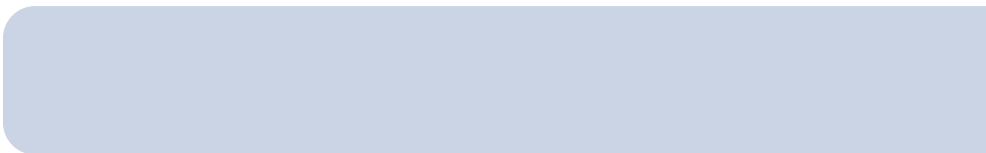




What Employers Say About the Future of
Employer-sponsored Health Benefits

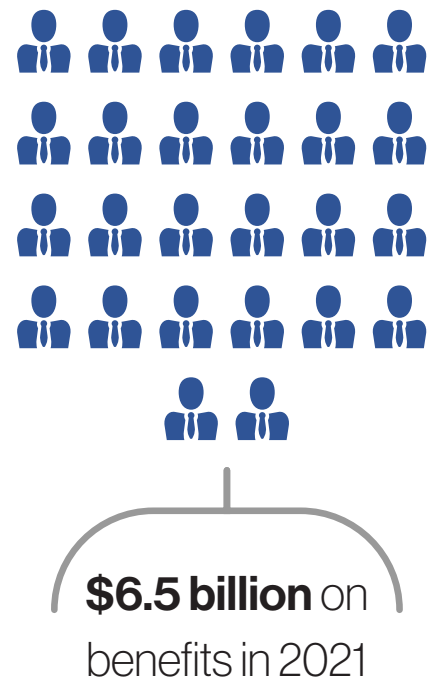


Introduction

Over the past few decades, employer-sponsored health benefits have faced several threats, including policy changes, rising health care costs and wider industry trends. Yet, employer-sponsored health benefits have endured despite these threats. The Employee Benefits Research Institute (EBRI) recently published a report examining the impact of the Affordable Care Act (ACA) and other government health care solutions on employer-sponsored health plans.

The EBRI interviewed **26 benefits executives** from various industries whose organizations covered over **1.2 million individuals** and spent more than \$6.5 billion on benefits in 2021. According to the report, it appears that both employers and employees view employer-sponsored health benefits as an important feature of the employment relationship. Even in the face of such challenges as policy changes and economic difficulties, employers are unlikely to abandon providing employees with health benefits.

This article provides an overview of the EBRI report and explores employers' views on the future of employer-sponsored health benefits to assist brokers in understanding employers' needs and finding effective ways to provide value.



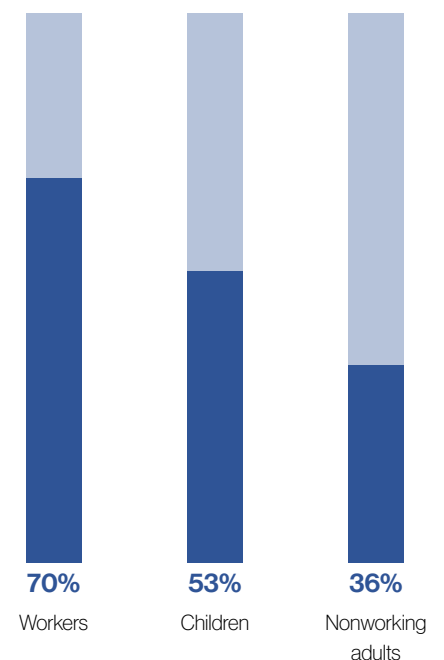
Legislation's Impact on Employer-sponsored Health Benefits

When the ACA was originally passed in 2010, many industry experts predicted it would change how many Americans access health care. In particular, experts believed many employers would direct employees to ACA exchanges for coverage instead of providing health benefits. However, since the ACA's enactment, this has not happened. In fact, most U.S. workers continue to receive health coverage through an employer-sponsored health plan. According to the recent report from the EBRI, employer-sponsored health benefits are the largest source of health benefits in the United States, with more than 70% of workers, 53% of children and 36% of nonworking adults accessing benefits through these plans.

One of the main reasons employers haven't directed employees to ACA exchanges since the law's enactment is that many employers believe they can offer more affordable health care to their workers than they could obtain through the exchanges. Additionally, employers haven't been willing to relinquish control over benefits administration and design. They also view health benefits as a valuable attraction and retention tool, which is likely a result of recent labor market challenges. Many employers are worried they'll lose talent to their competition if they don't offer affordable and attractive benefits packages.

Many employers seem to believe employees trust them to provide the necessary resources and knowledge to aid workers in navigating care options and choices. While many workers say they want more health care choices, some employers

Percentage of demographics receiving employer-sponsored health benefits



As health care costs are **rapidly rising**, employers worry that pushing employees to private exchanges would strip them of effective tools and mechanisms to **control employee health care costs.**

fear that if employees receive health care through the exchanges, they'd be overwhelmed by the number of options since exchanges typically offer more plans than employers. Employers tend to think that despite what employees say regarding expanding options, workers want employers to make health care choices for them. Pushing employees to ACA exchanges would likely result in employees feeling overwhelmed by health plan options, being less satisfied with their benefits and turning to employers for assistance.

Private Health Exchanges

As with the ACA's enactment, many benefits experts believed private health exchanges would transform the benefits industry by providing workers with more care options. Apart from some early adapters, like Sears and Darden Restaurants, private exchanges have not gained general acceptance among employers. The reasons why private health exchanges haven't gained wide acceptance mirror those of ACA exchanges' lack of adoption, according to employers. Despite employees saying for years they want more health care options, which are offered by private health exchanges, employers believe workers want employers to make care choices for them.

The EBRI report found that employers feel a paternalistic duty to provide health benefits to workers. Therefore, they're hesitant to relinquish control over benefits administration because they believe they can provide employees with a better benefits experience and more affordable care options than private health exchanges. As health care costs are rapidly rising, employers also worry that pushing employees to private exchanges would strip them of effective tools and mechanisms to control employee health care costs. Without effective means to control costs, employers fear that employees would complain that private health exchanges don't work and demand employers find an adequate solution.

Individual Coverage Health Reimbursement Accounts (ICHRAs)

ICHRAs are another way employers can change how they provide workers with health benefits. These accounts were created in 2019 to permit employees to purchase health plans directly from ACA exchanges using pre-tax funds from employer-funded accounts, limiting employers' involvement in how employees choose their health benefits. However, employers have not embraced this approach for similar reasons as why they haven't steered employees to ACA or private health exchanges: Employers want to retain control over health plan administration and design. Additionally, while employer-sponsored health plans allow employers to implement cost-control strategies to keep benefits affordable for workers, ICHRAs don't offer employers ways to help lower employee health care costs.

Employers remain doubtful that insurance companies can better manage employee health care costs since they feel insurance companies are less likely to respond or be sympathetic to employee concerns over rising premiums or the impact of high health care costs. Employers strongly believe that employees trust them to provide the best health care options at the most affordable prices. Further, many employers think that most employees aren't comfortable being responsible for their own health care choices; more choices through ACA exchanges mean employees must do more research and take responsibility for their own care.

Rising Health Care Costs

Rising health care costs continue to be a challenge for employer-sponsored health insurance. A 2020-21 study by the Purchaser Business Group reported that **87% of employers providing health benefits** believe the cost of providing those benefits will become unsustainable within the next five to 10 years. Despite this belief, employers feel confident in their abilities to reign in rising costs and remain optimistic that they'll be able to navigate future employee benefits challenges.

While employers believe raising health care costs is a challenging but manageable problem, they are particularly worried about high prescription drug prices. Many employers would be willing to have the federal government take action to control the costs of prescription drugs, according to the EBRI report. However, employers are skeptical that the challenges they face surrounding rising costs will change in the near term. They are concerned about increased consolidation in the health care provider market, which is driving up costs, and unsure whether pharmacy benefits managers are acting in their best interest.

Conclusion

Despite the recent policy changes and economic developments, the impact on employer-sponsored health benefits has been minimal. It appears unlikely that employers will stop providing health benefits due to their paternalistic views regarding employee benefits. In addition, both employers and employees view employer-sponsored health benefits as an important aspect of the employment relationship. Employers remain confident in their ability to provide affordable health benefits to employees and value offering affordable coverage as an important attraction and retention tool. Therefore, employers are unlikely to stop providing health coverage in the near future.



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