



Networks Financial Institute 2013 Affordable Care Act Forum

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**Columbia Club
121 Monument Circle
Indianapolis, IN 46204**



AON Hewitt

ACA...just another law? Employers are “numb” to new benefit laws!

The last 25 years have been brutal!!

- ERISA (The good old days!)
- Children’s Health Insurance Program (CHIP)
- Mental Health Parity
- Genetic Information Nondiscrimination Act (GINA)
- Qualified Medical Child Support Order (QMSCO)
- Uniformed Services Employment and Reemployment Rights Act (USERRA)
- COBRA
- Family Medical Leave Act (FMLA)
- HIPAA
- Medicare Part D
- Newborn & Mothers Health Protection Act
- Women’s Health & Cancer Rights Act

Have these laws added any direct or indirect costs to your company?

ACA....what has already happened? Provisions the public seem to like...

- Lifetime dollar maximums on essential benefits removed
- Removed pre-existing conditions on dependents under age 19
- Coverage for adult children to age 26, regardless of school status
- No out-of-pocket expenses for preventive care
- Medicare recipients have seen higher pharmacy discounts
- Insurers have restricted medical loss ratios
- Health coverage “value” is now reported on W-2’s

.....Employers have dealt with these, and more, but have no “major” objection to any of these provisions. But they have added to employers costs.

ACA – More to do in 2013.....

- Notice to Inform Employees of Coverage Options in Exchange
- Limit of Health Care FSA Contributions to \$2,500 (Indexed)
- Elimination of Deduction for Expenses Allocable to Retiree Drug Subsidy (RDS)
- Medicare Tax on High Income Individuals
 - Additional 3.8% capital gains tax
- Addition of women's preventive health services at no cost sharing
 - Coverage for Certain In-Network Preventive Health Services
- Patient-Centered Outcomes Research Institute Fee (PCORI) – Excise tax

.....Nothing major in 2013, but additional new taxes are here!

2014 Provisions Create New Choices for Employees

Employer Plan

- If offered, generally the best choice for employees who do not receive a federal subsidy in the exchanges
- 155 million currently covered by employee sponsored plans

Federal/State Exchanges

- Federal subsidies if household income below 400% of Federal Poverty Limit; AND
- Employer coverage is not offered or is unaffordable
- Goal to enroll 7 million people on the National Exchanges in 2014

Medicaid

- States choosing to expand Medicaid: employees below 138% of FPL (Indiana undecided on expansion)
- Nearly full coverage but provider access limited
- Full expansion could add 12 to 15 million more Americans (400,000 in Indiana)

Opt-Out Self Insure

- Waive employer coverage to enroll in another plan
- Don't want to own health insurance; pay penalty
- Millions will still elect to be uninsured; penalty is weak incentive

ACA....what are employers real concerns?

1. Continued Guaranteed Cost Increases

- All employees, regardless of size, will see a guaranteed 3% to 6% cost increase in 2014....less for self-funded plans and more for fully-insured plans....and will continue to for the next 3 to 5 years.
- “Majority of small employers, under 50 lives, will see 40% to 110% cost increases due to new underwriting requirements in the ACA.” quoting an insurance company CEO when speaking to Indiana Chamber of Commerce members
- Employers don't like the fact that they have to pay \$25 billion in the next 3 years to subsidize the National Exchanges and they really don't like that their insurance premiums will be taxed by \$100 billion over the next 5 to 7 years to help subsidize Medicaid Expansion.

ACA....what are employers real concerns?

2. The law wasn't based on facts and didn't address the real problems.

- 55 million uninsured Americans....with no access to insurance...**Really?**
- Pre-Existing Condition provisions in health plans are preventing people from getting coverage in new employer plans...**Really?** Ever heard of HIPAA?
- Add Preventive Care Benefits and pass this law and your costs will REDUCE by \$2,500 per employee per year...**Really?** Has that happened to anyone?
- CBO predicts over 30 million will still be uninsured in 2023 and will add 37 million more in government programs (Medicaid and Exchanges with subsidies).
- Law only addresses “access to care” and nothing about the “cost of care” for employers
- Emergence of Accountable Care Organizations (ACO's) “could” help reduce costs and stabilize trend....next three years will be critical.
- This law will accelerate the drastic changes to the healthcare delivery system
- Hospital systems will reduce staff....825 at St. Vincents and over 900 at IU Health...making access more difficult, not less.

ACA....what are employers real concerns?

3. Law will have a negative impact on our economic recovery.

- Increasing costs will slow hiring of new employees
- US Government is broke...how can they afford **ANOTHER** entitlement program?
- No faith in the US Government being able to manage 1/6 of the US Economy
- Part-time workers will be increasing, household incomes will not grow

Employers will adjust and overcome another law...how? Employers....

- Will continue to offer benefits...but will require more employee engagement, employee responsibility and make them consumers.
- Will pursue the use of “non-traditional” health care providers
- Will focus on health improvement for all members
- Will require more cost transparency from the health care industry
- Will steer away for broad managed care networks and shift to narrower, high performance networks
- Will pay providers based on quality and not volume of services.
- Will seriously consider moving away from a “Defined Benefit” strategy and move towards a “Defined Contribution” approach to fund health plans.

Employers now face.....“The War on Two Fronts”



Employers must, with equal focus, address the declining health of their employees and families and exert pressure on health plans and providers to change how we direct people to, and how we pay for, health care services

All Employers know they can “win this war” without Federal Government involvement!!