Health Reform 2017: “First, Do No Harm”

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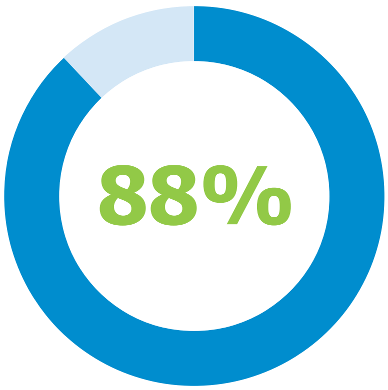
As Congress continues the complex work of amending or repealing and replacing the Affordable Care Act, it must first take care to *do no harm to what works*. Employer-sponsored group health insurance *works*. Tens of millions of employees like their employer-sponsored group health insurance and want to keep it.

EMPLOYER-SPONSORED HEALTH INSURANCE WORKS

Employer-based group insurance covers more than half of all Americans. They like their insurance and want to keep it.

- 177 million people in the US have health insurance through an employer plan.[1]
- Eighty-eight percent of workers say they’re “satisfied” to “extremely satisfied” with their employer-sponsored insurance.[2]



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LOCKTON®

Employers subsidize the substantial majority of group health insurance costs, so employees and taxpayers don't have to.

- Employers contribute, on average, $5,306 toward the premium cost for each employee enrolled in single coverage and $12,865 for those enrolled in family coverage. This represents 82.5% and 70.9%, respectively, of the total premium cost.[3]
- Of individuals receiving group coverage today, 43% would qualify for Medicaid or advance premium tax credits (subsidies) under the ACA.[4] Changes in the tax laws that would discourage *employers* from providing health insurance to their employees would shift to employees and taxpayers the burden of subsidizing their health insurance.
- Few employees can afford to pay what their employers contribute, meaning millions of Americans would be forced to purchase coverage with higher deductibles, fewer benefits and narrower provider networks. Assumptions that employers would indefinitely pay employees additional cash compensation, equivalent to what would have been the employer's subsidy toward group health insurance, are naïve.

Employers are more effective than insurers—and far better than the individual market—at promoting employee health and controlling healthcare costs.

- Employers have a vested interest in controlling employees' healthcare costs, and do a better job at it. During the five years ending June 2016, the cost of covered claims under large group health plans increased 15% compared to a whopping 76% in the individual market.[5]
- Employers are the nation's leading wellness advocates. Eighty-three percent of employers with group health plans offer wellness programs to enhance employee health and control healthcare costs,[6] frequently offering premium discounts and other benefits to employees and families who embrace healthier lifestyles.

Employers understand the unique insurance needs of their workforces and ensure adequate hospital and doctor networks.

- Employers negotiate lower rates with insurers and healthcare providers, ensuring the best value for their and their employees' healthcare dollars. Consumers in the individual market have no such leverage.
- Employers assist employees in navigating the healthcare and insurance systems to find the most effective care at an appropriate cost.

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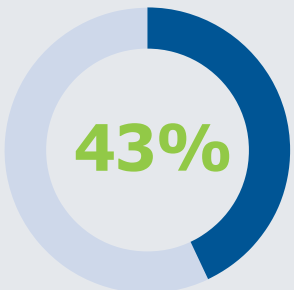

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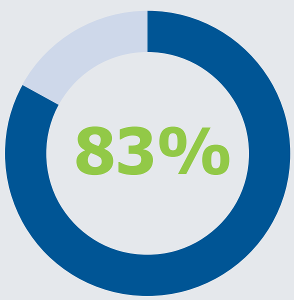

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WHAT CONGRESS SHOULD DO

Keep the income tax exclusion for employer-provided health insurance.

- Eliminating or reducing the tax exclusion *raises taxes on employees and their families*, and increases employers' payroll taxes. This hurts workers, their families, and businesses.
- A cap on the income tax exclusion would hurt first and hardest workers with family members covered under their group plans, workers enrolled in lower-deductible health plans because they cannot afford to pay high deductibles and out-of-pocket expenses, employees in high-cost areas, workforces with larger-than-average populations of women or older employees, employees in high-risk professions and pre-Medicare retirees.
- A rollback of the exclusion threatens the group market, particularly. It would make health insurance more expensive to many employees. Employees, particularly the youngest and healthiest employees, will reassess whether to enroll in their employer's plan at all. A migration of these employees from employer group pools creates the same risk imbalance and cost pressures present in the individual market today.

Ensure tax credits for the uninsured and underinsured do not disrupt the group market.

- The structure of tax credits under any ACA replacement legislation must accomplish two goals: Help the uninsured and underinsured and avoid disruption of the group market. While improving the individual market is important, it insures fewer than 20 million Americans. The effort to improve it must not endanger the group market that insures more than 150 million.
- Non-means-tested, refundable tax credits—*particularly credits irrespective of a health insurance coverage offer from an employer or credits that remain available even where the employer reimburses employees for their purchase of individual insurance policies*—will encourage some employees, particularly the younger, healthier employees, to shun their employers' group plans. Migration of the best insurance risks from group plans threatens the group market.
- Employers "did the math" the day after the ACA's enactment, and will do so immediately upon Congress's enactment of a replacement plan. If changes in tax structure make it disadvantageous to maintain group health insurance plans, employers will cease to maintain them. More than *60 million* Americans with group coverage today would qualify for Medicaid or ACA-like tax credits if their employers offered no health plan. American taxpayers cannot afford to subsidize coverage for an additional 60 million people.

Allow employees with no employment-based offer of insurance to fully deduct their premiums.

- Ensure employees without an offer of employment-based health insurance can fully deduct their premium payments, *but not at the expense of the income tax exclusion for those who have such an offer*.

Enhance health savings accounts.

- Increase the maximum annual contributions to health savings accounts to facilitate less expensive health insurance while simultaneously protecting covered employees from large out-of-pocket expenses. Employees able to contribute larger amounts to their HSAs are more likely to embrace less expensive health insurance with greater employee cost-sharing, knowing their HSAs allow for reimbursement of that cost-sharing.
- Allow employees to contribute to HSAs irrespective of certain other healthcare benefits such as telemedicine and on-site clinic care provided through their employers. Current rules impede the ability of employers to exploit cost-saving trends such as primary care via telemedicine and on-site medical clinics.

We applaud Congress's efforts to address the deficiencies of the Affordable Care Act. Such efforts, however, must build upon what currently works well, and has worked so well for so many Americans for decades. Congress must "First, do no harm" as it works to repair the ACA.

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[1] See https://www.census.gov/content/dam/Census/library/publications/2016/demo/p60-257.pdf, p. 4

[2] https://www.ebri.org/pdf/notespdf/EBRI_Notes_10-no11-Oct16-WBS.pdf, p. 4.

[3] http://files.kff.org/attachment/Report-Employer-Health-Benefits-2016-Annual-Survey, p. 1.

[4] US census 2016 Annual Social and Economic Supplement to the Current Population Survey

[5] S&P Health Care Cost Index

[6] http://files.kff.org/attachment/Report-Employer-Health-Benefits-2016-Annual-Survey, p. 212.