Obamacare: Employers to cancel plans for millions, shift costs to workers

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As the fallout continues over the cancelation notices sent to millions of people covered by health plans in the individual insurance market, it is becoming clear that millions more workers and their families are expected to lose their employer-based coverage as the Affordable Care Act is implemented.

According to the Congressional Budget Office (CBO), 156 million Americans—more than half the population—currently receive employer-sponsored health insurance. By 2016, the CBO projects that 6 million fewer people will receive employer-based health insurance compared to 2013.

Other business surveys place the number losing coverage much higher. A recent survey of 400 mid-size firms by the US Chamber of Commerce and the International Franchise Association found that 28 percent planned to drop their coverage due to the ACA.

In tandem with the legislation commonly known as Obamacare, a seismic shift is taking place in the employer-sponsored health care market, the means by which the majority of Americans who are not insured under a government-sponsored program like Medicare or Medicaid receive coverage. For those workers who have not seen their coverage canceled outright, companies are already shifting greater costs for coverage to their employees.

Workers and their families who are dropped from employer coverage will be forced to purchase coverage on the Obamacare exchanges. Under the so-called individual mandate of the health care law, workers without some form of insurance must purchase coverage from private insurers on the insurance exchanges set up under the ACA, or pay a penalty.

The debacle at the HealthCare.gov web site, where consumers can shop for coverage, may actually be temporarily delaying some employers from terminating health coverage for their workers. When and if the technical difficulties are resolved at the federal site, more companies may opt to dump their workers onto the Obamacare exchange.

Beginning in 2015, the ACA will also require employers with 50 workers or more to provide "affordable" coverage to full-time workers—those working 30 hours a week or more—or face a penalty. But it is likely that a significant number of businesses will simply pay the fine and drop their employee coverage. *The Hill* quotes Neil Trautwein, vice president and employee benefits policy council at the National Retail Federation, who said, "It will definitely be less expensive to pay penalties than to provide coverage."

Other companies are expected to cut employee hours below the 30-hour minimum to avoid having to provide insurance coverage. The Chamber of Commerce survey found that about a third of businesses have already reduced employee hours as a result of the health care law's requirements, and 27 percent have already replaced some full-time employees with part-time workers.

Employers are also raising the costs for covering family members on their workers' policies. The ACA defines affordability of employer-sponsored coverage as costing no more than 9.5 percent of a worker's income. But this is the cost of coverage for the individual employee only, not his or her dependents. Companies can get around the law by either raising costs for family coverage, or by dropping coverage for family members altogether.

According to Mercer, a benefits consulting unit of Marsh & McLennan Cos., about 6 percent of employers presently ban coverage for spouses who can get it elsewhere. Last August, United Parcel Service announced that it was barring spouses from its nonunion health plan if they could get coverage at their own jobs. It is estimated the move affects about half of the 33,000 spouses of white-collar employees at UPS.

Companies are also radically restructuring their health care plans in advance of Obamacare's "Cadillac" tax. Beginning in 2018, companies with health plans that have total costs of more than an annual limit of $10,200 for an individual and $27,500 for a family will pay a 40 percent levy on the amount exceeding these limits. White House officials say that the tax is aimed at making employers and workers more "cost-conscious." In other words, it is deliberately designed to get more companies to adopt high-deductible plans that discourage people from seeking medical treatment due to cost, thereby rationing care.

A survey by the International Foundation of Employees Benefits Plans (IFEB) released in August found that 16.8 percent of those businesses responding had already begun to restructure their health plans to avoid the "Cadillac" tax, and 40 percent were considering such action. A survey of Fortune 1000 companies by benefits consulting firm Towers Watson found that 60 percent of these major companies, employing about 20 million workers, said the impending tax was already having a "moderate" or "significant" influence on decisions regarding benefits for 2014 and 2015.

While employers have been shifting health care costs onto their workforces since at least the late 1980s, the Affordable Care Act is providing the framework and impetus for making even more dramatic changes. The main methods employed are increasing employees' share of premium costs, and increasing deductibles and other cost-sharing mechanisms.

The *Wall Street Journal* reports that Gannett Co., owners of more than 80 newspapers and 23 television stations, has replaced its two family plans at the *Indianapolis Star* with a single high-deductible plan that requires workers to pay the first $3,000 of medical costs each year. Those with individual plans are responsible for the first $1,500 of costs. Trucking company Ryder System Inc. has also replaced one of its two insurance options with a high-deductible plan, and hiked the cost of the remaining option.

President Obama's top economic adviser, Jason Furman, commented cynically to NBC News, "There's nothing in the law that tells you you need to raise copayments or deductibles." But there is nothing in the law that stops companies from raising the costs that workers must bear for health insurance, all the while receiving reduced benefits and inferior medical care.

These radical shifts in the way employer-sponsored health care is being delivered are another indication of the regressive character of the Affordable Care Act. Touted as a plan that would promote "affordable," "near universal" heath care, in reality, the legislation is tailored to the profit interests of employers and the health care industry, while reducing and rationing care for the vast majority of workers and their families.