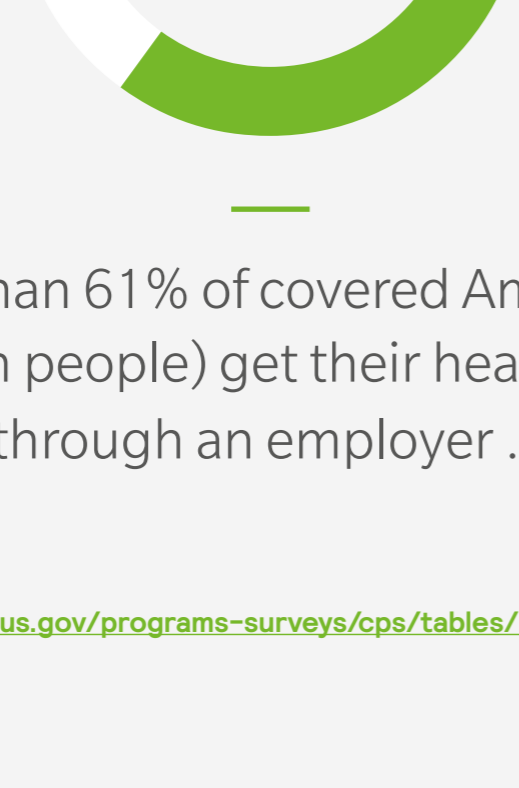


Health Reform and US Businesses: Four Recommendations for Policymakers

While policymakers debate the future of US healthcare, the role of US businesses in our healthcare system can't be overstated — or overlooked. Employers cover nearly **16 times** the number of people who get healthcare through ACA exchanges.

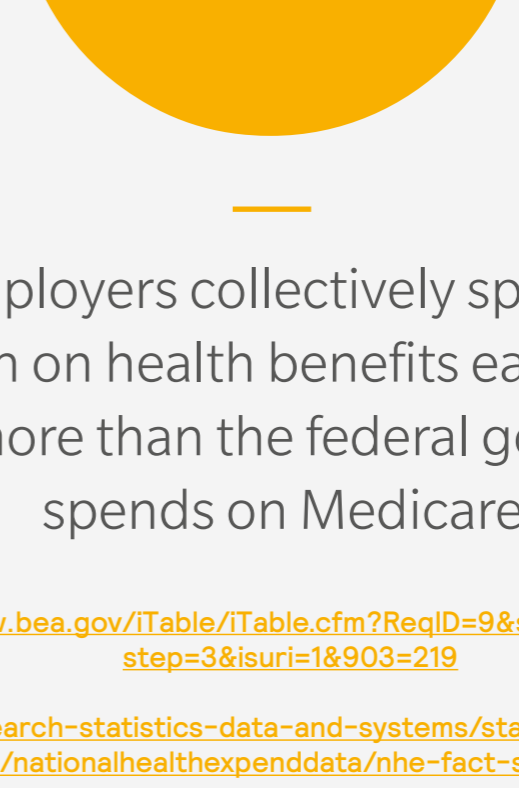
As we strengthen the individual market, we must also consider how policy changes affect employer-sponsored coverage, and we should promote policies that encourage efficiency and quality in such coverage. Policymakers and US businesses now have an opportunity to work together to address the issues driving up healthcare costs.

Drawing on Marsh & McLennan Companies' (MMC) understanding of the issues facing US employers, here are four recommendations for policymakers as they pursue reform.



More than 61% of covered Americans (177 million people) get their health coverage through an employer ...

Source: www2.census.gov/programs-surveys/cps/tables/hh-01/2016/hh01_1.xls



... with employers collectively spending \$668 billion on health benefits each year. That's more than the federal government spends on Medicare.

Sources: www.bea.gov/Tables/tables.cfm?REQID=9&step=1#reqid=9&step=3&unit=1&002=019
www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nhe-fact-sheet.html

RECOMMENDATION 1

Avoid policies that shift costs to private payers; adopt policies that address underlying causes of healthcare cost growth



\$16 billion

Amount US businesses contributed to support individual health insurance market through ACA's Transitional Reinsurance Program (TRP) — with several billion in 2016 contributions still to come

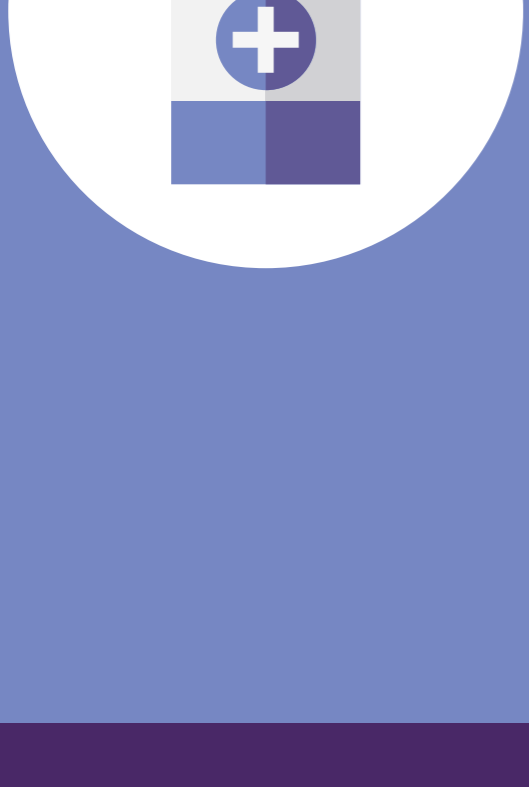
Source: fas.org/spp/crs/misc/R44690.pdf



12.9 million

Number of Americans who could lose coverage if Medicaid expansion is repealed

Source: Blumberg L, Buettgens M, Holahan J. "Implications of Partial Repeal of the ACA through Reconciliation," Urban Institute, December 2016, available at www.urban.org/sites/default/files/publication/86236/2001013-the-implications-of-partial-repeal-of-the-aca-through-reconciliation_1.pdf



\$84.9 billion

Cost of uncompensated care for the uninsured in 2013

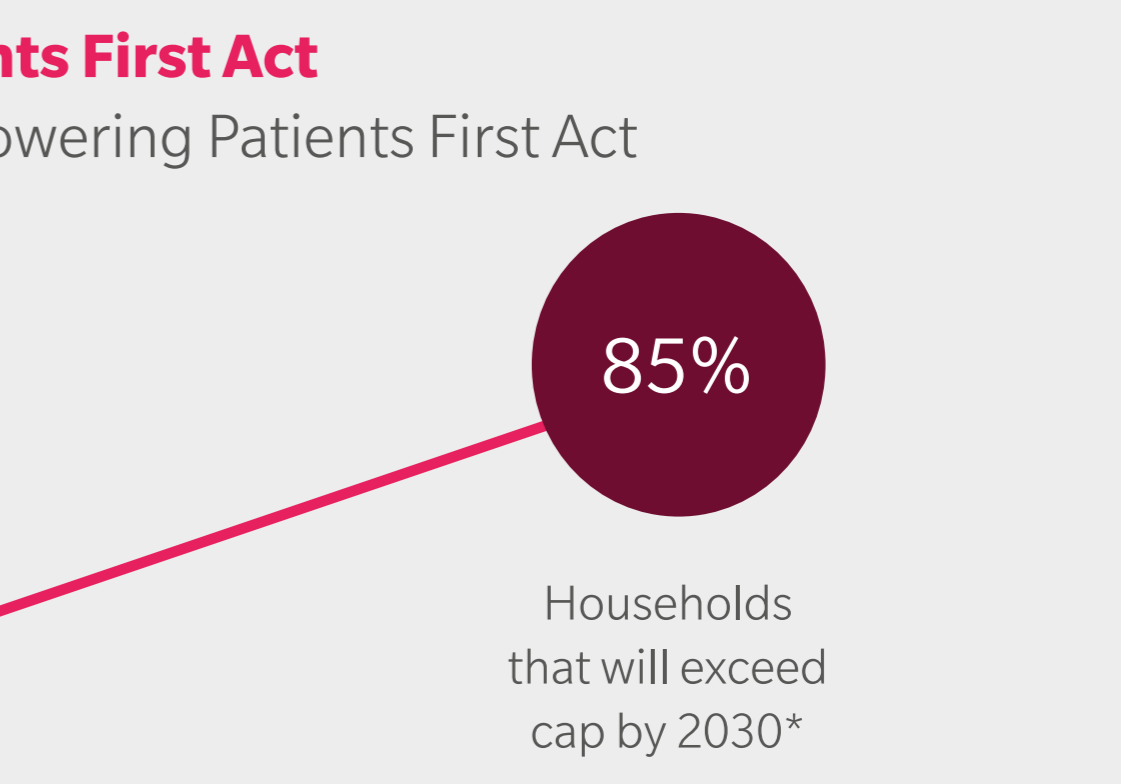
Source: Kaiser Family Foundation, "Uncompensated Care for the Uninsured in 2013: A Detailed Examination," May 2014, kff.org/uninsured/report/uncompensated-care-for-the-uninsured-in-2013-a-detailed-examination/

A rise in the number of uninsured people could lead to more uncompensated care for providers, potentially causing implicit cost-shifting to employers. US businesses have already helped cover insurance company losses through the TRP, while also managing the high cost of their own health benefits programs.

Cost-shifting doesn't address the underlying causes of healthcare cost growth; it affects employers' ability to provide robust benefits programs.

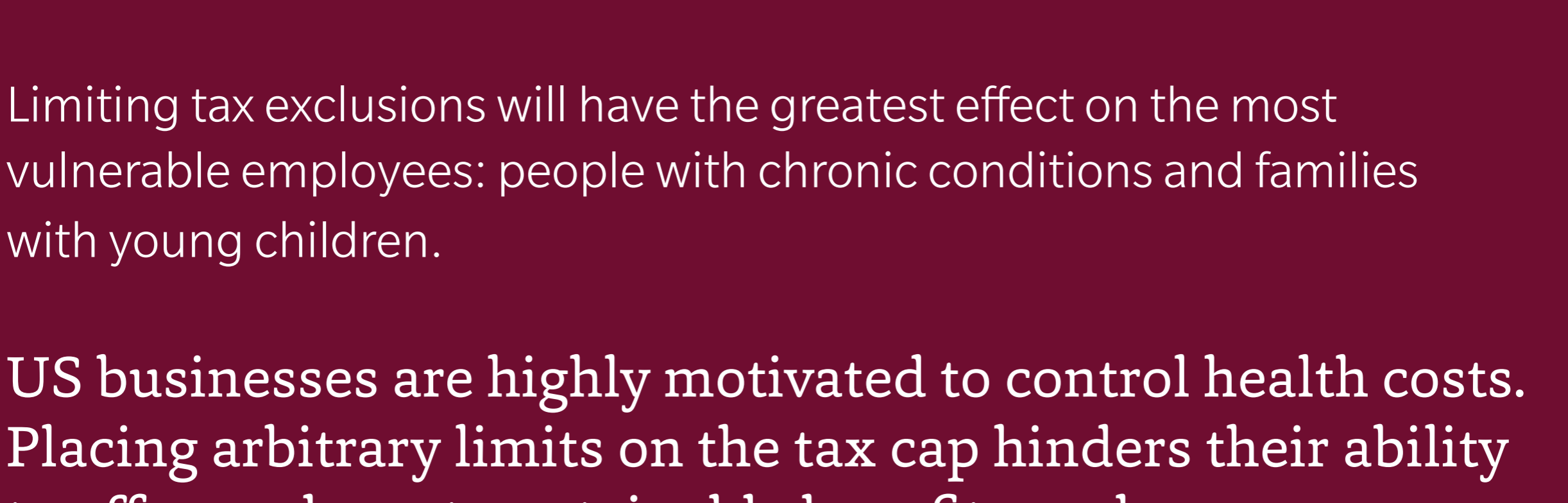
RECOMMENDATION 2

Maintain favorable tax treatment of employer-sponsored benefits



Tax-exclusion cap proposed by Empowering Patients First Act

Cap on health coverage tax exclusion proposed by Empowering Patients First Act

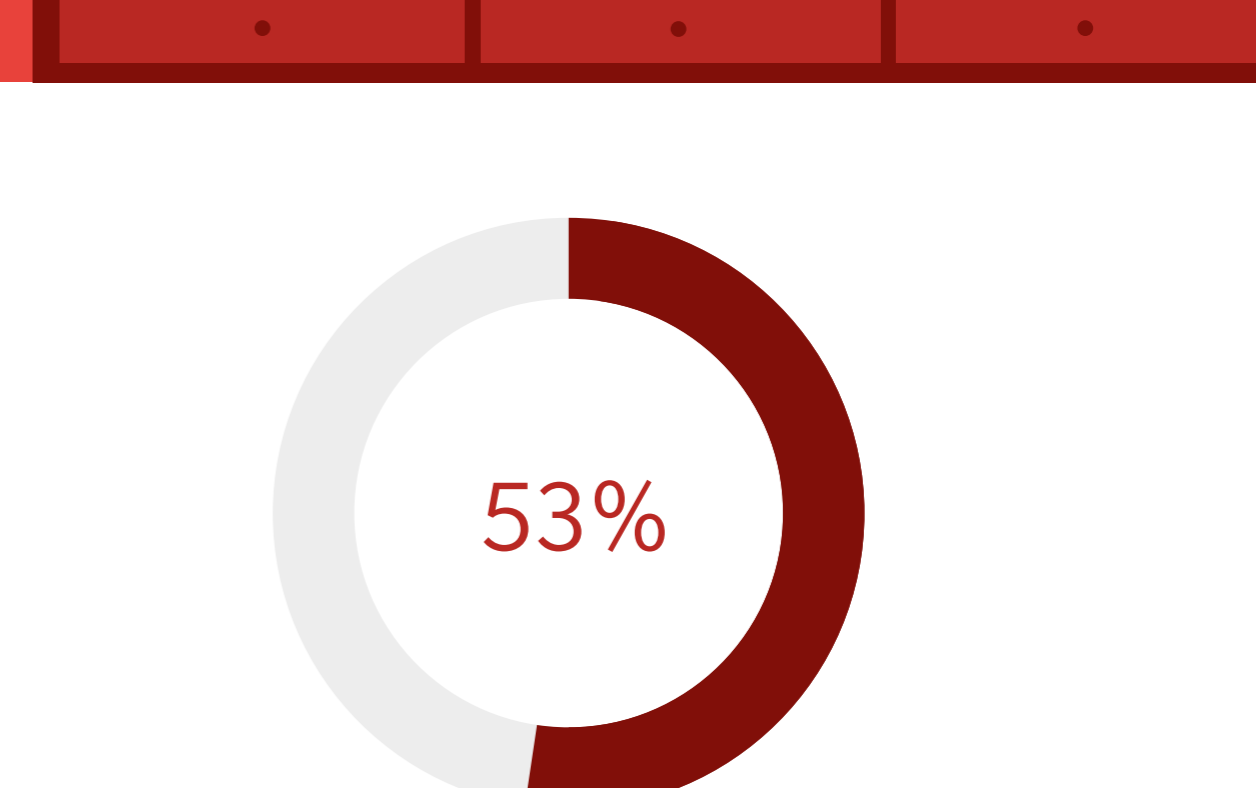


Limiting tax exclusions will have the greatest effect on the most vulnerable employees: people with chronic conditions and families with young children.

US businesses are highly motivated to control health costs. Placing arbitrary limits on the tax cap hinders their ability to offer a relevant, sustainable benefits package.

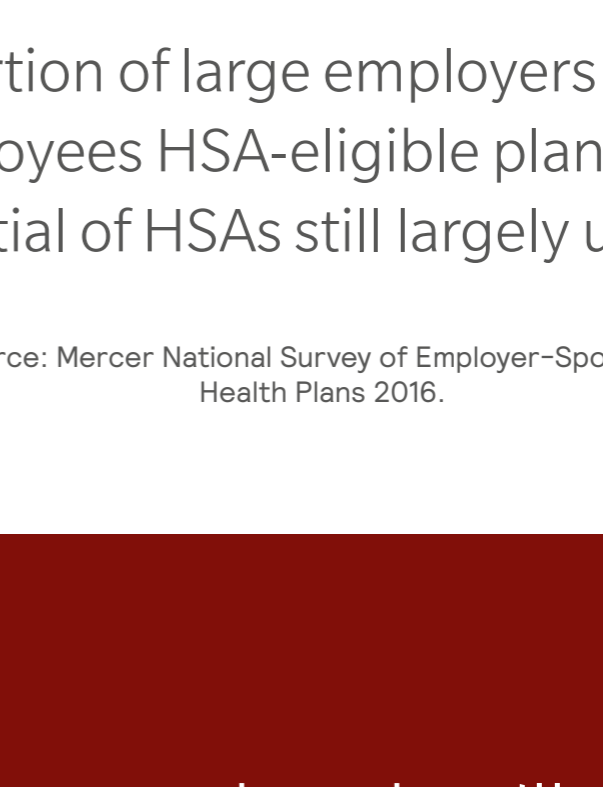
RECOMMENDATION 3

Make Health Savings Account (HSA) rules more flexible and useful for long-term savings



The amount employers can save using HSAs coupled with high-deductible health plans

Sources: www.nber.org/papers/w21031; Mercer National Survey of Employer-Sponsored Health Plans 2016.



Proportion of large employers that offer employees HSA-eligible plans — vast potential of HSAs still largely untapped

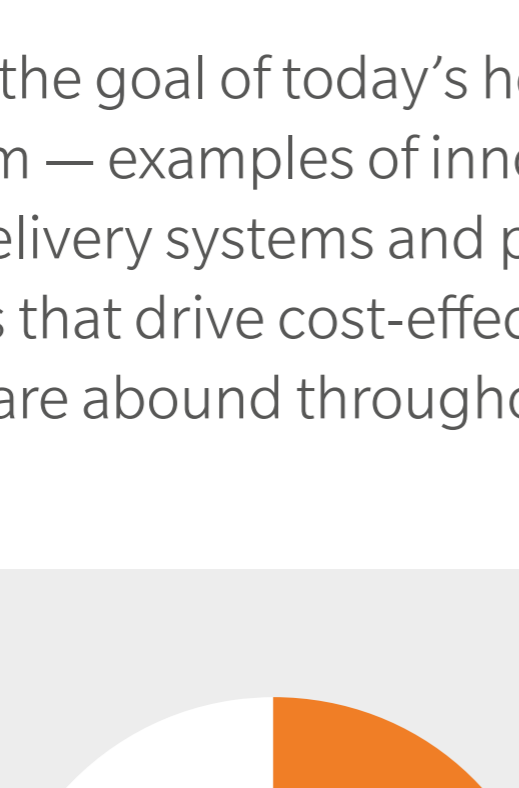
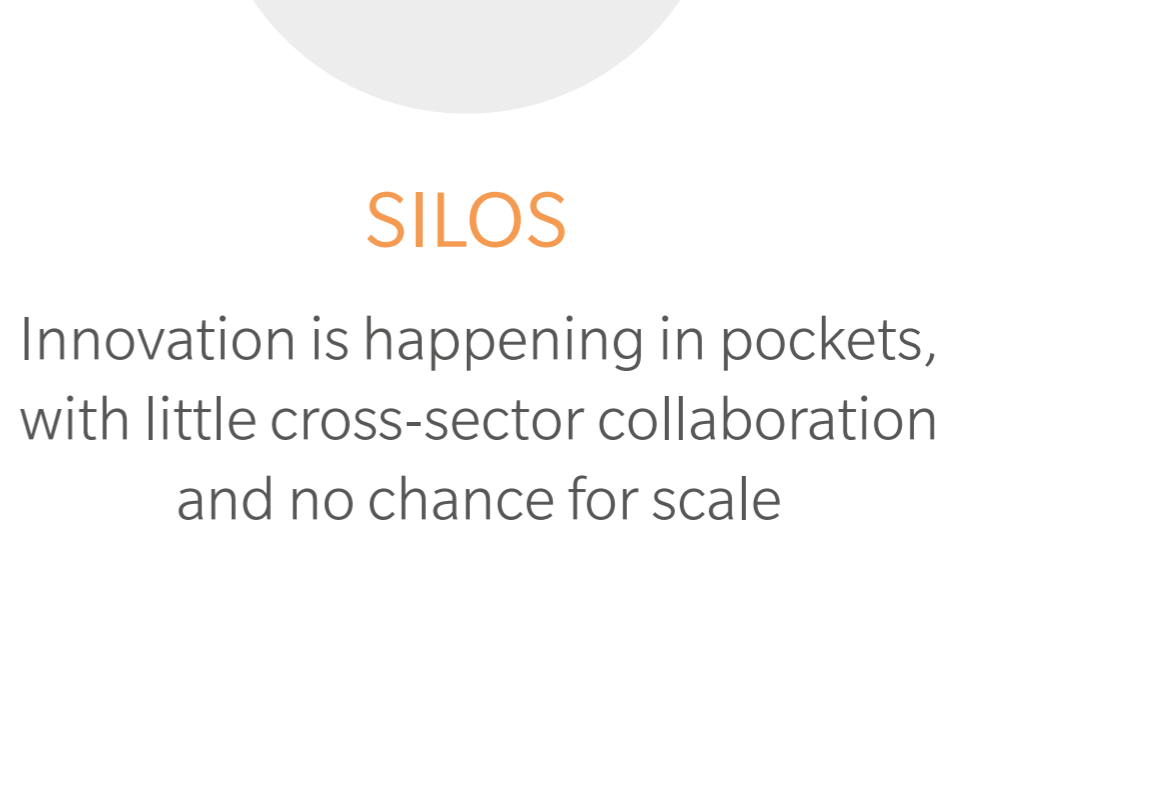
Source: Mercer National Survey of Employer-Sponsored Health Plans 2016.

HSAs could become a key vehicle for improving costs, but they'll only be widely adopted with proper policy and regulatory support. Policies that would make HSAs more useful include:

- Increasing annual HSA limits to align with out-of-pocket maximums for high-deductible plans
- Expanding HSA saving limits for retirees
- Enacting legislation that boosts transparency in healthcare

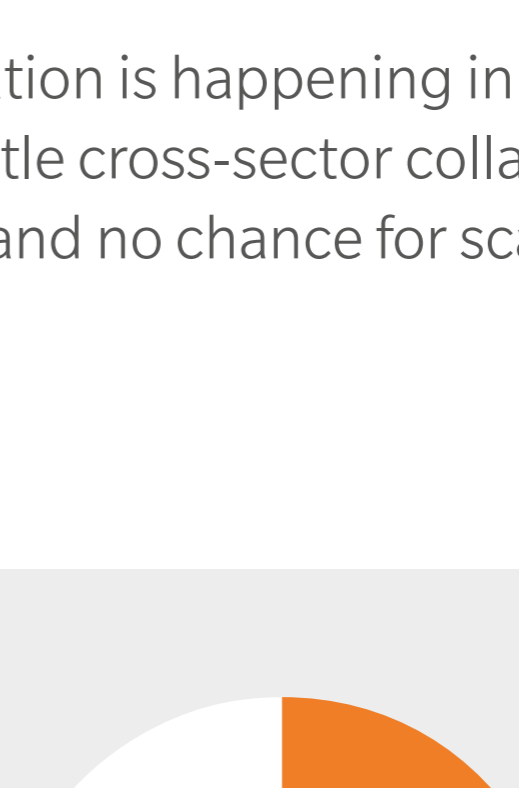
RECOMMENDATION 4

Administration should create a "President's Healthcare Leadership Council" to drive transformative change and boost transparency in healthcare



VALUE

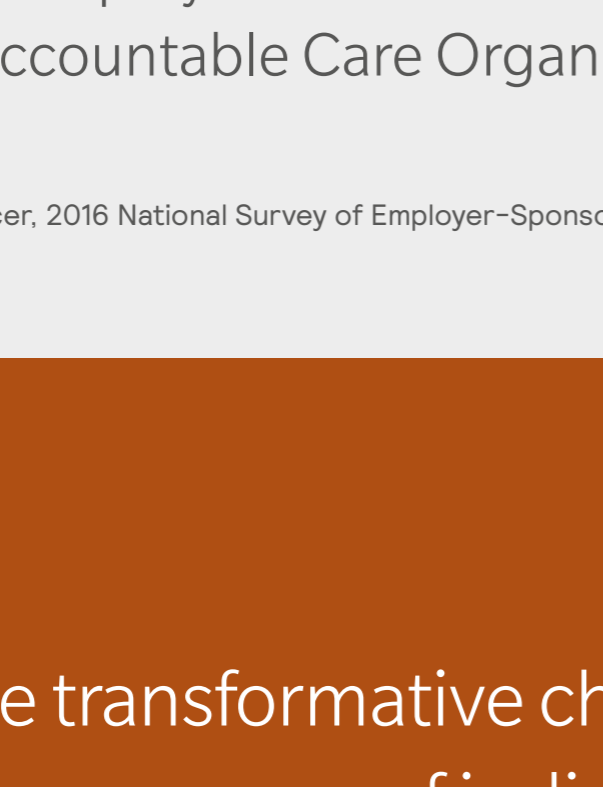
Value is the goal of today's healthcare system — examples of innovative care-delivery systems and payment programs that drive cost-effective, high-quality care abound throughout the US



SILOS

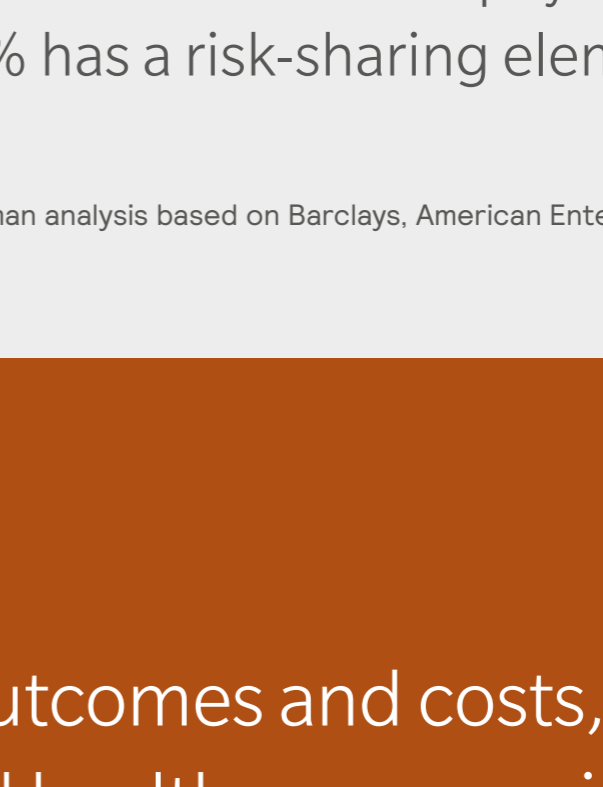
Innovation is happening in pockets, with little cross-sector collaboration and no chance for scale

BUT...



Proportion of the US's largest employers offering employees an incentive for using an Accountable Care Organization

Source: Mercer, 2016 National Survey of Employer-Sponsored Health Plans.



Proportion of managed care revenue tied to some value or outcome payment; just 10% has a risk-sharing element

Source: Oliver Wyman analysis based on Barclays, American Enterprise Institute, HHS

To achieve transformative change in US health outcomes and costs, the innovative programs of individual employers and healthcare organizations need to be scaled, requiring participation and collaboration from all stakeholders, hospitals, physicians, governments, insurers, and employers.

When innovation happens in silos, not enough people see the benefit. It's time to fix healthcare.

Conclusion

MMC and its clients, US businesses, seek healthcare reforms that enable innovation, help employees stay healthy and productive, and lower costs so employers can focus on growth to create new jobs for the American public.

We'll keep one eye on our clients and one eye on Washington as the new administration's policies take shape. We urge you to contact us with any questions about how

these new policies affect your organization, and to find out how you can use our expertise and your influence to create a better tomorrow for your employees.

Read the complete **Health Reform and American Businesses Public Policy point-of-view paper** www.mmc.com/insights-and-analysis.html/#HealthcarePOV.

For more information on Mercer's reform perspective, visit www.mercer.us/our-thinking/health-reform-and-american-businesses.html.

For more information on Oliver Wyman's reform perspective visit: www.oliverwyman.com/health-reform.html

#HealthReform

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