Employers Curtail Health Cost-Shifting to Workers

One of the health insurance trends that went largely unnoticed in 2021 was that employers halted cost-shifting to their employees by reducing or holding steady workers' deductibles and other cost-sharing.

That's according to a new study by consulting firm Mercer, which points out that concerns about health care affordability for lower-wage workers, coupled with a difficult hiring environment and the need to attract and retain talent, has prompted many firms to not pass on cost-sharing in the form of higher deductibles and out-of-pocket maximums.

Additionally, despite average group health premiums growing 6.3% in 2021, employers did not increase employee's share of premiums significantly.

The trend is the result of the ongoing COVID-19 pandemic and a hot labor market, in which most companies are struggling to find staff as well as keep current employees from seeking out new opportunities. Companies are also adding extra benefits for workers and focusing on the overall health of their staff, who are demanding improved access to mental health and substance abuse benefits, and more.

Mercer found that:

- Among small employers (50-499 employees), the median deductible for individual coverage in a preferred provider organization dropped to $900 in 2021 from $1,000 the year prior.
- Among large employers (500 or more workers), the median PPO deductible for individual coverage remained steady at $750.
- Among large employers, the median individual deductible in high-deductible health plans dropped to $1,850 in 2021 from $2,000 in 2020.
- Among small employers, the median individual deductible in HDHPs stayed steady at $2,800.
- The average employee share of premiums for employees enrolled in an individual PPO plan rose just $7 to $167 in 2021, and $12 for family coverage ($590 to $602).

While PPOs are still the most popular type of group health plan in the country, the percentage of workers enrolled in HDHPs continues to grow, hitting 40% in 2021, up from 38% in 2020.

The other shoe

The pandemic forced a great deal of suffering on a large swath of Americans, creating a number of personal challenges to their mental and emotional health as well as help in dealing with substance abuse problems that also increased during the pandemic.

As a result, employers have been increasing access to mental health and substance abuse services, with 74% of large businesses rating improved access as important or very important in the Mercer survey. The number is even higher for employers with 20,000 or more workers, with 86% of them rating access to these services as the most important benefits issue for them.

"In today's extremely tight labor market, generous health benefits can help tip the scales in attracting and retaining staff," says Tracy Watts, national leader for U.S. Health Policy at Mercer. "Beyond that, in the wake of the pandemic many employers committed to help end health disparities and ensuring care is affordable for their full workforce is an important part of that."

Managing costs with no cost-shifting

Instead of cost-shifting, many employers are absorbing the higher premiums, which have averaged 6.3% in 2021, according to the study. Mercer found that 60% of employers aren't making plan changes of any type in order to reduce cost increases.

Employers are instead looking at ways to optimize their health benefits with quality initiatives, increased use of virtual care and personalizing benefits.

Firms are also tapping into ways to control drug costs for their employees. This includes more closely evaluating their spending on expensive specialty drugs, such as biologics that are injected or infused. Employers are encouraging the use of biosimilars as lower-cost, clinically effective options.

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