

# Obama Care and Its Effects on Our Practice

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Ascari Restaurant  
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## Summary of Affordable Care Act (“ACA”)

- Signed into law on 3/23/10
  - (HR = 219-212; Senate = 56-44)
  - (52% disfavor per Rasmussen)
- Found to be constitutional (5-4 decision) in 6/12: Individual mandate deemed a “tax”. However, states don’t need to expand their Medicaid programs to fund.
- Currently Fed pays 57% of Medicaid. ACA increases to 93% of “new enrollees” (but 57% of “old eligible” – 62% of eligible's have enrolled).
- **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
- Rein in healthcare costs for ACA, Medicare and Medicaid. Get away from “fee for service system” via tighter controls on services performed.
- Adds consumer benes and protections: No coverage limits; pre-existing ok; no higher charges based on age/history
- Prevention/Wellness programs.
- Assisted living/Long term care.





# How does it Affect Our Clients and Others?

- **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.



# How does it Affect Our Clients and Others?

- **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**
  - Half of funding on new taxes/fees (\$400 Bill over decade); 3.8% surcharge Cap gains tax over \$250k for married couples (increase from 15-18.8%)
- **Rich**
  - Over \$200K (\$250K couples): Medicare tax increases from 1.45% to 2.35%. Medicare benes w/ High income=higher part D premiums; 40% tax on Cadillac plans.



# How does it Affect Our Clients and Others?

- **Middle Class Working Families:**
  - Higher premiums passed on due to higher risk insured's (pre-existing, history)
  - Can obtain coverage from exchanges if don't qualify for Medicaid and don't have employer coverage;
- **Poor**
  - Medicaid coverage qualification raised to 133% above the poverty(\$30k/yr) level (now a law of 25% FPL(Alabama) \$5,513/yr to a high of 275% FPL(Minn) \$60k/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





## How does it Affect Our Clients and Others?

- **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
  - Bigger boost for Drug Cos which got prescriptions paid for by Medicare per Bush bill.



# How does it Affect Our Clients and Others?

- **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.





# How does it Affect Our Clients and Others?

- **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)

1. **Uninsured especially poor:** Coverage at no or low cost through exchanges
2. **Private Insured:** Lower premiums at closer to group rates/new protections.
3. **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
5. **Medicare Recipients:** \$455Bil in cuts = Reduced # of plans; cuts to Medicare Advantage; reduced payments to doctors who treat. (Appointment of Advisory Board to further reduce costs)
6. **Cadillac Plan enrollees:** 40% tax on plans which exceed premiums \$10,200 indiv or \$27,500 fam
7. **Wealthy:** Increased Medicare tax; increase cap gains tax; surcharge on Cadillac plans; higher premiums due to higher risk
8. **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
  - Financial viability of system in question (fire ins to a homeowner with a burning house)
- **Kids insured up to 26**
  - Must be unmarried and retired parents under 65 and Medicare parents not eligible.
- **No cap on benefits (yearly or lifetime)**
  - Mini-Med plans no longer legal (high deductible 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 svc
  - 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 R&D?
  - 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 up
- **Existing plans grandfathered in.**
  - Must notify employee
  - Can’t change any part of plan



## Early Retiree Reinsurance Plan

- 55-65: Fed reimburses employers 80% in medical costs for former employees.
- 4000 employers and unions have enrolled.





# Protect our Clients Going Forward

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

