



Impact of healthcare reform on Employer Sponsored Medical Plans

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Today's discussion

- Highlights – Healthcare Reform
- Update on Medical Plan Trends

Insurance Reform Overview

- The Healthcare Reform Law was enacted on March 23, 2010, and was amended on March 30, 2010.
- Effective dates are staggered from the date of enactment until January 1, 2014.
- New health insurance plans or non-grandfathered plans must comply with all requirements.

Insurance Reform - Dependent Coverage Until Age 26 Six Months from Enactment for all Plans

- Health plans must cover adult children up until age 26, regardless of student or marital status.
 - In most cases, January 1, 2011.
- No taxation for such coverage.

Insurance Reform - Pre-Existing Condition Prohibition Six Months from Enactment for all Plans

- Children under age 19 may not be excluded for pre-existing conditions.
 - Effective as of January 1, 2011 in most cases.

Insurance Reform - Lifetime Maximums Six Months from Enactment for all Plans

- A lifetime maximum on essential benefits prohibited.
- Nonessential benefits can be subject to such a maximum.
 - The Secretary of Health and Services is to determine the scope of what is considered essential benefits.

Insurance Reform - Annual Dollar Limitations Six Months from Enactment for all plans

- No annual dollar limits on “essential” benefits.
 - Prior to January 1, 2014, a “restricted annual limit” on “essential” health benefits permitted.
 - The Secretary of Health and Human Services to issue guidance on definition of restricted annual limit.

Insurance Reform - Mandated Coverage for Preventive Care - Six Months from Enactment For Plans

- No cost sharing for:
 - preventive care services and immunizations
 - certain child preventive services; and
 - women’s preventive care and screening.

Insurance Reform - Explanation of Coverage Requirements. Two Years from Enactment for all Plans

- Requirement to provide summary documentation to all plan participants that must:
 - state whether the plan provides minimum essential coverage; and
 - whether the plan's share of the costs is at least 60% of actuarial value.
- Limited four pages
- In addition, to ERISA's Summary Plan Description requirements.
- Standards for this summary expected by March 23, 2011.
- 60-days advance notice of changes to the summary of benefits required.
- A new \$1,000 per participant penalty for each willful failure to provide the summary, as well as a \$100 per day per individual penalty for such a failure.

Insurance Reform - Pre-existing Condition Limitation Effective as of January 1, 2014 for all Plans including Grandfathered Plans

- For both insured and self-insured health plans, no pre-existing condition exclusions regardless of age.
 - Currently, HIPAA permits pre-existing condition limitations to be applied for up to 12 months (or 18 months for late enrollees), subject to reduction for periods of prior creditable coverage.

Insurance Reform - Other Important Changes Effective as of January 1, 2014 for Plans

- Expanded coverage of routine costs for clinical trial.
 - May not deny or limit an eligible individual's participation in a clinical trial.
 - Qualified individuals is defined as a person eligible to participate in approved clinical trial according to the applicable protocol.

Insurance Reform - Other Important Changes Effective as of January 1, 2014 for Plans

- No annual-cost sharing requirements in excess of \$5,950 for individual coverage and \$11,900 for family coverage, which are adjusted annually after 2014.
 - Applies to self-insured and insured plans.
- No deductibles over \$2,000 for individual coverage and \$4,000 for family coverage for insured plans.
 - Limits increased annually by the maximum permitted under a flexible spending arrangement and by an amount permitted under the law.

Insurance Reform - Appeal Procedures Six Months from Enactment For Plans other than Grandfathered Plans

Claims and appeals processes required, which must include:

- An internal claims appeal process;
- Notice to participants of available and external appeals and consumer assistance and ombudsmen;
- Participant's right to file review, present evidence and testimony; and
- Continued health care coverage during the appeals process.

Medicare taxes

- Effective in 2013 on income over \$200k single 250k joint:
 - 0.9% increase on employee share of earned income
 - Increased from 1.45% to 2.35%
 - Employer share remains 1.45% for total of 3.8%
 - Employer will withhold 0.9%
 - New 3.8% tax on “unearned” gains, dividends, interest
 - Employee responsibility for estimated taxes

All employers – 2011

- W-2 reporting
 - Cost of health coverage
- Flexible spending arrangements
 - No reimbursements for non-prescription drugs

All employers – 2013

- Required notice to employees of coverage options
- Health flexible spending arrangements
 - Salary reduction contributions limited to \$2,500
- Medicare Part D subsidy provided to employers
 - Deduction no longer permitted

Insurance Reform - Other Important Changes Effective as of January 1, 2014 for all Plans including Grandfathered Plans

- No eligibility waiting periods of more than 90 days.

Large employers – more than 200 full-time employees

Automatic enrollment requirement

- To take effect under Department of Labor regulations
- Requirements
 - Automatic enrollment
 - “Adequate notice”
 - Opt-out opportunity

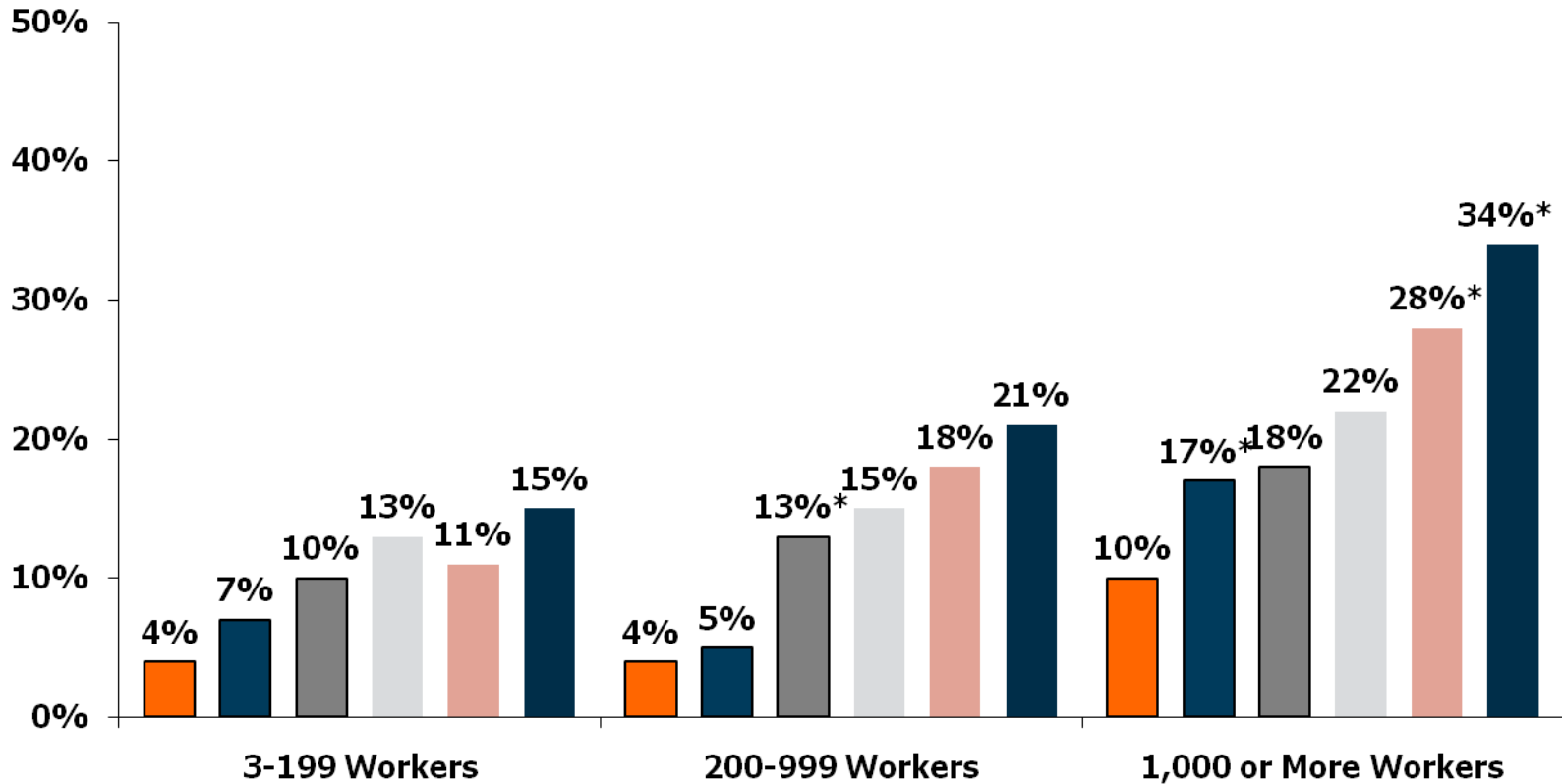
Summary of health care reform law effective dates

Applicable Provisions	Effective Date for Grandfathered	Effective for Non-Grandfathered Plans
Grandfathered Coverage	Date of Enactment	Not Applicable
Annual Premium Review	Date of Enactment	Date of Enactment
Temporary Reinsurance for Early Retirees	June 23, 2010	June 23, 2010
Dependent Coverage Until Age 26	Plan years beginning after September 23, 2010	Plan years beginning after September 23, 2010
Pre-Existing Condition Limitation for Children Age 19	Plan years beginning after September 23, 2010	Plan years beginning after September 23, 2010
Lifetime and Annual Maximums	Plan years beginning after September 23, 2010	Plan years beginning after September 23, 2010
Rescissions	Plan years beginning after September 23, 2010	Plan years beginning after September 23, 2010
Cost-Sharing Ratio Requirements	Plan years beginning after September 23, 2010	Plan years beginning after September 23, 2010
Mandated Coverage for Preventive Care	Not Applicable	Plan years beginning after September 23, 2010
Patient Protections – Access to Certain Healthcare Providers	Not Applicable	Plan years beginning after September 23, 2010
Appeals and Claim Procedures	Not Applicable	Plan years beginning after September 23, 2010
Explanation of Coverage and Plan Summary Requirements	March 23, 2010	March 23, 2010

Summary of health care reform law effective dates

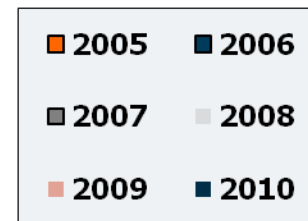
Applicable Provisions	Effective Date for Grandfathered	Effective for Non-Grandfathered Plans
Pre-existing Condition Limits Regardless of Age	January 1, 2014	January 1, 2014
No Waiting Periods of More than 90 Days	January 1, 2014	January 1, 2014
Wellness Credit	January 1, 2014 (most likely applicable but law is unclear)	January 1, 2014
Coverage of Essential Benefits	Not Applicable	January 1, 2014
Nondiscrimination as to Eligibility	Not Applicable	January 1, 2014
Expanded Coverage for Clinical Trials	Not Applicable	January 1, 2014
Annual Cost-Sharing and Deductible Limitations	Not Applicable	January 1, 2014
Guarantees and Renewability Protections	Not Applicable	January 1, 2014
Rate Protections	Not Applicable	January 1, 2014
Wellness Credit	January 1, 2014 (most likely applicable but law is unclear)	January 1, 2014

Among Firms Offering Health Benefits, Percentage That Offer an HDHP/SO, by Firm Size, 2005-2010



* Estimate is statistically different from estimate for previous year shown ($p < .05$).

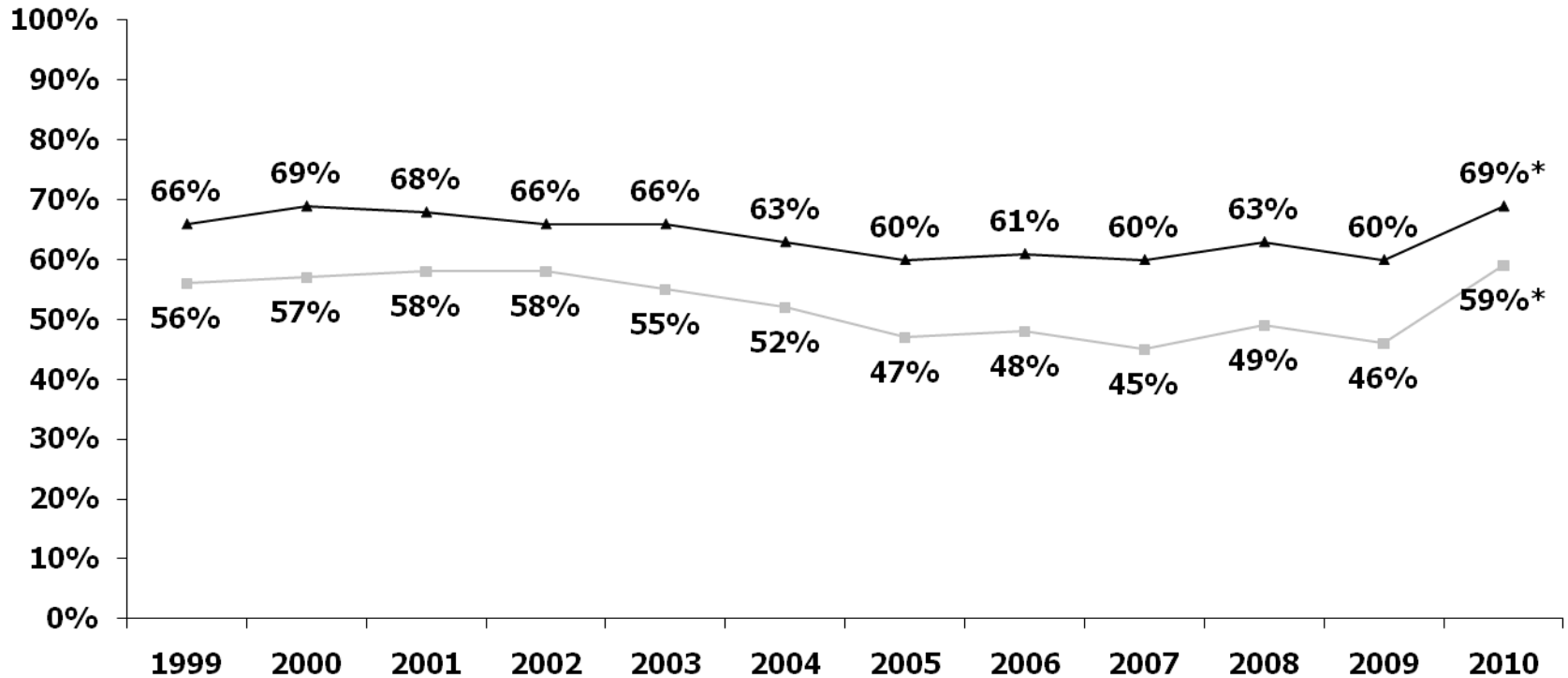
Note: The 2010 estimate includes 0.3% of all firms offering health benefits that offer both an HDHP/HRA and an HSA-qualified HDHP. The comparable percentages for 2005, 2006, 2007, 2008 and 2009 are 0.3%, 0.4%, 0.2%, 0.3% and 0.1%, respectively.



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005-2010.

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Percentage of All Firms Offering Health Benefits, 1999-2010



*Estimate is statistically different from estimate for the previous year shown ($p < .05$).

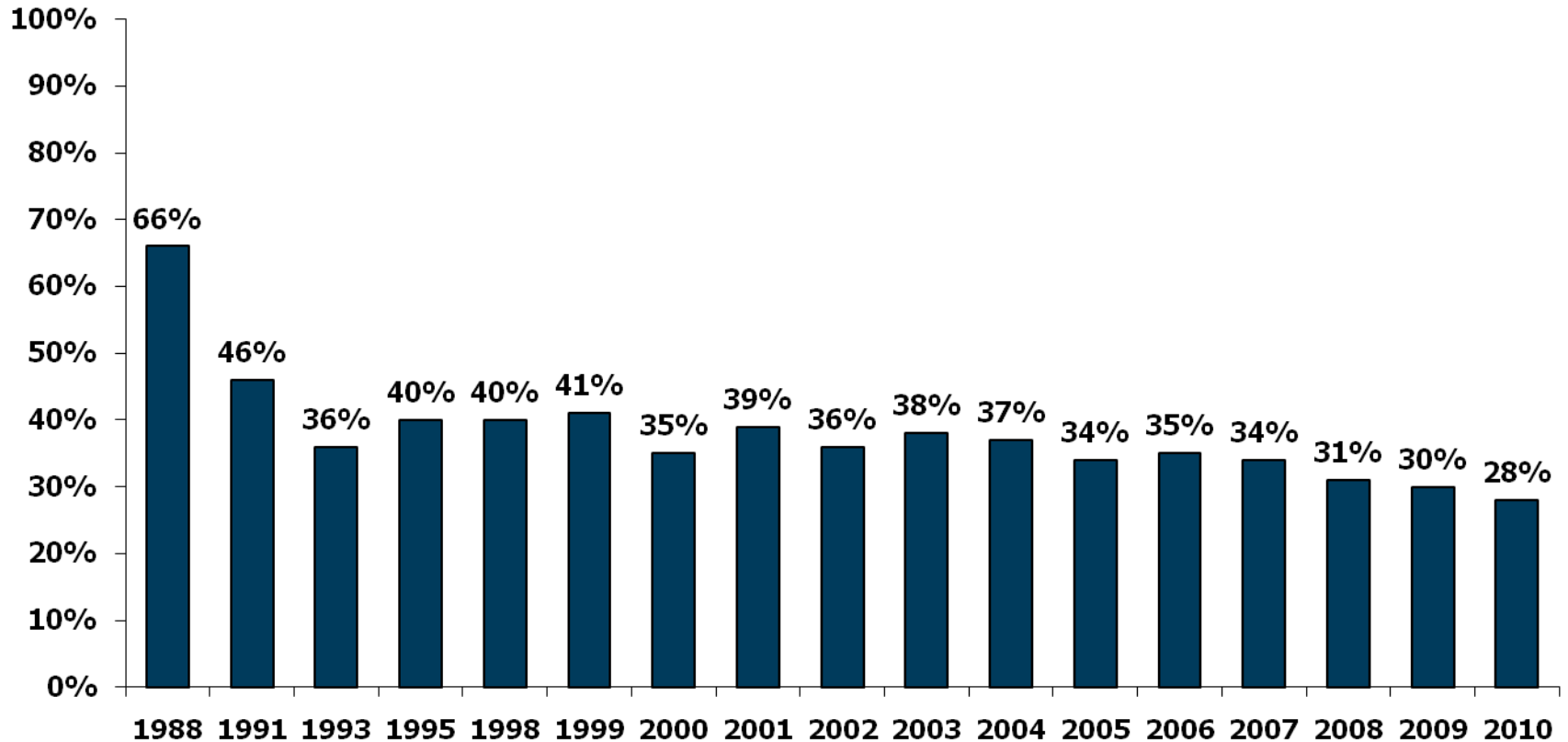
Note: Estimates presented in this exhibit are based on the sample of both firms that completed the entire survey and those that answered just one question about whether they offer health benefits. The percentage of firms offering health benefits is largely driven by small firms. The reason for the increase in 2010 is unclear, but it is primarily driven by a 13 percentage point jump in the percentage of firms with 3 to 9 employees offering coverage, from 46% in 2009 to 59% in 2010. We have seen some fluctuation in this category in the past but never of this magnitude.



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2010.

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Among All Large Firms (200 or More Workers) Offering Health Benefits to Active Workers, Percentage of Firms Offering Retiree Health Benefits, 1988-2010*

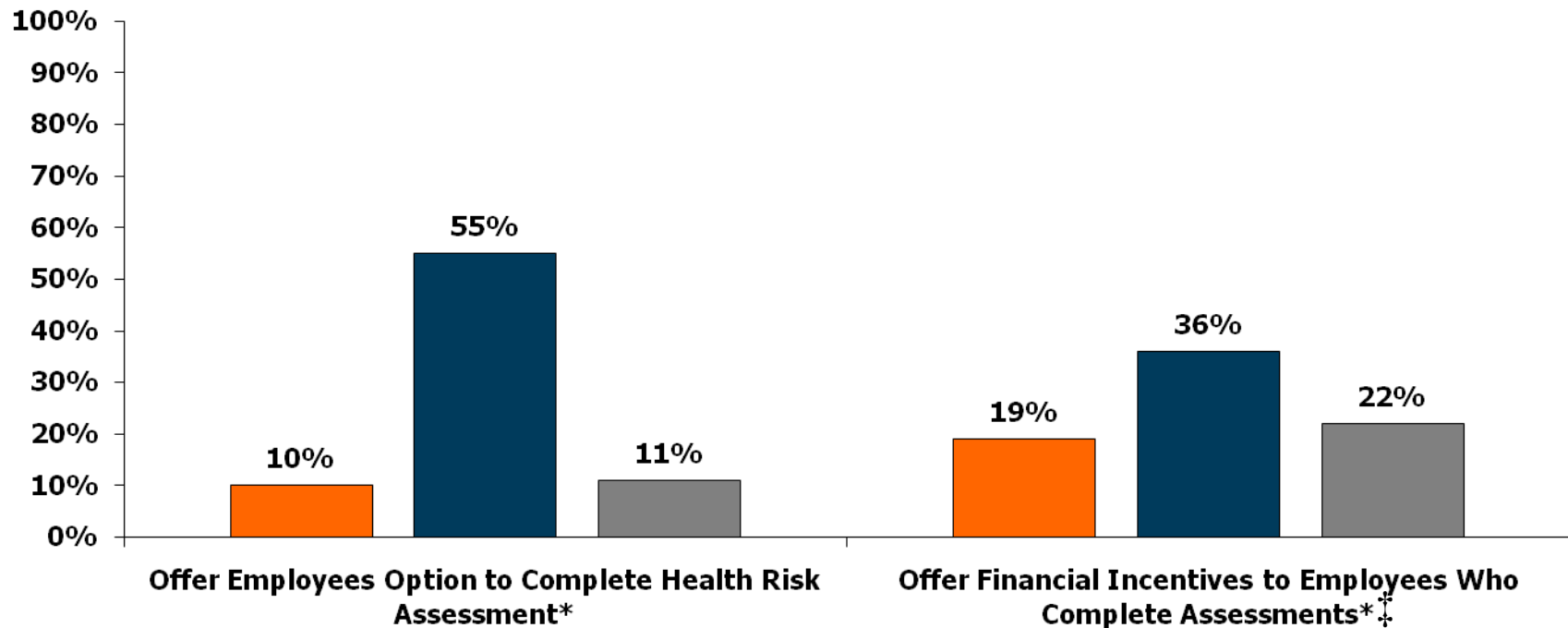


*Tests found no statistical difference from estimate for the previous year shown ($p < .05$). No statistical tests are conducted for years prior to 1999.

Note: Data have been edited to include the less than 1% of large firms who report “yes, but no retiree” responses in 2010. Historical numbers have been recalculated so that the results are comparable.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2010; KPMG Survey of Employer-Sponsored Health Benefits, 1991, 1993, 1995, 1998; The Health Insurance Association of America (HIAA), 1988.

Among Firms Offering Health Benefits, Percentage of Firms That Offer Employees Health Risk Assessments and Offer Incentives to Complete Assessments, by Firm Size, 2010



*Estimate is statistically different between All Small Firms and All Large Firms within category ($p < .05$).

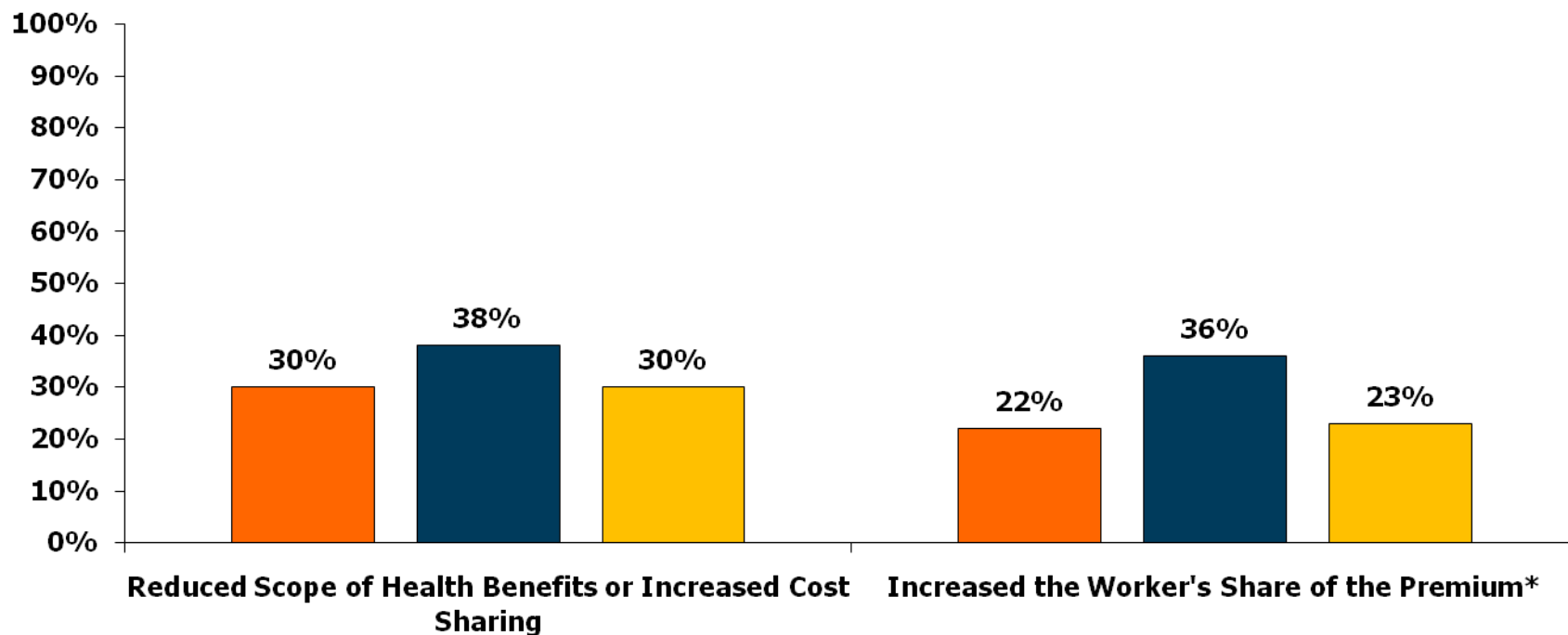
† Among Firms Offering Employees Option to Complete Health Risk Assessment.

Note: A health risk assessment includes questions on medical history, health status, and lifestyle, and is designed to identify the health risks of the person being assessed.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010.

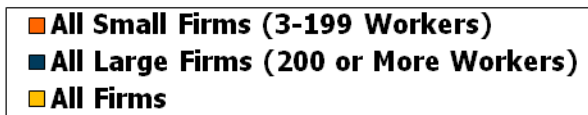
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Among Firms Offering Health Benefits, Percentage of Firms That Report They Made the Following Changes as a Result of the Economic Downturn, by Firm Size, 2010

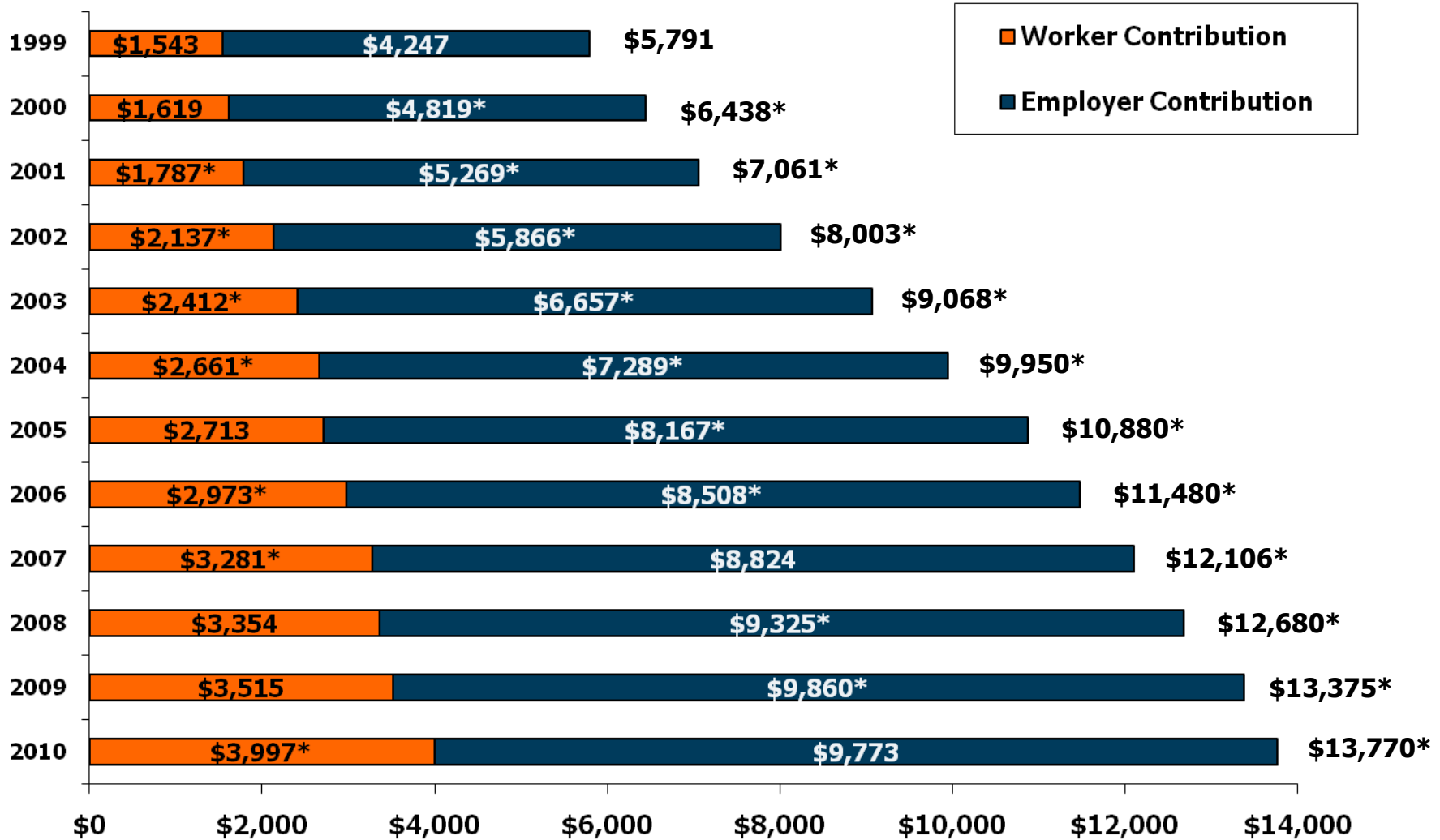


*Estimate is statistically different between All Small Firms and All Large Firms within category ($p < .05$).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010.



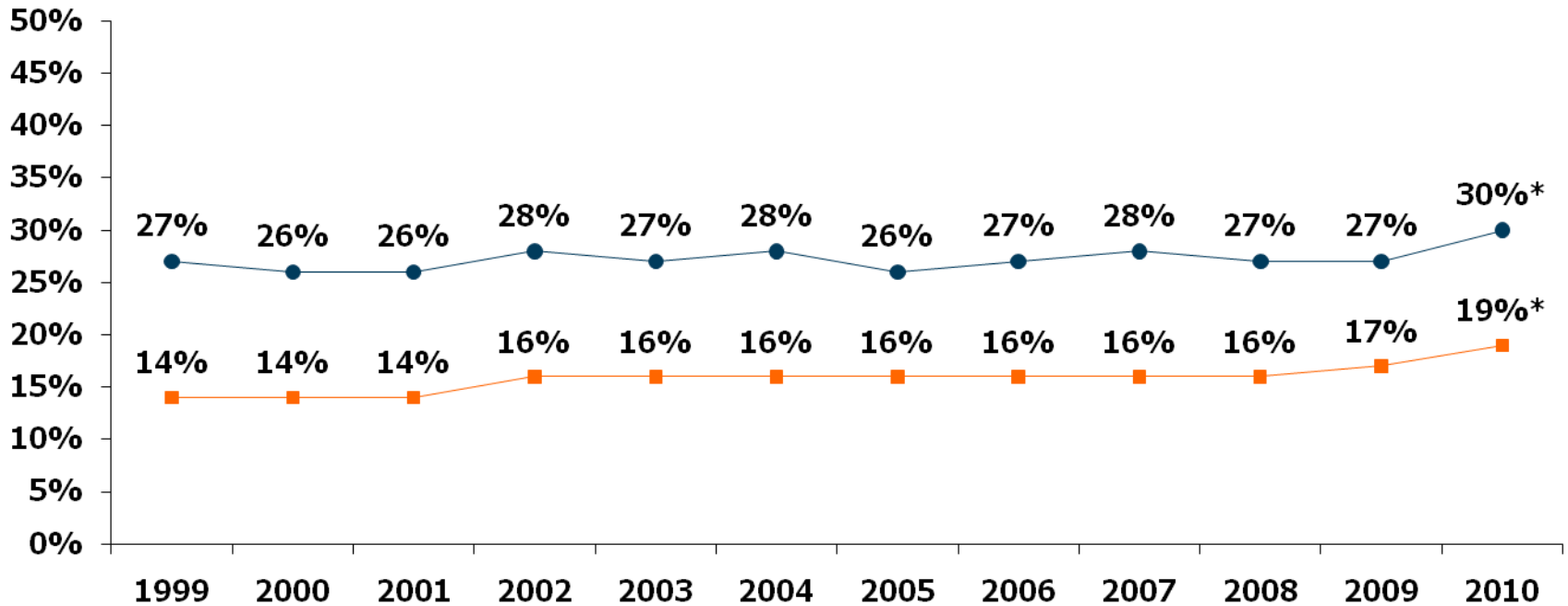
Average Annual Worker and Employer Contributions to Premiums and Total Premiums for Family Coverage, 1999-2010



* Estimate is statistically different from estimate for the previous year shown (p<.05).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2010.

Average Percentage of Premium Paid by Covered Workers for Single and Family Coverage, 1999-2010

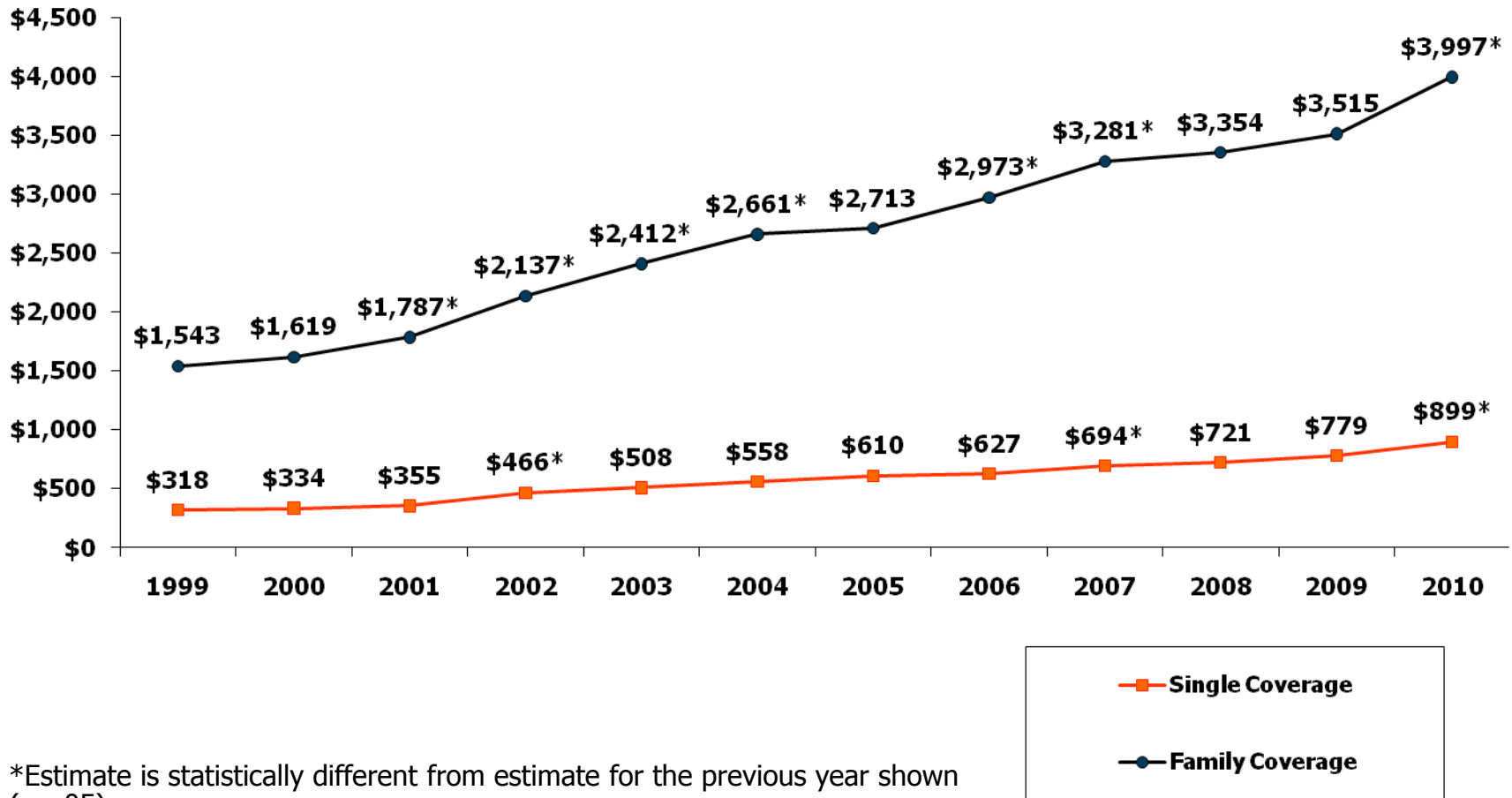


* Estimate is statistically different from estimate for the previous year shown (p<.05).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2010.



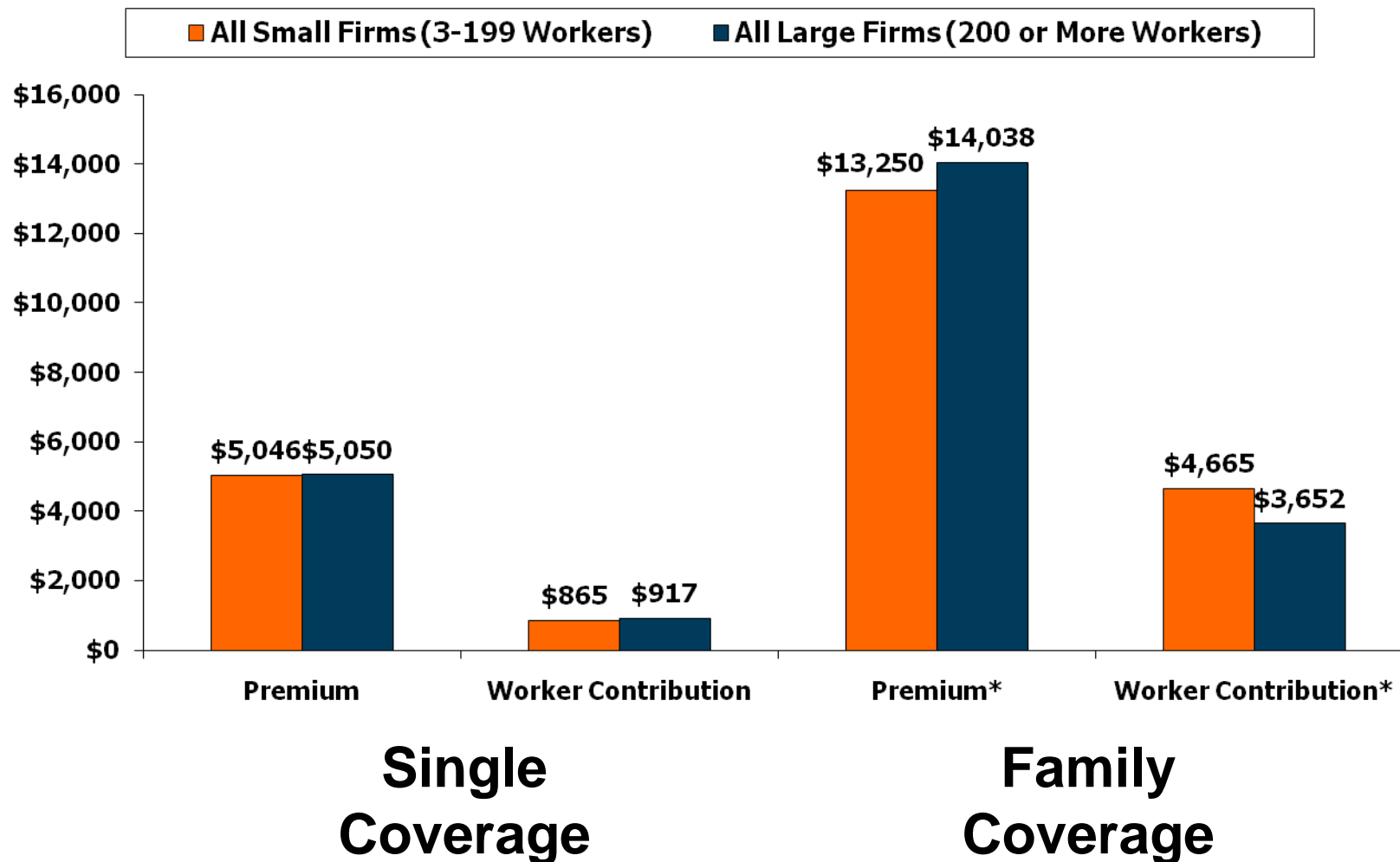
Average Annual Worker Premium Contributions Paid by Covered Workers for Single and Family Coverage, 1999-2010



*Estimate is statistically different from estimate for the previous year shown (p<.05).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2010.

Average Annual Worker Premium Contributions and Total Premiums for Covered Workers, Single and Family Coverage, by Firm Size, 2010

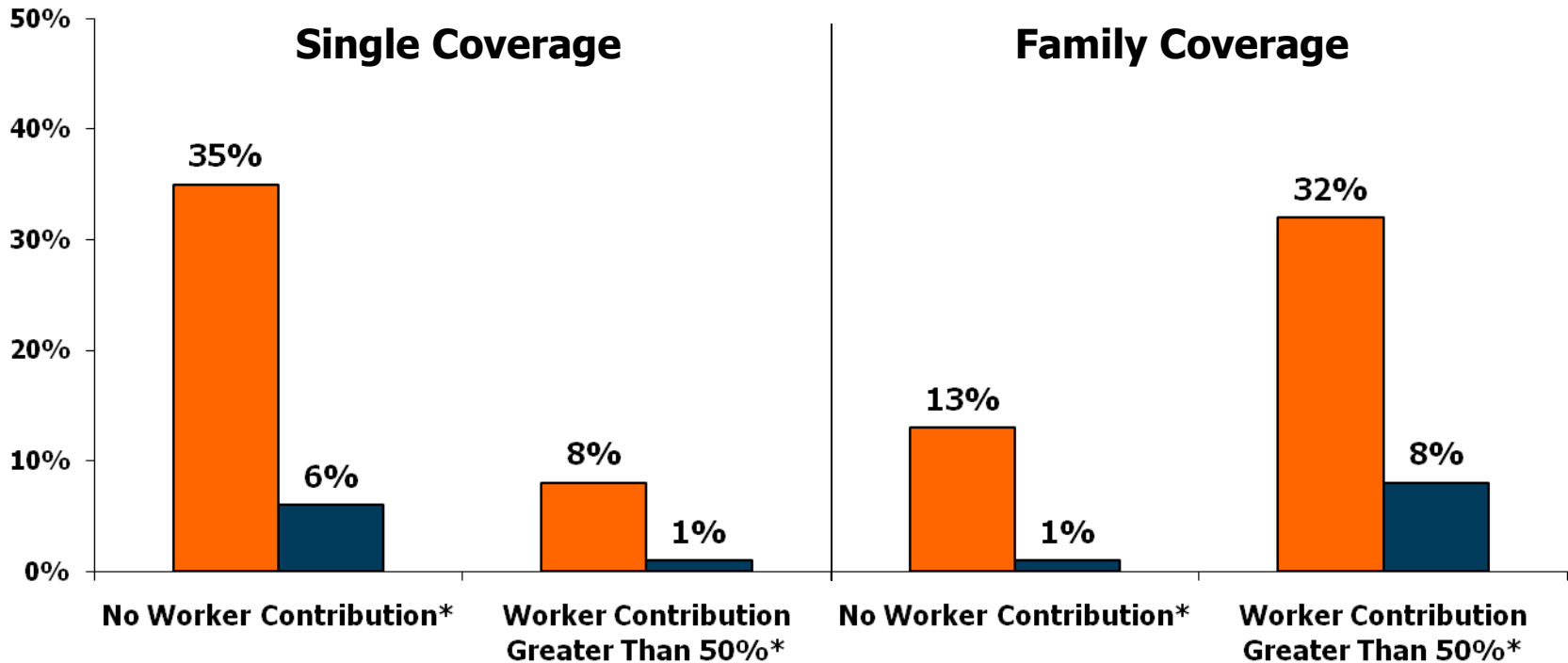


* Estimates are statistically different between All Small Firms and All Large Firms ($p < .05$).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010.

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Percentage of Covered Workers with No Premium Contribution or a Contribution of Greater than 50% of the Premium, 2010

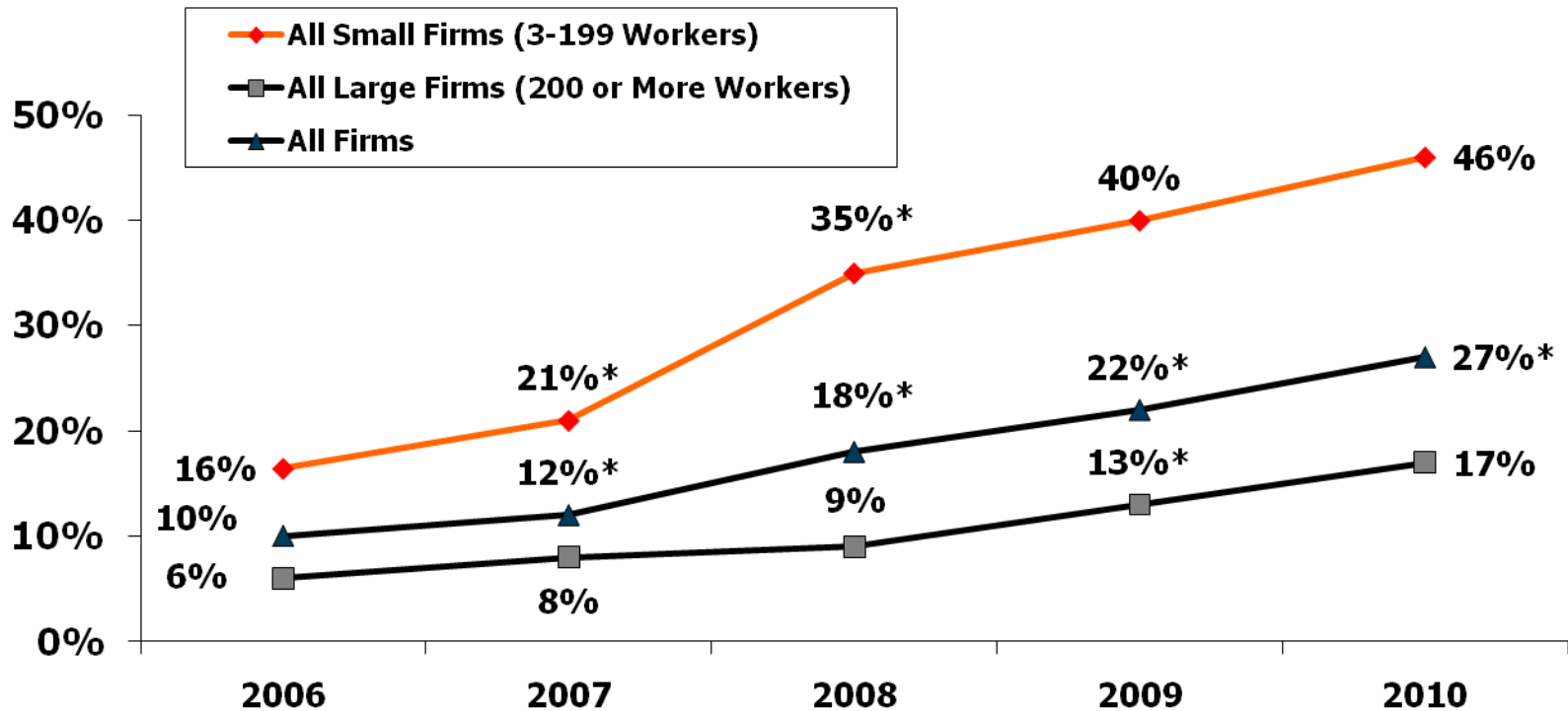


*Estimate is statistically different between All Small Firms and All Large Firms within category ($p < .05$).

■ All Small Firms (3-199 Workers)
■ All Large Firms (200 or More Workers)

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2010.

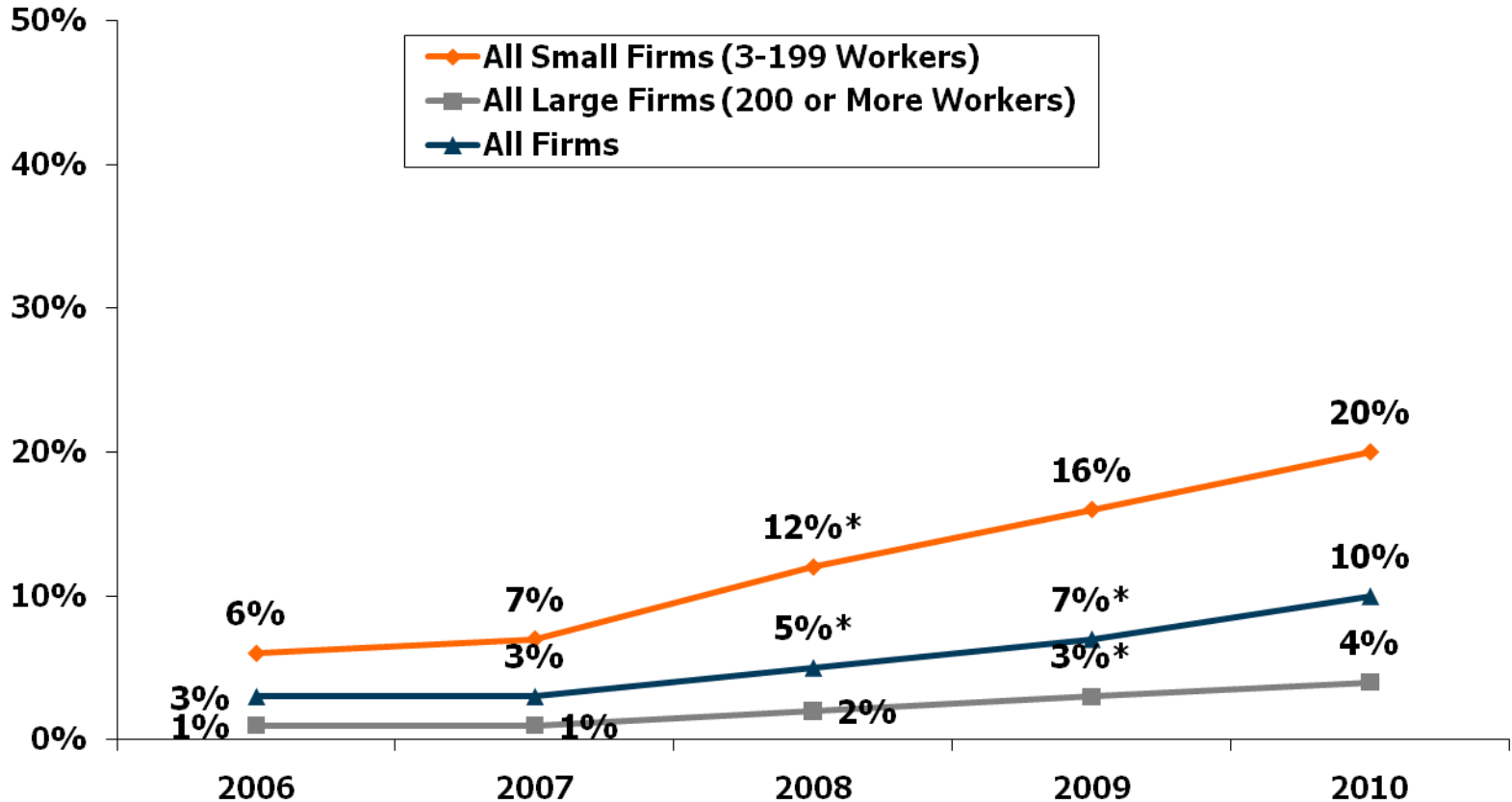
Percentage of Covered Workers Enrolled in a Plan with a General Annual Deductible of \$1,000 or More for Single Coverage, By Firm Size, 2006-2010



*Estimate is statistically different from estimate for the previous year shown ($p < .05$).

Note: These estimates include workers enrolled in HDHP/SO and other plan types. Because we do not collect information on the attributes of conventional plans, to be conservative, we assumed that workers in conventional plans do not have a deductible of \$1,000 or more. Because of the low enrollment in conventional plans, the impact of this assumption is minimal. Average general annual health plan deductibles for PPOs, POS plans, and HDHP/SOs are for in-network services.

Percentage of Covered Workers Enrolled in a Plan with a General Annual Deductible of \$2,000 or More for Single Coverage, By Firm Size, 2006-2010



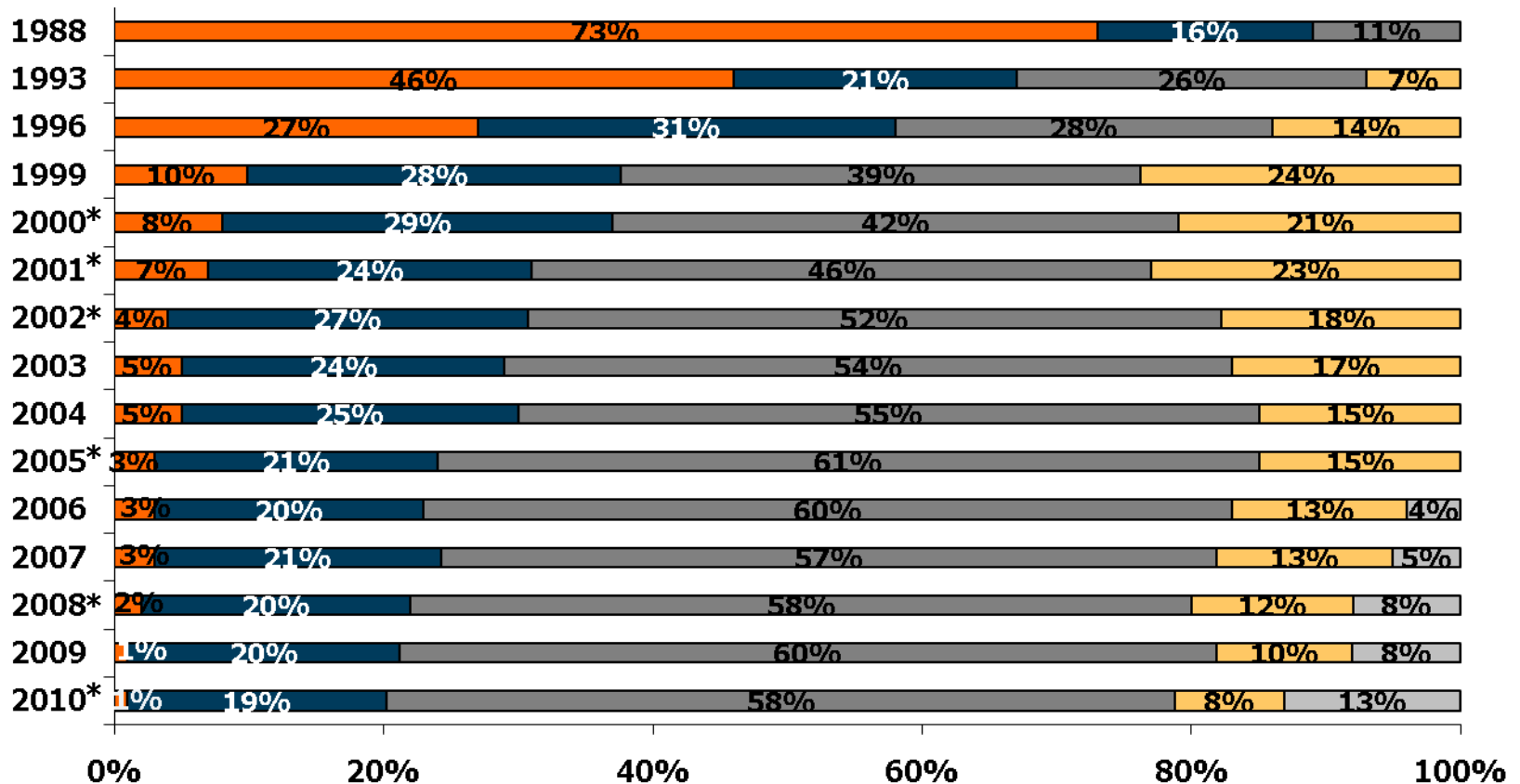
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Note: These estimates include workers enrolled in HDHP/SO and other plan types. Because we do not collect information on the attributes of conventional plans, to be conservative, we assumed that workers in conventional plans do not have a deductible of \$2,000 or more. Because of the low enrollment in conventional plans, the impact of this assumption is minimal.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006-2010.

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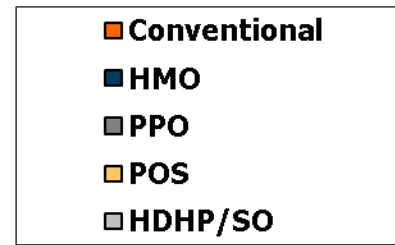
Distribution of Health Plan Enrollment for Covered Workers, by Plan Type, 1988-2010



* Distribution is statistically different from the previous year shown ($p < .05$). No statistical tests were conducted for years prior to 1999. No statistical tests are conducted between 2005 and 2006 due to the addition of HDHP/SO as a new plan type in 2006.

Note: Information was not obtained for POS plans in 1988. A portion of the change in plan type enrollment for 2005 is likely attributable to incorporating more recent Census Bureau estimates of the number of state and local government workers and removing federal workers from the weights. See the Survey Design and Methods section from the 2005 Kaiser/HRET Survey of Employer-Sponsored Health Benefits for additional information.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2010; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988.



Medical Plan Trend

- 2010 over 2009 – 3% for family coverage, 5% for employee only coverage (Kaiser Family Foundation). Worker's share increase by 14%
- 2011 over 2010 – 8 - 10% HC Reform? Advances in technology? Increasing use of medical services (baby boomers aging)? Most managing down to 6%. (Mercer survey)
- Entire 2011 increase being passed on to employees.
- Contribution rates being set by "compensation" – some see big increase and some see big decreases