

Health Care Reform Update

What Community Leaders Need to Know
Prepared for MWCA
August 7, 2013

CENTRACARE Health



The information in this presentation was developed for educational purposes only. Consult with an attorney, accountant or benefits consultant to verify how the law will affect your specific company.

Agenda

- CentraCare Health Update
- Status of the Affordable Care Act (ACA)
 - Individual Mandate
 - State Health Care Insurance Exchanges
 - Employer "Mandate"
- Other Delays & Cancellations
- Impact of Changes
- Questions & Discussion

CENTRACARE Health

CentraCare Health System - 1995

- 2,852 Employees
- St. Cloud Hospital
- St. Benedict's Center
- Management of Melrose Hospital
- St. Cloud Clinic of Internal Medicine
 - 40 physicians
- Revenue: \$176 million
- Margin: \$9.9 million



CentraCare Health - 2013

- 8,000 Employees
- 5 hospitals (6 on 10/1/13)
- 6 long-term care facilities and senior housing (7)
- CentraCare Clinic
 - 11 Clinics in 9 Communities
 - 230+ physicians
- CentraCare Health Plaza
- Coborn Cancer Center - Mayo Clinic Cancer Care Network
- CentraCare Health Foundation
- CentraCare Outpatient Surgery Center
- Dialysis Programs in 9 Communities
- CentraCare Laboratory Services and Pharmacies
- Alexandria Radiation Oncology
- Lifelink III
- Joint Ventures
 - Eagle Valley Clinic
 - Big Lake Clinic
 - Monticello Cancer Center
 - Brainerd Lakes Cardiovascular Center
 - Medical Office, Little Falls



Federal Health Care Reform

Health care reform is intended to:

- provide coverage for the uninsured.
- reduce the growing cost of health care &
- improve quality.



Health Care Reform - 3 Major Initiatives

- Insurance reforms
- Insurance expansions
- Payment cuts and reforms
- Transparency
- Workforce
- Other



Insurance Reforms - 2014

- Prohibits pre-existing condition exclusions for all enrollees
- Prohibits waiting periods of >90 days for new employees
- No annual dollar limits
- Requires
 - Coverage for clinical trial participation
 - Guaranteed issue & renewal (insured plans only)



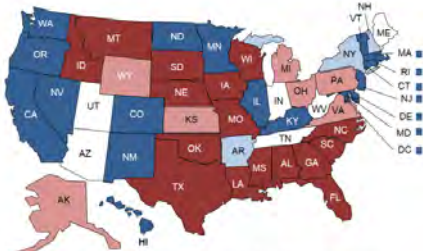
Coverage Expansion - 2014



- Exchanges
 - State-based
 - Run by non-profit or government entity
 - For individuals & businesses with <100 FTEs
- Insurance expansions
 - 32 million more legal residents with insurance
 - Half of all coverage expansion is Medicaid
 - Individual mandate with tax penalty
 - Employers with 50+ FTEs quasi-mandate (2015)



Where States Are Regarding Medicaid Expansion



State Decisions on Health Insurance Exchanges



A new, better way to shop for health insurance...

- Easy to find products
 - From multiple carriers
 - In a standard format to allow price comparisons
 - With specific features that match your health needs
- Easy to compare products
 - In an "apples-to-apples" format
 - By price or quality
 - With quality information on clinics, hospitals and ambulatory surgical centers



A new, better way to shop for health insurance...

- Easy to enroll
 - The new system allows step-by-step enrollment
 - Consumers only need to fill out one application for any type of health coverage offered through MNsure
 - Employers can give choice back to the employee instead of struggling to find a one-fits-all plan
- Financial Assistance & Tax Credits
- Personalized Assistance



Projected Participation -1.3 million Minnesotans



Individual Consumers – 450,000

Small Businesses and Employees – 160,000


Medical Assistance Enrollees – 690,000




How will an Exchange Work?



Minnesota Exchange Update




- Authorized by Minnesota Legislature
- MNSure Board Appointed
- Minnesota Health Plans Participating
 - HealthPartners – Individual policies only
 - Blue Cross/Blue Shield – Individual & Small Group
 - Medica – Individual & Small Group
 - Ucare – Individual policies for the first time
 - 5 other plans intend to offer policies
- Higher rates are likely...
 - Richer benefits
 - Limits based on age



2014: Individual Mandate



- Individual mandate: Most individuals must obtain a minimum level of health insurance or pay a penalty
- Minimum essential coverage includes:
 - Medicare, Medicaid, TRICARE
 - Insurance purchased through Exchanges/Individual Market
 - Affordable employer-sponsored coverage providing a minimum value
 - Grandfathered plans in effect on 3/23/2010



2014: Individual Mandate



- Penalties:
 - 2014: greater of \$95 or 1.0% of income
 - 2015: greater of \$325 or 2.0% of income
 - 2016: greater of \$695 or 2.5% of income
 - Penalty is capped at 3 x the per person amount for a family
 - Assessed penalty for dependents is 1/2 the individual rate

Hardship Exemption – Premium cost for lowest cost plan is >8% of household income.

2014: Exchange Plans

- Types of exchange plans to be offered
 - Bronze = 60% actuarial value
 - Silver = 70% actuarial value
 - Gold = 80% actuarial value
 - Platinum = 90% actuarial value
 - Catastrophic plan –
 - only available to individuals, <30 years old or those exempted from the individual mandate due to unaffordability
 - must cover minimum essential benefits & at least 3 primary care visits per year
- Metal plans must cover minimum essential benefits & limit cost-sharing

Cost Sharing Subsidies

- Federal government will pay insurers to reduce the cost sharing for individuals:
 - Enrolled in a silver-level plan through an Exchange &
 - With household income between 100-400% FPL
- Reductions do not apply to benefits not included in the federal definition of "essential health benefits"

Household income as a % of FPL	Cost sharing reduction
100-200% of FPL	Two-thirds
200-300% of FPL	50%
300-400% FPL	One-third



How much will this cost a family of 4?

Annual Income \$	FPG %	Max. of Premium %	Cost to Family/Mo. \$	Total Subsidy \$	Co-Pay & Deductible Limit \$
33,000	140	3.2	87	774	4,500
45,000	191	5.9	221	641	4,500
*55,000	234	7.5	343	519	10,400
65,000	276	8.8	477	385	12,800
75,000	318	9.5	594	268	12,800
85,000	361	9.5	673	189	12,800
95,000	403	N/A	861	0	12,800

Youngest adult is 25 years old. Monthly premium is \$861.00
 * Median HH Income in MN is \$58,500 (US Census).

<http://www.mn.gov/hix/calculators/Individual/Calculator.jsp>



Employer Mandate Delayed



2014-15: Potential large-employer penalties

- Employers with 50+ FTEs must pay a "shared responsibility" penalty if any FT employee receives an exchange subsidy
 - Differing penalties if an employer offers affordable, "minimum essential coverage" to employees
 - Minimum essential coverage = Plan with 60% actuarial value
 - Affordable = Employee premium cost < 9.5% of household income
- FTE = FT employees + FT equivalents
 - FT employee works avg. 30+ hrs per week
 - PT equivalents = hours worked in a month by all PT employees/120



Employer “shared responsibility” penalty

- No or Inadequate Insurance Penalty
 - \$2,000 x each full-time worker (after the first 30 workers)
- Unaffordable Employer Coverage Penalty
 - At least \$3,000 x number of FT employees who received exchange subsidies
 - Maximum penalty = \$2,000 x each FT employee (except for the first 30 FT workers)
 - No penalty for Medicaid-eligible employees
 - * Employees not eligible for Exchange subsidies: employer coverage is deemed “affordable” – less than 9.5% of household income for individual policy

CENTRACARE Health


Possible Business Responses

- Cease offering coverage
- Limit coverage to certain employees
- Limit FT employee numbers
- Professional Employer Organizations
- Limited benefits plans
- Employee/family coverage?

CENTRACARE Health


Other Cuts & Delays

- Medicare Advantage Cuts
- CLASS Act
- Appointment of IPAB Board
- Bundled Care Initiative
- Internal Revenue Service – No income verification in 2014
- Small business plans delayed



CENTRACARE Health

Health Care Reform Initiatives - Much remains to be done...



- Medical Device Excise Tax application
- Hospital DSH Payments
- Definition of Insurance Options (Oct 2013)
 - Define minimum & essential benefits for states not choosing their own benchmark
 - Define how exchanges will work
 - Define cost-sharing rules
- Regulations on self-insured plans
- Mechanism for new premium tax
- Regulation of employer wellness programs

CENTRACARE Health

Possible Impacts

- Reduced revenue streams resulting in higher deficits
- Higher Premiums for Individuals
 - Restrictions on age underwriting
 - Higher benefits
- Reduced enrollment resulting in adverse selection
- Reduced access to enrollment
 - Medicaid
 - Non-Exchange States

CENTRACARE Health

Possible Impacts

- Reduced provider reimbursements (in addition to prior cuts)
- Tax increases
- Reduced benefits for individuals
 - Means testing
 - Benefits cuts
 - Additional co-pays
- Reduced subsidies for premium costs and co-pays & deductibles

CENTRACARE Health

The Federal Budget



CENTRACARE Health



CENTRACARE Health

Upcoming fiscal cliffs

- Debt limit: Fall
- Appropriations: October 1
- Physician payment fix: December 31




CENTRACARE Health

Political landscape


- Washington's continued fiscal war
 - Budget policy=health policy
- Divided government:
 - *In the past:* compromise
 - *Today:* paralysis and dysfunction
 - ☐ Parties dominated by the "wings"
 - ☐ No middle




CENTRACARE Health


Perspective

- Budget Status
 - Total Debt: \$16,400,000,000,000
 - 2012 Deficit: \$1,100,000,000,000
- US GDP
 - \$17,000,000,000,000
- Fiscal Cliff
 - Tax Increases
 - Spending Increases



- If Federal Budget was a Family Budget
 - Total Income = \$25,000
 - Total Spending = \$36,000
 - New Debt = \$11,000
 - Total Debt = \$164,000

<http://www.usgovernmentspending.com>



CENTRACARE Health

- Budget Status
 - Total Debt: \$16,400,000,000,000
 - 2012 Deficit: \$1,100,000,000,000
- US GDP
 - \$17,000,000,000,000
- Fiscal Cliff
 - Tax Increases
 - Spending Increases
 - Net \$795 billion over 10 years –
 - roughly \$80 billion per year



If Federal Budget was a Family Budget

- Total Income = \$25,000
- Total Spending = \$36,000
- New Debt = \$11,000
- Total Debt = \$164,000
- Spending Cuts & Added Income: \$800.00



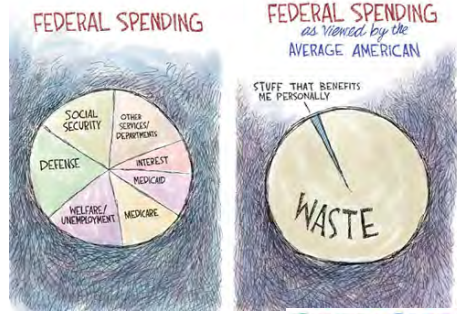

CENTRACARE Health

The political environment...



CENTRACARE Health

The Perceived Budget is an issue...

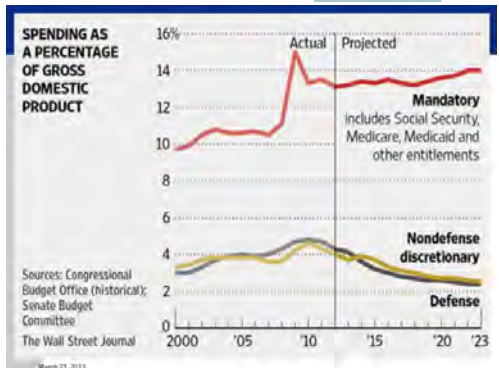


CENTRACARE Health

Perceptions matter...



CENTRACARE Health



CENTRACARE Health

33

Politics matter...

CENTRACARE Health

Sequester avoidance

Key Questions

- When will there be the political will to act?
- What is likely approach?
 - Patching problematic areas
 - Temporary delay...how long
 - Part of grand bargain
- What are the elements of a "replacement savings package?"

CENTRACARE Health

38

Strategic Issue: Tax Reform

Largest tax credits, deductions, and exclusions
(in billions, 2010 - 2014)

Expenditure	Total amount
Tax exclusion of employer contributions for health care, health insurance premiums, and long-term care insurance	\$659B
Tax exclusion of pension contributions and earnings for defined benefit and defined contribution plans	\$515B
Mortgage interest deduction	\$484B
Reduced tax rates on capital gains and dividends	\$403B
Earned income credit	\$269B
State and local income, sales and property tax deductions	\$237B

Source: Joint Committee on Taxation, Publication JCM-15-11, 02/28/11

CENTRACARE Health

38

Strategic Issue: Tax Reform

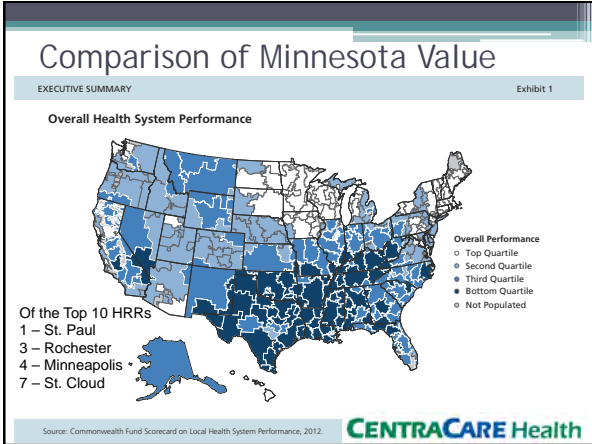
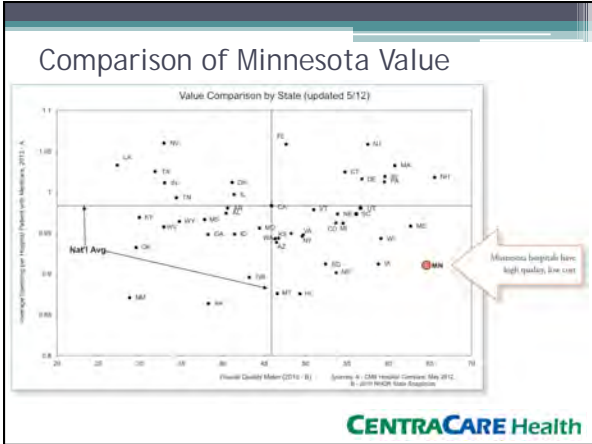
Largest tax credits, deductions, and exclusions
(in billions, 2010 - 2014)

Expenditure	Total amount
Tax exclusion of employer contributions for health care, health insurance	\$659B
Tax exclusion of pension contributions and earnings for defined benefit and defined contribution plans	\$515B
Mortgage interest deduction	\$484B
Reduced tax rates on capital gains and dividends	\$403B
Earned income credit	\$269B
State and local income, sales and property tax deductions	\$237B

Source: Joint Committee on Taxation JCM-15-11, 02/28/11

Total Impact:
\$2.6 trillion over 5 years
Against:
\$14.3 trillion debt &
Estimated annual deficit
of \$1.1 trillion each year

CENTRACARE Health



Questions & Discussion



The information in this presentation was developed for educational purposes only. Consult with an attorney, accountant or benefits consultant to verify how the law will affect your specific company.

CENTRA CARE Health