

EMPLOYER HEALTH BENEFITS

2012 ANNUAL SURVEY

Health Reform

SECTION

13

HEALTH REFORM

THE AFFORDABLE CARE ACT (ACA), ENACTED IN 2010, WILL MEANINGFULLY CHANGE THE AMERICAN HEALTH CARE SYSTEM, INCLUDING THE EMPLOYER-SPONSORED HEALTH INSURANCE MARKET. WHILE MANY OF THE MOST SIGNIFICANT PROVISIONS OF THE ACA TAKE EFFECT IN 2014, IMPORTANT PROVISIONS BECAME EFFECTIVE IN 2010 AND OTHERS WILL TAKE EFFECT OVER THE NEXT SEVERAL YEARS. THE 2012 SURVEY ASKED EMPLOYERS ABOUT SEVERAL PROVISIONS THAT ARE ALREADY IN EFFECT, INCLUDING QUESTIONS ABOUT GRANDFATHERED HEALTH PLANS, EXTENDING COVERAGE TO CHILDREN THROUGH THE AGE OF 25, AND COST SHARING FOR PREVENTIVE CARE.

GRANDFATHERING

The ACA provides new standards for employer-sponsored health plans. Many of these standards do not apply to “grandfathered” health plans, those that were created before the passage of the ACA (March 23, 2010) and which have not substantially changed since that time.

Interim final rules released by the Department of Health and Human Services on June 17, 2010, and amended on November 17, 2010, stipulate that firms cannot significantly change cost sharing, benefits, employer contributions, or access to coverage in grandfathered plans.¹ New employees can enroll in a grandfathered plan as long as the firm has maintained consecutive enrollment in the plan.

While grandfathered plans are exempted from most of the ACA’s new requirements, they must comply with the following provisions as they become effective: (1) provide a uniform explanation of coverage, (2) report medical loss ratios and provide premium rebates if medical loss ratios are not met, (3) prohibit lifetime and annual limits (phased out by 2014) on essential health benefits, (4) extend dependent coverage to age 26, (5) prohibit health plan rescissions, (6) prohibit waiting periods greater than 90 days, and (7) prohibit coverage exclusions for pre-existing health conditions.² Firms must decide whether to grandfather their insurance plans, which limits the changes they can

make to their plans, or whether to comply with the full set of new health reform requirements.

- ▶ Fifty-eight percent of firms offering health benefits report that they have at least one health plan that is a grandfathered plan in 2012 (Exhibit 13.1), lower than the 72% of offering firms with a grandfathered plan in 2011.
- ▶ Looking at worker enrollment, 48% of covered workers are enrolled in a grandfathered health plan in 2012, down from 56% in 2011 (Exhibit 13.3).
- ▶ Firms with plans that are not grandfathered were asked to respond to a list of potential reasons why each plan is not a grandfathered plan. Twenty-seven percent of covered workers are in plans that were not in effect when the ACA was enacted. Roughly similar percentages of workers are in plans where the deductibles or copayments (36%) or employee premium contributions (34%) changed more than was permitted for plans to maintain grandfathered status (Exhibit 13.4).
- ▶ The reasons plans are not grandfathered varied by firm size, with workers in small firms (3 to 199 workers) much more likely than workers in large firms to be in a new plan that was not in effect when the ACA was enacted (55% vs. 19%) (Exhibit 13.4).

NOTE:

¹ *Federal Register*. Vol. 75, No. 116, June 17, 2010, <http://www.gpo.gov/fdsys/pkg/FR-2010-06-17/pdf/2010-14614.pdf>, and No. 221, Nov. 17, 2010, <http://edocket.access.gpo.gov/2010/pdf/2010-28861.pdf>.

² United States. Congressional Research Service CRS. *Open CRS*. By Bernadette Fernandez. Grandfathered Health Plans Under the Patient Protection and Affordable Care Act (PPACA), Jan. 3, 2011. http://assets.opencrs.com/rpts/R41166_20110103.pdf.

EXTENDING COVERAGE TO ADULT CHILDREN TO AGE 26

Starting September 23, 2010, the ACA requires all health plans to extend coverage to the children of covered workers up to age 26, whether or not the child is financially dependent. Until 2014, grandfathered health plans are not required to extend coverage to a child of a covered worker if the child has access to employer-sponsored coverage either from a spouse or independently.³ The survey asked firms whether any adult children who would not have been eligible for the plan prior to the change in law had enrolled in health coverage under this provision.

- ▶ Thirty-one percent of firms that offer either family or single plus one coverage reported enrolling at least one adult child, who otherwise would not be eligible to enroll, due to the ACA (Exhibit 13.5).
 - Large firms (200 or more workers) are more likely to have enrolled an adult child due to the ACA than smaller firms (90% vs. 29%) (Exhibit 13.5).
- ▶ The numbers of children who enroll under this provision are closely related to the number of workers in the firm. Smaller firms (3–49 workers) on average enroll one to two adult children due to the provision, while the largest firms (5,000 or more workers) enroll an average of 478 adult children (Exhibit 13.6).

- ▶ In total, about 2.9 million adult children were enrolled in their parent's employer-sponsored health plan due to the Affordable Care Act. This is a significant increase from the number reported in 2011 (2.3 million)⁴.
- ▶ Of the total 2.9 million adult children currently enrolled on their parent's coverage because of the ACA, 1.1 million enrolled at small firms and 1.8 million at large firms.

COVERAGE FOR PREVENTIVE CARE

The ACA requires non-grandfathered health plans to provide coverage for certain preventive services without deductibles or other cost sharing. Grandfathered health plans are also permitted to conform their coverage and cost sharing for preventive care without compromising their grandfathered status. Firms were asked whether they changed the list of services considered to be preventive due to the provisions in the ACA.

- ▶ Forty-one percent of covered workers are in a plan that reports it has changed the list of services considered preventive due to the ACA (Exhibit 13.7).

NOTE:

³ *Federal Register*. Vol. 75, No. 92, May 13, 2010, <http://www.gpo.gov/fdsys/pkg/FR-2010-05-13/pdf/2010-11391.pdf>.

⁴ In 2011 firms that did not know if they enrolled adult children due to the Affordable Care Act (ACA) were not imputed. If a similar approach had been followed in 2012, an estimated 2.8 million children would have enrolled on a parent's health plan due to the Affordable Care Act. Using either approach the 2012 estimate is a significant increase over 2011. In 2012 5% of firms offering family coverage did not know whether they enrolled adult dependents due to the ACA, more than the 1% who did not know in 2011.

EXHIBIT 13.1

Percentage of Firms with At Least One Plan Grandfathered under the Affordable Care Act (ACA), by Size, Region and Industry, 2012

	Percentage of Firms with At Least One Grandfathered Plan
FIRM SIZE	
3–24 Workers	60%
25–49 Workers	45
50–199 Workers	57
200–999 Workers	60
1,000–4,999 Workers	48
5,000 or More Workers	49
All Small Firms (3–199 Workers)	58%
All Large Firms (200 or More Workers)	57%
REGION	
Northeast	41%
Midwest	62
South	64
West	57
INDUSTRY	
Agriculture/Mining/Construction	50
Manufacturing	58
Transportation/Communications/Utilities	78*
Wholesale	52
Retail	64
Finance	67
Service	53
State/Local Government	59
Health Care	68
ALL FIRMS	58%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

* Estimate is statistically different from estimate for all other firms not in the indicated size, region, or industry ($p < .05$).

EXHIBIT 13.2

Percentage of Covered Workers Enrolled in Plans Grandfathered under the Affordable Care Act (ACA), by Size, Region, and Industry, 2012

	Percentage of Covered Workers in a Grandfathered Health Plan
FIRM SIZE	
3–24 Workers	57%
25–49 Workers	45*
50–199 Workers	55
200–999 Workers	60*
1,000–4,999 Workers	41
5,000 or More Workers	42
All Small Firms (3–199 Workers)	54%
All Large Firms (200 or More Workers)	46%
REGION	
Northeast	38%*
Midwest	41
South	55
West	53
INDUSTRY	
Agriculture/Mining/Construction	41%
Manufacturing	40
Transportation/Communications/Utilities	59
Wholesale	34
Retail	52
Finance	56
Service	50
State/Local Government	52
Health Care	45
ALL FIRMS	48%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

* Estimate is statistically different from estimate for all other firms not in the indicated size, region, or industry ($p < .05$).

EXHIBIT 13.3

Percentage of Covered Workers Enrolled in Plans Grandfathered under the Affordable Care Act (ACA), by Firm Size, 2011 and 2012

	2011	2012
FIRM SIZE		
3–24 Workers	69%	57%
25–49 Workers	52	45
50–199 Workers	63	55
200–999 Workers	61	60
1,000–4,999 Workers	54	41*
5,000 or More Workers	49	42
All Small Firms (3–199 Workers)	63%	54%*
All Large Firms (200 or More Workers)	53%	46%
ALL FIRMS	56%	48%*

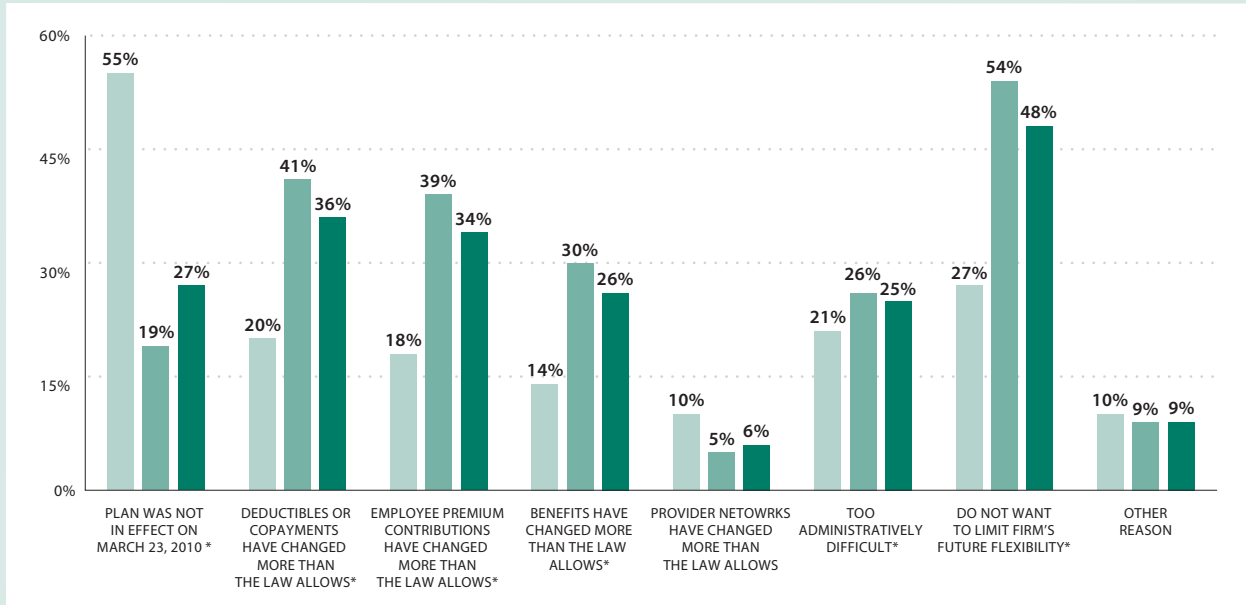
SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2011–2012.

* Estimate is statistically different between 2011 and 2012 in the indicated size category ($p < .05$).

EXHIBIT 13.4

Among Covered Workers in a Non-Grandfathered Health Plan, Reasons Why Plan is Not a Grandfathered Health Plan, by Firm Size, 2012



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

■ ALL SMALL FIRMS (3-199 WORKERS)
■ ALL LARGE FIRMS (200 OR MORE WORKERS)
■ ALL FIRMS

* Estimate is statistically different between All Small Firms and All Large Firms (p<.05).

Note: Firms were permitted to select multiple responses. In 2012 and 2011 firms that indicate "other" were allowed to explain why the plan was no longer eligible. In 2011, firms that indicated they changed carriers were recoded as having a new plan. However, federal regulations allow some firms to change carriers and preserve their grandfather status, and therefore these firms were not recoded as having new plans in 2012.

EXHIBIT 13.5

Percentage of Firms Offering Family Coverage That Enrolled Adult Dependents up to 26 Years of Age Because of the Affordable Care Act (ACA), by Size, Region, and Industry, 2012

	Percentage of Firms That Enrolled Adult Dependents Because of the ACA
FIRM SIZE	
3–24 Workers	18%*
25–199 Workers	57*
200–999 Workers	89*
1,000–4,999 Workers	95*
5,000 or More Workers	97*
All Small Firms (3–199 Workers)	29%*
All Large Firms (200 or More Workers)	90%*
REGION	
Northeast	41%
Midwest	44*
South	22
West	25
INDUSTRY	
Agriculture/Mining/Construction	16%*
Manufacturing	57
Transportation/Communications/Utilities	49
Wholesale	62*
Retail	9*
Finance	50
Service	26
State/Local Government	56
Health Care	27
ALL FIRMS	31%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

* Estimate is statistically different from estimate for all other firms not in the indicated size, region, or industry ($p < .05$).

Note: The question asked firms if they enrolled adult dependents who would not have been eligible before the ACA provision took effect. In 2012, 5% of firms indicated that they did not know and their responses were imputed. Questions regarding adult dependents were asked of firms that offer either family coverage or single plus one coverage. The percentage of firms that enroll adult dependents because of the ACA is substantively the same among firms that offer only family coverage. In 2011, the survey did not ask firms whether they offered single plus one coverage.

EXHIBIT 13.6

Among Firms That Enrolled Adult Dependents Due to the Affordable Care Act (ACA), the Average Number of Adult Dependents Enrolled, by Firm Size, 2012

	Average Number of Adult Dependents Enrolled in Health Plans Because of the ACA
FIRM SIZE	
3-24 Workers	2
25-199 Workers	4
200-999 Workers	12
1,000-4,999 Workers	63
5,000 or More Workers	478
All Small Firms (3-199 Workers)	3
All Large Firms (200 or More Workers)	41
ALL FIRMS	7

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

Note: The 2012 survey asked firms that offer either family coverage or single plus one coverage how many adult children they enrolled due to the ACA. The average number of adult children enrolled due to the ACA is the same among firms that offer only family coverage in every size category except the All Large Firms category (200 or more workers), where the average is 42.

EXHIBIT 13.7

Among Covered Workers, Changes to Cost Sharing for and Type of Preventive Services Because of the Affordable Care Act (ACA), by Firm Size, 2012

	Percentage of Workers in a Plan Where Cost Sharing Changed for Preventive Services Because of the ACA [‡]	Percentage of Workers in a Plan Where the Services Considered Preventive Changed Because of the ACA
FIRM SIZE		
All Small Firms (3-199 Workers)	21%*	36%
All Large Firms (200 or More Workers)	38%*	43%
ALL FIRMS	33%	41%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

* Estimate is statistically different between All Small Firms and All Large Firms ($p < .05$).

[‡] This question was asked only to covered workers in plans where cost sharing is not required prior to preventive services being covered (82%).

