

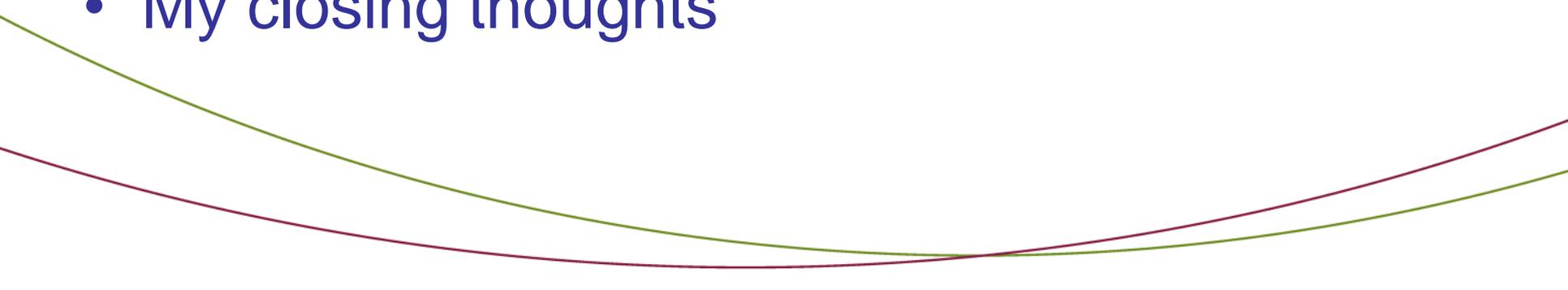


The Future of Healthcare in Today and Tomorrow's Political Climate

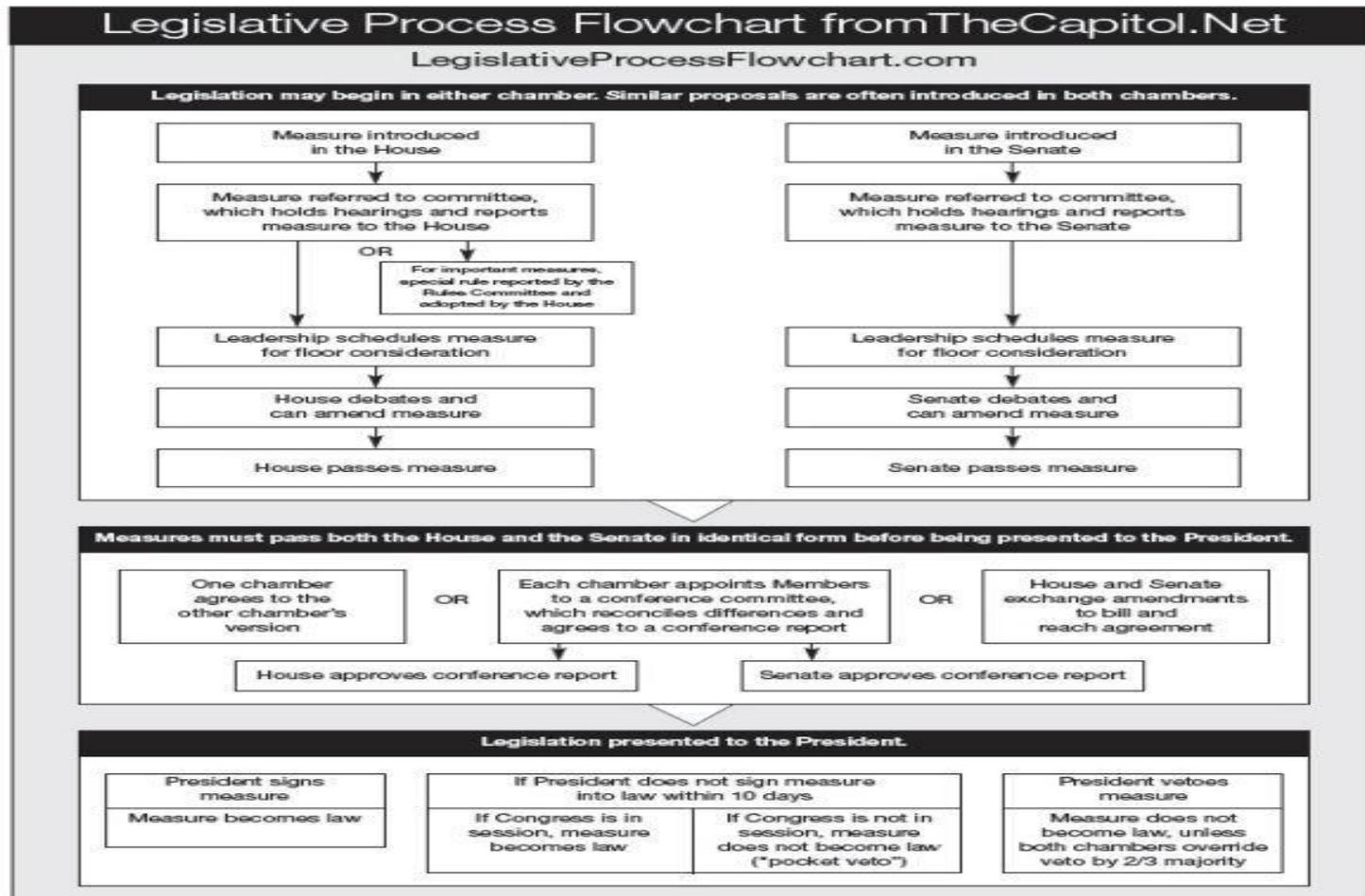
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Agenda

- Political process
 - ACA vs Alternatives
 - What happens next
 - Mid-term elections
 - Supreme Court
 - Strategies for the future
 - My closing thoughts
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- Two decorative wavy lines, one green and one purple, curve across the bottom of the slide.

Political process



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Political process

- Patient Protection and Affordable Care Act (PPACA) was passed in conjunction with the Health Care and Education Reconciliation Act of 2010
 - PPACA was NOT passed via Reconciliation (Dems had a 60 seat majority until 2009 when Sen Ted Kennedy passed and the Special Election was won by a Republican in 2010).
- PPACA was passed as a balanced bill

Political process

- Reconciliation generally involves legislation that changes the budget deficit (or conceivably, the surplus).
- Byrd Rule (Adopted in 1985 and amended in 1990)
 - United States Senate rule that amends the Congressional Budget Act of 1974 to allow Senators during the Reconciliation Process to block legislation if it possibly would increase significantly the federal deficit beyond a ten-year term or is otherwise an "extraneous matter" as set forth in the Budget Act.

ACA vs Alternatives

- American Health Care Act (May 2017)
 - Passed by the House of Representatives using Reconciliation
- Better Care Reconciliation Act (June 2017)
 - Fails to pass Senate; 43 - 57
- Obamacare Repeal and Reconciliation Act
 - Fails to pass Senate; 45-55
- Health Care Freedom Act (Skinny Repeal)
 - Fails to pass Senate; 49-51

ACA vs Alternatives



	PPACA	AHCA	BCRA
Individual Mandate	Failure to comply results in the higher of \$695 or 2.5% of AGI	Eliminated. 30% surcharge for those with a 63+ gap in coverage	Eliminated. 6 month wait to buy coverage for those with a 63+ day gap in coverage
Employer Mandate	ALEs must offer Affordable coverage to employees and children	Eliminated; 1094-C and 1095-C reporting remains	Eliminated; 1094-C and 1095-C reporting remains
Cadillac Tax	40% Excise Tax on High Cost Health Plans effective Jan 1, 2020	Pushes effective date to Jan 1, 2026	Pushes effective date to Jan 1, 2026
Other Taxes and Fees	PPACA implemented a total of 21 new taxes and fees	Repeals most other taxes and fees except PCORI	Repeals most other taxes and fees except PCORI
Benefit Design	Required Essential Health Benefits (EHBs)	Allows states to apply for waivers to reduce EHBs	Retains all PPACA Benefit Design reforms

ACA vs Alternatives



	PPACA	AHCA	BCRA
Small Group and Individual Plans	<ul style="list-style-type: none"> -Minimum AV -Age Rating – 3:1 	<ul style="list-style-type: none"> -Allows plan offerings below Bronze level -Age Rating – 5:1 	<ul style="list-style-type: none"> -Age Rating – 5:1
Health Savings Accounts (HSA)	<ul style="list-style-type: none"> -Contributions; Annual maximum set by IRS -Penalty; 20% for Non Qualified Distributions -No joint HSAs -Claims; incurred prior to date of establishment are not eligible 	<ul style="list-style-type: none"> -Contributions; Equal to MOOP under QHDHP rules -Penalty; 10% for Non Qualified Distributions -Both spouses may make catch-up contributions to same HSA -Claims; incurred up to 60 days prior to date of establishment are eligible 	<ul style="list-style-type: none"> -Contributions; Equal to MOOP under QHDHP rules -Penalty; 10% for Non Qualified Distributions -Both spouses may make catch-up contributions to same HSA -Claims; incurred up to 60 days prior to date of establishment are eligible
Over The Counter	Requires a Prescription to be eligible for FSA reimbursement	Prescription no longer required	Prescription no longer required

ACA vs Alternatives



	PPACA	AHCA	BCRA
Premium Tax Credits	Available for individuals earning between 100% - 400% of FPL, including those with Unaffordable coverage through Employer. Subsidy based on Silver Plan	Phases out Premium Tax Credits and introduces Income based Tax Credits adjusted for age	Funds current subsidies through 2019. Future subsidies available for those earning between 100%-350% of FPL and based on 58% plan. Those eligible for Employer coverage are not eligible.
Medical Loss Ratio (MLR)	80% - 85% of premium must be for Claims or to activities to improve healthcare quality.	N/A	States maintain the MLR level

ACA vs Alternatives



- **Obamacare Repeal and Reconciliation Act**
 - Virtually identical to the bill passed by both houses of Congress in 2015 and vetoed by President Obama
 - Repeals almost all of the current PPACA provisions
 - Requires a replacement be in place by 2020
- **Health Care Freedom Act (Skinny Repeal)**
 - Repeals Individual and Employer mandates
 - Makes no changes to Medicaid
 - Goal was to bring it to negotiations with The House

What happens next

- Immediate next steps
 - Will President Trump continue to fund subsidies?
 - Uncertainty and / or suspension of funding will cause more carriers to withdraw from Individual market, and subsequently, SHOP and potentially commercial market (NJ)
 - Heath Insurer Tax returns in 2018
 - Carriers with unprofitable Individual business will continue to withdraw from markets

What happens next

- Immediate next steps
 - Administration continues to cut / reduce funding for PPACA programs
 - Marketing budget reduced from \$100 million to \$10 million
 - Outreach – Navigator funding reduced from \$62.5 million to \$36.8 million
 - Open Enrollment from Nov 1 – Dec 15 (previous OE was 3 months)

What happens next

- Immediate next steps
 - Search for a bi-partisan solution
 - Senators Alexander (R) and Murray (D) negotiating on measures to stabilize the Individual Market
 - Kasich (R) and Hickenlooper (D) drafted a proposal to address the PPACA
 - Seven (7) Governors to meet with Congress to discuss the proposal
September 7, 2017

What happens next



Kasich and Hickenlooper Proposal

Issue	Proposal
Young & Healthy did not enroll	Keep Individual Mandate (for now) Fund Outreach Better verification of late entrants
Increasing Costs	Reimburse on value based care. Provide consumer tools for pricing.
Many families do not qualify for subsidies based on income	Base affordability calculation on family income, not individual W2
Limited or no carriers offering coverage in area	Exempt insurers that are sole providers in area from Health Insurance Tax. Allow residents to buy into FEBP

What happens next



Kasich and Hickenlooper Proposal

Issue	Proposal
Uncertainty about subsidies	Enact law to extend subsidies thru 2019
Adverse selection	Create Stability Fund
Limited ability for States to innovate under ACA	Allow States to streamline waiver process to exempt themselves from some ACA regulations. Create State “Innovation Waiver” program
High costs due to mandated benefits, i.e., Essential Health Benefits	Allow States to change Essential Health Benefits through newly created State “Innovation Waiver” program

What happens next

- Long Term Agenda
 - Republicans look for 50th vote
 - Tax Reform
 - PPACA implemented 21 taxes
 - Additional / increased taxes
 - Tax cuts / subsidies / Medicaid Expansion
 - Repeal of PPACA was a large portion of the Tax Reform the current Administration was hoping for.
 - PPACA would add approximately \$517,000,000,000 in taxes from 2015 - 2024*
 - PPACA would increase gross costs by \$2,004,000,000,000*

*CBO Publication 45159, March 4, 2014

Mid term elections

- House of Representatives
 - All 435 Seats are up for re-election
 - Currently Republicans hold 240 seats
 - Currently Democrats hold 195 seats
 - We've had 5 special elections since the Presidential election and the incumbent party held the seat each time.
 - Unlikely Democrats flip the House
 - They need to pick up 23 seats

Mid term elections

- House of Representatives
 - 206 Pivot Counties, representing 108 Congressional Districts*
 - 5 Weak Republican Districts (2 former Democrat)
 - 2 Weak Democrat Districts
 - 7 Democratic Districts trending Republican
 - 1 Tossup

* voted for Trump in 2016 after Voting for Obama in 2008 and 2012, all statistics according to ballotpedia.com

Mid term elections

- Senate
 - 33 Senators up for re-election*
 - 23 Democrats
 - 10 Republicans
 - 10 Democratic Senators running in States Trump won
 - 5 of which are in States Trump won by 20% points or more
 - IN, ND, WV, MO, MT
 - Only 2 Republican Senators running in States Hillary Clinton came within 5% points of winning
 - Jeff Flake (AZ) & Dean Heller (NV)

*Does not include Jeff Sessions Alabama seat, set for special election Dec 2017.

Mid term elections

- Republican
 - 3 Seats currently considered “Not Safe”, including Ted Cruz (TX), Jeff Flake (AZ), and Dean Heller (NV).
- Democrats
 - 13 Seats currently considered “Not Safe”, including one Independent that caucuses with Democrats
- Most of the Senate seats up for re-election are 1st and 2nd term Senators

Mid term elections

- Senate

- All is not doom and gloom for Democrats

- Opposition Party Senators that have been elected, i.e., not appointed, tend to prevail in midterm elections

- approximately 96.5% since 1982

- Same Party Senators lose approximately 20% of the time

- 33% in the 2014 mid term election

- If any of the incumbents decide not to run for re-election, the Presidential election result is typically a good indication of how the State will vote in the midterm.

Supreme Court

- John Roberts [R], 2005 (62)
- Anthony Kennedy [R], 1988 (81)
- Clarence Thomas [R], 1991 (69)
- Ruth Bader Ginsberg [D], 1993 (84)
- Steven Breyer [D], 1994 (79)
- Samuel Alito [R], 2006 (67)
- Sonia Sotomayor [D / I], 2009 (63)
- Elena Kegan [D], 2010 (57)
- Neil Gorsuch [R], 2017 (50)

6 current Justices received their JD from Harvard, 3 from Yale and 1 from Columbia

Strategies for the future

- PPACA provisions currently enacted
 - Aggregate Large Employers* (ALE) must offer comprehensive and affordable coverage or face penalties
 - W2 reporting
 - Insurers must continue to spend 80-85% of premium on claims or issue rebates
 - Employers need to decide how to distribute or keep rebates

*ALEs are employers with 50 or more Full Time Equivalent Employees (FTEs). An employee does not include a sole proprietor, a partner in a partnership, an S corporation shareholder who owns at least 2-percent of the S corporation

Strategies for the future

- PPACA provisions currently enacted
 - PCORI / CERF will expire for Plan Years ending after October 1, 2019
 - FSA limit - \$2,600 (2017)
 - Over the counter medicines are not eligible without a prescription
 - HSA withdrawals for non eligible expenses subject to 20% penalty

Strategies for the future

- PPACA provisions scheduled to be enacted in 2020
 - Cadillac Tax - A 40 percent excise tax imposed on high-cost employer-provided policies (\$10,200 for individual coverage or \$27,500 for family coverage).
 - What figures count towards the cost of coverage
 - Health Savings Account contributions
 - Health Reimbursement payments
 - Flexible Spending Account Contributions
 - Insurance premiums

Strategies for the future

- Let's do some math
 - Maximum Savings Account Contribution
 - \$3,450 / \$6,900 – Health Savings Account
 - \$2,600 – Flexible Spending Account
 - 2016 Average annual employer sponsored family premium according to the Kaiser Family Foundation (KFF)
 - US - \$17,710
 - CA - \$17,458
 - TX - \$17,529
 - NY - \$19,375
 - NV - \$16,133

Strategies for the future

- Some decisions need to be made
 - Is my Firm going to continue to offer benefits now and into the future?
 - Do I partner with a Professional Employer Organization (PEO)?
 - How do I choose the right one
 - What are my Firm's goals?
 - Recruit, Retain, and Reward?
 - Provide the bare minimum?
 - Are they just employees or are they my Firm's most valuable asset?

Strategies for the future



- Step 1: Education

- Employees should understand healthcare costs and premiums are rising, however, not everything reported in the media applies to employer sponsored coverage
 - A KFF poll found 76% of Americans believe they are hearing about their own premiums when they read headlines about “soaring premiums”.
- Employee educational meetings, i.e., webinars, brown bag lunches, town halls, etc.
- Employee portals and intranets
- Bulletins posted in office

Strategies for the future



- Step 2: Engagement

- Employees should be engaged in their healthcare decisions

- HSA/HRA plan designs with 1st dollar cost sharing
 - Wellness contests and initiatives
 - Manage population health risks, i.e., Diabetes, Obesity, Cardiovascular disease, drug and alcohol use / addiction
 - Pharmacy, especially specialty
 - biologics vs biosimilars
 - Mail Order vs Retail

Strategies for the future

- Step 2: Engagement

- New and rising work force is Gen X and Gen Y
 - How do they communicate?
 - How do they do transactions?
 - How do they get their information?
 - What are their priorities?
 - Work life balance vs job and financial security
- Baby Boomers need to embrace the technology, tools and strategies or they will be priced out of the market

Strategies for the future

- Step 3: Structure

- Broad range of plan designs with contribution methodologies supporting goal
 - Multiple plan options, i.e., core, buy up, premium with varying contribution methodologies
 - Networks
 - Tiered networks identified as High Performing Networks (HPNs)
 - Accountable Care Organizations (ACOs)
 - Lower / no employer contribution for spouses with coverage available through their own employer.

Strategies for the future

- Step 3: Structure (continued)
 - **Telemedicine**
 - Think outside the box
 - You need to find programs and initiatives that appeal to a multi generational workforce
 - Partner / Executive “buy in”
 - If all Partners / Executives enroll in the most expensive plan, employees will think the lower cost options are of little or no value.

Strategies for the future

- Step 4: Implementation
 - Employee educational meetings
 - Clear and concise information about the plans
 - Use coverage examples of varying costs
 - Ask employees to download their EOBs / claims from the past 12 months and show them the expected costs under the various plan designs being offered, including premiums, cost of services, tax favored treatment of Health Savings Accounts, etc.

Strategies for the future



- Step 5: Follow up
 - 2nd set of employee educational meetings about 3 – 6 months after open enrollment
 - Help clarify employee issues before they spiral out of control or continue to be repeated
 - Increase employee satisfaction
 - Treat employees like clients of the business of health insurance

My closing thoughts

- Republicans will hedge until the 2018 elections come into focus
 - If it becomes apparent they will pick up the 50th or more vote, they will become less likely to work on a bipartisan solution
 - I believe they gain two seats
- Until then, a narrower focus may be warranted with smaller “victories” instead of the “go for the gusto” approach.
 - Shore up carrier participation in Exchanges for the short term
 - COBRA
 - Medicaid
 - Medicare

My closing thoughts

- Cadillac Tax
 - If the ACA stays, I give it a 50% chance of being eliminated and / or;
 - Likely to be indexed for inflation if it remains
 - Threshold has not changed since the ACA was enacted
- State based focus
 - This Administration has continually advocated for States to have more influence and authority on this topic
 - Governors are the CEOs of their State, and therefore policies will likely closely follow their political alignment.

My closing thoughts

- Opportunities for bipartisan cooperation
 - COBRA
 - Employer and Individual Mandates tied together
 - Pre-existing condition surcharge
 - Allow HSA compatible plans on Exchange
 - Cadillac Tax vs Tax Cap
 - FSA rules
 - Loosen Section 1332 rules and regulations

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