

Employee Benefit Update Post-Election

By
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There are three plains to consider as we look forward regarding health insurance revenue.

The Post- Election Market

With Trump's victory, we should expect that his focus will initially be to select key cabinet members to head the various Departments. Individuals selected to head HHS and CMS will be critical to this process. They will be driving the changes in the ACA over the next four years. At this point we know what Paul Ryan suggested in terms of "repeal and replace" but we have no idea what Trump's strategy will be.

We have an analysis of the Paul Ryan plan and have responded to him, in detail, about some of the aspects of it.

Once the cabinet members are selected I expect to see the following:

1. The feds pushing to add a "government option" to the federal and all state based exchanges (like Colorado) exchanges. This was an idea that both candidates had commented positively about during the campaign. Although this change will only impact the individual and possibly small group market offerings, it has wide reaching implications.

Questions like how rates are set (this is a self-insured pool and thus there are no state approved "rates") and how the feds behave in working with the states will be important. Also of concern will be how the federal plan contracts with local providers and what impact that activity will have on them, since many are our clients.

2. How the feds will negotiate with the health plans to get them back into the various exchanges will also be important to watch. Especially important will be how consumers react in the current "open enrollment season" knowing they have many fewer options to select from, and those that are available are of the "narrow network" or HMO style. If enrollment drops (or does not increase significantly in the age 19-29 age group the feds will have to act and cutting deals with the health plans is clearly an option.

This is important to Lockton because of the "downstream affect" that these changes will have on the plans our clients have available to them and the rates being charged. One example is the movement to eliminate broker commissions on individual insurance. Again, this is a market that we do not embrace, but nevertheless, the concept is of grave concern and we must watch to see if this movement expands to the small group market.

Market Trends

We should be mindful of the continued emphasis on “Private Exchanges” by our competitors. Although their growth has been slow, the cost and administrative requirements in the private market is starting to get main stream employers to look at these options once again. Recent examples are Western Union, Teletech, and others. We also have to worry about the fact that those pushing this approach look to be “sophisticated, and innovative” while our negative stance can work against us in the case of the employers who are frustrated and want change, almost at any cost.

Unfortunately, Private Exchanges are not the only bright shiny object that will catch some employers' eyes. Although Lockton has had significant questions as to whether these approaches are “real”, there has been virtually no press addressing this position. The result is that many CEOs have fallen into the trap of believing the rhetoric. In addition, we continue to hear of others pushing non-traditional approaches such as “captives” or “referenced based pricing”. Again, we have no unique position of our own other than to hold ourselves out as objective consultants. That is the moral high ground but it does not “sell”.

Our challenge will be to identify other approaches where we find there to be value, and which we can pursue on behalf of our clients. The efforts of the “PAC” will be important to finding a good outcome and strategy for us to use.

Associate Effectiveness

We need a constant focus on the professional development of our Associates. To retain our clients in this uncertain and tumultuous world, our Associates must be viewed as a critical success factor. This means more education regarding market trends and focus areas, new innovative ideas, as well as mastering the new administrative rules and regulations post ACA. New clients will be won based upon our ability to innovate but existing clients will be retained because of the value we provide and the trust clients have in us/our teams.

Lockton has always been technically oriented. We have helped Associates learn and grow. However, not everyone has been so inclined and thus the burden for innovation and technical support has fallen on a few who embraced this challenge. Now, in an even more complex world this will be expected of everyone. Building plans will be vital to our continued success.

Operational Effectiveness

We have had to confront several issues of late which were created because of operational ineffectiveness within our benefits operation. As we have sought to cross sell Executive Benefits into Health and Welfare Accounts our H&W teams have addressed requests for information by thinking of their role as checking a box. In other words, when one side of the operation asks for information on a client the other side replies without thought or analysis. The mantra has been “well you did not ask me about that”. The result has been a few almost serious errors that have put at least one client in jeopardy.

Our teams are busy, but that is not an excuse. Going forward we need to have training to increase sensitivity around data requests. We need to ask ourselves “why do they want that?” “What else should they be asking for?” “What are the issues that might arise out of this approach?” ... Instead of just forwarding the information that was requested.

OTHER ISSUES

Providers (our doctor and hospital groups) are under significant pressure because of the new reimbursement models being implemented under Medicare and Medicaid. There are areas/products that we have little to do with, and only limited visibility into, but they will impact our clients in a major way. We need to be educated on these changes, and mindful of their implications, so that we can play the role of trusted advisor.