



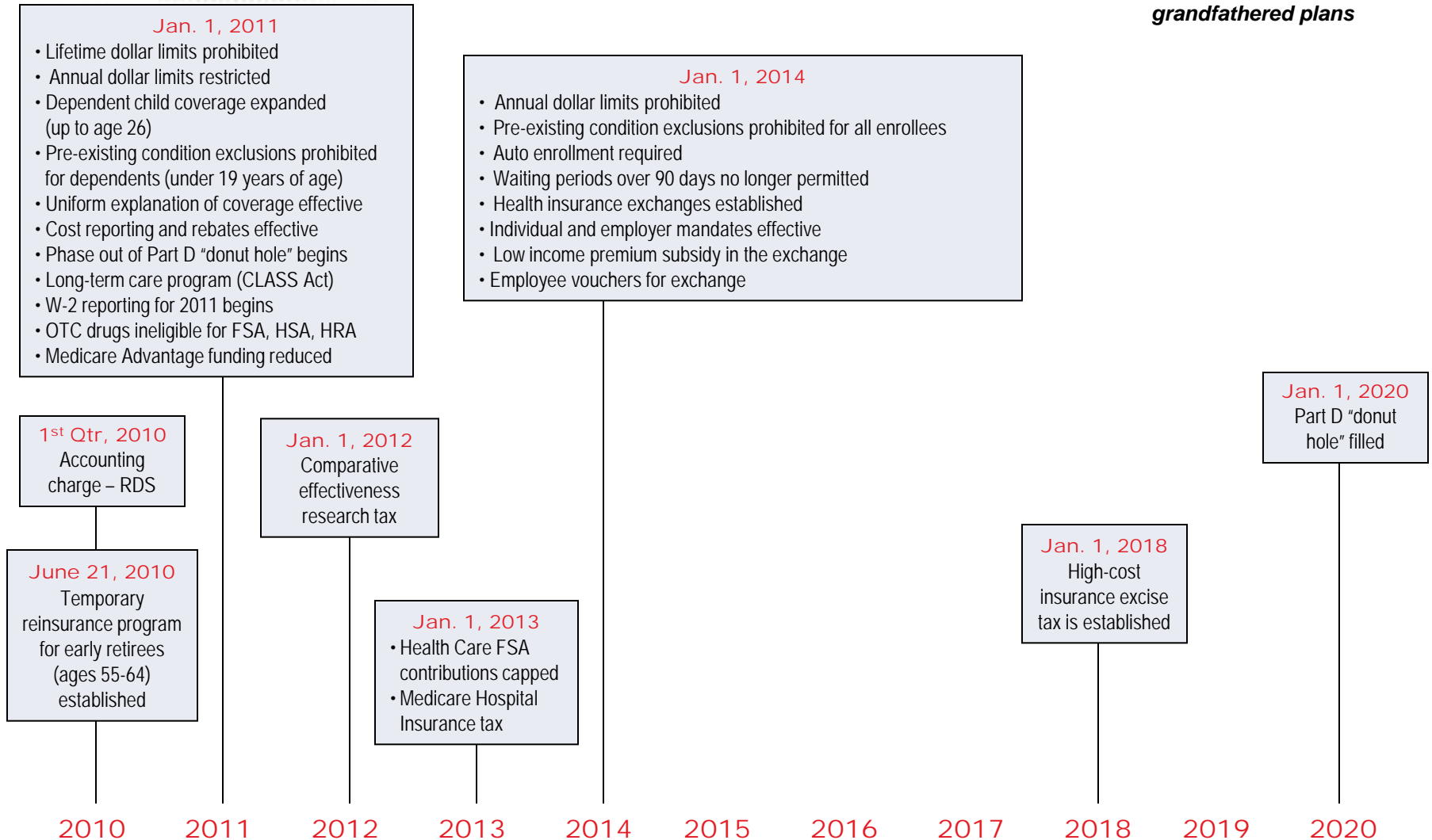
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**Health Care Reform  
Here It Is  
May 11, 2010  
DFW HR Roundtable**

# Health Care Reform Timeline (as of March 30, 2010)\*

## Summary of Selected Changes

*\*Timeline indicates changes for mid to large employers' calendar year, grandfathered plans*



# Status

- Patient Protection and Affordable Care Act (PPACA)
  - Signed into law on March 23, 2010
- Health Care and Education Tax Credit Reconciliation Act of 2010
  - Signed into law on March 30, 2010

# Health Care Reform Overview

**Market Reform**

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**Individual Responsibility**

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**Insurance Exchanges**

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**Employer Responsibility**

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**Financing**

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**Retiree Issues**

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**Beyond Reform: Improving Health**

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# Market Reform

*Health Care Reform Crosses the Finish Line*

# Market Reform

- Effective First Plan Year Six Months After Enactment
  - No lifetime limits
  - Only allow restricted annual dollar limits on essential benefits
  - Prohibition on rescission
  - No pre-existing conditions on dependents below age 19
  - Development and utilization of uniform explanation of coverage and standard definitions
  - Extension of dependent coverage for married and unmarried adult children to age 26
  - Medical loss ratio (MLR) requirements (85 large employer/80 small employer and individual) and rebates

# Market Reform

- Effective First Plan Year Six Months After Enactment *(continued)*
  - Coverage of preventive health services (GF\*)
  - Prohibition on discrimination in favor of highly compensated employees for insured plans (GF\*)
  - Required to implement various activities such as case management, reduction in hospital readmission and wellness programs and report the status of the activities to the Secretary of HHS and participants; Secretary may implement penalties for noncompliance
  - Mandated appeals process, including external review (GF\*)
  - Require certain choice of providers for pediatric and ob/gyn care and require in-network coverage for emergency room visits to non-network providers (GF\*)
  - Federal annual premium review (coordinated with each State)

\*provisions do not apply to grandfathered employer plans

# Market Reform

- Effective January 1, 2014
  - Prohibit pre-existing conditions exclusions
  - Premiums may only vary based on:
    - Individual or family coverage
    - Rating area (as established by the each state)
    - Age: 3 to 1
    - Tobacco use: 1.5 to 1
  - Guaranteed issue and renewability
  - Coverage of certain clinical trial treatment (GF\*)
  - Prohibition against discrimination based on health status, but exempts certain wellness programs and allows them to increase the premium reduction for participation in a wellness program (GF\*)
  - Limits on cost sharing (for insurers in an Exchange)
  - No waiting periods greater than 90 days

\*provisions do not apply to grandfathered employer plans

# Market Reform: Grandfathered Plans

- A plan in existence on March 23, 2010 would only be required to:
  - Effective for plan years six months after enactment
    - Not have lifetime limits
    - Not impose restricted annual dollar limits from 2010-2014
    - Extend coverage to unmarried or married adult children to age 26
    - Use the standard uniform explanation of coverage (once developed)
    - Give rebates if MLRs do not meet the applicable standards (only for insurers, not self-funded plans)
    - Not allow rescission
  - Effective January 1, 2014
    - Not have waiting periods greater than 90 days
    - Eliminate any annual dollar limits in 2014



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# Individual Responsibility

*Health Care Reform Crosses the Finish Line*

# Individual Responsibility

- Starting 2014, all individuals must obtain health care coverage or pay a penalty, which would be the greater of:
  - 2014: 0.1% of AGI or \$95/person
  - 2015: 2.0% of AGI or \$325/person
  - 2016: 2.5% of AGI or \$695/person
  - Indexed after 2016
  - Family flat dollar amount capped at 300% of individual penalty



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# Insurance Exchanges

*Health Care Reform Crosses the Finish Line*

# Exchanges

- A state clearinghouse that facilitates the purchase of health insurance coverage for individuals and employers, either through private insurers or a co-op
- Eligibility
  - Any individual
  - Small employers (100 or less employees)
  - Large employers starting in 2017
- Premium and cost-sharing subsidies available to individuals 400% below the FPL
- Employees are eligible to join an Exchange if their employer coverage is unaffordable (9.5% of AGI) or the employer plan does not have at least a 60% actuarial value



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# Employer Responsibility

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# Employer Responsibility

- Effective 2014
- If employer does not provide coverage and at least one employee obtains low-income premium subsidy in an Exchange
  - Penalty of \$2,000 times number of FTEs
  - Not deductible by employer
- Employer does provide coverage, but
  - Employer plan fails:
    - 60% minimum value test, or
    - 9.5% AGI affordability test; and
    - Employee enrolls in Exchange and receives low-income subsidy
  - Penalty of \$3,000 per employee with subsidy
  - Maximum of \$2,000 times number of FTEs

# Employer Responsibility

- Vouchers
  - Employer voucher to any employee whose premium is between 8% and 9.8% of the employee's household income and whose income is below 400% of the FPL
  - Voucher equal to the greatest employer contribution for which employee would have been eligible
  - Any excess amounts are given to the employee as wages
  - No employer penalty for employees who receive a voucher
  - Voucher amount is deductible by the employer

# Employer Responsibility

- Automatic enrollment (2014)
- Additional reporting and notice requirements
  - W-2 reporting of the value of health, employer HSA contributions, HRA contributions and dental and/or vision if not stand alone plans (2011 income reported in 2012)
  - Explanation of Exchange (3/31/2013)
  - Reporting of insurance coverage to the IRS and the participant (2014)
  - Disclosure of plan data and financials, such as enrollment, disenrollment, and claims denials (2014) (for nongrandfathered plans)
  - Cadillac tax calculation and reporting (health, employee health FSA, employer and employee pre-tax HSA contributions, and HRA contributions) (2018)



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# Financing

*Health Care Reform Crosses the Finish Line*

# Funding

- Cadillac tax
  - Begins in 2018
  - 40% tax on value above \$10,200/individual and \$27,500/family
  - For multiemployer plans, all coverage is considered family coverage
  - \$11,850/\$30,950 for retirees and high-risk industries
  - Indexed at CPI-U+1% for 2019, CPI-U only after 2019
  - Higher indexing based on age and gender
  - Excludes dental and vision

# Funding

- Provider surcharges
  - Pharmaceutical manufacturers (\$26 billion over 9 years starting in 2011; indexed after 2019)
  - Medical devices (2.3% excise tax starting in 2013)
  - Insurers (\$58.8 billion over 5 years starting in 2014; \$14.3 billion/year trended after 2018)
- Medicare Hospital Insurance Tax
  - Increases tax rate from 1.45% to 2.35% starting in 2013 for high-income earners (income in excess of \$250,000 for joint filers; \$200,000 for others)
  - 3.8% tax on net investment income (income in excess of \$250,000 for joint filers; \$200,000 for others)

# Funding

- Health FSA cap of \$2,500 starting in 2013
- Prohibition on reimbursement of over-the-counter medicines from FSAs, HRAs, and HSAs effective 2011
- Taxability of RDS payments to employers in 2013
- Comparative Effectiveness Research tax on insured and self-funded plans of \$1/participant/year first year (plan years ending after September 30, 2012); \$2 second year; indexed thereafter

# Reinsurance Program for Early Retirees

- Subsidizes 80% of a retiree's costs between \$15,000 and \$90,000
- \$5 billion in funding
- Effective date:
  - June 21, 2010 to December 31, 2013 or when funds exhausted

# Coverage in Part D Donut Hole

- Discount on brand drugs
  - 50% discount at point of sale
  - Effective date 2011
- Phases out donut hole coverage to 75% by 2020
  - \$250 rebate in 2010
  - New Part D benefit to supplement 50% discount



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# **Beyond Reform: Improving Health**

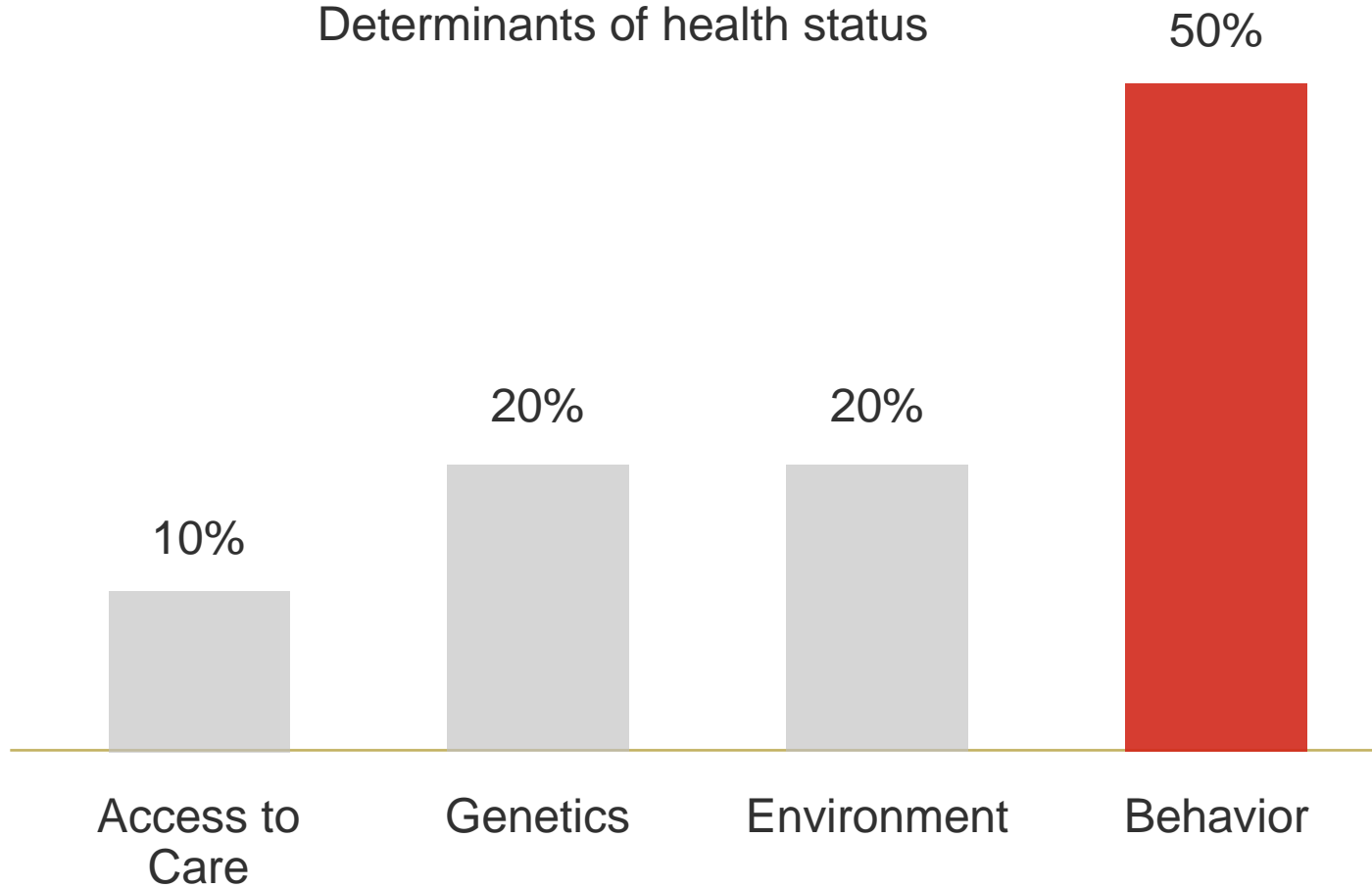
*Health Care Reform Crosses the Finish Line*

# Diet (Poor), Exercise (Little), and Disease (Lots)

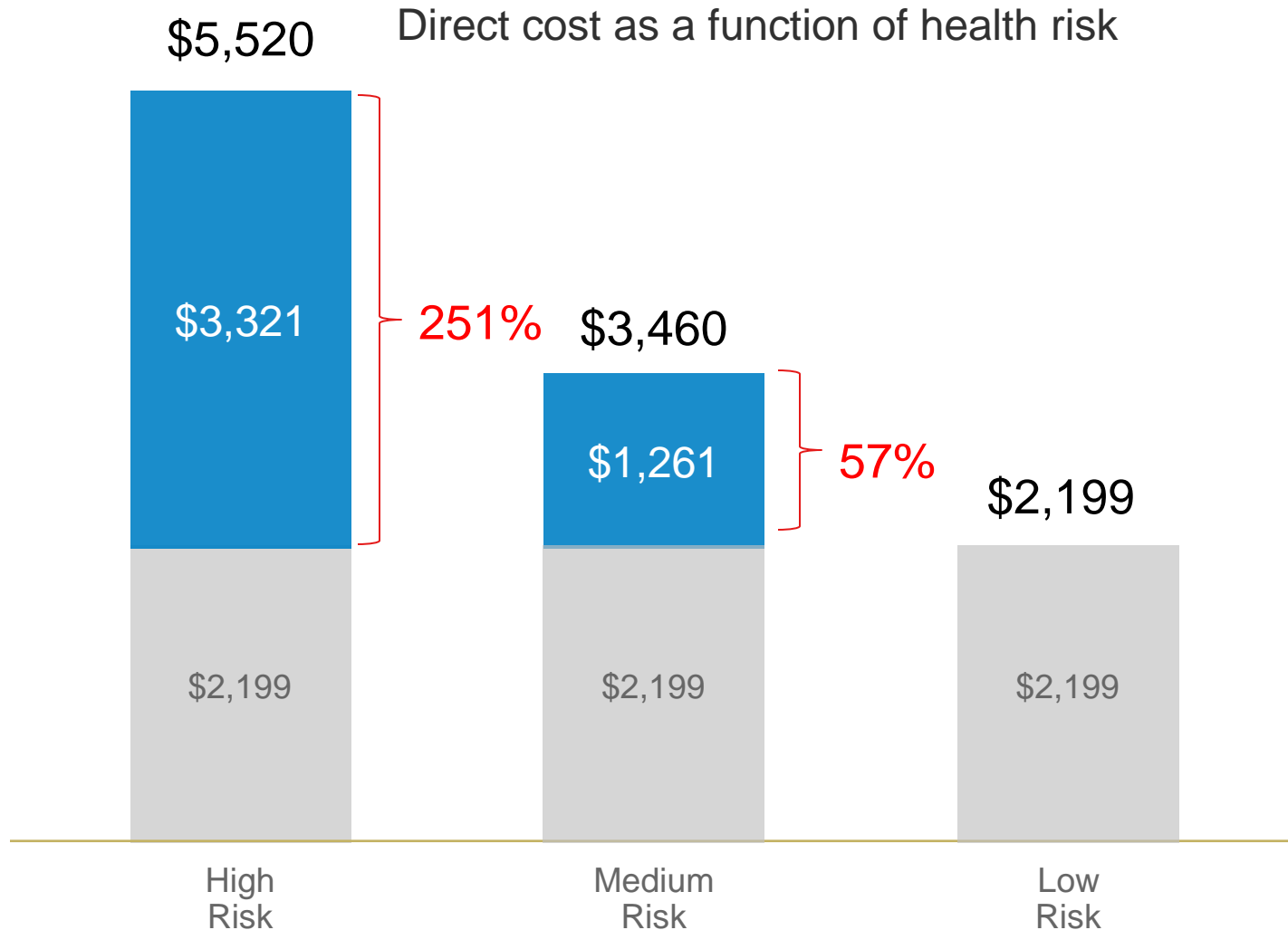
- 75% of total health care costs are preventable
- Managing diet, exercise, and smoking can reduce\*:
  - Heart disease and stroke by 80%
  - Type-2 diabetes by 80%
  - Cancer by 40%
  - The 67% of adults who are obese or overweight
- Changing the mindset is critical:
  - From treating disease (focus on sickness)
  - To avoiding disease (focus on health and wellness)
- The challenge (and opportunity):
  - Changing human behavior

# Disease and Behavior

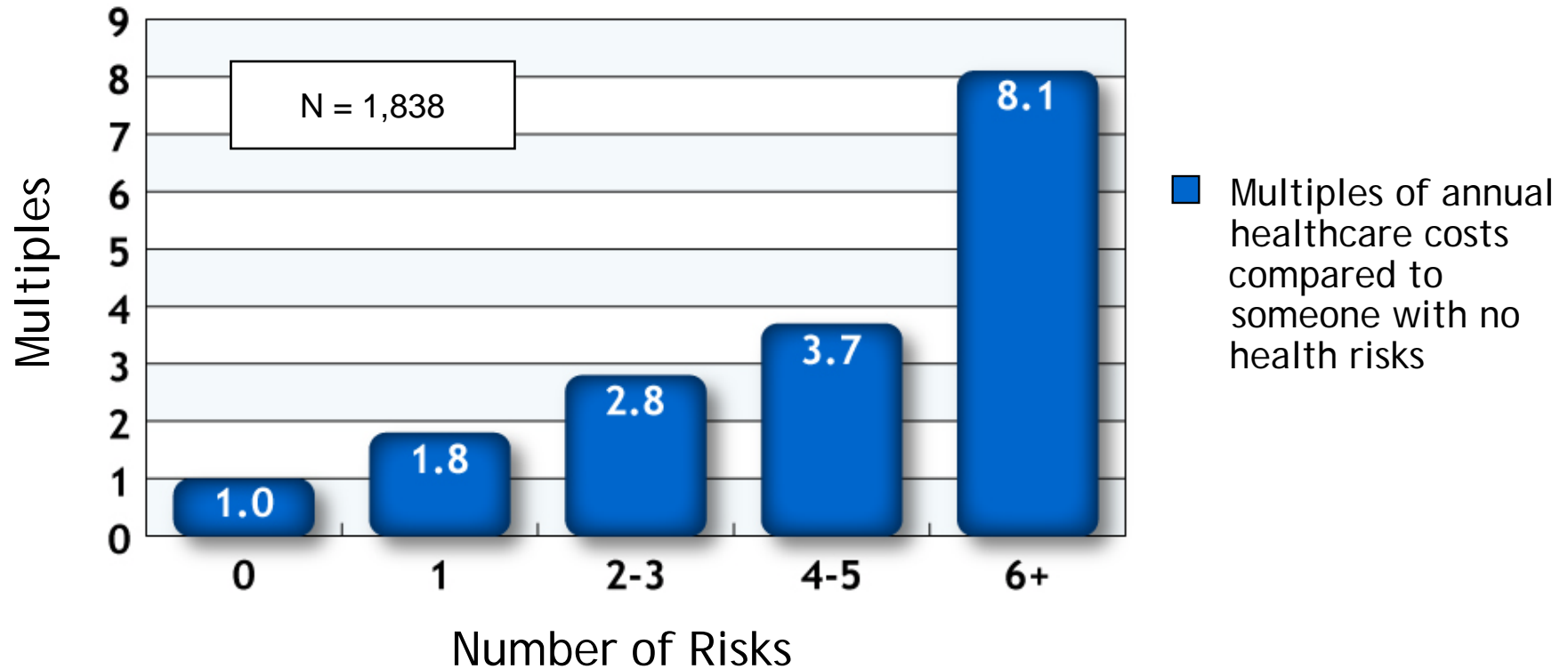
Determinants of health status



# Behavior and Cost



# Cost and Comorbidity



# Changing Behavior - Information, Incentives, and Infrastructure

## Information

### (Get attention!)

- Personalize (to raise awareness)
- Integrate (to lessen confusion)
- Simplify (to enable understanding and action)
- Inspire (to create an emotional attachment)
- Actionable (so I know what to do)

## Information

Education and  
Promotion

## Incentives

### (Encourage action!)

- Personalized (specific to “me”)
- Meaningful (to get attention)
- Optimal (reach the “tipping point” of action)
- Behavioral (to encourage positive actions)

A Culture of  
Organizational  
& Individual  
Sustainability

## Infrastructure

Care Management,  
Data & Technology

## Incentives

Plan Design, Cost  
Sharing & Rewards

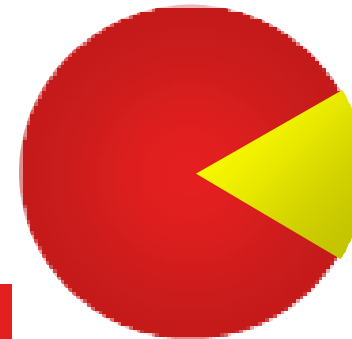
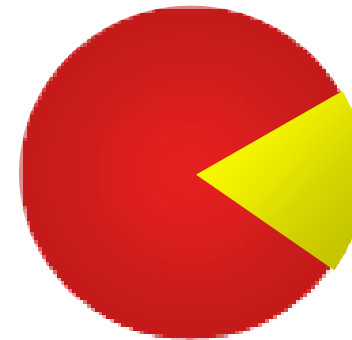
## Infrastructure (Enable action!)

- Biometrics/HRQs (to raise awareness)
- Design components (to raise awareness and encourage action)
- Enabling tools, resources and technologies (to personalize & engage)

# Changing Behavior - Safeway

HDHP design, significant incentives, culture of wellness

- **Blood pressure**
  - **43% improvement** in achieving blood pressure goals
- **Cholesterol**
  - **18% improvement** in achieving cholesterol goals
- **Body Mass Index (BMI)**
  - **17% improvement** in achieving BMI goals



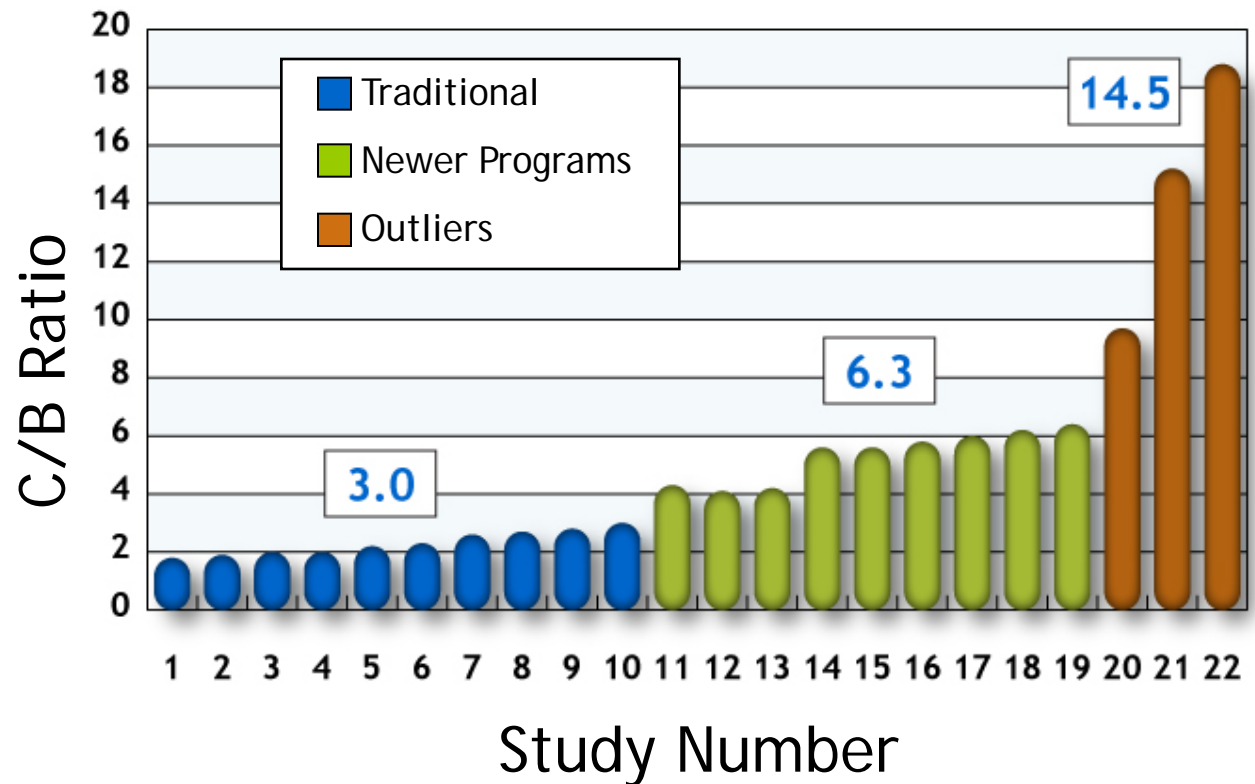
< 2%

Health care trend from 2005-2009

Obesity/overweight percentage dropped 6%

# Behavior, Wellness, and ROI: The Business Case is Clear

- Bank of America
- Blue Shield of CA
- Duke University
- Citibank
- City of Birmingham
- Coors
- DuPont
- General Foods
- General Motors
- GlaxoSmithKline
- Indiana BCBS
- Johnson & Johnson
- Life Assurance
- Nortel
- Prudential
- Travelers
- Union Pacific
- Washoe County



# What About Your Company?

- 75% of total health care costs are preventable
  - Analyze your health care costs
  - What's the history of disease progression at your company?
- Are you successfully changing employee behavior?
  - Is participant information personalized to get attention?
  - Are incentives meaningful to encourage action?
  - Is the support infrastructure simple to enable action?
- Are you measuring your success?
  - What analytics are you using to determine disease and health improvement?
  - What is the impact of improved health on business results?
  - How will you sustain your progress and success?

# Thank You! Questions?



## Additional Information

Health Care Reform microsite at [www.buckconsultants.com](http://www.buckconsultants.com)

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