Healthcare Reform…Now What?

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Today's Discussion Topics

- Insurance carrier mandates
- Individual mandates
- The exchanges
- Employer mandates
- Employee communication
- Required reporting

The Goals of this New Law

- Guaranteed Availability of Coverage
- Guaranteed Renewability of Coverage
- Fair Health Insurance Premiums

Insurance Carrier Mandates - All

- Coverage for Adult Children

- Patient's Bill of Rights
  - Elimination of pre-existing condition exclusions
  - No lifetime limits on "essential benefits"
  - No rescission of coverage
  - No cost sharing for preventative healthcare
  - Limits on preauthorization and cost-sharing for emergency services
  - Choice of any available participating primary care provider, pediatrician or OB/BYN without referral
  - New internal appeals processes for carriers and self-insured

Insurance Carrier Mandates - All

- No cost sharing for Preventative Care for Women
- Uniform Summary of Benefits & Coverage (SBC)
- MLR Rebates

CA's AB 1083 - All

- Pre-existing Condition Exclusions
- Eligibility – Cannot be based on health status
- Guarantee Issue & Renewability
- Marketing of Plans – Must be available in all service areas
- Waiting Period – Up to 60 calendar days

Insurance Carrier Mandates – Individual & Small Group

- Insurance Rate Review
- Essential Health Benefits Coverage
- Insurance Premium Restrictions

New Underwriting Guidelines – Individual & Small Group

- Age
  - Older people cannot be charged more than 3x the rate of the younger people (21 to 63)
- Family Size
  - New rates will be based on the age of each family member
- Geographic Area
  - Carriers allowed to charge more for those who live where medical cost are higher
- Tobacco Use
  - Up to 50% more in premiums
  - Not in CA, though

Individual Responsibility

- All those “lawfully present” in the US must enroll in acceptable coverage or pay a tax

  - Traditional Employer Plan
  - Individual Plan
  - Government Plan (Medi-cal, Medi-care)
  - State Exchange

Subsidies

- Expansion of Medi-Cal to cover Californians making up to 138% of the Federal Poverty Level (FPL)
  - $15,856 for an individual
  - $32,499 for a family of four
- Sliding scale subsidies based on income for individuals and families earning up to 400% of the FPL
  - $94,200 for a family of four
  - Tax credits that can be advanced and applied toward cover in an Exchange

The California Picture

- 5.3 million'ish uninsured
- 1.4 million newly eligible for Medi-cal
- 2.6 million would qualify for subsidies
- Enrollment numbers not clear, so far…

Covered California

- www.coveredca.com
  - Individual coverage cost calculator
  - Apply for Medi-Cal
  - Plan comparison information
  - Multiple languages
- Open Enrollment began October 1st
- All plans must fall within one of four levels
- Small Business Health Options Program (SHOP)

Covered California – 2014 Standard Benefits for Individuals

Key Benefits	Bronze	Silver	Gold	Platinum
	Benefits In Blue are Subject to Deductibles			
Deductible	$5,000 Med & Rx	$2,000 Med	None	None
Preventative Care	No Cost	No Cost	No Cost	No Cost
Primary Care Visit	$60 – 3 visits	$45	$30	$20
Specialty Care Visit	$70	$65	$50	$40
Generic Medication	$19	$19	$19	$5
Lab Testing	30%	$45	$30	$20
Emergency Room	$300	$250	$250	$150
High cost services	30%	20%	20%	10%
Single Out-of-Pocket Max	$6,350	$6,350	$6,350	$4,000
Family Out-of-Pocket Max	$12,700	$12,700	$12,700	$8,000

Cost of Coverage – Individual Market

- Data from 17 states that have released rates
- Competition seems to be working
- Coverage less expensive than expected
  - $270 for midrange policy for 21-year old
  - $330 for midrange policy for 40-year old
  - $615 for midrange policy for 60-year old

Covered California – Single Person Silver – Eligible for Subsidy

Annual Income	**$15,856 – $17,235**	**$17,235 – $22,980**	**$22,980 – $28,725**	**$28,725 – $45,960**
Consumer Portion	**$19 – $57**	**$57 – $121**	**$121 – $193**	**$193 – $364**
Benefits In Blue are Subject to a Deductible				
Deductible	None	$500	$1,500 Med	$2,000 Med
Preventative Care	No Cost	No Cost	No Cost	No Cost for 1
Primary Care Visit	$3	$15	$40	$45
Specialty Care Visit	$5	$20	$50	$65
Lab Testing	$3	$15	$40	$45
Generic Medication	$3	$5	$19	$19
Emergency Room	$25	$75	$250	$250
High cost services	10%	15%	20%	20%
Single Out-of-Pocket Max	$2,250	$2,250	$5,200	$6,350
Family Out-of-Pocket Max	$4,500	$4,500	$10,400	$12,700

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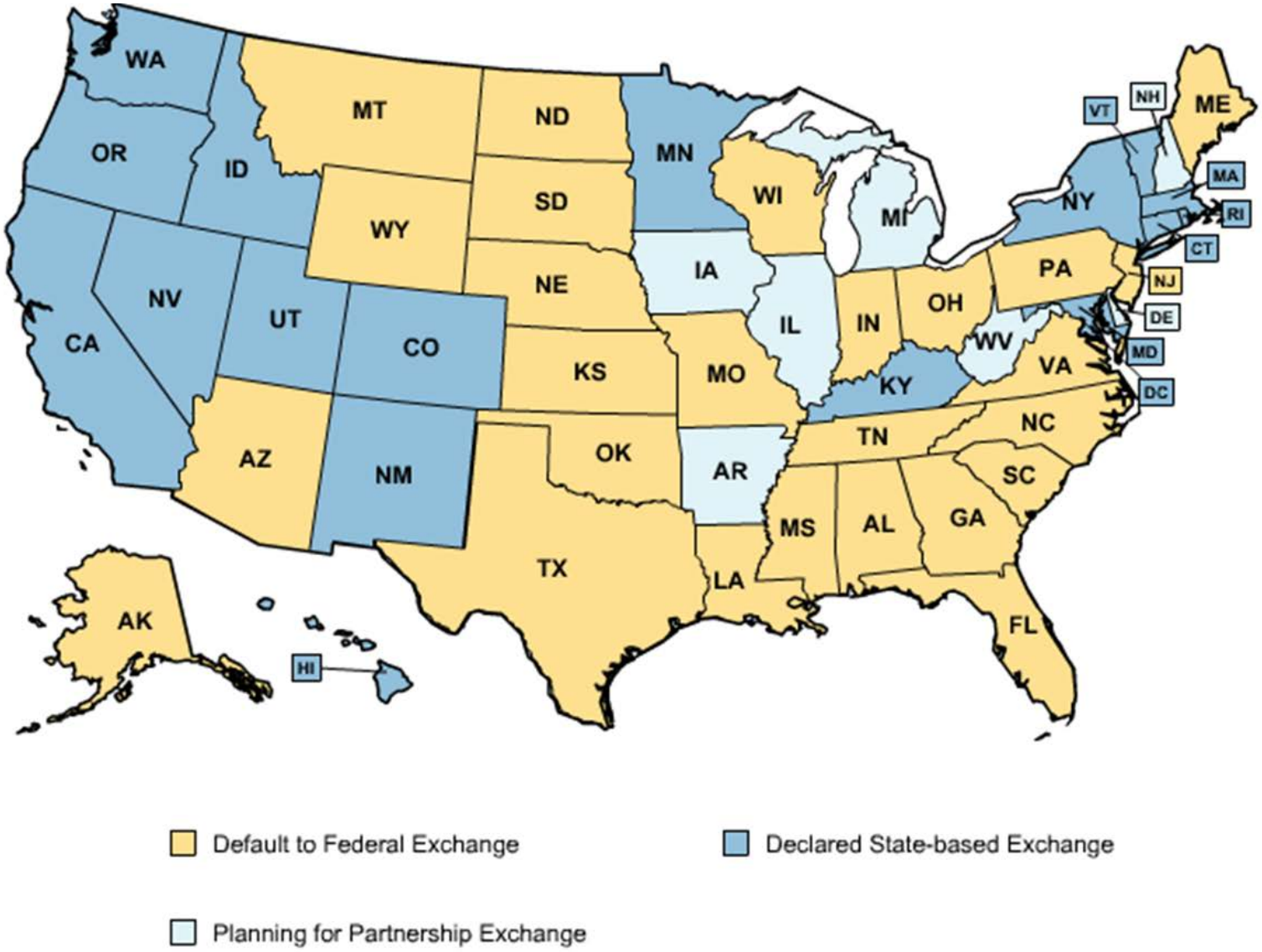
Exchange Implementation



Paying the Tax

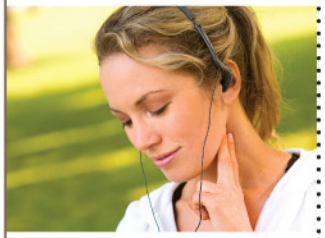
Year	Per Adult	Per Child	Family Maximum
2014	$95	$47.50	$285 or 1% of Family Income*
2015	$325	$162.50	$975 or 2% of Family Income*
2016	$695	$347.50	$2,085 or 2.5% of Family Income*

*Whichever is greater

- The penalty is pro-rated by the number of months without coverage, though a single gap in coverage of less than three months in a year is allowed…or an employee enrolls in a employer plan that has a non-calendar plan year.

- Exemptions to mandatory coverage requirement apply if the premium for an employee's employer-provided health coverage is more than 8% of the employee's modified household income.

Notice Requirements



- W-2 reporting
  - Required now of employers filing 250+ W-2s the previous year
- Exchange Notices
  - Required of all employers as of Oct 1, 2013
- IRS Reporting
  - Required of all large employers in February 2016 about data beginning January 2015

Employee Questions

- Do I get a subsidy?
- Can I get coverage through the exchange?
- Are my dependents covered through the exchange?
- Am I eligible for Medi-cal or Medicaid?
- Do I have a choice between the exchange and my work plan?
- Can I use my subsidy to pay for my work plan?

Employer Mandate

- Large employers must offer all full-time employees and their dependents the opportunity to enroll in a qualifying medical plan

- The plan must meet a standard of Minimum Essential Coverage and Affordability

Large Employer Status

- 50 or more full-time equivalent employees
- Seasonal and leased employees excluded
- Controlled group counted as one employer
- Reasonable expectation standard

Reporting Delay

- Information reporting will be optional for 2014 and no penalties will be applied for failure to comply with these requirements for 2014; and
- No employer shared responsibility payments will be assessed for 2014.
- However, both the information reporting and the employer pay or play requirements will be fully effective for 2015.

Effective Date

- January 1, ~~2014~~ 2015

- Transitional relief for employers on fiscal year plans
  - Plan has to have been in place on 12/27/12;
  - Must have been offered to at least 1/3 of your employees; or
  - 1/4 of your employees are on the plan; and
  - All full-time eligible employees are offered qualifying affordable coverage as of the first day of the 2014 plan year

Minimum Value

- The plan covers at least 60% of covered expenses for a typical population
- Vast majority of employer plans already meet this standard
- Federal MV Calculator in place

Minimum Value Safe Harbor

- A plan with a $3,500 integrated medical and drug deductible, 80 percent plan cost sharing and a $6,000 maximum out-of-pocket limit for employee cost-sharing

- A plan with a $4,500 integrated medical and drug deductible, 70 percent plan cost sharing, a $6,400 maximum out-of-pocket limit and a $500 employer contribution to an HSA

Affordability

- A plan offered to all full-time employees and dependents, where the employee portion of the self-only premium does not exceed 9.5% of the wages reported in Box 1 of the employee's Form W-2
- Calculations also allowed using 130 hour and Federal Poverty Level standards

Eligibility – Full time employees

- 30 or more hours paid hours per week
- Reasonable calculation method for those whose hours are not tracked
- Waiting period no longer than ~~90~~ 60 calendar days

Eligibility - Variable Hour Employees

- Safe Harbor
- Employers can use a Measurement Period of 3 to 12 months
- Administrative Period up to 90 days
- Stability Period must equal measurement period, but no less than 6 months

Penalties Faced

- If you fail to offer your full-time employees (and dependents) the opportunity to enroll:
  - $2,000 per employee, for every full-time employee in the company, after subtracting 30
- If your coverage is not affordable (employee cost greater than 9.5% of employee income)
  - $3,000 for each employee that receives a tax credit on the exchange

Taxes and Fees

Reform Fees	Description	Fee Amount	Fee Payment
Patient-Centered Outcomes Research Institute (PCORI)	Fees are for evidence-based medicine and clinical research for seven years.	-$1 per member per year in FY 2013. -$2 for FY 2014 -Indexed thereafter	Fees paid in July of each year. Fully insured and self-funded plans.
Transitional Reinsurance Program	Created to help stabilize premiums in the individual market during the first three years of Exchange operation.	2014: ~$63/member/year 2015: ~$42/member/year 2016: ~$26/member/year -Includes COBRA Members - Tax deductible	Fees paid to HHS in November of each year. Applies to fully insured and self-funded plans.
Insurer Fee	Fee on earned premiums in the individual, small and large group markets to fund premium subsidies and Medicaid expansion.	2014: $8 billion (2.3%) 2015: $11.3 billion (3.52%) 2016: $11.3 billion (3.25%) and increasing thereafter based on premium growth. -Tax not deductible	Paid by carrier on fully insured plans only.

FSAs, HRAs & HSAs

- HSAs virtually unchanged
- $2,500 limit on FSAs
- Standalone HRAs do not meet ACA requirements
- PRA tax-free status in question
- Future guidance to come

Grandfathered Plans in 2014

- 60-day maximum waiting period does apply
- No lifetime limits on coverage
- No rescissions for unintentional mistakes on applications
- Coverage to young adults up to age 26
- No pre-existing coverage exclusions

Regulations Not Finalized

- Nondiscrimination Rules
  - Non-GF group health plans will have to satisfy nondiscrimination rules regarding eligibility and benefits
- Automatic Enrollment
  - Employers with more than 200 employees must automatically enroll all new full-time in their medical insurance plan unless the employee "Opts out."

Putting Together a Strategy

- Eligibility
  - Waiting Period for Regular Employees
  - Variable Employee Classification
  - Potential Auto Enrollment for 200+ Groups
- Employer Contribution
  - Affordability
  - Carrier Participation Requirements
  - Discrimination Issues
- Overall Compensation Package

Putting Together a Strategy

- Plan Design
  - Minimum Essential Benefits
  - Base Plan Option
  - Self-Insurance
  - Private Exchange
- Communication Resources
- Administrative Systems
- Budget
  - Trend (8 to 12%), Taxes & Fees (5%)

Small Group – Have to do now?

- Send Exchange Notice to all employees
- Decide if you want to early renew
- Consider communication and benefit policy changes in light of market changes

Large Group – Have to do now?

- Send Exchange Notice to all employees
- If you have the early renewal option, decide if appropriate for you to do so
- Evaluate the need for communication and benefit policy changes in light of mandates discussed and market changes
- Implement strategic plan to ensure compliance for January 1, 2015

Informational Sources

- MyFilice – www.myfilice.com
- eIndividual – www.Eindividualhealth.com
- Covered California – www.coveredca.com
- DOL Webcasts - http://www.dol.gov/ - Events
- Kaiser Foundation - www.kff.org/
- Health Affairs - www.healthaffairs.org

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