Why Group Insurance is MORE VALUABLE than ever

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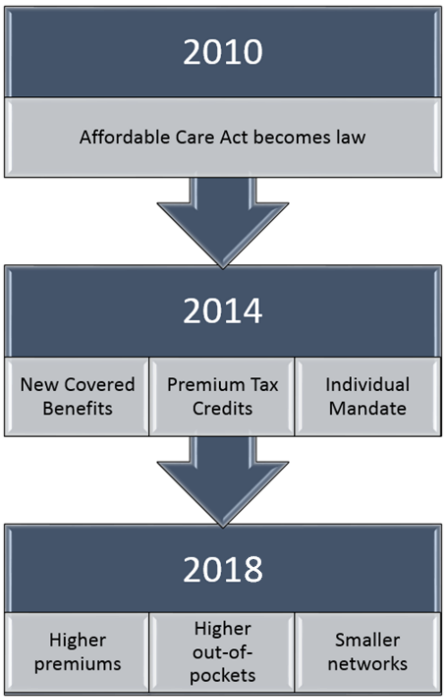
Eight years ago, the Affordable Care Act was signed into law. With it came massive changes to the individual health insurance market, including a **guaranteed issue** provision which meant that people could not be turned down or charged more for pre-existing medical conditions; **new covered benefits** including maternity and mental health services; and **subsidies** to help people pay their monthly premiums.



At the time, some employers wondered whether their group health plan would still be a valuable benefit to employees since many of the features that made employer-sponsored coverage attractive to workers were now available to everyone. In fact, some employees reported that individual market coverage was actually more comprehensive and less expensive than their group health plan, which really made employers question the ROI of their employee benefits package.

My how things have changed!

It's now 2018, just a few years after the first ACA open enrollment period in the individual market, and things are a mess. Insurance companies have found that the individuals purchasing coverage through Healthcare.gov are sicker than they had originally anticipated and that not enough young, healthy people are signing up. As a result, many insurance companies have suffered huge losses and have had to take some drastic steps to stop the bleeding while keeping premiums from spiraling out of control.

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Major Changes to Individual Market Coverage

While not comprehensive, here's a list of some of the big changes in the individual market which have made the plans less desirable to consumers.

Deductibles and Out-of-Pockets Have Increased

In 2019, the maximum out of pocket is increasing to $7,900 for single coverage and $15,800 for family coverage.

Significantly. In the bronze level of the individual marketplace, it's hard to find a plan with a deductible lower than $6,000, and most plans have a total out-of-pocket exposure of well over $7,000 for individuals and twice that amount for families. In 2019, the maximum out of pocket is increasing to $7,900 for single coverage and $15,800 for family coverage, and you can bet that most plans will once again raise their stop-loss limits. Many people who have health insurance feel that it doesn't cover anything and worry that they could be wiped out financially if they have an unexpected illness or injury.

Copayments Are Disappearing

The absence of copayments doesn't mean that it's now free to go to the doctor or pick up prescriptions—just the opposite. The up-front copayments that members are used to paying when they visit the doctor or get a monthly medication are quickly being dropped from bronze- and silver-level plans, forcing consumers to pay the full price when they need medical care. Instead of paying $30, for instance, when they go to the doctor, members now have to pay whatever amount the insurance company has negotiated with the in-network physician, and that amount is credited toward the deductible and out-of-pocket maximum.

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The good news is that people with a **Health Savings Account** can pay these expenses with tax-free dollars, but the bad news is that, after paying their monthly premium, a lot of people don't have money to fund their HSA. This is causing some individuals to go without needed medical care, and postponing treatment often leads to higher costs as the conditions continue to get worse.

Modified Drug Formularies

To reduce costs and at the same time discourage people with chronic conditions from signing up for coverage, some insurance companies have modified their preferred drug lists, moving some medications to higher cost-sharing tiers and dropping some drugs from the plan's formulary altogether. While healthier individuals aren't really impacted by these moves, those with ongoing conditions are forced to pay a lot more.

Smaller Provider Networks

The most recent and perhaps the most disturbing change for a lot of people is that most insurance companies offering individual coverage have reduced the size of their contracted provider networks while eliminating non-network benefits altogether. This means that anyone with a favorite doctor or hospital now must choose carefully when selecting a plan; picking the wrong one could mean that they have to change providers. And many health care providers, including facilities known for treating serious illnesses, have made the decision to stop accepting most if not all plans purchased through Healthcare.gov, forcing consumers to choose between the doctors and hospitals they depend on and the financial assistance they need.

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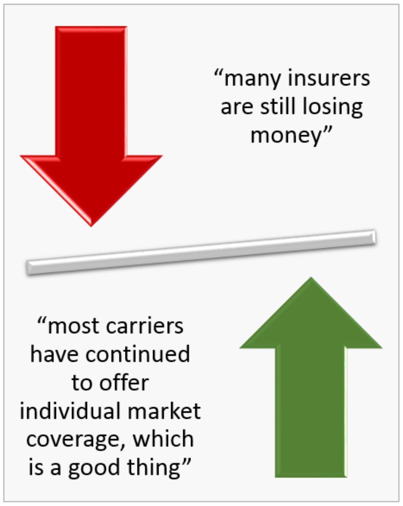
Mixed Results



So far, the efforts by insurance companies to reduce their losses while keeping premiums under control have been only moderately successful. While most carriers have continued to offer individual market coverage, which is a good thing, many insurers are still losing money, even with all of the changes, and most consumers who are not receiving a subsidy to help pay for the cost of their coverage would argue that monthly premiums are far from affordable.

Even worse, most experts expect premiums to rise even faster in 2019. At least some of the increase is attributable to the Trump administration’s decision not to reimburse insurers for the cost sharing subsidies that they provide to eligible individuals who purchase silver level coverage and the recent change that eliminates the individual mandate penalty starting in 2019. Without the mandate, some healthy people will choose to go without coverage, increasing the “adverse selection” risk for insurance companies.

With all of the uncertainty in the marketplace, many insurance companies have made the decision in the last couple years to stop offering individual health plans through Healthcare.gov altogether.

LONG STORY SHORT

- Fewer insurance companies are offering individual health insurance coverage than in the past, and the plans are much more expensive and much less comprehensive than most consumers like.
- This is causing individuals to look for other options, and they will appreciate (and maybe even expect) an employer-sponsored health insurance plan.

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Employers to the Rescue!

Employers offer benefits as a recruitment and retention tool.

"With all of the recent changes to non-employer-sponsored coverage, many businesses are finding that their group health plan is more popular with employees than ever before."

The apparent demise of the individual market is making employer-sponsored health coverage even more valuable to employees. For years, companies have offered employee benefits in an effort to attract and retain quality employees. While there was no "employer mandate" until recently (for companies with 50 or more employees), most employers saw a value in offering benefits: they served as a great recruitment and retention tool.

With all of the recent changes to non-employer-sponsored coverage, many businesses are finding that their group health plan is more popular with employees than ever before. While some workers, particularly low-income individuals who would qualify for significant tax credits in the individual market, may still do better outside of the group plan, the numerous changes in the individual market are causing ACA enrollment to decline: there were fewer people signed up for coverage through Healthcare.gov at the end of the 2018 open enrollment period than there were one year earlier. At the same time, enrollment in employer-sponsored coverage is on the rise; many employees who may have waived coverage in the past are now choosing to enroll in their group health plan.

What this means for the employer, of course, is that group health coverage now offers a higher ROI than in recent years; it's even a better recruitment and retention tool than it was before.

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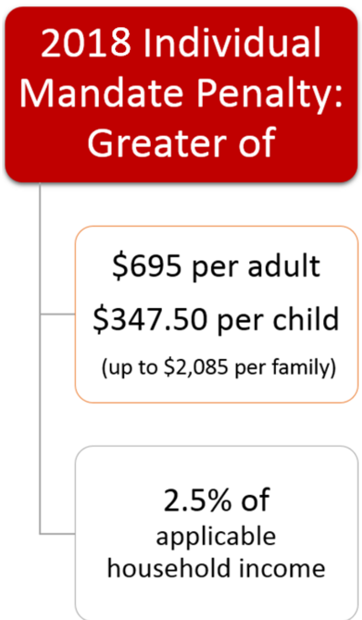
What effect will the elimination of the individual mandate have?



The individual shared responsibility requirement, better known as the individual mandate, is one of the least popular provisions of the Affordable Care Act. What it says is that anyone who does not have "minimum essential coverage" and who does not qualify for an exemption will pay a penalty when filing his or her tax return. While the mandate is still in effect, the penalty is going away in 2019.

You may think that this will hurt the perception of your employer-sponsored health plan—since people are no longer required to have health insurance, why would employees want to sign up for the group plan?

This question implies that the only reason anyone buys health insurance is because they have to. That, of course, is not the case. The vast majority of people who have health insurance recognize the need; they buy insurance because they might have a condition that requires medical attention and, more importantly, because they can't predict what might happen in the future.

Additionally, the elimination of the individual mandate penalty increases the chance that healthy individuals will drop their health coverage. As a result, insurance companies are charging more for individual plans because the penalty is going away, and that means that employees who need health coverage for themselves and their families will be even *more* grateful for your employer-sponsored plan.

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A Tight Labor Market

One last consideration for employers who are trying to determine whether it makes sense to offer health insurance and other employee benefits is this: we have a very tight job market right now. Unemployment is at its lowest rate in years, and that means companies need to compete for qualified candidates.

Salary is a big factor for most employees, of course, but so are health benefits. Given the lack of options in the individual market, employees are increasingly seeking out employers that offer group health insurance benefits. Now is definitely not the time to be thinking about dropping your health plan.

A Tax-Free Gift to Employees

When companies offer group health insurance and other employee benefits, these benefits are a tax-free gift to the employees. And if a company is going to go to the trouble and expense of offering benefits, it makes sense to offer something the employees will appreciate.

Now, thanks to recent developments in the individual market, employer-sponsored health insurance is more valuable and more popular than ever. Employers who do a good job of communicating this to their employees have a valuable tool to reduce turnover and increase employee satisfaction.

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