

# THE CAPITOL – HOME OF LEGISLATION APPROVAL



# Why Reform our Health Care System Again?

49 million Americans were uninsured in 2010, equal to 15% of the Population.

Medicare was on its way to a cash deficit by 2017.

# Why Reform

- Individuals were denied health insurance due to pre-existing conditions
- Lack of safety net cause for financial ruin
- Health care cost & delivery inconsistent across the nation

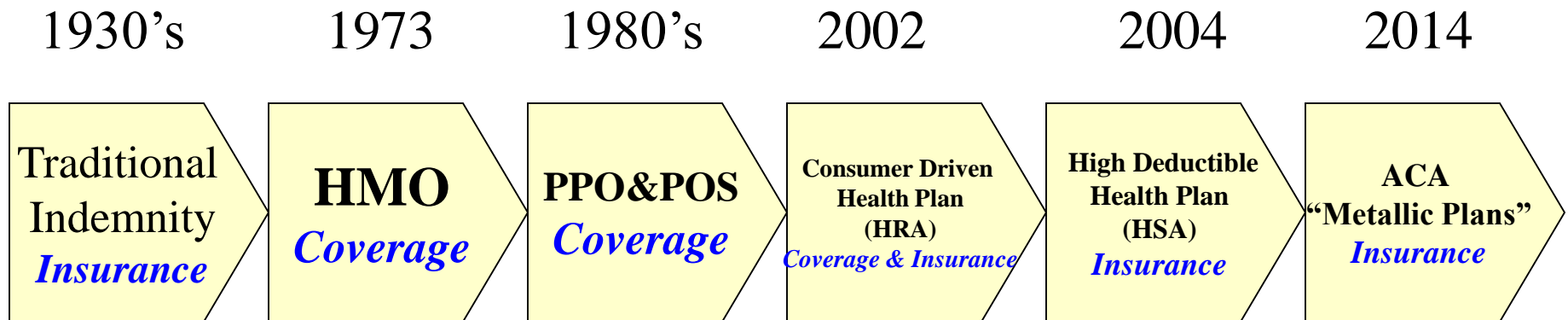
# Why Reform

- Health care costs rise faster than inflation
- Americans spend more on medical services than other countries
  - Personal income reduction
- Global competitiveness concern

# **How to Fix the Problem**

- **Insurance Company Regulations**
- **Compulsory Coverage Mandate**
- **Medicaid & CHIP Expansion**
- **Wealth Redistribution Taxes**
- **Preventive Care & Wellness**
- **Medical Care Utilization Reduction**

# Health Plan Design Continuum



# March 2010 to March 2016

**A WAITING GAME TO A  
DEGREE WITH  
MULTIPLE DELAYS & CHANGES**



**AND YET THE TEMPERATURE  
CONTINUES TO RISE**



# What Happened Last Year

2015

- Year Two Age Based Rates under 50 Employees
- Employer Tracking of Employees
- Tax Penalty if not insured
- MarketPlace to 10.2 million
  - 85% or 8.7 million receive a government subsidy
  - Average subsidy \$3,300
  - \$285 million in subsidies



# And This Year...

2016

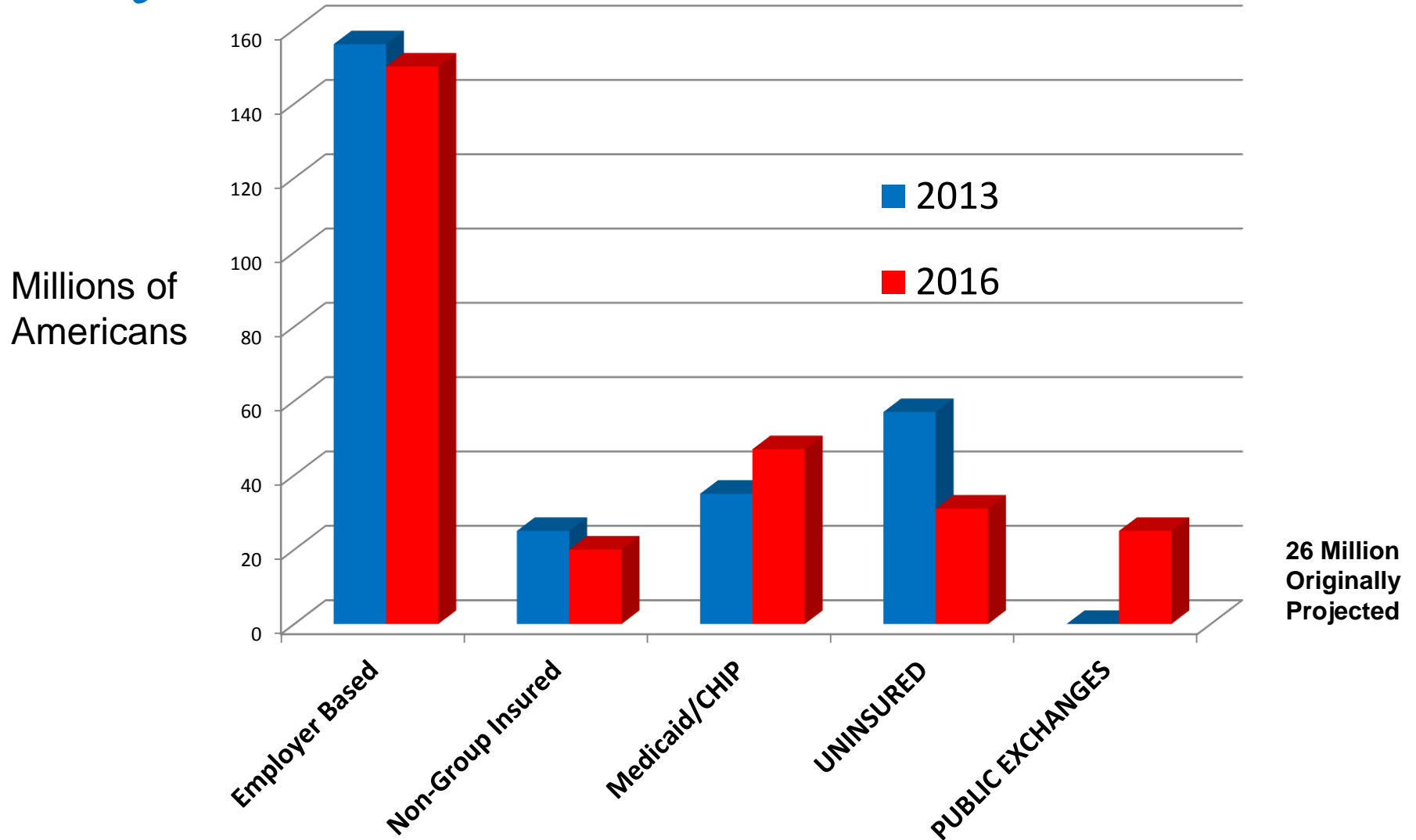
- Age Based Rates to 100 employees - if a State mandates
- Employee Reporting Form 1095B/C Delayed to 3/31/16
- Cadillac Tax Delayed to 2020
- Auto Enrollment Requirement Eliminated
- MarketPlace to 12.7 million +20%
  - 440,000 in PA +3%
  - 289,000 in NJ +28%
  - 29,000 in DE +24%
- Including Medicaid Expansion 17+ million more insured

# And What It Means to Employers

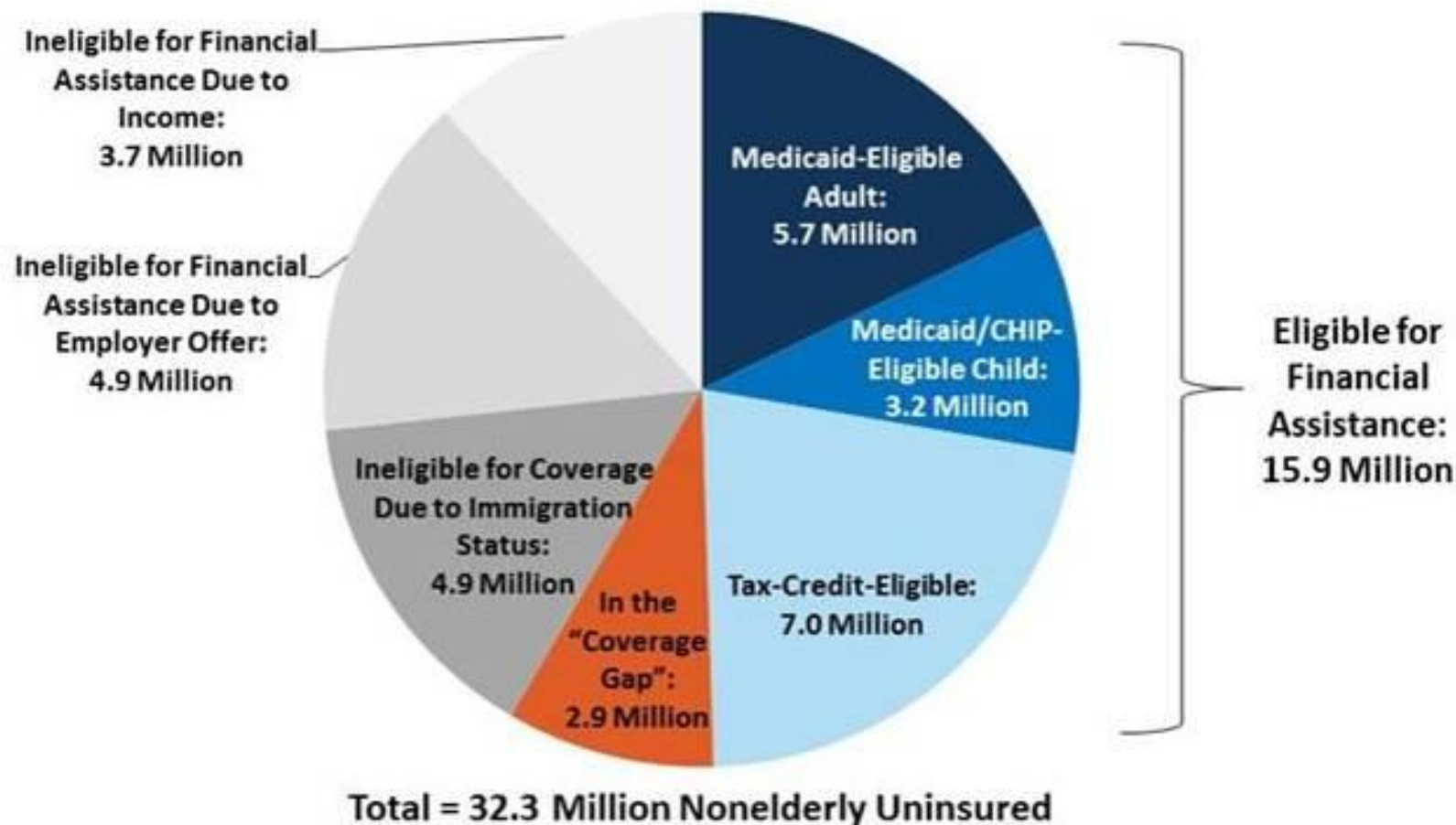
## “To Infinity & Beyond”

- Annual Health Spending >\$3 Trillion
- Employer Shared Responsibility Penalties now \$2,160 or \$3,240
- Escalating Compliance Costs
- DOL Audits on the Rise
- Adding Health Insurance choices
- Online Enrollment growth
- Health Plan Self–Funding Strategies

# CONGRESSIONAL BUDGET OFFICE (CBO) PROJECTED CHANGE HEALTH COVERAGE



## Eligibility for ACA Coverage Among Nonelderly Uninsured



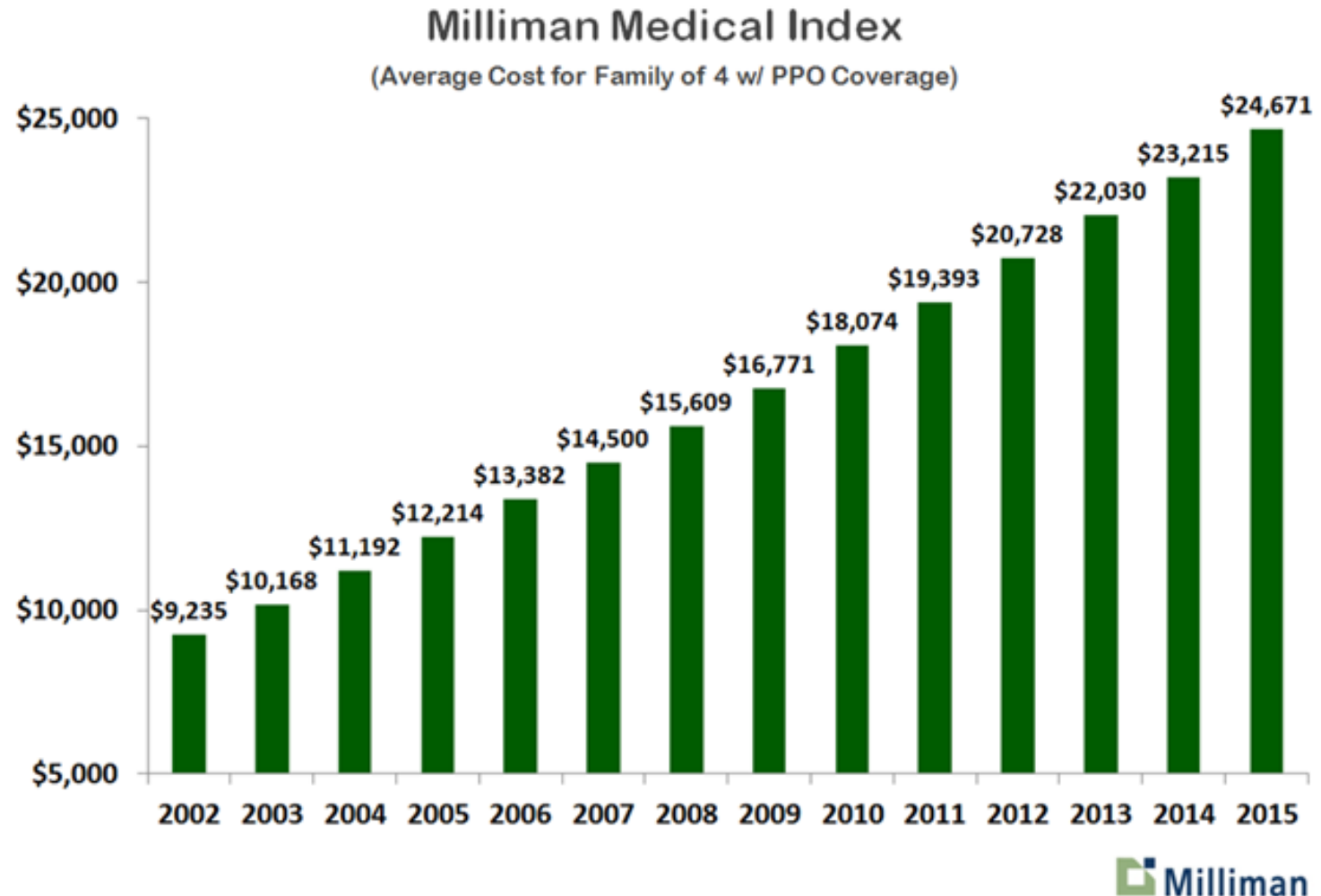
NOTES: Numbers may not sum to total or subtotal due to rounding. Share eligible for tax credits includes adults in Minnesota and New York who are eligible for coverage through the Basic Health Plan.

SOURCE: Kaiser Family Foundation analysis based on 2015 Medicaid-eligibility levels and 2015 Current Population Survey.

# Increasing Cost Pressures

- Insuring under 40 Hour Workers
- Insuring New Hires after 90 days
- Pre-existing Condition costs of the recently insured
- Age Driven, Per Person Rate Structure
- 4 Generations in the Work Force
- 80 million Baby Boomers another year older
- Single Hospital Rooms
- New Technological Innovations

# Average Cost Family of 4 with a PPO



# Employer Trends in 2016

- Self-Funding with Stop loss Insurance
- Less Upfront Coverage with future Cadillac Tax
- Account Based Plans Growth HSA/HRA/FSA
- TeleMedicine, Urgent Care Centers & Tight Rx Formulary with Step Therapy
- Wellness Testing with Financial Impact
- Skinny Plan or More Costly ACA High Deductible Plan
- Imbedded 'Per Person' Out of Pocket Cap (OOP)
- Allowed OOP \$6,850 Individual & \$13,700 Family
- HDHP OOP \$6,550 Individual & \$13,100 Family

# ACA Wellness Programs

- **“Health Contingent Wellness Programs”** – Differentiate up to **30%** of Single Premium based upon meeting Biometric standards
- **“Prevent or Reduce Tobacco Programs”** – Penalize up to **50%** of Single coverage
- **“Participatory Wellness Programs”** - Fitness Centers and Smoking Cessation Classes - No Restrictions on Financial Incentives



# Bio-Metric Standards

## Wellness Score 3 or more of 5

### Concentration on Risk Factors:

1. Cholesterol under 200 mg/dl; LDL below 130; HDL over 40
2. Blood Pressure under 140 s / 90 d
3. BMI - Waist Size under 30 - less than 40" Male; 35" Female)
4. Glucose Levels under 100 mg/dl
5. Carbon Monoxide under 5 ppm

# **HEALTH SAVINGS ACCOUNTS (HSA)**

- First available in 2004 (Section 223)
- Qualified High Deductible Health Plan (HDHP)
- Income Tax Deduction opportunity for Individuals, Partners & S Corp Owners
- **Individual Bank Account – Funds Rollover & are Portable**
- **Self monitored – no 3<sup>rd</sup> party Substantiation**
- Payroll deductions like FSA, but ACCUMULATE PER PAY
- Commitment Contract opportunity for Long Term Savings
- \$3,350 Individual or \$6,750 Family max & \$1,000 catchup 55+
- 20% penalty ceases at age 65
- Retirement Income Supplement

# HEALTH SAVINGS ACCOUNT GROWTH PROJECTION

## COVERAGE WITH DEPENDENTS

AGE	DEPOSITS	USAGE	GROWTH @ 5%
45	\$5,000	\$2,000	\$3,150
46	\$5,000	\$2,000	\$6,458
47	\$5,000	\$2,000	\$9,930
48	\$5,000	\$2,000	\$13,577
49	\$5,000	\$2,000	\$17,406
50	\$6,000	\$6,000	\$18,276
51	\$6,000	\$2,250	\$23,127
52	\$6,000	\$2,250	\$28,221
53	\$6,000	\$2,250	\$33,570
54	\$6,000	\$2,250	\$39,186
55	\$7,000	\$7,000	\$41,145
56	\$7,000	\$2,500	\$47,927
57	\$7,000	\$2,500	\$55,049
58	\$7,000	\$2,500	\$62,526
59	\$7,000	\$2,500	\$70,377
60	\$8,000	\$8,000	\$73,896
61	\$8,000	\$3,000	\$82,841
62	\$8,000	\$3,000	\$92,233
63	\$8,000	\$3,000	\$102,095
64	\$8,000	\$3,000	\$112,450
65	\$9,000	\$9,000	\$118,072
66	\$9,000	\$4,000	\$129,226
67	\$9,000	\$4,000	\$140,937
68	\$9,000	\$4,000	\$153,234
69	\$10,000	\$10,000	\$160,895

# Health Savings Accounts example

- **Employer annual contributions**
  - \$750 individual
  - \$1,500 with dependents
- **Employee option to defer an additional**
  - \$2,600 individual
  - \$5,250 with dependents
- Catch up of \$1,000 per person, ages 55 to Medicare eligible
- **Build up becomes a RISK NEUTRALIZER**

# HEALTH REIMBURSEMENT ARRANGEMENT (HRA)

- First available in 2002
- Employer self-funded benefit plan
- Employer decides what is covered
- Projected Loss Ratio 25% to 85%
- Typically Reimburses deductibles and / or coinsurance
- Alternative to HSAs
- May be offered in tandem with an FSA for cash flow
- 100% of Promised benefit available all year like FSA
- Unused funds are not Portable
- May only be offered along with ACA approved Health Plan

# Health Reimbursement Account (HRA)



- 1<sup>st</sup> Dollar reimbursement of in-network deductible expenses
- Debit Card provided
- Substantiation of usage Required
- 1<sup>st</sup> \$1,250 individual
- 1<sup>st</sup> \$2,500 with dependents
- Employer Decision on Rollover of unused funds

# FLEXIBLE SPENDING ACCOUNTS (FSA)

- First available in 1978 (Section 125)
  - Employees fund an FSA with pre-tax dollars
  - Employer may fund up to \$500 for employees
- In 2006 a 2.5 month grace period allowed
- In 2014 the option of up to a \$500 Rollover allowed
- Maximum Deferral \$2,550 per employee
- Annual benefit available all year like HRA
- Limited FSA allowed with HSAs for Dental, Vision and post Minimum Deductible Medical & Rx
- Current Minimum Deductible is \$1,300 Single & \$2,600 Family

# HSA / FSA- How much to save?

Expense costs **\$300** and your tax rate = 30%

## Without HSA/FSA

You must make **\$429**  
in gross income



**\$129 lost to taxes**

## With HSA/FSA

You only need **\$300** in  
gross income to pay





# Why Costs Rise



- Aging Population
- Quality Health Care increasing Life Spans
- Sedentary Lifestyles
- Increased Demand by Newly Insured
- Expanding Malpractice Risks
- Mandated Coverage Levels
- Elimination of Part D Rx Doughnut hole
- Technological Advancements including Rx

# Prescription Drugs

- High Tech Drug Therapies for Cancer, Hemophilia, Hepatitis, Muscular Dystrophy
- Halaven - \$45,000 / month
- Harvoni - \$38,000 / month
- “Free” Coupons - Charged back to Health Plans
- 50% of Americans use at least “1” Rx
- 33% on “3” or more Rx
- \$300 Billion cost per year for 5.5 Billion orders

# Pressure on Healthcare Providers

- **Accountable Care Organizations (ACO)**
- **PCORI leading to Reduction in Regional Care Disparities & Perceived Rationing**
- **Medical Homes**
- **Transition to Risk Based Payments**
- **Transition to Reference Pricing**

# Bending the Cost Curve

- **Deductibles & Coinsurance**
- **Preventive care & Wellness investment**
- **Online Health Cost Estimators**
- **Medical Homes & Community Health Centers**
- **Electronic Medical Records**
- **Bundled Payments to Providers**
- **Reduced Payments for Readmissions**
- **Comparative Effectiveness Research**

# SAVE NOW FOR LATER HEALTHCARE NEEDS



**“No one spends  
someone else’s money  
as carefully as their  
own.”**

Milton Friedman on health care

# ANNUAL HEALTH CARE USAGE

- 25% of us incur Low Volume, High Cost services such as Hospitalization, Surgery, X-ray & Lab
- 60% of us incur High Volume, Low Cost services Like Office Visits & Rx
- 15% of us incur no health care costs

# Where our health care dollars are spent

- **65%** of costs treat Unavoidable ailments, diseases & accidents
- **22%** of costs are for Elective Care decisions including contemporary lifestyle treatments
- **13%** of costs result from Defensive Medicine decisions by physicians & excessive care

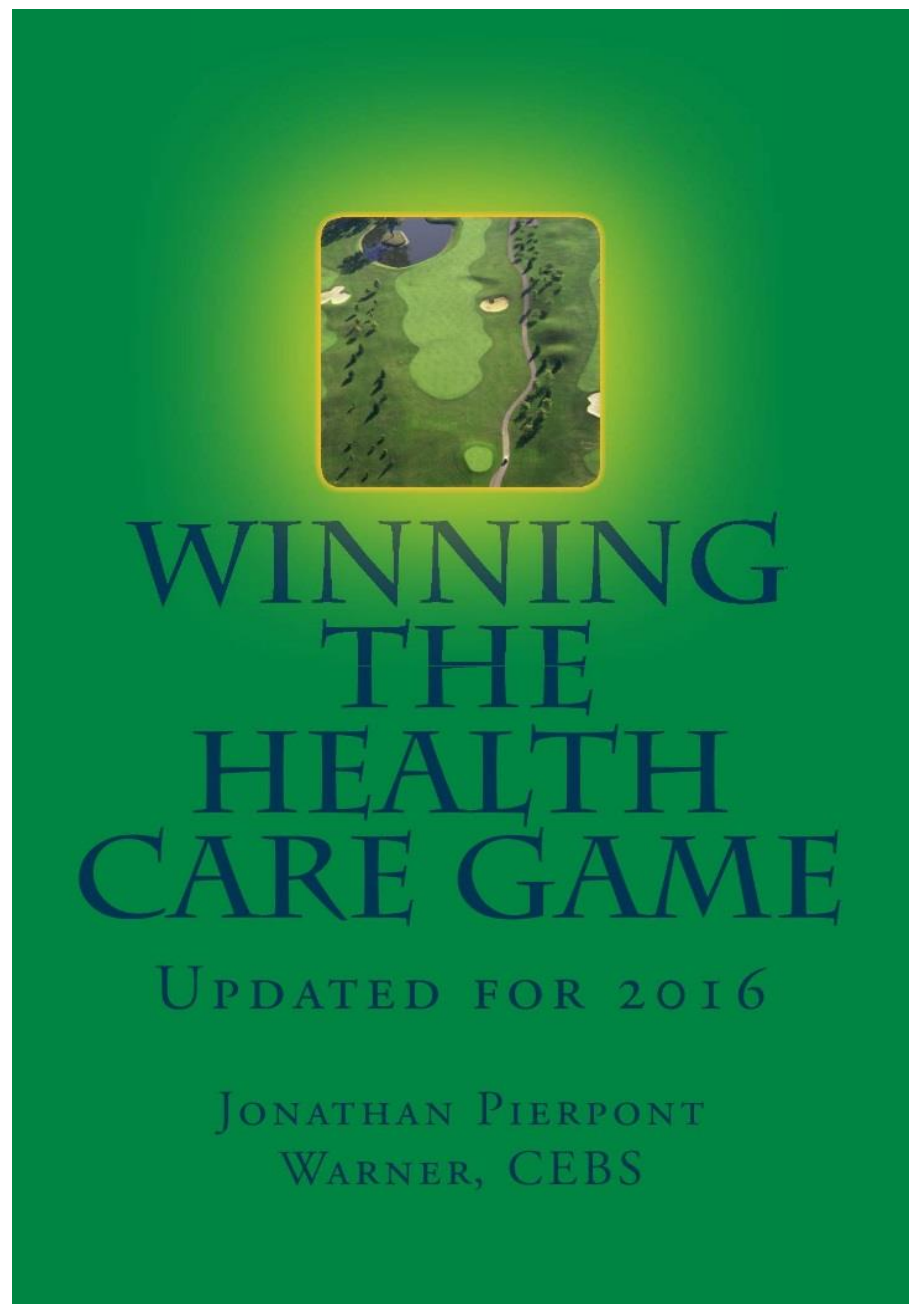


# **Educated Older Consumer**

- **Age 70 Retirement Trend**
- **Delaying Medicare @ 65 allows Health Savings Account Deposits**
- **Social Security Deferral Required for Medicare Enrollment Delay**
- **Social Security payments increase by 8% per year past SSNRA**

# **Living to age 88 & Paying Retiree Health Care Premiums**

- **2016 Medicare Part B premium per person**  
\$105 month up to \$85,000 income  
\$147 monthly \$85,001 - \$107,000 income  
\$210 monthly \$107,001 - \$160,000 income  
\$273 monthly \$160,001 - \$214,000 income  
\$336 monthly \$214,001 or more income
- **MediGap Plan F & Rich Part D Rx Premium**  
\$350 monthly
- **Expect to pay \$150,000+ above Medicare**



# Winning The Health Care Game Educational Goals

- Miraculous Health Care **Advances to Come**
- **Inconsistent Need** for High Cost Care
- **Accept** “Reasonable Risk” now
- **Lower Premiums** & Build Savings
- Invest **Tax Free** for Future Needs
- Make a Personal **Commitment Contract**
- Consider Health Care **Retirement Planning**

“Fight the DRIP vs. GUSHER  
human tendency to satisfy  
Short Term Desires vs.  
taking advantage of Longer  
Term Opportunities”

# **LAUDABLE PPACA CHANGES**

- **Dependent coverage to age 26**
- **100% Preventive Care Coverage**
- **Unlimited Lifetime Maximum**
- **Health Care Marketplace**
- **No Pre-Existing Condition Exclusions**
- **No Rescissions (retroactive cancellation)**
- **Emergencies Paid as In Network**

# **PPACA CONSEQUENCES**

- **INCREASED PREMIUM TAXES**
- **ESCALATED EMPLOYER COMPLIANCE**
- **PREMIUM RATE HIKE JUST FROM GETTING OLDER**
- **HIGHER COST FOR LESS HEALTHY**
- **HIGHER COST COVERING DEPENDENTS**
- **SPOUSAL ELIGIBILITY EXCLUSION**
- **EMPLOYER SELF-FUNDING GROWTH**
- **MORE HSAs, HRAs & FSAs**
- **MORE VOLUNTARY PLAN OPTIONS**

# **Universal Coverage “Single Payer” Challenges**

- **Reduced Availability of Services as a form of Rationing**
- **Reduction in Healthcare Innovation Investments**
- **Federal Government Owning Hospitals with Physicians and Nurses as Government Workers**



# **DYNAMICS IN TRANSITION**

- **Section 6055 & 6056 Reporting Challenge**
- **More Physicians as Employees**
- **Awareness of Medicare Coverage Limits**
- **End of Life Care Cultural Philosophy**
- **Advancing Tax Credits to Replace Subsidies**
- **Trend towards Personal Responsibility**
- **HSA Deposits before 401k & IRA savings**

# Wicked Witch's Crystal Ball



## FACTS ABOUT 21<sup>ST</sup> CENTURY HEALTH INSURANCE

- A. Upfront Deductible Responsibility
- B. Worrisome Out of Pocket Risk
- C. Premium Increases just Getting Older
- D. Penalty for Not Being Insured

Purchasers of health insurance will remain confused, disapproving and open to Single Payer unless “Saving for the Future” catches on.

Non  
Narcotic  
Herbs,  
Alcohol &  
Yeast  
Therapy  
Circa  
1880's



# Thank you

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