

Welcome!

Health Care Reform 2009 Update  
Will Begin Shortly

There are many participants. The audio has been muted until the presentation begins.

# *Keenan*

## Update: Health Care Reform 2009

### Potential Changes for Employers and Health Plans

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# Health Care Debate: October 2009



# What's at Stake?

- 45 million uninsured
- \$16,771 /yr.
- Quality & quantity of care received
  - 80% of those covered happy with current arrangements
- 17% of the economy

# Economic Environment— Recession

- Recent legislation
  - TARP (\$700 billion)
  - ARRA (\$787 billion)
  - Budget (\$694 billion)
- Deficit— \$1.8 trillion
- Job Losses— 9.8% unemployment
- Housing Crisis— 7.14% drop in last year

# Legislation Scorecard

Committee	Leaders	Legislation Status
House Energy & Commerce	Henry Waxman (D) Joe Barton (R)	Approved bill August 31
House Ways & Means	Charles Rangel (D) Dave Camp (R)	Approved bill July 17
House Education & Labor	George Miller (D) John Kline (R)	Approved bill July 17
Senate Finance	Max Baucus (D) Chuck Grassley (R)	<b>Approved bill October 12</b>
Senate HELP	<b>Tom Harkin (D)</b> Mike Enzi (R)	Approved bill July 15

# Administration Proposal

- Insurance market reforms
  - No pre-existing condition exclusions
  - No gender rating, limited age rating
  - No rescission except for fraud
  - No lifetime or annual limits; cap on out-of-pocket expenses
  - Free preventive services
  - Insurance exchange for individuals & small businesses

# Administration Proposal

- Employer Mandate
- Subsidies
  - Tax credits for individuals
  - Tax credits for small businesses
- Public Option
- Temporary National High Risk Pool
- Eliminate “Donut Hole” in Medicare D

# Administration Proposal

- Costs
  - Deficit neutral
  - Fee on insurers that sell “very expensive” plans
  - Delivery system reforms
    - Incentives to avoid hospital readmissions
    - Pilot programs for “bundled” payments in Medicare
    - Support for medical homes and ACOs
  - Independent commission of medical experts to combat waste, fraud & abuse
  - Medical malpractice reform demonstration projects

# Mandates— Individuals

3 House Committees	Senate HELP	Senate Finance
Annual penalty for failure to obtain acceptable coverage of lesser of: 2.5% of modified adjusted gross income or cost of average national premium for self-only or family coverage.	Annual penalty for failure to obtain of up to \$750.	<b>Annual penalty for failure to obtain \$750. Phased in over 4 years.</b>
Exemptions for financial hardship, religious objection, dependents.	Exemptions for financial hardship, short-term coverage gaps, members of Indian tribes, and in states where no pool available.	<b>Exemptions for financial hardship, religious objections, and members of Indian tribes.</b>

# Mandates— Employers

3 House Committees	Senate HELP	Senate Finance
Required to pay a portion of premium costs: 72.5%/single or 65%/family.	Required to pay 60% of premium costs.	<b>No employer coverage requirement.</b>
Penalty— 8% of payroll	\$750 penalty for each employee not offered coverage	<b>Penalty for each employee who receives a subsidy through the exchange. Lesser of: average national tax credit for each full-time employee receiving a subsidy or \$400 x total # of employees in company.</b>
Reductions and exemptions to pay or pay for employers with less than \$400,000 annual payroll. (\$750,000 annual payroll in E&C Amendment) (E&L exemption for job losses)	Exemption for employers with 25 or fewer employees.	<b>Penalty only applies to employers with more than 50 employees.</b>
Auto-enrollment with opt-out	No auto-enrollment provision	<b>Auto enrollment with opt-out for employers with 200 or more employees.</b>

# Exchanges

- Markets for individuals and small employers to purchase government-approved coverage from private market or public option
- Mechanism for individual subsidies
- Enforce government rules on plans
- **Senate Finance plan– high-risk pool**

# Government Restrictions

3 House Committees	Senate HELP	Senate Finance
Guaranteed issue/renewal. Ban of preexisting condition exclusions.	Guaranteed issue/renewal. Ban of preexisting condition exclusions.	<b>Guaranteed issue/renewal. Ban of preexisting condition exclusions.</b>
4 prescribed benefit categories with 70%-95% cost-sharing	Essential benefits package to be determined by commission	<b>4 prescribed benefit categories with 65%-90% cost sharing. “Young invincibles” plan for 25 &amp; under.</b>
Rating only on age (2:1), geography, family enrollment		<b>Rating only on age (4:1), tobacco use, geography and family enrollment</b>
No annual/lifetime limits	No annual/lifetime limits	<b>No annual/lifetime limits</b>

# Grandfathered Plans

3 House Committees	Senate HELP	Senate Finance
Employer-based group coverage has 5-year grace period to come into compliance	No changes to individual or group coverage if individual was enrolled prior to effective date of legislation. Dependents may enroll.	<b>Employer-based and individual coverage may be grandfathered for current enrollees and their dependents and new employees and their dependents. No tax credits. New rating rules phased into small group market over 5 years.</b>

# Employer Subsidies

- Small employers tax credit
- Reinsurance for retiree coverage
  - 55-64
  - 80% of claims \$15,000 - \$90,000
  - Must be used to lower costs for plan participants

# Public Option

3 House Committees	Senate HELP	Senate Finance
Public option. For first 3 years key reimbursement rates to Medicare. (Energy & Commerce Amendment-rates between Medicare & average of other payers. Also possible nonprofit co-ops.)	Community health insurance option.	<b>State-based co-ops in all 50 states. Federal start-up funds.</b>

# Health Information Technology

- Develop interoperability standards for government plans and private plans
- Increase Medicare HIT incentives in ARRA
- Difficulties with implementation
- Economic uncertainty, even with subsidies

# Wellness Plans

3 House Committees	Senate HELP	Senate Finance
Cover only proven preventive services in Medicare & Medicaid and eliminate cost-sharing for preventive services in those programs		<b>Cover only proven preventive services in Medicare &amp; Medicaid and eliminate cost-sharing for preventive services in those programs</b>
	Grants to states, local governments & community organizations for community preventive health activities	<b>Grants to small businesses to establish workplace wellness programs.</b>
	Permit insurers to create wellness incentives. Allow 30% premium discount for employees participating in wellness programs.	<b>Permit employers to offer rewards of up to 50% of the cost of coverage. 10-state pilot program for similar rewards in private market.</b>

# Tort Reform

- CBO report— tort reform could save \$54 billion
- No tort reform measures in House bills
- Senate Finance encourages states to develop alternatives to litigation
- Administration moving forward with state demonstration projects

# Cost Control

3 House Committees	Senate HELP	Senate Finance
Adopt uniform standards for health insurance transactions (claims process, denials)	Adopt uniform standards for health insurance transactions (claims process, denials)	<b>Adopt uniform standards for health insurance transactions (claims process, denials)</b>
Address waste, fraud & abuse in public programs		<b>Address waste, fraud &amp; abuse in public programs</b>
Medicare changes– Modify provider payments, reduce payments for preventable readmissions, lower Medicaid DSH payments		<b>Medicare changes– Cut Medicare Advantage payments, reduce payments for preventable readmissions, lower Medicaid DSH payments. Freeze threshold for income-related Part B premiums through 2019 and reduce Medicare D premiums subsidy for higher-income retirees.</b>

# Effects of Cost-Control Measures

- Less Medicare payment to hospitals
- Pressure on cities and counties
  - Less Medicare reimbursement for public health care providers
  - Raising Medicaid threshold will affect state and counties

# Funding

3 House Committees	Senate HELP	Senate Finance
CBO cost estimate \$1 trillion over 10 years	CBO cost estimate \$615 billion over 10 years	<b>CBO cost estimate \$829 billion over 10 years</b>
Half of costs through savings in Medicare & Medicaid		<b>Half of costs through savings in Medicare &amp; Medicaid</b>
Tax on individuals > \$280,000 and families > \$350,000		<ul style="list-style-type: none"> <li>• <b>Limit FSAs to \$2,500.</b></li> <li>• <b>Direct tax on insurers, drug makers, medical device manufacturers, clinical labs.</b></li> <li>• <b>Excise tax on “Cadillac” plans</b></li> </ul>

# Funding- Excise tax on “Cadillac” Health Plans

- 40% of value of plans over \$8,000 (individual) or \$21,000 (family)
- Calculated based on total group health elections, including medical, dental, vision, FSA, HSA, HRA
  - Example: Individual with \$7,500 in medical premiums, \$2,000 in dental premiums, and \$2,500 in FSA = \$12,000. Value over \$8,000 = \$4,000. Insurers taxed 40% on \$4,000.
- Apportioned pro-rata among insurers (fully insured) and administrators (self-insured)

# Other Areas of Legislation: Provider Payment Changes

- Accountable Care Organizations (ACOs)
- Payment bundling
- Value-based purchasing programs

# Accountable Care Organizations

3 House Committees	Senate HELP	Senate Finance
<p>Public health insurance option provision allows for use of innovative provider payment mechanisms, including ACOs. ACO pilot program in Medicare &amp; Medicaid.</p>		<p>ACOs eligible to share in the cost-savings they achieve for the Medicare program. Would make Small Rural Hospital Improvement Grant Program funding available to support small rural hospitals' participation in ACOs.</p> <p>Would establish a demonstration project for pediatrician ACOs, where providers eligible to share costs savings to Medicaid and CHIP.</p>

# Payment Bundling

- Paying all providers one fee for taking care of patient
- Opposite of fee-for-service
- Legislation—
  - Bundled payments for post-acute services under Medicare program
  - Expansion of existing pilot program for bundled payments for acute care
  - Public option provision allows for use of payment bundling

# Value-Based Purchasing Programs

- Link payment to performance
- Tie a portion of provider payment on actual performance on specific quality measures
- House bills
  - Public health insurance option provision allows for use of innovative provider payment mechanisms, including value-based purchasing.

# Premium Costs?

- AHIP report— 4 aspects of Senate Finance plan could significantly raise premium costs—
  - weak coverage requirement coupled with insurance market reforms
  - new tax on high-cost health plans
  - cost shifting as a result of Medicare cuts
  - new taxes on several health care sectors
- Others— not taking into account cost-saving measures or subsidies

# Potential Effects on Employee Benefit Plans

- Higher premiums
- Less rich benefit plans
- Higher costs for self-insured plans
- New administrative duties
- Potential for cheaper biologics if biogeneric amendment adopted

# Potential Effects on Employee Benefit Plans

- Requirement to cover employees and required minimum level of coverage
  - Difficult for small employers
  - Employer may decide to pay penalty rather than offer coverage
  - Grandfathering for existing plans— not sure how long will last
- Limitation on FSAs

# Next Steps

- Senate Finance bill as template
- One bill in each house— by end of November
- Conference Committee— December
- Bill by year-end

# Prospects for Passage

- Still likely to have a bill
- Focus on deficit neutrality
- Hunt for 60 votes in Senate
- Possible rift over public option in the House

# Questions?

*Keenan will continue to keep you in the loop through our Briefings and other presentations as this debate proceeds. Stay tuned!*

# Questions?

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# *Keenan*

Thank you for your  
participation!

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