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## BLOG: How the ACA will create a more portable workforce

Publish date: JUN 27, 2014

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Health insurance, pensions, retirement plans and other employer-sponsored benefits were originally created during World War II as a way for companies to be more competitive in attracting and retaining employees. Countless factors over the decades have changed the shape of company benefits, but the Affordable Care Act (ACA) is dramatically changing the dynamic between employers and employees in the immediate future. Employees will no longer rely on employers for health coverage, and what that will translate to is a more "portable" American workforce.

### Driving the Shift

As of mid-June, 8 million people have enrolled for health coverage in the exchanges. Some of those 8 million enrollees did not have health coverage previously; others had been covered by their employers but sought coverage through the exchanges when they lost their company-sponsored health insurance.

A Congressional Budget Office (CBO) report issued in February estimated that by 2017, the American workforce will be reduced by the equivalent of 2 million full-time jobs, because many companies—including large cooperations like Walmart, McDonald's and Starbuck—are laying off employees or reducing their hours to avoid purchasing insurance or paying the fine for failing to do so. Additionally, experts predict most employers will discontinue providing coverage entirely by

Some people are voluntarily leaving their jobs, now that affordable health coverage is available. This is particularly true for older employees who are not yet eligible for Medicare. No longer do these individuals need to continue working solely to retain their company-sponsored health insurance, because enrolling in the exchanges does not require a health screening nor does it exclude for pre-existing conditions. In fact, with the ability to enroll in the exchanges, a person of any age is now no longer tied to their employer to keep their health coverage, creating a fundamental shift in how healthcare is provided.

## **Pros and cons**

Beneficiaries who enroll in the exchanges can take their health insurance with them wherever they go, whether it's to a different company, into retirement, or being self-employed. A portable workforce that doesn't have to rely on an employer for health coverage creates an independence that promotes self-employment, creation of start-ups and a capitalist society with greater innovation.

However, individuals enrolled in the exchanges cannot deduct their health insurance premiums from their annual tax returns. And while companies that provide group health insurance can deduct those premiums, employers who avoid paying for group health insurance by pushing employees to the exchanges will face a mandate to pay a penalty with after-tax dollars.

This can be seen in the recent IRS ruling that bars employers from pushing workers into exchanges. I predict that once the exchanges become more fully developed, future legislation will be introduced to allow employers of all sizes to move employees freely into the exchanges without penalty.

As the demand for coverage through the state exchanges increase, the ACA's health insurance marketplace will improve its products and options. And as more people enroll in the exchanges and no longer rely on their employers for health coverage, a more portable and innovative workforce will take shape.

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