HEALTH REFORM: Expect pluses, minuses for those with job-based coverage

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New protections and benefits exist, but higher premiums and reduced work hours possible.

(HealthDay)—The Obama administration's sweeping health reform law known as the Affordable Care Act goes well beyond helping America's uninsured. It also affects roughly 159 million workers and family members who now have job-based health coverage.

If you have an employer-sponsored health plan, you satisfy the law's "individual mandate" that requires most people to have health coverage or pay a fine. And because of the health reform law, sometimes known as "Obamacare," your job-based health plan may include new insurance protections and benefits.

Beginning in 2014, for instance, the reform package prohibits employer-sponsored health plans from excluding people from coverage based on pre-existing health conditions.

It also makes larger employers responsible for offering medical coverage . Beginning Jan. 1, 2015, businesses with more than 50 workers must offer health insurance to full-time workers and dependents or pay penalties. The Obama administration recently delayed the "play-or-pay" mandate, originally set to take effect Jan. 1, 2014, to give employers more time to work through federal rules and reporting requirements.

The health reform law also creates several new insurance protections and benefits for people with job-based coverage. For example, if your health plan had a lifetime limit on health benefits, that's history. And annual limits will be banned completely in 2014.

"Some employer plans had lifetime coverage limits, usually capping out at $1 million, but some were as low as $750,000," said Dr. Alan Spiro, executive vice president and chief medical officer of Accolade Inc., a Plymouth Meeting, Pa.-based company that helps employees and their families navigate the health-care system. "These limits often spelled financial ruin for families during catastrophic medical events," he added.

Also, if you have an adult child under age 26 and your employer health plan offers coverage for dependents, the plan must allow your son or daughter to enroll. Spiro called that "a huge blessing for families" with young adult children. "In this difficult economy, many college graduates were struggling to find employment and losing benefits simultaneously," he said.

The law also requires most employer health plans to offer certain preventive services at no cost to the employee.

"Hopefully, that's an incentive that gets a couple of us couch potatoes to the doctor," said Bill Kaiser, area vice president of sales and marketing for the benefits consulting firm Gallagher Benefit Services.

The law also encourages workplace wellness programs that promote healthy behaviors. You can earn rewards (or face penalties) based on whether you achieve certain results, like lowering your cholesterol, or participate in specific wellness activities. Effective Jan. 1, 2014, the law allows employers to boost rewards and penalties (such as premium discounts or surcharges) to 30 percent of the total plan premium, up from 20 percent.

Law already bringing changes to insurance options

But the law is also prompting changes—some intended, some unintended—to employer health plans and employment practices, analysts say.

"The ACA (Affordable Care Act) is hastening difficult decisions employers have to make with how they provide health care to their employees," said Kaiser.

For instance, one in five employers has boosted employees' share of health plan premiums, while one in four intends to do so over the next year, according to the International Foundation of Employee Benefit Plans' (IFEBP) 2013 employer survey. And one in three employers is increasing employees' share of dependent coverage costs, the survey also found.
Scrambling to offset rising health expenses, many employers are getting aggressive. Employees can expect higher premiums, steeper out-of-pocket costs and a continuing migration to high-deductible health plans, among other cost-shifting measures.

"An employer might have to make certain decisions to contain costs, and this is not necessarily only a result of the Affordable Care Act" but the upward trend in health-care costs, explained Mandy Bartoshesky, area senior vice president and compliance counsel in the Philadelphia office of Gallagher Benefit Services, a provider of employee benefits consulting services.

The Affordable Care Act is "shaking things up," added Kevin Flynn, president of Philadelphia-based HealthCare Advocates, which helps consumers resolve health insurance problems. "I think at the end of the day, everybody's going to be paying more," he said.

The IFEBP survey also estimates that about 16 percent of employers are trimming worker hours to part-time status so fewer employees will qualify for health-plan benefits.

Beginning in 2015, large employers—those with at least 50 full-time workers—must provide health insurance to employees who log an average of 30 or more hours a week or pay penalties. But some employers are cutting worker hours below the 30-hour threshold, or considering doing so, to avoid the expense of providing health coverage.

A study published earlier this year by the University of California, Berkeley Center for Labor Research and Education found that 2.3 million workers nationwide—particularly retail and restaurant workers—are at risk of losing hours as a result of the new law.

Recent media reports suggest those industries aren't alone in trimming worker hours. School districts, universities and local governments are also limiting staff hours, citing the anticipated financial strain of providing health benefits.

It's an unintended consequence of the law that union leaders, including the International Brotherhood of Teamsters, see as a threat to worker pay and health benefits. In a letter to Democratic leaders in Congress in July, they warned that without a fix, the Affordable Care Act will "destroy the foundation of the 40-hour work week that is the backbone of the American middle class."

A growing number of midsize and large employers—25 percent in 2014 and 44 percent in 2015—are also saying they're likely to discontinue health coverage for Medicare-eligible retirees, a new Towers Watson & Co. survey found.

And if your employer offers a particularly attractive yet pricey health benefit, the Affordable Care Act may spell the beginning of the end of that coverage.

Starting in 2018, the law imposes a steep tax on employer plans with premiums exceeding $10,200 for an individual and $27,500 for a family—plans that are typically offered to high-wage earners. (In contrast, average annual premiums for employer-sponsored coverage are $5,615 for single coverage and $15,745 for a family, according to the Kaiser Family Foundation and Health Research & Educational Trust.)

About 17 percent of employers are redesigning their high-cost plans to avoid this so-called "Cadillac tax," while 40 percent are considering it, according to the IFEBP survey.

Employer-based plans on the decline

Job-based health insurance has a long history in the United States. Companies provide health benefits to recruit and retain qualified workers. It's the way the majority of Americans under the age of 65 get health insurance.

Yet employer-based coverage has dropped off in recent years. The percentage of Americans receiving health insurance on the job or through a family member's job slipped from 69.7 percent in 2000 to 59.5 percent in 2011, according to a report by the Robert Wood Johnson Foundation.

The economy is partly to blame, with fewer people in the job market overall, according to the report. Staggering increases in health insurance premiums also contributed to the decline, resulting in fewer employers offering coverage and fewer employees accepting it.

The big unknown is whether Obamacare will force some companies to exit the health benefits business. On that point, there is significant debate.

The latest Congressional Budget Office estimates suggest that as many as 7 million people will lose job-based coverage by 2017 as a result of the Affordable Care Act.

Experts say smaller companies that employ 50 or more workers and currently provide health insurance may drop coverage because it would be cheaper to pay fines than maintain coverage for all of their workers.

Most large employers (with more than 1,000 employees) remain committed to providing health benefits for the next five years, according to an employer survey by Towers Watson/National Business Group on Health. But just 26 percent are confident that they will be offering health-care benefits a decade from now.

Meanwhile, a number of large employers are eyeing private health insurance exchanges as a way to continue providing job-based coverage while controlling spending on health benefits. Much like the public exchanges under the Affordable Care Act, private exchanges represent a new way for employees and families to shop for group health coverage and other benefits. Instead of offering a limited number of health plans, the employer would give workers a set amount of money to buy their own coverage.

Kaiser, who works in Gallagher Benefit Services' Mount Laurel, N.J., office, anticipates a slow migration toward private exchanges.
"I don't think it's going to be a mass disruption of employer-sponsored plans where they all go, 'I'm out of the game,'" he said.

More information: The University of California, Berkeley Labor Center, has summarized provisions of the Affordable Care Act affecting employer-sponsored insurance.

To read part one of the series, how to navigate the new health insurance exchanges, click here.

To read a part-one story on the potential impact on young adults, click here.

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