



87<sup>TH</sup> PUBLIC POLICY FORUM  
JULY 1, 2020

COMING OUT THE OTHER SIDE OF COVID-19: THE FUTURE OF THE EMPLOYER-BASED  
HEALTH CARE SYSTEM

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# REMEMBER THE NEW YORK TRANSIT STRIKE OF 1980?



# THANK YOU POLICY FORUM DEVELOPMENT TASK FORCE!

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Michael Doshier, T Rowe Price

Bob Doyle, Prudential

Kris Haltmeyer, Blue Cross Blue Shield Association

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Tom Johnson, Retirement Clearinghouse

Melissa Kahn, State Street Global Advisors

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Mike Skinner, T Rowe Price

Michael Sowa, LGIMA

Jana Steele, Callan

Aron Szapiro, Morningstar

For information about joining, contact Betsy Jaffe at [jaffe@ebri.org](mailto:jaffe@ebri.org)

## Forums

### Summer 2020 Policy Forum #87

If your organization is interested in sponsoring one of our events, contact us at [memberships@ebri.org](mailto:memberships@ebri.org).



On the week of June 29th, EBRI will offer its traditional spring Policy Forum in a nontraditional format — via a series of webinars. While we would love to see you in person — and hope we will see you in healthier times in December — EBRI wants to deliver timely, valuable content in a manner that is safe for our community. We plan to offer compelling speakers addressing policy implications in a post-pandemic world. We'll be discussing retirement, health, and financial wellness issues within the prism of the times.

[Register now!](#)

[Full Agenda](#)

#### Presentations

- **June 29:** CARES Act: Implications for Retirement Security of American Workers
- **June 30:** The New Landscape: COVID-19's Impact on Defined Benefit Plans
- **July 1:** Coming out the Other Side of COVID-19: the

### Forum Location

**Virtual!**

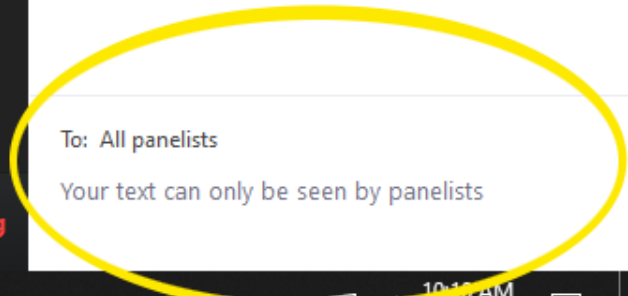
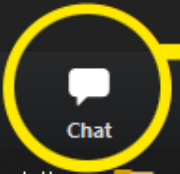
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# John Doe

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Type question(s) here



Leave Meeting

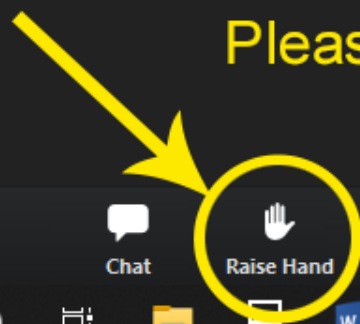
Enter Full Screen

Zoom Webinar Chat

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Click this button to raise your hand

We will contact you through this chat window so that you can communicate your question(s) to us. Please note that you will be muted throughout the meeting.



To: All panelists  
Your text can only be seen by panelists

Leave Meeting



Paul Fronstin, Director,  
Health Research and  
Education Program,  
EBRI



Kurt Giesa, Partner,  
Oliver Wyman



Heather Meade,  
Principal, Washington  
Council Ernst & Young



**Moderated by:** Jon  
Kessler, President and  
CEO, HealthEquity

# TODAY'S AGENDA

- What has been the impact of the combination of COVID-19 and the Affordable Care Act on the employment-based health benefits system?
- Will struggling employers move away from their role in providing health care coverage for American workers?
- What does the future hold for the employment-based health benefits system?





# Coming out the Other Side of COVID-19: The Future of the Employer Based Health Care System

Paul Fronstin, Ph.D.

Employee Benefit Research Institute

July 1, 2020



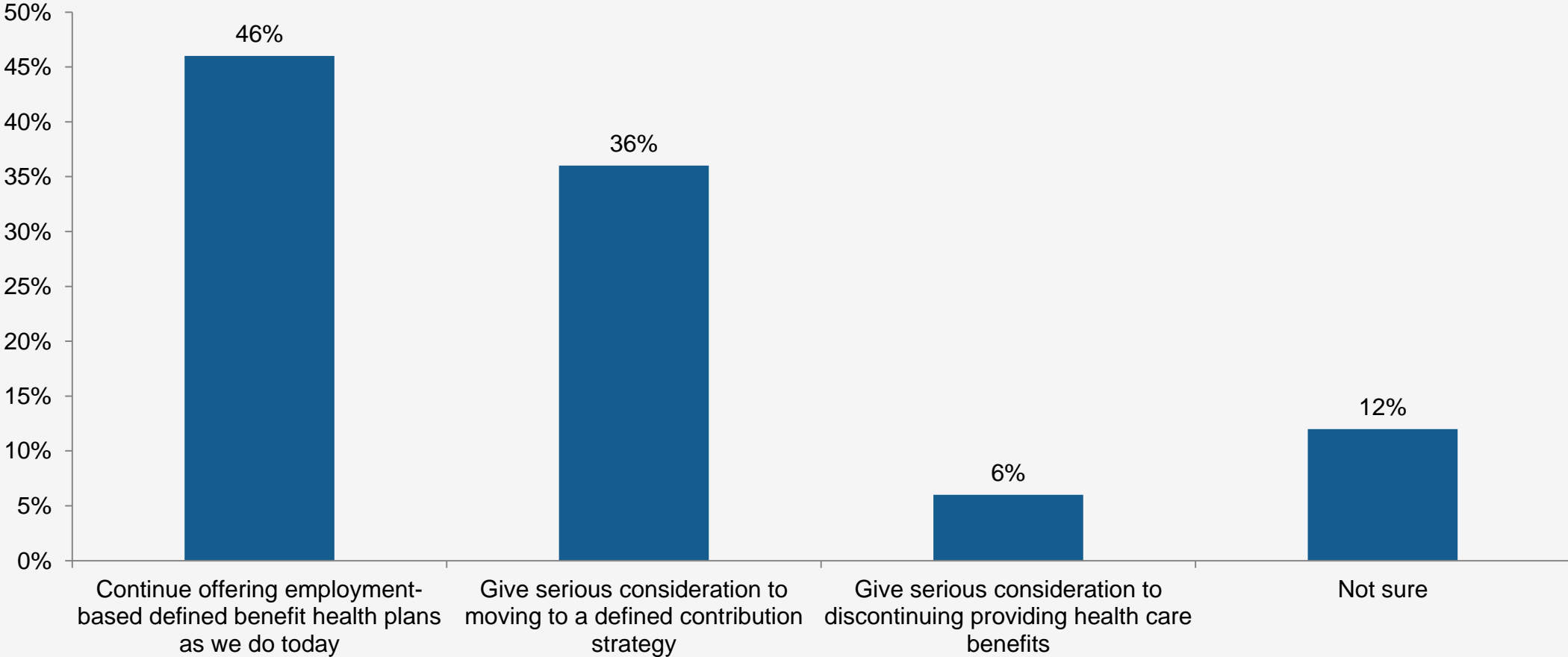


# POLLING QUESTION

PLEASE SHARE YOUR THOUGHTS



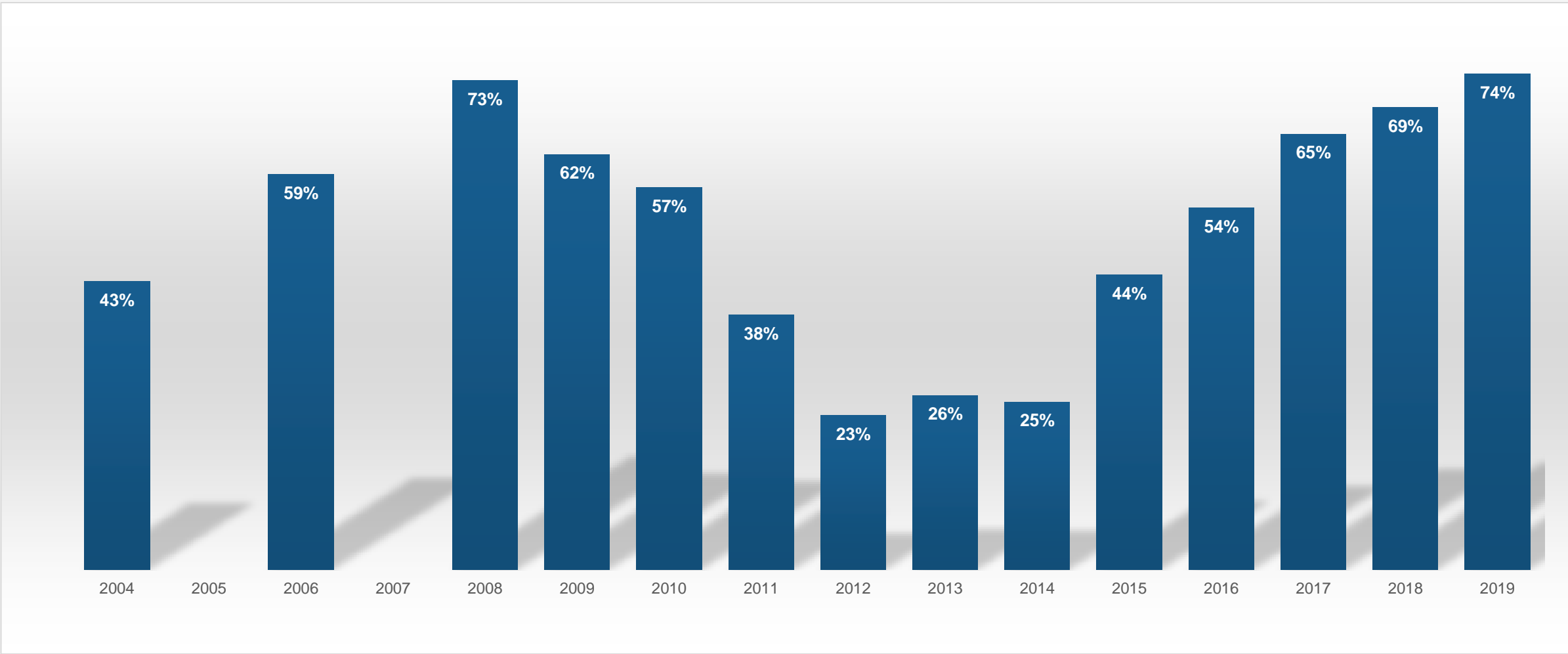
# Statement That Best Categorizes Company Strategy Relating to Health Benefits For Active Employees Over the Next 10 Years, 2011 Survey



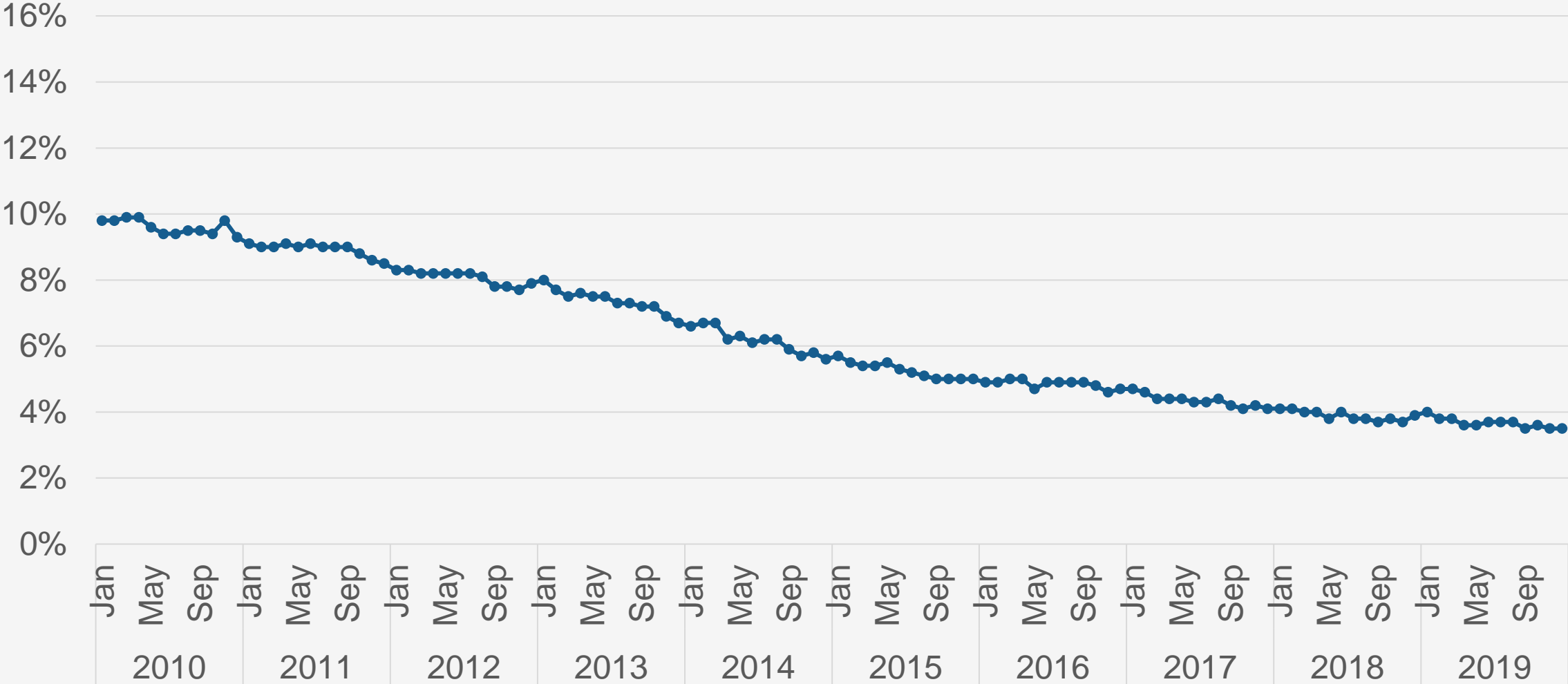
## Brief History Lesson on Employment-Based Health Benefits

- Employer interest in worker “health” dates back to the 1800s
- Growth in health “insurance” occurred during World War II wage and price controls
- 1943, War Labor Board ruled that employer contributions to health insurance were not subject to wage controls
- Employers added health insurance during shortage of labor
- Health coverage tripled by the end of the war
- 1954, IRS clarified that employer contributions were deductible as a business expense, and that worker contributions were to be excluded from taxable income
- Ultimately, employers offer health benefits for business reasons

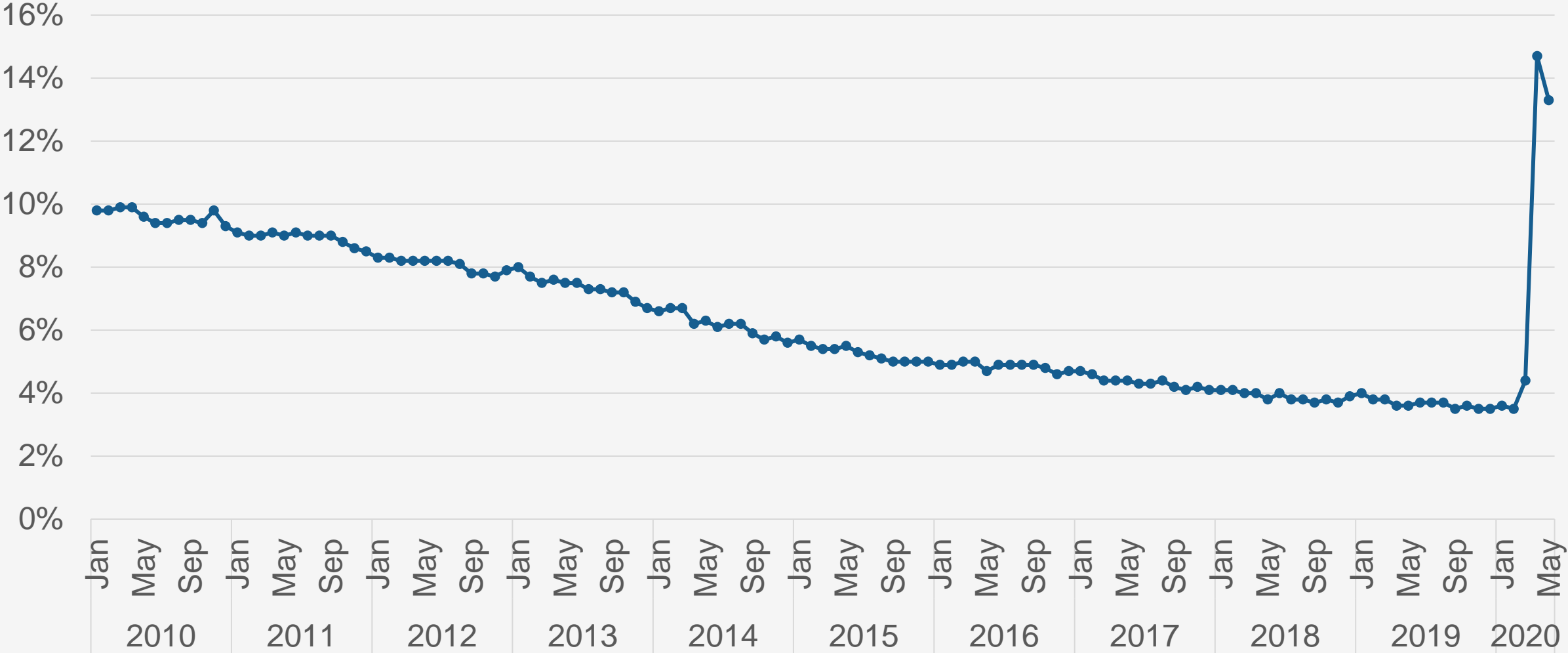
# Confidence Among Employers That They Will Be Offering Health Care Benefits a Decade From Now; Where Does it Go From Here?



# Unemployment Rate, 2010-2019



# Unemployment Rate, 2010-2020



# Do Employers Need to Offer Health Benefits Anymore?

- 1<sup>st</sup> time in history that a recession was paired with insurance market reforms
  - Guaranteed issue – workers can get coverage from exchange, no denials for pre-existing conditions
  - Premium subsidies < 400% FPL
  - Cost sharing subsidies <250% FPL
  - Limited premium differences between old & young
  - More choice of health plan than what workers are used to from employer
- 1<sup>st</sup> time in history that pre-tax income (via HRA) could be used to purchase coverage in non-group market during a recession combined with insurance market reforms
- Will employers drop coverage?



## Predicting the Most Important Trends in the Next Few Years

- It is very easy to predict future trends in employment-based health benefits
- It is very hard to be correct with your predictions

# EBRI Study

- To better understand plan sponsor points of view about the future of employment-based health benefits
- Interviewing benefit directors, VPs of HR, and others who represent employer community
- Cross section that represents employers across different industries
- Focused on mid-sized to large employers as they are often trend setters
- Limitations: not a representative sample. May not represent the views of employers who don't engage with others.

## Highlights of What We Have Learned So Far

- No discussion of cutting or dropping health benefits since mid-March. Otherwise, furloughs, salary decreases, cuts to 401k matches, gym memberships, all on table. Health care is too emotionally charged to be on the table.
- Management generally accepts 5% yearly increase in premiums without any pushback
- Might be opportunities for provider payment reform, prescription pricing, and other purchasing strategies
- Rethinking telemedicine (TM) strategy – traditional third-party TM vendors might go away
- No urgency to reevaluate benefit design
- General skepticism of Medicare for All, but some openness to Medicare Buy-in.
- No interested in ICHRAs
- Concerned about extended COBRA eligibility period
- Those with low take-up (ie restaurants) would pay more if they dropped coverage because of \$2,000 shared responsibility provision in ACA

# Highlights of What We Have Learned So Far

- Even with high unemployment, health benefits is still viewed as a recruitment and retention tool
- Only non-gold standard employers would consider dropping coverage
- Considering dropping spousal coverage
- Considering dropping HDHP
- Those not offering HDHP have no plans to do so
- Considering dropping very costly specialty medications
- No consensus opinion about role of employers/individuals/govt – but there is openness to reform
- Would consider dropping coverage if others dropped (no one willing to be first)
- Employers still in crisis management mode – not yet thinking about the long-term

# HEALTH INSURANCE MARKET MODELING WITH COVID-19

Microsimulation Modelling of Potential Economic Scenarios

July 1, 2020

Peter Kaczmarek, FSA, MAAA

Kurt Giesa, FSA, MAAA

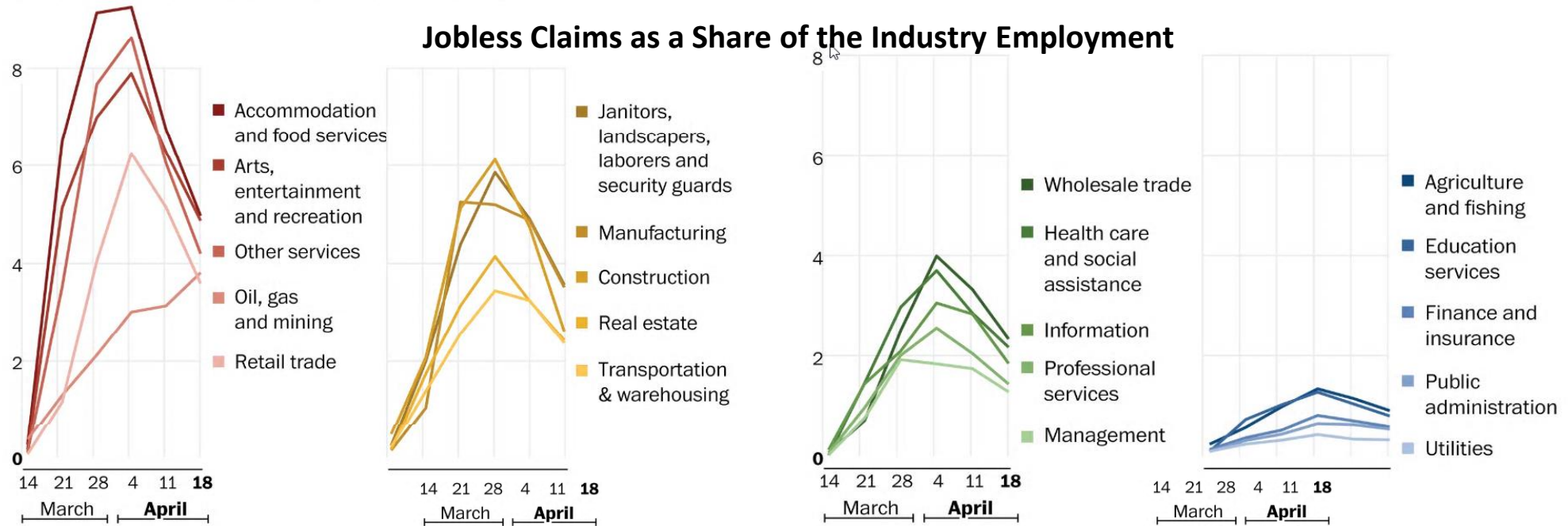
# CONTENT

|                               |           |
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| <b>Modeling results</b>       | <b>10</b> |

01

BACKGROUND

# CURRENT ECONOMIC UNCERTAINTY IN 2020 – HIGH UNEMPLOYMENT



Data Source: Washington Post from 04/30/2020

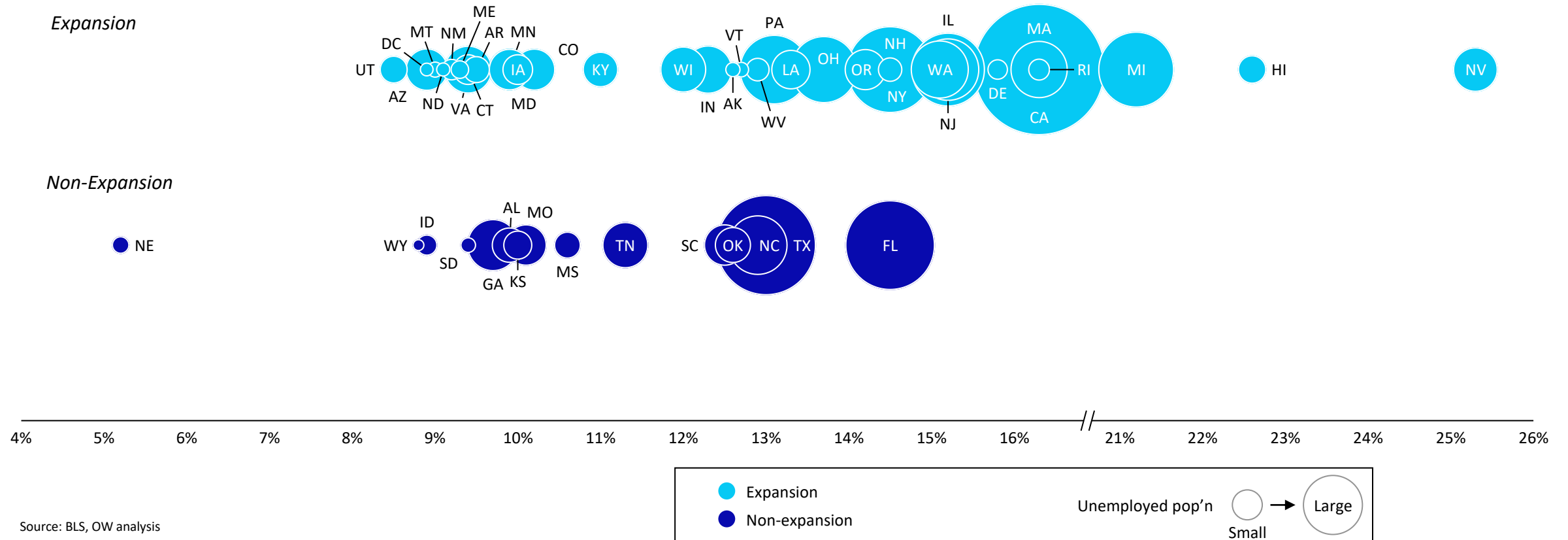
- Stay at home and social distancing policies have led to record numbers of applications for unemployment insurance in the US since mid March 2020
- But the impact has varied greatly by industry. Industries like accommodation and food services, arts, entertainment and recreation, oil gas and mining, and retail trade, have been particularly affected



# THE SURGE IN NATIONAL UNEMPLOYMENT HAS NOT BEEN UNIFORM ACROSS THE STATES

## Unemployment across states

May 2020 – nationwide average of 13.3%



Source: BLS, OW analysis

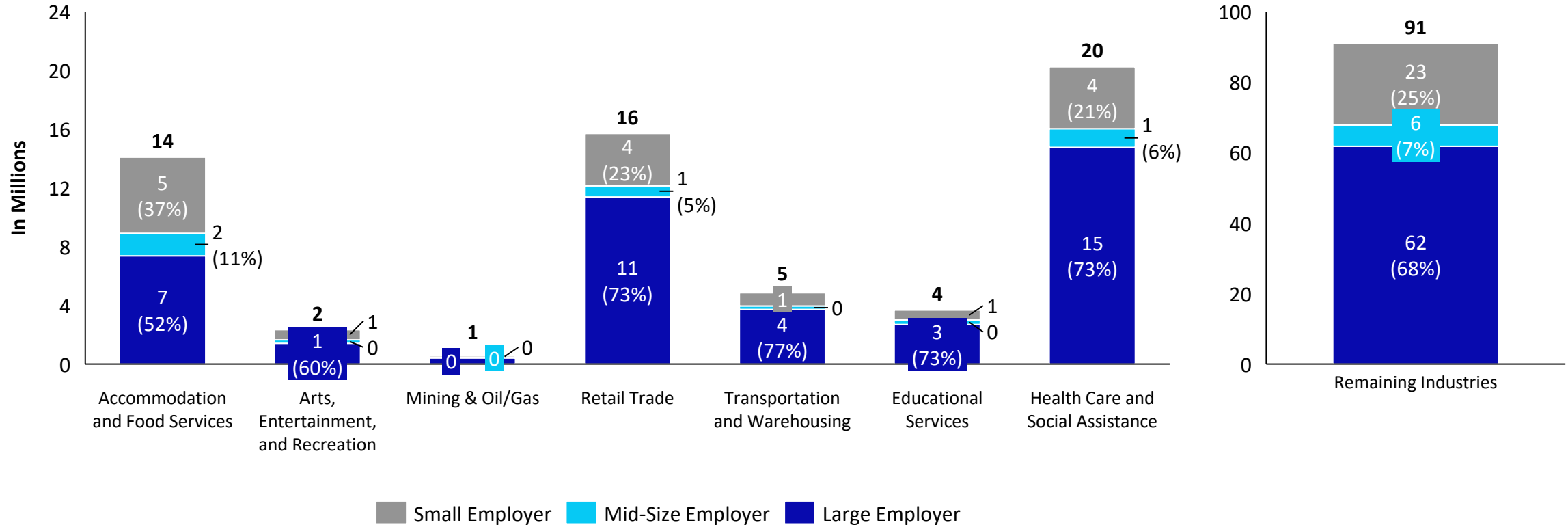
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DESCRIPTIVE STATISTICS

# PROFILE OF SELECTED INDUSTRIES

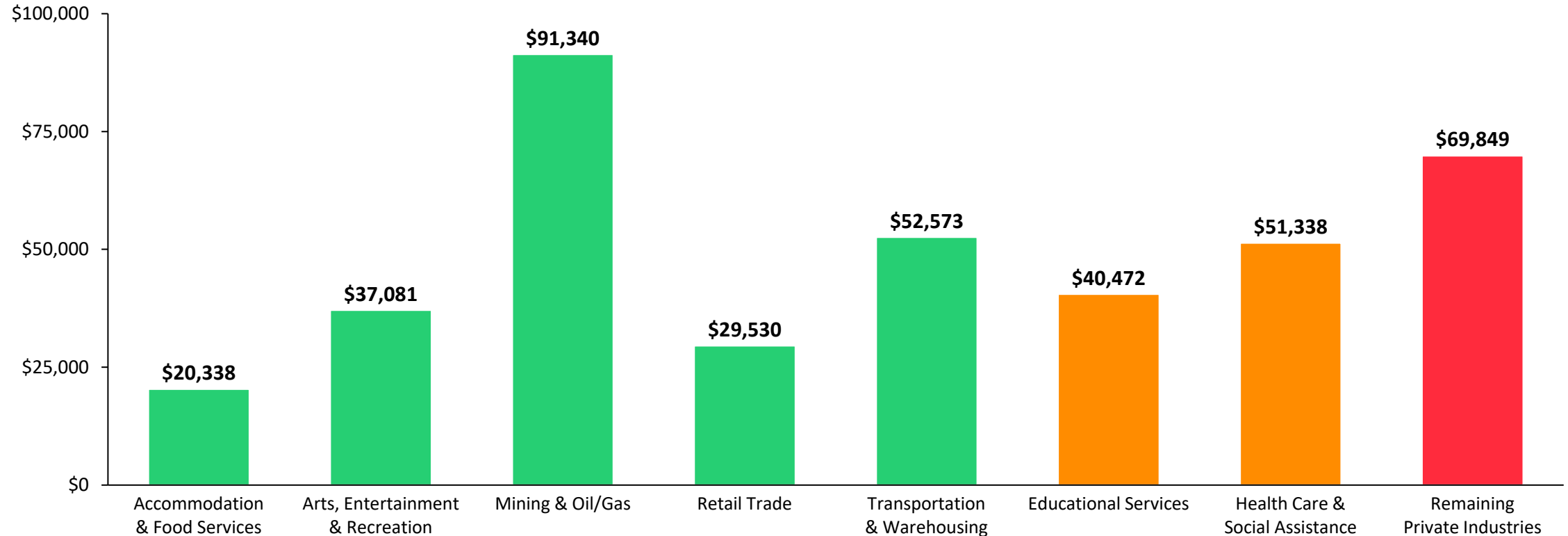
**Private Employment in the US by Employer Size in Millions  
(2017 US Census SUSB Report)**



- Employment in accommodation and food services has higher share of small and mid-size employers (48%) than remaining industries (32%)
- Retail and health care and social assistance industries had about 5 million employees each among small and mid-size employers

# PROFILE OF SELECTED INDUSTRIES

Estimated Average Annual Payroll Cost per Employee in 2019

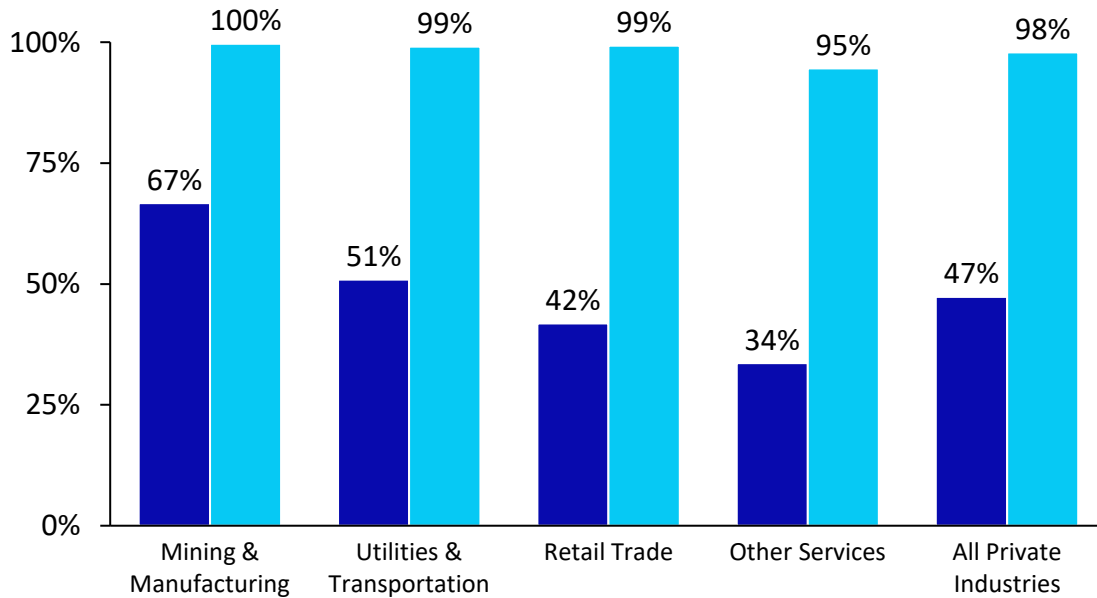


- In our modeling, we preferentially drew the unemployed from the following industries: accommodation and food services, arts, entertainment and recreation, mining, quarrying and oil and gas extraction, retail trade, and transportation and warehousing, industries that generally have relatively low wages

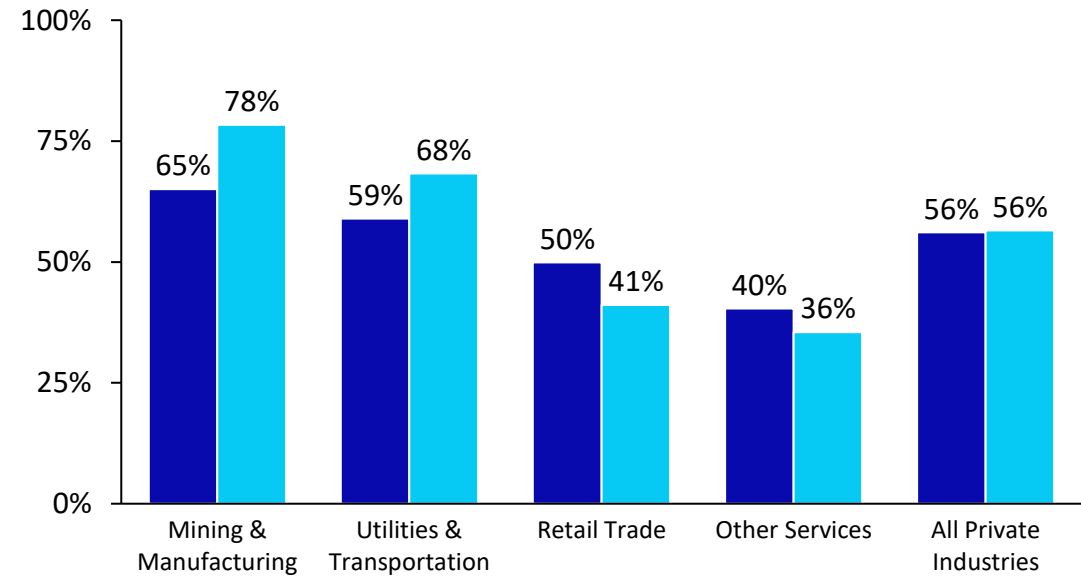
Data Sources: Average Payroll: 2017 US Census SUSB Report – trended with CPI-U to 2019

# PROFILE OF SELECTED INDUSTRIES

Percent of private-sector employees in establishments that offer health insurance – United States 2018



Percent of private-sector employees that are enrolled in health insurance at establishments that offer health insurance United States 2018



■ Less than 50 employees ■ 50 or more employees

- Employer Sponsored Insurance (ESI) penetration has been historically low in the retail trade and other service industries such as accommodation and food services and especially among small employers
- Higher share of the unemployed from selected industries would qualify for premium subsidies in the individual ACA market or qualify for Medicaid (based on state eligibility)

Data Sources: 2018 MEPS Employer/Insurance Component Report

# 3

## MODELING RESULTS

## 2021 ECONOMIC SCENARIOS – THE IMPACT OF UNEMPLOYMENT DUE TO COVID-19

|  | Scenario 1 – Low Impact   | Scenario 2 – Medium Impact   | Scenario 3 – High Impact  |
|--|---|--|---|
| <b>General Condition</b>                                     | No further disruptions of economy due to COVID-19, economic <b>rebound in second half of 2020</b>   | COVID-19 social distancing remains in place, economy in <b>recession in 2021</b>   | COVID-19 social distancing remains in place, economy in <b>severe recession in 2021</b> |
| <b>Unemployment Rate</b>                                     | <b>6%</b> ( 10 million or 5 million above pre COVID level)  | <b>12%</b> (19 million or 14 million above pre COVID level)  | <b>18%</b> (29 million or 24 million above pre COVID level)                             |
| <b>Industries and Employer Type Impacted by Unemployment</b> | <b>Private small group employers (up to 50 employees) in:</b> <ul style="list-style-type: none"> <li>• Mining, quarrying, and oil and gas extraction</li> <li>• Retail Trade</li> <li>• Transportation and warehousing</li> <li>• Arts, entertainment, and recreation</li> <li>• Accommodation and food services</li> </ul> | <b>Small and mid size (up to 100 employees) in same industries as in scenario 1 plus:</b> <ul style="list-style-type: none"> <li>• Health care</li> <li>• Social assistance</li> <li>• Educational services</li> </ul> | All industries and <b>all private employer sizes impacted</b>                           |
| <b>Unemployment Benefits</b>                                 | <ul style="list-style-type: none"> <li>• Replacing about 50% of prior wages for up to 26 weeks plus an additional 13 weeks up to a state maximum benefit (about 3/8 of annual wages)</li> <li>• No additional stimulus compensation from federal or state government</li> </ul>   |  |   |
| <b>ACA On-Exchange OEP and SEP</b>                           | <ul style="list-style-type: none"> <li>• Expanded duration of OEP</li> <li>• Higher awareness of the ACA premium and cost sharing subsidies under the newly unemployed population</li> </ul>  |  |   |
| <b>Medical Service Utilization &amp; Cost</b>                | <ul style="list-style-type: none"> <li>• No adjustment from Pre COVID-19 Baseline</li> <li>• No change in cost of care or utilization due to COVID-19</li> </ul>  |  |   |

## ADDITIONAL ASSUMPTIONS AND LIMITATIONS

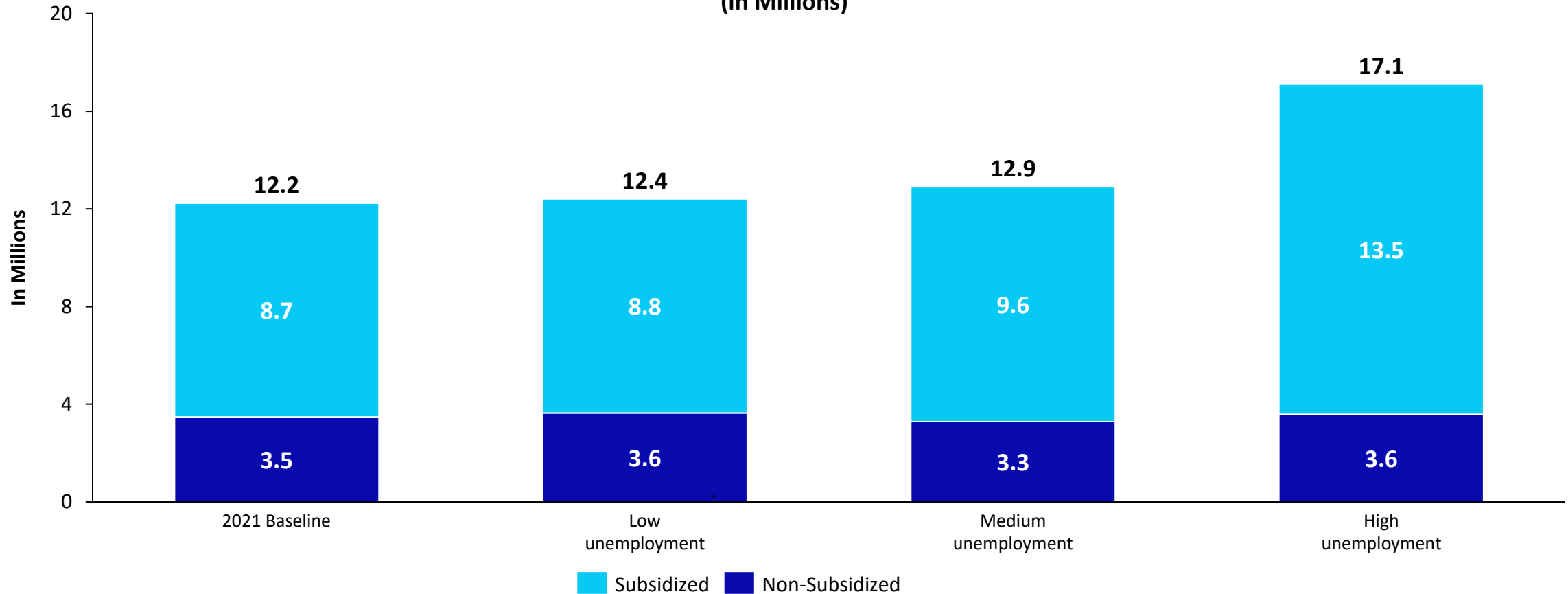
- Unemployment was limited to private industry sectors. We excluded workers employed by federal, state and local government and military
- We modeled Medicaid eligibility based on adults-only income thresholds depending on current state expansion or non-expansion
- We assumed that if households are Medicaid eligible, they will choose Medicaid as their coverage option
- We have trended income by CPI index to 2021
- We have not modeled premium rate impacts in the group markets due to changes in enrollment or morbidity levels
- 2021 individual market enrollment and premium rates were projected in the baseline using actual 2020 premium rates and known enrollment and demographic distributions at the beginning of 2020
- We modeled results on nationwide basis and show results for the Medicaid expansion and non-expansion states. Results at a more granular geographic level (e.g., state or rating area) might be different
- We did not model the impact of COVID-19 on health insurance premiums in 2021





# ENROLLMENT IMPACT – INDIVIDUAL ACA MARKET – NATIONWIDE

ACA Individual Market Enrollment in 2021 under Economic Scenarios  
(in Millions)



- Compared to the 2021 Baseline, enrollment in the individual ACA market remains mostly unchanged except under the high unemployment scenario where the newly unemployed qualify for ACA subsidies

Data Sources: Oliver Wyman HRMM

# ENROLLMENT TRANSITION MATRIX – MEDIUM UNEMPLOYMENT SCENARIO

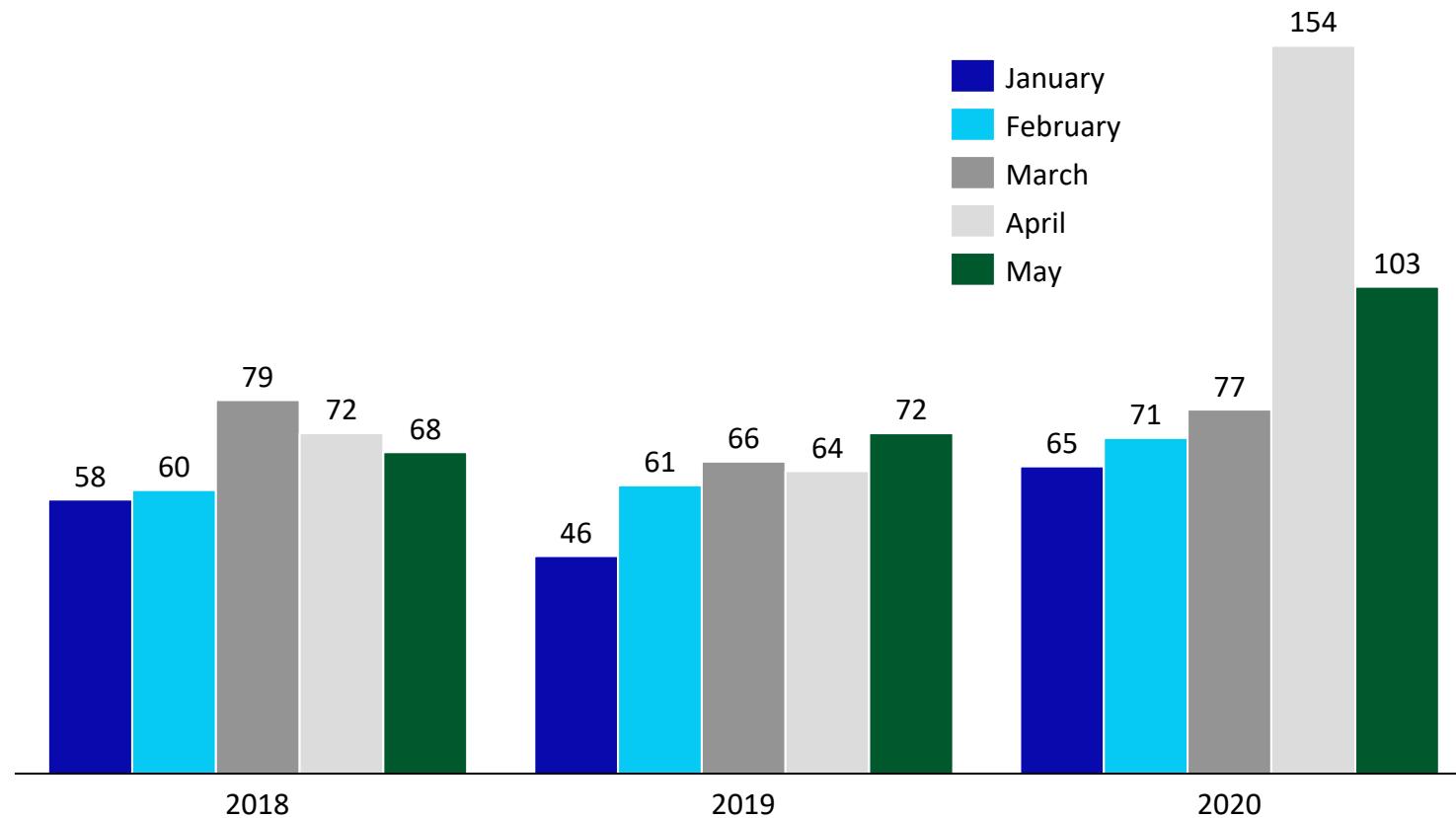
|                              |  | Coverage under Medium Unemployment<br>In Millions |                |                  |              |             |                       |
|------------------------------|--|---|----------------|------------------|--------------|-------------|-----------------------|
|                              |  | Total   | ACA Individual | Other Individual | Private ESI  | Uninsured   | New Medicaid Eligible |
| Coverage – Baseline Scenario | ACA Individual                                       | 12.2  | 10.2           | 0.0              | 0.0          | 1.0         | 1.0                   |
|                              | Other Individual<br>(Grandfathered or Grandmothered) | 0.7   | 0.1            | 0.6              | 0.0          | 0.1         | 0.0                   |
|                              | Private ESI  | 105.2   | 1.0            | 0.0              | 100.9        | 1.1         | 2.2                   |
|                              | Uninsured<br>(including STLD)                        | 22.5  | 1.6            | 0.0              | 0.0          | 19.2        | 1.7                   |
|                              | <b>Total</b>   | <b>140.7</b>                                      | <b>12.9</b>    | <b>0.6</b>       | <b>100.9</b> | <b>21.4</b> | <b>5.0</b>            |

- Migration out of the ACA individual market is evenly split at 1.0 million new uninsured and 1.0 million who become Medicaid eligible
- At the same time about 2.7 million become newly insured in the ACA individual market; about 1.6 million from the uninsured and 1.0 million from private ESI coverage

Data Sources: Oliver Wyman HRMM

# ACCESS TO THE INDIVIDUAL ACA MARKET THROUGH THE LOSS OF COVERAGE SPECIAL ENROLLMENT PERIOD (SEP) INCREASED DRAMATICALLY IN APRIL 2020

People selecting ACA coverage through the loss of coverage SEP (1,000s)

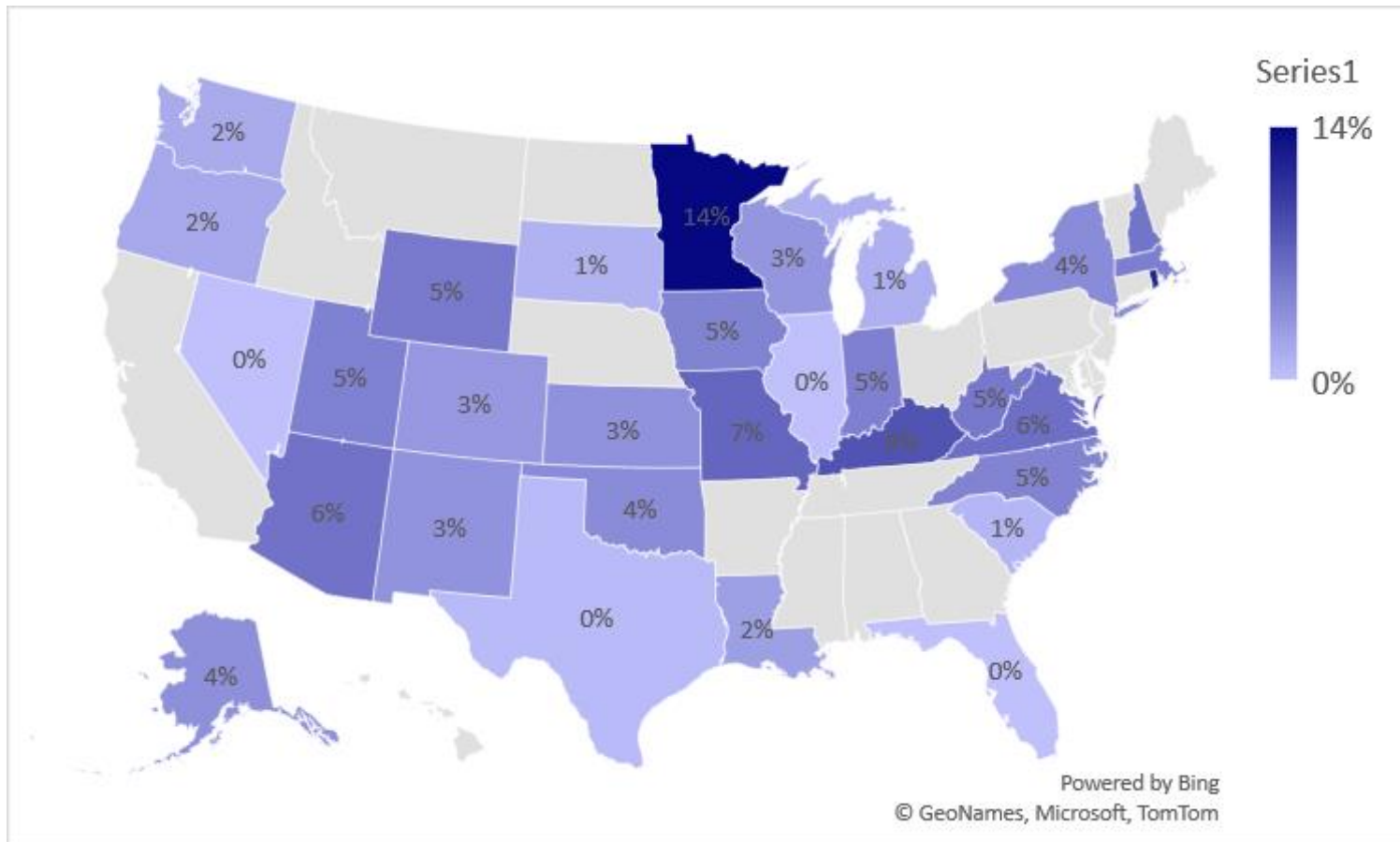


- There were roughly 43 million initial jobless claims from the middle of March through the end of May, 2020
- 258,000 individuals enrolled in the ACA in April and May 2020 through the special enrollment period available through the loss of employer coverage – 121,000 more than in April and May 2019
- Most individuals laid off identified their job loss as temporary
- Many newly unemployed may have been able to maintain employer-based coverage
- We would expect a lag between job loss and enrolling in the ACA

Source: BLS, "Special Report: Enrollment Data and Coverage Options for Consumers During the COVID-19 Public Health Emergency," CMS, June 2020

# INCREASING MEDICAID ENROLLMENT IN THE SECOND QUARTER OF 2020

## Change in Medicaid enrollment between first and second quarter 2020



- Between first and second quarter 2020, Medicaid enrollment increased by roughly 1.3 million for the 31 states reporting second quarter 2020 enrollment
- Enrollment increases were twice as large in states that expanded Medicaid as in states that did not – 4% for expansion states and 2% for non-expansion states
- Again, we would expect a lag between job loss and enrollment in Medicaid

Source: Belles, Carina, "Thousands Join Medicaid Rolls as Pandemic Causes Unemployment to Spike," Radar on Medicare Advantage, June 18, 2020

QUESTIONS?

## QUALIFICATIONS, ASSUMPTIONS AND LIMITING CONDITIONS

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# Employer Provided Coverage: Coronavirus Response

Washington Council Ernst & Young

July 2020



# Dashboard

~\$2.8t spent across 3 congressional bills on:

Health care & social Services **\$450b**

Small businesses **\$750b**

Tax provisions **\$540b**

Specific industries **\$525b**

UI benefits, state funding, supplemental appropriations **\$600b**

## Outlook for a next bill (CARES 2/COVID 4)



### Timing

- House & Senate returned June 1
- Next bill could be several weeks away
- Republicans tapping brakes on acting



### Political dynamics

- GOP leaders hesitant to act too fast, spend too much
- President: “we want to take a little bit of a pause”
- Democratic leaders want to act fast on expensive bill



### Most controversial political issue

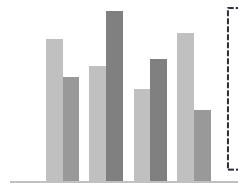
- \$ for state & local governments
- GOP suspicious will be used to fix pre-crisis financial mismanagement
- Democrats: no bill without it



### Other top priorities

- *President Trump*: payroll tax cut; incentives for meals, entertainment, sports; more expensing; liability shield
- *Democrats*: worker protections; 2<sup>nd</sup> round of direct payments; food assistance; pension relief

## Other issues



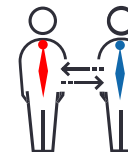
### Economy

- Unemployment: 30m-plus
- FY20 deficit: \$3.7t



### Society

- Mitigation seen not helping as quickly as hoped
- Social distancing continues

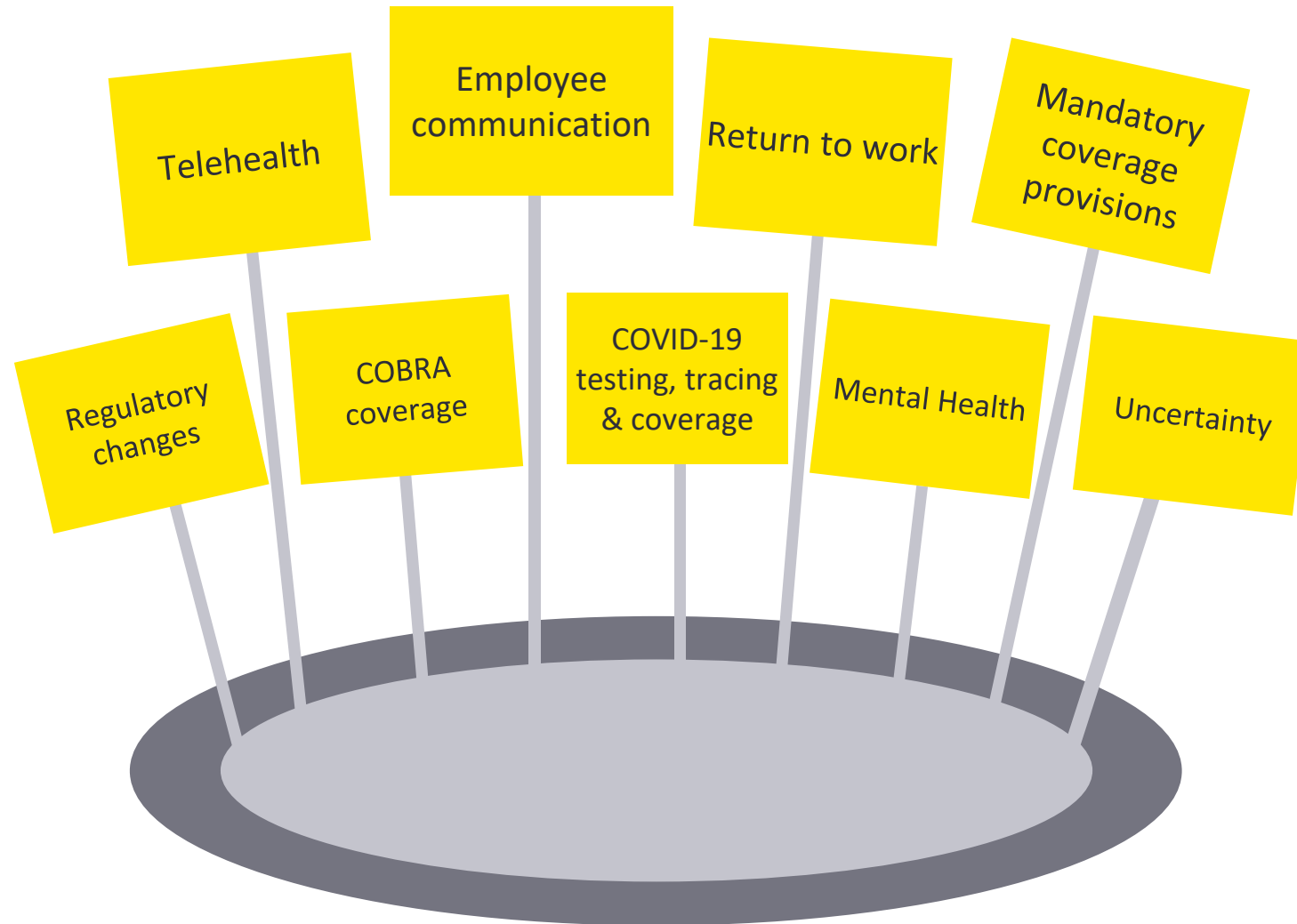


### Election

- Trump v. Biden
- COVID-19 front & center
- Senate races also a focus

# Employer focus

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# Public Response:

## Medicare for All or Individual Coverage

Major Op Eds call for Medicare for All or Individual Market Coverage

**TIME Magazine: COVID-19 Is Yet Another Reason For Organizer Ady Barkan to Pass Medicare for All**

**FORBES**  
**How the Uninsured can gain financial protection from Corona Virus**

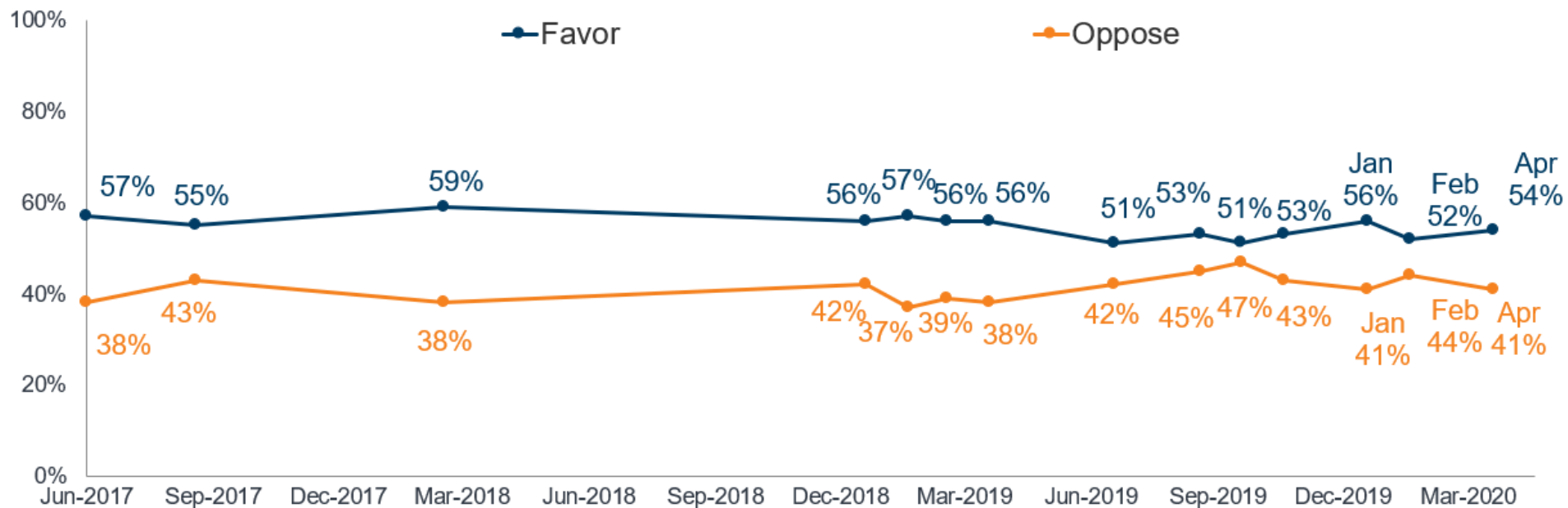
**WASHINGTON EXAMINER**  
**Trump's COBRA Change Could Saddle Businesses with Huge Insurance Costs**

**NEW YORK TIMES: Senator Sanders, The Foundations of American Society Are Failing Us**

**BUSINESS INSIDER:**  
**Half of Americans support Medicare for All amid Corona Virus outbreak, new poll finds**

# Public More Likely To Favor Than To Oppose A National Medicare-for-all Health Plan

Do you favor or oppose having a national health plan, sometimes called **Medicare-for-all**, in which all Americans would get their insurance from a single government plan?



SOURCE: KFF Health Tracking Polls. See topline for full question wording and response options.



# The Alliance to Fight for Health Care

The **Alliance to Fight for Health Care** is a broad-based coalition comprised of businesses, patient advocates, employer organizations, unions, local governments, health care companies, consumer groups and other stakeholders that support employer-provided health coverage.

The coalition (previously working as the **Alliance to Fight the 40**), led the successful effort to repeal the so-called 40% “Cadillac Tax” on health care coverage.



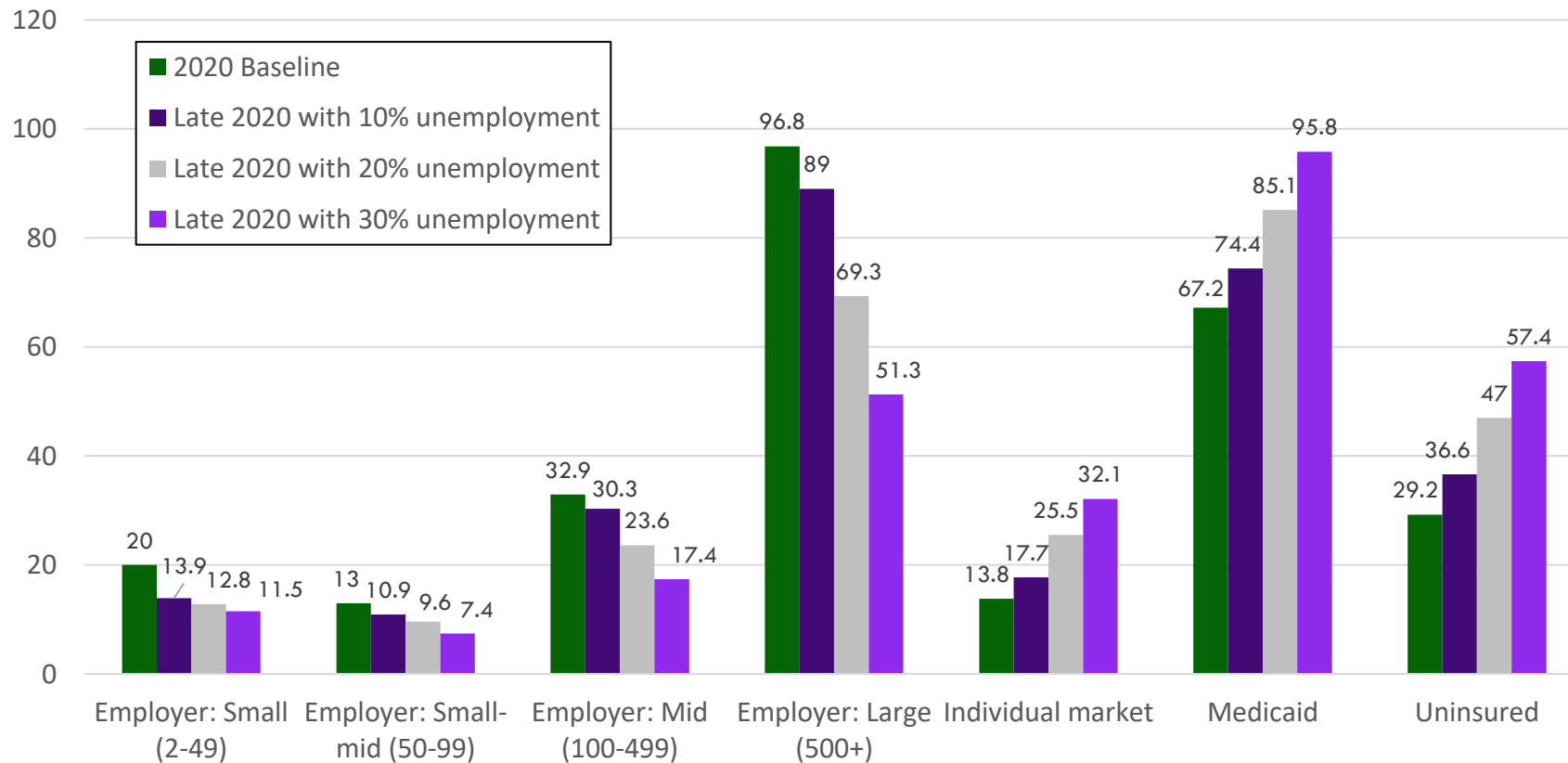
# Key Policy Goals

*The Alliance to Fight for Health Care stands ready to develop and support policies that must meet four critical needs:*

- 1** **Aid for Americans** who have lost their jobs or been placed on furlough by covering the cost of continuing their health coverage.
- 2** **Support for financially struggling employers** and health funds to continue offering critical health coverage.
- 3** **Enhance availability and affordability of coverage** in the individual market for Americans seeking coverage through the Federal or state-based Marketplaces.
- 4** **Promote policies that support our health care workers** on the frontline of this crisis.

# The COVID-19 economic downturn could substantially shift health care coverage away from employer market

Estimated impact to health insurance coverage due to COVID-19 economic downturn (in millions)



Source: US Census Bureau, Bureau of Labor Statistics, Kaiser Family Foundation, AHRQ, MarketScan, Medicaid.gov, Pew Research, Mercer, Oliver Wyman analysis.

# AFHC's preliminary policy recommendations

*Preliminary recommendations focused on meeting the four critical needs necessary to stem the tide of coverage losses and protect the health and financial wellbeing of millions of Americans and their families.*

**Continuation of health care coverage for employees experiencing job loss and furlough:**

- **COBRA subsidies and streamlining of election**
- Support for premium payments for health care and other critical benefits

1

**Continuation of health care coverage for employers and health funds facing financial distress:**

- New funds or business loans to preserve access to employer provided health plans
- Protection from devastatingly high-cost claims

2

**Continuation of health care coverage in the individual market:**

- Improve access to individual market coverage
- Streamline enrollment process
- Create a new special enrollment period

3

**Supporting front line health care workers:**

- Hospital supplies and capacity
- Testing for all populations
- Provider licensing and authority
- Promotion of telehealth

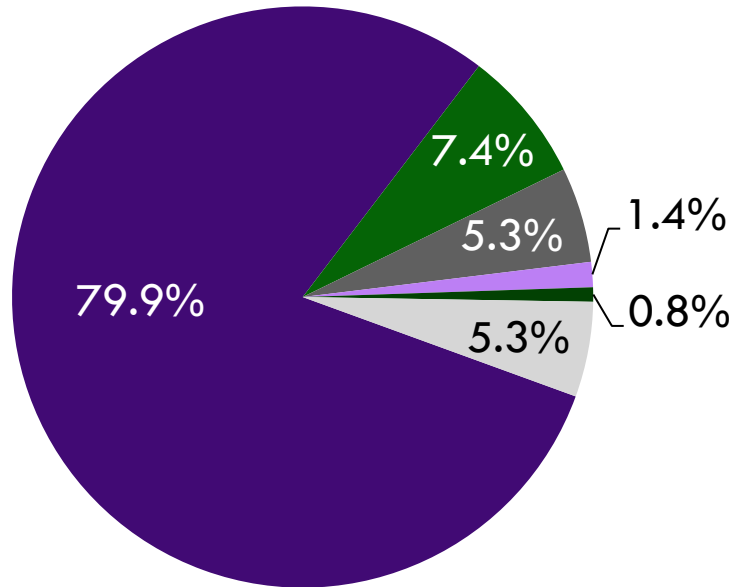
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# Review of COBRA Subsidy in ARRA

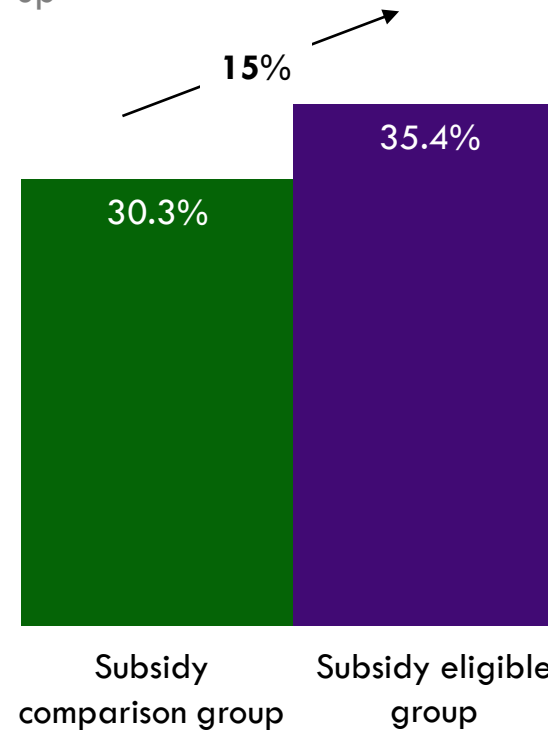
To help workers who lost their jobs involuntarily during the “great recession” of the late 2000s, the American Recovery and Reinvestment Act (ARRA) provided a 65% subsidy for premium payments to most COBRA-eligible people who experienced a job loss between September 2008 and May 2010. Without a subsidy, workers are responsible for up to 102% of the full premium under COBRA.

Reasons for not enrolling in COBRA, according to COBRA-eligible workers provided the ARRA subsidy



- Too expensive
- Had coverage from a spouse, partner or parent's plan
- Had other coverage
- Expected to find a new job soon
- Didn't understand how to enroll

ARRA subsidy's impact on COBRA take-up



# May Polling Shows Growing Trend

- 78% of voters support the government providing funding for COBRA continuation coverage to help people who have lost their job—or been furloughed—to remain on their job-based health insurance plan.
- There is strong bipartisan support with 74% of Republicans and 86% of Democrats who support the government providing funding to help Americans keep their employer-provided health insurance coverage.
- 74% of voters say losing their health insurance would have a big impact on their personal finances.
- More than half of all Americans would support their member of Congress if they supported funding to help keep people covered by their job-based health insurance coverage.

For questions or information about the Alliance:

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Heather Meade, Principal  
Washington Council EY  
[heather.meade@ey.com](mailto:heather.meade@ey.com)

# Q&A



# TOMORROW'S EVENT



Register at  
[ebri.org](https://www.ebri.org)

DON'T MISS THE LAST DAY!

**EBRI SUMMER POLICY FORUM WEBINAR**  
**JULY 2, 2020**  
**1-2 PM**

## **Financial Wellness in Times of Crisis**

Featuring:

**Craig Copeland, Senior Research Associate, EBRI**  
**Shai Akabas, Director of Economic Policy, Bipartisan Policy Center**  
**Beth Pattillo, Director, Retirement Programs, Leidos**

# UPCOMING EBRI PROGRAMS

Members-Only Research Round-Up Webinar – July 15

Savings and Caregiving in the Age of COVID 19, American Savings Education Council Meeting – July 22

Retirement Confidence Survey Findings: Financial Wellness & Debt Webinar – July 28

COBRA, Chronic Conditions and Spending Webinar – August 4

Winter Policy Forum – December 10

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