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KEEPING IT SIMPLE: A Health Care Reform Update



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The landmark health care reform bill has been signed into law and employers of every size are looking toward the future, saying “Now what?”

Health care reform made sweeping changes to everything from significant eligibility restrictions to the more trivial taxes on tanning beds. Every employer in the country will be affected.

The changes are immense both in quantity and impact, and employers are facing a significant number of changes to their current health plans. Before we can analyze the situation, take a moment to review health reform as it currently stands:

- **Individual responsibility**
 - Must maintain minimum acceptable coverage for self and dependents or face penalty, unless qualified for exemption

- **Employer responsibility**
 - 50+ employees:
 - Penalizes employers to pay a fee for any employee receiving “premium assistance” tax credit (members under 400% of federal poverty line)
 - Penalizes employers for maintaining a “waiting period” of more than 60 days before becoming eligible to receive benefits

 - 200+ employees:
 - Must automatically enroll new full-time employees in coverage, but provide adequate notification for an employee to opt-out of the employer’s plan via the Free Choice Voucher program, which allows individuals to shop for alternatives to an employer-sponsored plan
 - New reporting requirements for Department of Labor (DOL) compliance

- **Consumer Protections affecting employer sponsored plans**
 - Prohibition of lifetime limits, with an additional prohibition on annual limits for essential benefits slated to begin in 2014
 - Prohibition on rescinding coverage, except in instances of fraud or abuse
 - Prohibition on imposing any pre-existing condition clauses beginning in 2014
 - Prohibition from setting eligibility rules based on health status, medical conditions, claims experience, medical history or evidence of insurability
 - Restrictions on waiting periods to obtain coverage
 - Mandated coverage for dependents under the age of 26, unless they are married or eligible for other employer coverage

In addition to the above, stringent DOL reporting standards, required plan information disclosures, and expanded beneficiary appeals availability round out this health reform as the most all-encompassing in United States history.

Now is the time

No doubt, the changes are vast, with implications to every employer. Cost is a forefront concern to employers nationwide. Health benefits, already a hefty line item in every business's balance sheet, are now to be extended to a wider range of employees and dependents, resulting in even higher costs. Meanwhile, the insurance industry was rocked with a new and formidable set of regulations, *including higher taxes*, that will undoubtedly trickle down to their insureds by way of higher premiums. These factors combined make it worthwhile for employers to consider moving to a self-funded plan.

So, why are self-funded plans so attractive amid health care reform?

Self-funding: The quiet victor

The self-funded industry fared well in the heated health reform debates. The battle that raged on Capitol Hill bombarded big name players, including carriers, big pharma, and medical manufacturing companies for their inefficiencies, price-gouging and shady practices, while the self-insurance industry emerged largely unscathed. Early versions of the health reform bill contained assessments on Third Party Administrators (TPAs) as part of the fees to be collected from the insurance industry, but successful lobbying by the Self-Insurance Institute of America (SIIA) was able to remove this provision from the final bill.

While self-insured organizations will still be subject to the same regulations as carriers, maintaining control over your own company's health benefit package is a must when facing the uncertain impact the health reform law will have on the future of your health package.

Controlling your own destiny

By now, most employers understand the basic tenets of the health care reform and how it will impact them. With individuals being held responsible for maintaining health insurance coverage for themselves and their dependents, or else face government penalties, employers will likely see an increase in their enrollment numbers almost automatically.

Increased enrollment will equal increased costs to employers, so there has never been a better time to move to a self-funded plan. The level of control a self-funded employer has over their plan design is essential to controlling costs. The biggest strike against using carriers has been their inability to manage rising cost trend. While premiums continue to rise (and rise they will, as insurance companies try to mitigate their losses), fully-funded employers will see sky-rocketing premiums eat away a bigger hole in their budget. Wise employers will avoid those unpredictable cost escalations by crafting their own intelligent plan designs, funding only the claims that occur, and putting in place cost control measures that benefit their bottom line, not the carrier's.

Wellness Works

Fortunately, one of the biggest advantages to the new health care reform laws is the incentive for utilizing wellness tools. The Allowable Prevention and Wellness Incentive allows employers to discount up to 30% of the premium or cost-sharing requirements for participants in a workplace wellness program. This is excellent news for self-funded employers who have already witnessed the benefits of a healthy culture, including lower claims cost in the future.

Though federal requirements for the Wellness credit have yet to be established, the most effective Wellness programs:

- Include a blood draw and biometric screening for early disease identification
- Focus on keeping the healthy population healthy
- Provide tools for chronically ill patients to manage their conditions
- Promote compliance to doctor's orders (proper medication, proper monitoring of blood sugar, blood pressure, etc. as applicable)
- Promote healthy lifestyle choices through education
- Provide support for smoking cessation and weight management

The fact that the Wellness incentive is a key component of health care reform is great news for self-funded employers because a successful wellness program is the key to a successful health plan. Self-funded plans are designed to capitalize on promoting good health and lowering health care costs. Early disease identification and patient self-management go a long way toward controlling costs both in the present and the future. Blood draws and biometric screenings are minimal investments that identify current costly health problems and predict future escalated costs. Once identified, these costly problems can be curtailed with patient self-management, thereby reducing or eliminating future costly claims.

The health reform's wellness discount is an excellent incentive for an organization to put their focus on wellness. These programs will reduce both short and long term costs, for a return on investment that is beyond calculation.

Next steps

As the resultant challenges of health care reform draw closer, employers need to evaluate their next steps. Consulting with an expert like CBCA Administrators, Inc. will help pinpoint what changes need to be made to current benefit plans to comply with changing regulations, and will lay the groundwork for successful cost control in the future.

CBCA Administrators, Inc. is committed to keeping up with health care reform issues and stands ready to assist our clients with the impactful changes still to come.

ABOUT CBCA ADMINISTRATORS, INC.

CBCA Administrators, Inc. (CBCA) is a full-service benefits management company with offices across the nation. CBCA combines proven strategies, integrated service applications, and innovative products to create a single source for effective health plan management. CBCA partners with employers to identify, implement, and integrate solutions to solve the issues that are most important to our clients. Our expertise and flexibility allow us to bring the best solution to any benefit program. Headquartered in Columbus, Ohio, CBCA also has offices in Ft. Worth, Texas, Minneapolis, Minnesota and Savannah, Georgia. For more information, please visit www.cbca.com.

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