

# Health Care Reform



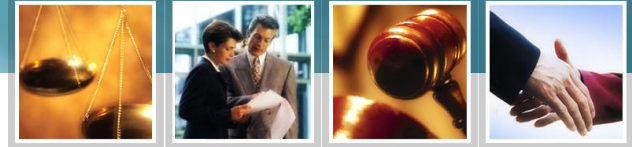
## FISBO Conference

May 2, 2011

10:45 AM - 11:45 AM

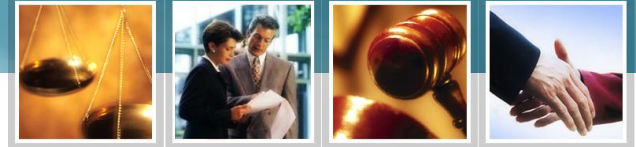
**Mark Weinstein CPA, Esq., LL.M, MPH**  
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# Table of Contents



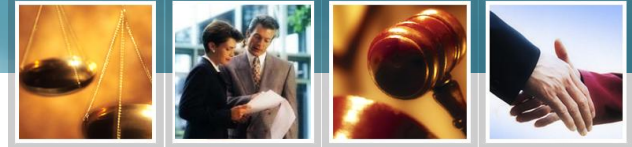
- I. **Problems with US Health Care**
- II. **Affordable Care Act**
- III. **Essential Benefits**
- IV. **Until 2014**
- V. **Empower Consumers with Information**
- VI. **State Health Insurance Exchanges**
- VII. **Universal Guarantee of Access to Affordable Health Insurance**
- VIII. **2010 Federal Poverty Level (FPL)**
- IX. **Exchange Premium Limits and Cost Sharing Subsidies for Eligible Individuals**
- X. **Young Adults**
- XI. **Catastrophic Plans**
- XII. **Penalties**
- XIII. **Individual and Small Employer Insurance Market**
- XIV. **Nondiscrimination for Health Care Providers**
- XV. **Limits on Out of Pocket Costs**
- XVI. **Miscellaneous**
- XVII. **Wellness**
- XVIII. **Tax policy**
- XIX. **Taxes**

# I. Problems with US Health Care



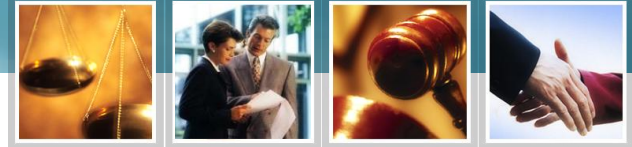
- Money flow – watch the 
  - Employers/Employees → Gov't.
  - \$\$ for surgery
- Lack of intrinsic quality
  - 30% waste
  - Only 50% proactive evidence based medicine
- Large Claims impact - forget the 80/20 rule!
  - 1% of people spend 25% of dollars spent on health care
  - 5% of people spend 50%
- Personal Responsibility is not paramount
  - 40% of people insured do not access benefits at all
  - 70% of people do not adhere to recommendations
- Prevention has been largely overlooked
  - Less reimbursement to providers to prevent rather than treat disease
  - Unavailable to some

# I. Problems with US Health Care (continued)

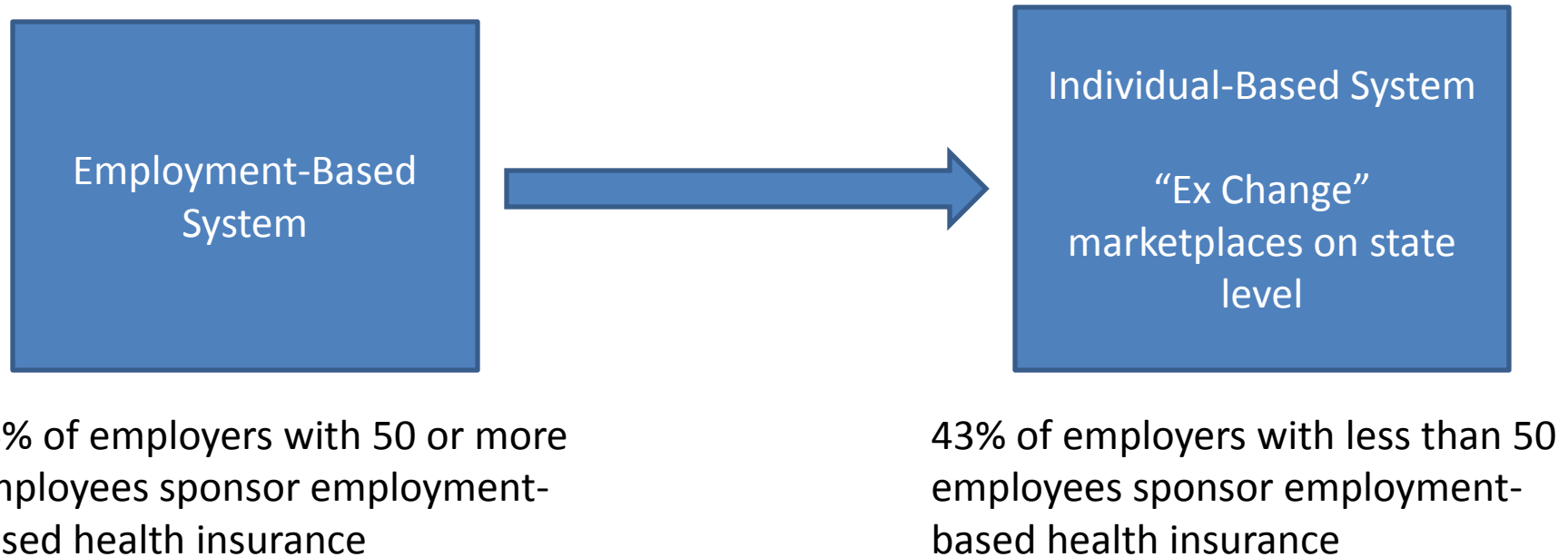


- The Payor and the Insured are not aligned
  - Moral Hazard
  - Artificial Demand
- US only civilized society without universal access to quality health care
  - Human Right
  - Low World Health Organization Statistics
- Ever-increasing cost of health care
  - Health Care Spending 16% of GDP; Large impact on compensation
  - US spends 2x more than other nations
- Shortage of Primary Care Physicians
  - Least paid
  - Critical to Medical Homes

# II. Affordable Care Act

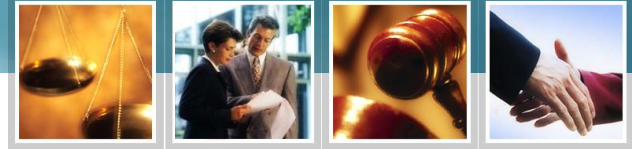


Health Care Reform is a once-in-a-generation overhaul of 1/6 of the US economy



59% of all Americans receive employer sponsored health insurance

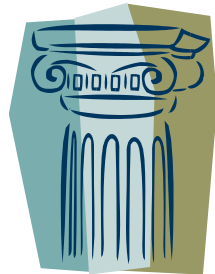
# II. Affordable Care Act (continued)



- Under ACA, US residents now have a legal right to access “affordable” health care with “essential benefits.”
- In 2014, ACA begins to transition employment-based health care to health insurance exchanges. As this transition plays out, however it does, best employers still provide employee health insurance:



**Advocacy**



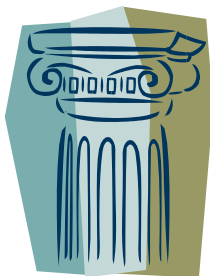
**Purchasing Power**



**Wellness Culture**



**Technology Tools**



**Communications**

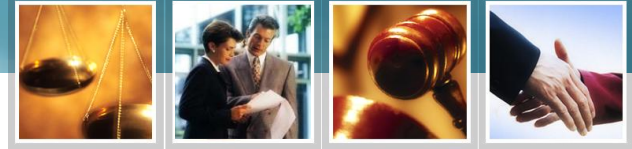


**Valued Benefits**



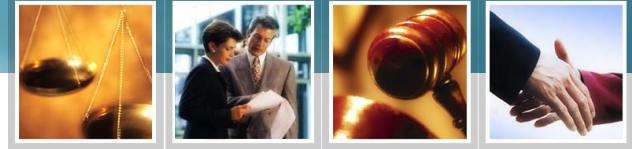
**Centric Care**

# III. Essential Benefits



- Ambulatory patient services
- Emergency Services
- Hospitalization
- Maternity and newborn care
- Mental Health and Substance Abuse, including behavioral health; not clear about autism coverage
- Prescription Drugs
- Preventive and wellness services
- Chronic Disease Management
- Pediatric Services, including dental and vision care
- Rehabilitative and habilitative services
- Laboratory services

# IV. Until 2014



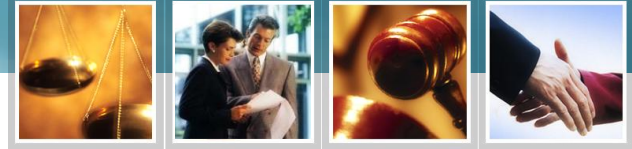
- Prohibition on lifetime dollar limits
- No longer allowed annual limits for essential benefits

Annual Limits on Essential Benefits	
9/23/10 – 9/22/11	\$750K
9/23/11 – 9/22/12	\$1.25M
9/23/12 – 12/31/13	\$2M
2014 and beyond	Unlimited

- Prohibition on Pre-Ex Condition Exclusion for Children under age 19
- G** • Coverage of preventive health services without any cost-sharing requirement for United Services Preventive Services Task Force (USPSTF) A or B services; immunizations recommended by Advisory Committee on Immunization Practices (ACIP of CDC); preventive health benefits for infants, children and adolescents by Health Resources and Services Administration (HRSA); and for women, guidelines by HRSA, except not USPSTF recommendation on Mammography (11/09)

**G** = Grandfathered

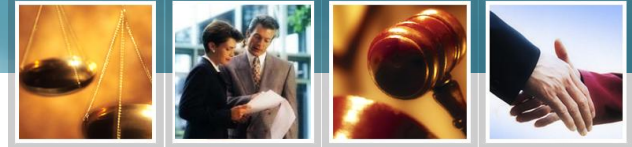
# IV. Until 2014 (continued)



- Extension of Coverage for Children up to age 26
- G** • Mandated claims appeal process with binding external review
- Rescission of coverage for reasons other than fraud or non-payment
- Coverage of Emergency Services
  - No Prior-authorization
  - Allows Out of Network providers to balance bill
- Designation of Primary Care Physician may not be unduly restricted, and allow for children to choose a pediatrician and for women to choose an OB/GYN

**G** = Grandfathered

# V. Empower Consumers with Information



- [www.healthcare.gov](http://www.healthcare.gov)

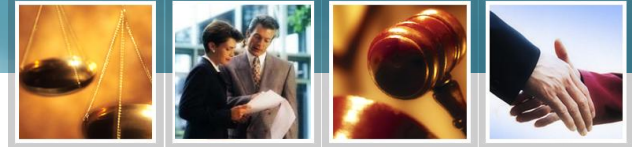
## Information About:

- Insurers
- Medicaid
- CHIP
- High Risk Pools
- Affordable Care Options

## Regarding:

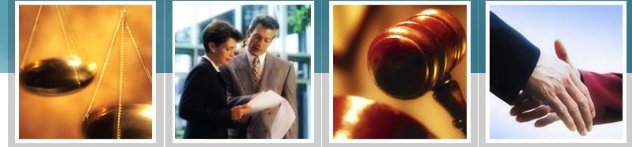
- Cost and availability of coverage
- Quality of care
- Efficiency, Quality, and Integrity of providers
- Research Trends

# VI. State Health Insurance Exchanges



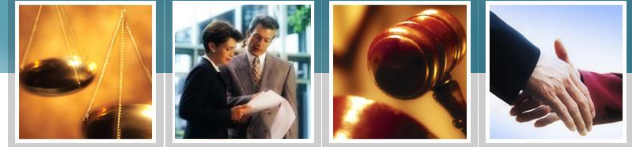
- The Goals of the Exchange are:
  - To enhance consumer choice
  - Create single risk pools based on community ratings that are subject to strict underwriting requirements
  - Lessen the reliance on employer sponsored health care coverage
  - Allow “apples to apples” comparisons
- In 2014, open to individuals and small employers only
- In 2017, open to everyone

# VII. Universal Guarantee of Access to Affordable Health Insurance



- Medicaid Eligibility is expanded to non-elderly citizens and legal residents whose family income is less than 133% of federal poverty level
- Medicaid Ineligible people with incomes up to 400% of the federal poverty level and have inadequate employment-based health care receive
  - Premium subsidies through tax credits for health plans offered through state health insurance exchanges; and
  - Limits on out-of-pocket spending limits for insurance policies offered through the exchange

# VIII. 2010 Federal Poverty Level (FPL)



Family Size	100% of FPL	133% of FPL	200% of FPL	300% of FPL	400% of FPL
1	\$10,830	\$14,404	\$21,660	\$32,490	\$43,320
2	\$14,570	\$19,387	\$29,140	\$43,710	\$58,280
3	\$18,310	\$24,352	\$36,630	\$54,930	\$73,240
4	\$22,050	\$29,327	\$44,100	\$66,150	\$88,200

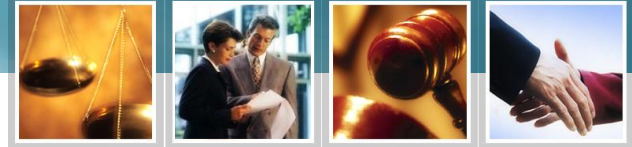
# IX. Exchange Premium Limits and Cost Sharing Subsidies for Eligible Individuals



Income Level (in terms of FPL)	Max Paid towards Health Coverage		
	% of Income	Single	Family of four
Up to 133%	2%	\$25/mo	\$50/mo
133 - 150%	3 - 4%	\$30/mo	\$60/mo
150 - 200%	4 - 6.3%	\$110/mo	\$220/mo
200 - 250%	6.3 - 8.05%	\$180/mo	\$360/mo
250 - 300%	8.05 - 9.5%	\$250/mo	\$500/mo
300 - 400%	9.5%	\$345/mo	\$690/mo

Income Level (in terms of FPL)	Out- of- Pocket Spending Limits	Maximum of Total Plan Costs
100 - 200%	\$1,983 (IND)/ \$3,967 (FAM)	6 - 13%
200 - 300%	\$2,975 (IND)/ \$5,950 (FAM)	27 - 30%
300 - 400%	\$3,987 (IND)/ \$7,973 (FAM)	30%
400% +	\$5,950 (IND)/ \$11,900 (FAM)	N/A

# What does this all mean?.....



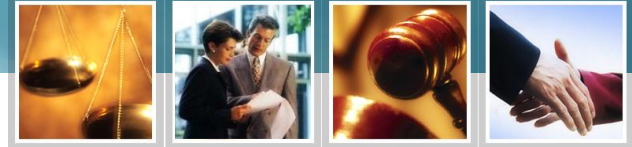
## Example

Robin and Mark are married with no children and \$58,820 in MAGI. They run a small business out of their home. Both enroll in a qualified plan through the State of FL exchange and pay \$800 premium per month. The second lowest cost plan offered by the exchange is \$700 monthly. How do they calculate what is their credit?

1.  $\$58,280 \times .095 = \$5,536.60$  ← annual maximum Robin and Mark should pay for health insurance
2.  $\$5,536.60 / 12 = \$461.38$
3.  $\$700 - \$461.38 = \$238.62$  ← monthly refundable income tax credit to Robin and Mark

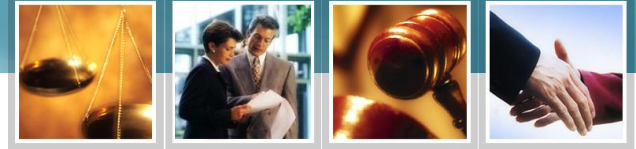
In addition, their Individual Out-of-Pocket limit is \$3,987 and the Family Limit is \$7,973

# X. Young Adults



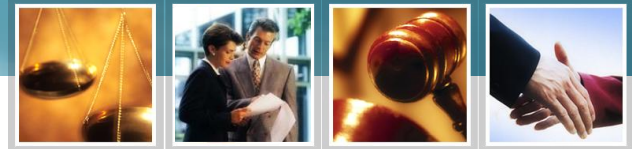
- 30% lack health insurance coverage
  - All Plans that provide for dependent children cover adult children (regardless of marital status) until the child turns age 26
  - Until 2014, grandfathered plans may exclude an adult from being covered if the child is eligible to enroll in another employer-sponsored health plan (except if the plan is a parent's plan)
  - Pre-tax benefit is extended to age 26 without tax dependent requirements
  - High-deductible, catastrophic option available for adults under the age of 30 in Exchanges beginning 2014; no Federal Subsidies available

# XI. Catastrophic Plans



- Individuals who have not turned age 30 at the beginning of the Plan Year
- Exempt from the enroll or pay provision penalties (religious exemption, inmates and non citizens)
- No access to affordable care
  - Three primary care visits
  - NO reimbursement for other essential health benefits until the individual has incurred \$6K in claim expenses

# XII. Penalties



## Individual

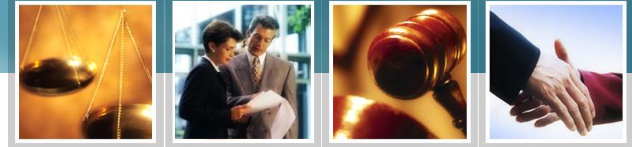
Enroll or Pay (under 18 year old guardians pay 50%)

	<u>Greater of:</u>	
Year	Individual's Penalty (up to 3X)	% of Income * Penalty
2014	\$95	1%
2015	\$325	2%
2016 +	\$695 indexed	2.5%

IRS Form 1040 Rules with no criminal charges,  
levies or liens allowed

\* Income is AGI less deductions less personal exemptions

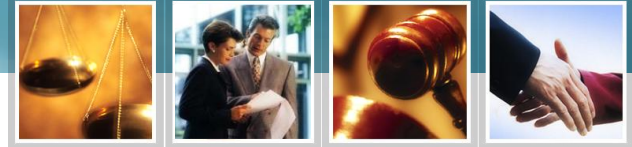
# Employer Pay or Play



Failure by employers with more than 50 employees must offer Minimal Essential Benefits to any full time employee eligible to receive a subsidy for coverage obtained through an Exchange or be subject to a nondeductible federal tax penalty.



# Large Employer Month By Month Penalty



\$166.67+ COLA per month per full time employee for no minimal essential coverage

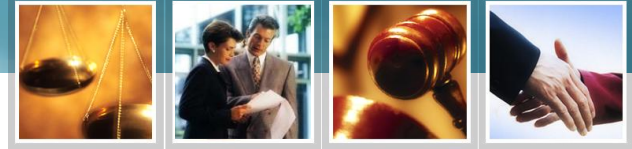
OR

\$250+ COLA per month per full time employee who receives a premium tax credit or cost sharing reduction related to enrollment in a qualified health plan on a State Exchange for either inadequate or unaffordable coverage

Inadequate: Essential Benefits are less than 60% of the value regulations require

Unaffordable: Constitutes more than 9.5% of household income for SINGLE coverage (NOT FAMILY). Keep monthly premiums to less than \$100/mo

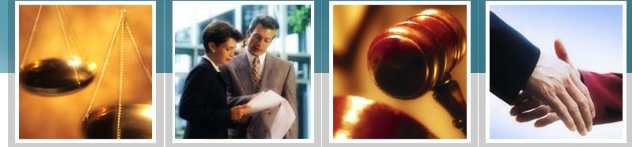
# XIII. Individual and Small Employer Insurance Market



## Fair Health Insurance Premiums

- Prohibits “discriminatory premium rates” charged by health insurance issuers for health insurance issued to individuals and the small-group market.
  - Coverage of individual or family (tiers)
  - Geography
  - Age bands with a variance no greater than 3:1
  - Tobacco premiums with no variance greater than 1.5:1
- **NOTHING ELSE. NO CLAIMS EXPERIENCE**

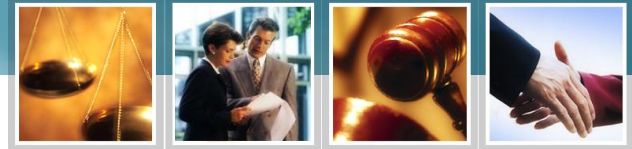
# XIII. Individual and Small Employer Insurance Market (continued)



## Guarantee Issue and Renewability

- In 2014, all insurance companies in a state must accept every small employer and every individual who applies for coverage. Insurers may restrict enrollment to annual and special (qualifying) events.
- There is also automatic renewal at option of individual and/or employer

# XIV. Nondiscrimination for Health Care Providers



(Except for Grandfathered or CBA)

Prohibits discrimination against any health care provider who is acting within the scope of the provider's license or certification under state law

- ACCUPUNCTURE ALLOWED ONLY BY LICENSED MD WOULD BE PROHIBITED

## Hello Chiropractors!



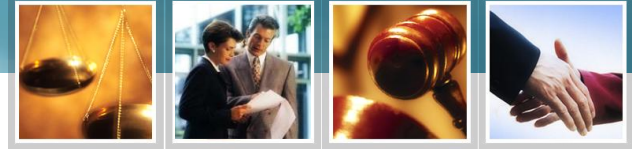
# XV. Limits on Out of Pocket Costs



With the exception of grandfathered plans and collectively bargained plans the Limits are as follows:

- \$2,000 Individual Deductible
- \$4,000 Family Deductible
- \$5,950 Individual Max
- \$11,900 Family Max

# XVI. Miscellaneous



- 90 day waiting period max
- Except for grandfathered plans and CBA, coverage of approved clinical trials
- Auto-enrollment (2013)
- Employer Notice of Coverage Options (2013)
- Nursing Mothers
- Reporting Only cost of coverage on Form W2 (2012)
- 4 page 12 point font Summary of Benefits and Coverage Pamphlet
- Quality of Care Reporting to everyone

# XVII. Wellness



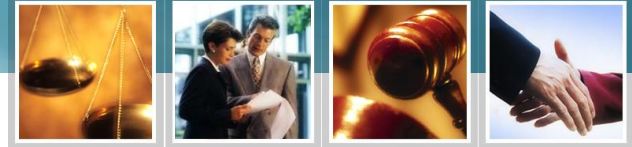
Employer health promotion and disease prevention programs offered by an employer (that meet requirements below) will not violate the prohibition on discrimination on the basis of health status.

**Is the program reward tied to satisfying a standard that is related to a health status factor?**

## Health Status Related Factors

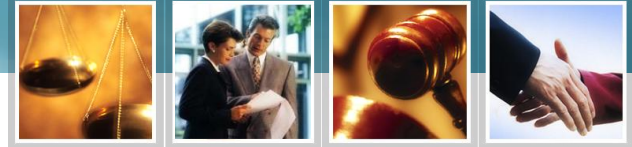
- Health Status
- Medical Condition
- Claims Experience
- Receipt of Health Care
- Medical History
- Genetic Information
- Evidence of Insurability (including acts arising out of domestic violence)
- Disability

# XVII. Wellness (continued)



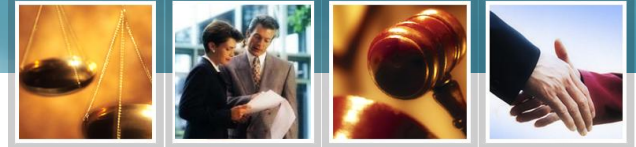
- Reward may not exceed 30% of total cost coverage of participants in the program (about \$100 - \$200 PEPM)
- Reasonably designed to promote health or prevent disease (no subterfuges allowed)
- Qualify for reward at least once a year
- Similarly situated treated the same
- Reasonable Alternative

# XVII. Wellness (continued)



- ACA shifts priority in health care from diagnosis and treatment to prevention and wellness
  - Educate employees about shared responsibility in controlling health care cost
  - Support employees to manage health and use right treatment/diagnosis at the right place, provider and time
- ACA integrates incentives into health plan design, clarifying what employers can do with incentive strategies
  - Drive employee engagement and population health outcomes
  - Corporate leadership commits to health as a core organizational value (does more than mere incentives)
- ACA allows for more flexibility in structuring incentive strategy and stronger rationale for investing in health management
  - Reallocates rather than add costs to health plan budget
  - Employees take meaningful steps to improve health and reduce costs

# XVIII. Tax Policy



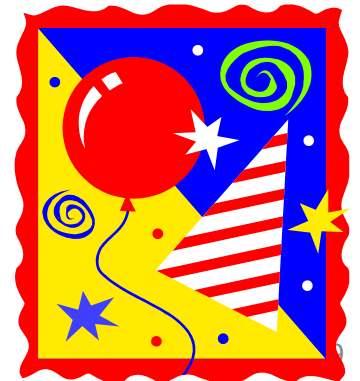
Sections 105 and 106 of the IRC provide one of the most lucrative tax benefits in US law.

In return, nondiscrimination rules are now applicable to insured health plans.

***If You Have a party,***

***Invite everyone, and***

***Treat everyone the same.***



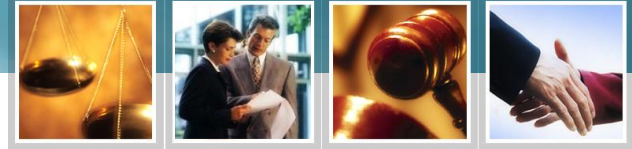
# XIX. Taxes



- Nondeductible tax on “Cadillac” health coverage (IRC Section 4980I)
  - 100% penalty + interest for knowingly underpaying tax
  - 40% excise tax on excess benefit in applicable employer-sponsored coverage
  - Imposed on insurance company or employer (if self-funded)
  - Determined on monthly basis in same manner as COBRA premium
  - In 2018, \$10,200 employee only, \$27,500 family (health cost adjustment percentage)
  - Threshold for retirees and high-risk professions is higher (\$11,850/ \$30,950)
  - **Does not** include long-term care, dental or vision
  - **Does** include FSA/HRA



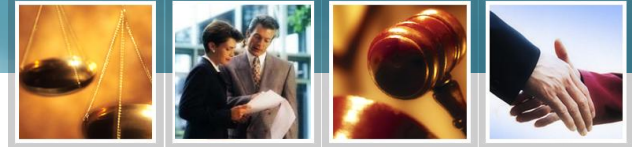
# XIX. Taxes (continued)



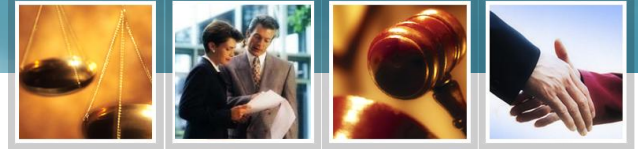
- Health FSA
  - In 2013 limited to \$2,500 adjusted for COLA
- Prohibition of Reimbursement of Over-The-Counter Drugs Expenses without a physician prescription
- Administrative fee for self-funded and insured plans
  - In 2013, \$1 per covered life
  - In 2014, \$2 per covered life, adjusted for increase in health cost
- Increase in Medicare Tax
  - Wages in excess of \$125K or \$250K (\$200K for head of household)
  - To employee only
  - Increased from 1.45% to 2.35%
  - Employers may use \$200K for withholding



# XIX. Taxes (continued)



- Medicare tax on unearned income
- Various constituencies in US health system
  - Pharmaceutical manufacturers and importers
  - Medical device manufacturers and importers
- Increased threshold in itemized deduction for medical expenses in 2013 (break for over 65 until 2017)
- Limitation on Compensation Deduction for Health Insurance Executives
- 10% tax on Indoor Tanning Service



# Thank You!



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