



**The World's Greatest and Most Exciting Webinar
Tackling the Actuarial Value of Employment-
Based Health Insurance**

EBRI Webinar

November 9, 2021

Acknowledgement

EBRI would like to thank the members of the **Center for Research on Health Benefits Innovation**:



Speakers



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**Moderator: Jon
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President &
CEO,
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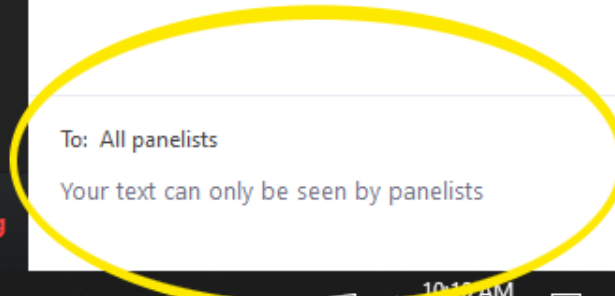
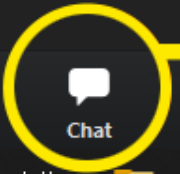
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Actuarial value and the ACA

- ACA required employers with over 50 employees to offer insurance with at least 60% AV, leading to concerns that employers would reduce generosity of plans to the 60% floor.
- The Biden Health Care Plan has caused new concern regarding the employer-based market due to the following provisions:
 - Increase the ACA premium subsidies and expand subsidy eligibility
 - A “public option” health plan
 - A Medicare “buy-in” program for 60-64-year-olds
- Concerns of a shrinking employer-based market include:
 - Workers dropping employer-based health coverage for ACA exchange coverage
 - Decreased offerings of traditional health benefits

Has the ACA impacted actuarial value in the employer-based market?

To better understand the risk of workers migrating from employment-based coverage to lower AV plans in the exchanges, it is important to know whether such a downward trend in AV is already occurring in the employment-based market.

In this paper, we explore trends in actuarial value (AV) in the employment-based market since the implementation of the major coverage provisions in the Patient Protection and Affordable Care Act (ACA) in 2014. We also examine how AV varies by various worker demographics and industry.

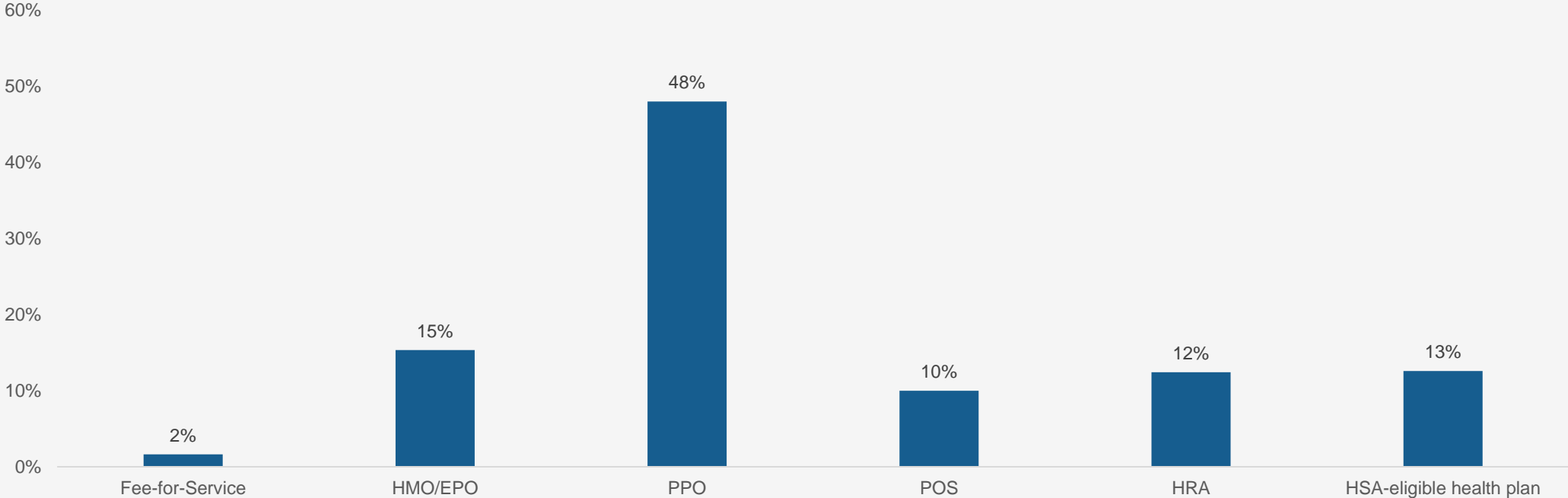
Source: Fronstin, Paul, Stuart Hagen, Olivia Hoppe, and Jake Spiegel, [“The More Things Change, the More They Stay the Same: An Analysis of the Generosity of Employment-Based Health Insurance, 2013–2019,”](#) EBRI Issue Brief, no. 545 (October 28, 2021).

Background

- IBM® MarketScan® Commercial Claims and Encounter Database (CCAЕ) as well as the IBM®MarketScan® Benefit Plan Design Database (BPD)
 - CCAЕ database contains member enrollment information as well as adjudicated inpatient and outpatient medical and pharmacy claims
 - BPD database contains data on the main elements of health plan benefit design, including deductibles, coinsurance rates, copayments, and maximum out-of-pocket (MOOP) amounts
- Study analyses data between 2013 and 2019, which include data on 20-25 million workers and dependents with employer-based health benefits in any given year

Most workers and dependents are enrolled in PPO plans.

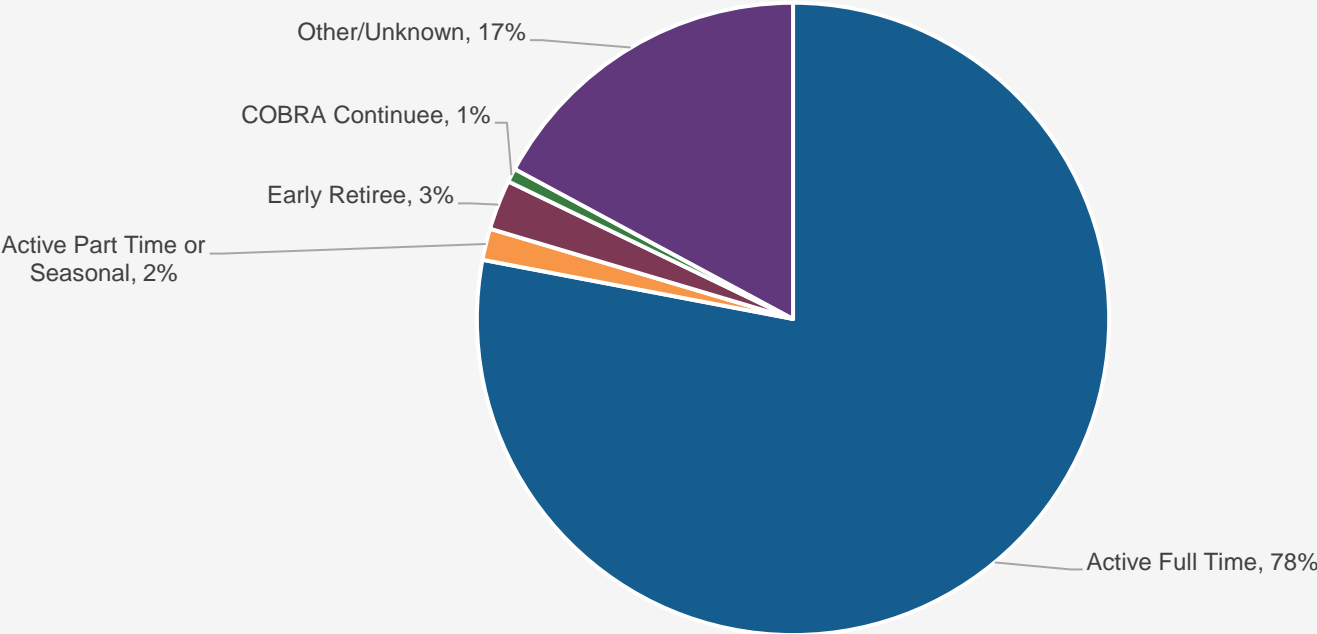
Distribution of Sample by Plan Enrollment, 2019



Source: Employee Benefit Research Institute estimates based on administrative enrollment data.
HMO = Health Maintenance Organization. EPO = Exclusive Provider Organization. PPO = Preferred Provider Organization. POS = Point-of-Service Plan. HRA = Health Reimbursement Arrangement. HSA = Health Savings Account.

Employer-based coverage is mainly utilized by active full-time workers.

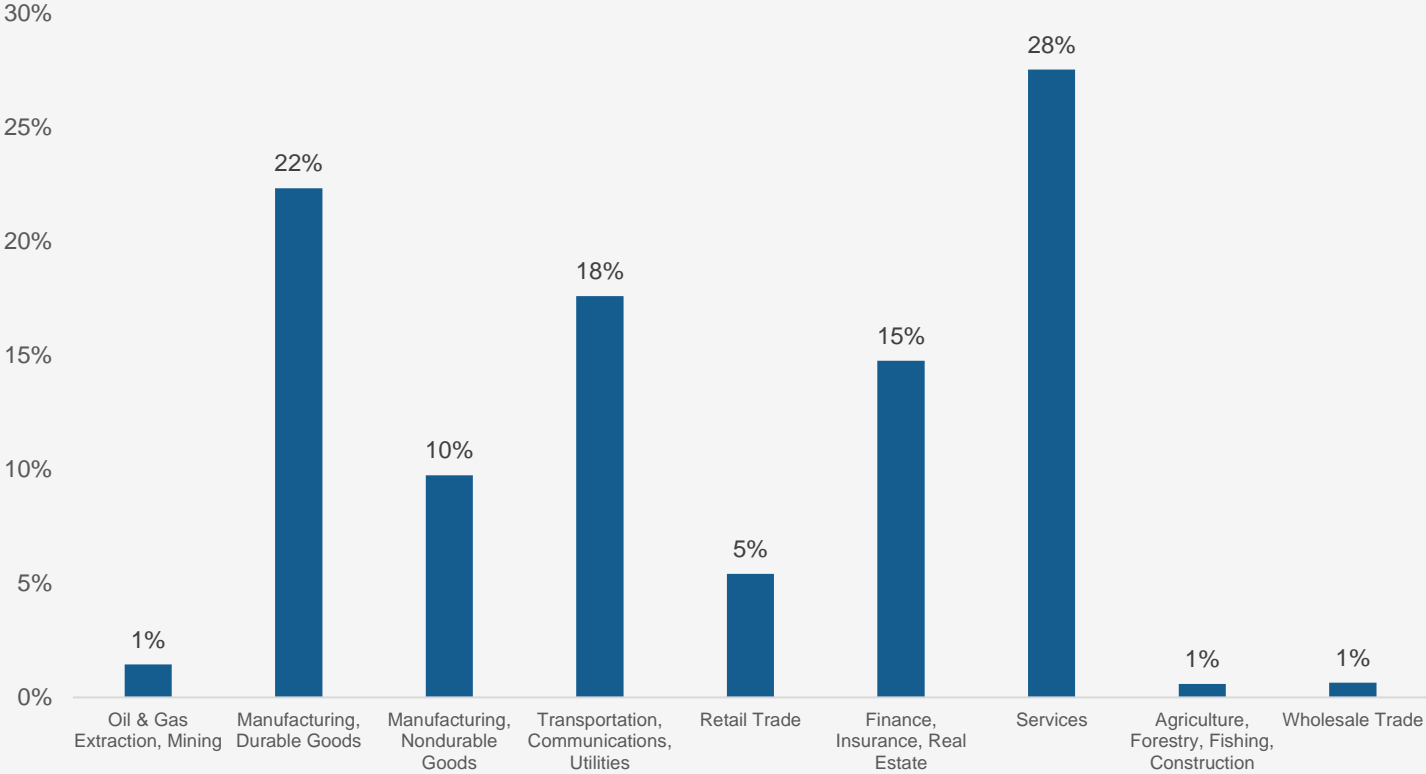
Distribution of Sample by Employment Status of Policyholder, 2019



Source: Employee Benefit Research Institute estimates based on administrative enrollment data.
Note: Not shown on Figure are Medicare Eligible Retirees, Retiree (status unknown), Long Term Disability, Surviving Spouse/Dependent because each category makes up less than 0.5 percent of the sample.

Employer-based benefits are offered most in the service, manufacturing, and transportation industries.

Distribution of Sample by Industry of Policyholder, 2019



Source: Employee Benefit Research Institute estimates based on administrative enrollment data.

Trends in Actuarial Value

- Despite concerns about the ACA potentially decreasing the generosity of employment-based health benefits, both the mean and the median actuarial value of employer-sponsored health plans have remained stable over the past seven years

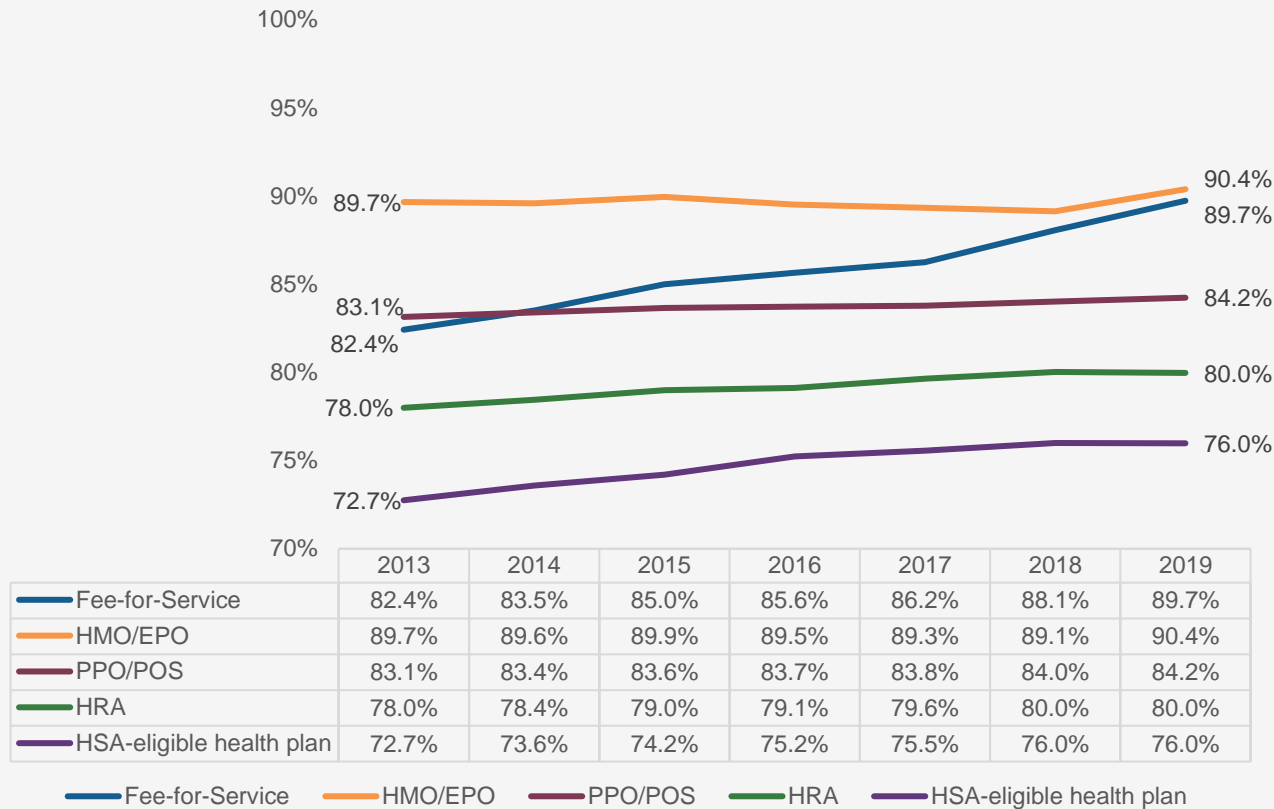
Average and Median Actuarial Value (AV), 2013–2019

	Mean AV	Median AV
2013	82.9%	83.5%
2014	82.8%	83.1%
2015	82.9%	83.0%
2016	82.9%	83.2%
2017	82.9%	82.4%
2018	83.3%	83.2%
2019	83.5%	83.1%

Trends in Actuarial Value by Plan Type

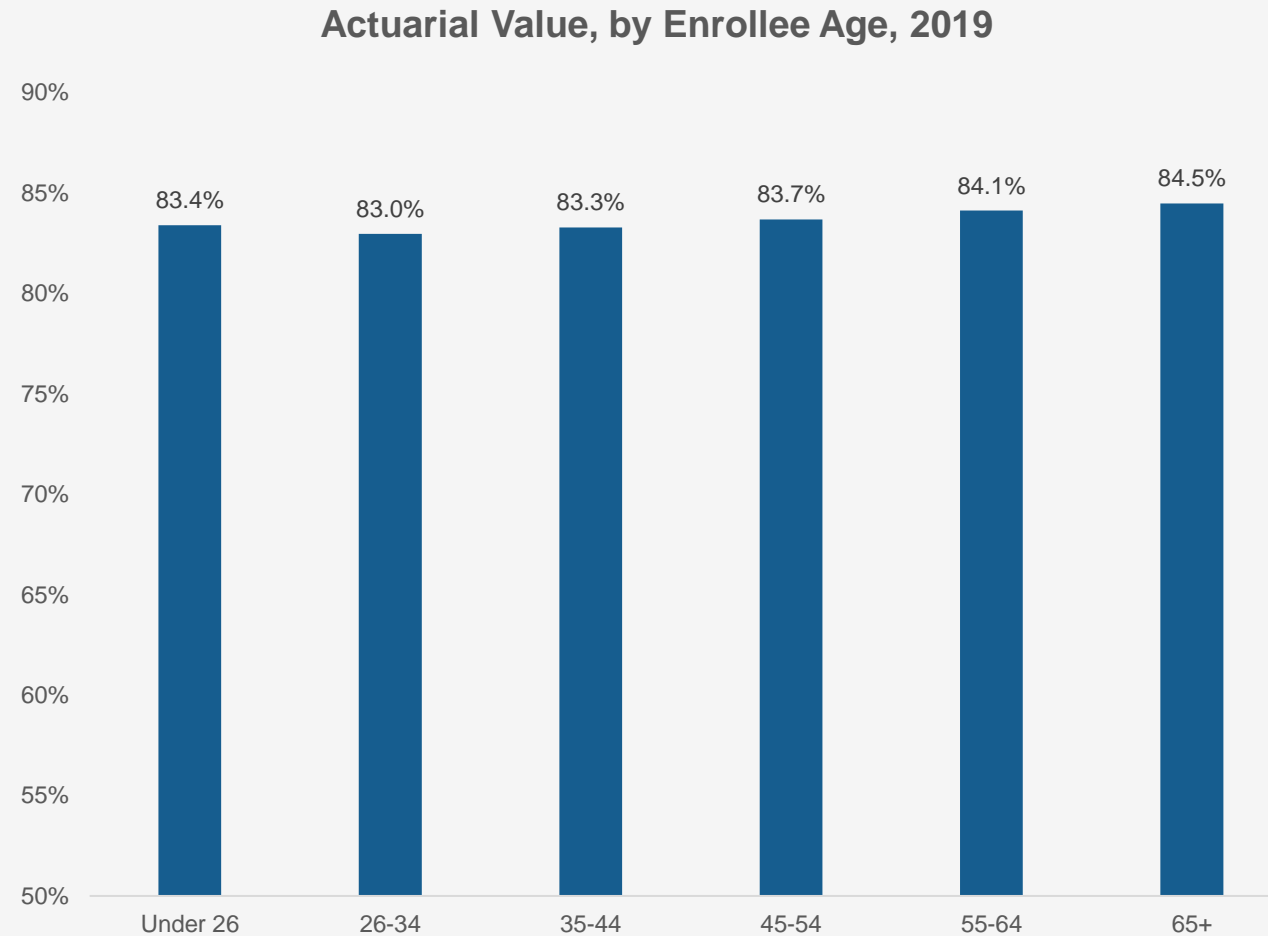
- Disaggregating by plan type, our analysis finds that the average actuarial value of health plans has been either stable or increasing slightly over the past seven years
- HMO/EPO plans have the highest average actuarial value
- HSA-eligible plans have the lowest average actuarial value

Average Actual Value by Plan Type, 2013-2019



Actuarial Value by Enrollee Age

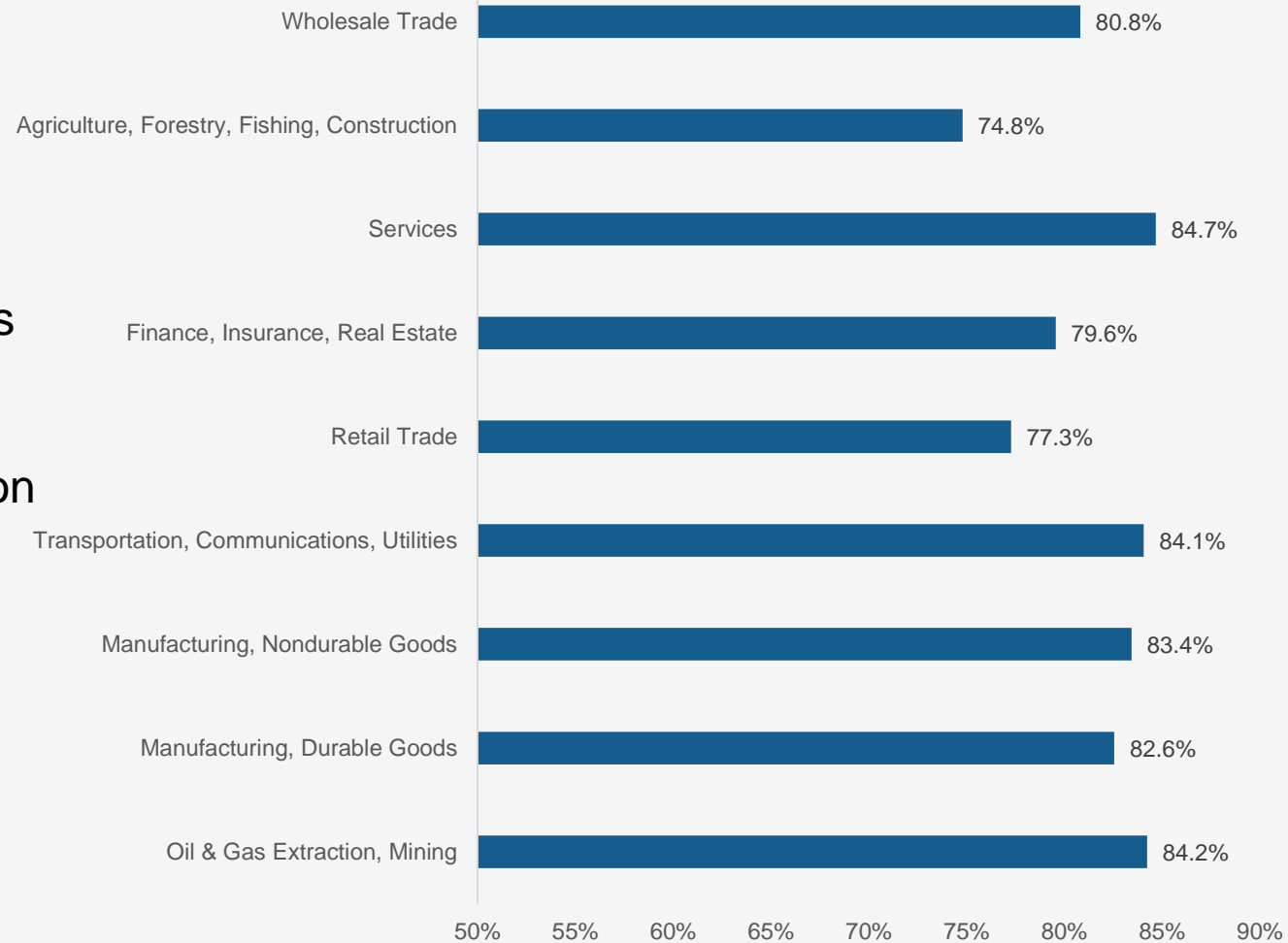
- We might expect to see variation in actuarial value based on enrollee's age; for instance, older workers may self-select into more-generous plans, and younger workers into less-generous plans
- However, our analysis does not reveal significant differences in average actuarial value by enrollee age



Actuarial Value by Sector

- Notably, our analysis reveals variation in actuarial value by industry
- Workers in the service sector, and transportation, communications, and utilities sector were in plans with the highest average actuarial value, while workers in agriculture, forestry, fishing, and construction sector, and in retail were enrolled in plans with the lowest average actuarial value

Actuarial Value, by Enrollee Industry, 2019



Source: Fronstin, Paul, Stuart Hagen, Olivia Hoppe, and Jake Spiegel, [“The More Things Change, the More They Stay the Same: An Analysis of the Generosity of Employment-Based Health Insurance, 2013–2019,”](#) EBRI Issue Brief, no. 545 (October 28, 2021).

Conclusions

- Our analysis suggests that the generosity of employment-based health benefits has not declined since the enactment of the ACA
 - On the whole, average actuarial value has remained steady since 2013, and has actually increased for most types of plans
- We do not find significant differences in average actuarial value based on the enrollee's age
- However, we do find some variation in average actuarial value based on industry
- While the enactment of the ACA has not led to downward pressure on the generosity of employer-based coverage, future reforms of the individual market still might

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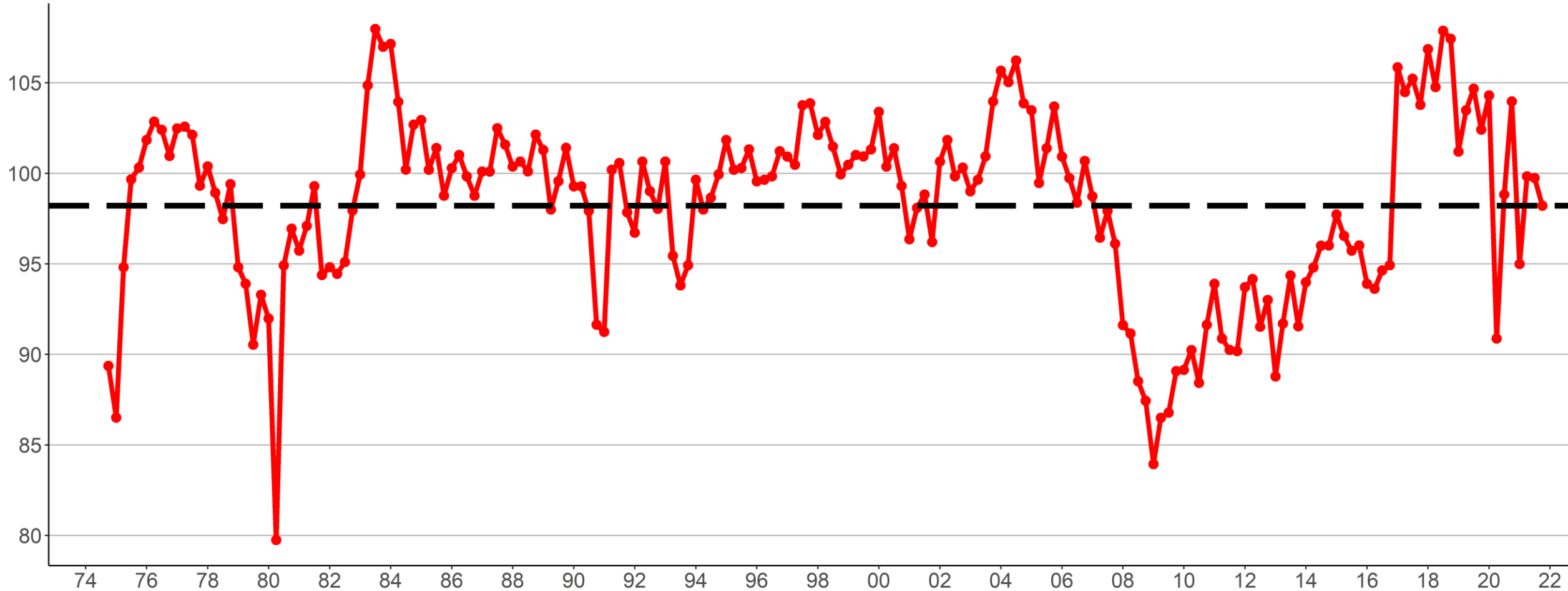
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11-09-2021



Small Business Optimism Index

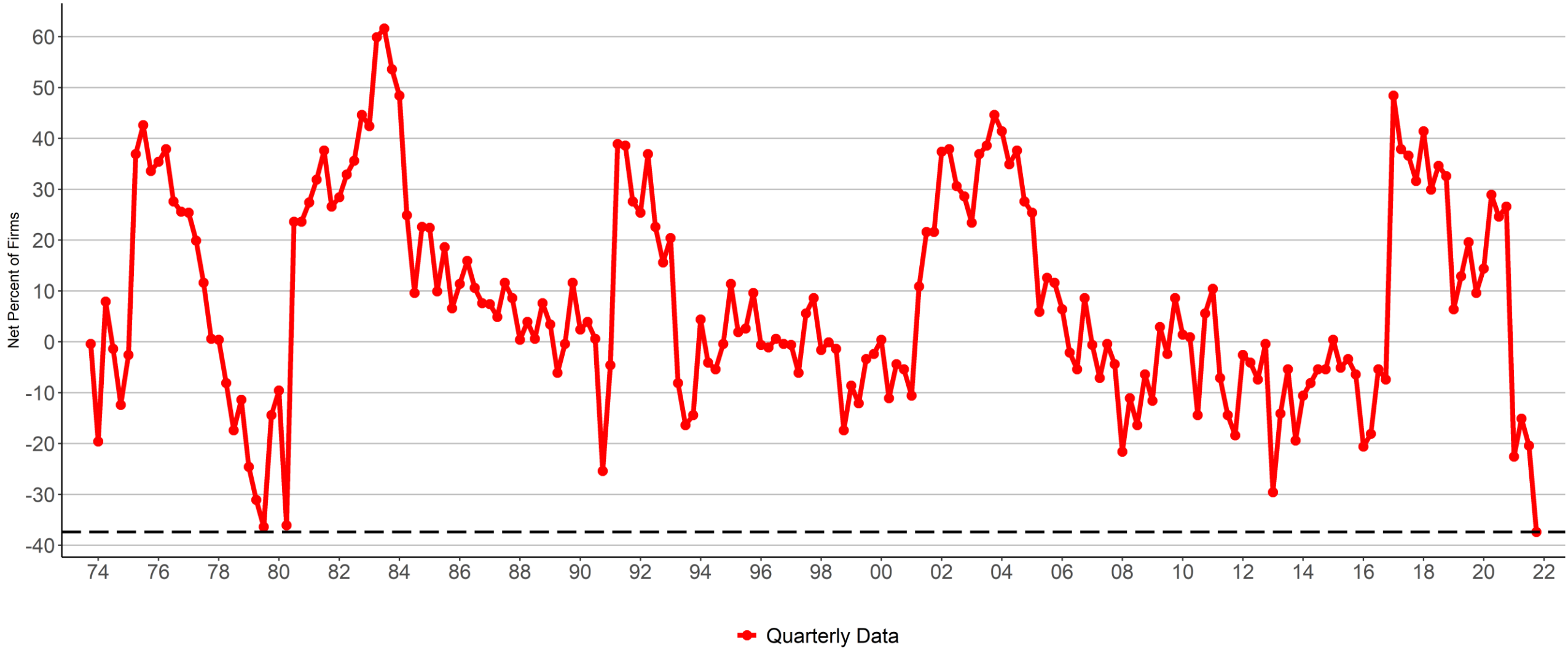
Based on Ten Survey Indicators
(Seasonally Adjusted, 1986 = 100)



Quarterly Data

Outlook for General Business Conditions

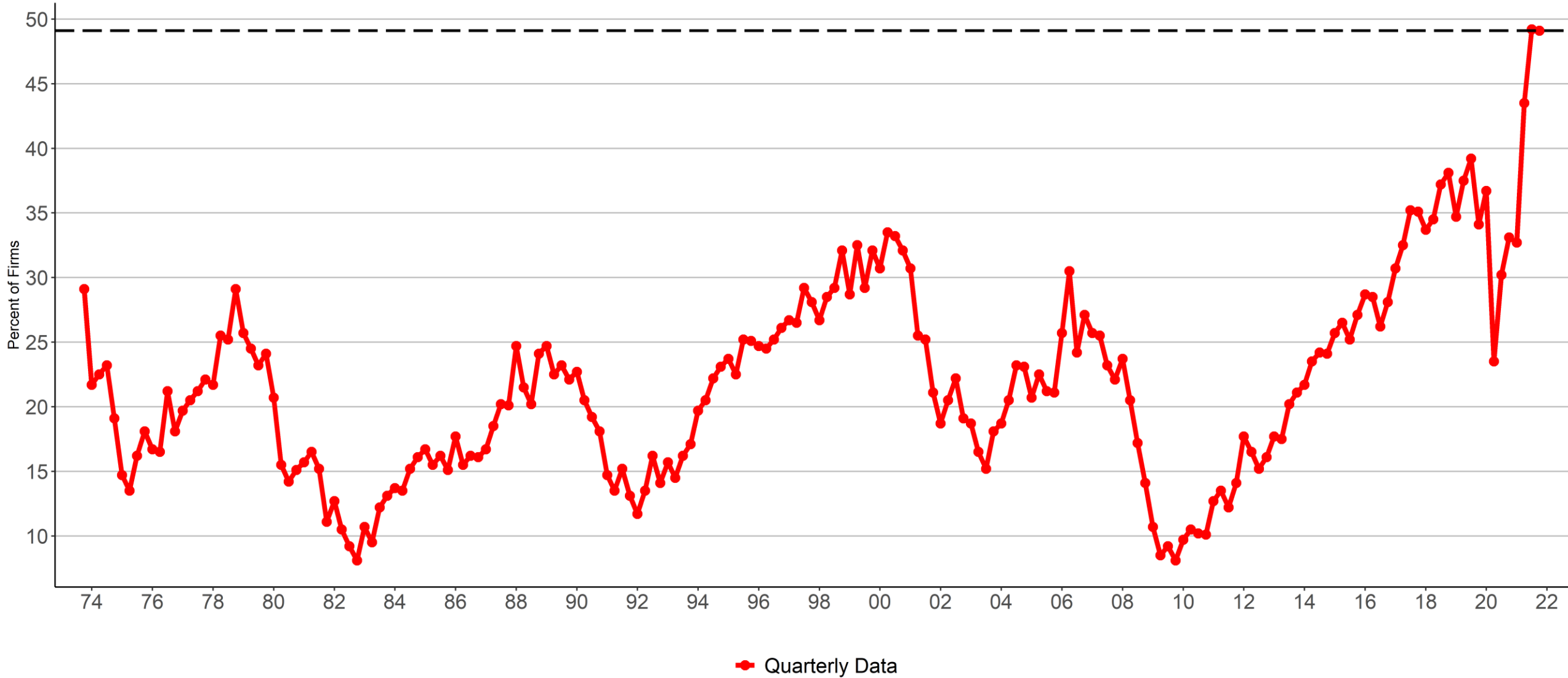
Net Percent ("Better" Minus "Worse") Six Months From Now
(Seasonally Adjusted)



Quarterly Data

Unfilled Job Openings

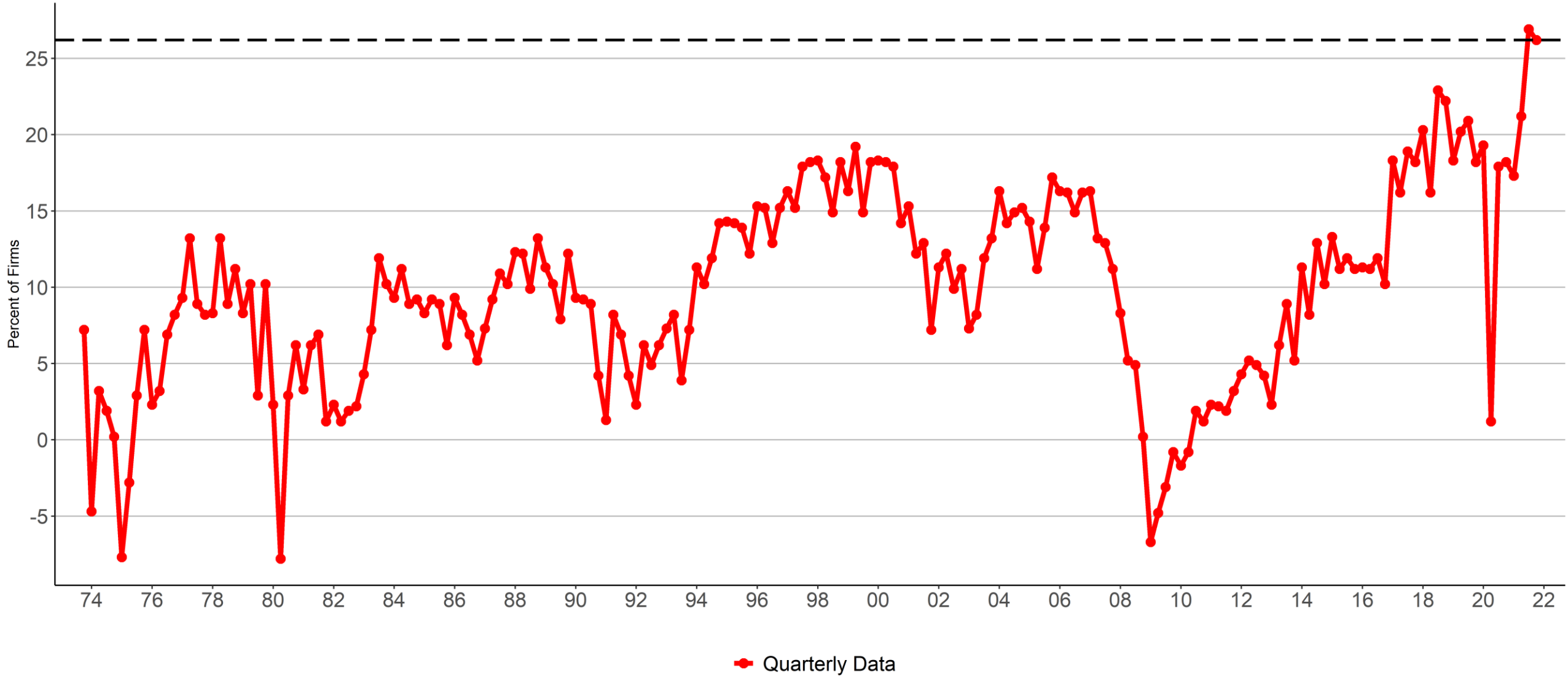
Percent with at Least One Unfilled Opening



Quarterly Data

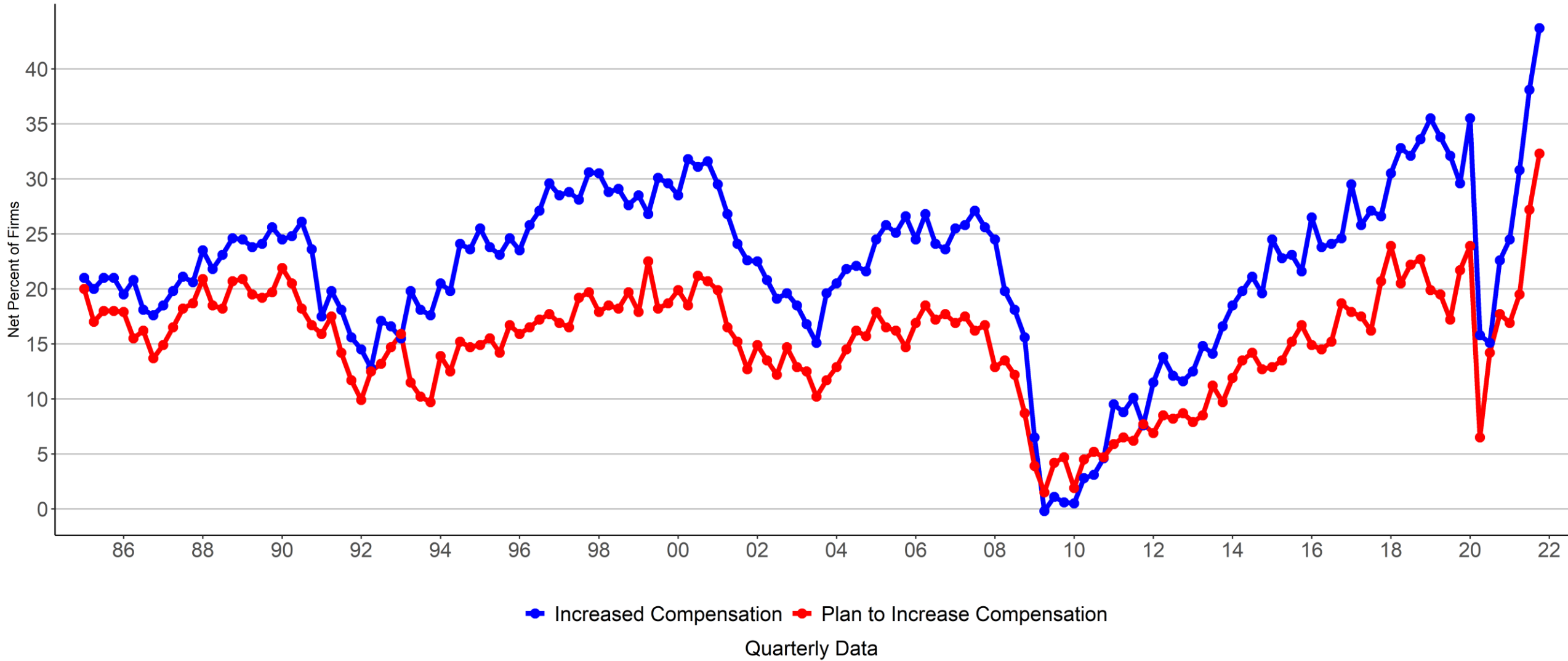
Job Creation Plans

Net Percent ("Increase" minus "Decrease") in Next Three Months

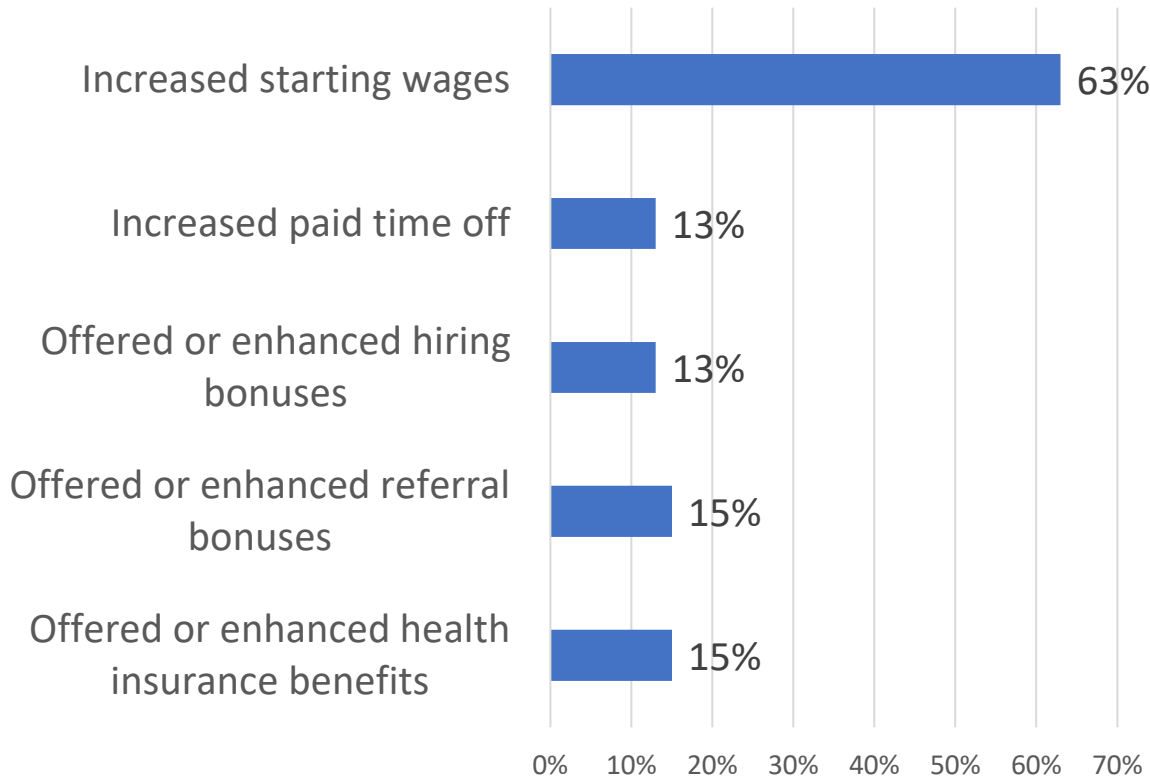


Quarterly Data

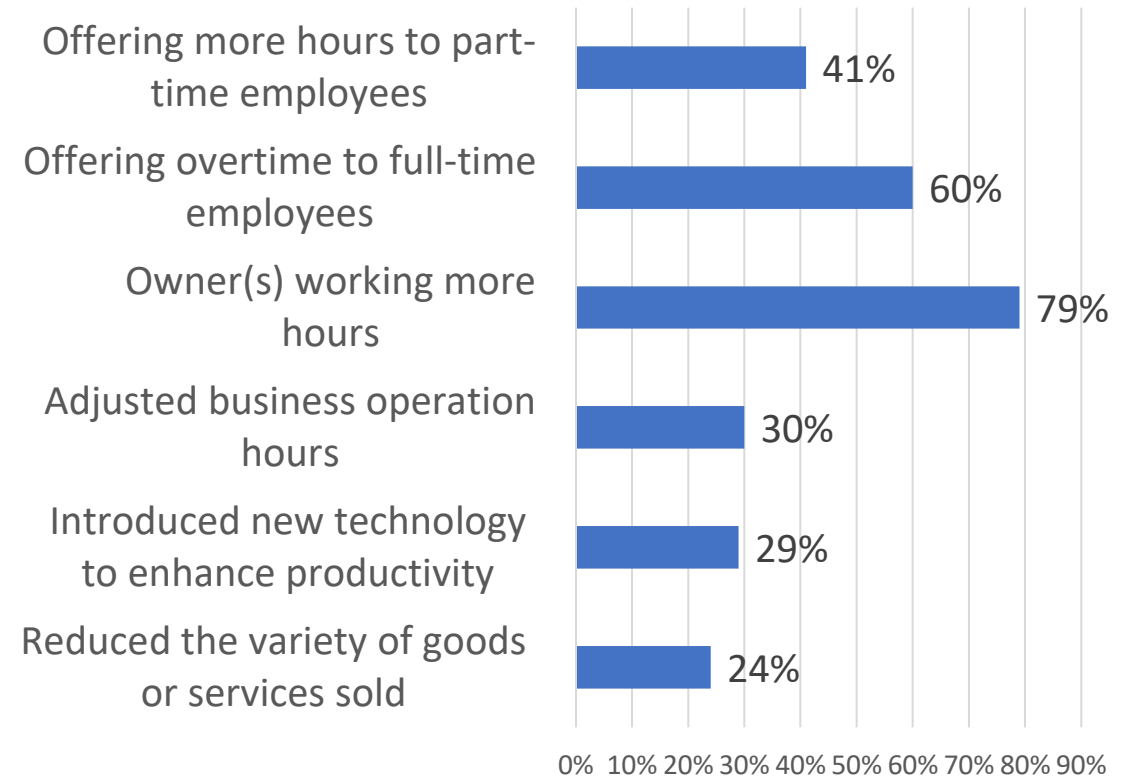
Planned and Actual Labor Compensation Changes



What adjustments (beyond normal hiring practices) have you made to attract applicants for open positions?



What adjustments have you made in business operations to compensate for the staffing shortage?



Source: NFIB Covid-19 Small Business Survey (20)

Small Business Problems and Priorities, 2020

- Cost of health insurance is the #1 most severe problem out of 75 potential issues.
- Cost of health insurance is a “critical” issue for 51% of small business owners.
- Cost is the main reason for small employers do not offer health insurance.

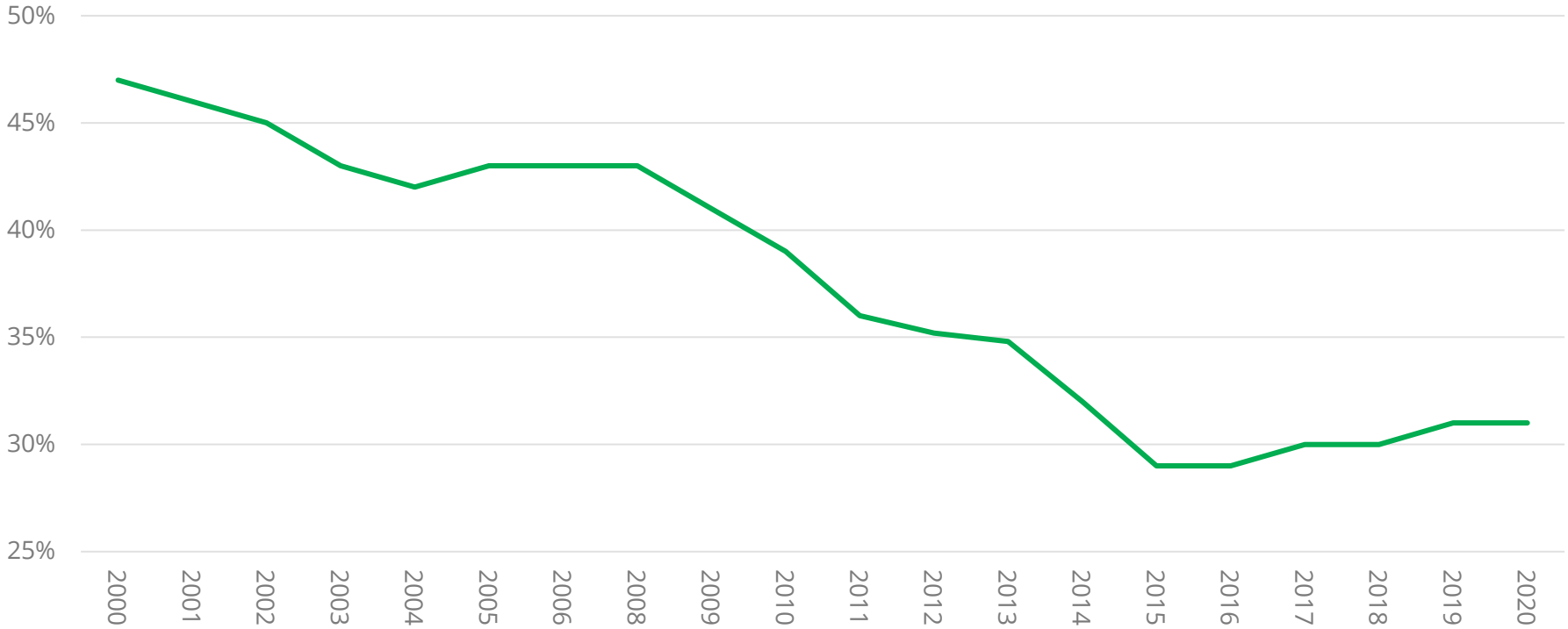
NFIB's Small Business Problems and Priorities

<https://assets.nfib.com/nfibcom/NFIB-Problems-and-Priorities-2020.pdf>



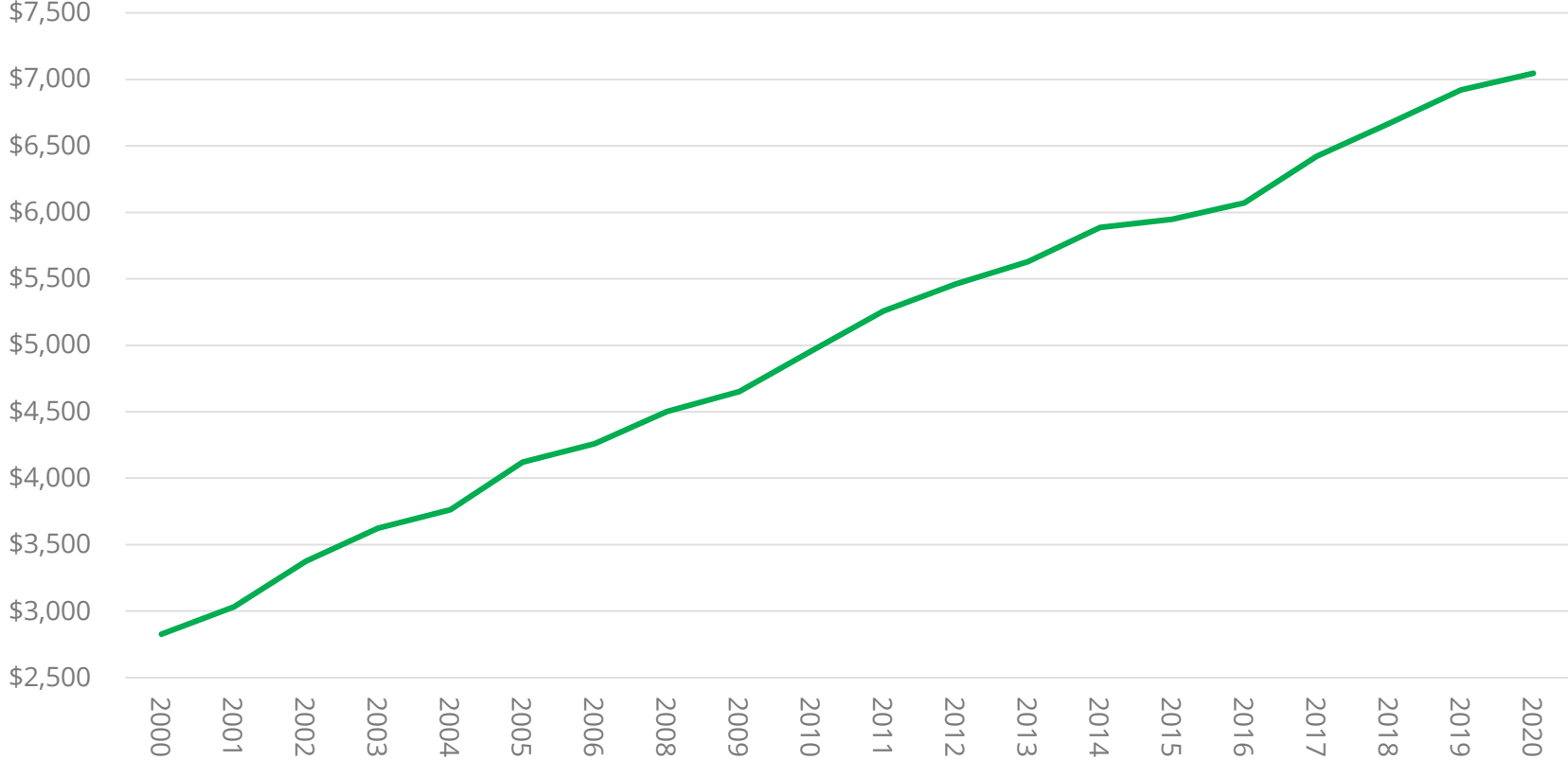
Small Business Health Insurance Offer Rates

Health Insurance Offer Rates for Businesses with Less Than 50 Employees, 2000- 2019



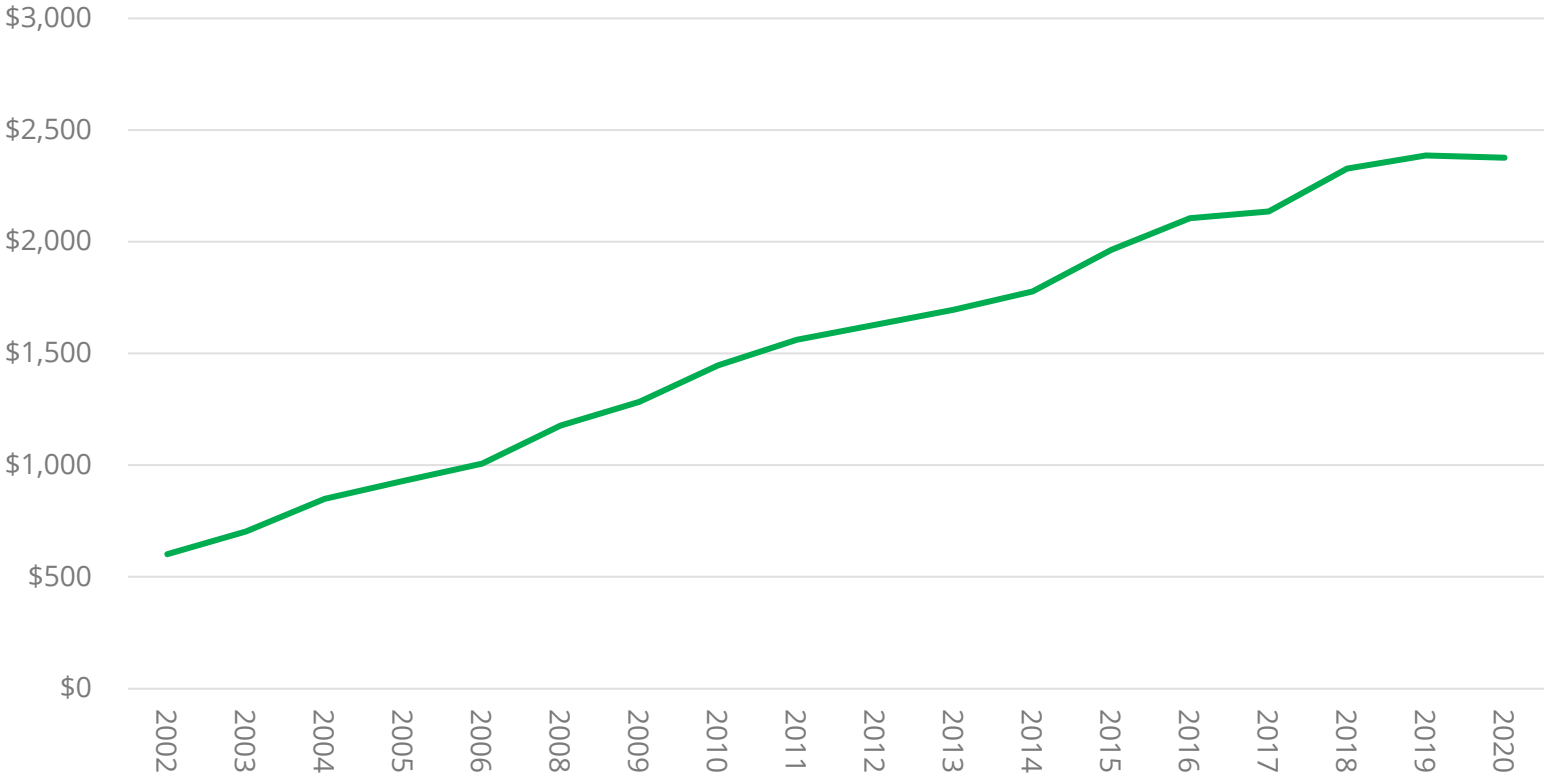
Small Business Health Insurance Premiums

Average Yearly Premiums for Businesses with Less Than 50 Employees, 2000-2019



Small Business Health Insurance Deductibles

Average Individual Deductible (firms with less than 50 employees),
2000-2020



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Q&A



Upcoming Events

Tuesday, November 16 — Mystery no More: Portfolio Allocation, Income and Spending in Retirement Webinar

Tuesday, November 30 — Target Date Funds in the Spotlight: How Well Are 401(k) Participants Using Them? Webinar

December 6, 7, and 9 — Winter Policy Forum Webinars

Please visit ebri.org for more information.

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