Survey Highlights

Employer Reaction to Health Care Reform: Grandfathered Status Survey

2010

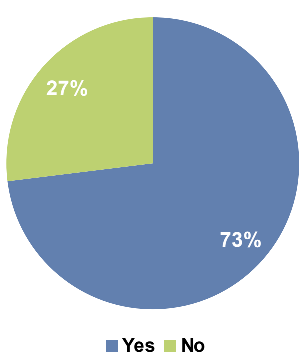
About This Survey

Grandfathered health plans are only required to comply with certain provisions of the recently enacted health care reform law. In mid-June, interim final guidance was issued to outline the extent to which changes can be made to a plan or health insurance coverage and still retain grandfathered status. In July 2010, Hewitt Associates conducted a brief survey of more than 450 U.S. companies representing 6.9 million employees to determine how these provisions will affect companies' health plans and their grandfathered status.

Overall Findings

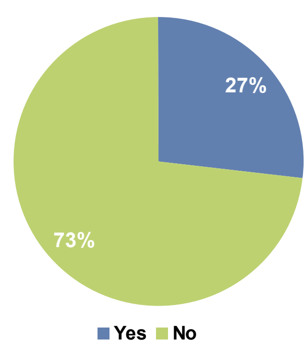
The survey findings show that almost three-quarters of respondents (73%) have already determined whether their group health plans will be grandfathered in 2011. Nearly three-quarters of companies (73%) said that the recently released guidance on preventive care did not impact their decision to maintain grandfathered status.

Determined Group Health Plan Status



(n=466)

Impact of Guidance on Decision



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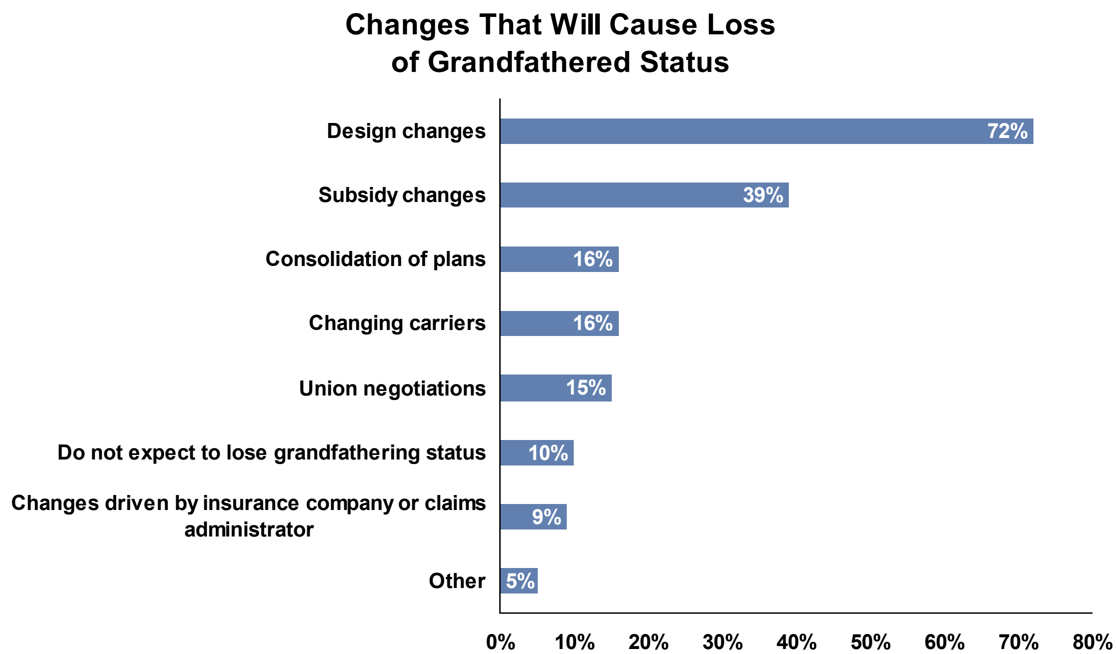
While many U.S. companies initially hoped they could preserve much of their existing group health plans under the new grandfather provision, the survey shows that almost all will not. Ninety percent of companies said they anticipate losing grandfathered status by 2014, with the majority expecting to do so in the next two years.

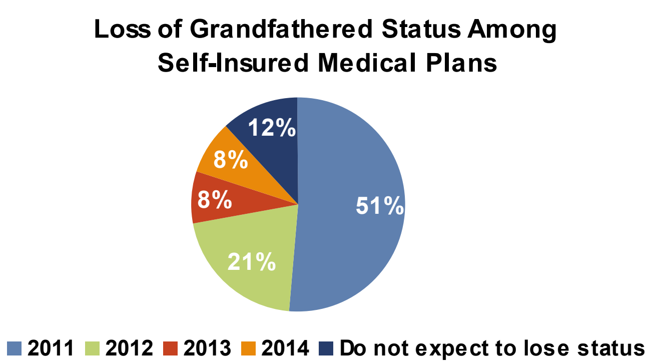
Under the “grandfather” provision of the Patient Protection and Affordable Care Act (PPACA), companies can maintain many of their current health care coverage provisions and are required to make fewer changes to plan documents and administrative procedures in order to comply with the new law. Companies can lose their grandfather status if they take certain steps such as reducing benefits, significantly raising copayment charges, significantly raising deductibles, or changing insurance carriers.

Employers indicated that they would most likely lose grandfathered status because of plan design changes (72%) or changes to company subsidy levels (39%). Employers also cited consolidation of health plans (16%), changes to insurance carriers (16%), and union negotiations (15%) as additional reasons.



(n=466; multiple responses)

The survey found that among those companies with self-insured plans, 51% expect to first lose grandfather status in 2011 and another 21% plan to lose status in 2012. This timing is similar for companies with fully insured medical plans, with 46% expecting to lose status in 2011 and another 18% expecting to do so in 2012.



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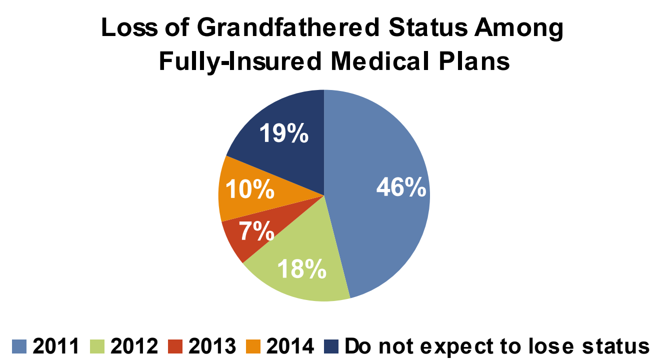

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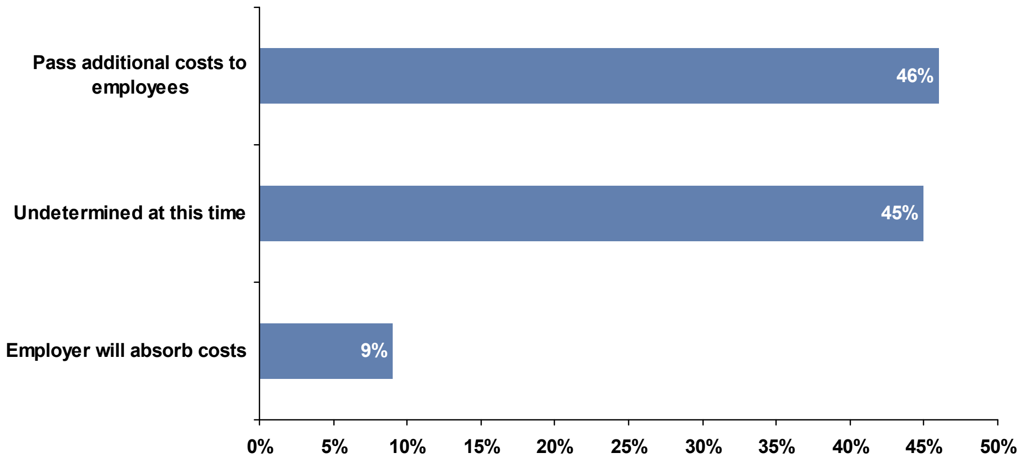
When anticipating how to handle the additional costs associated with the new health care reform coverage and benefits requirements starting in 2011, 45% of companies have not determined how to handle these costs yet, 9% said they will absorb additional costs, and another 46% said they will pass the additional costs to employees. Among those, that indicated they will pass along the additional costs to employees, the majority (61%) said they would pass along 25% or less of the additional costs.

Addressing Additional Costs Arising From Health Reform Coverage and Benefit Requirements



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Nearly 75% of respondents provide five or fewer unique medical plans to their employees. Fifty percent of companies that participated in the survey have more than 5,000 full-time employees covered under their health care plans.

Conclusions

Employers reviewing their existing health care strategies in light of reform are focused on answering two questions: “What changes do we need or want to make to our health care plans?” and “How can we make them without significantly increasing costs?” After assessing the grandfather provision, companies realize they already comply with many of the requirements of nongrandfathered plans, so the changes they’ll need to make are not likely to add a significant cost or administrative burden. Most employers would rather have the flexibility to change their benefit programs than be restricted to the limited modifications allowed under the new law.

About Hewitt Associates

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