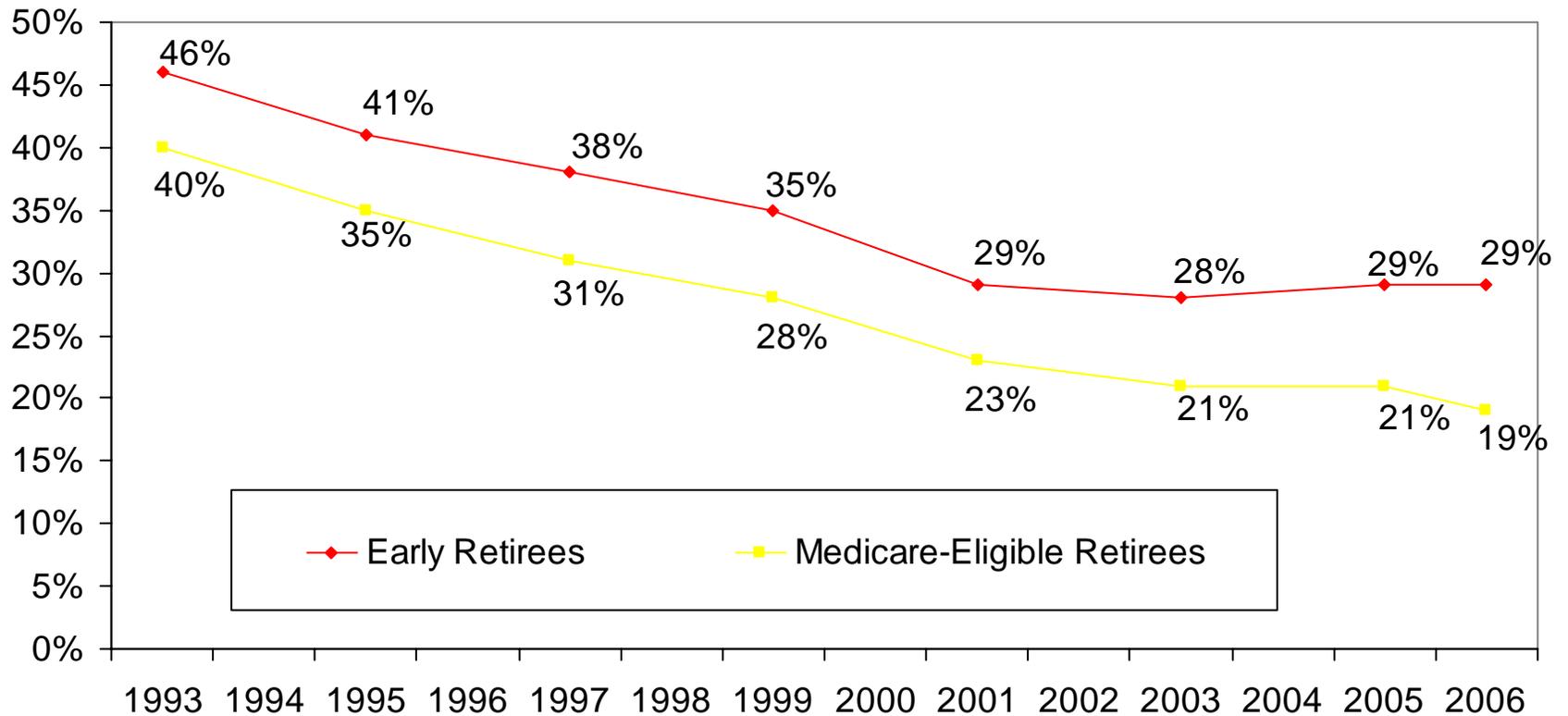
Source: Kaiser Family Foundation.

Percentage of Private Consumer Health Care Expenditures that are Out-of-Pocket and Private Health Insurance Payments, 1960-2005



Source: Centers for Medicare and Medicaid Services.

Percentage of Employers With 500 or More Employees Offering Health Insurance to Retirees, 1993–2006



Source: Mercer Human Resources Consulting.

Trends in Retiree Health Benefits

- Fewer employers offering benefits.
- When offered, retirees paying more.
 - Benefits.
 - Spending caps
 - Defined contribution approaches
 - Access-only plans
 - Health care services.
- More difficult to qualify for benefit
 - Higher age and service requirements.
 - New hires often not eligible.

Headlines Revisited

- Vanishing
- Employers are fleeing the system
- Employer-based health care is ending. It is dying in front of our very eyes
- Employer-based health coverage is melting away like a popsicle on the summer sidewalk

Big Question

- Is current employment-based system sustainable without fundamental reform?
- What changes are needed to shore up/strengthen the employment-based system?
- Is the employment-based system worth saving?
- What is the role of the employer, worker, et al?

Is CDHP the Tipping Point?

- Step away from employment-based coverage?
- Movement towards saving employment-based coverage, but redefining it because rising costs are not sustainable?

Are Employer Coalitions the Tipping Point?

- Leapfrog Group
- Consumer-Purchaser Disclosure Project
- HR Policy Association

- Common theme: increased transparency.
 - Better care experience?
 - Setting up system for less employer involvement?

New Association Positions

- Better Health Care Together
 - AT&T, Center for American Progress, CWA, SEIU, Wal-Mart
- CED
- Divided We Fail
 - AARP, Business Roundtable, NFIB, SEIU (and others)
- ERIC
- HR Policy Association

Employer Interviews

- 10 employers – leaders in field
- Senior HR and Benefits. One CFO.
- All jumbo employers – 14,000 – 200,000+
- 650,000 workers + dependents covered
- Over \$10 billion spent on health care
 - one-half of 1% of private spending
- Viewpoints not necessarily nationally representative, but they are informative, and influential.

Why Coverage is Offered

- Business case
- Competitive labor market – recruitment & retention
- Wellness, prevention, DM have positive effect on worker health & productivity
- Despite view on bottom line – role of employer is *access*

Employers Not on the Verge of Dropping Benefits

- Health coaches for both healthy and unhealthy employees
- Educational campaigns
- Increased emphasis on preventive care and enhanced wellness programs
- Increased innovation in disease management programs
- Elimination of employee and family premiums when choosing a high performing health plan
- Elimination of cost sharing when choosing in-network health care providers
- No-cost on-site health screenings
- Quarterly scorecards of health plans
- RFPs from health plans every 2 or 3 years

Employers Not on the Verge of Dropping Benefits

- None would be the first to drop coverage
 - “Insane”
 - “Would be last”
- Would drop coverage if...
 - elimination of the employer tax deduction
 - movement to universal system
 - erosion and/or elimination of ERISA preemption
 - Other employers dropped coverage
 - Think talk of dropping coverage by other employers is an empty threat

Next Generation of Benefits

- Greater focus on shared responsibility and accountability
- Individuals need to become more engaged, and should make informed decisions
- Employers starting to facilitate next generation
 - Could be seen as step away from employment-based system

Thank you EBRI

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