

Obamacare Unleashes Benefit Changes From Companies to Cities
2013-09-19 04:00:00.9 GMT

By Alex Nussbaum

Sept. 19 (Bloomberg) -- Barack Obama wanted to change American health-care as we know it. And he is, in ways that go far beyond the goals of the Affordable Care Act.

For weeks, headlines have cataloged the upheaval at private employers: UPS dropping coverage for employed spouses, IBM reworking retiree benefits. Yesterday came the biggest change: Walgreen Co., the largest U.S. drugstore chain, told 160,000 workers they must buy their insurance through a private exchange rather than having the company arrange their coverage.

None of the moves was dictated by the health-care law. All, though, have occurred in an environment shaped by Obamacare, which has pushed businesses and governments to reexamine their health-care role as costs soar and national priorities shift. The law now is giving businesses cover to loosen the decades-old link between jobs and health insurance, a shift that may further cloud the outlook for an already unpopular law.

"It's going to be easy for conservatives who can't beat up on this enough to point more fingers," said Robert Laszewski, an insurance-industry consultant based in Arlington, Virginia. "If you pass the largest health-care reform bill in 50 years, then everything that happens in terms of people's health insurance is your responsibility, fair or not."

The decisions were an unintended consequence of the law that could ultimately drive up taxpayer costs, he said. Stanford University researchers voiced similar concerns in a study last week. Rising health-care premiums could spur 2.5 million workers to switch from employer plans to coverage under the health law, they wrote in a report, boosting costs for the government by as much as \$6.7 billion.

'Bad News'

With Congress engaged in a bitter feud over funding the 2010 law, worries over benefits offer Republicans yet another line of attack, said Stephen Hess, a presidential scholar at the Brookings Institution in Washington, in a telephone interview.

"It has to be bad news for Obama," Hess said. "Working out a successful health-care system has to be his legacy."

The Obama administration says it's confident the law will gain support as people, particularly the uninsured, see its benefits.

"One of the largest uninsured populations right now are the 55 to 65 year old who may not have affordable coverage

through their jobs,” said Kathleen Sebelius, the U.S. health secretary, at a stop last week in Newark, New Jersey. “The good news is that those people will finally have an affordable option.”

Municipal Benefits

It's not only businesses reassessing costs. Detroit and Chicago have also proposed ending health plans for current or retired municipal workers, since they'll be able to buy subsidized coverage through the health-care law. The Cleveland Clinic, one of the world's foremost medical centers, announced yesterday it is considering layoffs, in part to prepare for cuts to Medicare payments contained in the law.

“What the ACA has done is put all 300 million-plus Americans in the mode of thinking about health care,” said Jim Winkler, a chief innovation officer at Aon Plc., the London-based company that runs the private exchange that will serve Walgreen's employees.

“You've got CEOs reading articles and going to conferences, and that leads to a lot of discussions with Finance and HR about, ‘What are you going to do to solve our health-care cost problem?’” Winkler said by telephone.

Big Employers

The shift by big employers, which now administer medical plans for 160 million Americans, could cause headaches for a law designed mainly to help the uninsured and small businesses.

Polls show support for Obamacare slipping, even as the administration prepares for the Oct. 1 debut of the online insurance exchanges where Americans can buy subsidized coverage under the act. Fifty-seven percent of Americans opposed the health-care law in a poll this month by CNN/ORC, a turnaround from January when the survey found 51 percent in support.

What the changes mean for workers is harder to predict.

IBM and Walgreen said employees will find more choice and, potentially, cheaper coverage by going through private exchanges, websites that will work similar to the new Obama markets, rather than taking a one-size-fits-all company plan.

That also puts the onus on workers to pick the right plan, an often complex choice now handled largely by human-resources professionals. Much also depends on whether employers continue to subsidize the plans and at what level, said Uwe Reinhardt, a health economist at Princeton University in New Jersey.

“The companies realized they cannot continue to be a social insurance system for the American people,” he said by e-mail. Businesses, he said, have been “woken up by the ACA.”

One Consideration

Employers that announced changes in recent weeks said the health-care overhaul was one consideration among many. The law will raise costs for some businesses by imposing new taxes and requiring more generous benefits for existing workers.

United Parcel Service Inc. said in August it would no longer provide benefits to employed spouses of 15,000 non-union workers, since they must be offered coverage by their own companies under the Affordable Care Act. Atlanta-based UPS also cited rising medical costs in general for their decision, particularly expenses for chronic conditions such as diabetes and heart disease.

International Business Machines Corp. and Time-Warner Inc. followed with word they would send retirees to the private exchanges, with company stipends to help pay for coverage.

Low Premiums

IBM, based in Armonk, New York, said the move was made to help keep premiums low for the 110,000 Medicare-age workers affected by the switch.

Last week, Trader Joe's Co., the closely held supermarket chain, said it would end health benefits next year for part-time workers. Employees will get a \$500 payment next year and be sent to the public exchanges. With the federal tax credits available there, most workers will get a better deal than the company could offer, Trader Joe's said in a statement.

By offering other insurance options, "Obamacare has taken the moral imperative away for employers to continue offering coverage," said Laszewski, the industry consultant. "The days of your father's health insurance are over."

Companies have been grappling with insurance costs since well before Obama signed the law, said Aon's Winkler. Businesses have been curtailing spousal coverage and retiree benefits for more than a decade, he said.

"I cringe when I see headlines that suggest that the Affordable Care Act is driving all this," Winkler said. "It's certainly a factor that employers have to be looking at, but it is not the strategy in and of itself."

For Related News and Information:

Walgreen Joins Exodus to Private Exchanges After Obamacare
NSN MTC7WB6TTDTE <GO>

Trader Joe's Will Move Part-Timers to Obama Health Exchanges
NSN MT1BWM6KLVRH <GO>

GE to IBM Ending Retiree Plans Adds to U.S. Taxpayer Burden

NSN MSV1DD6TTDTE <GO>

Top Health Stories:HTOP<GO>

Bloomberg Industries Insurance Reports: BI HMOI <GO>

Health-Care Stock Index: S5HLTH <Index> MRR1 <GO>

--With assistance from Alex Wayne and Heidi Przybyla in Washington, Drew Armstrong in New York and Michelle Fay Cortez in Minneapolis. Editors: Reg Gale, Jonathan Kaufman.

To contact the reporter on this story:

Alex Nussbaum in New York at +1-212-617-5406 or

anussbaum1@bloomberg.net

To contact the editor responsible for this story:

Reg Gale at [+1-212-617-2563](tel:+1-212-617-2563) or

rgale5@bloomberg.net