

... Health Care Reform

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Agenda

What happened?	2010/2011
What's developing?	Regulations (R)
What's next?	2014/Exchanges
What then?	2015-2017
Where will it end up?	Mandate



Three Step Program

It was bound to happen.

It did happen.

Deal with it.

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Big Themes

Uniformity

Compression

Access

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Who's in charge?

HHS -- Secretary Sebelius
Assistant Secretary Angoff

DOL

IRS

State Departments of Insurance



World's longest "to do" list

1300 requirements that "the Secretary shall"

30,000 to 50,000 pages of regulations expected

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Who's affected?

HIPAA portability rules

Key exceptions include Standard FSA

Low match (2x)

Low seed money (\$500)



Who's off the hook?

“If you like your coverage, you can keep it.”

Grandfathered plans

Value of grandfathered status

Must comply with mandates with (G)

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3 permitted changes

Adding new employees and fairly

Changing insurance policy

Changing TPA



6 prohibited changes

Elimination of benefit

Increase in % cost sharing

Increase in fixed amount cost sharing – inflation
+ 15%

Increase in fixed amount copayment – inflation
+ 15%

Decrease in employer contribution rate > 5 points

Change in annual limits

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Popular provisions

No preexisting conditions under age 19 (G) (R)

No lifetime maximums (G) (R)

Dependents to age 26 (G) (R)



Provisions affecting high risk

Preexisting condition insurance plan—in place

No dumping of participants

No rescission (G) (R)



Provider coverage

Preventive health services (R)

Includes women's health issues such as HPV testing, contraceptives, and breast feeding support

Primary care physician in network

Emergency room in or out of network

Pediatrician designated as PCP

Ob/Gyn specialist without PCP referral



Administrative provisions

No discrimination based on salary

Claims and appeals (R)

- Claims

- Internal appeals

- External review

Electronic transaction standards



Administrative provisions

4 page summary of benefits and coverage (R)

New model – how many pages?

Many issues remain

Probably due 2013 for calendar year plans

In addition to SPD or wrap document



Documents

Insured plan

Policy

+ Wrap

+ SBC

Self funded plan

PD/SPD

+ SBC

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Insurance market rules

Medical loss ratio (G) (R)

Individual and Small Group (80%)

Large Group (85%)

Premium review process (R)

Transparency

Quality of care



New plans

Reinsurance for early retirees (R)

Simple cafeteria plan

CLASS Act

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What's next?

2014 – the seismic shift

Exchanges (R)

Federal and state issues

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Popular provisions

No preexisting conditions for all

No annual limits

No discrimination based on health status

No excessive waiting periods



Plan design

Clinical trials

Wellness incentives

Cost sharing limitations

No discrimination against providers within scope of license

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Required coverage

Essential health benefits

Ambulatory patient services

Emergency services

Hospitalization

Maternity and newborn care

Mental health and substance use disorder services



Required coverage

Essential health benefits (cont.)

Prescription drugs

Rehabilitative and habilitative services
and supplies

Laboratory services

Preventive and wellness services

Pediatric services, including oral and vision care

Dental and vision plan integration
issues

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Insurance market rules

Fair health insurance premium

- Coverage area
- Rating area
- Age
- Tobacco use (150%)

Guaranteed availability

Guaranteed renewability



Where do I sign up?

Exchanges – “Travelocity for insurance”

State

Multi-State

Active – negotiated

Passive – conduit of information



State process

Grants

Impact of innovation waivers

Litigation



Qualified health plans

Essential health benefits

Cost sharing limits

Levels of coverage

- Platinum 90%
- Gold 80%
- Silver 70%
- Bronze 60%

Certification of plans



Exchange market provisions

Catastrophic plan

Child only plan

Single risk pool



Exchanges purchasers

Small group (2014)

Individual (2014)

Large group option (2017)



Who's responsible?

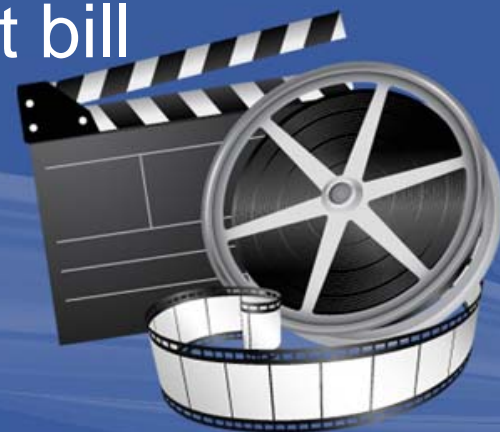
Employer responsibility

Automatic enrollment

Notification of exchange

Free choice vouchers abolished in debt bill

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Penalties

No coverage tax

Lousy coverage tax



Individual responsibility

Mandate

Background

Penalties

Low and middle income

Premium subsidies and tax credits

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Litigation

Score card

Government: _____

Plaintiffs: _____



Revenue provisions

No reimbursement of OTC drugs without Rx (2011)

20% excise tax on non-qualified HSA distributions (2011)

Annual fee on brand name Rx sales to governmental programs (2011)

Fee on self funded health plans (9-30-12)



Revenue provisions

\$2500 cap on health FSAs (2013)

Itemized medical deduction modification (2013, 2017 for seniors)

Taxation of retiree drug subsidies (2013)



Revenue provisions

- Additional taxes on high income taxpayers (2013)
- Annual fee on medical device manufacturers (2013)
- Annual fee on health insurers and reinsurers (2014)
- High cost plan excise tax (2018)
- Indoor tanning service tax



Target on carriers

Will employers try to move to self funding to avoid medical loss ratio rules, fair health insurance premium limitations and other rules applicable only to fully insured plans?

Will carriers attempt to move fully insured business to self funded platforms to protect client relationships?



Other targets

HHS to study if self funded plans deny more claims than carriers

Comparative effectiveness project



Is profit a bad thing?

Prejudice against for profit carriers

More lax rules for not for profit carriers

Premium review process

Unreasonable premium increases

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Rating concerns

How will the medical loss ratio rules impact rates?

Issues with annual actuarial validity?

How will the regulations define quality improvement expenses?

Lowering medical/claims costs leads to lowering administrative expenses

Ripple effects



Constriction

Constricting rate bands (age, tobacco, area)

Constricting plan designs

Constricting choice

Lowering cost for less healthy



Darwin in the post-reform market

Who will survive?

Will carriers continue to allow for grandfathered plans?

Can large or small employers maintain grandfathered plan status?

Will child only plans be eliminated by carriers?



Adding insureds

Employer pay or play

Automatic enrollment

Individual mandate

Employer and individual penalties

Guaranteed availability and renewability

Shift to individual markets

Potential loss of individual mandate



Adding coverage

Preexisting condition exclusions

Lifetime and annual maximums

Preventive care

Physician choice

Clinical trials



Come together, right now

Who will play in the exchanges?

How will the single risk pool rule affect this decision?

Are association plans and MEWAs viable alternatives?

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Got wellness?

PPACA goal to encourage wellness benefits

Provisions to enforce wellness compliance

Provisions which at times (unintentionally) work against CDHC



Lawsuits and elections

Repeal and replace efforts

Election debates

Ballot issues in Missouri and other states

Court challenges

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Survival tactics

Remain calm

Severity increases in 2014 and 2018 provisions

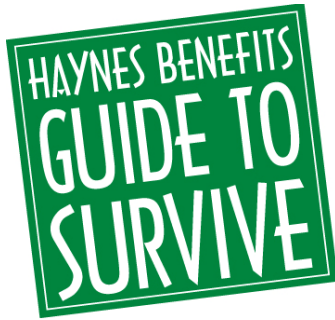
Time to fix problems

Make a decision on grandfathered status and document it

Stay tuned for more details

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PPACA Quick

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The following chart is designed to provide a visual matrix for analyzing an extremely complex federal statute. The matrix does not account for numerous clarifications and exceptions presented in the statute. Client plan design and financing decisions should be made with attention to the application of the rules to the particular design or financing structure under consideration.

Provision	Fully Insured	Self Funded	Exchange	Grandfathered
Individual and Group Market Reforms				
• Preexisting condition under age 19	•	•	•	•
• High risk pools	•	•	•	
• Dumping of participants	•	•	•	
• Lifetime maximums	•	•	•	•
• No rescission	•	•	•	•
• Preventive health services	•	•	•	
• Choice of provider	•	•	•	
• ER	•	•	•	
• Pediatric care	•	•	•	
• OB/GYN Care	•	•	•	
• Dependents to age 26	•	•	•	•
• Discrimination based on salary	•	(1)	•	
• Uniform explanation of coverage	•	(2)	•	•
• Claims and appeals	•	•	•	
• Medical loss ratios	•		•	Fully Insured
• Premium review process	•		•	
• Transparency	•	•	•	
• Quality of care	•	•	•	
• Electronic transaction standards	•	•	•	
Health Insurance Market Reform				
• Preexisting conditions	•	•	•	•
• Annual limits	•	•	•	•
• Clinical trials	•	•	•	
• Discrimination/health status	•	•	•	
• Wellness	•	•	•	
• Excessive waiting periods	•	•	•	•

Provision	Fully Insured	Self Funded	Exchange	Grandfathered
• Provider discrimination	•	•	•	
• Cost sharing limitations	•	(3)	•	
• Essential health benefits	•		•	
• Child only plans	•		•	
• Fair health insurance premium	•		•	
• Guaranteed availability	•		•	
• Guaranteed renewability	•		•	
Health Insurance Exchanges				
• Qualified health plans			•	
• Essential health benefits requirements	•		•	
• Cost sharing limits	•	(3)	•	
• Levels of coverage	•		•	
• Catastrophic plan	•		•	
• Child only plan	•		•	
• Single risk pool	•		•	
Employer Responsibility (4)				
• Automatic enrollment	•	•	•	•
• Notification of exchange	•	•	•	•
• Free choice vouchers	•	•	•	•
Revenue Provisions (5)				
• Comparative effectiveness fee	•	•	•	•
• Net health insurance premium	•		•	•
• High cost plan tax	•	•	•	•

(1) The I.R.C. §105(C) nondiscrimination rules already apply to self-funded plans.

(2) Probably applies, but statutory language imprecise.

(3) Probably applies, but statutory language imprecise.

(4) Rules actually apply to employer, regardless of status of plan.

(5) Other revenue provisions apply directly to employers, employees, and other consumer directed plan designs.