



US of Care Experts Study Employer-Sponsored Insurance Limits

By [Amy Lotven](#) / October 13, 2020 at 5:35 PM

The pandemic has highlighted and exacerbated long-standing vulnerabilities of employer-sponsored insurance (ESI), marking a good time to evaluate what role employers should be playing -- or want to play -- in the future of health care, the non-partisan think tank United States of Care says in a recent report that looks at how some states and employers have tried to tackle costs via direct negotiations and price transparency.

US of Care plans to convene a range of stakeholders from across the ideological spectrum to ponder the path forward and intends to unveil policy ideas next year.

The stakeholders convened by US of Care will be asked to answer the following questions: What roles do employers and the public want to play in health care; how can job-linked coverage evolve to ensure greater stability, especially in times of economic calamity or a public health crisis; what tools and incentives do employers need to use their negotiating clout to demand better prices; and how can employers attract and retain talented workers, while providing everyone, including those in the gig economy, with health security.

Health care reform discussions often focus on public program expansions, even as the vast majority of Americans - 160 million or so -- receive coverage through work, says Andrew Schwab, US of Care's director of policy, federal affairs and partnerships, who wrote the report. Further, he writes, the employer tax exclusion is the single largest tax expenditure in the country, hitting \$242 billion in 2019.

In a separate blog, Kristin Wikelius, US of Care's managing director of policy and external affairs, writes how the structure of the tax has saddled businesses and governments with out-of-control costs, depressed wages and buoyed a regressive system that gives more benefits to people with higher incomes.

The pandemic has highlighted the inefficiencies and inequities of tying health security to jobs. The entire concept of insurance is about financial security, she writes. De-linking insurance from jobs would allow people to diversify their risks, and would free employers, most of whom are not health care benefits experts, from the financial and time burdens associated with administering health care, she writes.

Schwab also points out that the system was already beginning to crack before the pandemic resulted in massive layoffs and coverage losses.

Schwab says a big realization moment came in 2019 when the Kaiser Family Foundation reported that the average family premium had hit \$20,000 a year. Employers had been dealing with rising costs by pushing more of the financial responsibilities onto workers, but it became clear that there was a limit to the out-of-pockets costs their employees could shoulder and that limit likely had been reached.

US of Care then began talking with business groups, looking into data on the tax exclusion and gathering examples of how states and employers have tackled costs, which Schwab included in the brief. For example, in 2010, Rhode Island capped price inflation, moved hospital payments to value-based arrangements and increased the share of spending on primary care by 1 percent for a four-year period. Ten years later, the state boasts an 8.1% reduction in per-enrollee costs, stable quality metrics with less use of low-value care, and lower out-of-pocket costs. In 2014 when Montana's self-insured employee plan showed a \$9 million shortfall, the state's Health Care and Benefit Administrator Marilyn Bartlett leveraged her purchasing power to negotiate directly with hospitals -- achieving an average reimbursement rate of 234% of Medicare in the first year and leading to \$112 million in reserves without reducing benefits. Bartlett then negotiated a new contract with pharmacy benefit managers who agreed to give the state 100% of rebates, saving taxpayers \$7.4 million in 2017.

The following year North Carolina tried a similar effort but ran into too much political opposition, so it stalled. The report also highlights the Colorado insurance commissioner's plan to issue guidance that will require insurers to report what percent of Medicare rates they reimburse hospitals as part of the rate review process. The guidance was put on hold due to the pandemic, but Schwab says it is still a "hopeful development to strengthen what we know about how hospitals are reimbursed by private insurance companies and the extent to which this is an equal or unequal negotiating power dynamic."

In the private sector, companies like Boeing and Cisco Systems have leveraged their large workforce to directly contract with providers who are also required to be accountable for the patient care.

These state and private initiatives provide a road map for federal policies that can increase transparency and lower costs, the report says. But since the federal government has jurisdiction over ERISA plans, which make up 61% of ESI-insured lives, it must be an integral part of the solution.

US of Care has not yet solidified the stakeholder group that will discuss ESI, but Schwab says there's been a good amount of interest based on initial talks.

He acknowledges that employers have historically been wary about changes that could lead to de-linking benefits from work, but he adds there may be a growing split in the industry. Small businesses in particular are affected by the growing costs, he says.

And recent employer surveys also show a greater openness by employers to consider more radical policy changes.

A survey by the National Alliance of Healthcare Purchases out in December found one-third of employers believed a public option could be helpful to their health care plans, and nearly three-quarters (72%) said hospital rate regulation would be a positive.

And an August survey by the National Business Group on Health (NBGH) also found 76% of employers were open to the government negotiating drug prices, and a majority were also willing to consider lowering the age of Medicare.

Another employer source agrees with US of Care's premise that ESI may be at the tipping point. They correctly point out that as costs continue to go up unabated, employers are becoming more frustrated and discouraged. We've tried many, many policies that tinker around the edges to try to drive value and lower costs but would not fully disrupt the system, the source says. But "it ain't working."

Everything that employers do is countered by the health industry, and ultimately defeated by the political process, the source adds, noting there have been no fixes to skyrocketing drug costs, surprise billing or the consolidations. So, what can employers do?

If both employers and workers can't afford the current system, it's time for a reassessment, says the source, who does not support decoupling health benefits from jobs but has pushed for greater transparency instead.