

A new way to offer healthcare benefits

What CFOs need to know about combatting costs, mitigating risk and increasing employee satisfaction with Individual Coverage Health Reimbursement Arrangements

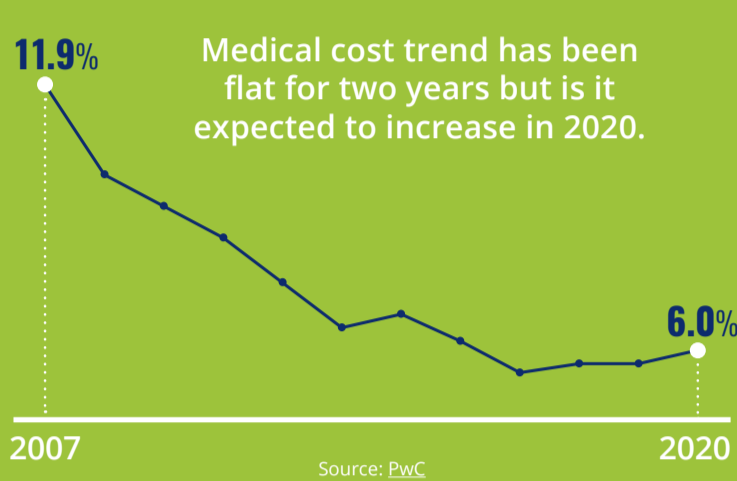
The numbers don't lie. US employers are in the healthcare business, spending a significant and growing amount of money to provide healthcare coverage to almost half the population.



This eye-watering sum—**\$1.2 trillion**—equals the annual spend on Medicare and Medicaid combined, and it's greater than the GDP of many countries.

\$1.2 TRILLION	US employer costs <small>Source: Collective Health</small>
\$1.2 TRILLION	Medicare and Medicaid costs <small>Source: Collective Health</small>
\$551 BILLION	GDP of Sweden <small>Source: Trading Economics</small>
\$65 BILLION	GDP of Panama <small>Source: Trading Economics</small>

For individual employers, this represents a substantial and difficult-to-control operating expense.



Average 2019 costs

\$7,188 employee-only coverage

\$20,576 family coverage

Increase in family coverage costs

22% over the last 5 years

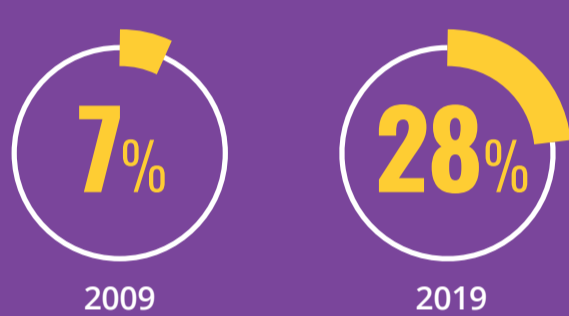
54% over the last 10 years

Source: Kaiser Health Benefits Survey

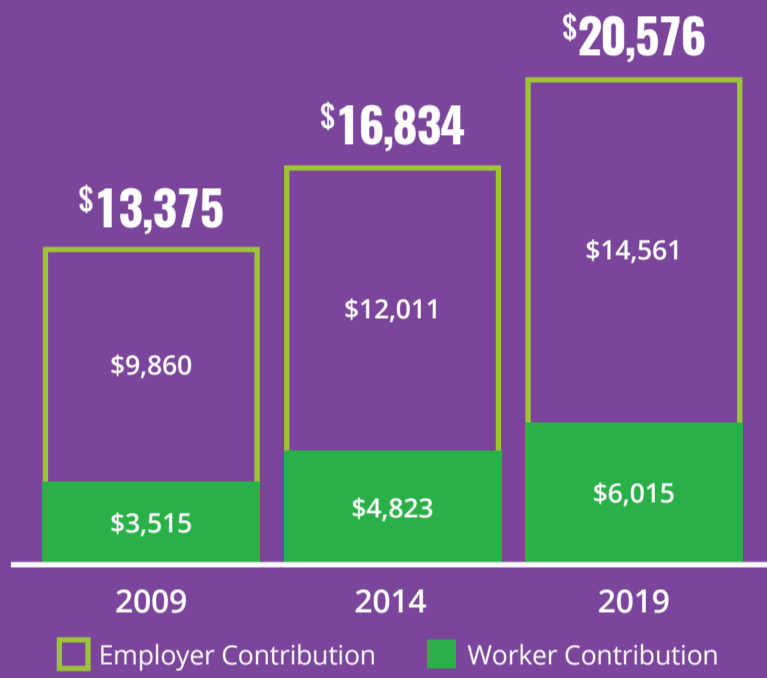
To address these escalating expenses, employers turned to high-deductible health plans and adjusted contributions, and cost-sharing levers like deductibles and co-insurance, **shifting out-of-pocket costs to employees.**

Average Annual Worker and Employer Premium Contributions and Total Premiums for Family Coverage

Percentage of employees with deductible of \$2,000 or more



Source: Kaiser Health Benefits Survey



Increasingly, employers are stepping back on cost-shifting.

\$10 2019 average PPO deductible increase

Jumbo employers offering HDHPs only:

2018: **22%**

2019: **16%**

Source: Mercer's National Survey of Employer-Sponsored Health Plans

Instead, employers are looking for innovative ways to manage costs:



Targeted healthcare solutions



Telemedicine



Integrated accessibility



Enhanced health advocacy



Specialty pharmacy

Source: Mercer's National Survey of Employer-Sponsored Health Plans

These approaches may address cost and help bend the trend curve, but they don't get the employer out of the healthcare game.

Now there's another way. Individual Coverage Health Reimbursement Arrangements (ICHHRAs) are a new approach to offering healthcare coverage available to all employers beginning January 1, 2020.

ICHHRAs offer a defined contribution approach, allowing employers to fund accounts that employees use to purchase their own individual healthcare.



Employer advantages:

- Cost containment.** The employer decides how much to fund the account with no minimums or maximums.
- Risk mitigation.** The employer is no longer subject to exposure from high-cost claims or the expense of stop-loss coverage.
- Flexibility.** An employer can choose to cover all employees, or it can establish classes of employees and treat them separately for the purposes of offering and funding ICHHRAs.



Employee advantages:

- Choice.** Instead of selecting from employer-sponsored options, employees have access to any available plan.
- Personalization.** Employees can choose whatever type of plan design meets their individual needs.
- Right-sizing.** Employees are able to pick healthcare coverage that fits their situation, minimizing the risk of over- or under-insurance.

ICHHRAs are a revolutionary approach that CFOs can consider to address organizational needs around benefits while considering the bottom line.

To learn more, read our white paper, **Individual Coverage HRAs: A defined contribution approach to employee healthcare.**

