

Healthcare Reform Decision-Making is in Your Future

About one year after passage of the federal healthcare reform law, employers (and regulators) are still learning its impact. CAI's just-released North Carolina Healthcare Benefits and Cost Survey is a window into their current thinking and may help you and your team as you grapple with similar issues. More than 700 employers answered detailed cost and plan structure questions, including:

What impact do you think Healthcare Reform will have on future healthcare costs?

- 68% of employers said costs will INCREASE due to reform
- 1.2% said costs will DECREASE due to reform
- 12% said costs will increase due to medical trend alone

Based on your perspective regarding the impact of reform, what action do you plan to take with payroll deductions for employees?

- 44% said they plan to increase payroll deductions for healthcare
- 39% have not made plans

On January 1, 2014, the pay-or-play provisions in reform go into effect. Do you plan to continue to provide health coverage to employees after that date?

- 65% said YES
- 27% said DON'T KNOW

What about the impact on non-healthcare benefits offered?

- 5% plan to reduce other benefits offered
- 55% expect no change
- 35% "don't know"

Other Results

Many respondents plan to increase their wellness initiatives (47%) and to increase their medical management programs for

chronic disease (27%). Twenty-four percent said they have lost their "grandfathered" status under the new law and another 22% plan to lose that status in the next 24 months (41% don't know).

Compared to last year, the average reported SINGLE coverage premium (COBRA rate) increased 6.8% and the average reported FAMILY premium rose by 6.3%. This is a composite of insured and self-insured employers. Many achieved this "low" average increase by changing benefit levels and employee contributions, some drastically. (About two-thirds of the responding central and eastern NC employers participated in both surveys.)

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MY PREDICTION:

Almost nothing has happened to slow or reduce healthcare costs. New expenses are beginning to kick in from broadened participation and coverage rules. Wellness programs, cost-sharing and consumer-driven options have their place, but none seem up to the challenge of slowing medical cost trends to CPI-type inflation levels. I agree with the 80% of respondents who say healthcare costs will continue to rise, and at a higher pace than inflation. Increased coverage and increased utilization by those covered are the primary causes. This is not a value judgment, just a mathematical trend. Most observers do not expect a repeal of the law, though there may be funding disputes in Washington.

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HOW TO PREPARE:

You cannot cure basic medical cost trends. You can affect your own plan design and perhaps the ways employees use your plan. Our survey shows that many employers simply do not know what they plan to do. Most of the common options include cost and risk shifting to employees, leaning the plan benefits and taking on more risk (as a self-insured or HRA provider). More employers are talking about spousal participation rules (where they have coverage elsewhere), smoking premiums, mandatory wellness participation (or suffer higher premiums) and such. The point is, get the best counsel you can from the best benefits consultants you can find. There are challenging days ahead as we adjust to reform and continue to face higher costs.

(Note: The full CAI NC Healthcare Benefits and Cost Survey is available free to participating organizations and was delivered electronically on March 14. It has far greater participation by employers in this state than any other healthcare cost survey. If you did not get your copy, or would like to purchase one as a non-participant, contact info@capital.org.)

Contact me directly if I can help you or your team.

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Executive Scan is written by CAI's CEO, Bruce Clarke, JD.

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