



# HEALTH REFORM: ITS PROSPECTS AND IMPLICATIONS

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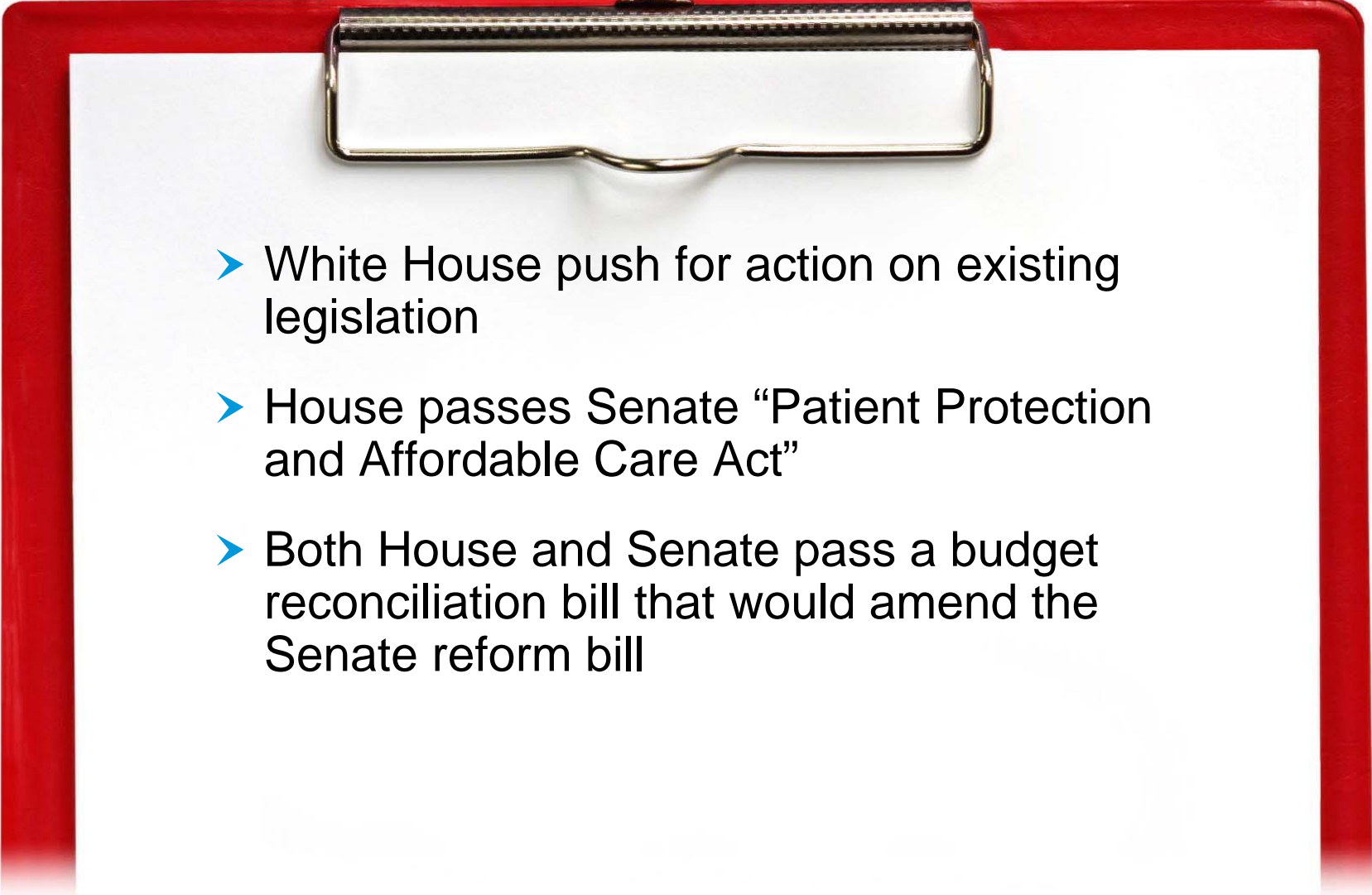
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- ① The Final Push for Reform
- ② Legislative Options Absent Reform
- ③ Prospects with No Legislation
- ④ Cost Containment Issues

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# The Final Push for Comprehensive Reform

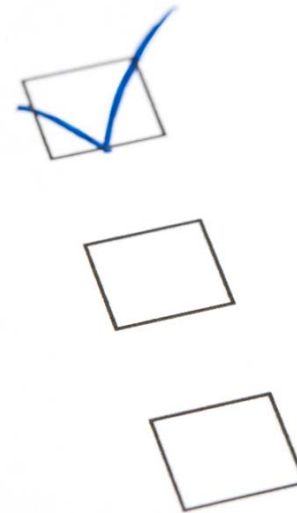
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- White House push for action on existing legislation
  - House passes Senate “Patient Protection and Affordable Care Act”
  - Both House and Senate pass a budget reconciliation bill that would amend the Senate reform bill

# Elements of Comprehensive Reform

- Preserve employer-sponsored health coverage
- Impose minimum benefit levels on coverage
- Require individuals to have health coverage
- Create affordable, accessible coverage—exchanges, public plan, expansion of Medicaid
  - Remove barriers to access in the individual and small group markets
  - Provide subsidies to lower income individuals to purchase coverage
- Begin reform of Medicare payment system

# The Process

- Outcome uncertain
- Are there enough votes in the House to pass the Senate bill?
  - At least three groups of Democrats will influence the outcome (most liberal group; fiscal conservatives; anti-abortion group)
- What will be in a budget reconciliation bill and are there 51 votes in the Senate to pass it?
- Timing?



# The Budget Reconciliation Bill

- Content limited to budget-related items
- Will likely include most of the items in the President's recent 11 page proposal
- Other items that could be included?



# President's Proposal: Employer Responsibility

- No employer mandate—free rider penalty effective 2014
- Higher penalty than Senate bill for employers with 50 or more employees that do not offer coverage
  - \$2,000 times the # of full-time employees (subtract first 30 workers)
- Does not change Senate bill penalty where coverage is provided but unaffordable
  - \$3,000 times # of full-time employees getting tax credit in Exchange (penalty max)
- No penalty for up to 90 day waiting period
- Does not change free choice vouchers in Senate bill
  - Senate bill permits certain employees to opt out of employer coverage (voucher is employer contribution used to purchase Exchange coverage)




# The President's Proposal: Excise Tax

- Changes to 40% excise tax on health plans
  - Threshold \$10,200/\$29,500 (Senate bill \$8,500/\$23,000) indexed to the CPI-U, plus 1%
  - Adjustments due to age/gender; would maintain Senate bill increased thresholds for high-risk professions and retirees
  - Effective date 2018 (Senate bill 2013)
  - Excludes dental and vision; Senate bill includes medical and contributions to individual account plans such as health FSAs and HRAs
- Revenue lost from pushing back excise tax more than made up through changes to Medicare hospital insurance tax for high-income earners

# The President's Proposal: New Plan Standards

- Senate bill grandfathers all plans
- President's proposal applies new standards to plans as follows:
  - Soon after enactment:
    - Dependent coverage extension through 26
    - Ban on rescission
    - Annual state rate review with federal oversight
    - Stronger appeals process
  - 2014:
    - Prohibits annual/lifetime caps
    - Bans preexisting condition exclusions
    - Bans discrimination in favor of highly compensated
  - 2018: Coverage of preventive care without cost sharing



# The President's Proposal: Medicaid Expansion/ Exchange Subsidies

- More federal money toward Medicaid expansion to ease burden on states
- More money to subsidize lower income individuals in the Exchange (in the form of a tax credit)

# The President's Proposal: Account-Based Plans

- High Deductible Health Plans with Health Savings Accounts as option in the Exchange
- No proposal to change the Senate bills requirements concerning:
  - Health FSAs limited to \$2,500 per year
  - HSA penalty for withdrawals for non-medical expenses increases to 20%
  - FSAs, HRAs and HSAs can only reimburse participants for over-the-counter drugs with a prescription

# President's Proposals: Retiree Issues

- Close Medicare Part D “doughnut hole”
- Medicare Advantage payment changes
- No changes to Senate bill provisions concerning:
  - Medicare Part D Retiree Drug Subsidy would be taxable for employer with a tax liability
  - Retiree Reinsurance

# What's Not in the President's Proposal

- No changes to the form of the Exchange in the Senate bill
  - Senate bill includes state Exchanges (House-passed bill had federal Exchange)
  - Issue likely not budget related (can't be included in reconciliation)
  - Creates new federal authority as oversight over rate review (also, separate legislation would eliminate insurance companies antitrust exemption)
- No changes to Senate bill provisions on plan sponsor wellness incentives
  - Wellness plan penalty/incentives increased to 30% of plan costs

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# Scaled Down/Incremental Reform Options

- Is there a “Plan B”?
- Possible areas for scaled back reform:
  - Coverage issues: expand Medicaid/CHIP
  - Insurance reform: transparency; repeal insurance antitrust exemption
  - New plan standards: dependent coverage extension; prohibit annual/lifetime caps etc.
  - Medicare reform: close donut hole
  - Quality: comparative effectiveness; payment demonstrations

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# No Legislation

- Continued state activities for health reform (state exchanges, fair share requirements)
- Continued litigation in attempt to define limits of state reform (ERISA preemption)
- Federal regulatory agenda

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# Cost Containment in Reform Legislation

- The legislation is not a silver bullet for plan sponsors
- Legislation contains list of items with the potential to reduce costs for plan sponsors *indirectly* and over the *long term*—the arguments:
  - Access for uninsured will reduced the cost shift resulting from uncompensated care
  - A new insurance marketplace will bring down costs throughout the system due to increased competition and reduced administrative costs
  - Quality incentives/payment reforms will induce providers to coordinate care and redesign delivery systems around quality cost-effective care
  - Comparative effectiveness research and health IT are additional tools
  - Medicare Independent Payment Advisory Board
- Plan sponsors will still need short and long-term strategies regardless of whether there is comprehensive reform

# Additional Costs for Plan Sponsors

- A long list of new plan standards
- Free rider penalties and voucher costs
- Insurance reform could mean higher costs for lower risk insured groups
- Excise tax



# Actions Plan Sponsors Can Still Take

- Plan sponsors must continue to execute the strategies that they believe make the most sense for their plan:
  - Managing cost
  - Negotiating renewals
  - Focusing on health promotion and wellness
- Redesign health benefits
  - Does the plan promote preventive care/discourage unneeded care?
  - Consider voluntary or ancillary benefits (if the Exchange becomes a viable alternative for large groups, plans may want to offer benefits not available through the Exchange)
- Review cost-sharing strategies
- Improve case management and health coaching; better target wellness programs

# Actions Plan Sponsors Can Still Take

- Incentivize value-based purchasing
- Maximize vendor relationships
  - Link performance guarantees to cost
  - Reduce waste
  - Embrace technology
  - Pilot new programs

# Stat! Health Reform Weekly

## ➤ Segal's Weekly Publication on Health Reform

- <http://www.segalco.com/publications-and-resources/stat/>

## ➤ Summary of Senate Bill

- <http://www.segalco.com/publications-and-resources/stat/senate-passes-bill.php>

## ➤ Summary of House Bill

- <http://www.segalco.com/publications-and-resources/stat/house-passes-bill.php>

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