

Health Care Reform Overview

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The Challenge

Preparing for that which is *not* inevitable



The Goals

- Universal Coverage
- A Healthier Population



A journey of a thousand miles begins with a
single step.

Lao-Tzu



Or, if you're Congress:

1,935 pages of legislation

PPACA (3/23/10): 906 Pages

Reconciliation Act (3/30/10): 1,029 Pages



Intent

- “Universal” Health Coverage
 - 40 to 45 million uninsured
 - Unaffordable
 - Uninsurable
 - Unwilling



Intent

- “Universal” Health Coverage
 - 40 to 45 million uninsured
 - Unaffordable
 - Make it less costly to the individual
 - » Leverage current employee benefits model
 - » Require employers to pay or play



Intent

- “Universal” Health Coverage
 - 40 to 45 million uninsured
 - Uninsurable
 - Eliminate barriers
 - » Pre-Existing conditions
 - » Insurance Exchanges
 - » Support Wellness Initiatives



Intent

- “Universal” Health Coverage
 - 40 to 45 million uninsured
 - Unwilling
 - Pay or Play
 - » Tax penalties for uninsured



Noble Intent ... What Went Wrong?

- Unemployment: 9.5%
- GDP Growth: 1.6%
- Trade Gap: \$445b (largest since records kept)
- Current Account: -123
- Subprime Mortgage Crisis
- “We’re broke” John Boehner (R-Ohio)



But the people want it...

- Polling shows 40% to 65% of American public doesn't want reform
 - I want health insurance
 - I don't want the government's plan
- Small businesses are divided
 - It will level the playing field
 - It will break us



But Large Businesses Already Offer...

- Benefits expected by employees
 - Don't have to be encouraged
 - But; always “had the option”
 - Don't *have* to offer benefits
 - Can always “gross up”
 - Only mandates were IF plans were available
 - State level for Fully-Insured
 - Federal level for Self-Insured



And employers will continue to do so...

AT&T, Verizon, Caterpillar & Deere

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Analyze: Current Program Vs. Penalty

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Dems on E&C Committee Learned of Analyses

*

Requested Internal Reports



Outcome

AT&T Current Program Cost: \$2.4b

Penalty for not Playing: \$600m

Savings to AT&T: \$1.8b

Corollary Outcome:

Hearings Cancelled



An Array of Questions

- Will Employers Continue to Play?
 - For AT&T (ex?)plan members, there's still \$1.6b in costs
 - If they don't where will the money come from?
- Should the Numbers be Revised?
 - Are they all 40's?



Pandora's Box

Changing the Numbers Means Re-Opening the
Debate



Last Time Vs. This Time

- The play was a great success, but the audience was a disaster. - Oscar Wilde



The Players

- Public: Polling negative 45% – 65%
- States: Bringing Suit
- Economy: Convalescing
- Politics
 - Republicans: We're Broke
 - Democrats: Stand Down
 - Tea Party: Laissez-Faire



What's Next

- Law is sweeping, but rolls out in stages
 - 2011
 - Requirements, Guidance and Options
 - 2013
 - Minimums
 - 2014
 - Pay or Play



Preparing for the Not Inevitable

- Look at 2010 / 2011 Changes
 - Grandfather or not
- Consider Cost for 2012 Changes
 - Budgeting
- Consider Decision Processes for 2013+
 - Internal / External Resources



What's Next

- The Box Will Have to be Opened
 - The numbers don't work
 - There are more (vocal?) pro than con
- What Will Happen?
 - The train can stop at any station
 - Repeal: Low
 - Amendment: High
 - As Is: Zero



Health Care Reform What's Next?

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What's Next vs. What's Next

- Government and the American Public
- Employers



Employers – Organizational Strategies

- Process Strategies
- Subject Matter Strategy



Organizational Process

- Multidisciplinary Team
- Points of Contact → → Fully Engaged Team Members



Organizational Process

- Potential Team Members
 - Benefits
 - Communications
 - Legal / Compliance
 - Payroll
 - Finance / Tax
 - C-Suite
 - Carriers, Administrators, etc...



Organizational Process

- Black Belt Project Management
 - Facilitator, a/k/a “Switzerland”
 - Subject Matter Expert (SME), a/k/a “PPACA Junkie”
 - Data Manager, a/k/a “Keeper of the 3-Ring”
- Rigorous Project Execution
 - Data informs the process
 - Execution against business objectives
 - Feedback loops, including C-Suite engagement



Subject Matter Strategy

- Grandfathered Plans
 - Available for group health plans in effect prior to March 23, 2010
 - Indefinitely exempt from many, but not all, PPACA provisions, example:
 - First dollar coverage of preventive care services
- Will insurers continue to offer grandfathered plan designs?
- Change in insurer = Non-grandfathered status



Subject Matter Strategy – Near Term

- Certain near term reforms apply to all plans.

Examples:

- Elimination of annual and lifetime limits on dollar value of “essential” benefits;
- Expansion of “dependent” coverage up to age 26;
 - NYS insurance law continues to apply for coverage up to age 30



Subject Matter Strategy – Near Term

- W-2 Reporting for 2011 employer contributions to medical coverage (1/2012)
- Flexible Spending Accounts – Significant reduction in types of eligible over-the-counter expenses (1/2011 regardless of medical plan year)
- Retiree Reinsurance
 - Grant to reimburse for 80% of eligible per pre-Medicare retiree claimant expenses between \$15,000 and \$90,000;



Subject Matter Strategy – Long Term

- 60 day notice (2013) – Employer must communicate benefit plans to employees 60 days in advance of changes
- Retiree Drug Subsidy (2013) – Currently, employers can deduct their cost for retiree drug coverage, plus a 28% government subsidy for a self-insured retiree drug plan
 - In 2013, PPACA eliminates the deduction of the subsidized amount;
 - Immediate tax liability of financial statements
 - example – AT&T took a \$1 Billion charge against Q1 earnings



Subject Matter Strategy – Long Term

- Longer term reform (1/1/2014) examples:
 - Plans may not impose a waiting period of more than 90 days (all plans);
 - Applicable to non-grandfathered plans:
 - Plan cost-sharing requirements (limits on deductibles, out-of-pocket maximums)
 - Plans must provide coverage for “essential” benefits;
 - Plans must provide coverage for participants in approved clinical trials.



Subject Matter Strategy – Long Term

- Employer Penalties (1/1/2014)
 - Employer may face a penalty if:
 - It employs more than 50 FT employees or FT equivalents; and
 - At least one FT employee obtains coverage under a state insurance exchange and receives a tax credit
 - Two potential penalties:
 - Penalty for failure to offer coverage; or
 - Penalty for offering coverage that is not “affordable”



Questions?

Comments?

