

Keep Companies in the Business of Healthcare

By R. Dane Rianhard

American workers are issuing a warning to their bosses -- don't take away our health insurance.

According to a new poll from Accenture, three-quarters of workers see health benefits as a "vital reason" for continuing to work for their employers. One-third would quit if their employers stopped offering insurance. A similar percentage said they wouldn't work as hard if their benefits disappeared.¹

Americans clearly value employer-provided health insurance. Unfortunately, some members of Congress on both sides of the aisle don't seem to agree -- and are pushing for reforms that would undermine employer-sponsored coverage.

That's a big mistake. Employers have provided quality health coverage to American workers and their families for decades. Our leaders should work to preserve this time-tested system.

To understand why employer-sponsored insurance has been the foundation of our nation's healthcare system, it's important to consider how insurance works.

Insurance spreads risk. The larger and more diverse the pool of insured individuals, the more effectively that risk is spread. By spreading risk, an insurer can ensure that there are enough premiums from healthy workers to cover the cost of care for those who become ill. That leads to more affordable coverage for everyone.

Employers happen to be excellent risk pools. Most comprise a mix of workers -- young and old, healthy and less so.

Further, the tax code allows employers to pay for insurance with pre-tax dollars. Consequently, workers get far better -- and more valuable -- coverage through work than they would on their own.

And because they're buying insurance for lots of employees, employers can drive a harder bargain with insurers than individuals can. That makes employer-sponsored insurance an even better deal.

It's no wonder that nearly 150 million Americans get their coverage through work.² And they like the coverage they're getting. Eight in ten Americans with employer-sponsored plans are satisfied with them.³ People with employer-sponsored plans tend to maintain coverage year after year.

But some members of Congress are threatening to disrupt this system.

¹ <http://www.plansponsor.com/Health-Insurance-Critical-for-Retaining-Employees/>

² <http://files.kff.org/attachment/ehbs-2014-abstract-summary-of-findings>

³ <http://www.accenture.com/SiteCollectionDocuments/health/accenture-employer-beware.pdf>

One such plan would eliminate the tax exclusion for employer-provided health insurance -- and thereby prevent companies from purchasing coverage with pre-tax dollars. Instead, individuals would get a tax deduction of \$7,500 a year for buying insurance. Families would receive a deduction worth \$20,500.⁴

This shift might seem minor. But it could compel employers to stop providing health insurance, according to the Congressional Budget Office and the Joint Committee on Taxation.⁵ Companies will expect their employees to secure affordable coverage in the individual market. For many people, particularly older and lower-income workers, that may be impossible.

The tax deductions would also encourage young, healthy workers to forgo employer-sponsored insurance because they could purchase cheaper plans elsewhere. Employers would be left with an older, sicker risk pool -- and thus higher costs. If costs head high enough, even the most generous employers may quit offering health insurance altogether.

De-linking coverage from employment like this would make health insurance more expensive and less accessible. But the Affordable Care Act's attempt to legally require employers to provide coverage is equally extreme -- and damaging.

The federal health reform law requires every insurance policy to cover a laundry list of essential health benefits. Each additional mandate raises the cost of coverage.

Then there are the administrative burdens. Companies are spending a considerable amount of money proving that they're complying with the law. According to recent research, the Affordable Care Act hits states and private organizations with some \$30 billion in compliance costs.⁶

Taken together, employers' costs are spiraling upward. In a recent survey, almost 90 percent of businesses reported that their costs had increased because of the law.⁷

Employers are responding by laying off workers; making full-timers part-time so the mandate doesn't apply; or dropping coverage altogether. In all three cases, the result is fewer people with employer coverage.^{8 9 10 11}

Getting businesses out of the healthcare business would be a mistake. Our leaders should stick with the system that has worked for Americans for decades -- and preserve employer-sponsored health coverage.

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⁴ <http://eba.benefitnews.com/news/health-care-reform/republicans-propose-controversial-aca-fix-eliminating-employer-exclusion-2746596-1.html>

⁵ <http://www.cbpp.org/research/health/republican-study-committee-health-plan-would-likely-result-in-many-more-uninsured>

⁶ http://edworkforce.house.gov/uploadedfiles/testimony_holtz_eakin.pdf

⁷ <https://www.ifebp.org/bookstore/aca2014/Pages/default.aspx>

⁸ <http://news.investors.com/politics-obamacare/090514-669013-obamacare-employer-mandate-a-list-of-cuts-to-work-hours-jobs.htm?fromcampaign=1>

⁹ <http://www.help.senate.gov/imo/media/doc/Webb.pdf>

¹⁰ <http://healthaffairs.org/blog/2014/06/04/repeal-and-replace-the-employer-mandate/>

¹¹ http://www.mlive.com/business/west-michigan/index.ssf/2015/01/affordable_care_act_prompting.html