Obama Care and Its Effects on Our **Practice**

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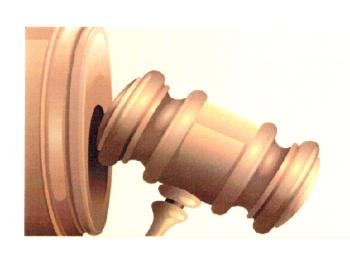
October 9, 2013 6:00 p.m. – 8:00 p.m.

Ascari Restaurant At the Hilton 701 E. Ocean Blvd Long Beach, CA



Summary of Affordable Care Act ("ACA")

- Signed into law on 3/23/10
- (HR = 219-212; Senate = 56-44)
- (52% disfavor per Rasmussen)
- don't need to expand their Medicaid programs to fund. Individual mandate deemed a "tax". However, states Found to be constitutional (5-4 decision) in 6/12:
- of eligible's have enrolled). 93% of "new enrollees" (but 57% of "old eligible" – 62% Currently Fed pays 57% of Medicaid. ACA increases to
- **Problem:** Only until 2020 then back to states. .



Summary of Affordable Care Act ("ACA")

Rationale for the law:

Insure 37 million uninsured Americans (10% of population) through expanded Medicaid or

exchanges

- tighter controls on services performed Rein in healthcare costs for ACA, Medicare and Medicaid. Get away from "fee for service system" via
- age/history limits; pre-existing ok; no higher charges based on Adds consumer benes and protections: No coverage
- Prevention/Wellness programs.
- Assisted living/Long term care

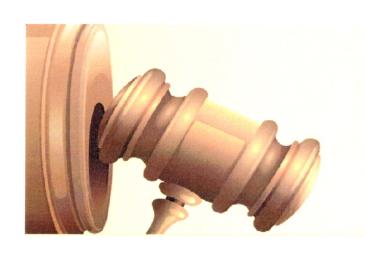
Insured:

- No denial for pre-existing conditions
- No higher premium for "risky" participants
- Employer coverage may be dropped
- Higher penalties for non-allowable purchases from HSA acc'ts.
- E'or contributions to Flex acc'ts capped at \$2500
- Spending cuts for Medicare (less benes). Discourage providers.
 Program overload due to 37Mil more insured

Uninsured:

- No income = Medicaid
- Low income = subsidized state healthcare exchange.
- If state opt out = Fed's exchange.





Seniors

Over \$700 Bill in cuts over decade inc. Medicare advantage; expands prescription coverage/preventive care; cap on premiums; Independent Advisory Board takes over Medicare's budget.

Taxpayers

surcharge Cap gains tax over \$250k for married couples (increase Half of funding on new taxes/fees (\$400 Bill over decade); 3.8%

from 15-18.8%)

Rich

to 2.35%. Medicare benes w/ High income=higher part D Over \$200K (\$250K couples): Medicare tax increases from 1.45% premiums; 40% tax on Cadillac plans.



Middle Class Working Families:

- Higher premiums passed on due to higher risk insured's (preexisting, history)
- and don't have employer coverage; Can obtain coverage from exchanges if don't qualify for Medicaid

Poor

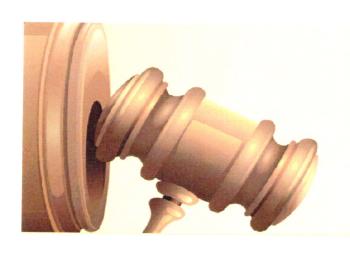
- Medicaid coverage qualification raised to 133% above the to a high of 275% FPL(Minn) \$60k/yr) poverty(\$30k/yr) level (now a law of 25% FPL(Alabama) \$5,513/yr
- Will add 15 Mil enrollees

Kids under 18:

- Not affected except can't be rejected for pre-existing
- Already covered under Medicaid

Young Adults 18-29:

- Individual mandate = must purchase health care insurance (up to \$2k/yr, taken from tax refund)
- Biggest funders of the program



Illegal Aliens:

- No access
- Still must be treated.
- High Risk Insured's (old; pre-existing; obese; smokers;
- affluent; high cost of living areas):

Higher premiums but capped (no more than 3X premiums)

Kids up to 26 covered by parents' ins.

- Unions:
- Over 800 waivers granted by Pres
- Not happy with ACA
- Insurance and Drug Companies
- Favored ACA. = 37Mil more customers subsidized; pass higher risk on to the customer
- Medicare per Bush bill. Bigger boost for Drug Cos which got prescriptions paid for by

Large Businesses:

- Substantial increased premiums due to increased risk
- Less F/T hiring (no penalty if P/T)
- Less hiring
- Mandate delayed one year to 1/1/15
- May opt to pay \$2k per worker fine. (if
- 3k/worker if offered healthcare provides less coverage than exchange
- Subsidiaries considered "one" business

Small Businesses:

- Less than 25 employees
- Access to subsidized state exchanges
- Premiums will be closer to those of large businesses where were historically lower due to #'s of workers.
- More tax credits than large businesses
- Coverage for e'ees previously not covered.





Doctors

- Recent poll = 40% retire
- Further limits charges to Medicare patients (limits fee for service). Lower incomes
- Decreases in care quality and availability.

Patients

- 37Mil more insured's will water down quality/availability of care for everyone especially with less Drs. But boon to nurse practitioners/physicians assistants
- Increase of malpractice suits

Nursing Homes:

- Long term care plan shelved as financially unstable
- Numerous added regulations will increase nursing home expenses



Summary of Who is Most benefitted (Most to Least)

- exchanges Uninsured especially poor: Coverage at no or low cost through
- protections Private Insured: Lower premiums at closer to group rates/new
- S Medicaid Recipients: Doctors increased fees to Medicare rates but could overwhelm the system w/additional 37Mil insureds.
- 4 Employer based plans: Increased premiums and taxes could cause companies to drop coverage
- Ģ Medicare Advantage; reduced payments to doctors who treat Medicare Recipients: \$455Bil in cuts = Reduced # of plans; cuts to (Appointment of Advisory Board to further reduce costs)
- 9 \$10,200 indiv or \$27,500 fam Cadillac Plan enrollees: 40% tax on plans which exceed premiums
- Wealthy: Increased Medicare tax; increase cap gains tax; surcharge on Cadillac plans; higher premiums due to higher risk
- **Young people:** Individual mandate = several thousand \$ per year.



Individual Mandate

Cost

\$1.08 Trillion (Fed pays 90% up to 2020 but 57% of old eligible's)

How pay?

- Forced participation of \$37Mil (esp. the young and healthy).
- Goal = 97%. Deemed by US Sup. Ct. a "tax" and thus constit.

Rationale

37Mil more customers lowers risk pool enabling ins cos to take on more risk (pre-existing; risky insureds).

Ins cos/ Drug cos

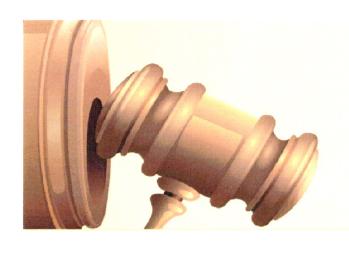
37Mil more customers w/gov't giving them \$ to pay premiums.

Health exchanges qualifications

400% above poverty level or \$88,200/year for fam of four

Enforcement

seizing tax refunds



Summary of the Mandates

No pre-existing rejections

- Substantially increase the risk esp w/children
- burning house) Financial viability of system in question (fire ins to a homeowner with a

Kids insured up to 26

eligible. Must be unmarried and retired parents under 65 and Medicare parents not

No cap on benefits (yearly or lifetime)

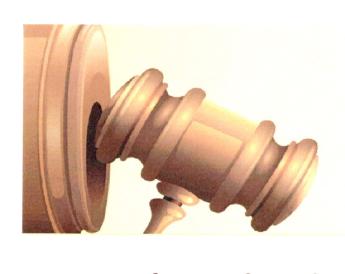
Mini-Med plans no longer legal (high deductable or policy limit plans)

Rescissions declared illegal

Cancellations no longer allowed

All must include "Essential Health Benefits"

- Ambulance
- ER
- Hospitalization
- Maternity/Newborns
- Prescription drugs
- Mental Health and Substance Abuse
- Rehab svc and devises
- Lab svo
- Preventive/Wellness/Chronic disease management
- Pediatric including dental/vision care



Summary of the Mandates

Tighter medical/loss ratios

- Floor of 85% or 80% for smaller plans or rebate premiums
- National Assoc of Insurance Commissioners (NAIC) to regulate with audit power
- What is a "direct medical expense"? What about
- Calculated on a per state basis

Restrictions on Premium Discrimination

Limited to 3X premiums (healthy to risky)

Right to Appeal

Disputes w/ins co appealed to gov't agency to be set

Existing plans grandfathered in.

- Must notify employee
- Can't change any part of plan



Early Retiree Reinsurance Plan

55-65: Fed reimburses e'ors 80% in medical costs for former e'ees.

4000 employers and unions have enrolled.



Protect our Clients Going Forward

- Under \$30K for family of four eligible for Medicaid (133% of FPL)
- subsidy for exchanges Under \$88,44K for family of four eligible for gov't
- Bronze (60%), Silver (70%), Gold (80%) and Platinum (90%) coverage
- Premiums = 133% FPL (\$30K/yr) pays 2% of premium up to 400% FPL (\$88,200/yr) pays 9.5% of premium.
- Use FSA's and HSA's for prescriptions only (no longer Should you pay the fine? (\$2K/yr) Limited enforcement.
- applies to otc drugs)
- No co-pays for preventive tests
- Personal wellness = gym membership
- premiums Drop the COBRA = Exchanges will provide much better
- high surtax Cadillac; Medicare Advantage consider dropping due to