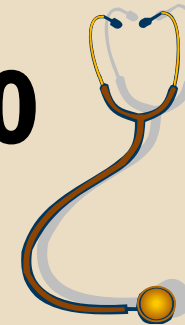




Health Care Reform 2010

*The Patient Protection and Affordable Care Act &
Health Care and Education Affordability Act*

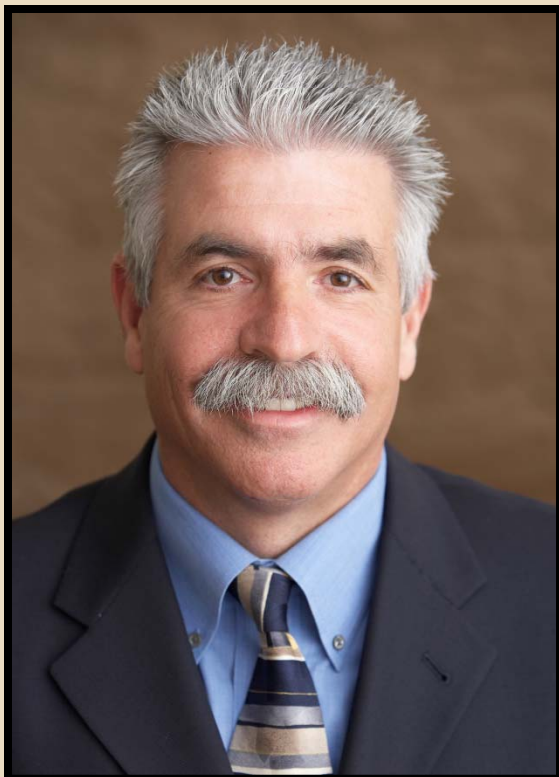


Presented by

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Health Care Reform Is Here

- On March 23, 2010 the President signed the Patient Protection and Affordable Care Act, which was amended by the Health Care and Education Affordability Act of 2010 that was signed into law on March 26, 2010.
- Insurance market changes snapshot: Immediate and coming changes
- Individual mandate
- New coverage options
- Employer responsibilities: Pay or play
- Financing the bill
- Retiree benefits changes

Immediate Insurance Market Changes

- State high risk pool (effective immediately)
- Early Retiree Reinsurance Subsidy program (90 Days after enactment)

Insurance Market Reforms 6 Months after Enactment (9/30/2010)

- Applies to plans (Insured, self-funded, state) on plan years beginning after 9/30/2010 (e.g. as early as 10/1/2010 depending on renewal)
 - Lifetime Limits Prohibition & Annual Limits Restriction (Insured and self-funded)
 - No rescissions (Insured and self-funded)
 - Dependent Children Coverage to Age 26 (Insured and self-funded)
 - No Pre-Existing Conditions Exclusions (“PCE”) for enrollees under age 19
 - Preventative Health (Insured and self-funded)
 - Choice of providers
 - Emergency
 - Nondiscrimination based on income (Insured)
 - Appeals & external review (Insured & self-funded)
 - Coverage of certain clinical trial treatment
 - Development and utilization of uniform explanation of coverage and standard definitions

9/30/2010

Insurance Market Reforms 4 Years after Enactment (January 1, 2014)

- **For all Plans**
 - No annual limits
 - No Pre-Existing Condition exclusions (Insured & self-funded)
 - Limitations on waiting period
 - HIPAA wellness reward increased from 20% to 30% (Secretary may allow increase to 50%)

Insurance Market Reforms 4 Years after Enactment (January 1, 2014)

- **For New Plans (Not Grandfathered In)**
 - Must cover “Essential Benefits” (Insured / individual & small group markets only)
 - Cannot discriminate based on health status (Insured & self-funded)
 - Insurer guaranteed access & renewability (Insured)
 - Insurer rating restrictions (Individual and small group markets; large group if offered through the exchange)
 - Expanded coverage of clinical trials (Insured & self-funded)
 - Small group market deductible limits (Insured)
 - Cost sharing limits ties to health saving account amounts (Insured & self-funded)

Grandfathered Plans

- Grandfathered plan: A health plan in existence on March 23, 2010
- New requirements
 - In 2011
 - In 2014



Anthony Mader
Well Point

Individual Mandate

- Beginning January 1, 2014
 - Individuals required to have “minimum essential coverage” every month:
 - Penalty for failure to maintain coverage for entire year
 - Penalty calculation
 - For individuals under 18
 - Total household penalty maximum

1/1/2014

- Exceptions

New Coverage Options Exchanges

- Exchanges
 - Created & managed by states
 - State Insurance Commissioners role
 - January 1, 2014: Limited eligibility
 - In 2017, expanded
 - Premium & cost sharing subsidies
 - Employees eligibility for exchange
 - Employers will not determine employee eligibility for exchange
 - Employee will apply

Exchanges

New Coverage Options – Multi State Plan & CO-OPS

- Multi-state plan
- Co-Ops
 - Consumer operated and oriented plan, federally sponsored, non-profit, member run insurance companies

Employer Penalties: Pay or Play

January 1, 2014

- Effective January 1, 2014
 - Employers subject to pay or play
 - Seasonal workers
 - Temporary employees
 - Must offer “minimum necessary coverage”
 - Penalty fee assessed if:
 - Coverage is **not** offered to full time employees & any full time employee receives premium assistance from Government
 - \$2,000 annual fee per full time employee (minus first 30 employees)

1/1/2014

How Can Employer Be Fined Even Though Offering Coverage?

- Employer plan penalized if
 - Employer's plan too expensive; or
 - Employer does not contribute enough
- Penalty is the lesser of \$3,000 x all employees receiving subsidy or \$2,000 x total employees

Employer “Pay or Play” Other Provisions

- Notification to employees about exchange
- W-2 reporting
 - Large employers required to report the aggregate cost of employer sponsored coverage on W-2s
- Automatic enrollment

Free Choice Vouchers Effective January 1, 2014

- Free choice vouchers: Used by qualified employees to purchase coverage through exchange
 - Employees are qualified for free choice vouchers if:
 - Employee contribution 8% - 9.8% household income
 - Employee household income less than 400% of the federal poverty level
 - Employee not enrolled in employer plan
 - Voucher amount
 - Equal to most generous plan contribution
 - Employer may deduct the amount paid in vouchers as amount paid for personal services
 - No penalty is assessed to employers that provide vouchers to employees

1/1/2014



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Financing the Bill

- Taxes on health plans, employers, TPAs
- Cadillac tax
- HSAs

Taxes on Health Plans, Employers, TPAs

- Insurer fee
- Reinsurance fee
- Comparative effectiveness fee: Effective 1st plan year after 9/30/2012

Cadillac Tax

- Effective 2018 & applies to insured and self-funded plans
- Multi-employer plans: Family plan for all
- 40% Excise tax on health insurers, employers, and self-funded plan administrators
 - On amounts that exceed excess of high value health plan limitations
 - Plan value limitations
 - Individual: \$10,000
 - Family: \$27,500
 - High risk/retirees: Higher limits
 - Limits may be increased by age and gender characteristics
 - Includes the following
 - Does Not Include

FSA, HRA, HSA

- Employee FSA contributions limited to \$2,500, indexed to the consumer price index
- Effective 2011: W-2 reporting goes into effect
 - Employers must report value of employer sponsored health benefits on W-2s
- Effective 2011: Increased tax on non-qualifying distributions from HSAs
 - Increase from 10% to 20%
- Effective 2011, Over the Counter (“OTC”) drug reimbursement restricted from FSA, HSA, HRA
 - Except if prescribed

1/1/2011

Medicare Tax, Unearned Income Tax

- Effective January 1, 2013:
 - Additional 0.9% Medicare tax for employees on wages over \$200,000 (\$250,000 for joint filers)
 - 3.8% tax on unearned income (from interest, dividends, rents, royalties and annuities) if income over \$200,000 (\$250,000 for joint filers)
- Medicare Part D premium
 - Increased for higher income retirees beginning in 2011

1/1/2013

Issues Unique to Retiree Plans

- Taxation of Medicare Part D Retiree Drug Subsidy (RDS) payments
 - RDS payments currently non-taxable
 - Will be taxable beginning in 2013
 - Reason AT&T, AK Steel and other employers announced one time tax charge for 1st Quarter 2010
- Early Retiree Reinsurance Program
 - PCMI will assist enrollment and claims for reimbursement
 - New federal program
 - Subsidizes 80% of a retiree's costs between \$15,000 - \$90,000
 - Employers must use funds to reduce plan or retiree costs
 - Effective 90 days after enactment through 12/31/2013
 - \$5 billion in funding

Issues Unique to Retiree Plans

- Reduction in Medicare Advantage (MA) payment levels
 - Federal payments to MA plans frozen for 2011
 - Reduced benchmarks (varies by region) starting in 2012
 - Will probably result in:
 - Increase in MA plan premium and/or
 - Reduced MA plan benefits
 - Employers with significant MA plan enrollment may face higher FAS 106 obligation by year end
- Closing the Medicare Part D donut hole
 - \$250 rebate for beneficiaries who reach donut hole in 2010
 - 50% discount on brand drugs beginning 2011
 - Beginning 2011, donut hole coverage phases from 0% to 75% by 2020
 - Qualification for RDS payments not affected
 - Makes Medicare PDPs plans more attractive to employers than employer-provided drug plans



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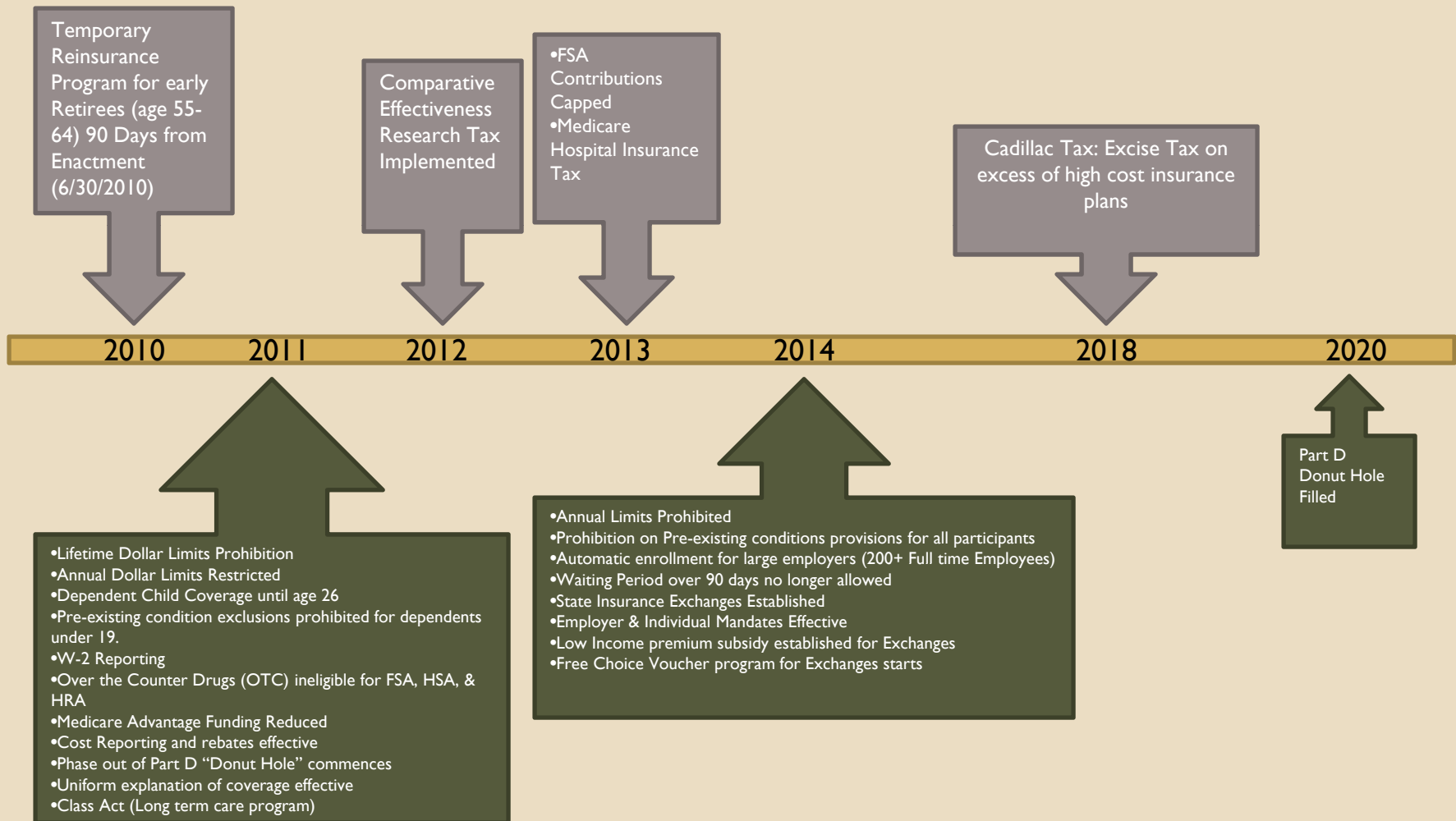
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Summary of Changes For Self-Funded Plans In Coming Plan Year

- Compliance date: Plan year after 9/23/2010 (2011)
 - In 2011
 - Prohibition on Lifetime Limits
 - Restriction of Annual Limits
 - Prohibition on pre-ex for under 19
 - Coverage of Overage Children (up to age 26)
 - Preventative care: Employers' plans must provide preventive care without cost sharing, and must cover certain child preventive services.
 - Cover dependent and nondependent children up to age 26, unless eligible for employer sponsored coverage
 - No rescission

Health Care Reform Timeline



Questions?



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