

# Navigating the Road Ahead: Federal Healthcare Reform

August 11, 2010

Washington Association of Health Underwriters



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# Agenda

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- **Overview of Healthcare Reform**
- **Near Term Reforms**
- **Later Provisions – 2014**
- **State Options**



# Healthcare Reform Enacted

**After heated debate spanning more than a year, Congress narrowly passed comprehensive health reform**

- *The Patient Protection and Affordable Care Act* ('PPACA')
  - March 23, 2010 is the date of enactment
- *The Health Care And Education Affordability Reconciliation Act of 2010* (reconciliation bill)
  - Signed into law on March 30, 2010



# Timeline of Reform

<b>January 1, 2010</b> (Retroactive Date)	<b>March 23, 2010</b> (Enactment Date)	<b>Sept. 23, 2010</b>	<b>2011–2013</b>	<b>January 1, 2014</b>	<b>2015–2020</b>
<ul style="list-style-type: none"> <li>• Small business tax credits</li> <li>• Medicare Part D “donut hole” rebates</li> </ul>	<ul style="list-style-type: none"> <li>• Rate review for insured products</li> <li>• Grandfathered plan status if in effect on enactment</li> </ul> <p><b>90 Days Out</b></p> <ul style="list-style-type: none"> <li>• National high risk pool</li> <li>• Early retiree reinsurance program</li> </ul> <p><b>July 1, 2010</b></p> <ul style="list-style-type: none"> <li>• HHS internet portal for individuals and small group</li> </ul>	<p><b>Plan Yrs. 6 Mos. Out – October 1</b></p> <ul style="list-style-type: none"> <li>• Dependent coverage to 26</li> <li>• Restrictions on rescissions</li> <li>• No pre-existing exclusion period &lt; age 19</li> <li>• Preventive services with no cost sharing</li> <li>• No lifetime limits; restricted annual limits</li> <li>• Medical Loss Ratio reporting</li> <li>• Patient protections</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum Medical Loss Ratio requirements</li> <li>• Wellness program grants for small employers</li> <li>• Pharma Tax</li> <li>• Summary of benefit requirements</li> <li>• Reporting of quality of care activities</li> <li>• Comparative Effectiveness Research Fee</li> <li>• Medicare tax increase</li> <li>• Medical device manufacturer tax</li> </ul>	<ul style="list-style-type: none"> <li>• Guaranteed issue, No pre-ex, modified community rating rules</li> <li>• Individual mandate and employer responsibility</li> <li>• State-based Exchanges</li> <li>• Subsidies</li> <li>• Medicaid expansion</li> <li>• Phase II small employer tax credits</li> <li>• Insurer fee</li> </ul>	<ul style="list-style-type: none"> <li>• <b>2016:</b> Healthcare Choice Compacts</li> <li>• <b>2018:</b> 40% excise tax on “Cadillac Plans”</li> <li>• <b>2020:</b> Completely close Medicare Part D “donut hole”</li> </ul>



# More to Come...

**The law as passed leaves open many implementation questions which will be resolved through various federal and state processes**

- Rulemaking from Health and Human Services (HHS) and other federal regulators
- State action and implementation
- Additional federal legislative fixes

*One of the most common phrases in the health reform bill is, 'the Secretary shall.'*

*– Politico*



# Near Term Reforms – 2010



# Grandfathered Plans – Plans in effect 3/23/2010

- What does not cause the loss of grandfathering:
  - Changes to comply with federal or state legal requirements or voluntary compliance with PPACA\*
  - Self-funded plan changing TPA\*
  - Addition of new employees and family members
- To maintain grandfathered status:
  - Plan materials must contain statement that plan believes it is a grandfathered plan and contact information for questions/complaints
  - Maintain records documenting plan and other documents necessary to verify status and make available for examination

\* Provided they are made without exceeding the standards detailed, see next grandfathering slide.



# Grandfathered Plans – Triggering Events

## Plan is no longer considered to be grandfathered if after March 23, 2010:

- Change insurers: if purchase coverage through a new carrier/insurer even if the product was available in the market prior to March 23, 2010
- Change Benefits, Cost Sharing, Employer Contributions, and Annual Limits
  - Significantly cut or reduce benefits to diagnose or treat particular condition
  - Increase co-insurance percentage above its level as of March 23, 2010
  - Increase fixed amount of deductibles or out-of-pocket limits by a total percentage measured from March 23, 2010, that is more than sum of medical inflation plus 15 percentage points
  - Increase co-payments from March 23, 2010, by an amount that is the greater of: medical inflation plus 15 percentage points or medical inflation plus \$5
  - Employer's percentage share of the premium contributions decreases more than 5 percentage points below what the share was on March 23, 2010
  - Reduce an existing overall annual dollar limit amount, or adds a new overall annual dollar limit that is less than lifetime dollar limit in effect on March 23, 2010, or adds a new annual overall dollar limit when neither a lifetime limit or overall annual limit was in effect on March 23, 2010



# Grandfathered Plans – Good Faith Compliance

- Good faith compliance
  - Will take into account good faith efforts to comply with “reasonable interpretation of the statutory requirements,” but only if:
    - Changes to plan and policy terms only “modestly exceed” those changes that will result in loss of grandfathering, and
    - Changes were adopted prior to June 14, 2010
- Grace period to revoke changes
  - If changes are revoked and coverage modified to bring within standards for preserving grandfathered status
  - Effective as of the first day of the first plan or policy year beginning on or after Sept. 23, 2010\*

\* Exception for legally-binding contract entered into prior to June 14, 2010



# Small Employer Tax Credit - 2010

- Estimated value of \$40B over 10 years
- Eligible Groups
  - Small employers (fewer than 25 FTE employees)
  - Less than \$50k in average annual wages
  - Contribute at least 50% to total premium cost
- Eligible for Full Amount
  - 10 or fewer full-time equivalent employees (FTEs) and \$25k or less in average annual wages

## • Phase I

- Effective Date: 2010-2013
- Maximum Tax Credit:
  - Up to 35% of employer costs (25% if tax exempt)

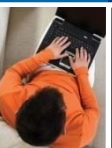
## • Phase II

- Effective Date: 2014 and beyond
  - Exchange only
  - Only first two years of coverage
- Maximum Tax Credit:
  - Up to 50% of employer costs (35% if tax exempt)



# Early Retiree Reinsurance Program – 6/1/10

- New program with \$5B
- For groups with early retirees (age 55 and ineligible for Medicare)
- Plan sponsor applies to be certified by HHS
- Application requires documentation of procedures and ways to reduce participant or sponsor costs
- Eligible claims to file are those between \$15,000 and \$90,000 per retiree per plan year
- Reimbursed at 80% of health benefit cost
- First come, first served



# Pre-Existing Condition Insurance Plan (PCIP)

- Previously known as Temporary National High Risk Pool
- \$5 billion in federal funding from July 1, 2010–2014
- States can operate program through existing high risk pool or non-profit entity; otherwise HHS will operate
- Eligible individuals:
  - Citizen, U.S. national, or lawfully present
  - Have a pre-existing condition
  - Not covered under creditable coverage for previous six months
- Rate set at standard rate in the individual market in the PCIP's service area



# Near Term Requirements – 9/23/10

## Benefit Plans

### Key Provisions Effective Upon Renewal – Beginning Sept. 23, 2010

No Lifetime Maximums and Restricted Annual Dollar Limits on “Essential Health Benefits”\*

Coverage for Preventive Services with No Cost Sharing

Extend Dependent Coverage up to age 26\*

No Pre-Existing Conditions for Enrollees under age 19\*

Coverage for Emergency Services

Access to Pediatrician as Primary Care Provider for Dependent Children

Direct Access to OB/GYN

\* Applies to grandfathered plans - benefit plans in effect on enactment date , March 23, 2010



# Near Term Requirements

## Consumer Protections

**Key Provisions Effective Upon Renewal –**  
Beginning Sept. 23, 2010

Restriction on Rescissions\*

Appeals Process

Medical loss ratio reporting\*

\* Applies to grandfathered plans - benefit plans in effect on enactment date , March 23, 2010



# LATER PROVISIONS - 2014



# Major Reforms – Effective 2014

- Guaranteed issue, no pre-existing condition exclusions, new rating rules, small group size
- Mandated benefit designs
- State-based Exchange
- Subsidies for individuals up to 400% FPL
- Individual mandate and employer responsibility
- Medicaid expansion



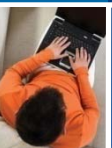
# Individual Mandate – 2014

- Requires legal residents to maintain “minimum essential coverage”
- Imposes annual penalty for not having insurance at the greater of flat dollar amount or percent of taxable income:
  - \$95 or 1% of income (2014)
  - \$325 or 2% of income (2015)
  - \$695 or 2.5% of income (2016)
  - Penalty is capped at national average premium for Bronze plan in Exchange
- Exemptions for affordability, gap of less than 3 months, hardship, religious exemption, unauthorized immigrants, incomes below tax filing threshold



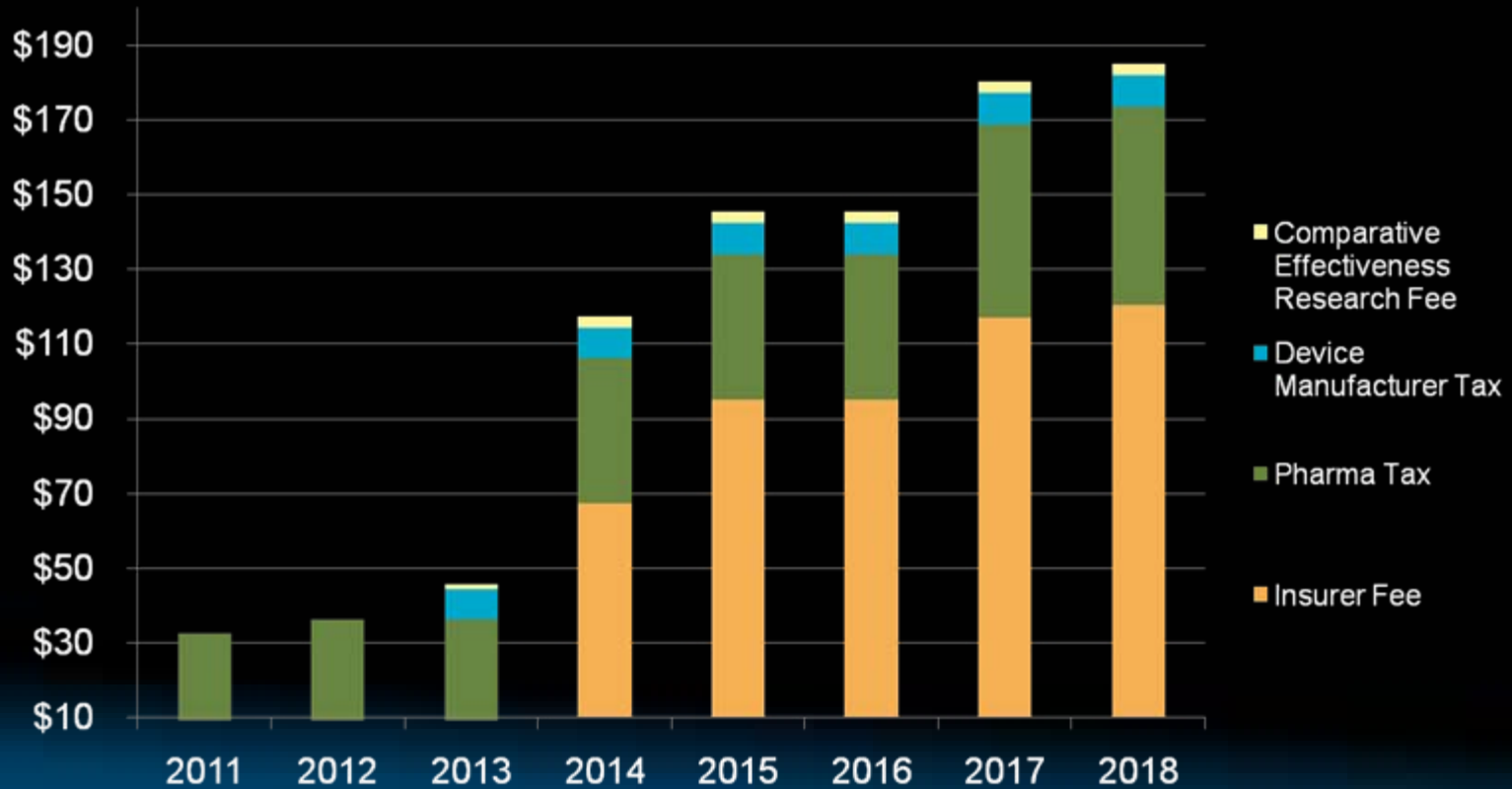
# Employer Responsibility – 2014

- Applies to employers with average of at least 50 full-time employees
- Fee must be paid if coverage is NOT offered to full-time employees and one obtains a subsidy in the Exchange
  - \$2,000 per full-time employee per year (subtract first 30 employees)
- Fee must be paid if coverage IS offered to full-time employees and one obtains a subsidy
  - Lesser of: \$3,000 for each employee getting a subsidy per year OR \$2,000 per full-time employee (subtract first 30 employees)
- An employee may be eligible for a subsidy in the Exchange if the employer coverage is below 60% actuarial value or if the employee's premium exceeds 9.5% of income
- Free Choice Vouchers



# Estimated Impact of Taxes & Fees

(\$ in millions)



Aggregate

\$32.4M	\$36.3M	\$45.8M	\$117.4M	\$145.3M	\$145.3M	\$180.2M	\$184.9M
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Aggregate estimated impact to Premera and affiliates; assumes pass through from providers



Federal Healthcare Reform

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# State Options



Federal Healthcare Reform

# State Options in Federal Healthcare Reform

- State Basic Health Plan (BHP) Option
- Healthcare Choice Compacts
- Large employers and Exchange
- State innovation waiver



# Questions?

