Healthcare Reform: Will Anyone Notice?

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EBRI, Washington, DC
Healthcare Reform. Will Anyone Notice?

Bruegel, Landscape with the Fall of Icarus
Does Health Reform Matter?

- Additional costs and administration
  - Lots of grandfathering
  - Health insurance reform shakes up administration
  - Very little done to change healthcare system

- HC Reform may break the status quo
  - Perhaps more from economic crisis than health reform
  - Now’s the time to break bad habits in plan design, spending

- Much activity on evidence-based medicine, efficiency, but these solutions mostly ignored in PPAC
No Relief In Sight

- US spends far more on health than any other nation
- Political focus is on deficit, not spending
- PPAC’s attention on coverage, not cost or quality
Does Reform Matter to Employers?

An era of low expectations in healthcare
- Extra costs, taxes, burdens, but costs have been up anyway
- Some low-income members may join Medicaid expansion
- Some opt-outs will opt in
- Some employers not offering benefits will start
- Some employers offering benefits will stop & pay penalty
  - Exchange can reduce insurer admin
  - Insurers will see extra members
- Government plan (if any) will institutionalize cost shifting
  - Extra fees to benefits consultants for latest excuse to redesign

December 9, 2009
Something to Notice: Section 1513. Shared Responsibility for Employers

- Penalties for Employers based on Contribution Levels
  - One full-time employee gets a tax-credit or low-income subsidy through an Exchange-purchased policy
  - Contribution > 9.8% of Household Income
  - Per-head penalty is applied to all full-time employees
    - Penalty of $3000 per employee who enrolls thru Exchange
    - Max penalty, $750 per FT employee

- Also, penalties for inadequate benefits or no benefits
## Eligibility for Subsidy is High (section 1401)

The 2009 Poverty Guidelines for the 48 Contiguous States and the District of Columbia

<table>
<thead>
<tr>
<th>Persons in family</th>
<th>Poverty guideline* (FPL)</th>
<th>Max Income @ 400% FPL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$10,830</td>
<td>$43,320</td>
</tr>
<tr>
<td>2</td>
<td>14,570</td>
<td>58,280</td>
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<tr>
<td>3</td>
<td>18,310</td>
<td>73,240</td>
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<tr>
<td>4</td>
<td>22,050</td>
<td>88,200</td>
</tr>
<tr>
<td>5</td>
<td>25,790</td>
<td>103,160</td>
</tr>
</tbody>
</table>

Penalty Territory Depends on Contribution, Family Income and Income for Subsidy

<table>
<thead>
<tr>
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<tbody>
<tr>
<td></td>
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Example: Single worker earning $23,000 per year w/ $200 contribution pays > 9.8%. If that worker obtains coverage thru Exchange, subsidy would be paid, penalty earned.
Possible Impact of Penalties

- Low-wage areas, industries with low-wage, full-time workers affected most (FPL varies only for AK and HA)
- Increasing contributions and reducing benefits seems safe (within benefit richness restrictions)
- Low-wage industries might save money and trouble by dropping coverage ($750 annual penalty = $62.50 PEPM)
- Focus on benefits for full-time employees may create shift workforce to part-time (as in Hawaii)?
Trying to Influence Healthcare Reform
Will Healthcare Reform/Recession Break the Employee Benefits Status Quo?

- We’ve Had 10 years of “Spend More Now to Spend Less Later”
  - It doesn’t work!

Recession creates a new environment

- With 10% unemployment, benefits are less important to job-seekers
- State/local crisis is forcing the biggest purchasers to consider benefit cuts
- Healthcare reform may be opportunity for hard look at value of programs
- Watch for Accountable Care Organizations (ACOs)!
**Healthcare Reform/Economic Crisis an Opportunity for Plan Redesign?**

**A Hit List for Employers**

<table>
<thead>
<tr>
<th>Action/Proposal</th>
<th>PMPM Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drop Disease Management, EAP</td>
<td>$2-$4</td>
</tr>
<tr>
<td>Drop Wellness, HRA, etc.</td>
<td>$1 - $10</td>
</tr>
<tr>
<td>Tighter formulary, etc.</td>
<td>?</td>
</tr>
<tr>
<td>Challenge commissions, Brokers, Consultants, etc.</td>
<td>?</td>
</tr>
<tr>
<td>Use limited networks (radiology, lab, etc.)</td>
<td>?</td>
</tr>
<tr>
<td>Impose closed networks for most benefits</td>
<td>?</td>
</tr>
<tr>
<td>Tighter medical management</td>
<td>?</td>
</tr>
<tr>
<td>Higher cost sharing</td>
<td>?</td>
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