



PRODUCTS

By ANITA POTTER, M.B.A.

Assistant Vice President, Insurance Research, LIMRA

What the ACA Might *Really* Mean for American Workers

Since 2007 carriers in the group and health care arena have seen unprecedented changes. Not only have they witnessed the devastating effects the Great Recession had on their clients as well as their own bottom line, but also — like it or not — they have a front-row seat to the changes brought on by the passage of the Affordable Care Act (ACA) in 2010.

No one would deny that the U.S. health care system needed fixing before the passage of the ACA. However, four years later, the question that no one seems to have a definite answer to is how much the ACA is responsible for the current slowdown in health care costs and the lowering of the uninsured rate. Moreover, no one knows whether these trends will continue or reverse course once the ACA is fully implemented.

Recent evidence shows that:

- Health care spending growth has been at record lows since 2009 — hovering at less than 4 percent — after growing rapidly between 2001 and 2003.¹
- Employers have experienced modest premium increases for the past two years. Moreover, the largest firms experienced some of the smallest cost increases in over a decade.²
- The uninsured rate has fallen from 16.4 percent in 2010 to 15.4 percent in 2012, due in part to the increase in coverage for adults aged 19 to 25.³

While many employers believe the ACA will succeed in improving access to medical insurance, the question that many in the group and voluntary/worksites marketplace should be asking is, *but at what cost?* If recent trends are any indication, there is reason for some concern.

Given the recent slowdown in health care spending, and based on historical trends, we would have expected the percentage of employers offering benefits to increase — but that is not the case. Instead, since 2002 the industry has seen a decline in the percentage of employers offering insurance benefits to their employees. This reluctance to add offerings to their benefits packages is

no doubt related to their belief that they soon will need to make sizable contributions to their medical benefits in order to comply with the ACA. Further, employers likely believe that health care costs will revert back to historical norms sooner rather than later, due in part to an aging workforce. In fact, the Federal Government projects health care spending to grow, on average, 6.2 percent per year between 2015 and 2022.⁴

While employees may not have the access to benefits they did previously, of greater long-term concern is the amount of cost shifting they currently are facing. Asking employees to pay for a greater share of their benefits would not be as problematic if not for the fact that wage and salary increases have been stagnant to nonexistent for the past 10 years (once inflation is taken into account). Further, the majority of Americans still have not financially recovered from the Great Recession.⁵ Although employees have contributed to their benefits for years, the shift to paying more for their own medical and nonmedical coverages has been accelerating.

With employers indicating they will pass more of the cost of medical benefits on to their workers — and with no real incentive to raise wages and salaries until the economy fully recovers — it should be no surprise that we expect a growing number of workers to say they are unable to afford nonmedical benefits when offered. From both the employers' and employees' perspectives, the rising cost of medical insurance will continue to slowly erode the funds that would have been available to purchase other benefits.

While the ACA may result in more Americans having medical insurance, will one of the unintended consequences of the law be a decline in the financial protection many American workers currently enjoy? 🌐

¹ Centers for Medicare & Medicaid Services website (www.cms.gov), National Health Expenditure Data, accessed March 2014.

² 2013 *Employer Health Benefits Survey*, The Henry J. Kaiser Family Foundation, 2013 and *Towers Watson/NBGH Employer Survey on Purchasing Value in Health Care*, 2014.

³ *Income, Poverty, and Health Insurance Coverage in the United States: 2012*, U.S. Census Bureau, 2013.

⁴ Centers for Medicare & Medicaid Services website (www.cms.gov), National Health Expenditure Data, accessed March 2014.

⁵ *Employment Cost Index Historical Listing* — Volume IV, U.S. Bureau of Labor Statistics, January 2014.