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Affordable Care Act
Implications for Future Health Plan Trends and Bargaining

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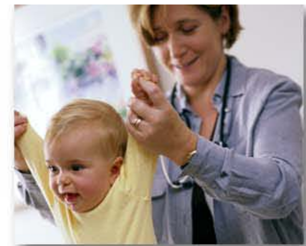

ACA Implications to Future Health Fund Trends and Bargaining

1. Everyone pays for expanding access to 30+ million individuals
2. Changes in health insurance rating and reforms could be counterproductive for group health plans
3. Employee vouchers have potential to destabilize some group health plans
4. Innovative cost containment strategies are still in your arsenal (for now)
5. Expanded Medicare Part D and Part B create opportunities to rethink retiree health plan offerings
6. Part-time options
7. Other Issues

There will be unintended and unforeseen consequences to group health plan sponsors

Everyone pays for expanding access to 30+ million individuals

- New individual surcharges (taxes) for opt outs
- Employer free rider penalties
- New taxes on insurers and medical device companies
- New taxes for high income earners
- Expanded Medicaid (Federal and state costs)
- Limited benefits eventually give way to higher cost unlimited benefits
- "All In" approach may even the playing field in some industries.
  - Benefit costs to non-union employers will likely increase – reducing gaps
  - Greater individual appreciation of employer-provided medical benefits (benefits plus avoids tax penalties)
  - Reduction in uncompensated care could lower subsidies now paid by Health Funds

Existing large group health plans will pay more

- Expanding coverage to dependents up to age 26 +1% to 4%
- Remove lifetime limits, ($1 million lifetime removal 0.25% to 0.50%)
- New taxes on insurers and medical device companies passed on to plans
- New plan preventive services 1% to 3%
- New research fees $12 PMPY
- Higher private sector provider rates from lost revenue (?)
- Increased administrative costs
  - Communications expenses (new documents, enrollment costs)
  - Added professional fees
  - W2 production

Changes in health insurance rating and reforms could be counterproductive for group health plans

- History shows that insurance pricing regulations lead to increased costs to group health plans (*e.g.*, NY state HMO community rating laws)
- Threats to future insurer profits
  - Minimum medical loss ratios
  - Restrictions on underwriting adjustment by age
  - Increased adverse selection - small groups and individuals
- Expect insurers to protect profit margins by:
  - Relaxing efforts to contain claim costs
  - Shift lost revenue to large group plans in the form of higher/new fees
  - Retreat from questionable markets

Employee vouchers have potential to destabilize some group health plans

- Example: Self-insured group with employee contributions that result in 25% of workforce meeting the "unaffordable test"
  - Youngest and healthiest members take voucher and obtain coverage through the exchange
  - Impact on remaining group raises per capita claim cost by 10%
  - Current bargained contributions did not account for impact on costs
- Same scenario for limited value plans failing the 60% actuarial value test.
- Is voucher provision a catalyst for defined contribution health plans?
  - Sets up mechanism, funding and platform for stronger individual market options
  - Will workers care where they get their health benefits?
  - Can multiemployer health funds become an exchange option for an entire industry?

Innovative cost containment strategies are still in your arsenal (for now)

- Where is the real cost containment relief for existing group health plans?
  - Reduced cost of uncompensated care is years away, may never materialize
  - Investment in wellness requires high degree of member engagement
  - Investments in technology and comparative effectiveness also years away and abstract
  - Insurance reforms will mostly help high risk individuals not groups
  - Growth in shift to Medicare and Medicaid may increase provider pressures to accelerate cost shifting to private sector payers

Innovative cost containment strategies are still in your arsenal (for now)

- Strategies for battling increased medical plan costs:
  - Secure strong contracts with effective networks
  - Install exclusive network panels that trade wider choice for deeper discounts
  - Promote low cost therapies (on-site clinics, step therapy programs, tighter control of specialty referrals, generics drugs)
  - Establish effective plan design incentives that limit waste, encourage wellness and prevention
  - Develop alternative forms of provider reimbursements
    - Global case rates per episode or admissions
    - Fixed fee on-site clinics
    - Capitation payments

Return to closed panel HMOs?

Expansion of Medicare Part D & B - a catalyst to revisit retiree health benefit strategies?

- Federal coverage of Medicare-eligible retirees' health expenses continues to expand
- Part D coverage gradually expanding
- Private sector market moves toward individual market and infrastructure
- Medicare eligible retiree has more predictable out-of-pocket expenses. (Average = $2,500 – $4,000 per year)
- Retiree vesting may need to change
- Trustees can reduce costs of existing retiree health programs without abandoning retirees
- Retiree plan savings in some industries may allow preservation of active employee Health Fund offerings

Advantages of a Defined Contribution Approach to Retiree Health

- Part A, Part B and Part D federal financing may be sufficient to sustain retiree individual market (will cover > 67% of average Medicare enrollee expenses)
- Plans can create a fixed dollar approach to filling the gap in Medicare
- Better control of budgeting—move away from health cost trend volatility
- Significant means for reducing post-employment accounting obligations (SOP 92-6)
- A growing number of plans are successfully managing such programs today

Defined Contribution Retiree Health Plan Structure

Example:

- For each year of service, plan contributes $100 per year for retiree health coverage up to $2,500
  - Individual premium accounts established
  - Plan offers several plan options to retirees
  - Retiree can use credits to purchase plans outside employer options

Advantages	Disadvantages
• Simple to administer • Removes funding uncertainty and liability of employer • Provides adequate choice • Amounts vary by length of service (rewards retirees with greater years of service)	• Without periodic COLA, medical inflation passed to retiree beneficiary • Group plan options need to stay competitive with individual market options.

Part Time Options - After Waivers Sunset

Possible Approach	Impact on Plan Cost	Member Issues
1. Remove limits, pass on premium increase to part-time associates as premium contribution	Potentially cost neutral—Selection and high opt-out rates.	Substantial member disruption, high percent of part-time employees lose coverage through Fund.
2. Remove limits, redesign medical coverage to offset new costs; examples include higher front-end deductibles	Benefit changes could offset most of cost impact for removing limits. May still require some member premium contributions.	Enables part time members to get unlimited medical benefits and avoids individual tax mandates. Changes emphasis of benefit offerings to near catastrophic coverage .
3. Replace part-time medical plan with part-time premium assistance account. • Design example: PT member earns $$ per month up to $2,000 max per year to purchase coverage.	Removes medical trend liability from fund for part-time employees, Potential for significant fund savings.	Potential member disruption. Premium assistance amounts would be more advantageous to younger part-time workers but potential access problems for older, part time members.
4. Replace plan with insured, limited panel HMO only option to part-time members. May require new copay/deductible levels.	HMO only option could offset most of cost impact of removing limits. May still require some member premium contributions.	Potential access issues or limited provider choice for members.
5. Eliminate medical coverage to new part-time hires (possibly enhance other benefits or wages)	Gradually reduces medical plan expense for part-time workers.	Potential member inequity problems between part time workers. Could impact future recruiting and retention of part time workforce

Note – changes in member copays or contributions may result in loss of grandfathered status

Other issues facing health fund trustees in bargaining

- *90-day waiting period by 2014*
- *Grandfathered status vs. new plan rules*
- *Planning now to avoid the 40% excise tax*
- *Mental Health Parity*
- *Economic uncertainty will likely continue*
- *Political uncertainty will likely continue*