

Health Care Reform: How It Will Affect the Cost of Your Health Plan and What You Can Do About It

June 17, 2010

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- To Be Grandfathered
 - Option by Option determination
 - Option in existence on March 23, 2010
 - Employees enrolled in option continuously
 - Not violate any rules
(no foot faults)

- What is not covered by PPACA Mandates?
 - Excepted Benefits
 - Retiree Only Plans

- Collectively Bargained – Extended Amendment
 - Health “insurance coverage” maintained pursuant to one or more CBAs
 - Extension for “insured” coverage but no definition of what is “insured” just not self-insured
 - Date last collectively bargained agreement terminates with respect to coverage

- What does a grandfathered plan avoid in the PPACA requirements applicable first plan year on or after September 23, 2010?
 - Coverage of Specified Preventive Care Services with no cost sharing. See Appendix A
 - Submission of data on claims payment, claim denials, enrollment, disenrollment, cost sharing and payments for out-of-network coverage to HHS (and insurance commissioner for insured plans)

- What does a grandfathered plan avoid in the PPACA requirements applicable to the first plan year on or after September 23, 2010?
 - Application of Code § 105(h) nondiscrimination rules to fully insured plans
 - Quality of care assurance reporting, but guidelines on how to report on outcomes, case management, chronic disease management et al not due to be issued till March 23, 2012
 - Fully insured plans reporting loss adjustment ratios and other financial data regarding earned premiums and potential rebates to enrollees.

- What does a grandfathered plan avoid in the PPACA requirements applicable to the first plan year on or after September 23, 2010? (*cont'd*)
 - New appeals process including external appeals and related requirement
 - Requirement to cover emergency services at non-network facility without prior authorization and same cost sharing
 - Ob-Gyns and Pediatricians must be PCPs

- What may a grandfathered plan not do?
 - Change insurers unless it is a collectively bargained plan
 - Increase the co-insurance percentage paid by employees
 - Eliminate any benefit for a diagnosis or condition
 - Eliminate the diagnostic tests for any condition

- What may a grandfathered plan not do?

- Transfer employees into a grandfathered option from a non-grandfathered option
- Increase fixed amount co-payment above greater of two limits (see below)
- Increase fixed amount cost sharing other than a co-payment (e.g., deductible, OOPM) above limits
- Decrease rate of employer contribution toward a tier of coverage by more than 5%

- What may a grandfathered plan not do?
 - Add a new annual dollar limit on restricted essential health benefits that did not exist March 23, 2010 if plan had no annual or lifetime dollar limit on benefits on March 23, 2010
 - Decrease the amount of an annual dollar limit on restricted essential health benefits to a level lower than the dollar value of lifetime limits on benefits on March 23, 2010

- What may a grandfathered plan not do?
 - If the plan had an annual limit on benefits on March 23, 2010, it may not decrease the dollar value of the annual limit
- For Summary of Requirements Avoided and Unavoidable Related to Grandfathered Status for 2011 and 2014 see pp. 9-12.

What are the CPI-U Numbers for calculating Medical Inflation for 2011?

	Medical CPI-U <u>Unadjusted</u>
March 2010	387.142
April 2010	387.703
May 2010	Not Issued

May only consider 12 months before the effective date of change. So for January 1, 2011 may only consider January to December 2010.

March 2010 is the permanent base number for measuring indexing.

What is Medical Inflation for 2011 If Calculated June 14, 2010?

387.703 Highest Month in 2010 (to date)
- 387.142 Base March 2010
0.561 Inflation change

$0.561/387.142 = .001449$
= medical inflation rate
for 2010

For Deductible, OOPM and Fixed Amount Other Than Co-Payment

$$15\% + .001449 = 15.1449\%$$

So if OOPM was \$2,500 in 2010

For 2011:

$$\$2,500 \times 1.151449 = \$2,878.62$$

- Limit on Co-payment Increases

Co-payment: \$15

Greater of

(1) \$5 increased by inflation

$$\$5 \times 1.001449 = \$5.007245$$

$$\$15 + \$5.00 = \$20.00$$

or

(2) The maximum percentage increase
(15% plus inflation adjustment)

$$\$15 \times 1.151449 = \$17.271735$$

$$\$17.27$$

- If co-payment of \$15 increased to \$25, will it pass?
 - $\$25 - \$15 = \$10$ increase
 - $10/15 = .6667$ or 66.67% (percentage increase)
 - Maximum Percentage Increase is 15% + medical inflation
 - Medical inflation from March 2010 to April 2010 = .1449%
 - $.001449 + .15 = .151449$ or 15.1449%
 - The \$10 increase to \$25 exceeds both \$17.27 and \$20.00; such an increase results in loss of grandfathered status

- Change in Employer Contribution Rate
 - Rates tested by tiers of coverage
 - Use COBRA premiums
 - For Self Insured plans subtract the employee contributions toward coverage from the total cost of coverage to determine the employer's contribution
 - Use COBRA premium for total cost of coverage (actuarial calculation or past cost 4980B(f)(4)) (claims + administrative fees + network fees - earnings in trust - recoveries from COB, etc.)

Change in Employer Contribution Rate Example 2010

	Total Cost	Employer Contribution	Employer Contribution Rate
Self	\$5,000	\$4,000	$\$4,000/\$5,000 = 80\%$
Family	\$12,000	\$9,000	$\$9,000/\$12,000 = 75\%$

Change in Employee Contribution Rate Example 2011

	Total Cost	Maintain Contribution Rate	Reduced Employer Contribution
Self	\$6,000	$.8 \times \$6,000 = \$4,800$	$.75 \times \$6,000 = \$4,500$
Family	\$15,000	$.75 \times \$15,000 = \$11,250$	$.7 \times \$15,000 = \$10,500$

- Each tier must not have more than a 5% reduction in contribution rate from the rate in effect on March 23, 2010

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