Employee Benefits Report

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President Trump and House GOP Introduce Obamacare Replacement Plan

Fulfilling promises to repeal and replace Obamacare, President Trump and House Republicans introduced the American Health Care Act in mid-March. As details emerged, opposition from medical professionals and others grew amid concerns the AHCA would increase the number of uninsured and destabilize insurance markets.

President Donald Trump and House Republicans moved forward in mid-March with a plan to repeal and replace Obamacare with the American Health Care Act — generating mounting opposition from medical professionals and others.

"Seven years ago this month, Obamacare was signed into law over the profound objections of the American

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The CBO Scores the AHCA

As we went press, the Congressional Budget Office (CBO) released its cost-and-coverage estimates of the American Health Care Act (see our main story).

The CBO says the AHCA would cut the federal budget deficit by $337 billion over 10 years, cut taxes by nearly $900 billion and reduce federal spending by $1.2 trillion..

The CBO also predicts 14 million Americans would be uninsured by 2018 under the AHCA due to "repealing the penalties associated with the individual mandate."

Health and Human Services Secretary Tom Price reacted, saying, "We disagree strenuously with the report that was put out."

In an editorial, the *Wall Street*

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people," President Trump said in his weekly address to the nation. "Our citizens were told they would have to pass Obamacare to find out what it was and how bad it was.

"Now we know that the hundreds of pages were full of broken promises. And this is why we must repeal and replace Obamacare — to deliver relief to American workers, families, and small businesses, who right now are being crushed by Obamacare, by increasing freedom, choice, and opportunity for the American people."

Under the proposed House legislation, people would no longer be subject to a penalty if they go without health insurance, but they would still enjoy protections of the Affordable Care Act. Insurers would need to offer essential health benefits and could not deny individuals coverage because of preexisting conditions and could not impose annual or lifetime caps on coverage.

Insurers would be free to raise premiums to meet these requirements, but people would not experience the effects until 2018 because their current policies are locked in for a year.

AHCA Opposition Grows

The bill has garnered opposition from doctors, hospitals, insurers and others who say it would increase the number of uninsured and destabilize insurance markets. Medical professionals say many people would lose health coverage.

"We believe that any changes to the ACA must be guided by ensuring that we continue to provide health care coverage for the tens of millions of Americans who have benefited from the law," Rick Pollack, president and chief executive officer of the American Hospital Association, said in a statement.

"We are pleased that so many in Congress also recognize the need to preserve patient coverage. We believe the legislation needs to be reviewed through this lens, and carefully evaluated regarding its impact on both individuals and the ability of hospitals and health systems, which are the backbone of the nation's healthcare safety net."

Trump urged Congress to approve the AHCA and save Americans from the "imploding Obamacare disaster."

"Premiums have skyrocketed by double-digits and triple-digits in some cases," Trump said. [...and they are]"As an example, [health care costs in] Arizona [have increased] — 116 percent going up a lot higher. [...This year] would be a disaster for Obamacare. That's the year it was meant to explode, because Obama won't be here....As bad as it is now, it'll get even worse. Choices are disappearing as one insurer drops out after another. Today, one-third of all counties now have only one insurer on the Obamacare exchanges, and the exchanges themselves are a disaster."

The AHCA ends the Obamacare tax hikes, cutting taxes by hundreds of billions of dollars, Trump said. "It provides states with flexibility over how Medicaid dollars are spent, [transferring] power from Washington and back to local government, which we all want to see," Trump said. "We're going to do a much better job. And the plan empowers individual Americans to buy the health insurance that is right for them, not the plan forced on them by government. You all remember, you can keep your doctor, you can keep your plan. This is the time we're going to get it done."

***Journal* agreed with Price, saying the CBO has historically underestimated the benefits of market-driven reforms, such as the AHCA. Its ObamaCare enrollment estimates predicted, for example, 26 million enrollees in 2017; the actual number was 10 million. In addition, said the *Journal*, CBO failed to account for the number of people who would game the system by "signing up for coverage just before they need expensive procedures."**

"I firmly believe that nobody will be worse off financially in the process that we're going through," Price said on NBC's "Meet the Press" Sunday.

Doug Elmendorf, former director of the Congressional Budget Office, disagreed. He said on CNN on Monday that Price's claim was "absurd." "This legislation will cut subsidies substantially; millions of people will lose health insurance," he said.

What the AHCA Would Do

A House GOP document said this is what the AHCA would do:

Deliver Relief – The AHCA would dismantle the Obamacare taxes that have hurt job creators, increased premium costs, and limited options for patients and health providers, including taxes on prescription drugs, over-the-counter medications, health-insurance premiums, and medical devices. It also would eliminate the individual and employer mandate penalties, which forced millions of workers, families and job creators into expensive, inadequate Obamacare plans that they don't want and cannot afford.

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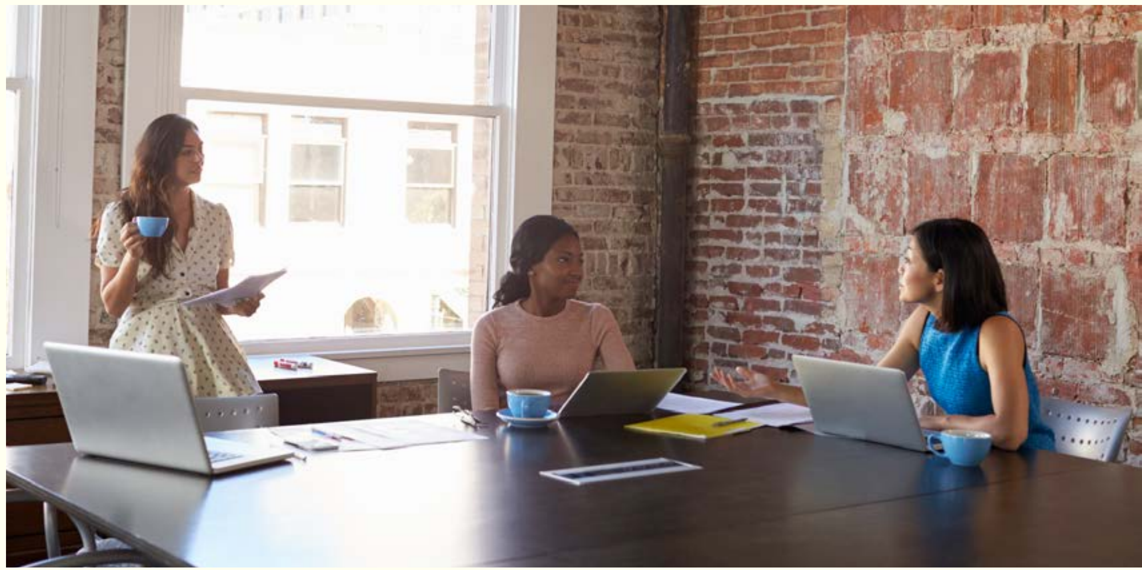
Preserves Vital Patient Protections – The legislation prohibits health insurers from denying coverage or charging more money to patients based on preexisting conditions. It would help young adults access health insurance and stabilize the marketplace by allowing dependents to continue staying on their parents' plan until they are 26.

President Trump Reforms – President Trump's reforms would establish a Patient and State Stability Fund, which provides states with $100 billion to design programs that meet the unique needs of their patient populations and help low-income Americans afford health insurance. It would modernize and strengthen Medicaid by transitioning to a "per capita allotment," so states can better serve the patients most in need. It would also empower individuals and families to spend their healthcare dollars the way they want and need by enhancing and expanding Health Savings Accounts (HSAs) — nearly doubling the amount of money people can contribute and broadening how people can use it. Further, these reforms would help Americans access affordable, quality healthcare by providing a monthly tax credit — between $2,000 and $14,000 a year — for low- and middle-income individuals and families who don't receive insurance through work or a government program.

We'll try to keep you updated on the ACA, AHCA and other healthcare proposals as they are proposed and debated in Washington.

Millennials Driving Growth of Health Savings Accounts

As more employers offer high-deductible health plans amid rising healthcare costs, health savings accounts are becoming increasingly popular in the workplace — especially among millennials.



In 2016, less than a third of eligible millennials under the age of 26 participated in an HSA, but that figure has grown to nearly 40 percent now, and those same millennials are contributing nearly 20 percent more — over $200 more on average — to family coverage accounts this year, according to the second annual State of Employee Benefits report by Benefitfocus.

Although these contributions are still well below the IRS maximum, the increase likely signifies that millennials have a better understanding of the value that a well-funded HSA can provide them.

"This year's report documents the continued shift by employers to consumer-driven healthcare plan designs," Benefitfocus co-founder and CEO Shawn Jenkins told *Employee Benefit News*. "Employers continue to offer more choice in benefits — both with HDHPs and voluntary benefits — to help

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employees personalize their benefits to best suit their unique health and financial needs."

To help manage their growing financial responsibilities, many employers offer HSAs and flexible spending accounts (FSAs) that workers can pair with a health plan. These accounts allow both employers and employees to contribute pre-tax dollars to pay for qualified medical expenses throughout the year. They provide a cost-effective way for employees to tackle daunting deductibles and additional out-of-pocket medical expenses.

In order to sign up for an HSA, an employee must buy or have a qualified HDHP (High Deductible Healthcare Plan), which is a form of catastrophic health insurance coverage. Coverage under these plans only kicks in after the insured meets a specified high deductible. In 2017, HDSA-qualified plans must have a deductible of at least $1,300 for people with individual coverage and $2,600 for those with family coverage.

HSAs, which are available exclusively to HDHP subscribers, are used to reimburse employees for qualified medical expenses incurred within the deductible of the HDHP.

[HSAs are] essentially like 401(k) plans that specialize in health care, with the added benefit that withdrawals are tax-free — for qualified expenses — at any time," the authors of the report wrote. "While there remains a long runway of opportunity for these accounts, they appear to have gained momentum."

HSAs are a relatively recent enhancement to traditional health insurance plans that are basically a savings product designed to offer individuals a different way to pay for their health care. HSAs enable employees to pay for current health expenses and save for future qualified medical and retiree health expenses on a tax-free basis.

Employees establish their account, which means the employee owns and controls the money in their HSA. The employee makes all decisions about how to spend the money without relying on a third party or a health insurer. The employee also decides what types of investments to make with the money in the HSA to make it grow. However, if a worker signs up for an HSA, employees are generally required to buy a high-deductible health plan as well.

For more information about HSAs, please contact us. ■

Employees Overwhelmed by Complex Health Options

As the healthcare market shifts toward individual responsibility, a survey found many workers are overwhelmed by the complexity of their healthcare options and many have a poor understanding of the benefits of health savings accounts.

In its "State of Denial" survey of more than 1,000 healthcare consumers, healthcare solutions provider Alegeus found many don't have adequate knowledge to make informed decisions about their health insurance coverage. Further, the survey found:

- 70 percent of HSA account holders can't pass a basic proficiency test,
- 41 percent don't know they can invest HSA dollars, and
- 26 percent don't know they can use funds beyond the immediate plan year.

"There is greater adoption of HSAs and health reimbursement arrangements, but we have a great deal of distance to go before people are empowered and informed healthcare consumers," John Young, CEO of ConsumerDriven, told *Employee Benefit News*.

The survey also found:

- 66 percent of consumers rate planning for out-of-pocket costs as the most challenging and stressful aspect of managing their healthcare,
- 50 percent don't know how to predict current or future out-of-pocket healthcare costs or determine the appropriate savings vehicle or rate,
- 23 percent don't save beyond the plan year, and the majority underfund their healthcare savings.

"There is also a dichotomy of what people say is important and what they really do," Young told *Employee Benefit News*. "There are a number of people who say, 'I am going to do more, I will take a more active role in my healthcare,' but when you look at the results, very few people sign up for the tools that are available to them."

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Additionally, more than 75 percent of consumers are fearful of their healthcare finances. This hinders consumers from taking ownership of their healthcare finances. It's evident that consumers need significant support to overcome these fears, the authors wrote.

The survey found:

- 51 percent of consumers fear being hit with an unexpected, unaffordable healthcare expense before they've built their healthcare savings,
- 46 percent fear they may not be able to afford the healthcare their family needs, and
- 45 percent fear they may not be saving appropriately because they don't know how much they are likely to spend.

The reasons for this confusion involve the abundance of health insurance plans, confusing and contradictory options, and complex technical jargon.

"This research affirms that consumers feel the impact of the consumerism movement in healthcare and they need help to manage their increased financial responsibilities," Alegeus CEO Steven Auerbach told *Employee Benefit News*. "There is tremendous opportunity for the future winners in healthcare to create a real environment that supports and guides consumers."

To address this situation, the benefits industry must improve its outreach efforts to employees.

"It is clear there is work to do to bridge the gap between what consumers say they want and what they're properly equipped and motivated to do," the authors wrote. "Consumers believe healthcare providers can improve their personal healthcare experience."

The survey found:

- 50 percent of consumers surveyed want personal guidance to answer questions, make recommendations and validate thinking
- 44 percent want simple explanations and content
- 34 percent want greater transparency and key information
- 29 percent want incentives to steer them to the right choices
- 20 percent want interactive decision-support tools, digital channel support and on-demand educational content.

"I think the industry does a fair job of bringing the information to the individuals, but we need to do a better job of reaching people where they are to really help them understand it," Young said.

For more information and ideas about helping your employees better understand their healthcare options, please contact us.

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Pension Plan Decline Prompts Interest in Annuities

While fewer employers are offering workers defined pension plans, a growing number of companies are taking a renewed interest in providing annuity income options to their employees, the *Employee Benefit Research Institute* found.

The brief found that people with the least and most assets are more likely to buy annuities than people in the middle of the savings distribution. Also, savings have a large positive effect on preference for annuities only for those in the highest savings category.

Some possible explanations for such behavior include:

- People at the bottom of the savings distribution are very likely to run out of money in retirement and thus are inclined to select annuities.
- People at the top end of the savings distribution expect longer lifespans and can afford annuities even after leaving a financial legacy for their heirs.
- People in the middle generally face more uncertainty about the adequacy of their retirement savings, and so they are more likely to hold on to their savings for precautionary purposes and perhaps also for some hope of leaving a financial legacy for their heirs.

The study found workers had a clear preference to annuitize only a portion of their retirement assets. When compared to their current financial situation, only 16.5 percent of retirees (ages 65 and above)

preferred full annuitization 43.0 percent who preferred a one-quarter annuitization.

"Over the years — and particularly as roughly 10,000 Baby Boomers have begun to turn 65 every day — more emphasis has been placed on retirement income strategies and the role of annuities," the authors wrote. "For example, product variations, including joint and survivor annuities, deferred annuities, period-certain guarantees, annuities with settlement or withdrawal options, and inflation-protected annuity payments, have been tried to make annuities more attractive."

For more information about annuities, please contact us.

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