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ICCMHC
INDIANA COUNCIL OF COMMUNITY MENTAL HEALTH CENTERS, INC.

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Managing Health Care Reform Benefit Changes within your Own Organization

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Overview

- Health Care Reform
  - Short Term Impact
  - Long Term Impact
- Action Steps Now To Reduce Health Care Costs
- Wellness / Clinics
- Data Analysis
- Questions

Health Care Reform

- Federal legislation enacted March 23, 2010 and March 30, 2010; collectively called the Patient Protection and Affordable Care Act “PPACA” or the “Affordable Care Act”
- Implemented through various sets of interim final regulations jointly issued by Departments of Health and Human Services, Labor and Treasury beginning in May of 2010

Health Care Reform: *Short Term Impact*

Cost Implications for 2010 and 2011

- Over-the-counter medicine and drugs no longer eligible for tax-free reimbursement from health flexible spending accounts and health savings accounts
- 0 to 3% Extension of Dependent Coverage
- 0 to 1.5% Lifetime Limits and Annual Maximums
- Loss Ratio Standards: Insurers must provide loss ratio rebates to enrollees if medical loss ratio is less than 85% for fully insured plans
- No Impact: Recissions, Preventative Services, Uniform Coverage Documentation and access, Prohibition on Pre-existing Condition Exclusions for Kids*

* Applies to group coverage only

Health Care Reform: *Short Term Impact*

Grandfathered Plan Status Considerations for 2010 and 2011 Renewals

- Grandfathered plan status allows plan to escape some mandates applicable only to “new” plans
- Is it worth it?
  - Regulators have made it difficult to maintain grandfathered plan status if any substantive plan design or cost changes are made in future years

Health Care Reform: *Short Term Impact*

Grandfathered Plan Status Changes Causing Loss

- Any reduction or elimination of plan benefits (as compared to 3/23/10)
- Any increase in coinsurance percentage (as compared to 3/23/10)
- A decrease in the employer's contribution to total cost of plan coverage by more than 5 percentage points (as compared to 3/23/10)

Health Care Reform: *Short Term Impact*

Grandfathered Plan Status Changes Causing Loss

- Any new annual limit or decrease in an existing annual limit in a health plan (as compared to 3/23/10)
- An increase in the plan's fixed-dollar copayment by more than $5 plus medical inflation (as compared to 3/23/10)
- An increase in plan deductibles by more than medical inflation plus 15% (as compared to 3/23/10)

Health Care Reform: *Long Term Impact*

Additional Mandates Applicable in Future Years

- Automatic enrollment of new full-time employees required (no effective date yet)
- Uniform summary of coverage must be issued (effective March 23, 2012)
- Health flexible spending account maximum elections limited to $2,500 annually (effective January 1, 2012)

Health Care Reform: *Long Term Impact*

Additional Mandates Applicable in Future Years

- In 2012, businesses must include on FORM W-2 the value of health care benefits the employer provides to employee
  - This includes: Medical, Dental & Vision; Prescription; Executive physicals; On-site clinics; Medicare supplemental policies; Employee assistance programs
  - This does NOT include: Flexible spending accounts; Health Savings accounts; Specific disease or hospital/fixed indemnity plans
- Health plan waiting periods cannot exceed 90 days (effective January 1, 2014)

Health Care Reform: *Long Term Impact*

Employer Responsibility Provisions

- Commonly called “play or pay” provisions
- Effective January 1, 2014
- Employers must provide health coverage to full-time employees (FTEs) (30+ hours per week) or pay penalty tax
  - Small employer exemption provided to employers with fewer than 50 FTEs.

Health Care Reform: *Long Term Impact*

Penalty if Coverage Not Offered

- If an employer with 50 or more FTEs:
  - does not offer "minimum essential coverage" to FTEs (and dependents), and
  - at least one of the employer's FTEs is enrolled in a qualified health plan and is receiving a premium tax credit or cost-sharing reduction for that coverage,
  - then the employer will pay a monthly penalty of $166.67 per FTE ($2,000 per year)
- First 30 FTEs are not counted for purposes of calculating penalty tax

Health Care Reform: *Long Term Impact*

Penalty May Be Imposed Even if Coverage Is Offered

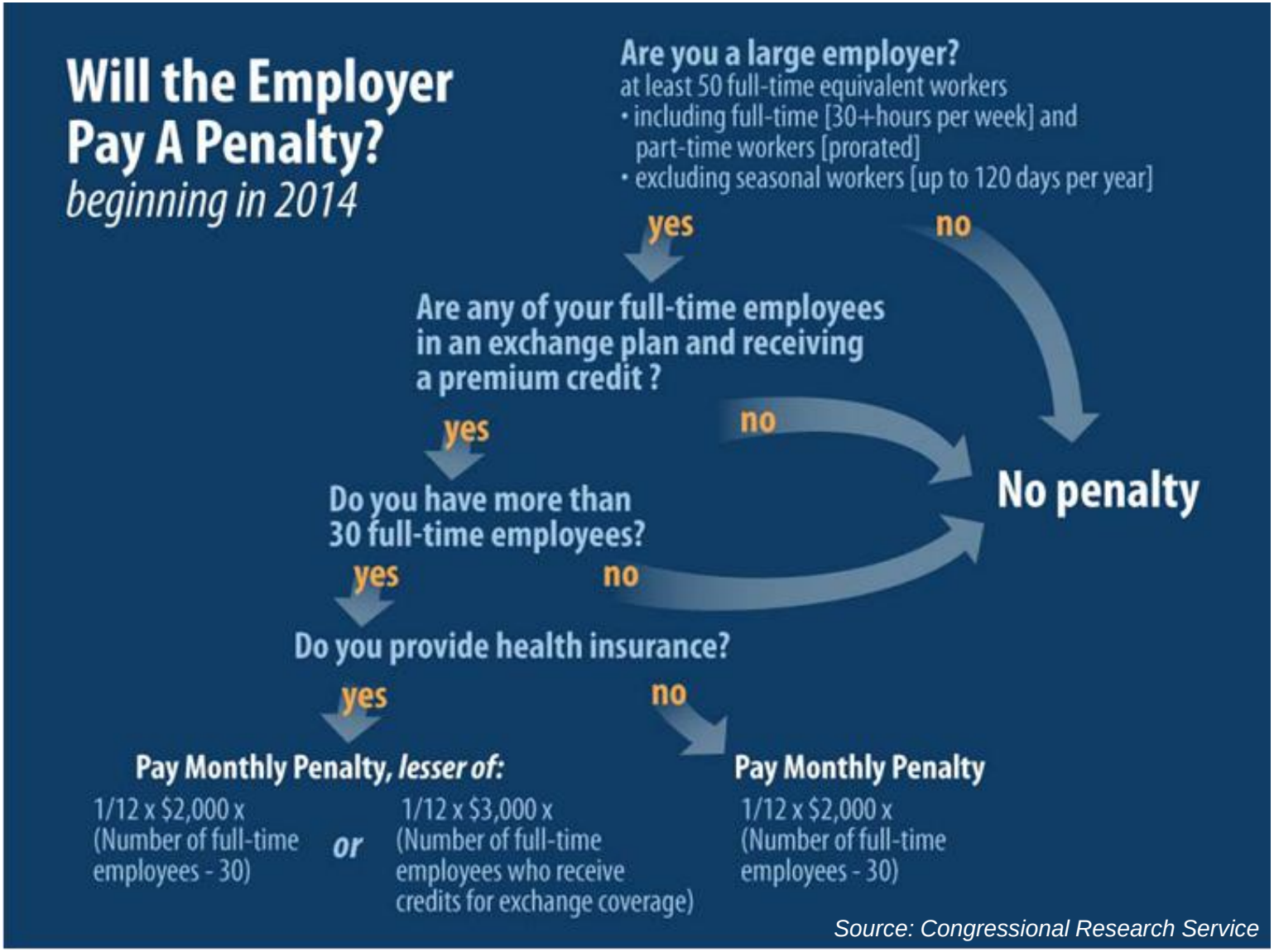
- Employers offering minimum essential coverage will still be subject to a penalty tax if coverage is "unaffordable"
- Coverage is unaffordable if:
  - Employees opt out of employer coverage and obtain coverage through an exchange, and
  - Employee qualifies for premium credit or cost-sharing reduction for coverage in the exchange
    - Employee will qualify if his required contribution for employment-based coverage exceeds 9.5% of household income, or employer contributes less than 60% of total cost of employer's plan

Health Care Reform: *Long Term Impact*

Amount of Penalty Tax if Employer Offers "Unaffordable" Coverage

- For each employee receiving premium credit or cost-sharing adjustment in the exchange, the penalty tax is equal to $250 per month ($3,000 annually), but is only assessed on the employees who decline employer coverage and receive a premium credit or cost-sharing adjustment through the exchange
- This is higher than the penalty if no coverage is offered, but subject to a cap
  - Maximum penalty will be amount of penalty tax the employer would have been assessed if no coverage offered
  - No penalty is assessed if employer provides a free choice voucher to employees for whom coverage is unaffordable

Health Care Reform: *Long Term Impact*



Source: Congressional Research Service

Health Care Reform: *Long Term Impact*

Other Notable Long-Term Provisions Of Health Care Reform

- Individual responsibility mandate imposed beginning in 2014; individuals are assessed a tax penalty (up to 2.5% of household income) for failure to purchase insurance for themselves and children under age 18
- State run insurance “exchanges” implemented by January 1, 2014 to allow marketplace for purchasing minimum essential coverage; all insurers licensed in a state must participate
- Tax on “Cadillac” Plans implemented in 2018
  - 40% excise tax on all employment-based plans exceeding an aggregate value determined by statute (currently $10,200 for single and $27,500 for family coverage)

Health Care Reform: *Long Term Impact*

Impact on Employer-Based System

- It is unlikely that federal health reform will result in widespread termination of employer-based coverage.
- If an employer has contributed towards health insurance in the past, most employees will not passively allow an employer to drop coverage completely unless the employee is adequately compensated.
- Employer-provided health coverage is generally not taxable to an employee. If an employer has historically contributed $12,000 towards the cost of a family plan, that employer will need to raise taxable wages higher than $12,000 to adequately compensate the employee.
- In addition, the employer would be required to pay the $2,000 per employee penalty.

Health Care Reform Judicial Brief

- **26 States have pending lawsuits**
- **Mixed results**
  - Federal courts in Michigan and Virginia ruled law is constitutional
  - One federal court in Virginia ruled the individual mandate unconstitutional
  - January 31, 2011 ruling of in a Florida federal court said entire law was unconstitutional
    - Refusal to buy health insurance should not be considered "economic activity" to be regulated under Constitution's commerce clause
    - Because of too many moving parts, it was determined entire law was invalid
    - No injunction on implementation was ordered
  - Ultimately, constitutionality of PPACA will be determined by Supreme Court

Will Congress Repeal Health Care Reform?

- **House passed repeal legislation in January, 2011 by a vote of 245 to 189.**
- **Senate voted to repeal in February 2011, but the attempt failed by a vote of 47 to 51**
- **Other attempts to prevent full implementation**
  - Replace parts of the law
  - Repealing the law piece by piece
  - Blocking funding and regulations

Will Congress Repeal Health Care Reform?

- **Provisions of the law likely to be revised or repealed**
  - Form 1099 reporting for payments in excess of $600
  - Employer mandate
  - Individual mandate
  - Cadillac Plan tax
  - Tax on medical device manufacturers
  - Medicare cuts
- **Opponents seek changes to the insurance exchanges to give states more power in designing them**
- **May not be practical to keep some parts of the law while repealing other parts**

Health Care Reform's Impact on Indiana

- **Coverage for an additional 32 million of 54 million uninsured nationwide**
- **Congressional Budget Office national estimate $940 billion over 10 years**
- **Additional 500,000 enrolled in Medicaid program in Indiana which means 1 in every 4 Indiana residents**
- **Additional 10 year cost to the State of Indiana as much as $3.6 billion**
- **Creates Insurance Exchanges—State in process of determining whether to create in-house or default the federal program**

Source: Indiana Chamber of Commerce

Health Care Reform: *Staying in Compliance*

How does it Help?

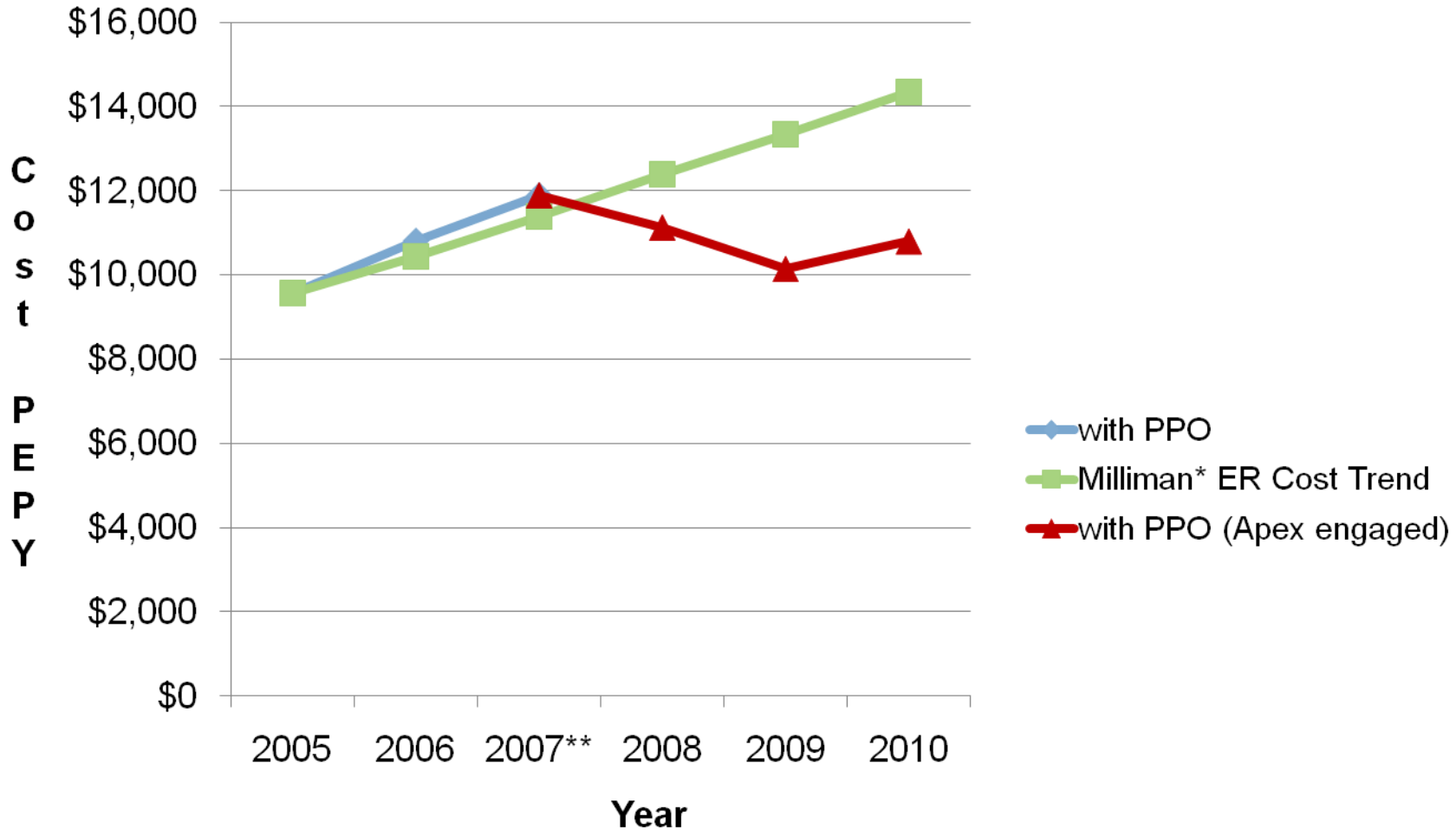
It solves the four most common compliance problems:

1. Where do I find the information I need?
2. What do I do, and when do I do it?
3. Who will make sure it gets done?
4. How do I document our compliance efforts?

Action Steps Now: *Reduce Health Care Costs*

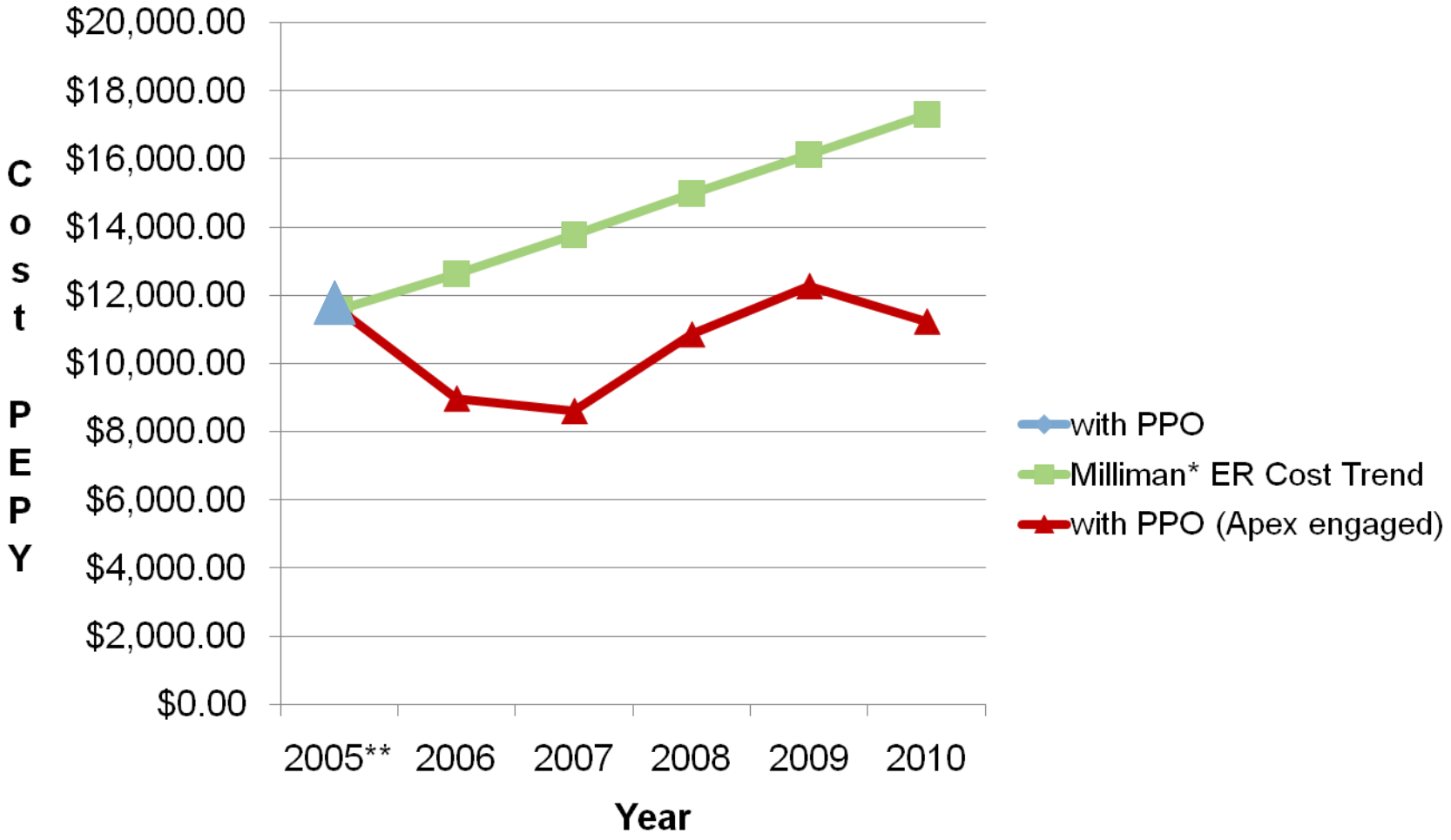
- Introducing or Expanding Consumerism
- Improving Employee Education and Communication
- Contribution Strategies
- Plan Design
- Dependent Eligibility and Cost Share
- Dependent Audit
- Encourage Use of Generic Drugs
- Evaluate Network Discounts (see case studies)

Case Study A: Per Employee Per Year Cost Results Versus Trend



*Milliman is an actuarial firm that publishes nationwide employee benefit statistics
** Year Apex engaged

Case Study B: Per Employee Per Year Cost Results Versus Trend



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Wellness

Evaluating Processes

- ❑ Are “the right” people engaged?
- ❑ Are they engaged in “the right” activities?
- ❑ How frequently are they engaged?
- ❑ How intensely are they engaged?

Evaluating Outcomes

- ❑ Is risk status changing?
- ❑ Is health status changing?
- ❑ Are utilization patterns changing?
- ❑ Are costs changing?

Clinics

- On-site
- Near-site
- County Cooperative
- Cost

Integration + data analysis = cost savings

What you can measure, you can manage!

About Apex Benefits Group, Inc.

- A leading benefits consulting firm headquartered in Indianapolis
- Endorsed consulting firm for the Indiana Council of Community Mental Health Centers
- Client advocate and trusted partner
- Provides customized solutions with an on-going process for improvement to achieve optimal bottom line results
- Clients include private and publicly traded companies, health care facilities, government entities and schools

Questions