



US Health Care: A Look into One Actuary's Crystal Ball
A Health Care Reform Presentation for
The International Association of Black Actuaries

August 6, 2011





The Health Care Reform Landscape: A Year in Review

President Franklin Roosevelt had The New Deal . . .



. . . President Harry Truman had The Fair Deal . . .



. . . President Barack Obama has the Big (ahem) Deal, but . . .



“This is a big %@\$^%\$# deal”

**—Joseph R. Biden, Jr., Vice-President of the United States
March 22, 2010**

... will the Supreme Court say “Deal or No Deal?”

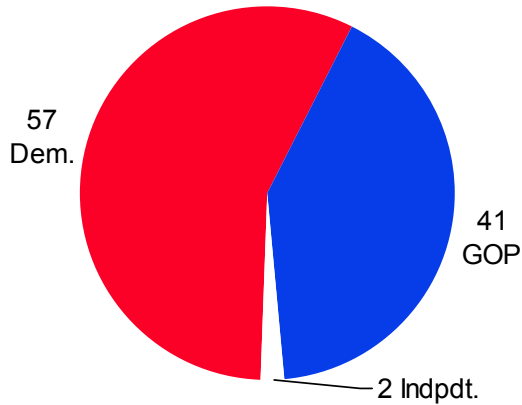


Changing of the Guard on Capitol Hill

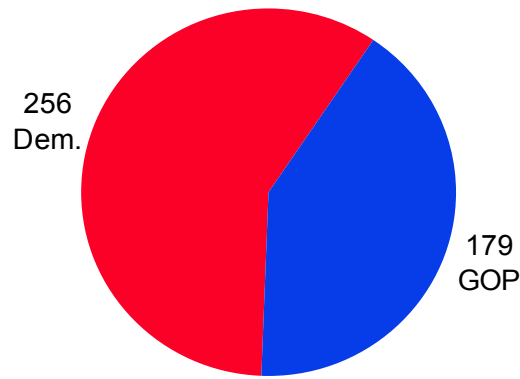


Elections Have Altered the Balance of Power in Washington . . .

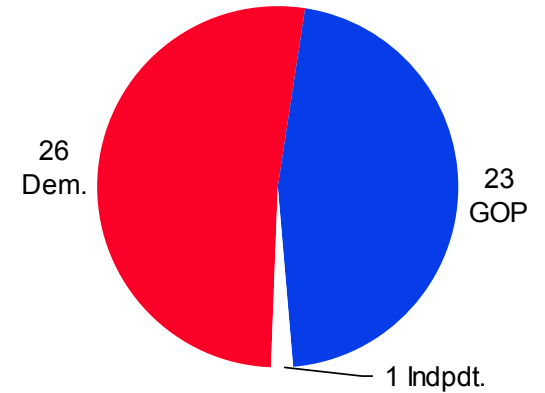
111th Congress: Senate



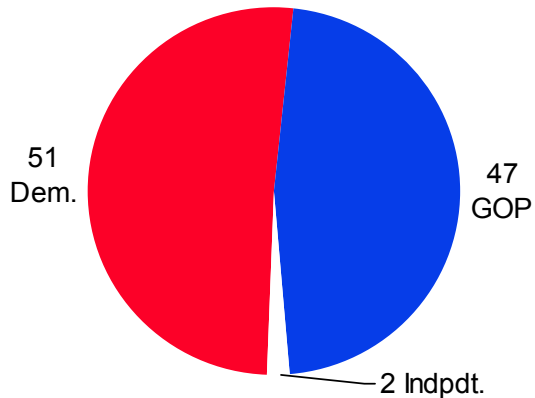
111th Congress: House



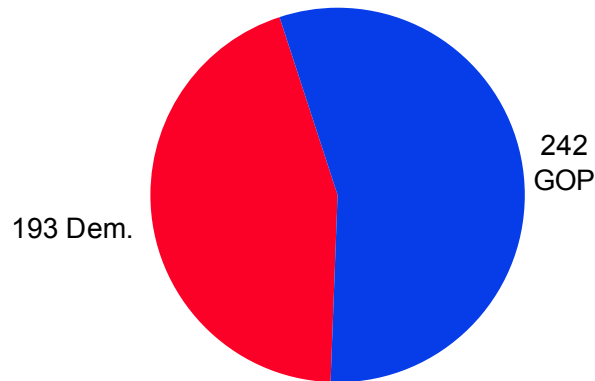
2010 Governors by Party



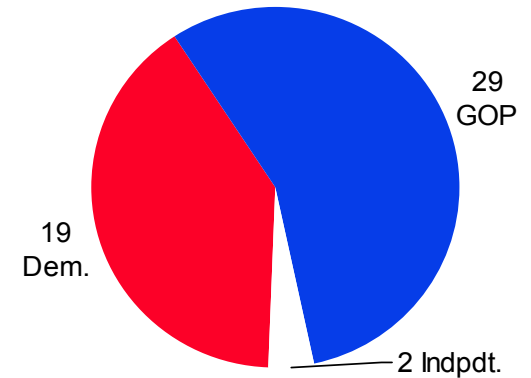
112th Congress: Senate



112th Congress: House



2011 Governors by Party



Health Reform Overview—Coverage v. Cost

Expanding/Improving Coverage

Health Insurance Exchanges with Reformed Rules

Federal Coverage Subsidies

Expansion of Medicaid

Individual Mandate

Employer Mandate

Paying for Expanded Coverage




Medicare/Medicaid Payment Changes

Free Rider Penalty

Taxation of High Income Individuals

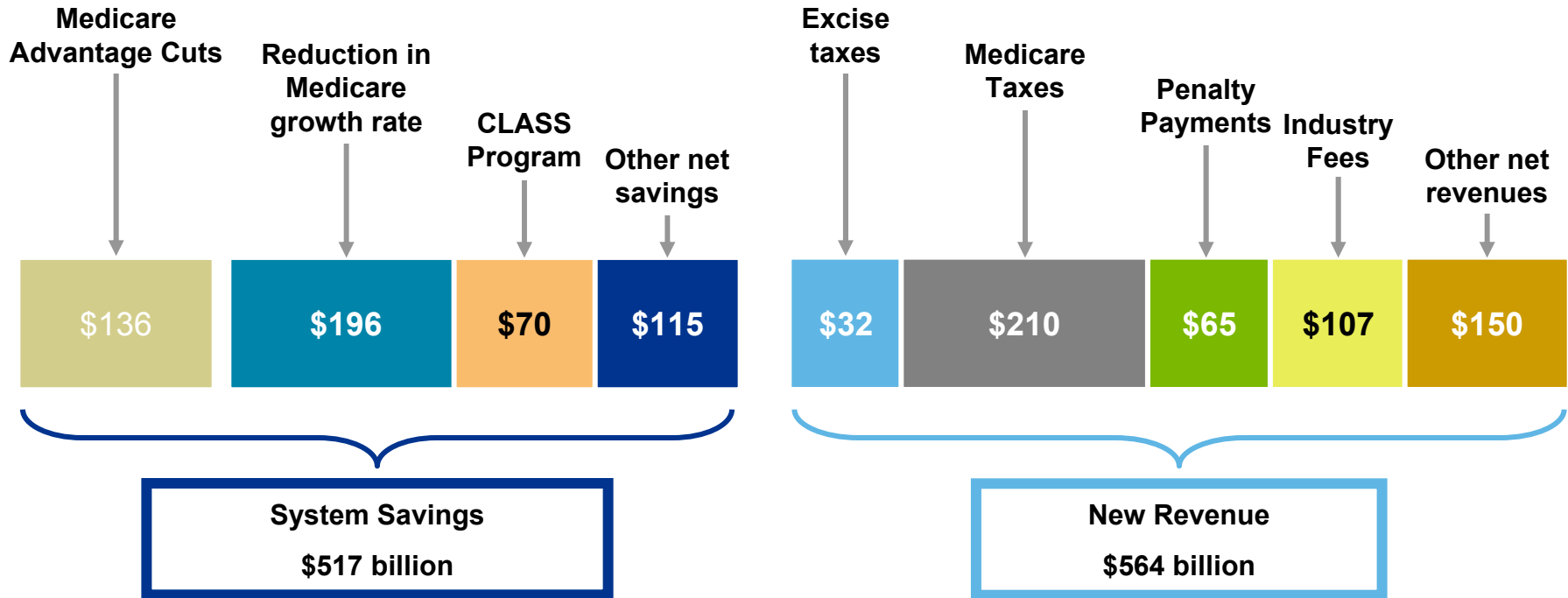
Increase Other Taxes

High-Cost Employer Coverage Taxation

-  = Direct impact to employers
-  = Indirect impact to employers
-  = Direct and indirect impact to employers

The Price Tag

CBO Estimate—New Savings, New Revenue Will Offset Higher Costs



Total Cost of Expanded Coverage: \$938 Billion
Impact: \$143 Billion *reduction* to the federal deficit (without “doc fix”)

Early Republican Bills Aimed at Specific Health Reform Provisions

Potential areas of proposed legislation

- Repeal 1099 reporting provision
- Repeal the individual mandate
- Medical liability reform
- Repeal the 7.5% threshold on itemized deductibility of medical expenses, provide for increased funding for high-risk pools
- Allow purchase of health insurance across state lines
- Allow for the creation of association health plans
- State flexibility to operate the Exchanges
- Block implementation of minimum medical loss ratio (MLR) regulation for insured plans
- Repeal Independent Payment Advisory Board
- Repeal employer “free rider” penalty

President on Health Care Reform—Mend It, Don't End It

President defended health care reform in State of the Union speech

- Does not want to re-fight the battles of the last two years, but “anything can be improved”
 - Supports legislation to repeal 1099 reporting requirement for payments to service providers
 - Endorsed medical malpractice reform
- Public remains opposed to health care reform, with 50% opposed and 41% in support

If Past is Prologue, Expect More Health Care Legislation

Federal health care legislation enacted into law (1985-2010)

- COBRA (1985)*
- Section 89 (1986)* and repeal of Section 89 (1990)*
- The Medicare catastrophic coverage program and repeal (1990)*
- The Clinton Health Care Debate (1992-1994)
- HIPAA (1996)*
- Medicare + Choice (1996)*
- The Patients' Bill of Rights (1996-2001)*
- The Women's Health and Cancer Rights Act (1998)*
- Medicare Part D, Medicare Advantage, and Health Savings Accounts (2003)
- Mental Health Parity (2008)*
- Michelle's Law and GINA (2008)*
- COBRA subsidies (2009 and 2010)
- Patient Protection and Affordable Care Act (2010)

* White House and Congress controlled by different political parties



The Health Care Reform Landscape: Who's on First?

The Agencies—Moving Forward Slowly

- 15 federal agencies will shape the implementation of Patient Protection and Affordable Care Act (PPACA)
- Three agencies lead the pack
 - Health and Human Services (HHS)
 - Department of Labor (DOL)
 - Internal Revenue Service (IRS)

Hot Topics

- New MLR requirements
 - 85% minimum MLR for large market; 80% minimum MLR for individual and small group markets
 - States still reviewing new regulations on MLRs
 - Carriers maintaining a low profile on impact to renewals and new business
 - Big question is the impact of MLR regulations on individual products offered in the state Insurance Exchanges
- State Exchange rules...and offers of flexibility
- Accountable Care Organization (ACO) regulations

The States—Planning for Exchange Implementation in 2014

- No regulations issued yet, but guidance has been trickling in
- Options for states are to build their own state Exchange, form a regional Exchange, or default to federal set-up
- Key issues/work stream for state-based Exchange development
 - Governance, administrative structure, and funding
 - Eligibility, enrollment, and workflows
 - Education and marketing
 - Information technology
 - Carrier and plan selection, ratings, and risk sharing
 - Financial and risk management

The Providers—Joining Forces as ACOs



Everyone knows what they look like – but no one has seen one yet...

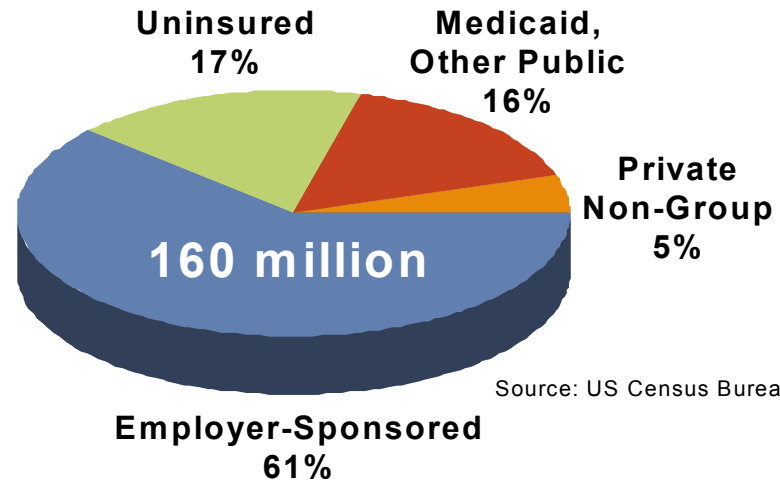
ACOs—What Do We Know?

- What are they?
 - According to HHS...an organization responsible for a designated Medicare population, sharing risks and reward based on patient outcomes
 - Purpose is to improve care coordination, improve quality of care, and reduce costs
 - Physicians, hospitals, payees and/or vendors may be part of the model
- PPACA and recent regulations define the Medicare ACO
 - Covered in 7 of the 2,100+ pages of the PPACA legislation
 - Recently issued guidelines 429 pages long, (plus 32 pages on anti-trust from Department of Justice and Federal Trade Commission)
- The good, the bad, and the ugly
 - Patient centered high quality care at a reasonable price
 - Wide disparities in what ACOs look like and how they function
 - Rapid provider consolidation

The Employers—A New Compliance Era Began March 23, 2010

- PPACA now governs all health care plans
- About 85% of employers anticipate losing grandfather status for one or more medical plans by 2014
- New rules and continued uncertainty
 - Claims and appeals process
 - Minimum loss ratio
 - New communication rules (4-page summary) for group health plans
 - “Essential health benefits”
- Delays in guidance and effective dates will prolong uncertainty

Employer reactions to health care reform will have significant market and legislative implications



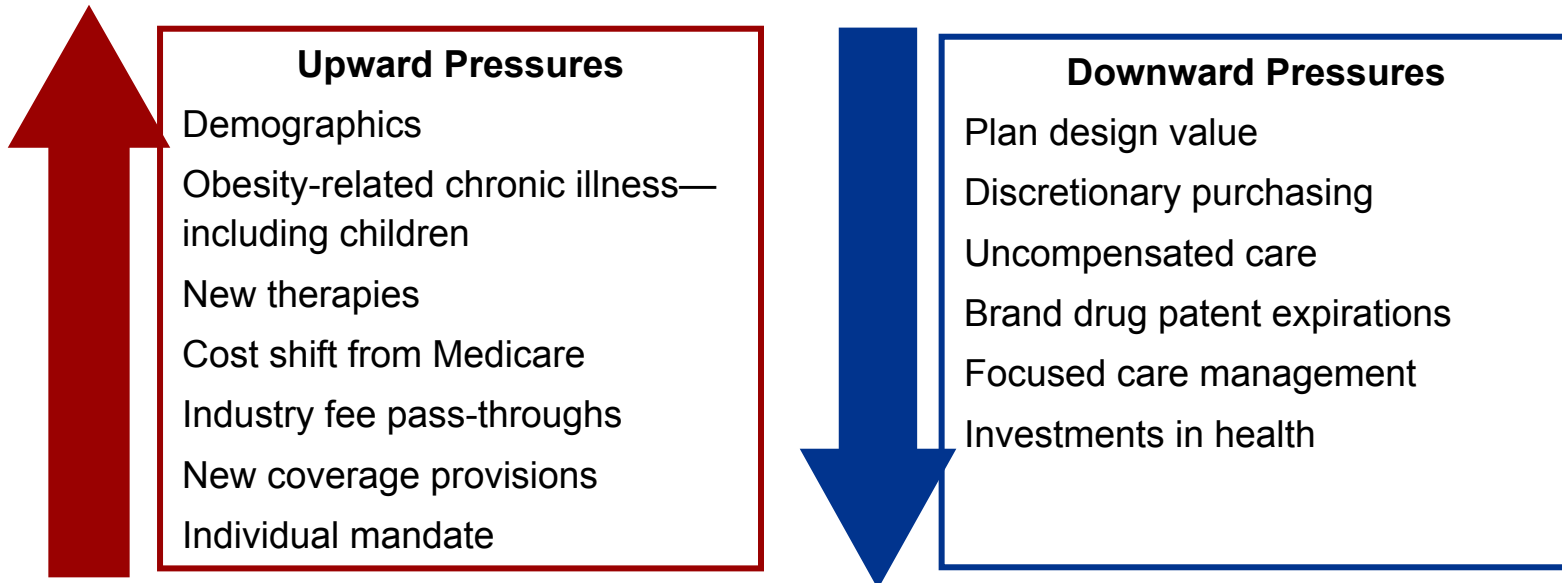


The Health Care Reform Landscape: What Lies Ahead—A Fork in the Road

Stage Setting—The Realities in the Wake of Health Reform

Without aggressive action, employer health care costs will double in the next five years

- No one will be standing still
- The era of the copay is over; designs will be meaner and leaner
- Companies will be more requiring of their employees (carrots and sticks)
- Some will move towards defined contribution approach in health care
- All benefits are “on the table” as the employment deal is re-assessed



...Leading to a Fork in the Road

Down either path, employers have a persistent need to have a workforce that is healthy, present, and productive; that is imperative for all businesses

We're **OUT**

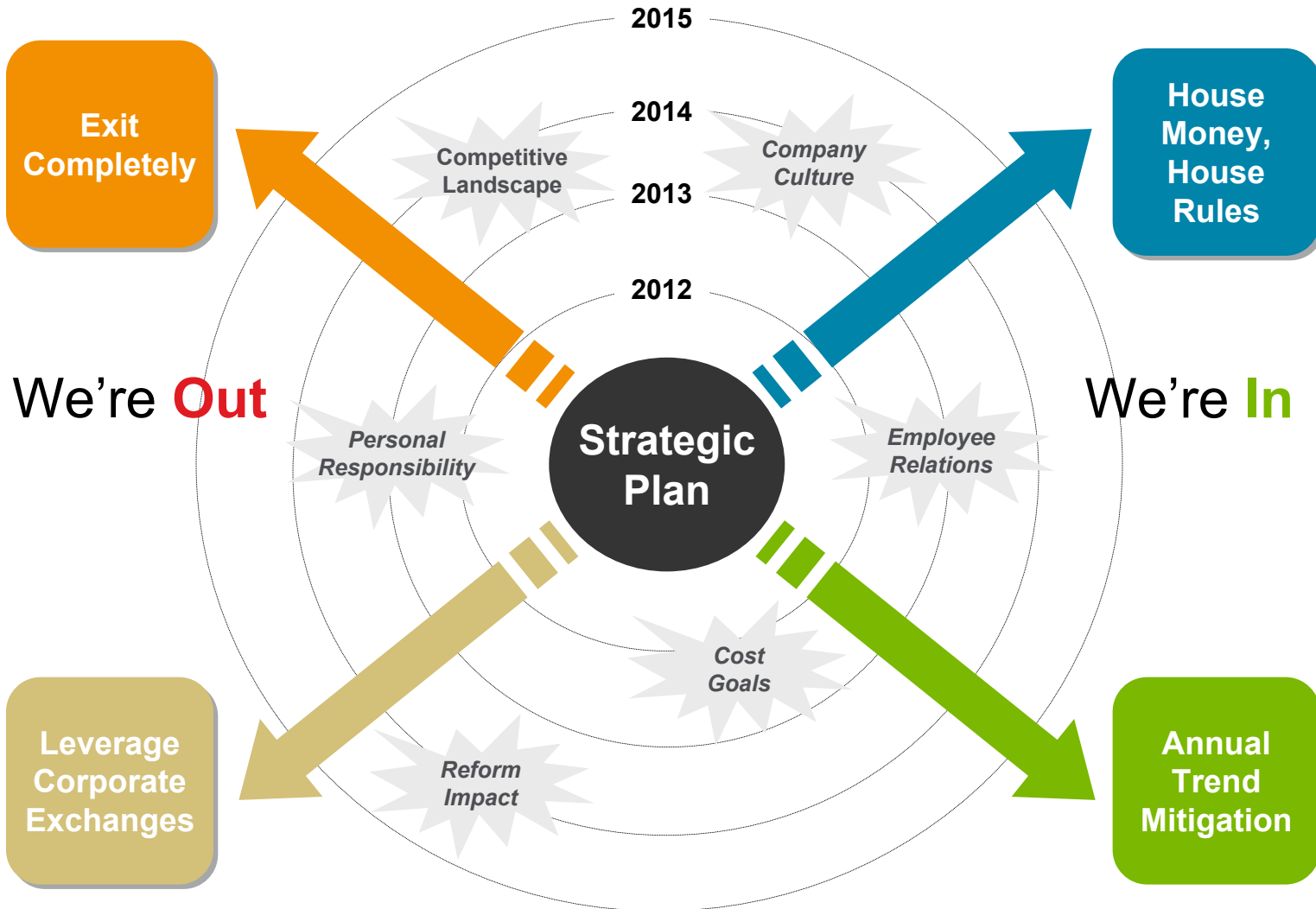
- Monetize subsidy
- Deal with noise
- Send employees shopping at “corporate” exchanges



We're **IN**

- Simplify designs
- Earn better coverage
- Follow “house money/house rules”

Every Employer Will Develop a “What If” Plan Around Four Scenarios



Tomorrow: A Complicated Web

