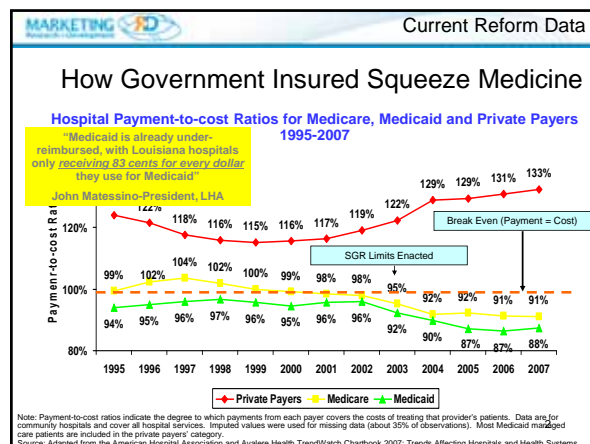


MARKETING Research + Development **RD** May 21, 2010

## The Patient Protection and Affordable Care Act: *impact on the Louisiana Health Insurance Market*

A Product of Marketing Development

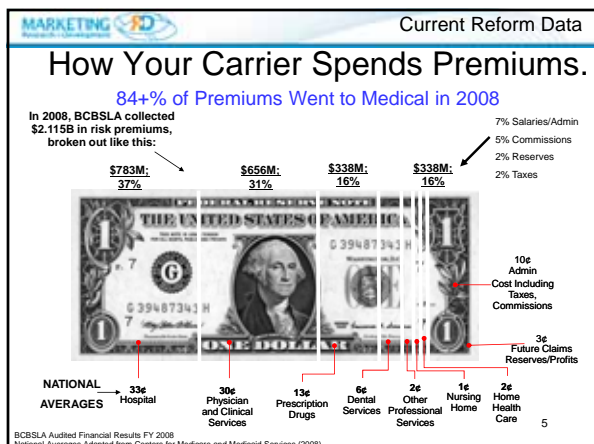
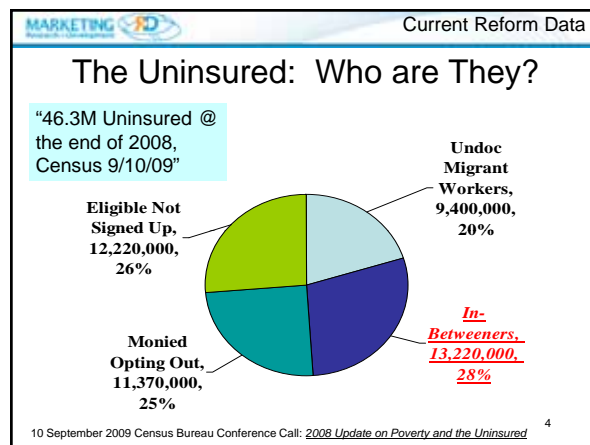
Presented by:  
**Michael Bertaut**  
Senior Healthcare Intelligence Analyst

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### Hospital Challenges From Reform

- PPACA/HCERA contain provisions which *penalize* hospitals of a number of measures. They can lose lots of money on:
  - Lack of Value-Based Purchasing (1-2%)
  - No Q measures to CMS (Physicians too) (2%)
  - Lowest Qtile of Hosp. Acq. Infections (1%)
  - Lowest Qtile of "Preventable" readmissions (1 - 3%)
  - Claims deadline to 12 months.
  - Much tougher guidelines to remain tax-exempt. (Community health needs assessments, qualified financial assistance policy, publish limitations on charges to low income, avoidance of certain collections/billing activities)



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### Make-Up of the House—HR3962



**House of Representatives**  
256 Democrats  
178 Republicans  
1 Independent

**The Vote:**  
219 For  
211 Against


**Education & Labor**  
Chair: George Miller D-CA  
30 Democrats  
19 Republicans

**Ways and Means**  
Chair: Sander Levin D-MI  
26 Democrats  
15 Republicans

**Energy & Commerce**  
Chair: Henry Waxman D-CA  
36 Democrats  
23 Republicans

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### Make-Up of the Senate—PPACA



**United States Senate**

60 Democrats

38 Republicans

2 OTF

**Years With Similar Majorities:**

1937-39

1959-67

1975-79

**Senate Finance**

Chair: Max Baucus D-MT

13 Democrats

9 Republicans

1 OTF

**Senate HELP**

Chair: Tom Harkin D-IA (formerly Ted Kennedy)

12 Democrats


10 Republicans

1 MIA (Mass.)

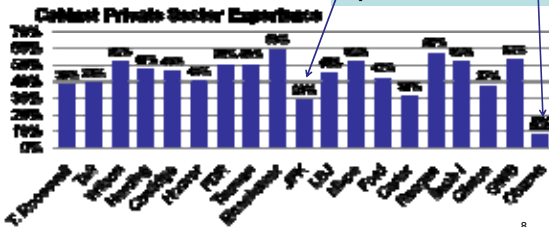
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### Make-Up of the Cabinet—Obama Administration



**432 Members of the Executive Cabinet and less than 8% (32) have ANY private sector experience.**



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American Enterprise Institute: *Help Wanted, No Private Sector Experience Required* (Nick Shultz, 11/25/2009)

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### Office of Consumer Information and Insurance Oversight



**Steve Larsen, Insurance Commissioner of Maryland.** Strong critic of individual insurance market and blocking carrier consolidation.



**Director Jay Angoff:** Former Missouri Insurance Commissioner, Attorney specializing in representing clients against health insurance carriers and employers in health insurance cases.



**Karen Pollitz, Georgetown University Professor,** strong advocate of government-run, non employer based insurance system.

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### The Core of Reform

- 1. Expand Coverage (46 million uninsured)
- 2. Regulate Insurance Carriers (“Keep ‘em honest”)
- 3. Reduce the Federal Deficit/Bend the healthcare cost curve downward.

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### 2010 Product “To Do” List

ITEM	Individual	Group	ASO
No Lifetime Limits on Coverage/MLR Restrictions	Existing, New	E, N	E, N
No Annual Limits on “essential benefits” (if doesn’t raise premiums)	New	E, N	E, N
Dependants to Age 26 (married is ok)	E, N	E, N	E, N
Rescission (prior notice, material fact)	E, N	E, N	E, N
<19 no Pre-x or rider-out conditions, G.I. on parent’s plan	E, N	E, N	E, N
Schedule A & B, immunizations at 1 <sup>st</sup> Dollar	New	New	New
Emergency Room Equal Payment	New	New	New
No discrimination based on salary	N/A	New	New

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### 2010 New Programs

- Reinsurance for early retirees 55-64 (by June 23)
- Small Business Tax Credits
- High Risk Pools
- Rate Review, carrier justifications
- MLR Reporting, Limits and Rebates
- Generic Biologics (12 year protection)
- Affordable coverage online (rules by 7/1)
- Community Health Teams (HHS to support PCMH for Medicaid recipients with chronic conditions.)


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## The “Dependant to Age 26” Rules

- Dependant = Your Child. No other restrictions.
- Starts with an open enrollment 9/30/2010 (or sooner at BCBSLA)
- At least until 26<sup>th</sup> birthday. Company may opt to 27<sup>th</sup> birthday and keep tax-free status.
- Dependant price must be same regardless of age in group AND individual
- No grandkids have to be covered.
- Covering child does not damage grandfathering.
- Estimate is 1% added to Medical Trend in 2011.
- Pregnancy coverage for dependant unchanged.


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## Early Retiree Reinsurance (Data Requests to Regional Office)

- Covered employees/dependants who retired but are 55-64 years old.
- Starts at \$15k of annual spend (including out of pocket costs).
- 80% reinsurance to max of \$90k of spend in calendar year. (\$60k benefit)
- \$5B max funding for entire nation.
- Claims starting June 1, application June 21
- HHS must approve employer.
- Payments to plan sponsor, not carrier
- Payments must be used to help control healthcare plan costs, not contributed to general revenue of company


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## Some Important Things We Don't Know


- The detail around an “essential benefit” and “minimum essential coverage” (HHS/NAIC by 9/23, 12 months)
- What will violate “grandfathering”? (HHS, no date, RFI's already returned by carriers)

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## What's a Grandfathered Plan?

- According to the Congressional Research Service a grandfathered plan is a group health plan or health insurance coverage in which an individual was enrolled on March 23, 2010.
- Employer-sponsored grandfathered plans can continue to add family members and new employees.
- Plans can add dependant coverage to age 26 without losing grandfathered status
- The PPACA has no cutoff date for grandfathered plans. Thus, a grandfathered plan can remain grandfathered indefinitely.

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## Stuff Grandfathered Plans are Immune from:

- USPTF Schedule A & B
- New rules about discrimination of plans for highly compensated individuals (IRS Code 105h)
- “Hold harmless” on Emergency payments to non-network providers.
- Community Rating.
- Guarantee Issue, Guaranteed renewable.
- Essential benefit coverage required.
- May exclude dependants if offered employer coverage elsewhere (until 1/1/2014).

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## The Employer Mandate

- Starts 1/1/2014
- Applies if employer averaged over 50 full-time employees on business days in the previous calendar year.
- Count only hours worked, not scheduled.
- Count FTE's to reach 50. (add up part time hours in each month and divide by 120)
- “TRUE” seasonal workers <120 days can be excluded
- Aggregate based on controlled group rules for taxes (80% common ownership)

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### Employer must offer "Affordable, Essential Benefit Plan"

- "Affordable" means less than 9.5% of employees household income.
- "Essential Benefit Plan" is TBD.
- \$2,000 fine for failing to offer (x full time workers only, minus first 30) or
- \$3,000 fine per each employee who receives a tax credit or subsidy to buy on exchange. (whichever is smaller)
- Must offer exchange voucher for any employee who pays between 8 and 9.8% of household income for his share of premiums.

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### **WARNING:** New "pay to opt out" rules

- If a company offers an employee an incentive to leave their health plan, and then that employee turns up in new high risk pools...
- The employer must REPAY the high risk pool for all that employees claims incurred in the pool.
- No insurance for that!

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### What I'm Worried About

- Protecting grandfathered plans.
- Absorbing Insurance Industry Fixed Fees (\$8B in 2014, rising to \$14.3B by 2017, \$2 per insured head for PCORI Trust Fund in 2013) without raising rates dramatically.
- Providing affordable coverage in an environment where all the products have to be Guarantee Issue, Community Rated, 3:1 age, include vision and dental for kids, subject to a weak individual mandate, and with no gender differentials.
- Will enrollment periods be tight enough (30 days, 60?)
- Will rate increases become political football?
- What if "essential benefits" means adding high cost procedures?

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### The Core of Reform: Expand Coverage

*0% to 133% of Federal Poverty Level = 23.3% of Population or about 71 million Americans...*

**Will Be Given Access to Medicaid (Free Coverage)**  
*Current Medicaid Population ~ 45 million people*

*134% to 400% of Federal Poverty Level = 66.9% of Population or about 204 million Americans...*

**Will Be Able to Purchase Health Insurance with Federal Subsidies on State Exchanges (if employer does not offer FQHP-level coverage)**

[www.census.gov](http://www.census.gov): 2008 Inflation Adjusted Dollars, 2009/2010 FPL guidelines

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### The Core of Reform: Subsidies

Tax Credits: Maximum Percent of Income Paid for Premiums

Income for a Family of Four		House	Senate	President's Proposal
From:	To:			
\$22,000	\$29,000	1.5%	2.0%	2.0 - 3.0%
\$29,000	\$33,000	1.5 - 3.0%	4.0 - 4.6%	3.0 - 4.0%
\$33,000	\$44,000	3.0 - 5.5%	4.6 - 6.3%	4.0 - 6.3%
\$44,000	\$55,000	5.5 - 8.0%	6.3 - 8.1%	6.3 - 8.1%
\$55,000	\$66,000	8.0 - 10.0%	8.1 - 9.8%	8.1 - 9.5%
\$66,000	\$77,000	10.0 - 11.0%	9.8%	9.5%
\$77,000	\$88,000	11.0 - 12.0%	9.8%	9.5%

Range from 133-150% of poverty; then 150-400% of poverty in 50% increments, rounded to the nearest \$1,000

**Average Family of 4 Premium Upon Implementation estimated to be \$13,500/year. A Family making \$55,000 cannot pay more than 8.1% of income for health insurance. Thus they will receive \$13,500 - \$4,455 = \$9,045 in Federal Aid to purchase Health Policy, 67% Subsidy.**

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### Insurance Regulation Timeline

**Jan 1, 2010**

**Small Biz Tax Credit**

**Donut Hole Rebate**

**Exec Comp Limits**

**March 23, 2010**

**Grandfather Date of Record**

**Rate Review Effective**

**By 9/23/2010**


**Dependants to 26**

**No pre-x <19**


**USPTF A/B, Immuniz.**

**Plan design restrictions kick in.**


**Hi Risk Pool (6/23)**

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### Insurance Regulation Timeline



Jan 1, 2011	Jan 1, 2012	Jan 1, 2013
<b>Part D Discounts</b>  <b>MLR Regulation of 2010</b>  <b>RDS Changes</b>  <b>M.A. Frozen</b>	<b>Quality Reporting</b>  <b>M.A. Cuts start</b>  <b>Uniform EOC, Docs required</b>	<b>Higher Medicare Taxes kick in</b>  <b>Medical Device Tax starts</b>  <b>FSA limits @ \$2,500</b>  <b>RDS Changes</b>  <b>M.A. at 100% FFS</b> <sup>25</sup>


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### Insurance Regulation Timeline



Jan 1, 2014	Jan 1, 2018
<b>Medicaid Expands</b> <b>Exchanges Open for Business</b> <b>Remaining Insurance Reforms</b> <b>Employer mandates &gt;50 FTE's</b> <b>Individual Mandate</b> <b>Insurance Company Fees (\$8B)</b> <b>FQHBP only in all phases (new).</b> <b>3 Year Rolling MLR's</b> <b>Wellness to 30%</b> <b>Waiting periods to 90 days</b>	<b>DiSH reduced by 50%</b>  <b>Cadillac Tax Begins</b>  <b>Jan 1, 2020</b>  <b>End of Donut Hole</b>


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### Key Dates

- 3/23/2010—Grandfathered Date of Record
- 6/23/2010—key HHS guidance due
- >9/23/2010—All 2010 insurance regulations
- 3/23/2011—State gets exchange grants
- 7/1/12—HHS specifies open enrollment periods for exchanges
- 1/1/2014—Exchanges go online, payments due (\$8B, Reinsurance, PCORI trust fund)
- 1/1/2016—All groups up to 100 ee's allowed to purchase in exchanges
- 1/1/2018—Cadillac Tax goes into effect

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### AHIP/Blues Goals for Reform

- Reduce Growth in Healthcare Costs
- Build information about appropriate use of technology
- Optimize Healthcare workforce
- Public/Private partnerships to address chronic diseases
- Paying for value, not volume
- Transparency from medical system to consumer
- Integrated (Medical Home Model) delivery of care
- Examine motives of provider consolidation

**Properly Fund Government programs and pay fairly for services**

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### What about Brokers?

*Requires the Secretary (of HHS) to establish procedures to allow agents and brokers to enroll individuals in any qualified health benefits plan in the individual or small group markets as soon as the plan is offered through an Exchange and to assist individuals in applying for premium credits and cost-sharing subsidies for plans sold through an Exchange. (Exchange Section)*

**Qualified Health Benefit Plans: Requires FQBHP to be offered by a health insurance issuer that: ...agrees to charge the same premium rate without regard to whether the plan is offered through an exchange or directly through an Agent. (Exchange Section)**

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