



# County of Riverside Health Care Reform

## Briefing

June 24, 2013



## Major ACA Provisions Already in Effect

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- ACA Group Market/Insurance Reforms
  - No lifetime \$\$ limits on essential health benefits
  - Adult children covered to age 26
  - No pre-existing condition exclusions for children under age 19
  - Rescissions prohibited
  - Changes to Claims & Appeals process
- Health-Related Accounts
  - OTC drugs need Rx to be reimbursed thru FSA, HRA, and HSA
- Medicare Part D
- Early Retiree Reinsurance Program
- Preventive care with no cost-sharing
- Medical loss ratio rules (insured plans only)
- Emergency services with no prior authorization
- Grandfathering rules apply

## Major ACA Provisions

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- Summary of Benefits and Coverage Notices
- W-2 Reporting of Employer Health Care Coverage
- Comparative Effectiveness Fee
- Medical loss ratio rules (insured plans only)
- Reinsurance Fees



## Major ACA Provisions

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- Health FSA \$2,500 limit
- Deductibility of expenses allocable to RDS payments eliminated
- Coverage of Women's Preventive Health Services
- Medicare Taxes on Rich
- Notify all employees about Exchanges



## Major ACA Provisions

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### ▪ **Employer Mandate**

- Full-time employees (30 or more hours per week)
- 60% minimum actuarial value
- No waiting periods over 90 days
- No pre-existing condition exclusions or annual/lifetime limits
- Affordability threshold of 9.5% of AGI

### ▪ **Individual Insurance Tax**

- Maintain minimum essential coverage

OR

- Pay penalty based on taxable income



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Department of the Treasury  
**Internal Revenue Service**

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## Major ACA Provisions

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- **Free Rider Penalty (\$3,000)**
  - Depends on whether employee went to Exchange because employer's plan
    - was not “minimum essential coverage” or
    - was either “unaffordable” or did not provide “minimum value”
  
- **Sledge Hammer Penalty (\$2,000)**
  - tax on employer that does not offer “minimum essential coverage” to all full-time employees faces a tax penalty



## Other Taxes and Fees

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- **Reinsurance Fee**
  - \$63 per employee per year
- **Comparative Effective Fee (PCORI)**
  - \$2 per participant per year
- **Higher Medicare Tax on Rich**
  - 0.9% above \$200,000 individual and \$250,000 family





## Major ACA Provisions

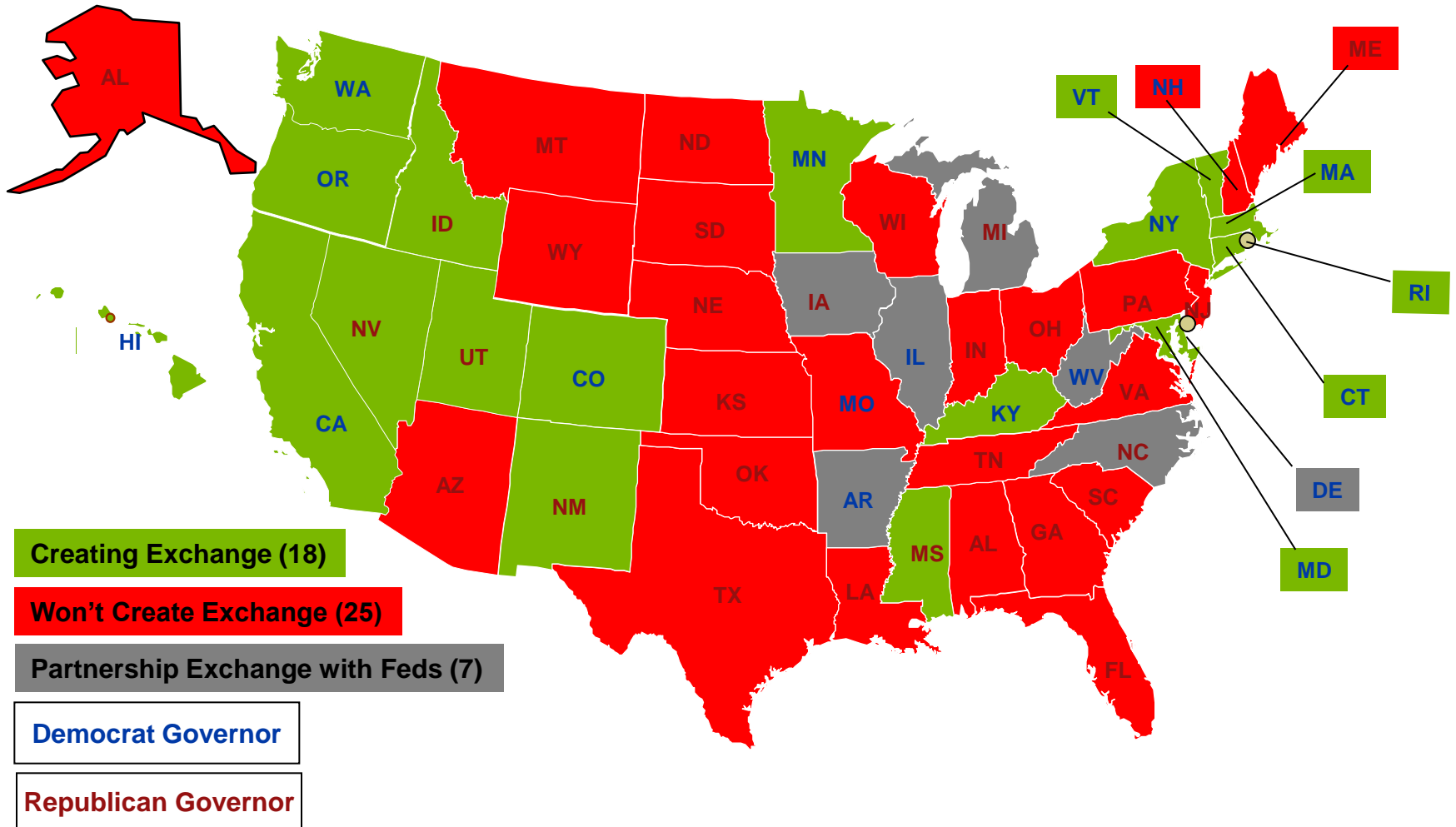
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- Group Market/Insurance Reforms fully effective
  - No pre-existing condition exclusions
  - No annual \$\$ limits on essential health benefits
  - HDHP/HSA cost-sharing limits (deductible and OOP maximum)
- State Exchanges
  - Subsidies from 133% to 400% of Federal Poverty Level
  - Fees on insurance companies
- Auto-Enrollment
- Wellness Program Rewards Cap





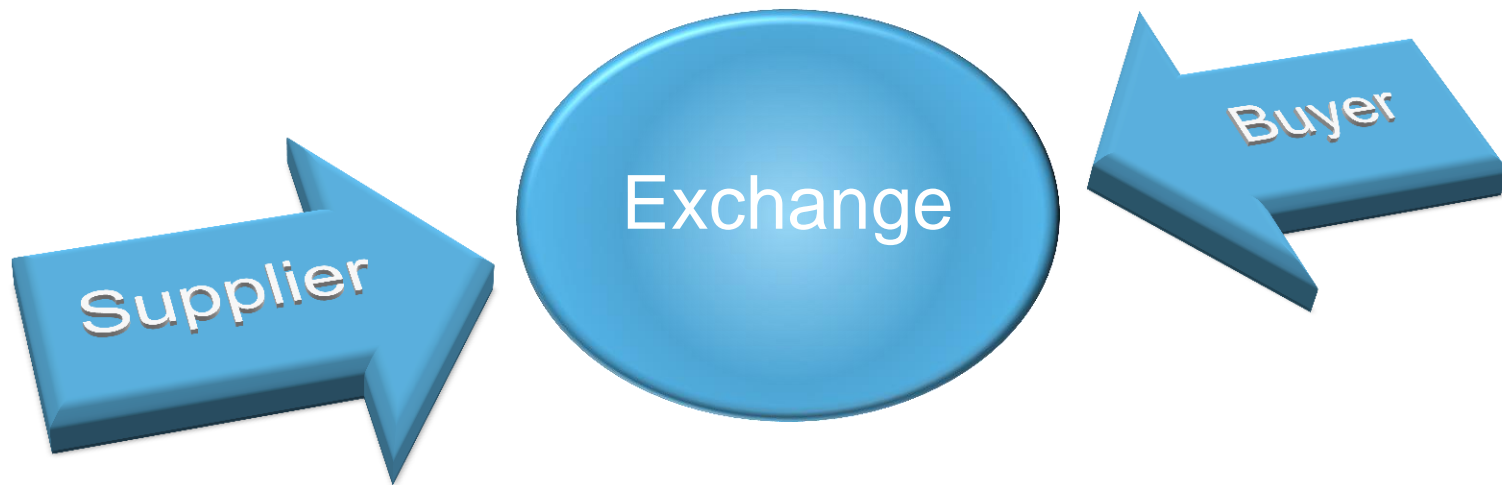
# Less Than Half of States Setting Up Exchanges



# What is an Exchange?

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An exchange is a competitive marketplace that consists of suppliers and buyers



# How Exchanges Work

DEFINED CONTRIBUTION  
SUBSIDY

INSURED PLAN OFFERINGS  
FOR PARTICIPANTS



# California State Exchange *Covered California*

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## **Board Members**

The Exchange is an independent public entity within state government with a five-member board appointed by the Governor and the Legislature. Appointed members will serve four year terms.

## **Eligibility**

Individuals and small employers meeting federal citizenship requirements may enroll in the exchange. Federal health care reform makes tax credits and subsidies available in 2014 to Californians with incomes between 133 and 400 percent of the federal poverty level (in 2010, approximately \$29,000 to \$88,000 for a family of four). The Exchange will ensure that Californians eligible for federally-authorized tax credits and subsidies get those benefits. Small employers with less than 50 employees may also purchase coverage through the exchange

## **Plan Offerings**

All health plans and insurers participating in the Exchange must offer all Exchange plans at the federally designated bronze, silver, gold and platinum levels.

## **Carrier Participants**

Alameda Alliance for Health, Anthem Blue Cross of California, Blue Shield of California, Chinese Community Health Plan, Contra Costa Health Services, Health Net, Kaiser Permanente, L.A. Care Health Plan, Molina Healthcare, Sharp Health Plan, Valley Health Plan, Ventura County Health Care Plan, Western Health Advantage.

# California State Exchange *Covered California*

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**The Exchange will support consumer choice by making comprehensive information about health plans available in an objective, easy-to-understand format, including:**

- a website that provides standardized comparison information on qualified health plan benefit plans/options
- a calculator for applicants to compare costs across plan options
- a web-based eligibility portal to help link individuals to health coverage options available to them
- a toll-free consumer assistance hotline

## **Timing:**

- On January 3, 2013, California received conditional approval from the U.S. Department of Health and Human Services (HHS) for its state-based exchange.
- Final approval is contingent upon the state demonstrating its ability to perform all required Exchange activities on time and complying with future guidance and regulations.
- Pending carriers and specific plan design decision by the Exchange Board
- Open Enrollment in Fall 2013
- Employers must notify employees of the California State Exchange

# Plan Design Highlights

	Bronze	Bronze Plus	Silver	Gold	Platinum
<b>Medical Plan Design</b>					
INN Deductible (sing/fam)	\$2,750 / \$5,500	\$2,000 / \$4,000	\$1,500 / \$3,000	\$600 / \$1,200	None
INN Coinsurance	20%	20%	20%	10%	0%
INN OOP max (inc ded)	\$5,950 / \$11,900	\$5,000 / \$10,000	\$3,750 / \$7,500	\$3,000 / \$6,000	\$1,500 / \$3,000
Hospital Inpatient Per Admission	20%	20%	20%	10%	250 Copayment
Primary Care / Specialist	20%	20%	20%	\$20 / \$35 Copayment	\$20 / \$35 Copayment
Emergency Room	20%	20%	20%	10%	\$100 Copayment
<b>Rx Plan Design</b>					
Deductible & OOP Maximum	Included w/ medical	Included w/ medical	Included w/ medical	n/a	n/a
Retail Generic	20%	20%	20%	\$5 Copay	\$4 Copay
Retail Brand Formulary	20%	20%	20%	20% (up to \$50 maximum)	\$20 Copay
Retail Brand Non-Formulary	20%	20%	20%	40% (up to \$100 maximum)	\$40 Copay
<b>Actuarial Value of Plan</b>	<b>66%</b>	<b>71%</b>	<b>75%</b>	<b>81%</b>	<b>92%</b>

# 2017 and 2018

## Major ACA Provisions

- Large employers may be allowed into Exchanges
- Excise Tax on “Cadillac” Plans
  - 40% excise tax on insurers and TPAs that offer health care coverage costing more than
    - \$10,200 individual (indexed)
    - \$27,500 family (indexed)





# Affordable Care Act—Your Compliance Timeline

2011 Plan Year	2011	2012	2013	2014	2018
<ul style="list-style-type: none"> <li>▪ Lifetime dollar limits on Essential Health Benefits (EHB) prohibited*</li> <li>▪ Preexisting Condition Exclusions Prohibited for Children under 19*</li> <li>▪ Overly restrictive annual dollar limits on EHB prohibited*</li> <li>▪ Extension of Adult Child Coverage to Age 26*</li> <li>▪ Prohibition on Rescissions*</li> <li>▪ No Cost Sharing and Coverage for Certain In-Network Preventive Health Services**</li> <li>▪ Effective Appeals Process**</li> <li>▪ Consumer/patient protections**</li> <li>▪ Nondiscrimination requirements on fully insured plans** (DELAYED)</li> <li>▪ Certain Retiree Medical Claims Reimbursable (ERRP)</li> <li>▪ Retiree Drug Plan FAS Liability Recognition</li> </ul>	<ul style="list-style-type: none"> <li>▪ Over-the-Counter Medicines Not Reimbursable Under Health FSA, HRAs, or from HSAs Without a Prescription, Except Insulin</li> <li>▪ HSA Excise Tax Increase</li> <li>▪ Public Long-Term Care Option (CLASS Act) – <i>No Longer Supported by HHS</i></li> <li>▪ Medicare Part D Discounts for Certain Drugs in “Donut Hole”</li> </ul> <p>*Denotes group/insurance market reforms applicable to all group health plans.</p> <p>**Denotes group/insurance market reforms <b>not</b> applicable to grandfathered health plans.</p> <p>*** This requirement applies to full time employees (e.g., 30 hours per week) and will require coverage that is affordable and satisfies a certain actuarial value to avoid the penalty. Guidance forthcoming.</p>	<ul style="list-style-type: none"> <li>▪ Employer Distribution of Summary of Benefits and Coverage to Participants*</li> <li>▪ Comparative Effectiveness Fee</li> <li>▪ Employer Quality of Care Report**</li> <li>▪ Medical Loss Ratio rebates (insured plans only)*</li> <li>▪ Employer Reporting of Health Coverage on Form W-2 (<i>due January 31, 2013</i>)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Notice to Inform Employees of Coverage Options in Exchange</li> <li>▪ Limit of Health Care FSA Contributions to \$2,500 (Indexed)</li> <li>▪ Elimination of Deduction for Expenses Allocable to Retiree Drug Subsidy (RDS)</li> <li>▪ Medicare Tax on High Income</li> <li>▪ Addition of women’s preventive health requirements to No Cost Sharing and Coverage for Certain In-Network Preventive Health Services **</li> </ul>	<ul style="list-style-type: none"> <li>▪ Individual Mandate to Purchase Insurance or Pay Penalty</li> <li>▪ State Insurance Exchanges</li> <li>▪ Employer Responsibility to Provide Affordable Minimum Essential Health Coverage***</li> <li>▪ Preexisting Conditions Exclusions Prohibited*</li> <li>▪ Annual Dollar Limits on EHB Prohibited*</li> <li>▪ Automatic Enrollment</li> <li>▪ Limit of 90-Day Waiting Period for Coverage*</li> <li>▪ Employer Reporting of Health Insurance Information to Government and Participants</li> <li>▪ Increased Cap on Rewards for Participation in Wellness Program**</li> <li>▪ Cost-sharing limits for all group health plans, not just HDHPs/HSA (deductibles and OOP maximum)**</li> </ul>	<ul style="list-style-type: none"> <li>▪ Excise Tax on High-Cost Coverage</li> </ul>



Questions?