



88TH PUBLIC POLICY FORUM
DECEMBER 10, 2020

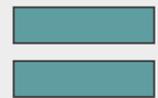
THE STAND: EMPLOYER APPROACHES TO HEALTH BENEFITS POST-COVID-19

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POLICY



A POLICY FORUM LIKE NO OTHER

POLICY + RESEARCH = A POLICY FORUM LIKE NO OTHER

- Monday, December 7 — **Election Results: What They Mean for Employers and the Benefits Landscape**
- Tuesday, December 8 — **The Full Picture: Retirement, Financial Wellness, and Health Benefit Considerations of Minorities in the U.S.**
- Thursday, December 10 — **The Stand: Employer Approaches to Health Benefits Post-COVID-19**

THANK YOU POLICY FORUM DEVELOPMENT TASK FORCE!

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Chris Byrd, Wex Health

Jeanne de Cervens

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Price

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Kris Haltmeyer, Blue Cross
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THE STAND: EMPLOYER APPROACHES TO HEALTH BENEFITS POST-COVID-19



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and Employment
Policy, HRPA Chief
Economist, HRPA



Moderated by: Chris
Byrd, Executive VP,
Operations, WEX
Health

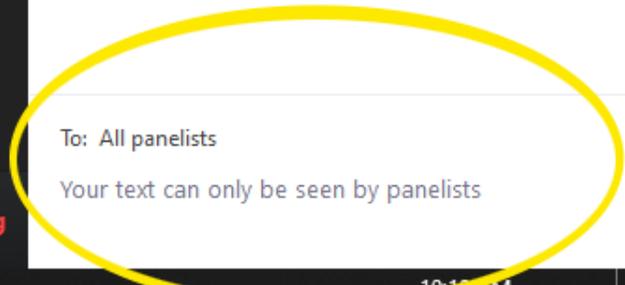
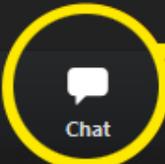
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John Doe

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Type question(s) here



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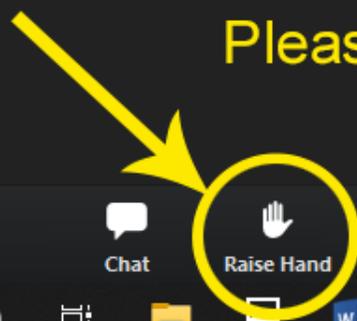
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To: All panelists
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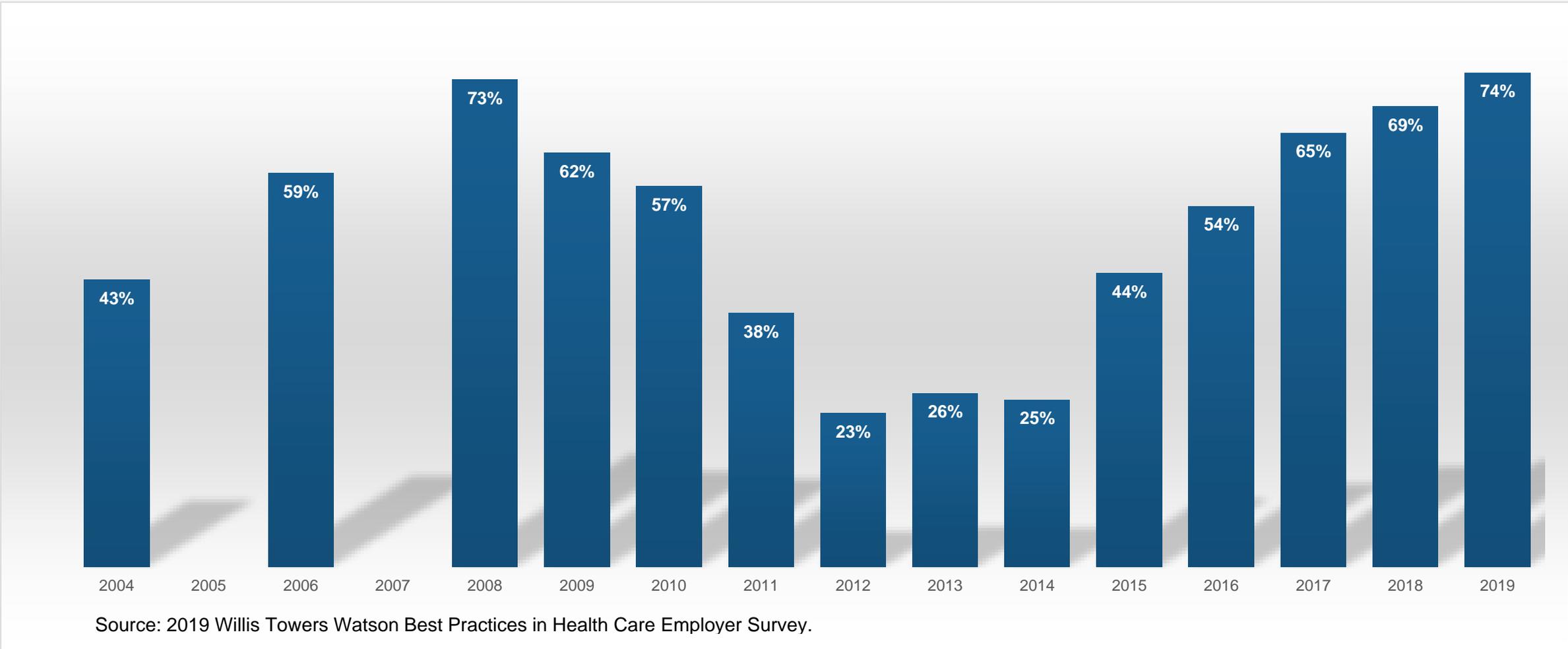
Future of Health Benefits in the Workplace: Riding the Corona Rollercoaster

Paul Fronstin, Ph.D.

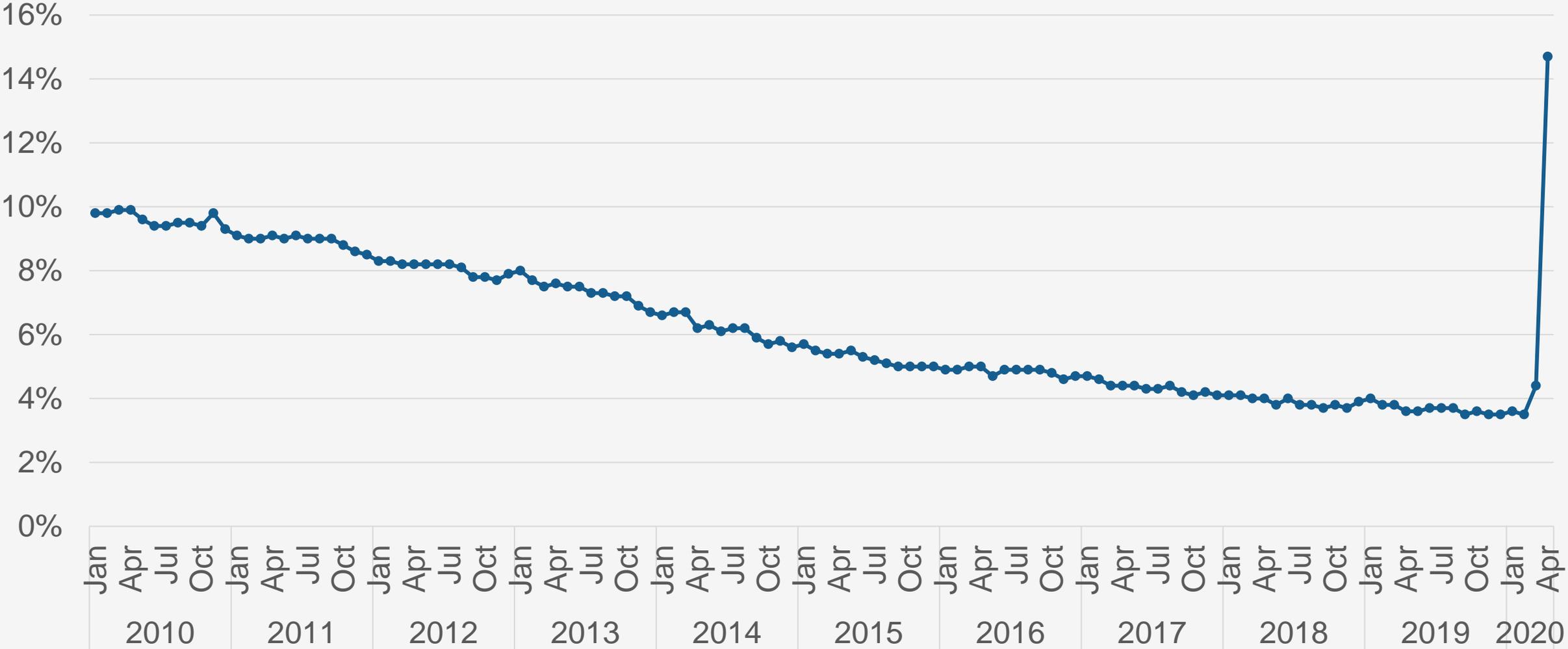
Employee Benefit Research Institute

December 10, 2020

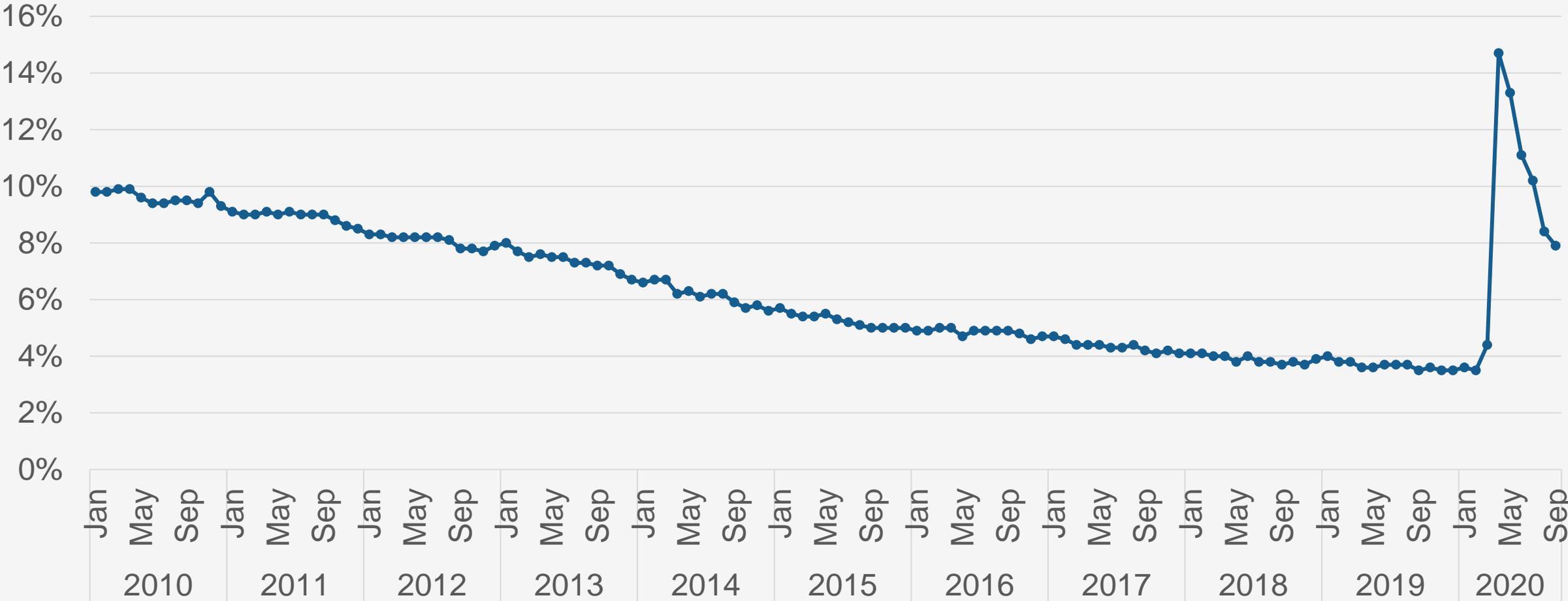
Declining Confidence Among Employers That They Will Be Offering Health Care Benefits a Decade From Now; Where Does it Go From Here?



Unemployment Rate, 2010- April 2020



Unemployment Rate, 2010 - September 2020



Do Employers Need to Offer Health Benefits Anymore?

- 1st time in history that a recession was paired with insurance market reforms
 - Guaranteed issue – workers can get coverage from exchange, no denials for pre-existing conditions
 - Premium subsidies < 400% FPL
 - Cost sharing subsidies <250% FPL
 - Limited premium differences between old & young
 - More choice of health plan than what workers are used to from employer
- 1st time in history that pre-tax income (via HRA) could be used to purchase coverage in non-group market during a recession combined with insurance market reforms
 - Does Biden Administration reverse HRA rule?
- Will employers drop coverage?

Predicting the Most Important Trends in the Next Few Years

“It's tough to make predictions, especially about the future.”

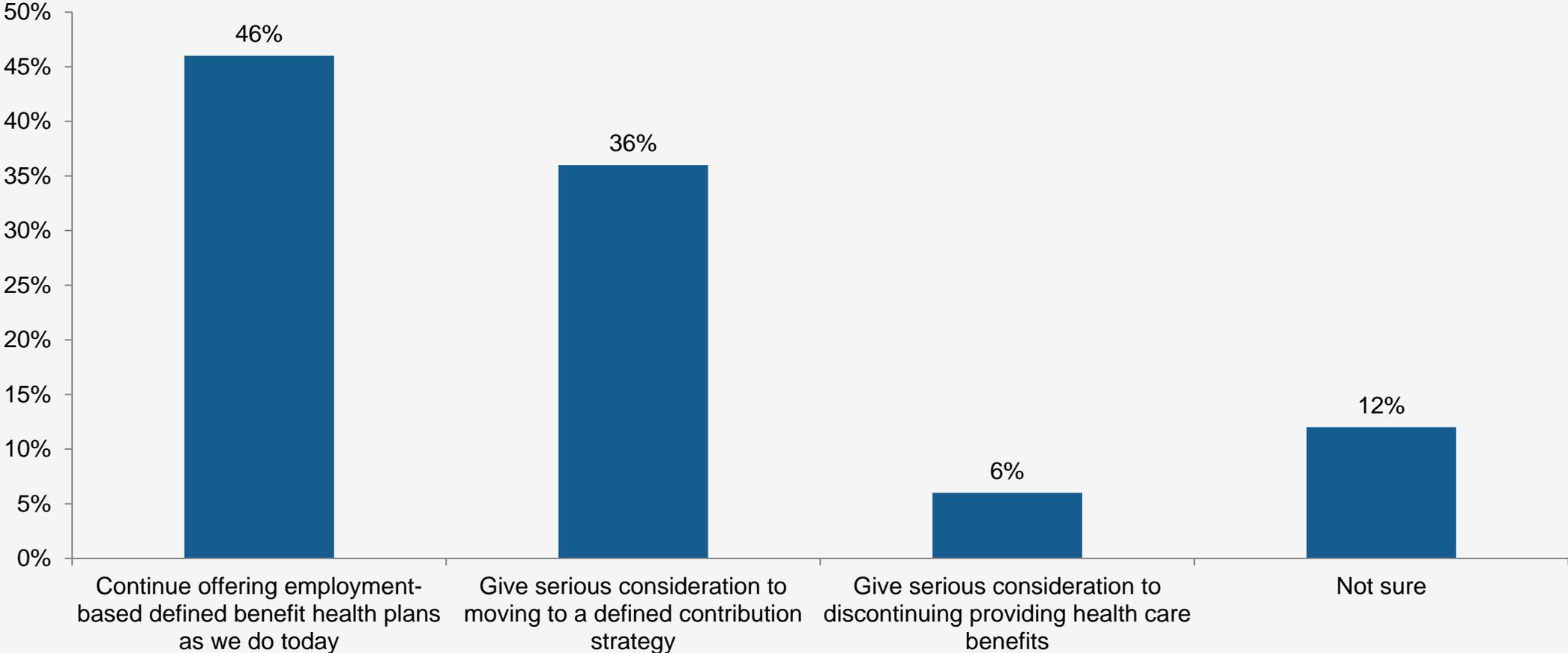
Yogi Berra

“It is very easy to predict future trends in employment-based health benefits.

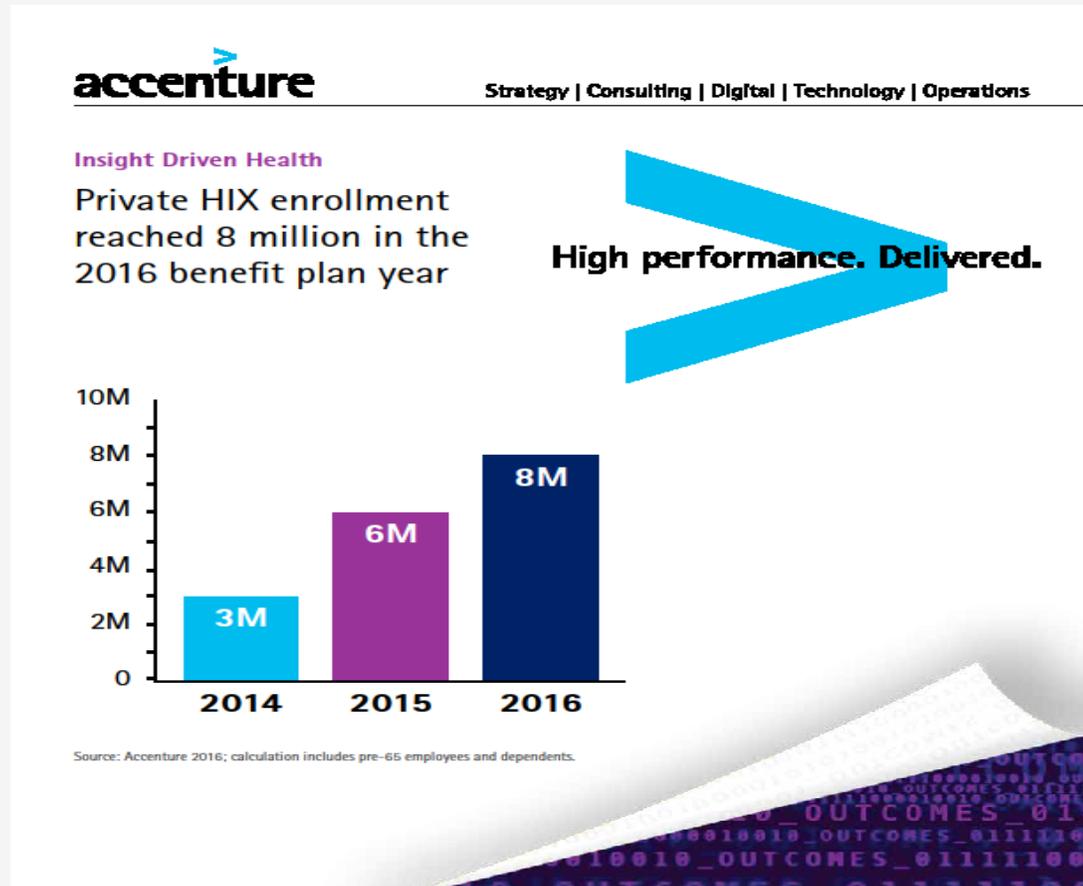
It is very hard to be correct with your predictions.”

Paul Fronstin

Statement That Best Categorizes Company Strategy Relating to Health Benefits For Active Employees Over the Next 10 Years, 2011 Survey



Private Health Insurance Exchanges Was More Hype Than Reality



The Power of Choice: The Game-Changing Combination of Private Exchanges and Health Savings Accounts

A quiet revolution is under way that could change the face of health care in America

Presented in conjunction with:



May 20, 2014

EBRI Study

- To better understand plan sponsor points of view about the future of employment-based health benefits
- Interviewing benefit directors, VPs of HR, and others who represent employer community
- Cross section that represents employers across different industries
- Focused on mid-sized to large employers as they are often trend setters
- Limitations:
 - Not a representative sample.
 - May not represent the views of employers who don't engage with others.
 - All interviews were conducted pre-election.
 - All interviews were conducted prior to Pfizer and Moderna vaccine announcements.

Highlights of What We Learned

- No discussion of cutting or dropping health benefits since mid-March. Otherwise, furloughs, salary decreases, cuts to 401k matches, gym memberships, all on table. Health care is too emotionally charged to be on the table.
- Even with high unemployment, health benefits is still viewed as a recruitment and retention tool
- Would consider dropping coverage if others dropped (no one willing to be first)
- Management generally accepts 5% yearly increase in premiums without any pushback
- No interest in ICHRAs
- Those with low take-up (ie restaurants) would pay more if they dropped coverage because of \$2,000 shared responsibility provision in ACA
- Concerned about extended COBRA eligibility period

Highlights of What We Learned

- Might be opportunities for provider payment reform, prescription pricing, and other purchasing strategies
- Rethinking telemedicine (TM) strategy – traditional third-party TM vendors continue to provide value
- No urgency to reevaluate benefit design
- Considering dropping HDHP; those not offering HDHP have no plans to do so
- Considering dropping very costly specialty medications
- No consensus opinion about role of employers/individuals/govt – but there is openness to reform
- General skepticism of Medicare for All, but some openness to Medicare Buy-in.
- Employers still in crisis management mode – not yet thinking about the long-term

Why the Lack of Urgency?

- Cost trend is down
- Nobody wants to be first
- This recession is different
- A health crisis is not the time to do anything radical
- Public program skepticism

Telemedicine – COVID is the Accelerator of Change

- Trend towards telemedicine occurring pre-pandemic
- Pandemic may have validated telemedicine
- Pre-pandemic: “traditional” telemedicine = seeing health care providers that patients did not have a prior relationship with
- Post-pandemic: telemedicine = seeing health care providers who you have seen before, who know you as a person and a patient
- What does this mean for the future of telemedicine?
- 3rd party telemedicine vendors will continue to offer a cost advantage
- Will providers compete on price?

EBRI EMPLOYEE BENEFIT
RESEARCH INSTITUTE

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Employer Approaches to Health Benefits Post-COVID-19

EBRI Policy Forum

December 10, 2020



**BlueCross
BlueShield**
Association

Blue Cross Blue Shield Association is an association of independent Blue Cross and Blue Shield companies.

Agenda

- Impact of COVID-19 on Enrollment
- Small Employer Trends
- What to Expect Looking Forward

Employer-Sponsored Coverage | What We've Seen So Far

- Employer-sponsored coverage has been surprisingly resilient through the pandemic
- We estimate the total drop in Employer-Sponsored Coverage (ESI) at a little over 3 million from March to September of this year
- While there has been substantial unemployment recovery since the height of the pandemic, the continuing surge in COVID cases may stall recovery in the fourth quarter
- Assistance to keep people covered to avoid disruption in benefits and care from the pandemic remains critical

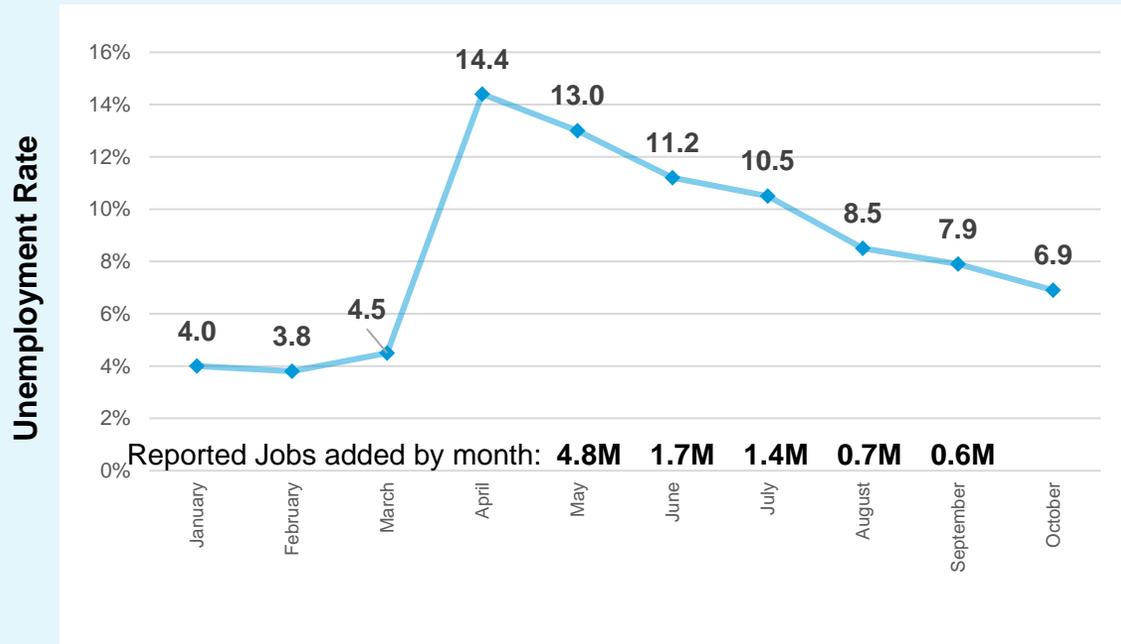
Estimated ESI Enrollment for 2020 (1,000s)

	March	June	Sept
Covered Lives	158,900	157,300	155,800
Cumm. Change		-1,600	-3,100
		-1.0%	-2.0%

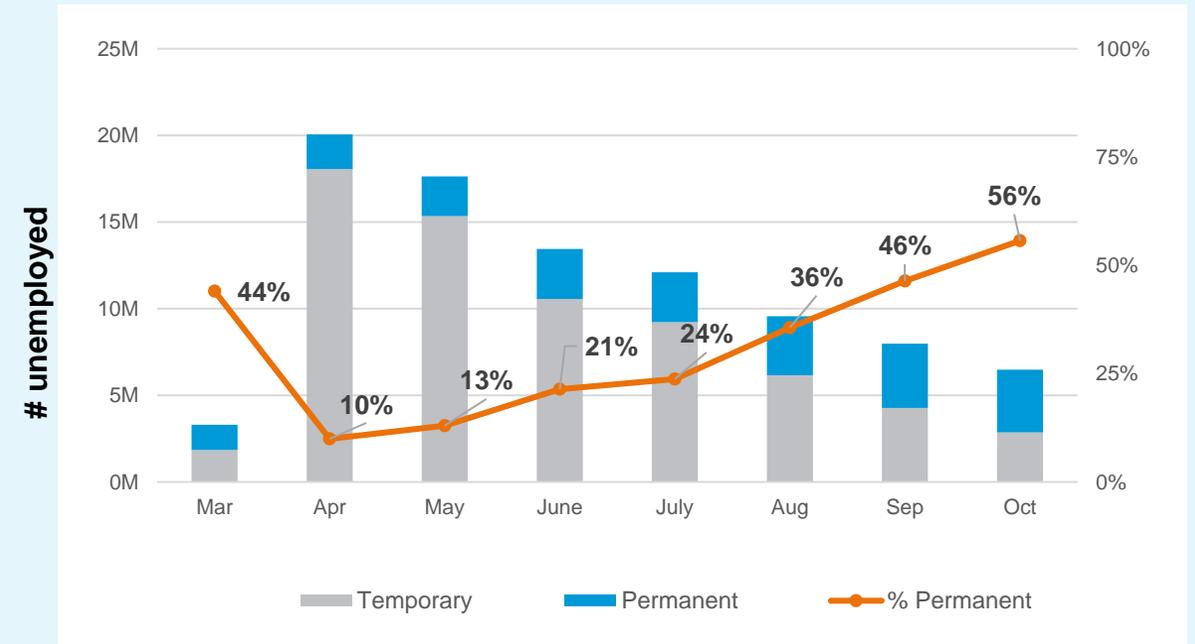
Data note: We combined Blue Plan enrollment data with publically available enrollment data from the quarterly financial reports and press releases for select commercial carriers. These data combined represented approximately 140 million covered lives. We extrapolated the results to the entire market using 2019 as the baseline.

Why Such a Small Decrease in ESI? The majority of unemployment filed in early months of the pandemic was temporary

2020 Unemployment Rate Over Time, US¹



2020 US Unemployment: Temporary vs. Permanent²



(1) Source: BLS, state unemployment figures through October. Note: August unemployment rates reflect ¼ M temporary census workers

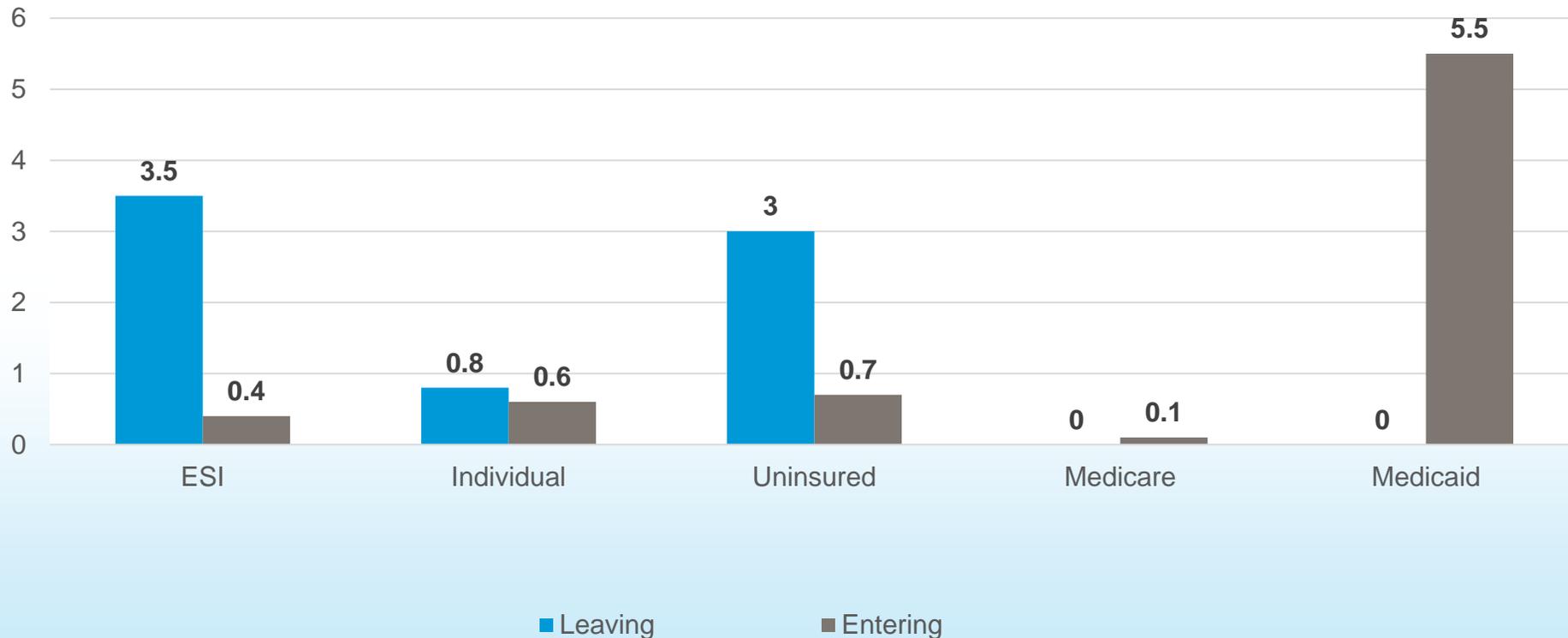
(2) Source: BLS, percentages shown reflect the % of layoffs that is considered permanent

Other factors...

- Employers and health plans have made extraordinary efforts to keep people covered
 - **Employers:** Furloughing workers instead of laying them off & maintaining benefits
 - **Health Plans:** premium holidays, payment flexibility, direct financial commitments to support members and communities
 - The Blues have collectively committed **more than \$7 billion** to date on COVID relief
- Job losses were in industries with lower levels of employer-provided coverage
 - Emphasizes need to improve programs for those without employer-provided benefits
- Congressional COVID legislation provided critical support for employers and families

Anticipated shifts in coverage through 3Q 2020

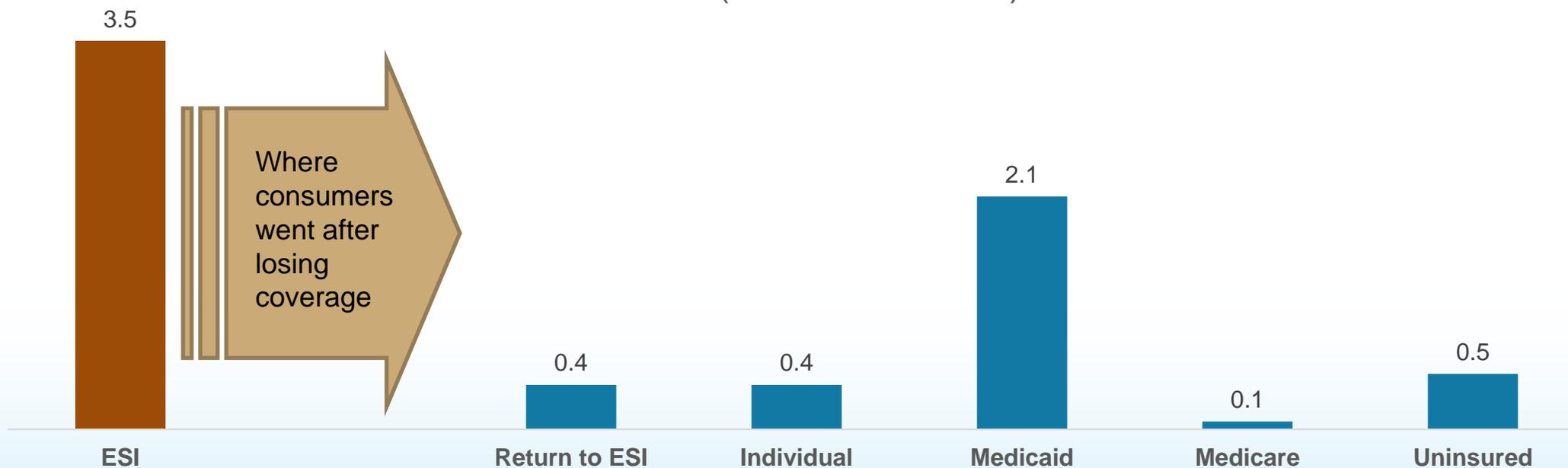
Enrollment Shifts in Millions



Our modeling estimates that over 7.3 million Americans changed their source of coverage from March through October

Anticipate that over 3.5 million consumer lost their employer-sponsored insurance (ESI) during the pandemic

Enrollment Shifts in Millions
(March – October)

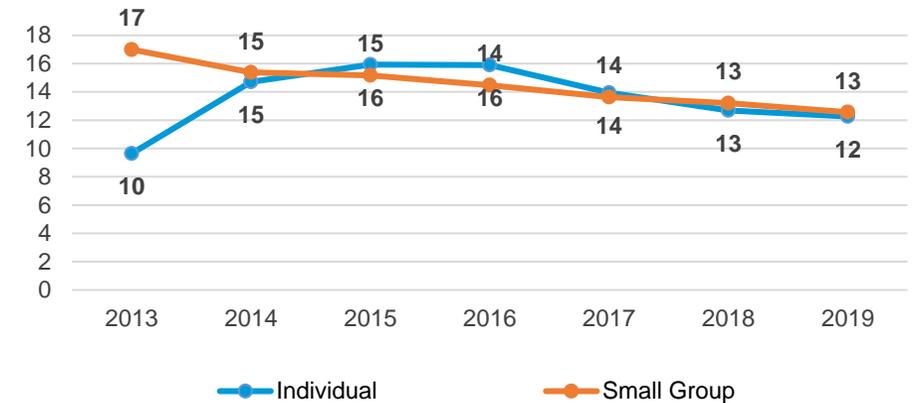


Sources: BCBSA Analysis; NAIC filings (1Q 2020 & 3Q 2020); CMS Monthly Medicaid & CHIP Report (March & July 2020)

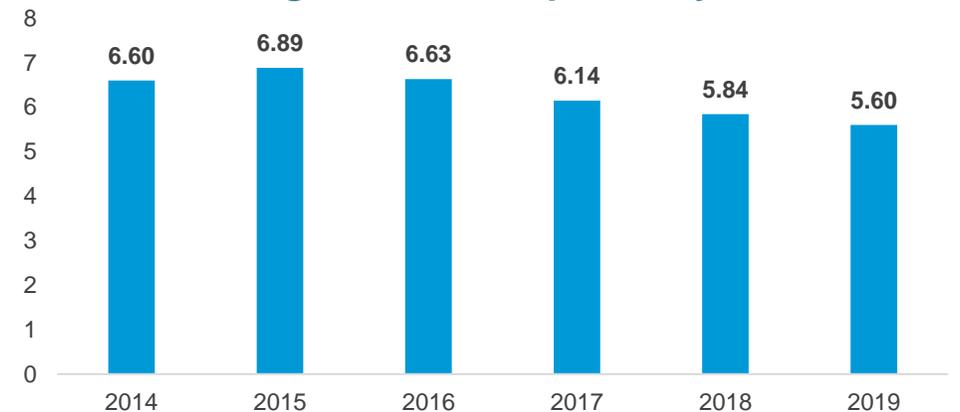
Small Group Trends

- The Small Group Insured market has declined since 2013, despite a strong economy through 2019
- By comparison, the Individual market initially experienced growth due to the ACA, but has experienced enrollment declines starting in 2016 as prices adjusted to cover risk
- At the same time, the average group size declined, indicating that larger small groups have moved to self-insuring
- The likely explanation is growth in self-funded products (e.g., level-funded stop loss), not AHPs or HRAs
- This market is likely to see further decline from the financial impact of COVID; but it is unclear how the recovery occurs or whether this will be a catalyst to change benefits

Average Covered Lives (Millions)



Average Small Group Size by Year



What To Expect Looking Forward

- Continued commitment by employers and plans to keeping people covered
- Increased focus on virtual care and mental health
- Issues around return-to-work and vaccinations will remain a major focus in the near term
- Increasing need to view benefit programs through a national lens due to the shift to remote work
- Increased focus on diversity and health equity
- Some slowdown in the implementation of strategic initiatives in 2021
- Uncertainty regarding potential changes in regulations under Biden Administration (in addition to complying with all of the recent regulatory changes)

Employer Approaches to Health Benefits Post-COVID-19

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40 years
MBGH

Midwest Business Group on Health

The Source for Leading Health Benefits Professionals

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December 10, 2020

Employer Perspective



Employers Want to Pay for Innovation; Much of the Current Model is Not Working

- *We are the real payers – not the carriers or PBMs – we must start leveraging the power we have.*
- *Employers must drive innovation, or it will be driven for us.*
- *We need to stop spending money on low value care; this will preserve resources to pay for high value care.*
- *We need transparency about the real costs and vendors to remove all waste.*

Why Being Fiduciary Matters



- As plan sponsor and fiduciary, it is the employer's **duty** to know how health care premiums are being used to fund care for their beneficiaries
- According to the DOL plan sponsor's must:
 - Act solely in the interest of plan participants/beneficiaries with the exclusive purpose of providing benefits to them
 - Carry out duties prudently, follow plan documents, hold plan assets in trust
 - **Pay only reasonable plan expenses**

Employer & Stakeholder Interests Must be Aligned



Change will occur when **employers use their collective voice** to:

- Serve as catalysts for change in the way care is delivered and paid for
- Break down barriers preventing people from receiving high quality, cost-effective care
- Demand evidenced-based care, price transparency and accountability of providers, plans, PBMs and suppliers
- Eliminate waste, unnecessary and inappropriate care and misaligned incentives

Employer Member Survey – 2021

Top Threats to Affordability of Employer Provided Health Care



1. High-cost claims
2. Specialty drug spend
3. Specific diseases and conditions
4. Pipeline for high-cost gene therapies
5. Lack of transparency

Employer Member Survey – 2021

*Highest Priorities**



1. COVID-19 related initiatives
2. Engagement in programs and use of benefits
3. Chronic condition management
4. Health benefits communications
5. Use of preventive services (tie with) Culture of Health

**That employers can control*

Employer Member Survey – 2021

Payment Reform Strategies Currently Being Utilized



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The Source for Leading Health Benefits Professionals

1. Specialty drug management
2. Centers of excellence/Episodes of Care
3. Reducing waste, inappropriate & low-value care
4. Steering within networks

Employer Member Survey – 2021

COVID-19 Activities – Prevention & Screening



- 80% will provide education about the COVID-19 vaccine
- 78% will cover the vaccine; remainder don't know at this time
- 73% will wait for final recommendations from CDC before promoting the vaccine
- 70% indicate it is very important to educate employees on preventive health/screening services, especially for those who may have missed screenings
- 76% will consider additional education to members on screenings and vaccinations

Employer Perspective



- *Employers must drive innovation, or it will be driven for us.*
- *We must walk the walk! Who is willing to play ball and walk the walk with us?*

Thank You!



Cheryl Larson

President & CEO

Midwest Business Group on Health

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National Employer Initiative on Specialty Drugs

www.specialtyrxtoolkit.org

Short-term Future

- Bifurcated or trifurcated ESI system
- Health benefits still important talent strategy for large employers
 - But affordability is a concern (employee premiums and out-of-pocket costs)
- Cost trends manageable, but concerns remain
 - Managing high-cost claims, controlling specialty drug costs
- Promoting and providing greater access to behavioral health services
 - Broadening well-being strategy (financial)
- Promoting telehealth use, but there are price concerns
- Promoting value-based care
- Addressing health care inequality

Longer-term Future

- Other benefit mandate concerns
 - Medicare payroll tax increase, paid leave, minimum wage
- Generally negative view of ACA exchange plans
- ICHRA's – little interest now, likely CFO driven in the future
 - Uncertainty over permanency of the rules
- Openness to reform if there is a more affordable way to provide quality coverage
 - Little interest in Medicare for All
 - Some openness to public option and Medicare Buy-in
- Greater openness to improving ACA affordability to ward off other reforms
 - But concerns about higher taxes on employers

Q&A



UPCOMING EBRI PROGRAMS

Findings From the EBRI/Greenwald Research Workplace Wellness Study –
January 14, 2021

Retirement Spending Profiles: Findings from the Health and Retirement Study
Webinar – January 27, 2021

May Policy Forum – May 13, 2021

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