

# Healthcare Reform: Will Anyone Notice?

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Bruegel, Landscape with the Fall of Icarus

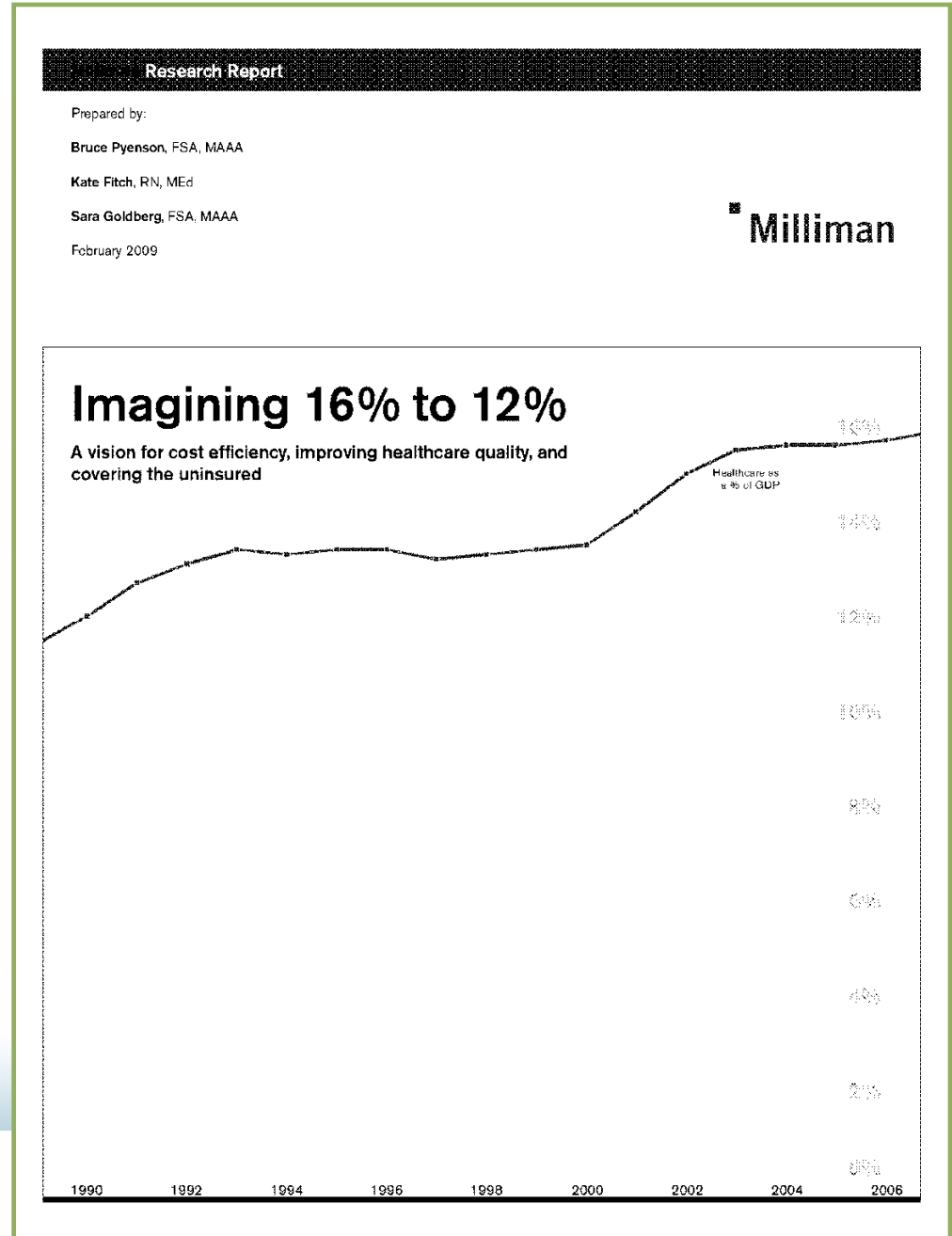
# Does Health Reform Matter?

- 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*

# 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
  - AND
  - 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
  - OR
  - 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		
Persons in family	Poverty guideline* (FPL)	Max Income @ 400% FPL
1	\$10,830	\$43,320
2	14,570	58,280
3	18,310	73,240
4	22,050	88,200
5	25,790	103,160

\* <http://aspe.hhs.gov/poverty/09poverty.shtml>

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

Test: Family Income Implied by 9.8% of Contribution (2009 figures)						
		Monthly Contribution				
Persons in family	Max Income for Subsidy (2009)	\$100	\$200	\$300	\$400	\$500
1	\$43,320	\$12,245	\$24,490	\$36,735	\$48,980	\$61,224
2	\$58,280	\$12,245	\$24,490	\$36,735	\$48,980	\$61,224
3	\$73,240	\$12,245	\$24,490	\$36,735	\$48,980	\$61,224
4	\$88,200	\$12,245	\$24,490	\$36,735	\$48,980	\$61,224
5	\$103,160	\$12,245	\$24,490	\$36,735	\$48,980	\$61,224

**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

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



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