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# Health Insurance Reform

## *“The Good, The Bad, & The Ugly”*

### How the Patient Protection and Affordable Care Act (PPACA) Affects Employers

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# The Intent of the Statute<sup>(1)</sup>:

- To give every U.S. Citizen (or legal resident) affordable health insurance through either employer-sponsored health plans or individual insurance policies
- To finance this expansion of coverage
- To guarantee a certain minimum level of coverage
- To restrict certain “unfair” health insurer practices
- To make it easier to compare and buy health insurance
- To “bend the cost curve” downward

(1) Patient Protection and Affordable Care Act (H.R. 3590 – March 23, 2010) and Health Care and Education Reconciliation Act (H.R. 4872 – March 30, 2010)



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# How?

(High level overview)

2010

2014

Internet portal

*Becomes*

Health insurance exchange

Easier to Compare and Buy

Ban on pre-existing condition clauses for children (<19 yrs. old)

*Becomes*

General ban on pre-existing condition clauses

Restrict "Unfair" Insurer Practices

High risk pools (State-based),  
Small business tax credits,  
Early retiree insurance assistance

*Becomes*

Small business tax credits, Individual subsidies, Guaranteed issue

Expand Coverage

Restricted annual limits

*Becomes*

Ban on limits for essential benefits

Set Minimum Level of Coverage



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# The Good

- More access to care for more Americans
- Some pilot programs aimed at “bending the cost curve”

# The Bad

- Penalties for failure to purchase insurance are less than cost of coverage
- Minimal focus on the underlying drivers of health care costs

# The Ugly

- Compliance effort is expansive, confusing and costly
- Significant taxes and assessments
- Few initiatives to alleviate demand on primary care



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# Implementation

2010 – 2011 (Wave I)

- Three Key Questions:
  - Do you have individual or group coverage?
  - Is your group fully insured or self insured?
  - Is your plan grandfathered?
    - Existed before March 23, 2010
    - Reenrollment
    - Add dependents



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# Implementation – Wave I

2010

- Restricting “unfair” insurance practices:
  - No annual benefit limits on “essential benefits (TBD)”
  - No lifetime benefit limits
  - No rescissions (except for fraud and / or intentional misrepresentation)
  - No pre-existing condition exclusions for enrollees under 19.
  - Regulated internal and external appeals and external review (details TBD)
  - Minimum Medical Loss Ratios (formula TBD)



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# Implementation – Wave I

2010

- Expanding coverage:
  - Coverage for adult children up to age 26
    - Wed or un-wed
  - Small business tax credits (up to 35% of cost)
    - <25 employees
    - Average salary < \$50,000
  - High risk pools
    - PA has “opted-in”
  - Early Retiree Assistance
    - Starts June 2010
    - Employers must apply for reimbursement of high cost claims
    - Limited funding



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# Implementation – Wave I

2010

- Defining “Minimum” Coverage Levels:
  - No cost sharing for preventative care and immunizations
  - Direct access to certain providers (pediatrician, gynecologist or obstetrician)
  - Limits on emergency service cost sharing
  - HHS to define “essential benefits”



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# Future Implementation

2014 – Wave II

- Rate setting restrictions
- Guaranteed issue
- Mandated essential benefits (TBD)
- Individual mandate
- Employer “pay or play”
- General ban on pre-existing condition clauses
- State-based health insurance exchange (TBD)



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# The Ugly

2014 and beyond – Wave III?

- Beware of “jumpers and dumpers”
- Costs will continue to rise ... unless we do more
  - Expand some of the pilot programs
  - Medical malpractice reform
- Clarifying regulations (?)
- Mitigation of tax on “Cadillac” Plans



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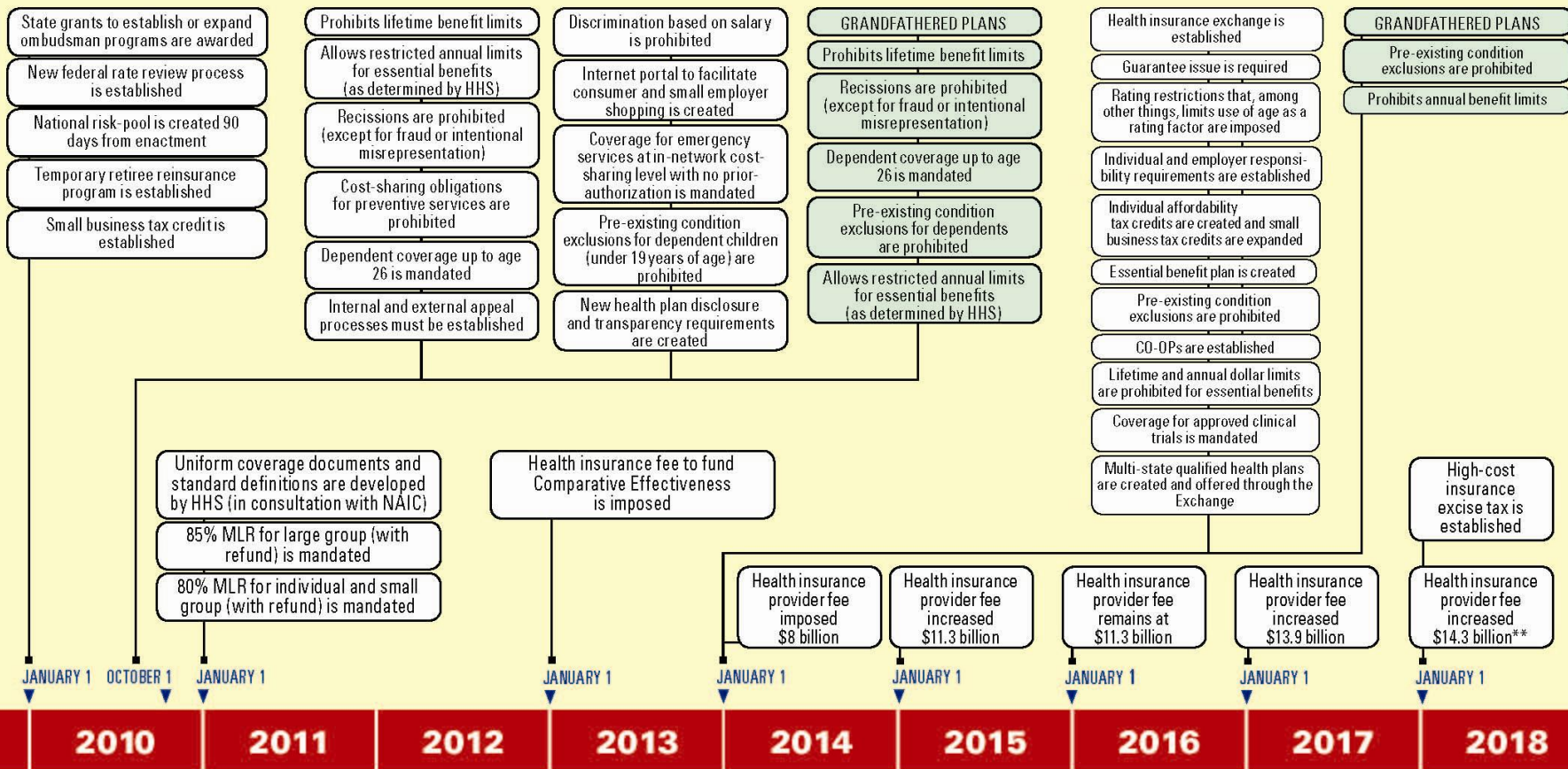
# Suggestions

- Don't shoot the messenger
- Embrace change
- Consult your attorney and accountant
- Look for guidance:
  - Your health plan
  - Your broker / benefits consultant
  - Your Chamber
  - The media

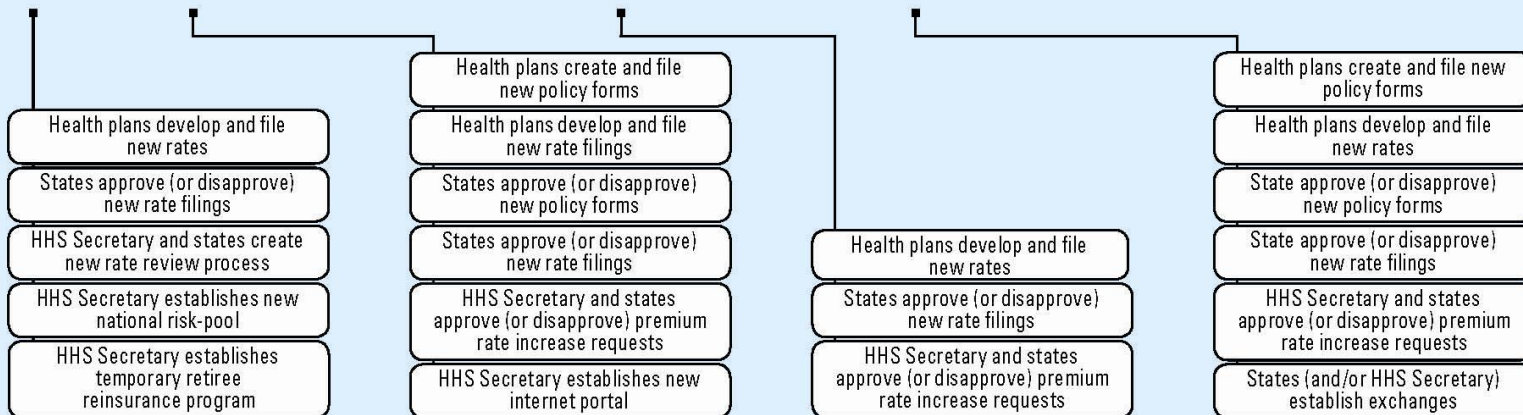


# Health Care Reform Bill Insurance Market Provisions Timeline (as revised by the House Reconciliation Bill)\*

SUMMARY OF SELECT REQUIREMENTS



IMPACT



\*Assumes April 1, 2010 enactment

\*\*In years following 2018, the tax amount would increase in an amount proportionally equal to overall premium growth.



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