PERS – Health Care Reform

Reform Provision	Subject Area	PERS Observation	PERS Implications	Update Sept 2010
1. Automatic Enrollment	Require employers with more than 200 employees to automatically enroll employees into health insurance plans offered by the employer. Employees may opt out of coverage.	Would change our enrollment process and possible number enrolled.	There are 14,682 State health contracts and another 473 duals where the spouse also works for the State. This totals to 15,155 and since there are 15,358 employees with basic life insurance that equates to 98.7% of the State employees on the NDPERS Health Plan. The remaining 1.3% must have waived coverage. Based upon the above, it is unlikely that this provision will dramatically change the state enrollment. However, political subdivisions premium payment policies vary and it could alter enrollment patterns for those entities.	While no specific date is set in the law the general consensus is that this will take effect in 2014
2. Plan Design	Grandfather existing individual and group plans with respect to new benefit standards, but require these grandfathered plans to extend dependent coverage to age 26, prohibit rescissions of coverage, and strengthen appeals processes. Beginning in 2014, prohibit grandfathered plans from imposing annual or lifetime limits on coverage, including pre-existing condition exclusions, or discriminating in favor of highly compensated individuals. Beginning in 2018, require grandfathered plans to cover proven preventive services with no cost-sharing.	1. PERS presently covers dependents until age 23 and to age 26 for full time students that are financially dependent. This would broaden our coverage. (In 2010 it would be eligible children if they do not have access to other employer coverage, starting in 2014 it would apply even if they do have access to other employer coverage). 2. We have a lifetime max of $2 million dollars. This appears to eliminate this provision. Only permitted annual limits will be allowed. 3. Some of our wellness coverage is subject to plan sharing provisions. This could change for some.	1. This provision will increase our cost for adding these additional members to our family contracts. *($4-$6 pcpm)* 2. The NDPERS Health plan moved from a $1 million lifetime maximum to a $2 million lifetime max at the start of the 1997 biennium. The projected cost at that time was $.35 per contract per month. Note that after that first biennium the cost is actual claims experience (no adjustments for someone going over the max). We currently have 5 members over $1 million and 3 of these are over $1.5 million. Two of these members are	1. This provision must be added to our plan at the start of the next contract which will be July 1, 2011. BCBS has informed us to implement this early would cost $600,000 2. Similarly this provision must also be added to the plan with the start of the next contract which will be July 1, 2011.

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		4. Group health plans are prevented from rescinding coverage with respect to a participant once covered. 5. Nondiscrimination rules under IRS Code section 105(h)(2) are extended to fully insured plans 6. To maintain grandfathered status a plan cannot make certain changes to its plan design or contributions. The PERS board has been advised that this also extends to its participating political subdivisions	over $1.8 and will likely go over $2 million sometime in the next 5 years. We have had two members go over the $2 million max. Retaining these members will increase plan costs. *($.50 pcpm).* We are awaiting further information on the annual limits 3. Presently our plan pays the first $200 of wellness related eliminating out of pocket cost on these services will increase plan costs. *($10-$14 pcpm)* 4. PERS is grandfathered so this provision does apply 5. PERS is grandfathered so this provision does not apply 6. If a political subdivision changes its contributions to its health plan in excess of that allowed it could mean the entire PERS plan and all other employers would lose their grandfathered status	3. Our plan is grandfathered so this provision does not apply to us as long as maintain that status 4. Grandfathered 5. Grandfathered 6. The PERS Board is considering establishing a new subgroup for political subdivisions that elect to change their contribution structure in amount greater then allowed by the grandfathered provisions in federal law.
3. Pre-Medicare Group	Create a temporary reinsurance program for employers providing health insurance coverage to retirees over age 55 who are not eligible for Medicare. Program will reimburse employers or insurers for 80% of retiree claims between $15,000 and $90,000. Payments from the reinsurance program will be used to lower the costs for enrollees in the employer plan. Appropriate $5 billion to finance the program. (Effective 90 days following enactment through January 1, 2014).	PERS will need to follow this provision if implemented to determine any available opportunities for our plan.	For the Non-Medicare members on the NDPERS Health Plan for the entire 2009 year: 90.5% had plan paid < $15,000 8.2% had costs $15,000 - $90,000 And 1.3% had costs $90,000+ There was $1,659,000 paid in the $15,000 - $90,000 corridor The value of this could be as much as $190 per month per contract	The PERS board has approved submitting an application. We submitted in June and were approved in August According to initial guidance the funds can be used for: 1. To reduce sponsor's health benefit premium 2. To reduce health benefit premium contribution of cost-sharing of retirees 3. To reduce a combination of both 1) and 2). This is suggested approach in background material NDPERS board has recommends that the funds received be deposited in the health

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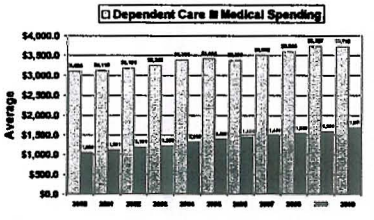
				fund and used to reduce future premium costs for the plan.
4. "Cadillac Plan"	Impose an excise tax on insurers of employer-sponsored health plans with aggregate values that exceed $10,200 for individual coverage and $27,500 for family coverage (these threshold values will be indexed to the consumer price index for urban consumers (CPI-U) plus one percentage point). The threshold amounts will be increased for retired individuals age 55 and older who are not eligible for Medicare and for employees engaged in high-risk professions by $1,350 for individual coverage and $3,000 for family coverage. The threshold amounts may be adjusted upwards if health care costs rise unexpectedly quickly prior to implementation of the tax in 2018. In the 17 states with the highest health care costs, the threshold amount is increased by 20% initially; this increase is subsequently reduced by half each year until it is phased out in 2015. Adjustments will also be made for firms with higher health care costs because of the age or gender of their workers. The tax is equal to 40% of the value of the plan that exceeds the threshold amounts and is imposed on the issuer of the health insurance policy, which in the case of a self-insured plan is the plan administrator or, in some cases, the employer. The aggregate value of the health insurance plan includes reimbursements under a flexible spending account for	PERS Premium -- State is a flat rate per contract of $825.66, converted estimate is a single rate of $400.06 and family rate of $962.84. ND (est) Fed Single $ 4,800.72 $10,200.00 Family $11,554.08 $27,500.00 *FSA, dental, vision, supp hlth	Should have no immediate affect on PERS or participating employers.	

Form Provision	Subject Area	PERS Observation	PERS Implications	Update Sept 2010
	medical expenses (health FSA) or health reimbursement arrangement (HRA), employer contributions to a health savings account (HSA), and coverage for supplementary health insurance coverage, excluding dental and vision coverage. (Effective January 1, 2018)			
5. Part D	Provide a $250 rebate to Medicare beneficiaries who reach the Part D coverage gap in 2010 and eventually eliminate the Medicare Part D coverage gap by phasing down the coinsurance to the January 1, 2010);standard 25% by 2020	Would reduce PERS Medicare retiree premiums	Our present premium is $63.70 for Rx coverage (Part D). The PERS coverage does not have a "doughnut hole" so our retirees pay for this coverage in their premium. Additional federal funds to pay coverage in the "doughnut hole" will reduce the premium required from our retirees. *($17 pcpm phased in over time)*	It appears that since our plan does not have a doughnut hole our members will not be eligible.
6. Flex – Annual limit	Limit the amount of contributions to a flexible spending account for medical expenses to $2,500 per year increased annually by the cost of living adjustment. (Effective January 1, 2011)	Presently $6,000 NDPERS Flexcomp Participation 	505 out of the 2,786 2010 medical spending Flex comp members flexed over $2,500. This accounted for $653,070 of the $4,673,821 total (14%).	This provision will now be effective in 2013.
7. Flex - Scope	Exclude the costs for over-the-counter drugs not prescribed by a doctor from being reimbursed through an HRA or health FSA and from being reimbursed on a tax-free basis through an HSA or Archer Medical Savings Account. (Effective January 1, 2011).	Reduce scope of coverage	Could encourage members to replace this loss by getting prescriptions and will likely reduce flex comp deferrals.	Final law provided that the OTC will continue to be effective in 2011.
8. CLASS Act	The Community Living Assistance Services and Supports Act (CLASS ACT) is a national voluntary	PERS presently is authorized in NDCC 54-52.1 to offer a voluntary LTC Plan	This plan is scheduled to go to bid in 2010/2011. We need to examine how this	Our attorney has indicated that while PERS is responsible for establishing a voluntary

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	insurance program for purchasing community living assistance services and support		will relate to offering a voluntary LTC plan.	LTC plan for state employees that authority does extend to making a determination on the states participation in this program. Such a determination will need to be made by the Governor and/or Legislature

Health Care Reform Timeline for PERS

2010

- Retiree Reinsurance Program (Possible reinsurance subsidy could be up to $1 million per year)

2011

- No Lifetime dollar limits
- Only permitted annual dollar limits
- Extension of coverage to adult children until age 26
- OTC drugs no longer eligible for Flex Medical account
- CLASS program

2012

- Employer W-2 reporting on 2011 coverage
- Comparative effectiveness fee paid by insurers and self funded plans ($2 per covered life, $1 in first year)

2013

- Limit contribution to FSA to $2,500

2014

- Automatic Enrollment (consensus estimate – yet to be set)
- Free choice vouchers
- No annual dollar limits on essential services
- Coverage to dependent children to age 26 regardless of other employer coverage

FISCAL YEAR 2011

Provision	Reform Provision		Fiscal Impact: Special Fund	General Fund	Political Subdivisions	Consumers
1	No Lifetime or Annual Maximums.	2011	18,000	27,000	13,800	
		2012	36,000	54,000	27,600	
		2013	36,000	54,000	27,600	
		2014	36,000	54,000	27,600	
		2015	36,000	54,000	27,600	
		2016	36,000	54,000	27,600	
		2017	36,000	54,000	27,600	
		2018	36,000	54,000	27,600	
		2019	36,000	54,000	27,600	
		2020	36,000	54,000	27,600	
		Total				
2	Extended Coverage for Dependents.	2011	180,000	270,000	138,000	
		2012	360,000	540,000	276,000	
		2013	360,000	540,000	276,000	
		2014	360,000	540,000	276,000	
		2015	360,000	540,000	276,000	
		2016	360,000	540,000	276,000	
		2017	360,000	540,000	276,000	
		2018	360,000	540,000	276,000	
		2019	360,000	540,000	276,000	
		2020	360,000	540,000	276,000	
		Total				
3	Mandated Preventative Health Services	2011	108,000	162,000	82,800	
		2012	216,000	324,000	165,600	
		2013	216,000	324,000	165,600	
		2014	216,000	324,000	165,600	
		2015	216,000	324,000	165,600	
		2016	216,000	324,000	165,600	
		2017	216,000	324,000	165,600	
		2018	216,000	324,000	165,600	
		2019	216,000	324,000	165,600	
		2020	216,000	324,000	165,600	
		Total				

FISCAL YEAR 2013

Provision	Reform Provision		Fiscal Impact: Special Fund	General Fund	Political Subdivisions	Consumers
1	Premium Tax	2013	15,600	23,400	10,500	
		2014	31,200	46,800	21,000	
		2015	31,200	46,800	21,000	
		2016	31,200	46,800	21,000	
		2017	31,200	46,800	21,000	
		2018	31,200	46,800	21,000	
		2019	31,200	46,800	21,000	
		2020	31,200	46,800	21,000	
		Total				

Grandfathered Plan Vs Not Grandfathered

Grandfathered	Cost/PCPM	Not Grandfathered	Cost PCPM
No Lifetime or annual Coverage Maximums (2011)	$0.50	Mandated Coverage for Preventive Health Services (2011)	$2-$4
Extension of coverage to Dependents (2011)	$4-$6	Mandated Patient Protections (2011)	?
Rescission of Coverage Prohibited		Extension of Nondiscrimination Rules (2011)	?
Cost Ratio Requirements (2011)	?	Mandated Claims Appeal Process (2011)	?
Prohibition of Pre-Existing Condition Exclusion (2011 &2014)		Availability and Renewability of Coverage	
Waiting Period Restrictions (2014)		No Discrimination based on health status	
Automatic Enrollment	?	Cost sharing limits	
See Note		Mandated Coverage for Clinical Trials	?

Note: Comparative Effectiveness Fee - $1 beginning in July of 2013 per avg # of covered lives annually; 2012 -2019 $2 indexed

Also PERS has specific plan provisions that include such things as the following and raise additional questions:

1. We define in our statute who is temporary and who is permanent. Based upon these definitions, employers establish how much premium will be paid. If we lost our grandfathered status, would we need to follow a new definition? If so, this could have a cost effect on our employers.
2. PERS allows political subdivisions to join our plan but they must agree to a contract that contains specific provisions that limit our risk in making this option available to them. Could we lose our authority to require these risk provisions if we lost our grandfathered status?
3. PERS statute specifically sets the premium calculation methodology for our pre Medicare retirees. Could we be required to follow another set of rules if we lose our grandfathered status? If so this could affect our OPEB liability and our employer's costs.
4. PERS has other specific plan provisions; is there a possibility that they could be at risk if we lost our grandfathered status?

Re Will do a limited bid for the health plan this year for two years. bid will be designed to minimize our risk of losing grandfathered status so that the full implications can be determined.