PPACA IMPACT

A positive view

- Tens of millions of uninsured now have access to affordable, quality health insurance

- Medicaid is expanded to cover 15.9 million citizens

- CHIP is expanded to cover 9 million children

- Members can no longer be dropped or denied from coverage due to a medical condition

- New and expanded preventive services covered in full. Essential benefits added such as women's preventive services as well as pediatric dental.

- Dependents can now stay on parents coverage to age 26

- Small business receive tax credits of up to 50% for employee's health insurance premiums.

- Medicare beneficiaries have improved benefits by closing the "donut hole" as well as well as expanded preventive services

PPACA Implementation Timeline

Patient Protection & Affordable Care Act

Signed into law March 23, 2010

Phase I- 2010

- Created small business credit
- Non-profit BCBS organizations mandate 85% MLR
- States allowed to increase Medicaid eligibility to 133% with Federal assistance
- Temporary reinsurance program for early retirees 55-64
- Coverage for individuals with pre-existing medical conditions
- No pre-existing limitations for children up to age 19
- Prohibits company rescissions and the elimination of lifetime limits
- Health plans to provide first dollar coverage for preventive services
- Extended coverage for dependents to age 26
- Part D Medicare rebates to those that enter the "donut hole" of $250.00 if no additional help available.

Phase II- 2011

- W-2 reporting for employer groups at 250 and over
- Modification of HSA penalty from 10% to 20%
- Health plans, including grandfathered plans, report on medical loss ratio and rebate for excessive loss ratios
- Established non-deductible Pharmaceutical manufacturers fees
- Filling the Medicare Part D "donut hole" with a 50% discount on all brand name drugs for those that do not receive extra assistance.
- Free annual wellness visit for Medicare beneficiaries.
- Community Care Transitions Program for high risk Medicare beneficiaries

Phase III- 2012

- Linking payments to quality outcomes. Hospitals receive a 2% Medicare reimbursement penalty for patients that are re-admitted within 30 days.

The penalty is based on the entire hospital reimbursement not just on the one individual.

- Implementation of national plan summary of benefit documents that all employers are responsible to provide to employees. Language must be consistent from company to company.
- Community living assistance, services, & support (Class Act) was to begin but defunded in 2011 as unaffordable.
- Reformed payments for Medicare Advantage plans based now on "Star" ratings phasing in over a seven year period. Payments reduced for companies that do not maintain high (4/+) ratings.

Phase IV- 2013

- Incentives for state Medicaid programs to cover more no cost preventive services.
- Eliminating deductions for employer part D subsidy
- Increasing the threshold for itemized deductions for medical expenses from 7.5 to 10%. Exception for age 65 and over through 2016.
- Increase Medicare A deductions by 0.9% for wages over 200,000/250,000.
- 3.8% tax on net investment income for taxpayers earning over 200,000/250,000.
- Limiting executive compensation. Limits the deductibility of compensation for insurance providers if at least 25% of the insurance provider's gross premium income from health business is derived from health insurance plans that meet the minimum creditable coverage requirements. The deduction limit is $500,000 per taxable year. Effective this year with respect to services performed after 2009.
- Establish the fee, non- deductible, on insured and self-insured plans to fund the Patient-Centered Outcome Research.
- State and Federal exchanges open for members to sign up for 2014 plans. Premium credits and reduced coinsurance available for those that qualify.

Phase V- 2014

- No pre-existing exclusions/unlimited annual coverage for every beneficiary

- No higher premiums for health related issues. Premiums vary only on age, geography, family size, and tobacco use.
- Tax credits and cost sharing to members at 133% to 400% of the FPL
- Coverage for clinical trials
- Penalty for those that do not purchase health insurance
- Employer penalty for groups at 50 and up (first 30 exempt) :
  $2,000 PE for employers that do not offer affordable essential health coverage
  $3,000 for any employee that receives a tax credit on the exchange
  Both penalties capped at a max of $2,000 PE. Waived for 2014
- Maximum waiting period for health benefits 90 days
- Small business tax credit increased to 50% only through exchange business.
- Non-deductible provider fees spread across all health companies dependent on market share. Total tax 8 billion in 2014 going to 14.3 billion in 2018. By 2018 this fee will translate to an additional $450 per family member per year.

Future Implementation

- 2015 Second delay in the penalty for employer groups 50 to 99. Employer groups 100 + will be subject to the penalty
- 2016 50 to 99 employer groups subject to penalty
- 2018 Excise tax of 40% on " Cadillac" plans

PPACA RESULTS & IMPACT

A cautious VIEW

- Insuring millions will cost money and the burden will be on the high income earners especially with the penalty tax to employers being delayed possibly to 2016.
- For large companies many will simply pay the penalty and save corporate dollars forcing employees to purchase on an exchange with potential credits for subsidy

- People that elect not to purchase health insurance will have to pay a penalty

- Expanding Medicaid and CHIP will also cost more at both the state and federal level

- Insurance companies will now have to insure millions more, some of whom have not had previous coverage. Claims are expected to be higher than normal. With the MLR in place the increased cost of this care can only be filtered down to members.

- Health care spending was up 9.9% the 1st quarter of 2014
- Insurance premiums have increased with all of the preventive services that now must be covered in full.

- PPACA focuses on people being covered more so than the cost of care.

- Health insurance subsidies are designed to assist those that could otherwise not afford coverage. There is also the tax consequence for potentially having to pay back some of the credit received should actual income be greater than estimated.