



Health Care Reform: *What's the Prognosis for Business?*



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Patient Protection and Affordable Care Act (PPACA) aka National Health Care Reform

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What Is National Health Care Reform

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- Health Care Reform is a series of laws, regulations, and other agency (IRS, DOL, HHS) guidance that sets minimum standards for health coverage and imposes an array of new requirements on individuals, employers, and health plans.

- Effective date of changes
 - Plan anniversary after Sept 23, 2010



Benefit Provisions Effective 09/23/2010 *OR* the Next Health Plan Anniversary

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- Nondiscrimination requirement for highly-compensated individuals
- Mandatory dependent coverage for adult children over age 19
- No more lifetime benefit limits will apply



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Benefit Provisions Effective 09/23/2010 *OR* the Next Health Plan Anniversary

- Annual benefit limits may still apply
- Emergency services must be covered at network level regardless of provider
- No more cost sharing on coverage of preventive care
- No more over-the-counter (OTC) medicines or drugs for Health FSAs, HSAs, and HRAs

HealthCare.gov

- This federal government Website managed by the [U.S. Department of Health & Human Services](#) contains helpful information and guidance on understanding the provisions of National Health Care Reform. The link below brings consumers directly to the section on Health Reform:

<http://www.healthcare.gov/law/introduction/index.html>

Legal Responsibilities and Fiduciary Duties of Plan Sponsors

Matthew J. Lapointe
Shareholder & Director
Sheehan Phinney Bass + Green

- Healthcare Reform (PPACA) makes no change to Plan Sponsor's fiduciary duties
- For 2011, still no legal obligation to offer health benefits
- BUT, if you do, as PLAN SPONSOR, you likely have certain fiduciary duties under ERISA
- Fiduciary is named in the plan document
 - Person/Entity with "control or discretion over Plan"

Duties of Plan Sponsor

- Do you have a written plan?
- Do you know where it is?
- Have you reviewed/updated the Plan lately?
 - Does written Plan reflect actual practice?
 - With fully-insured plans insurance vendor usually keeps Plan current

Duties of Plan Sponsor (cont'd)

- To act solely in the interest of plan participants and their beneficiaries and with the exclusive purpose of providing benefits to them;
- To carry out duties prudently;
- To following the plan documents (unless inconsistent with ERISA);
- To hold plan assets (if the plan has any) in trust; and
- To pay only reasonable plan expenses.

New W-2 Reporting Obligation Under PPACA

- W-2 Reporting: Employers must disclose aggregate cost of employer-sponsored health coverage on employee's W-2
 - Effective with Plan Year on or after Sep. 23, 2010
 - For informational purposes only
 - Does not change taxability of benefits: if they were taxable before (e.g., certain same-sex spouses, former spouses, etc.) then they are still taxable.

Small Business Health Care Tax Credit

- Draft Form 8941 available on IRS.gov
- Credit available to employers with < 25 employees (FTEs)
- Employer must pay average annual wage below \$50,000
- The credit is worth up to 35 percent of a small business' premium costs in 2010.
- The credit phases out gradually for firms with average wages between \$25,000 and \$50,000 and for firms with the equivalent of between 10 and 25 full-time workers.

What Impact Will Health Care Reform Have on the Cost of Employer Medical Plans?

Jim Scammon
Executive Vice President



What are the Short Term Cost Implications?

- “Patient Protections” will add to costs
 - More dependents covered (age 26 and no pre-ex)
 - No lifetime maximums, limited annual maximums
 - Preventive services with no cost-sharing (non-grandfathered)
- Insurer fees will be passed through to insured plans; provider fees will be passed through to all
- Small Employer Tax Credit and Early Retiree Reimbursement Program may reduce costs for some employers



What are the Long Term Cost Implications?



- Industry fees will continue and grow through 2018
- Increased Medicaid enrollment and lower Medicare provider payments will likely increase cost-shifting to private plans
- Greater use of preventive services may reduce costs as diseases are identified earlier
- Pilot programs (e.g., medical homes, accountable care organizations) may improve efficiency and reduce costs over time

What Should Employers Do Now?

- Consider self-funding your plan
 - Avoid new fees placed on insurers
 - Avoid anti-selection costs in insured pool
 - Loss ratio minimums do not apply
- Implement a Consumer Directed Health Plan (CDHP) or enhance current offering
- Develop a plan to establish a culture of wellness



Consumer Directed Health Plans



- Greater cost-sharing at point of service
- Financial incentive for efficient, effective care
- Align incentives with those of the plan (best possible care at the best price)
- Better education and information sharing on cost, efficacy and quality of services
- Example: Compass Healthcare Advisors

Employer Wellness Plans

- Develop a three-year plan to establish a culture of wellness
 - Obtain Senior Management support
 - Convene a cohesive wellness team
 - Collect data, create an operating plan, map out interventions, create a supportive environment and evaluate outcomes/success
- Examples: Hannaford, Cianbro, Union Pacific





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