PERS – Health Care Reform

Reform Provision	Subject Area	PERS Observation	PERS Implications	Update April 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. 4. Group health plans are prevented	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 over $1.8 and will likely go over $2	1. This provision must be added to our plan at the start of the next contract which will be July 1, 2011. Some plans are adding this provision now, we are waiting for information from BCBS 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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		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	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. *($2-$4 pcpm)* 4. PERS is grandfathered so this provision does apply 5. PERS is grandfathered so this provision does not apply	3. Our plan is grandfathered so this provision does not apply to us as long as maintain that status 4. Grandfathered 5. Grandfathered
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	Information is to be released in June of 2010 on how to apply. PERS is waiting for guidance and if eligible will apply. Funds must be used to reduce retiree costs and may not be deposited into an employers general assets.
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	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.	Should have no immediate affect on PERS or participating employers.	

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	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 $3,000 for family coverage. The threshold amounts may be adjusted upwards if health care costs rise unexpectedly quickly prior to implementation of the tax in 2018. In the 17 states with the highest health care costs, the threshold amount is increased by 20% initially; this increase is subsequently reduced by half each year until it is phased out in 2015. Adjustments will also be made for firms with higher health care costs because of the age or gender of their workers. The tax is equal to 40% of the value of the plan that exceeds the threshold amounts and is imposed on the issuer of the health insurance policy, which in the case of a self-insured plan is the plan administrator or, in some cases, the employer. The aggregate value of the health insurance plan includes reimbursements under a flexible spending account for medical expenses (health FSA) or health reimbursement arrangement (HRA), employer contributions to a health savings account (HSA), and coverage for supplementary health insurance coverage, excluding dental and vision coverage. (Effective January 1, 2018)	<table><tr><th></th><th>ND (est)</th><th>Fed</th></tr><tr><td>Single</td><td>$ 4,800.72</td><td>$10,200.00</td></tr><tr><td>Family</td><td>$11,554.08</td><td>$27,500.00</td></tr></table> *FSA, dental, vision, supp hlth		
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)*	We are awaiting information from the federal government to determine if our members will be eligible. The PERS Part D plans fills in "doughnut" with premium so this may have an implication for eligibility. We are awaiting guidance.

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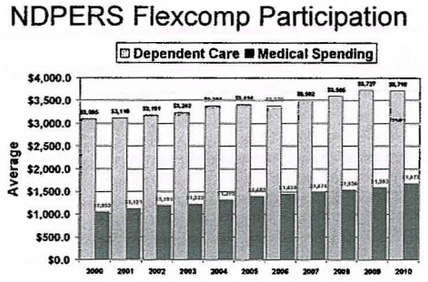
6. Flex – Annual limit	Limit the amount of contributions to a flexible spending account for medical expenses to $2,500 per year increased annually by the cost of living adjustment. (Effective January 1, 2011)	Presently $6,000 	505 out of the 2,786 2010 medical spending Flex comp members flexed over $2,500. 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 insurance program for purchasing community living assistance services and support	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 will relate to offering a voluntary LTC plan.	

Other Observations:

- Implications for health plan bid scheduled for 2010

Health care Reform Timeline for PERS

2010

- Retiree Reinsurance Program

2011

- No Lifetime dollar limits
- Only permitted annual dollar limits
- Extension of coverage to adult children until age 26
- OTC Drugs not 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)

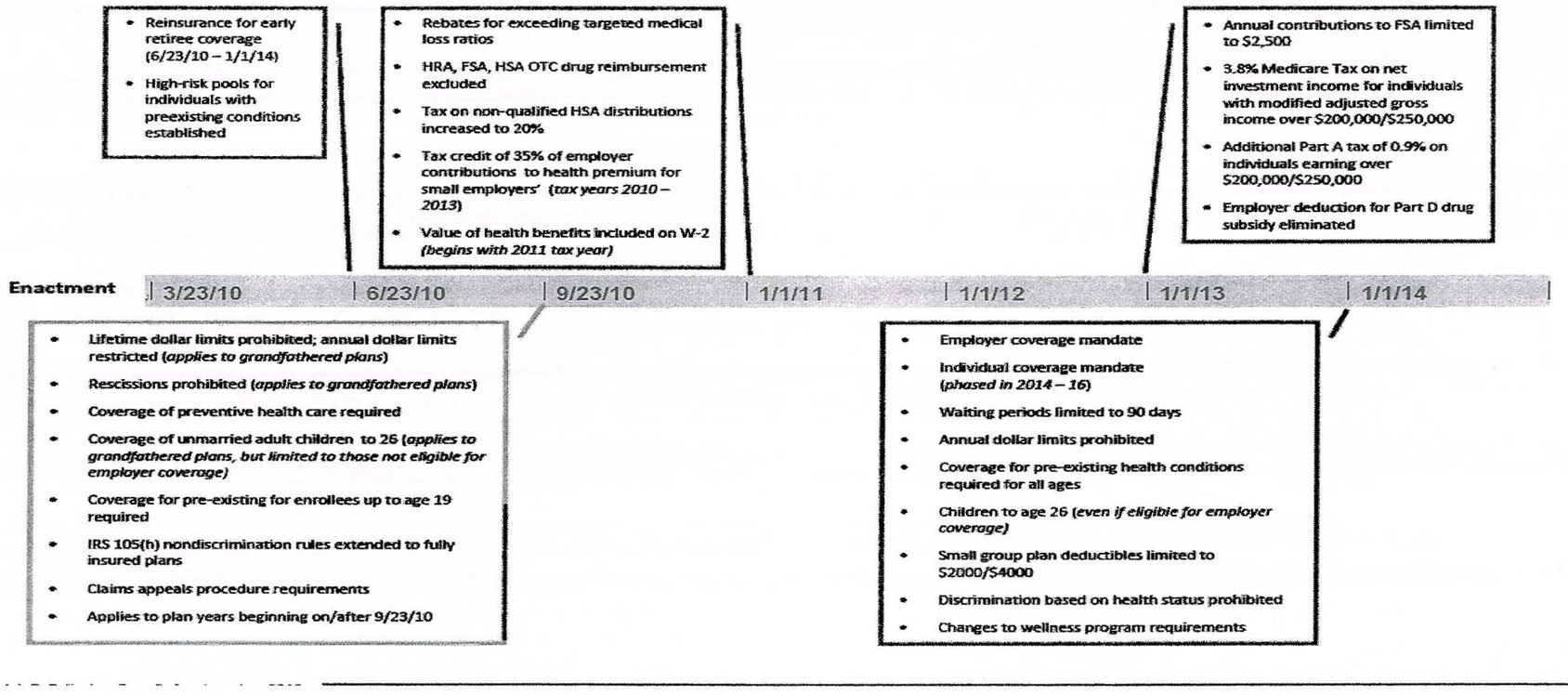
2013

- 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

Timeline: Healthcare Reform Key Changes for Employers



NDPERS

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	
		Mandated Coverage for Clinical Trials	?

- PreMedicare Subsidy
- Part D
- CLASS
- Flec