Health Care Reform - What Now?

Richard C. Martin
Keith Payne
David Nelson
Employee Benefit Consultants

Salt Lake City, UT
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Wells Fargo Insurance
Public Perception

- According to a recent Gallup poll how many Americans think Obamacare (PPACA) was completely eliminated by the US Supreme Court?

  A. 5%
  B. 10%
  C. 15%
  D. 20%
How did we get here?

- Unsustainable Increases in Insurance Rates
- Large % of Populace uninsured due to pre-exiting conditions (and unaffordability)
How did we get here?

- What causes medical “trend” to be higher than normal inflation?

  2 components to medical “trend”
  a) unit pricing (the cost to build the unit)
  b) utilization (the number of units purchased)
How did we get here?

- The culprit: UTILIZATION
How did we get here?

**UTILIZATION = AGING POPULATION**

1946
- 77 Million Baby Boomers—10,000/Day turn age 65 starting 2011

1964
- Medical costs are 4 times greater after age 65
How did we get here?

**UTILIZATION = LIFESTYLE CHOICES**

- **SMOKING**
- **OBESITY**
- **High Risk Activity**

Preventable Illnesses:
- Diabetes
- Heart Disease
- Stroke

147 Million cases in US*

*Source—BCBSA 2008

Medical cost review
ACA date review
The past, present and future of ACA compliance

2010
- Small Group premium tax credit (temporary)

2011
- Elimination of Lifetime Limits
- Adult children covered to age 26
- No pre-ex exclusions for children <age 19
- OTC drugs not covered in FSA or HSA
- Ins Companies required to return excess premium (MLR)
- Preventive care covered with no co-insurance
- ER services covered at IN-Network pricing
ACA date review
The past, present and future of ACA compliance

2012
- W-2 disclosure of Medical coverage value (250+ employees)
- Uniform Explanation of Coverage to be given to employees prior to renewal each year (SBC)

2013
- FSA’s limited (medical) to $2500/year
- Headcount tax $2/member/mo (due 7/1/2014)
- Medicare payroll tax increase
- Written notice to employees about insurance exchanges
- Women’s preventive care without cost sharing
ACA date review
The past, present and future of ACA compliance

2014

- Employer 50+ full time employees must offer coverage that is affordable (<9.5% of income) and contains minimum essential benefits
- Employer reporting begins
- Individual mandate to purchase insurance begins
- Waiting periods may not exceed 90 days
- Premium differential allowed up to 30% for wellness incentive
- No pre-ex exclusions
- Maximums on deductibles ($2000/$4000)
- Community rating for all small group plans (all participants pay the same regardless of health conditions)
ACA date review
The past, present and future of ACA compliance

2015
- Automatic enrollment of newhires if over 200 FTE’s

2017
- All sizes of employers can purchase through exchanges (Avenue H in Utah)

2018
- Excise tax on high value plans (cadillac tax)
What does this mean to small group (2-49)

Significant pricing changes due to:

1. Age Band Reduction

2. Community Rating

(without regard to inflation, utilization, health conditions, etc.)
What does this mean to small group (2-49)  
AGE/ BAND CHANGE ILLUSTRATION

<table>
<thead>
<tr>
<th>Example</th>
<th>Single Rate</th>
<th>Pre-Reform (Current 1:6)</th>
<th>Post-Reform (2014+) (1:3)</th>
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</thead>
<tbody>
<tr>
<td>Monthly:</td>
<td>age under19</td>
<td>$179</td>
<td>?</td>
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<tr>
<td></td>
<td>age 20-24</td>
<td>$185</td>
<td>?</td>
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<tr>
<td></td>
<td>age 25-29</td>
<td>$206</td>
<td>?</td>
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<tr>
<td></td>
<td>age 30-34</td>
<td>$224</td>
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<tr>
<td></td>
<td>age 35-39</td>
<td>$250</td>
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<tr>
<td></td>
<td>age 40-44</td>
<td>$274</td>
<td>?</td>
</tr>
<tr>
<td></td>
<td>age 45-49</td>
<td>$316</td>
<td>?</td>
</tr>
<tr>
<td></td>
<td>age 50-54</td>
<td>$381</td>
<td>?</td>
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<td></td>
<td>age 55-59</td>
<td>$460</td>
<td>?</td>
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<tr>
<td></td>
<td>age 60-64</td>
<td>$566</td>
<td>?</td>
</tr>
<tr>
<td></td>
<td>age 65+</td>
<td>$779</td>
<td>?</td>
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</table>
What does this mean to small group (2-49)?

2014 Community Rating

Low Risk

-2% to +10%

High Risk

+20 to 60%

Rate Surcharge

Based on health conditions

85%
70%
60%
50%
40%
30%
20%
10%
0%
What does this mean to your organization?

- Many Questions to be addressed:
  - Are we a small or large group? (2-49 or 50+)
  - How do seasonal employees or interns count?
  - Does our plan contain the minimum essential benefits?
  - What will community rating do to our rates?
  - What alternatives are available to avoid/defer the effects of community rating?
  - Does it make sense for us to give our employees an increase in compensation and have them purchase individual policies (with federal subsidies involved) rather than continue with our group policy?
Healthcare Reform - What Now?

2 Alternatives:

Do it Yourself

Utilize a broker/consultant with specialized expertise
Healthcare reform—What now?

Customized Analysis

PPACA REFORM IMPACT STUDY

PLAN DESIGN
EMPLOYEE CENSUS
TAXES
Federal Subsidy availability
MEDICAID ESTIMATES
Wells Fargo Insurance Services USA, Inc.

SALT LAKE CITY TEAM

Employee Benefits Consultants

Rick Martin
30 Years Experience

David Nelson
30 Years Experience

Keith Payne
10 Years Experience

Client Service Team
National Compliance Team

WFIS HEALTH & WELFARE MGR
E2088-060
WHOLESALE BNKG
INSURANCESERVGP

WFIS HEALTH & WELFARE CONS
A1763-020

WFIS HEALTH & WELFARE CONS
E2088-060

ADMINISTRATIVE ASSISTANT
E2088-060

INSURANCE PRACTICE LEADER
D1067-081
WHOLESALE BNKG
INSURANCESERVGP

WFIS HEALTH & WELFARE CONS
D1067-081

WFIS HEALTH & WELFARE CONS
D1067-081
Legislative Updates and Alerts

- Monthly Legislative Updates are prepared by our experienced team of Benefits Compliance professionals.
- These informative publications keep you current on federal, state and local legislation and regulatory changes.
- Articles cover many different issues including:
  - Health care reform
  - COBRA
  - HIPAA Portability, Privacy and Security
  - Medicare
  - Domestic partners/same-sex spouses
  - ERISA
  - Cafeteria Plans
  - Wellness Programs
  - Administration of federal and state leaves
  - Consumer Driven Healthcare Plans

- In addition to the monthly Updates, our Benefits Compliance practice also creates timely Legislative Alerts when important matters arise and need to be addressed before the next Update.

- Legislative Updates and Alerts are available on our public website as well as through CyberSure® eServices.
# Virtual Events

Wells Fargo Insurance Services hosts regularly-scheduled virtual events presented by our experienced team or third parties. Learn about new legislation affecting the benefits industry and other educational topics related to the employee benefits and human resources environment from the comfort of your office. Each virtual event usually lasts about an hour and is recorded for future playback. Registration is required in order to attend any virtual event.

<table>
<thead>
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<th>July 2012</th>
<th>August 2012</th>
<th>September 2012</th>
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<th>November 2012</th>
<th>December 2012</th>
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<tr>
<th>January 2013</th>
<th>February 2013</th>
<th>March 2013</th>
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<tr>
<td>1/17 – Conducting Human Resources (HR) Audits</td>
<td>2/21 – Healthcare Reform: Determining Who Is a “Full-time Employee”</td>
<td>3/21 – Healthcare Reform: Strategic Solutions to Address the Pay or Play Mandates</td>
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<th>April 2013</th>
<th>May 2013</th>
<th>June 2013</th>
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Wells Fargo Insurance Services
Value Added

**Employee Surveys:** Facilitate and analyze employee surveys to better meet the needs and concerns of employees regarding their benefits package.

**Employee Benefits Booklet:** Customized overview of all benefits offered to an employee in an easy to follow booklet provided electronically and/or printed.

**Open Enrollment Meetings:** Hold annual (if needed – monthly) meetings to educate employees to get the most out of their benefits plan.

**Claims Expertise:** We act as a liaison between insurance carriers and your employees to resolve claims issues or questions.

**COBRA Management:** Provide third party COBRA administration.

**Compliance Analysis:** In-house attorneys who monitor legislative changes and compliance and provide guidance for clients.

**Plan Analysis:** Regularly review group insurance, analyze your company employee benefit needs, and provide competitive carrier quotes.

**Local Quarterly Seminars and Monthly Webinars:** For management covering a wide variety of topics.

**Wellness Programs:** Access to multiple programs and resources to help you design the best worksite wellness program for your employees. On staff expert, Dr. Leopold, with 25 years’ experience developing programs.

**HR Connection:** Online portal for employees to access coverage information 24/7 and update enrollment information, including a time off and PTO tracking system.

**Benchmarking:** Comparing your coverage to others throughout the State and County to respond to industry trends.

**Equiron HR and Employment Law HELPLINE:** 24/7 attorney assistance for HR related concerns including employment law and HR questions on more than 50 issues.
Thank You!

801-246-4402