

May 2010

## The Impact of Health Care Reform on Employers



Health Care Reform: For Employers, Looming Fears Mask Unprecedented Opportunities to Mitigate Costs, Risks and Reset Total Rewards

Employers have little hope that the Patient Protection and Affordable Care Act (PPACA) will help them achieve their top goals to decrease health care cost trend and improve workforce health. Indeed, most employers are convinced that health care reform will lead to increased costs and a stepped-up exodus from employer-provided retiree medical coverage, but they remain committed to their role in providing employer-based coverage — at least for now, according to the findings of a May 2010 Towers Watson survey on health care reform.

Although employers appear to be bracing for the worst, they are just beginning to assess the broader impact of the law on their health benefit strategies and total rewards programs.

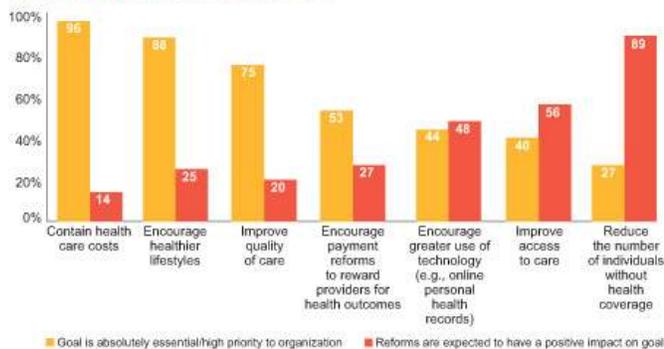
This survey of more than 650 mid- to senior-level benefit professionals provides a snapshot of how employers are responding to a host of health care reform challenges that have far-reaching implications for retention, recruitment, productivity, workforce planning, change management and every aspect of the evolving employer-employee deal.

### Key Findings:

- **Employers' forecast is grim for achieving top goals**

Employers' top three goals for health care reform are containing costs, encouraging healthier lifestyles and improving the quality of care, but few are hopeful the legislation will help them achieve these key goals (see exhibit).

Importance and Impact of Health Reform Goals



- **Employers anticipate a broad brushstroke of actions — depending on costs**

The majority of employers anticipate that health care reform will increase their organization's health benefit costs. Most say they plan to pass on the increase to employees (88%) or reduce health benefits and programs (74%). On a positive note, 82% of employers remain committed to their leadership role in creating a culture of health by providing workforce health improvement/wellness initiatives.

- **Play or pay? Most employers plan to play**

Beginning in 2014, when large employers must offer minimal essential coverage to full-time employees or pay a penalty, 88% of surveyed employers are either definitely, or likely, to play by continuing to provide health benefit coverage.

- **Employers predict mass exit from retiree medical**

More than three in four employers (85%) believe that health care reform will reduce the number of large organizations offering employer-sponsored retiree medical benefits. And 43% of employers that currently offer retiree medical plans plan to reduce or eliminate them.

- **Reform may drive an increase in consumer-driven health plans**

Fifty-eight percent of employers surveyed believe health care reform will drive large employers to adopt total replacement consumer-driven health plans (CDHP) for their active employees.

- **The excise tax could be an unwelcome surprise for many employers**

An excise tax cap on high-cost benefit plans is a primary cost driver that's likely to impact a broad swath of employers. Based on average annual cost projections, Towers Watson estimates that the excise tax will affect more than 60% of employers when it becomes effective in 2018, with many more to follow soon after. But only 46% of the employers surveyed believe they will be subject to the excise tax.

- **New challenges mask total rewards opportunities**

The PPACA presents employers with an unprecedented opportunity to reshape their deal with employees and their total rewards package overall. But, at this point, most employers predict health care reforms will have no impact on their ability to achieve key workforce management goals such as improving productivity, attraction and retention, and providing a competitive reward package.

For survey details and insights into actions employers can take right now to mitigate future costs and risks, [download the complete report](#).

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