Impact of COVID-19 on Healthcare Insurance

RHSB
An Assurex Global Partner

To our clients and friends,

What will the American healthcare system look like on the other side of COVID-19?

I've had this question posed to me by many clients, business owners, friends, and peers in the industry while discussing Covid-19 and its impact on the healthcare industry. Right now, there is a spotlight on the entire system, particularly focused on how care is accessed and paid for because we're sitting at the highest level of joblessness since the Great Depression. For more than half of the American population, healthcare coverage is linked to employment.

On top of that, health insurance is underwritten based on the idea that at any given time, a limited and predictable number of people will need certain healthcare services. This global pandemic has obviously blown that idea clear out of the water.

When the dust settles, the entire industry will be forced to answer questions not just concerning the health insurance model but about what this means for the changing workforce. What is the role of the employer going to look like after this? How will employees want to receive benefits? These are questions that can't be answered today but will certainly be discussed and debated in the weeks and months to come.

One of the most pressing topics right now is subsidizing COBRA. Congress is being asked to subsidize COBRA at 90% through the proposed recovery fund. Regardless of whether you are for or against employer sponsored insurance programs, it's an undeniable flaw in the system that 18% of the workforce who have been laid off could potentially lose their health insurance.

Let's look at some of the other topics that are currently being discussed in Washington.
The Treasury Department and IRS received a letter yesterday from the American Benefits Council, which advocates for the country's largest employers. The topics outlined in that letter are:

- Allow employees to reduce, suspend or increase their health FSA contributions.
- Allow employees to reduce, suspend or increase their dependent care FSA contributions, notwithstanding the substantial flexibility that currently exists, to account for the possible array of fact patterns and ongoing uncertainty.

- Allow employees to elect into coverage mid-year, on a pre-tax basis for themselves and their family members who previously declined coverage, including flexibility for employers to determine which employees (if any) are offered the mid-year enrollment opportunity and to offer the election period at different times for different categories of employees.

- Provide employees with an opportunity to change their coverage election, with the employer having the discretion to determine which coverage options would be available for election and which employees would be eligible to change their coverage options.

- Provide, in the health FSAs they sponsor, additional carryover amounts, longer grace periods, and both carryover and a grace period. We also request that employers be allowed to permit employees who are terminated to cash-out their health FSAs.

- Provide, in the dependent care FSAs they sponsor, carryover of unused amounts, an extension of the current grace period and the ability to cash-out unused amounts upon termination of employment.

- Offer employees the ability to cash out pre-tax commuter expense balances.

- Allow employees to elect to cash out accrued but unused paid time off benefits without triggering constructive receipt concerns (personal tax implications due to PTO pay).

It's too soon to predict what the healthcare system and thus insurance will look like once the pandemic has ended. The only certainty is that there will be change. Both parties are working together (sometimes reluctantly) to find avenues to adjust the sails and navigate the waters ahead. One analysis estimates insurers and employers could face $34 to $251 billion in costs related to COVID-19 testing, treatment and care. Physician practices are facing a 25% reduction in visits across the country and as much as an 80% reduction in epicenters like New York. Simultaneously, many carriers are declaring they will not raise rates or raise them very little for 2021.

Change will not happen quickly. With so many healthcare workers risking their lives we can expect that it will be politically difficult to force change upon them. Much of what is going to happen depends on how quickly our economy bounces back. Democratic presidential nominee Joe Biden wants to lower Medicare eligibility age to 60 and allow those ages 55–59 to buy in to Medicare. He would like to see ACA increase premium credits and move the standard ACA silver plan to a gold plan, effectively increasing premium credits. President Donald Trump wants to limit the implementation of ACA. Both parties want drug prices to decrease and are working on ways to make that happen.

As these topics unfold and changes are implemented, we at RHSB are dedicated to bringing you relevant information in a timely manner, working to ensure your employees have access to appropriate medical care, and advocating on your behalf with the carriers and government officials. We look forward to assisting you in the days to come. We will help you navigate the change.

Dennis Fowler
VP, Employee Benefits Practice Leader – Fort Worth