Eye on the Horizon: What’s the Future of Health and Welfare Benefits?

By John Turner | President and CEO | 9/17/2015

Change is the new normal. Over the last decade, the pace of business has intensified dramatically. Now, we spend considerable time wondering whether the foundations of our various industries are still true, and whether they’ll be true tomorrow.

New technologies have created heightened expectations for our availability and our productivity, and that has led to seismic shifts in our work lives, sending repercussions through business operations. Once it was safe to assume that if we conducted business the way we had previously, we’d be OK. But now, that can be a very dangerous approach. The assumption that standing still is smart strategy has been disproved over and over again the last few years.

With that in mind, I think it’s smart to consider what’s going to happen to health insurance and employee benefits over the next 5 to 10 years. Is it possible to look at the tea leaves and forecast possible disruptions to the way benefits are delivered to employees? Here are some of those tea leaves:

1. **The definition of an employee.** Two of the hottest trends in business are the “gig economy” and the “sharing economy” (yes, we can have parallel economies). The gig economy refers to people working various jobs, or gigs, without having any real commitment to any one employer. The sharing economy refers to the explosion of business models that rely upon people sharing something rather than owning it. For example, one of the world’s largest content companies (Facebook) produces no content; one of the world’s largest transportation companies (Uber) owns no vehicles; and one of the world’s largest lodging companies (Airbnb) owns no real estate. But how do people who work for these companies get their health insurance? Should they be considered employees? At this point, it’s hard to say one way or another. The recent California Supreme Court ruling that Uber drivers are employees rather than contractors creates significant questions over whether the company is responsible for
the health insurance of tens of thousands of drivers. If so, what will the company do? Will Uber and other, similar businesses provide insurance to these workers? Or will they pay the penalty for pushing them to the public exchanges?

Which brings us to the next factor...

2. **The maturation of the public health insurance exchanges/marketplaces.** The rollout of the federal and state insurance exchanges has been, at best, rocky. Even so, there are now several million people enrolled in these marketplaces. To date, employers have been reluctant to direct their employees onto the public exchanges, but as healthcare costs rise, that could change. While it’s unlikely that public exchanges will ever be able to match the high-touch benefits experience that some broker consultants provide, it is possible that they will become a more palatable option.

3. **Rising costs.** While the healthcare law is titled the *Affordable Care Act*, costs are rising. And while the premise of this article is that we are living and working in an era of constant change, the one constant in this business has been that costs continue to rise. Will that continue into the future? If it does, how will it impact the delivery of benefits to employees? Will employers seek new alternatives, such as exchanges, if their insurance spend continues to escalate?

4. **The next president.** This is a big one. In January 2017, the new president could be someone who will reverse some of President Obama’s policies, including significant chunks of the ACA. It could be someone who will continue those policies, or even build upon them. Under President Obama, the federal government has been employee friendly; another way of looking at it is the Obama Administration has been antagonistic toward employers. In particular, the Department of Labor has created new policies and rigorously enforced existing ones. It’s fair to say that many employers have found the last 8 years of regulation and enforcement to be onerous at the very least. Will that trend continue under the next president? And, over the next 4 to 8 years, in what direction will the next president take the country’s healthcare environment?

Employee benefits in one form or another have existed in the United States since before the founding of the country. Employer-provided health and welfare benefits are more than a century old. Throughout this history, health insurance benefits have evolved. And during the evolution, employers have required diligent guidance and consultation from benefits brokers, and this remains true, especially in times of change.

Which brings me to my original point, what’s going to happen to health insurance and employee benefits over the next 5 to 10 years? A recent broker services...
survey illustrates that employers are struggling to cope with the complexities of managing healthcare costs, benefits administration, employee education, and maintaining compliance. For example, 53% of employers surveyed said they are not satisfied with the regulatory and legislative updates their brokers provide. Who will guide them?

Regardless of where benefits land in the next decade, it seems safe to say that employers, and the brokers who help them cut through the ever-changing benefits complexity, will be the winners. It’ll be fascinating to see how everyone evolves in the months and years ahead. Because, rest assured, change is coming.

1 US News and World Report, Employee or Contractor? Uber Ruling Could Affect

Other Companies

2 Employee Benefits Research Institute, Employee Benefits in the United States

3 Zywave 2014 Broker Services Survey. "The Growing Need for Client Communications"

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