Employee Communications and Health Care Reform

by Tracy Watts and Jackie Cuthbert

The Patient Protection and Affordable Care Act (PPACA) has made health care reform a reality. Although many of PPACA’s details are still unclear to many employers, and most of the act’s major reforms will take effect over the next several years, companies have reason to begin preparing for change and enough information to begin a communications effort with employees. The authors describe a number of immediate actions that employers should take to make the most of their own understanding of PPACA as it develops, as well as help their employee benefits leaders make the most informed decisions about when and how to communicate with employees about the law and its impact on their group health plan coverage.

When President Obama signed into law the Patient Protection and Affordable Care Act (PPACA) earlier this year, health care reform and its attendant complications became reality for the nation’s businesses, large and small. Organizations and their employees across the United States now face the immediate and long-term impact of the law’s many changes to the employer-based health care system. So vast in scope is the bill—its language runs to more than 2,400 pages—that it inevitably raises more questions than can possibly be answered in the short term.

Still, benefits executives and other business leaders have no choice but to respond to PPACA—with some provisions of the law effective immediately and an array of others to be in force by 2014 or later. In the meantime, one of the key challenges is to manage communications effectively so that employees can reasonably know how health care reform will impact their employer-based coverage and when.

Unfortunately, many of the details are still unclear to many employers, such as restricted annual dollar limits on essential health benefits, where the definitions of reduced limits and essential health benefits await guidance from the federal government. As a result, employers have a growing list of questions for the government, their health insurance providers and benefits consultants. Some employers may be reluctant to communicate at all about health care reform to their employees until more is clarified; other employers may want to communicate proactively, to answer some of the most basic questions, explain the most immediate changes and prepare employees for the changes to come.

The extent of this communication may vary, certainly. At the most basic level, companies can consider a message to all employees that assures them that management is currently working with health and benefits experts to assess the potential implications of the new legislation on benefits offerings, emphasizing that some of these implications will become clear only over time as the provisions in the new law become effective and regulations are issued. Employees may also be encouraged to submit online questions and comments related to U.S. health care legislation to their employers—with the understanding that management will answer as many questions as possible in subsequent communications.
A more detailed communication strategy might involve providing employees with access to a number of health care reform FAQs, a sequence of questions and answers designed to address the impact of the law’s immediate changes. For example:

**Q: What’s going to change with my health care coverage and when?**

**A: The new law outlines the following requirements, to be implemented over the next couple of years: [Detail specific employer plan changes]. Additional provisions will be rolled out through 2018; however, things will continue to evolve over time, so we’re focusing only on the immediate, short-term changes right now.**

What is already clear about the many aspects of PPACA is certainly enough on which to base a reasonably informative communications effort—and that begins with the relevant time frames. For most employer-based health care plans, the initial set of PPACA health plan standards will take effect for plan years beginning six months after March 23, 2010. This means most insured and self-funded health plans must comply with the first standards for plan years starting on or after September 23, 2010 (for example, calendar-year plans starting January 1, 2011).

In their human resources communications, employers and their vendors clearly need to focus first on these standards, which set the following coverage and cost-sharing terms:

- Require extending dependent coverage to the age of 26 for children ineligible for other employer coverage
- Ban lifetime dollar limits
- Restrict annual dollar limits for essential health services
- Prohibit preexisting condition exclusions for children younger than aged 19
- Bar rescinding coverage, except in specific circumstances.

**CONSUMER ENGAGEMENT**

Beyond essential employee communications, the workforce will benefit from more detailed information about the advantages of such strategies as consumer-directed health plans (CDHPs). Indeed, for many organizations, leveraging the rising tide of consumerist strategies for enhancing wellness and keeping health care costs down is sure to be a factor in the postreform era. Member education, awareness building and self-care options can combine with emerging engagement tools (such as social networking) and incentives for wellness program participation, health improvements and changes from expensive name-brand prescription drugs to economical generic versions.

Then there’s the cost-saving advantage of offering high-deductible plans with health savings accounts. Mercer research indicates an economical $6,400 average annual cost for these consumerist plans, versus $8,200 for preferred provider organizations and $8,600 for health maintenance organizations. Beyond the cost advantage, these plans can provide a longer term perspective on health care, engaging the consumer through decision-support tools to make better financial decisions. Structured and communicated properly, these high-deductible plans are more than just a lower cost option for default coverage.

Another strategy for the reform era is to focus aggressively on quality, providing incentives for participants to seek quality yet cost-efficient care. This can include the trend toward “medical homes” for high-cost, complex conditions (medical homes are marked by an integrated, enhanced-access approach to care); domestic tourism to centers of excellence for high-risk, high-cost surgical procedures; and greater acceptance of nonphysician clinicians, given the short supply of primary care doctors.

Adopting a successful, holistic strategy for the era of health care reform is not going to be a slam dunk for organizations that delay. The time is now to model the impact of any plan changes to comply with health reform requirements, evaluate alternative strategies and develop a short- and longer term strategy to comply. It’s also important to build a process to update strategy in response to future reform and mar-

**THE AUTHORS**

**Tracy Watts** leads Mercer’s health care and group benefits consulting segment activity in the Mid-Atlantic, Southeast and Southwest. Watts is based in Washington, D.C. and specializes in health care cost management, assisting employers in the design, evaluation and ongoing management of health and group benefit plans for active and retired employees.

**Jackie Cuthbert** is a principal in Mercer’s Workforce Communication and Change business in Atlanta, Georgia. She specializes in the development and implementation of communication strategies to support annual enrollment, managed care rollout, retiree health care program changes and other strategies.
ket changes. Despite the frustrating fact that health reform legislation has many requirements that require further clarification, employers need to move forward into the reform era with their employees and providers—and not simply wait for those regulatory mists to clear.

PPACA's long-term implementation horizon, its complexity and the continued uncertainty that many employers will experience as they await clarifications and regulations may prove daunting when it comes to employee communication. But the fact remains that the health reform law will affect most employers and their employees. Good communication begins with a solid grounding in the facts. There are a number of immediate actions employers should take to prepare for change, using the informational resources and expertise available from their third-party providers, whose services extend to communication strategies as well as to broader guidance about the impact of PPACA. A strategy for success in implementing and communicating the relevant provisions of the law would proceed from the following immediate actions:

- Gain an understanding of the new law’s many and varied provisions.
- Assess the impact of the law’s earliest requirements on plan design and cost.
- Analyze the financial impact of the law’s employer-related penalties and requirements, such as the shared responsibility, free-choice voucher and high-cost plan excise tax provisions.
- Identify plans that may require special analysis or treatment, such as multiemployer, collectively bargained or retiree medical plans.
- Create and begin to implement administrative and compliance strategies.

With such a strategy underway, employers can make the most of their growing understanding of PPACA, and employee benefits leaders can make the most informed decisions about when and how to communicate with employees about the law and its impact on their group health plan coverage. Moving beyond the initial phase of messaging, FAQs and the like, plans can evolve toward more extensive and definitive communication, including group information sessions for management and employees, and even health reform “clinics” and hotlines, depending on organizational style and size. A proactive approach to understanding the law is the key to success in communicating it.