From: Jacobs, Chris (RPC)
Sent: Wednesday, May 18, 2011 11:19 AM
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Subject: Survey: Nearly Half of Employers Could Eliminate Health Coverage

The consulting firm Price Waterhouse Coopers released its annual report on medical cost trends for the coming year today, and the results were far from encouraging. The report projected that **health care spending would rise by 8.5% in 2012, up from 7.5% in 2010 and 8% this year**. Among the trends increasing costs are hospital and physician consolidation, not least because "health reform also gave hospitals an additional nudge to move closer together" – which could result in greater negotiating clout for providers and thus higher prices. Remember: Candidate Obama said repeatedly his bill would CUT costs by $2500 for the average American family, and President Obama promised that any legislation he would sign is "going to have to control costs." On both grounds, the cost trend study once again illustrates how the health care law fails the President's own test – because his 2700-page law was supposed to bring premium levels DOWN, not raise them.

That cost survey wasn't even the worst news on the health care front today. More ominously, a separate PWC survey of employers released today reveals firms' long-term responses to the health care law, and how many contemplate eliminating coverage as a result:

- More than four in five (84%) are likely to make changes – e.g., raise premiums, deductibles, and co-payments – to offset increased costs thanks to the law;
- More than five in six (86%) of employer respondents are likely to re-evaluate their overall benefits strategy;
- More than half (51%) of employers did not expect to maintain "grandfathered" health status – meaning employees will forfeit their current health coverage, and pay higher premiums as a result of federal mandates introduced on their new coverage;
- Nearly two in three employers (65%) expect to be affected by the "Cadillac" tax on employer health plans;
- **Almost half (45%) of companies "indicated they were likely to change subsidies for employee medical coverage" as a result of the law – quite possibly "dumping" their employees on to government-run Exchanges; and**
- **Exactly one-half (50%) are considering "significantly changing or eliminating company subsidies for dependent medical coverage."**

The PWC survey covers primarily large employers – more than three-quarters of firm respondents have more than 500 active employees, and over a third have more than 5,000. For so many of these large employers to be contemplating reductions – or outright elimination – of health benefits to their employees suggests a massive "rush to the exits" once the Exchanges come online in 2014. It also raises serious concerns about the massive budgetary costs should businesses make an entirely rational choice to place their employees in government-run Exchanges subsidized by federal taxpayers.

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