

Will Amazon, Berkshire Hathaway and JP Morgan Change Health Care for Employers?

Labor & Employment Law Update

By Suzannah Wilson Overholt on February 19, 2018

What happens when you combine Amazon, Berkshire Hathaway and JPMorgan Chase? Apparently, a new nonprofit health care company. That was the news last month when the three companies announced that they are forming their own health care company to increase transparency for their employees.

Anyone involved with employee benefits knows that one of the most dreaded moments annually is getting the renewal quote for the health benefit plans. The quote starts the agonizing dance of trying to get the astronomical increase to a manageable number while calming the budgeting folks, panicked by the opening salvo. The idea of somehow removing the mystery and agony of that process is incredibly appealing. But is it possible? Maybe.

The push for transparency appears to be aimed at the elimination of the overhead costs that are built into the health insurance expense. According to the *Wall Street Journal*, the new venture plans to help current vendors work better by focusing on technology solutions, improved patient experience and customer service. Initiatives might include flat fees and using technology to provide more tracking and care outside traditional health care settings. The final outcome could result in providers being adequately paid for the services they provide, new technology for streamlining services, and reduced costs due to elimination of unnecessary overhead charged by the insurance companies.

While the new company will be focused on the employees of its founders, its success will likely have a ripple effect. The companies hope the project will save them hundreds of millions of dollars and possibly be a blueprint for others.

The gain for employers would be a potential reduction in the cost of insurance, which, as reported by SHRM, currently consumes on average around 10% of operating budgets. While CNN reports that the rate of increase has slowed over the past few years, a recent study found that employers expect health care costs to increase by more than 5% this year. Thus, reduced costs could eliminate the annual debate between giving raises or keeping insurance contributions in check.

Don't expect changes anytime soon, though. The existing insurance marketplace has big players with the infrastructure to provide services to millions of people. The new company will have to prove itself. We'll keep you posted.

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