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New Survey Reveals Employers Pursuing Early Retiree Reinsurance Payments; Considering Their Options in Reaction to Health Care Reform

Survey Looks at Employer Reactions to Dependent Eligibility, Retiree Coverage, High-Deductible Health Plans and Other Health Care Reform Provisions

Brookfield, Wis.—With health care reform legislation now law, employers are attempting to assess the impact and determine how they will respond. A new survey published by the International Foundation of Employee Benefit Plans, *Health Care Reform: What Employers Are Considering,* examines how more than 1,000 employers, representing over seven million lives, are reacting to the legislation and the strategies they are implementing within their organizations.

"Both large and small employers are carefully scrutinizing their options," said Sally Natchek, Senior Director of Research at the International Foundation. "Employers at this point are reacting to the first wave of requirements, knowing they need to make some initial immediate decisions. They are also looking at the next few years and how the timeline of regulations will impact their organizations. In the midst of a host of health care reform challenges, employers remain confident that they will continue to offer health care benefits to their active employees."

Only One In Five Employers Plans to Immediately Extend Health Care Benefits to Children Up To Age 26

Twenty percent of employers are taking immediate action to change eligibility requirements for employees' adult children up to age 26. The majority of employers however (67%), report that they will not extend coverage to dependents up to age 26 until required by law; about 5% of respondents' plans currently meet legal requirements and 9% are not sure.

Many employers, 42%, plan to extend dental plan coverage to adult children in order to match their medical plan requirements, and 32% plan to extend vision benefits to adult children. Once again, many employers (53%) are not yet sure which action they will take.

A large majority of employers, 75%, identify extending coverage to adult children until age 26 as the major reform requirement impacting plan costs

Half of Employers Intend to Apply for the Early Retiree Reinsurance Program

The survey found that just over half (52%) of employers who currently offer medical benefits to retirees plan to take advantage of the one-time federal reinsurance program established by health care reform legislation. Many (35%) have not yet decided whether they will apply; just 13% have decided not to apply.

Approximately three in five employers (61%) currently offering medical benefits to retirees plan to review their health plan benefit strategies for early retirees (55-64 years old) in the next 12 months. Half of the respondents offering retiree coverage intend to examine their strategies relating to retirees who are 65 and older.

"Even before health care reform, employers offering benefits to retirees experienced increased financial strain in the form of an aging population and escalating health care costs," explained Natchek. "New requirements such as eliminating the federal income tax deduction for the subsidy that employers receive for maintaining drug coverage for Medicare-eligible retirees could increase the likelihood that employers will take a fresh look at their medical strategy for retirees."

Other Key Findings:

- Eighty-seven percent of employers agree that their organizations will continue to offer health care benefits because they are critical to employee recruitment, retention and remaining competitive.

- Of employers whose plans currently include lifetime maximum provisions on essential benefits, only 4% are removing lifetime maximums before they are required to do so, 86% are not making changes until required, and 10% are not sure. Likewise, 4% of employers offering plans with annual maximums are removing them before they are legally required to do so, 84% are not making changes until required and 12% are not sure.

- One in five employers (21%) is planning to add or increase emphasis on high-deductible health plans in the next 12 months. Close to 70% of these employers are likely to focus on account-based plans linked to health savings accounts.

- Close to half of all respondents (48%) are focusing on redesigning their health plans so that by 2018, their plans will avoid triggering the excise "Cadillac" tax for high-value plans.

- Sixty-six percent of employers agree that their organizations will take advantage of the new legal provision that will offer increased levels of financial incentives available to employees who participate in employer-provided wellness programs; 9% disagree, and 25% are not sure.

- Employers are planning to communicate and educate their employees on the new legislation through e-mails to participants (51%), special written communication pieces (49%) and their organization's Web site (42%). Only one-third of employers (37%) have already communicated with employees; almost half (42%) are planning communication efforts for annual enrollment.

About The Survey

Health Care Reform: What Employers Are Considering was conducted by the International Foundation of Employee Benefit Plans in May 2010. The survey results include responses from 1,021 individuals representing single employer plans (including corporations) in the databases of the International Foundation of Employee Benefit Plans and the International Society of Certified Employee Benefit Specialists. Companies ranged in size from small employers with fewer than 500 employees to large companies with more than 20,000 employees. The survey is the first in a series of surveys by the Foundation that will look at health care reform's impact on employers.

Health Care Reform: What Employers Are Considering (Item #6900E) is published by the International Foundation. The 36-page survey costs $50 and is free to Foundation members. To order visit www.ifebp.org/books.asp?6900E or contact the Foundation Bookstore at bookstore@ifebp.org or (888) 334-3327, option 4.

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**Note—A complimentary copy of the full survey results is available for credentialed media upon request.*