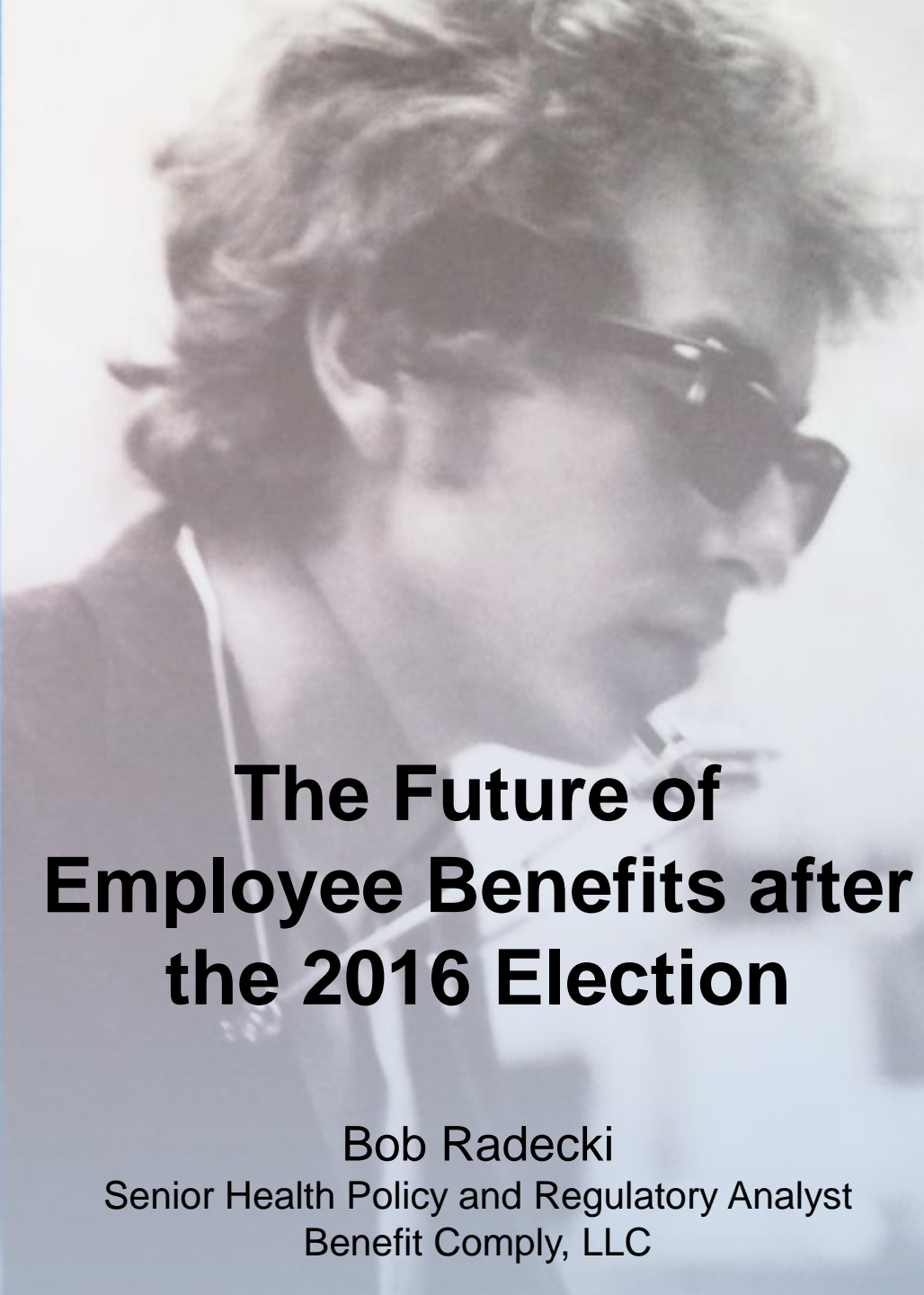


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**The Future of
Employee Benefits after
the 2016 Election**

Bob Radecki
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ELECTION ★

2016 ★





*"Don't believe
everything you
read on the
internet"*

-ABRAHAM LINCOLN



Background

What is Obamacare/The ACA?

Employers

- Shared responsibility rules for large employers
- Tax credits for small employers
- Coverage Requirements (Preventive care, Age 26, No lifetime or annual max, etc.)
- Small employer modified community rating

Individual Insurance

- No Pre-ex or underwriting
- Subsidies to help pay for insurance based on income
- Exchanges to coordinate sales and subsidies

Medicaid and Medicare

- Medicaid expanded to include low wage working adults
- Restructure payments to Medicare Advantage (MA) plans

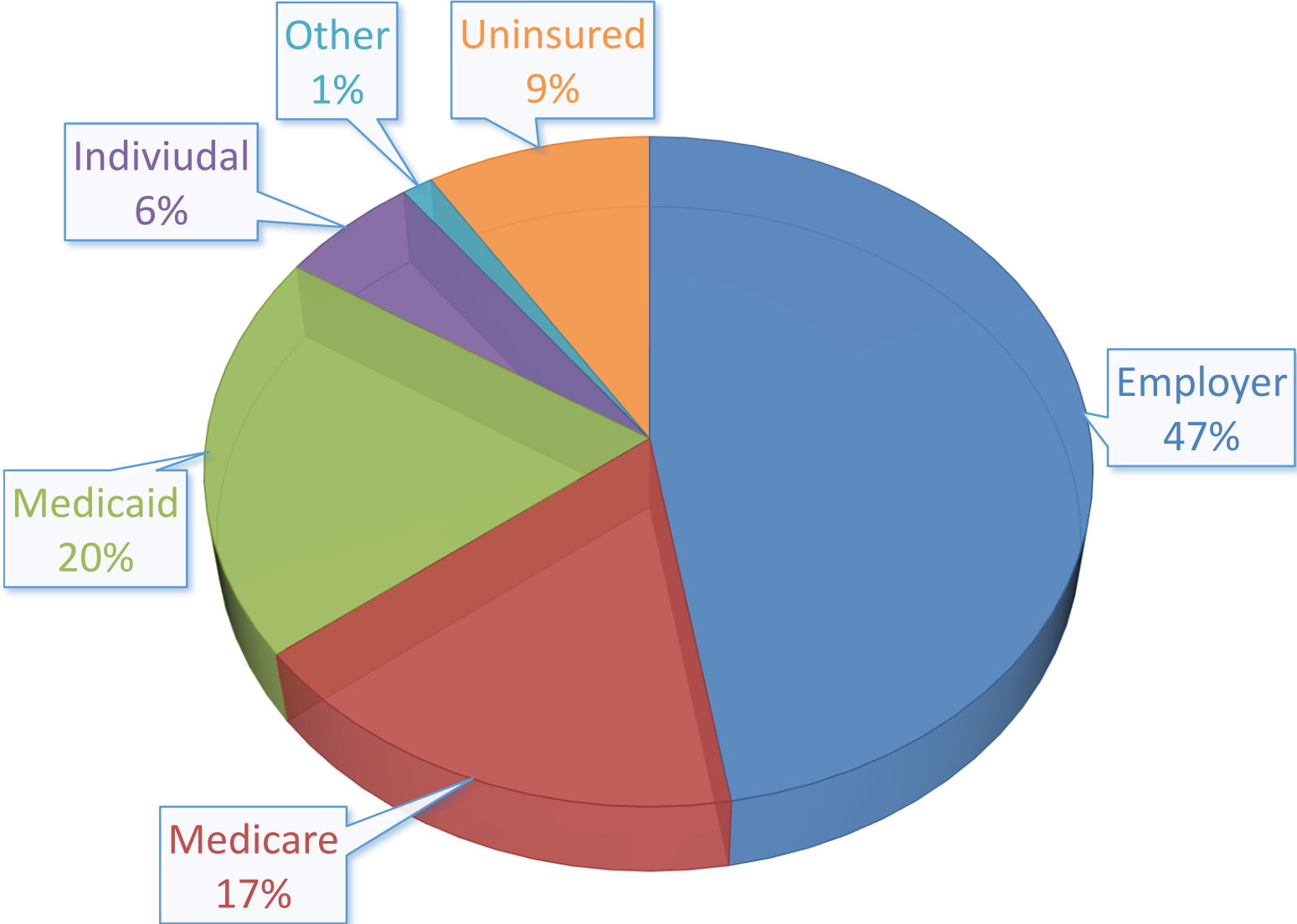
Healthcare Cost Savings

- Medical Loss Ratio (MLR) requirements for health insurance companies
- Adopt Accountable Care Organization (ACO) payment model for Medicare
- Chronic condition treatment research

Gov. Cost Savings & Revenue

- Cadillac Tax
- Individual mandate tax and employer shared responsibility payments
- Excise tax of 2.3% on medical devices
- Health insurance company tax

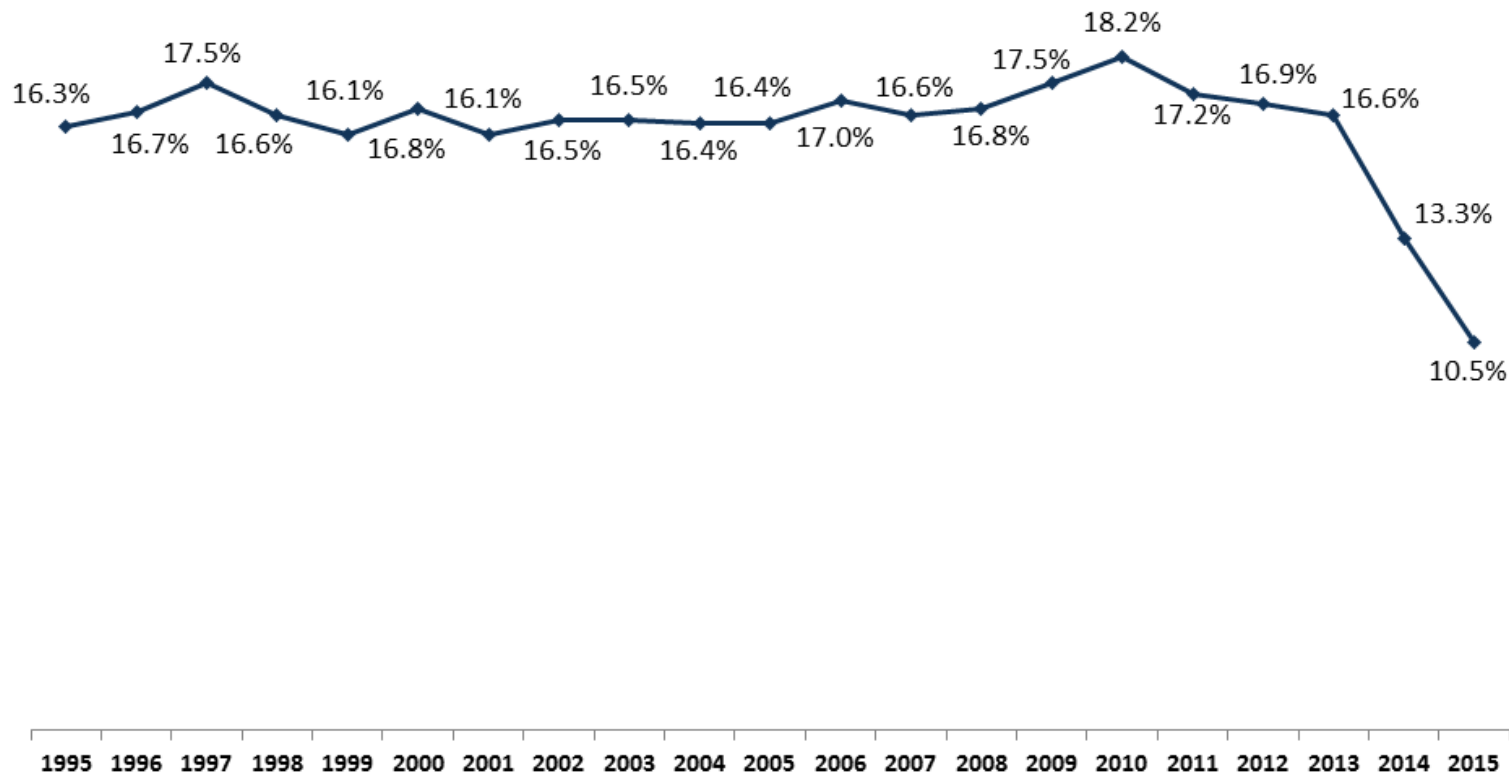
Where Americans Get Health Insurance



Uninsured Rate in the U.S.

Figure 1

Uninsured Rate Among the Nonelderly Population, 1995-2015

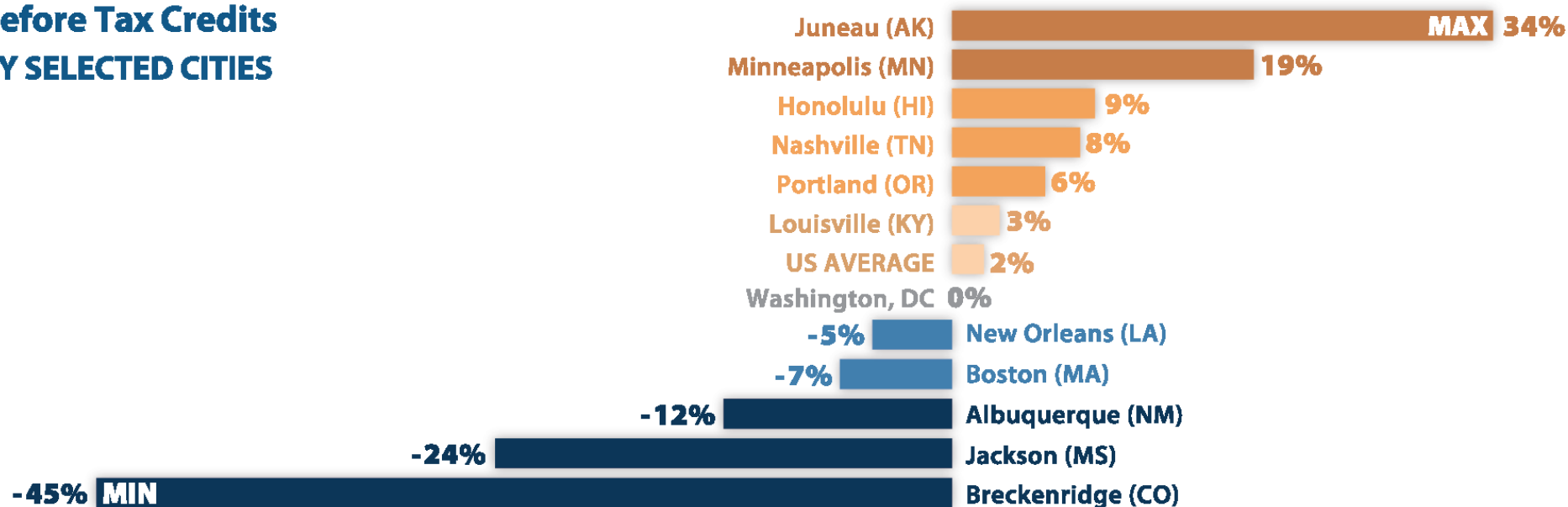


Source: CDC/NCHS, National Health Interview Survey, reported in http://www.cdc.gov/nchs/health_policy/trends_hc_1968_2011.htm#table01 and <http://www.cdc.gov/nchs/data/nhis/earlyrelease/insur201605.pdf>.



Individual Market Premium Changes 2014-2015

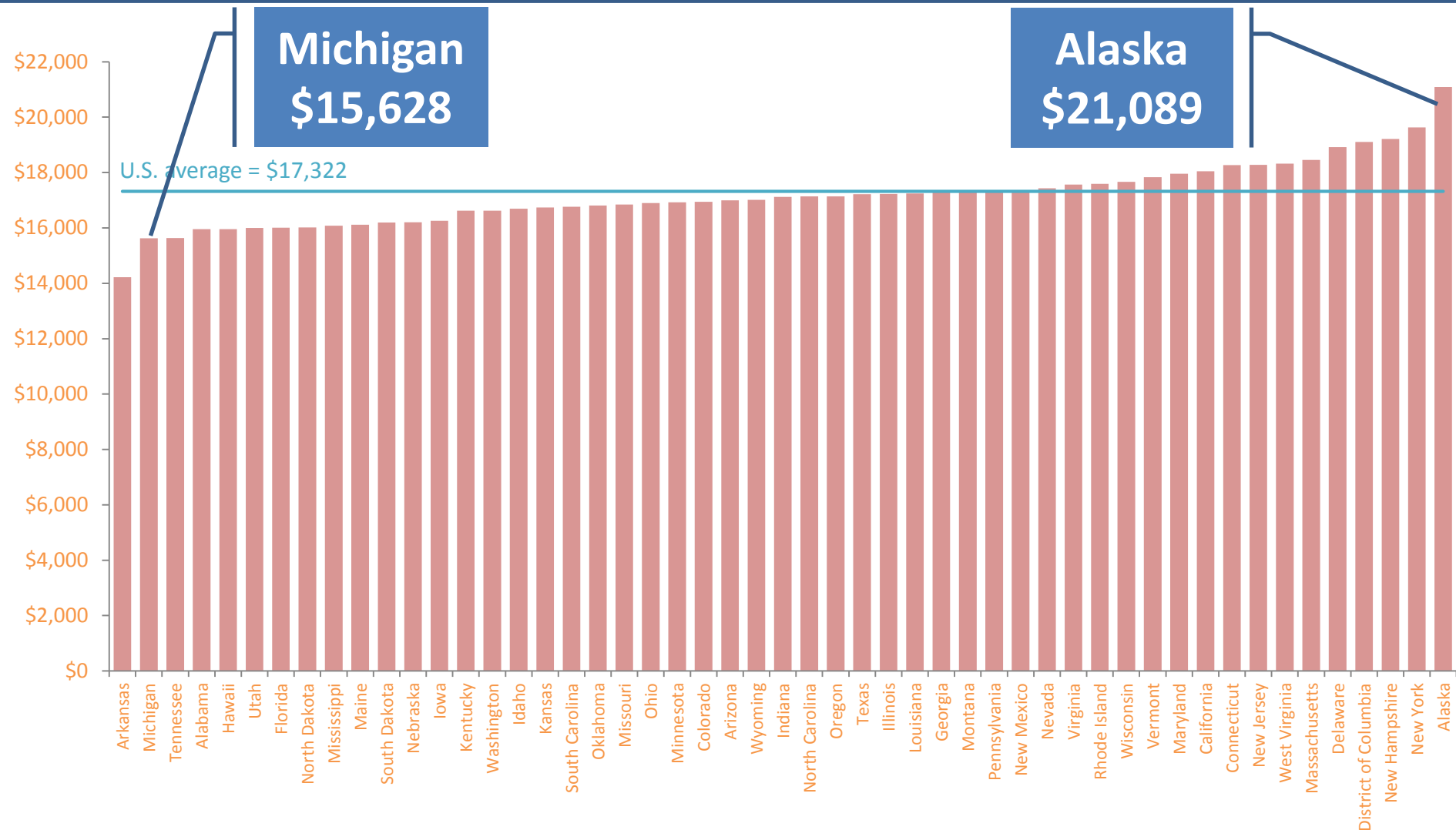
Before Tax Credits BY SELECTED CITIES



Source: Kaiser Family Foundation (<http://kff.org>) analysis. Original data and detailed source information are available at http://kff.org/JAMA_02-10-2015.

The premium changes shown in the panels above are for the second-lowest-cost silver ("benchmark") plan available to a 40-year-old in the county or region. After accounting for the tax credit, premiums enrollees pay for the benchmark plan in 2015 will generally show little change from rates enrollees paid for the benchmark plan in 2014, given that age and income level are held constant and that the underlying benchmark may differ from 2014 to 2015.

Ave. Group Premium for Family Coverage, by State, 2015



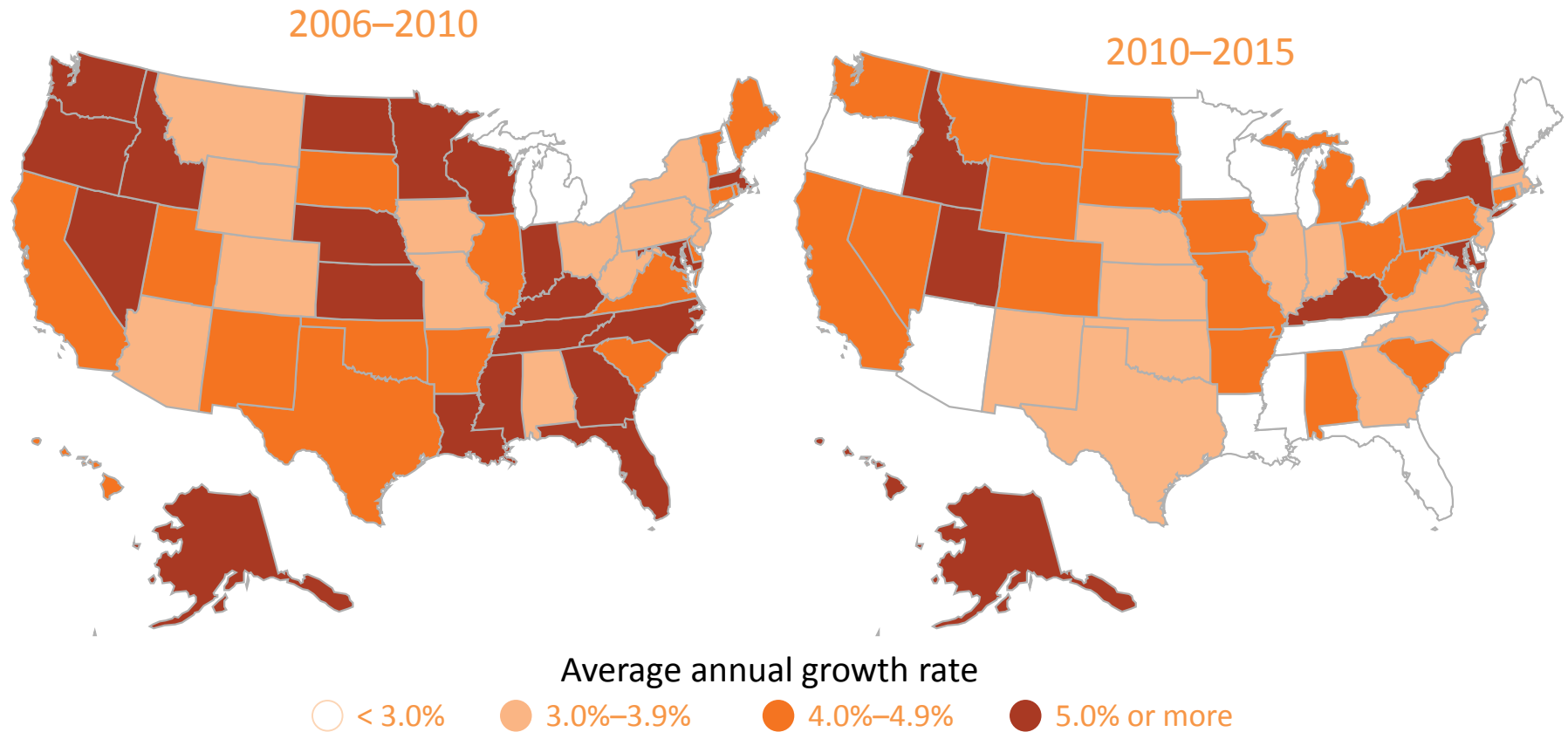
Source: S. R. Collins, D. C. Radley, M. Z. Gunja and S. Beutel, The Slowdown in Employer Insurance Cost Growth: Why Many Workers Still Feel the Pinch, The Commonwealth Fund, October 2016.

Average Group Health Plan Premium Increase

16.00%
14.00%
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%

 <200  200+  2 per. Mov. Avg. (<200)  2 per. Mov. Avg. (200+)

Growth in Employer Premiums for Single-Person Plans, by State, 2006–2010 and 2010–2015

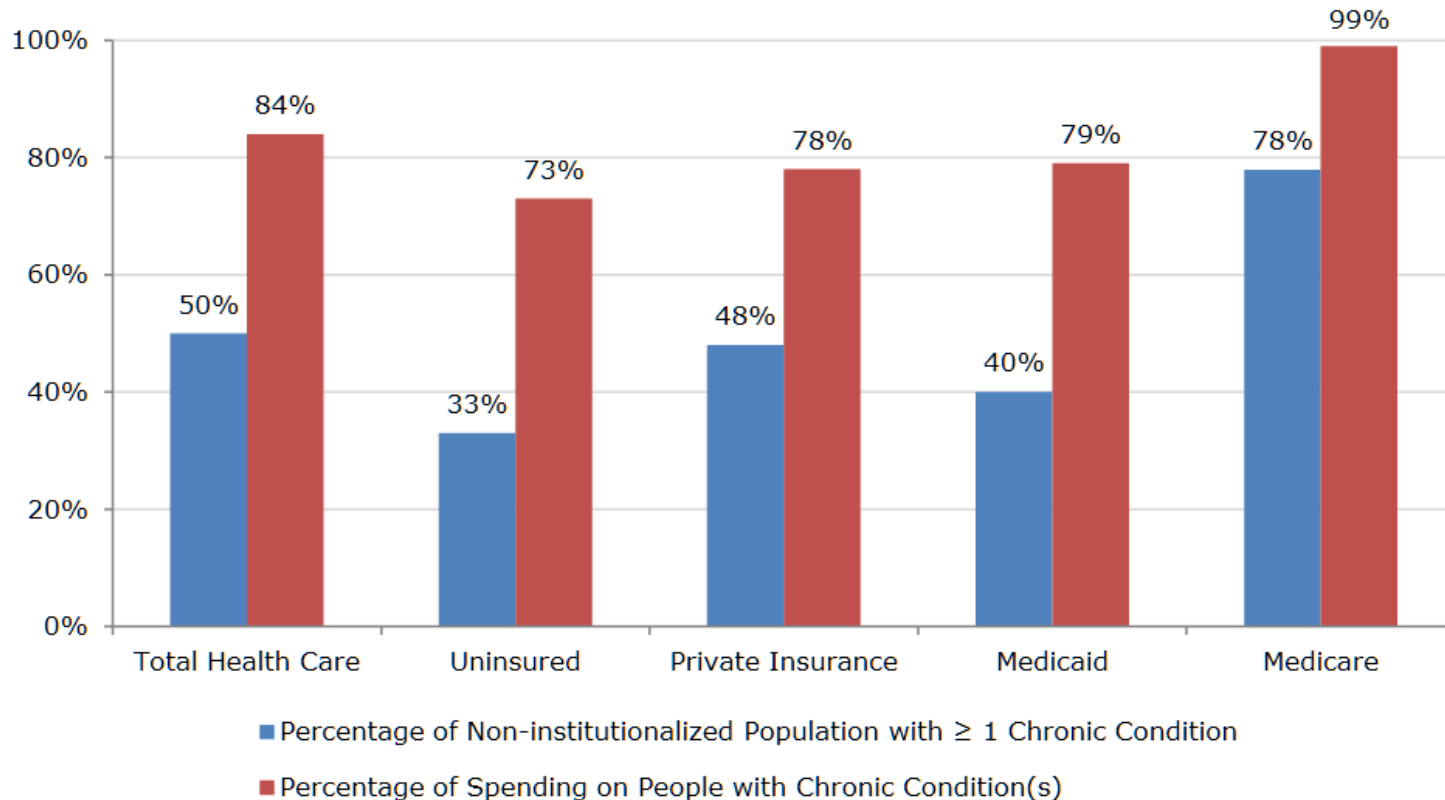


Source: S. R. Collins, D. C. Radley, M. Z. Gunja and S. Beutel, The Slowdown in Employer Insurance Cost Growth: Why Many Workers Still Feel the Pinch, The Commonwealth Fund, October 2016.

Healthcare Cost Drivers

Healthcare Cost Drivers

- People with Chronic Conditions Account for 84% of National Healthcare Dollars and 99% of Medicare Spending



Sources: Medical Expenditure Panel Survey, 2006 and Robert Wood Johnson Foundation, Chronic Care: Making the Case for Ongoing Care, February 2010.

Healthcare Cost Drivers

- Aging Population and Near End of Life Healthcare Costs



Other Healthcare Cost Drivers

- Rapidly increasing Rx Cost
- Lack of transparency in Healthcare pricing
- Consolidation in Healthcare Industry
- Adoption of Expensive Medical Technology
- Too many specialists not enough primary care

Other Healthcare Cost Drivers

Health Insurance Administrative Costs Make Up Only 5%-20% of Total Health Insurance Costs



Republican Initiatives

Ryan's Plan

- Paul Ryan Introduced a Republican Plan to Replace the ACA
 - The plan proposes to retain a number of elements of the ACA:
 - Restricting pre-existing limitations
 - Prohibiting insurance companies from rescinding coverage
 - Allowing coverage on parents' plans for adult children to age 26
 - Examples of some of changes to the ACA proposed in the plan include:
 - The elimination of Medicaid expansion, replaced by block grants to states.
 - Repeal of the “Cadillac” tax, replaced by a limit on the amount of benefits employers can provide to employees on a tax-free basis
 - Elimination of ACA income-based subsidies for purchase of individual health insurance, replaced by an age-based tax credit for those without access to employer sponsored insurance
 - Allowing employers to pay for individual health insurance for employees.
 - New rules that would make it easier for small employers to join together in pools to provide insurance to employees

2015 Republican ACA Repeal Legislation

- 2015 legislation sponsored by Rep. Tom Price who will now be Secretary of Health and Human Services
 - Designed to pass using budget reconciliation
 - Repeal of tax credits for those who purchase individual health insurance. These tax credits would be phased out over two years
 - Repeal of the small business tax credit that provides a tax credit to some small businesses for the purchase of group insurance for their employees
 - Repeal of the individual mandate
 - Repeal of the employer shared responsibility rules
 - Repeal of Medicaid expansion
 - Repeal of medical device tax, health insurance tax imposed on health insurance companies, the “Cadillac” tax, and the payroll tax increase imposed on individuals making over \$250,000.

Other Changes Possible Even Without ACA Repeal

- Likely Expansion of Health Saving Accounts (HSAs)
 - Increase annual contribution limits
 - \$1000 tax credit for HSA contribution
 - Allow individual enrolled in Medicare Part A to make HSA contributions
- Elimination of Employer §4980H Shared Responsibility Rules
- Repeal of Cadillac Tax
- Rollback of Medicaid Expansion
 - Employers with low wage workers in states with expanded Medicaid have seen a reduction in plan enrollment as those employees choose to get Healthcare through the Medicaid system.

Current Status of State Medicaid Expansion Decisions



NOTES: Current status for each state is based on ESMU tracking and analysis of state executive activity. *All, IA, IN, MI, MT, and WI have approved Section 1115 waivers. WI covers adults up to 100% FPL in Medicaid, but did not adopt the ACA expansion.
SOURCE: "Status of State Action on the Medicaid Expansion Decision," KFF State Health Facts, updated July 7, 2016.
<https://www.kff.org/health-policy/state-action/state-action-to-approve-or-reject-the-act-expansion/>



The Billion Dollar Question

CADILLAC TAX



Proposed Limits on Tax Exclusion for Employer Sponsored Health Insurance

- Both Ryan's plan & the Price bill limits how much Healthcare related employee benefits can be provided on a tax free basis
 - As proposed the limitation would include all plans providing “medical care” as defined by Code §213(d) inc. Medical, dental, vision, Rx, etc.
 - Price bill limits exclusion from income for health coverage to:
 - Single - \$ 8,000/yr
 - Family - \$20,000/yr
 - US average family health insurance premium in 2015 was \$17,322
 - Alaska was already \$21,089

Republicans will struggle to change individual health insurance without destabilizing the market

Repealing employer requirements will be easier

Medicaid coverage will be returned to state control and will result in more variation between states

Uninsured rate will increase

HSAs will be expanded

Cadillac tax is toast – but limits on tax exclusion for employee benefits will have a huge impact on how employers look at their benefits/compensation mix

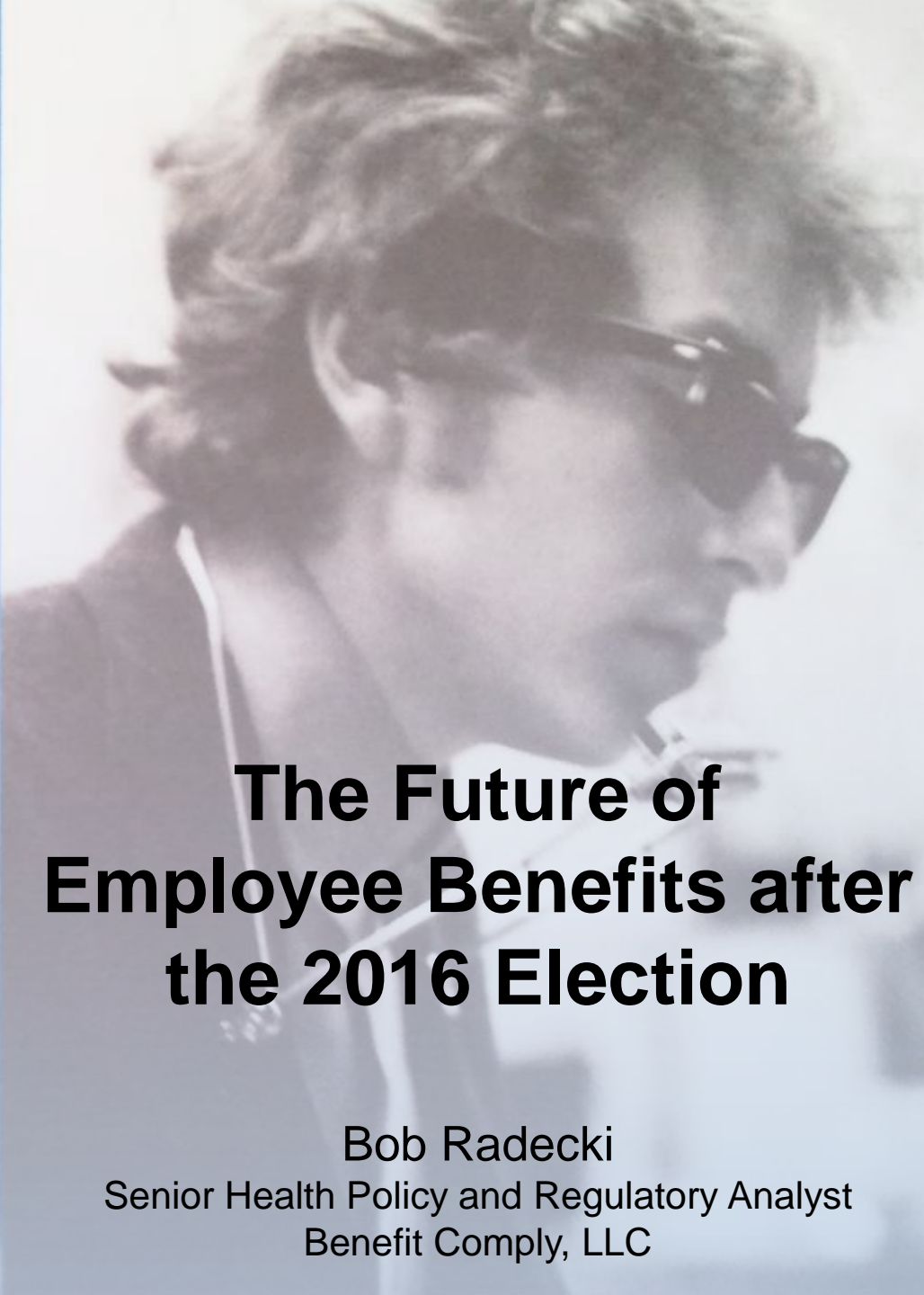




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