

PRESIDENT DONALD J. TRUMP'S ADMINISTRATION PROPOSES REGULATION THAT WOULD INCREASE EMPLOYER AND WORKER HEALTH INSURANCE OPTIONS

INCREASING CHOICE FOR EMPLOYERS AND PERSONAL CONTROL FOR WORKERS: Today the Departments of Labor, Health and Human Services, and the Treasury proposed a regulation that would expand the use of health reimbursement arrangements (HRAs) in a way that promotes individually-selected and portable health insurance coverage.

- The proposed regulation would provide opportunities to all employers, including small and mid-sized employers that currently do not offer coverage or that face large administrative burdens in offering coverage, to finance individually-selected health insurance on a tax-preferred basis.
- A growing number of people who work at smaller firms do not receive employment-based coverage, and most employers who provide coverage only offer a single choice.
 - Some small businesses and their employees have been hit hard by rising health insurance costs, driven in part by Obamacare. For firms that employ 3-24 workers, the percentage of workers covered by employer health benefits has fallen from 44% in 2010 to 30% in 2018. For firms that employ 25-49 workers, the percentage of workers covered by employer health benefits has fallen from 59% in 2010 to 44% in 2018.
 - 81% of small to midsized employers (fewer than 200 employees), and even 42% of larger employers (at least 200 employees), offering health benefits only provide a single coverage option for their employees.
- In effect, the proposed regulation extends the tax advantage for traditional employer group insurance (exclusion of premiums, and benefits received, from federal income and payroll taxes) to HRA reimbursements of individual market insurance premiums.
 - Many employers that do not currently offer coverage would like to be able to help their workers and their families by giving them tax-preferred funds to pay some of the premiums for coverage that workers purchase on their own.
 - Current Obama administration regulations prohibit employers from doing so and thus restrict worker choices of coverage.
- The proposed regulation would also permit employers that offer traditional group coverage to provide an HRA of up to \$1,800 per year (indexed to inflation) to reimburse an employee for certain qualified medical expenses, including standalone dental benefits and premiums for a short-term health insurance plan.
- The proposed regulation includes certain safeguards to mitigate the risk that health-based discrimination could increase adverse selection in the individual market. It also includes a disclosure provision to ensure that employees understand the benefit.
- This proposed regulation would better enable businesses to focus on what they do best—serve their customers—and not on navigating and managing complex health benefit designs.

LARGE ECONOMIC BENEFIT: This proposed regulation, if finalized, will produce significant economic benefit and may lead to more efficient healthcare markets.

- According to preliminary estimates from the Treasury Department, once fully phased in, roughly 800,000 employers are expected to provide HRAs to pay for individual health insurance coverage to over 10 million employees.
- Some experts, such as Harvard Business School professor Regina Herzlinger, suggest the effect could be larger since expanded HRAs will create a more efficient healthcare system as consumerism will be unleashed. This phenomenon could lead to increased workforce investment and higher wages as less is spent on health insurance and could spur innovation among providers and insurers as they directly compete for consumer dollars.

TRUMP ADMINISTRATION FOCUSED ON PROMOTING CHOICE AND COMPETITION: Expanding HRAs is part of President Trump's focus on increasing healthcare choice and competition

- On October 12, 2017, the President issued Executive Order 13813, "Promoting Healthcare Choice and Competition Across the United States."
- As a result of this order, the Administration has already issued regulations to expand two types of flexible, affordable coverage—Association Health Plans (AHPs) and short-term plans.
 - Any businesses within a state, including sole proprietors, can now join together and offer coverage through an AHP.
 - Short-term plans can now be offered with a contract period of up to 364 days with renewals for up to 3 years. Premiums on these plans can be 50 to 80 percent cheaper than for an Obamacare plan.