



2012 Employment Law & Leadership Conference
 January 19, 2011
 Hyatt Regency • Monterey, CA


Healthcare Reform and Managing the High Cost of Benefits

Presented By:
 Tony Bruscia, CIC, CRM
 V.P. InterWest Insurance Services, Inc.



Legal Challenges

- ▶ The Supreme Court will hear 5 ½ hours of arguments in March 2012 vs the typical 1 hour.
- ▶ Did Congress over-step their constitutional authority?
- ▶ If yes, can the individual mandate be severed from the rest of the law?
- ▶ Also looking at medi-caid and anti-injunction act questions
- ▶ Final ruling expected by the end of June 2012



Additional Threats to HCR

- ▶ California reducing payments to Medi-Cal doctors to as little as \$11 - \$12 per visit due to budget woes.
- ▶ Also proposing to limit patients to 7 visits per year.
- ▶ Federal Deficit 1.3 trillion for 3rd consecutive year.
- ▶ Unfunded commitments to Medicare and Social Security grew by 3 trillion to 34 trillion.
- ▶ Removing an unrealistic assumption to cut medicare doctors payments puts the deficit at 46 trillion
- ▶ 2012 elections

What You need to know NOW



- ▶ **Grandfathered Plan Status**
 - Do you know?
 - Key triggers
 - Significant reduction in benefits
 - Reduction in % paid by ER
 - Collective bargaining special rules
 - Key advantages
 - Discrimination rules don't apply until 2014
 - No caps on deductibles/co-pays 2014
 - Minimum essential coverage
 - Employers with multiple plans - both

What You need to know NOW



- ▶ **Annual and Lifetime Limits**
 - No lifetime limits
 - Annual limits on gradual increase
 - Some exceptions permitted
 - Agricultural/blue collar industries

What You need to know NOW

- ▶ **Early Retiree Reinsurance Program**
 - Administered by HHS/funded by Federal Government
 - Help employers afford coverage for early retirees.
 - Employees aged 55 - 64, and retired from active duty
 - 80% of costs covered between \$15,000 - \$90,000
 - Premiums
 - Deductibles
 - Co-insurance.
 - Spouses/dependents of qualified retiree also eligible
 - Apply - www.errp.gov



What You need to know NOW

▶ Employee Notices

- Renewal after 9/23/2010
- Notification of grandfathered status
- No pre-ex for children under 19
- To age 26 eligibility
- Re-enrollment for exceeding lifetime limits
- Patient protections
- Appeals process



What You need to know NOW



▶ OTC Medicines and Medical Supplies

- Applies to all tax advantaged plans
- RX to pharmacist at time of purchase
- Retain copy of receipt and RX
- Some supplies do not require RX

What You need to know NOW

▶ Small Business Tax Credit

- 25 FTEs or less
- Average \$50,000 or less
- Owners/family not counted
- Complicated formula
- Credit up to 35% of annual premiums
- Credit up to 25% for non-profits
- Continues and increases in 2014



What You need to know NOW

▶ Medical Loss Ratio Limits

- Individual and small group - 80% (1 -100)
- Large group - 85% (101+)
- Self-funded plans - not applicable
- Starts Jan 1st 2011 - paid Aug 2012



What You need to know NOW

▶ Rate Review

- Pending HHS Clarification
- Effective Sept 1st 2011
- Individual and small group (2-50)
- Increase greater than 10% triggers review
- Actuarial justification
- Not applied to Grandfathered Plans



What You need to know NOW

▶ Other items

- Wellness grants currently not funded
- NQ HSA withdrawals penalty doubled - 20%



What's Coming

▶ Uniform Coverage Documents

- Uniformity regs start 3/23/2012 for Plan Summaries
 - Fully insured plans - from their insurance company
 - Self-funded employers are responsible – check with TPA for assistance



What's Coming

▶ Material Modification

- Pending further guidance
- 60 days advance notice required
- Changes in coverage
- Changes in cost possible
- All plans included – even Grandfathered



What's Coming

▶ FSA Contributions

- Limited to \$2500 effective 1/2013
- Expense deduction threshold raised from 7.5 to 10% of AGI
- What about HRAs?



What's Coming



- ▶ **W-2 Reporting of Benefits Value**
 - 2011 – optional; 2012 – required
 - Employers under 250 W-2s exempt

What's Coming

2013

- Community Living Assistance Services/Support - **Eliminated as of October 2011**
- **New Taxes**
 - Medicare payroll taxes to 2.35%
 - New tax on investment income (dividends, interest earned, etc) for high wage earners
 - 200+ Employee Employers Automatic Enrollment 3/2013



What's Coming

2014

- ▶ **Annual concerns**
 - 90 day max new hire wait
 - Individual/small group health insurance exchanges open
 - Guarantee issue with no Pre-X's
 - Rating limited to age/smoking (not general health)
 - Expansion of small employer tax credits
 - Essential benefits plan
 - Pay or Play
 - Individuals
 - Employers of 50+ employees



What's Coming

2017



- Large employer exchanges

What's Coming

2018

▶ Annual concerns

- “Cadillac” tax
 - 40% of excess
 - Current limits - \$10,200 for single coverage and \$27,500 for family.
 - Total premium, or just portion paid by employer?



What You can do NOW

▶ Small vs. Large

- Politics of rich vs poor
- Other “large employers” laws and rules
- Want to provide benefits?
- Can your company compete with added cost of healthcare?
- What constitutes “controlled group”
- Analysis of ops & the number of employees required



What You can do NOW

► Options Cost Analysis

- Insurance vs. fines
- Traditional vs. exchanges
 - Adverse selection
 - Government subsidies
 - Direct vs. brokers
- Innovation for long term savings



What You can do NOW

► Risk Assessments

- Risk tolerance?
- Risk taking/sharing
- Alternative funding
 - Return of premium plans
 - Captives
 - Partial self-funding



What are Value-Based Benefits?

- Value-Based Benefit Plans provide financial rewards when members take action to improve their health
 - Health Actions Include:
 - Participate in a Biometric Screening
 - Complete an Annual Preventive Examination
 - Complete Age/Gender Appropriate Cancer Screenings
 - Value-Based Activities are:
 - Participation Based
 - Outcomes Based
- Health Improvements

Beginning with a Comprehensive Population Risk Analysis

Robust Analytics

- Review historic and current claims data to identify markers for potential increases in health costs. Markers include:
 - Individuals at risk for heart disease, cancer, diabetes, asthma and depression.
 - Employees who have few or no health care claims because they are not participating in routine annual health screenings.
- Identifies the current health status of employees
- Creates Personalized Health Action Plans that include preventive care and condition-specific programs.
- Aggregates a HIPAA-compliant view of your organization's overall health status.



Robust analytics

Uncovering potential costs.



Sample Company Cancer Profile		Expected	Actual	Undiagnosed
Cervical Cancer	0-59-Female	34	13	21
	60-79-Female	6	2	4
Breast Cancer	40-59-Female	463	179	284
	60-79-Female	166	86	80
Prostate Cancer	40-59-Male	299	90	209
	60-79-Male	490	111	379
Colon Cancer	40-59-Male	113	97	16
	60-79-Male	137	40	97
	40-59-Female	74	58	16
	60-79-Female	65	25	40
Population Totals		1,847	701	1,146

Employee engagement

Personalized Health Action Plan

- Customized for every employee.
- Displays specific, employer-defined Health Actions based on age, gender, ethnicity and condition-specific guidelines.
- Lists frequency of Health Actions, including next due date.
- Informs users when their Health Actions are past due and completed.



Can be accessed any time online.

Personalized Health Action Plan

Encouraging and rewarding health improvement

Sutter Health Actions for JILL JONES

Benefit Year 01/01/2011 - 12/31/2011

Year Health Action	Frequency	Last Completed	Next Due	Completed
1. Health Questionnaire	1 every 2 years	10/10/2011		✓
2. Blood Pressure Checks			12/31/2011	!
- BP < 140/90 OK	1 per year	-		
- 10 Point Drop in BP	1 per year	-		
3. Blood Mass Index (BMI) Checks			12/31/2011	!
- BMI < 25 OK	1 per year	-		
- Drop in BMI	1 per year	-		
4. Cholesterol			12/31/2011	!
5. Physical Activity 30 Minutes Per Day 3 Times Per Week		06/02/2011		✓
6. Smoking				✓
- Non-Smoker OK	1 per year	06/02/2011		
- Smoking Cessation Program	1 per year	-		

Financial rewards

Engaging and motivating employees

Employees are rewarded upon successful completion of their personalized Health Actions.

Rewards may include:

- Premium reductions
- Deposits into an HRA, HSA, Health Incentive Account
- Enhanced benefits such as waived co-pays, reduced co-insurance
- Merchandise

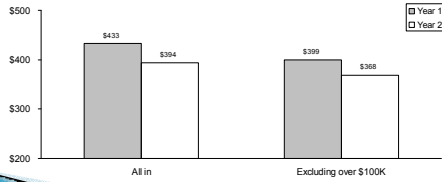


Personalized Health Management - Success!

- **Engaged members, changed behavior**
 - 79% of plan participants completed some of their Health Actions
 - 55% of plan participants earned at least half of their incentive
 - 30% of plan participants earned the entire reward!
- **Positive Outcomes**
 - 45% of plan participants lost weight, with an average of more than 9 pounds lost per individual
 - Close to 20% reduction in diabetes-related complications
 - Wellness coaching enrollment was 5 times higher in 2010 when compared with 2009

Employer Success Story – 6,000 Employees

- ▶ The Value-Based Incentive Design program is designed to increase screening and compliance rates. Despite increased utilization of these services, overall employer costs per member per month **dropped 8.9% from Year 1 to Year 2**
- ▶ Excluding claims in excess of \$100,000, **claims PMPM dropped 7.7%**



A change for the better

Improving health, lowering costs.



Employer Assistance

▶ Websites

- ❖ www.dol.gov/ebsa/
- ❖ www.hhs.gov
- ❖ www.healthcare.gov
- ❖ www.nahu.orgwww.uhc.com
- ❖ www.erp.gov
- ❖ www.uschamberssmallbusinessnation.com
- ❖ www.iwins.com

Professional Resources:

Tony Bruscia
tbruscia@iwins.com

Janice Rahm
jrahm@sechangehealth.com