



Health Care Reform Update North Dakota Interim Industry Business and Labor Committee

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Patient Protection and Affordable Care Act

- Blue Cross Blue Shield of North Dakota is committed to implementing the health reform law
- Trusted partner for our customers
 - Member and employer educational materials
 - Proactive advice and support to obtain best value
- The law is complicated and we don't know all the answers
 - Rules/guidance over the next several years
 - Some guidance imminent

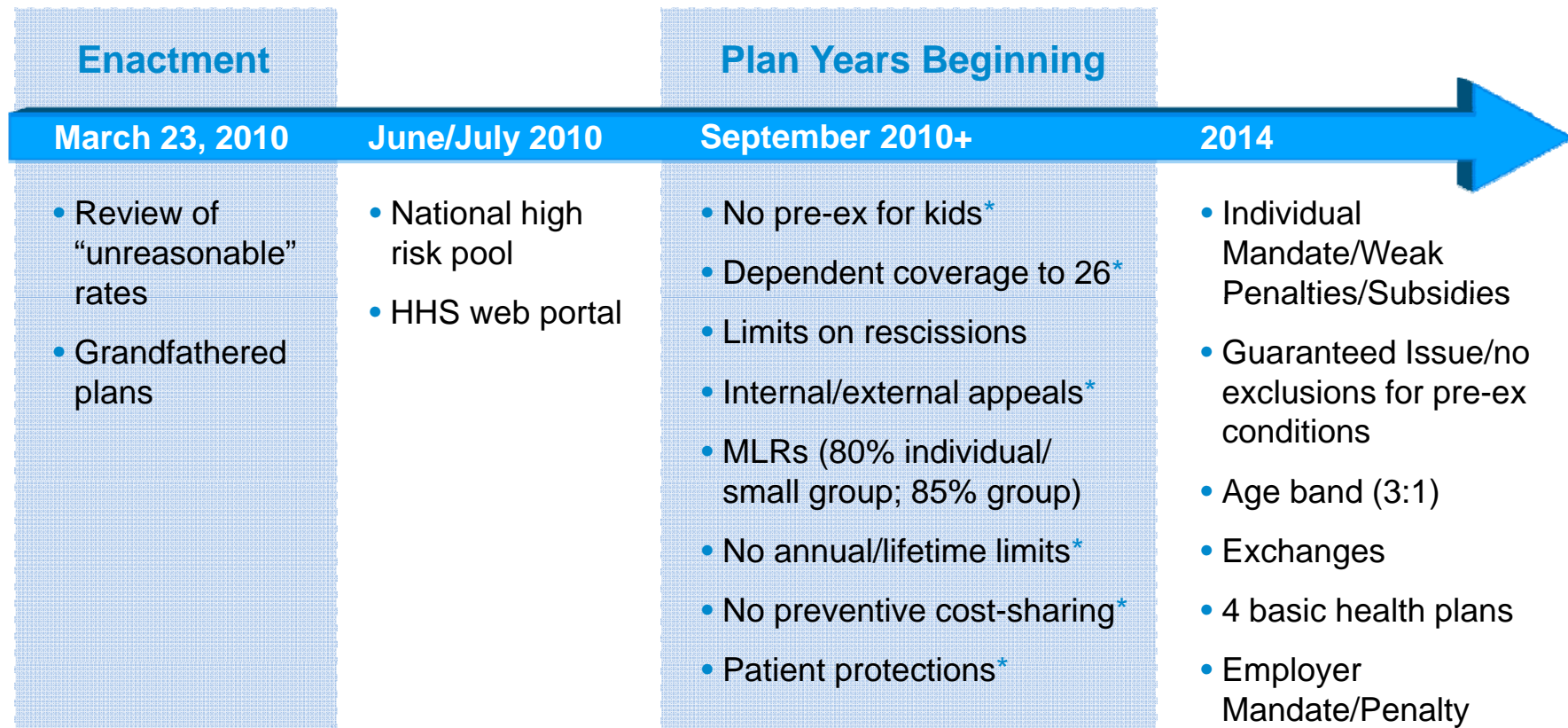


Patient Protection and Affordable Care Act

- Historic change in public policy
 - Will provide access to financial protection for health care costs for most uninsured
 - Will provide subsidies for many Americans
 - No one will be denied coverage due to medical conditions
- Universal coverage has been long supported by BCBSND and the Blue Cross Blue Shield Association



Key Provisions: Insurance Reforms/Plan



* Impacts all plans



Key Provisions: Individual Responsibility

Individual Mandate (2014+)

All individuals must purchase minimum coverage

Penalty (with exceptions) is lower of:

- National average premium, or
 - Greater of: % income (up to 2.5%), or \$95 (2014), \$695 (2016)
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Subsidies (2014+)

Sliding scale, up to 400% Federal Poverty Level (FPL)
(\$88,000/year for family of 4)

- Only available through exchanges
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Medicaid (2014+)

Expanded to 133% FPL in all states

- Mandatory enrollment under 100% FPL
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Key Provisions: Employer Responsibility

Employers >50 Full Time Equivalents (FTEs) must offer minimum coverage:

**Requirement:
“Play”
(2014+)**

- Part-time are included on FTE basis in calculating >50 FTE
- Full-time employee is 30+ hours/week
- No minimum contribution
- Must provide “essential coverage” with 60% actuarial value minimum

Employer with >50 FTEs:

**Coverage
Penalty:
“Pay”
(2014+)**

- Not offering coverage and at least one FTE receives tax credit
 - \$2,000 x total number of FTEs (minus first 30 FTEs)
- Offering coverage at least one FTE receives tax credit but actuarial value < 60% or employee cost is > 9.5% of household income
 - Lesser of \$2,000 x total FTEs or \$3,000 x number of employees receiving tax credit



Key Provisions: Employer Responsibility (Other)

Free Choice Voucher (2014+)

Employers must provide for use in exchange if:

- Employee premium cost sharing is 8%-9.5% of household income (<400% FPL)

Auto-Enrollment

Employers >200 employees must auto enroll FTE into health plan (employee may opt out)

Treasury Reporting

Employers required to submit annual coverage reports

W-2 Reporting

Must disclose cost of coverage

Early Retiree Reinsurance (2010)

Temporary reinsurance for retirees 55-64



Key Provisions: Employer Responsibility (Tax)

Small Group Tax Credit (2010+)

Employers < 25 employees and < \$50,000/year average wages contributing > 50% of premium

- 2010-2013: sliding scale credit up to 35% of employer costs (25% if tax exempt)
- 2014+: credit up to 50% of employer costs (35% if tax exempt) for first 2 years; limited to exchange only

Retirees Drug Subsidy (2013+)

Eliminate tax exclusion for Part D subsidy payments

High Cost Plan Excise Tax (2018+)

40% nondeductible tax

- \$10,200 individual; \$27,500 family coverage
 - Excludes dental and vision
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Key Provisions: Exchanges

Exchanges (2014+)

- States must establish exchanges for individuals/small employers (federal fallback)
 - Small employer (1-100 workers) (state option 1-50 workers until 2016)
- Options limited to 4 “actuarial value” benefit packages:
 - Bronze 60%, Silver 70%, Gold 80%, Platinum 90%
 - Insurers must offer Silver and Gold
- Employee choice
- Subsidies and small employer credits only available through exchange
- Catastrophic plan offering available to individuals <30 or financial hardship
- State mandates required only if state pays added costs
- Participating plans must meet defined requirements



Key Provisions: Exchanges (cont'd)

Exchanges (2014+)

- Grants to “navigators” for education and enrollment

Outside Exchange

- Individual and group coverage can be sold
 - Must meet “essential benefits”
 - Follow cost sharing limits
 - Apply state benefits mandates
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Key Provisions: Benefits

Must meet 3 elements:

Benefits (2014+)

1. Include “essential benefits” (HHS to define)
2. Limit cost-sharing
3. Meet minimum actuarial values (60%)

Preventive Health (2010+)

Must provide without cost sharing

Wellness

Discounts allowed for group plans under certain circumstances

Grandfathered Policies (enrolled or dates of enactment)

- Existing coverage exempted from many new rules
 - Certain new benefit mandates apply (e.g., lifetime limits, pre-ex)
 - May add/delete employee/dependents
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Key Provisions: Financing

FSA Limits (2011& 2013)

Eliminates over-the-counter purchases in 2011 and limited to \$2,500/year in 2013

Tax on Rx/Devices (2011)

\$47 billion in new taxes

Increased Medicare Tax (2013+)

Increases tax on income and investments for high income people

- Additional .9% HI tax for individuals >\$200,000 and joint filers >\$250,000

Insurance Tax (2014+)

\$60 billion tax on insured products; \$8 billion in 2014

Cadillac Tax (2018+)

Tax on high value plans
(\$10,200 single/ \$27,500 family)



Benefits of PPACA

- A large majority of uninsured Americans will have access to health insurance coverage.
- A significant percentage of Americans will have subsidies from the federal government to pay for health insurance.
- Americans will not have to worry about being denied coverage due to health conditions.
- Some employers will receive subsidies for health benefits for a limited time.



Concerns with PPACA

- Insurance premiums will increase
 - Estimate of 15% for group coverage
 - Estimate of 75% – 100% in the individual (non-group) plans
- Premium increase factors
 - Guarantee issue/Individual mandate with weak penalties
 - Richer benefits/preventive services/limited cost shares
 - Elimination of lifetime/annual limits
 - Adjusted community rating
 - Taxes
 - Administrative costs
 - Enrollment by income and duplicated enrollment (Exchanges)
 - Duplicated products (by income and pre/post reform)
 - More regulation



Concerns with PPACA

- Control of medical costs
- Potential unraveling of employer-based insurance
- Potential adverse selection
- Federal control of product design
- Uncertain definitions: e.g.
 - Essential benefits
 - Grandfathered plans
 - Dependents
- Implementation timelines



Questions?