

# Health Care Reform Overview and Discussion

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Presented by:  
**Kory S. Holt, MBA**  
Chief Financial Officer  
Avera Health Plans, Inc.

## Legislative Actions

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- Two key pieces of legislation make up what is commonly called the “Health Care Reform Bill”
  - Patient Protection and Affordable Care Act (PPACA) HR 3590
    - Signed on March 23, 2010
  - Health Care and Education Affordability Reconciliation Act (ARA) HR 4872
    - Signed on March 30, 2010

## Broad Impact of Legislation

- Common misconception is that PPACA and ARA are just about health insurance reforms
  - While there are a number of health insurance mandates that come into effect with plan years beginning on or after September 23, 2010, this extensive piece of legislation also impacts:
    - Health care system and delivery reforms,
    - Financing reform through the creation of new revenue sources, and
    - Fundamental marketplace changes in how health care is financed and purchased in 2014 and beyond
- Consolidated PPACA and ARA health care reform bill contains over 1,000 references to the “Secretary shall”, so there are many components of the legislation that still require promulgation

# Important Healthcare Reform Concepts

## Applicability date

- Plan Year / Policy Year beginning on or after 9/23/2010

## Definition of a plan year for group plans

- Defined by the employer in their plan description; often it is described as when the deductible for the plan resets

## Definition of a policy year for individual plans

- Defined by the carrier in their policy documents; where the documents are silent, this is described as when the deductible for the plan resets

## Federal / State coordination

- Traditionally, health insurance regulation has been under state control with the federal Department of Labor having oversight for ERISA sponsored plans only. PPACA changes that with new federal mandates that hold all carriers, regardless of the states in which they are licensed, to minimum requirements. Where states have additional mandates in place, those mandates will continue. An example in South Dakota is offering coverage to adult students from the age of 26 to 29.

## Definition of essential health benefits

- Defined only at the category level within the enabling legislation, the presumption is that post-midterm elections, the specifics will be released as interim and final regulations

# Issuance of Interim and Final Rules

Description (Section)	Implementation Date
Grandfathered Plans (Section 1251)	March 23, 2010
Dependent Coverage of Children Up to Age 26 (Section 2714)	Plan Years On/After September 23, 2010
Lifetime and Annual Limits (Section 2711)	Plan Years On/After September 23, 2010
Prohibition of Preexisting Condition Exclusions (Section 2704)	Plan Years On/After September 23, 2010
Prohibition Against Rescissions (Section 2712)	Plan Years On/After September 23, 2010
Patient Protections (Section 2719A)	Plan Years On/After September 23, 2010
Preventive Services (Section 2713)	Plan Years On/After September 23, 2010
External Review Process (Section 2719)	Plan Years On/After September 23, 2010
Web Portal (Section 1103a)	Phase 1 = July 2010    Phase 2 = October 2010
Small Business Tax Credits (Section 1421)	March 23, 2010
Early Retiree Reinsurance Program (Section 1102)	June 1, 2010
High Risk Pool (Section 1101)	July 1, 2010

# Pending Issuance of Interim and Final Rules

Description (Section)	Implementation Date
<b>Medical Loss Ratios (Section 2718)</b> 85% Large 80% Small and Individual	Rebates – January 1, 2011
<b>Essential Health Benefits Definition (Section 1302b)</b>	Plan Years On/After September 23, 2010
<b>Uniform Documents and Standards Definitions (Section 2715)</b>	Standards March 23, 2011 Implementation March 23, 2012
<b>Administration Simplification Rules (Section 1171)</b>	January 1, 2013

# Applicability of Grandfathered Status

<b>Provision</b>	<b>Applicable to Group Grandfathered Plans?</b>	<b>Applicable to Individual Grandfathered Plans?</b>
Prohibits pre-existing condition exclusion or other discrimination based on health status	Yes	No
Prohibits excessive waiting periods	Yes	Yes
No lifetime limits	Yes	Yes
No annual limits	Yes	No
Prohibits rescissions	Yes	Yes
Extends dependent coverage to age 26	Yes*	Yes
Bringing down the cost of health care coverage for insured coverage	Yes	Yes
Development and use of uniform documents and standard definitions	Yes	Yes

\* Provision is only applicable to grandfathered plans if the adult child is not eligible for other employer-sponsored health coverage

# “Seven Deadly Sins” Resulting in Loss of Grandfathered Status

1. Change in insurance carrier
2. Elimination of a benefit for a condition which includes elimination of a necessary element to diagnose or treat a condition
3. Increase in coinsurance percentage in any amount
4. Increase in deductibles and out of pocket limits by more than 15% + Medical Consumer Price Index (MCPI; June 2010 = 3.5%)
5. Increase in a co-payment by more than the greater of \$5 adjusted by MCPI or 15% + MCPI
6. Increase in the employee's contribution percentage
7. Certain changes in annual/lifetime overall dollar limits

*Remember: All changes are measured to the plan in place March 23, 2010*

# What does a “Grandfathered Group Plan” avoid?

1. External review
2. Preventive services coverage at no cost share
3. Patient protections on choice of PCP, OB/GYN, out of network emergency services
4. Also have the opportunity to condition dependent coverage up to the age of 26 on the dependent’s access to employer sponsored health insurance coverage until 2014

# Insurance Market Evolution

- Insurance exchanges
  - Lessons from Massachusetts
  - State issues
    - Regulatory framework
      - Governmental
      - Quasi-governmental
      - Cede regulation and operations to the Federal government
    - Single state or multistate exchange
    - Separate exchanges for individuals and small businesses or a combined exchange
    - Treatment of national exchanges

# Insurance Market Evolution (continued)

- Medical Loss Floor
  - Debate continues over what is in the 80% or 85% floor
  - Likely effect is to squeeze health plans to reduce administrative costs
  - May shift medical management functions to provider organizations
  - May impact broker fees
- Pay or Play
  - Individual responsibilities
    - Includes an excise tax penalty equal to \$695 per uninsured individual or 2.5% of income up to \$2,085 for families (annual)
    - Operates with a phase in period and there are specific individuals exempt from the penalty
  - Employer responsibilities
    - Include a penalty payment if you do not cover employees
    - Beginning in 2014 firms with 50 or more workers pay a penalty if any of their full time workers receive subsidies through the exchange

## Conclusion

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- Questions
- Comments
- Feedback

**Thank you and drive safely!**