



**BlueCross BlueShield
Association**

An Association of Independent
Blue Cross and Blue Shield Plans

A Blue Cross and Blue Shield Association Presentation

Healthcare Reform: Key Highlights

April 2010

Agenda

- Status
- Overview of key provisions

Status

- President signed:
 - Senate HCR bill March 23 (P.L. 111-148)
 - “Fix it” bill March 30
- Administration will soon issue rules/guidance on implementation over the next several years
 - Some guidance imminent

Highlights

- Largely maintains employer-based system
- No new government-run plan
- ERISA protections maintained
- Maintains state regulation under federal framework of rules for insured business

Key Provisions: Insurance Reforms/Plan Requirements



* Impact 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)

Subsidies (2014+)

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

- Only available thru exchanges

Medicaid (2014+)

Expanded to 133% FPL in all states

- Mandatory enrollment under 100% FPL

Key Provisions: Employer Responsibility

Requirement: “Play” (2014+)

Employers >50 FTEs must offer minimum coverage:

- 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 \$2000 x total FTEs **or** \$3000 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

Key Provisions: Exchanges

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

Exchanges (2014+)

Key Provisions: Exchanges (cont'd)

Exchanges (2014+)

- Grants to “navigators” for education and enrollment
- Individual and group coverage can be sold

Outside Exchange

- Must meet “essential benefits”
- Follow cost sharing limits
- Apply state benefits mandates

Key Provisions: Benefits

Benefits (2014+)

Must meet 3 elements:

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

Preventive Health (2010+)

Must provide w/out 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

Key Provisions: New Plans

Co-ops (2014+)

Creates non-profit, member-run health insurance companies to be offered in exchanges

- Provides grants for start-up

Multi-State Plans (2014+)

OPM contracts w/insurers to offer at least two multi-state plans in exchanges

- One must be non-profit

Basic Health Plan (2014+)

States may create Basic Health Plan for uninsured individuals between 133-200% FPL

Key Provisions: Medicare

Medicare Advantage (2012)

- Reduces payments relative to county FFS levels (CBO: \$206B)
 - Lowest FFS, payments = 115% FFS
 - Quality bonus payments up to 5%
- 85% MLR starts 2014

Part D Prescription Drug Program

- 2011: \$250 rebate if member hits doughnut hole
- 2012-2019 close hole
- Means-test Part D premium similar to Part B

Medicare Parts A & B (2010+)

- No Medicare doc fix
- Reduces other FFS provider pay rates (CBO: \$196 B)

Key Provisions: Other Medicaid/CHIP

Primary Care Access (2013)

- States must pay Medicaid primary care providers at Medicare levels
- 100% federal funding for increases in 2013 and 2014

Medicaid Drugs (2010+)

- Increases required discounts that drug manufacturers provide to states (CBO: \$38B)

CHIP Extension (2014+)

- \$40B in additional funding in FY 2014 and FY 2015 for the Children's Health Insurance Program (CHIP)
- 2016: States can enroll CHIP kids in exchange plans

Key Provisions: Other

Independent Payment Advisory Board (2014+)

Recommends Medicare savings for expedited congressional action (until 2020 exempts hospitals, others)

Comparative Effectiveness Center (2010+)

New independent center, all-payer funded

Key Provisions: Financing

FSA Limits (2011+)	Limited to \$2,500/year
Tax on Rx/Devices (2011)	\$47 B in new taxes
Increased Medicare Tax (2013+)	Increases tax on income and investments for high income people <ul style="list-style-type: none">– Additional .9% HI tax for individuals >\$200,000 and joint filers >\$250,000
Insurance Tax (2014+)	\$60 B tax on insured products; \$8 B in 2014
Cadillac Tax (2018+)	Tax on high value plans (\$10,200 single/ \$27,500 family)

Looking Ahead: Implementation

- Passage of reform just the beginning
- Focus now on implementing new requirements
- HHS, DOL, Treasury, NAIC guidance forthcoming
- Want to work closely with stakeholders to identify/address key issues
- Will continue to communicate