Health Care Reform

From Washington. . . .
to Main Street. . . .
to Your Backyard.

Presented By:
Scott R. Baldwin
Gallagher Benefit Services
Agenda

• **Insurance Market Reforms**
  • General Reform Provisions
  • Consumer Protection
  • FSA, HRA, and HSA Changes

• **Health Insurance “Exchange”**
  • Administration and Structure
  • Conditions on Participation

• **Individual Responsibilities**
  • Individual Mandate
  • Subsidies and Credits

• **New Taxes, Fees, and Revenue**

• **Employer Responsibilities**
  • Employer Mandate and Disclosure Requirements
What should I be doing now to prepare?
Pop Quiz

Existing plans may be “grandfathered.” What does this mean?

a. A plan in existence prior to 1/1/2011.
b. A plan purchased by your grandfather.
c. A plan in existence as of 3/23/10, including plans maintained pursuant to a CBA, can be continued without being subject to minimum coverage standards. However, certain benefit mandates in the Act will apply.
A plan in existence as of 3/23/10, including plans maintained pursuant to a CBA, can be continued without being subject to minimum coverage standards. However, certain benefit mandates in the Act will apply.
Insurance Market Reforms

**General Reform Provisions**

- Requires most people to carry insurance or pay a fine
  - Individual Mandate included
  - Employer Mandate included
  - “Exchanges” established by 2014
    - Open to Small Groups Only at First
  - “Qualified Health Benefit Plan”
  - “Essential benefits”
Insurance Market Reforms

Consumer Protection

• Eliminates discrimination for pre-existing conditions
  • Dependents up to age 19 - Plan Year started after 9/23/10
  • All Others - Plan Year starting after 1/1/14
• Eliminates “Rescission” in the individual marketplace
• Strictly limits age and gender based pricing
• Defines “essential benefits” and prohibits annual or lifetime limits
Insurance Market Reforms

FSA, HRA, and HSA Changes

• FSA Changes
  • Cannot reimburse for over the counter expenses on or after 1/1/11
  • FSA Contribution Limited to $2,500 per year, starting 1/1/13

• HRA and HSA Changes
  • Cannot reimburse for over the counter expenses on or after 1/1/11
  • All Contributions are included in the “health plan costs”
    • Included in the “Cadillac Plan Tax” calculation
Health Insurance “Exchange”

Administration and Structure

• State Based Arrangement, set to begin 1/1/14
  • Possibility for Regional and National exchanges
• Allows Private and Non Profit Insurers to participate
• Open to Small Groups (under 100 FTE) and Individuals
• Government Subsidies for groups and individuals
  • Based on Affordability
Health Insurance “Exchange”

Plan Designs

• Expected that 5 total Plans will be offered
  • Preventative services covered at 100%
    • Platinum - 90% Coinsurance, $5,950 OOP Max
    • Gold - 80% Coinsurance, $5,950 OOP Max
    • Silver - 70% Coinsurance, $5,950 OOP Max
    • Bronze - 60% Coinsurance, $5,950 OOP Max
    • Catastrophic - 0% Coinsurance, $5,950 OOP Max
Individual Responsibilities

**Individual Mandate**

- Individuals must have health insurance by 2014
  - In 2016 - minimum penalty of $695, maximum penalty of $2,085
- Exceptions for Low Income Individuals
- Medicaid expanded
- Vouchers for workers qualifying for an “affordability exemption”
  - Employer contribution provided in lieu of coverage
  - Must use funds to purchase coverage in the “exchange”
  - Excess funds are paid to the employee
District Responsibilities

Employer Mandate and Disclosure Requirements

• Employers with 50 FTEs provide coverage or pay a “free rider” penalty
• “Employers with over 50 FTEs who offer coverage…
  • Must meet HHS set “accepted plan” requirements
  • Penalty for employee’s who purchase in the exchange anyway
• Notifications and Reporting
  • Benefit costs to be reported on each W-2 starting 1/1/11
  • Written notice of Exchange Provisions
  • New Standards for Benefit Summary Communication
  • Written notice of plan design changes
What should I be doing now to prepare?

**Immediate Action**

- Familiarize yourself with the Timeline (see handout)
- Several provisions will begin within the next year
  - Lifetime dollar limits prohibited
  - Preventative health care required
  - IRS 105(h) non-discrimination rules apply
  - Coverage for dependents, up to age 26
  - Coverage for pre-existing for enrollees aged 19 and under
  - New claims appeal procedures and requirements
- Determine whether or not your plan qualifies as “grandfathered”
- Work with your HR Dept. and/or consultant to develop a 5 year action
What should I be doing now to prepare?

Near Term Preparation

• Be aware of approaching deadlines
  • 1/1/11
    • FSA, HRA, HSA changes take effect
    • Tax credit to Small Employers begins
    • Value of Benefits on W-2
  • Watch for continued legislation
    • There will be “fixes”
  • Continue to monitor progress toward 2014 deadlines
    • Refer to your plan of action
    • Rely on your consultant
What should I be doing now to prepare?

Long Term Preparation

- Be aware of long term deadlines
  - 1/1/14
    - Employer and Individual Coverage Mandate
    - Annual Limits Prohibited
    - Coverage for all Pre-existing conditions
    - Plan design limitations and wellness program regulations
    - Discrimination based on health status prohibited
- Watch for continued legislation
- Continue to monitor progress toward long term deadlines
  - Refer to your plan of action
  - Be aware of new deadline impact existing requirements
  - Rely on your consultant
To be eligible for the reinsurance program, the plan sponsor must:
1. Submit a timely application that provides all the required information and is approved and certified by HHS.
2. Implement procedures to generate or have the potential to generate cost savings for participants with chronic or high cost conditions that are expected to exceed $15,000 during the plan year.
3. Have a written agreement with the insurer or health plan requiring them to disclose plan information to HHS in accordance with the HIPAA privacy rules.
4. Attest that policies and procedures are in place to protect against fraud, waste, and abuse.

Eligibility requirements:

- Unmarried only
- Excludes children eligible for employment-based coverage.
# Simulated Impact of Healthcare Reform

**Employer Cost and Employee Enrollment**

<table>
<thead>
<tr>
<th>Cost Component</th>
<th>Low Cost Estimate</th>
<th>High Cost Estimate</th>
<th>Average Cost Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employer Cost</td>
<td>EE's</td>
<td>Employer Cost</td>
</tr>
<tr>
<td>Current cost (2010)</td>
<td>$3,184,424</td>
<td>434</td>
<td>$3,184,424</td>
</tr>
<tr>
<td>Cost of trend at 12.0% per year</td>
<td>$1,826,329</td>
<td></td>
<td>$1,826,329</td>
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<tr>
<td><strong>2014 estimated cost before Healthcare Reform</strong></td>
<td><strong>$5,010,753</strong></td>
<td>434</td>
<td><strong>$5,010,753</strong></td>
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<tr>
<td>Cost of plan design changes</td>
<td>$100,215</td>
<td></td>
<td>$100,215</td>
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<tr>
<td>Increase in covered lives</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Employees previously waiving coverage</td>
<td>$261,086</td>
<td>22</td>
<td>$292,392</td>
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<tr>
<td>Newly eligible employees (30 HPW minimum)</td>
<td>$247,312</td>
<td>24</td>
<td>$353,750</td>
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<td><strong>2014 estimated cost (all employees on employer plan)</strong></td>
<td><strong>$5,619,366</strong></td>
<td>480</td>
<td><strong>$5,757,110</strong></td>
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<tr>
<td>Decrease in cost due to employees exiting employer plan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>to Medicaid</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>to exchange with premium subsidy</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>to exchange without premium subsidy</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
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<tr>
<td>to exchange with Free Choice Voucher</td>
<td>$0</td>
<td>0</td>
<td>($20,035)</td>
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<tr>
<td>to coverage under spousal plan</td>
<td>($420,743)</td>
<td>-37</td>
<td>($130,230)</td>
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<tr>
<td>Increase in cost due to Free Choice Vouchers</td>
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<td>$20,035</td>
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<td>Less tax deduction for Free Choice Vouchers</td>
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<td>($128)</td>
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<tr>
<td>Free Rider penalty</td>
<td>$0</td>
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<td>$0</td>
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<tr>
<td>Self-Funded Tax (applies 2014 through 2019)</td>
<td>$886</td>
<td></td>
<td>$938</td>
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<td><strong>2014 Estimated Cost after Healthcare Reform</strong></td>
<td><strong>$5,199,509</strong></td>
<td>443</td>
<td><strong>$5,627,691</strong></td>
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<td>$ Impact of Healthcare Reform</td>
<td>$188,756</td>
<td>9</td>
<td>$616,937</td>
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<td>% Impact of Healthcare Reform</td>
<td>3.8%</td>
<td>2.1%</td>
<td>12.3%</td>
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<td>Cadillac Excise Tax <em>(valued at 2014, does not apply until 2018)</em></td>
<td>$50,119</td>
<td></td>
<td>$50,119</td>
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</tbody>
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*Based on 500 simulations*
Questions?