

Consultants at McKinsey recently released an [analysis](http://bit.ly/lk6HqV) (<http://bit.ly/lk6HqV>) confirming previous estimates that Obamacare could cause many, or even most, employers to drop their current health insurance offerings. Among the findings from McKinsey's survey:

- 45 to 50 percent of employers say they “will definitely or probably pursue alternatives” to their existing plans after 2014;
- 30 percent of employers – and 28 percent of large employers – “will definitely or probably stop offering” coverage;
- Employers who are more aware of Obamacare's provisions are more likely to consider dropping coverage – “upward of 60 percent will pursue some alternative” to their existing plans; and
- “At least 30 percent of employers would gain economically from dropping coverage even if they completely compensated employees for the change through other benefit offerings or higher salaries.”

Other key quotes from the analysis regarding employer-sponsored insurance (ESI): “The propensity of employers to make big changes to ESI increases with awareness largely because *shifting away will be economically rational* not only for many of them but also for their lower-income employees, given the law's incentives....Many employers will be shifting from ESI; it is unlikely that only one company in an industry or geography will move away from it.”

The analysis also talks about ways in which companies can utilize Obamacare's provisions to have the federal government absorb the cost of subsidizing their employees' insurance:

- Hiring more part-time workers to avoid the employer mandate, one of the provisions that the Congressional Budget Office included in its [estimate](http://1.usa.gov/ext6GZ) (<http://1.usa.gov/ext6GZ>) that the health care law would reduce the labor supply by about [800,000 jobs](http://politi.co/g4yjm1) (<http://politi.co/g4yjm1>);
- “Restructuring into two separate companies: one comprising management and corporate employees who would receive ESI, the other lower-wage employees who would not;” or
- “Setting the employee premium above 9.5 percent of the household income of lower-wage workers, so these employees can opt out of ESI and receive the same exchange subsidies they would if their employer did not offer ESI.”

Last year at this time, former Congressional Budget Office Director Doug Holtz-Eakin's [analysis](http://bit.ly/kWsAtU) (<http://bit.ly/kWsAtU>) confirmed that many more firms than originally projected will have a rational economic basis for dropping their plans come 2014. This new McKinsey study – on the heels of a [PWC analysis](http://bit.ly/iWKLuO) (<http://bit.ly/iWKLuO>) that also concluded many employers will drop their insurance offerings – once again raises the prospects that spending on federal insurance subsidies will explode as employers shed their plans – depriving Americans of their current health insurance plans, and only deepening the nation's fiscal entitlement crisis.