

PRESENTATION TO THE SPECIAL COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

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Kansas Chamber of Commerce

November 14, 2011



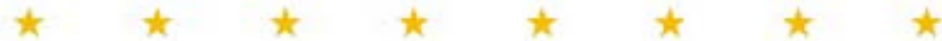
Overview

- Employer Mandates Under Affordable Care Act (ACA)
- Exchanges
- Business Take on HSA's and Alt. Reform Options



Overview

- Support repeal of ACA, NFIB multi-state lawsuit
 - “Repeal” likely would come in pieces vs. blanket repeal
- ACA does little to address problem- COST
- Increased demand for services likely INCREASES cost
- Studies show large % of employers could drop coverage



Employer Mandates

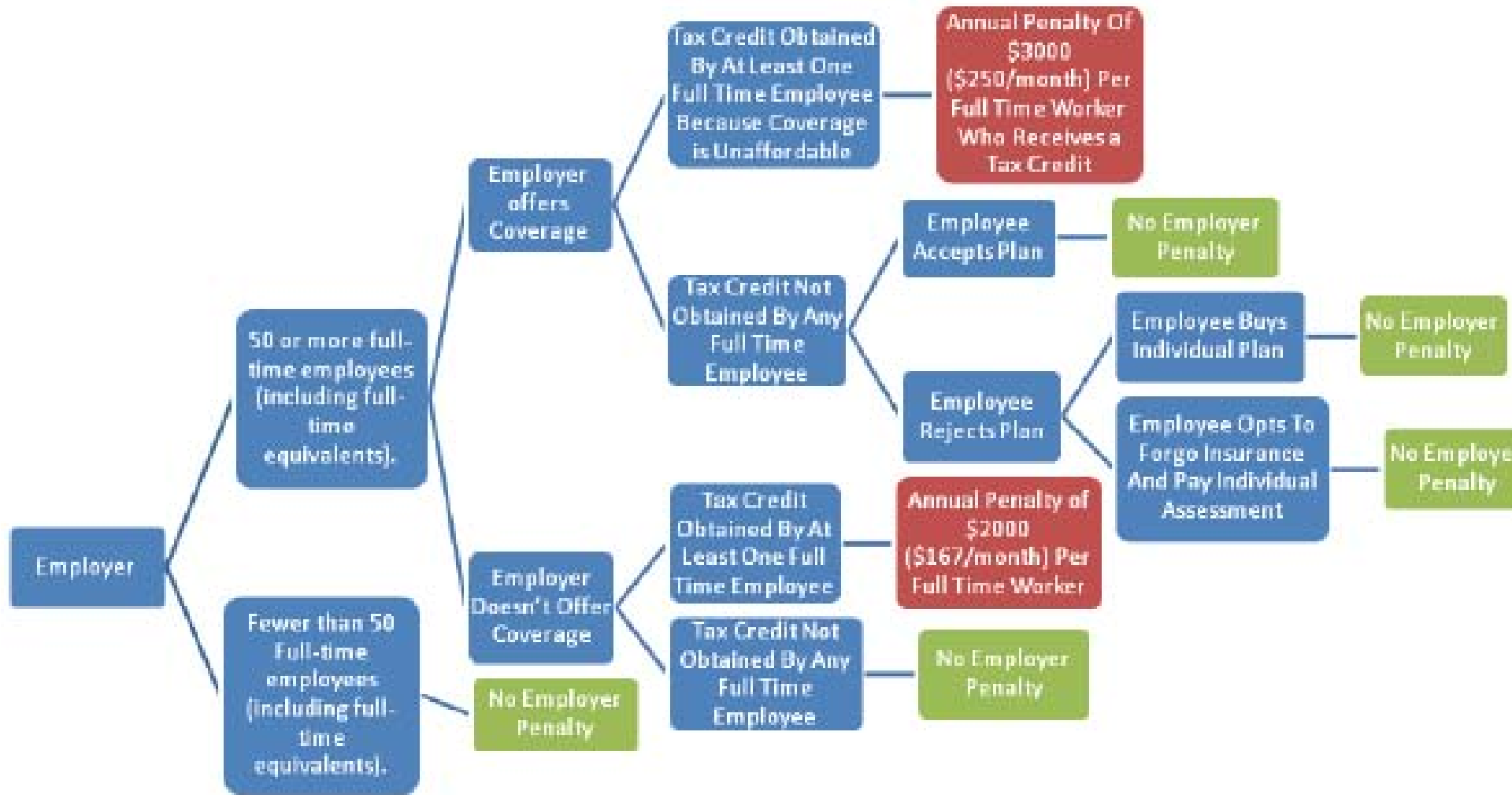
- More than 60% of nonelderly Americans receive coverage through employer
- ACA dramatically changes market-voluntary system now mandatory for many employers



Penalties

- Employers with >50 employees must offer coverage or face fines
 - One exception- if employer has >50 employees, doesn't offer coverage, and has no employees receiving tax credit for health insurance- no penalty
- If employer has >50 employees and ONE employee denies plan coverage, seeks tax subsidy or benefit, penalties are \$3,000 per employee receiving tax credit.





Courtesy of US Chamber of Commerce

Penalties

- Employer has >50 employees and does not offer coverage
 - Penalty of \$2,000 per full-time worker
- If applicable large employer fails to offer “minimum essential coverage” but employee receives tax credit, penalty capped at max. penalty amount employer would face if employer did not offer any coverage



Penalties

- Example:
 - Company A does not offer min. essential coverage to 100 full time employees, 10 employees receive tax credit
 - For each employee over 30-employee threshold, Company A owes \$2,000 for a total penalty of \$140,000 (\$2,000 multiplied by 70(100-30))
- Penalties for companies who offer coverage but have employees receive tax credit (\$2,000 calculated in similar fashion)



Penalties

- Polls suggest employers could drop coverage
 - 30% in McKinsey Quarterly poll
 - 29% large companies in Towers Watson either will drop or are unsure
 - 8% Mercer poll



Penalties

- Take Company A with 55 employees
- Company pays \$600,000 to offer health insurance
- Calculate penalty by number of employees (55) and subtract first 30. The number of employees (25) is multiplied by annual penalty of \$2,000=\$50,000 penalty.
- Savings= \$550,000*



Small Employer Tax Credits

- Phase I (2010-2013)
 - Credit amount is up to 35% of “employer costs”
- Phase II (2014-)
 - Credit amount is up to 50% of lesser of employer’s premium contribution for plan in exchange or average premium contribution in small-group market.
 - Credit available for two years (total of 6 taxable years of eligibility)
 - Not intended to subsidize those previously offering coverage. Meant for those who never offered coverage.



Small Employer Tax Credits

- Self-employed are not eligible
 - Represent 78% of small business in U.S.
- Hard to receive FULL credit- must have <10 employees w/ taxable wages <\$25,000 AND pay 50% of coverage
- Credit phased out as # of employees, wages increase



Insurance Exchange

- What is an exchange?
 - Depends on who you ask
 - Assist in selection and enrollment of plan
 - Comparative information, enrollment through provider

🔍 We found 148 plans starting as low as \$40.00 a month

Results based on 1 applicant located in **Fulton** County, effective 1/1/2011 ([Edit](#))

All Plans

Showing 148 Plans

▸ [Refine Search](#)

Sort by:



Price



Deductible

Show Cost

Before employer contribution

After employer contribution

Before employer contribution

Print

POS OA Value 10000

Provider 1

Plan Type

POS

Deductible

\$10,000

Coinsurance

20%

Office Visit

Visit 1-5 \$40 copay,
deductible waived,
pays

\$40.00

Monthly Cost

Apply

[Online Calculator](#)

Hospital:

Prov

Click to

Saver 80

Prov

Click to

AvMed E

Prov

Click to

Employee Cost

Provider 1 [POS OA Value 10000](#)

\$40 monthly cost
\$20 employer contribution

\$20 employee cost

Close

Done Internet 100%

[Find Doctor](#)

[Plan Details](#)

Compare (up to 4 plans)

Live Assistance

1-800-999-9999

M-F 5am-9pm
PT Sat & Sun
7am-4pm PT



Your Quote Profile

Coverage for:
Applicant (M25)

State / Zip Code:

GA / 30301

County:

Fulton

Coverage Start Date:

1/1/2011

[Change Your Quote Profile](#)

Learn More

[What is individual and family health insurance?](#)

[What kinds of individual and family insurance plans are available?](#)

[How does a PPO plan work?](#)

[How does an HMO plan work?](#)

\$53.00

Monthly Cost

Apply

[Online Calculator](#)

\$54.70

Monthly Cost

Apply

[Online Calculator](#)

\$59.54

Monthly Cost

Apply

[Online Calculator](#)

Insurance Exchange

Insurance Plan Benefit Details and Comparison

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<p>Provider 1</p> <p>POS OA Value 10000</p> <p>Apply</p> <p>Remove from comparison</p>	<p>Provider 2</p> <p>Hospital/Surgical 570</p> <p>Apply</p> <p>Remove from comparison</p>	<p>Provider 3</p> <p>Saver 80</p> <p>Apply</p> <p>Remove from comparison</p>
<p>Estimated Cost \$40.00 monthly</p>	<p>Estimated Cost \$53.00 monthly</p>	<p>Estimated Cost \$54.70 monthly</p>
<p>Plan Type POS</p>	<p>Plan Type PPO</p>	<p>Plan Type Network</p>
<p>Office Visit for Primary Doctor Visits 1-5 \$40 copay, deductible waived; Visit 6+ member pays 100%; your discount applies; plan pays 100% once out of pocket is met. Spec & non-spec share visit max</p>	<p>Office Visit for Primary Doctor Coverage for Surgical Services only 20% Coinsurance after deductible</p>	<p>Office Visit for Primary Doctor Not Covered</p>
<p>Office Visit for Specialist Visits 1-5 \$50 copay, deductible waived; Visit 6+ member pays 100%;</p>	<p>Office Visit for Specialist Coverage for Surgical Services only 20% Coinsurance after</p>	<p>Office Visit for Specialist Not Covered</p>



Insurance Exchange

- Goal of SHOP exchange under ACA to pool small businesses together to purchase insurance
- State must establish SHOP by 2014 or feds will provide one (would need legislation in 2012)
- Small biz defined as fewer than 100 employees, although states can limit pools to 50 or fewer through 2016
- Employees will have choice of carriers within a level of coverage (bronze, silver, gold, platinum)



Insurance Exchange

- Federal Exchange
 - Regulations have not been released
 - Met with HHS on November 3 to discuss outlook of fed exchange, provide input, gather information
- State Exchange
 - Attending KID meeting since January 2011.
 - Serve on Steering Committee, Governance Subcommittee, Focus/Biz Ops Subcommittee



Insurance Exchange

- State exchange more flexible*
- Fed exchange offers no flexibility for state
 - Actuarial details
 - Agent commission
 - Participation rate for employers
- Fed exchange could compete with private market
- “Obamacare” exchanges, state or federal, still add layer of government.
- Comes back to cost



Insurance Exchange

- Alternative Option
 - Private exchange without legislative authority sponsored by business community for members



Alternative Options

- HSA's
 - Consumer choice
 - Used to meet your deductible
 - Tax deductible off of gross income
 - Grow tax-deferred
 - NEVER taxed when used for qualified medical expenses
 - Rolls over year after year -- no "use it or lose it"
 - Portable, goes with you wherever you go
 - Employers can contribute



Alternative Options

- Tax Reform for Individual Policies
 - Today, workers who purchase coverage through employer receive an unlimited tax break on the value of their benefits
 - Those who purchase on their own do not
 - Equalize through universal tax credits for tax payers
 - Again, consumer choice and control
 - State legislation, resolution for Fed action
- Promotes portability



Summary

- “Be careful what you wish for”
 - MassCare was expected to cost \$88 million/year.
 - Today HC budget exceeds \$4 billion
 - Longest wait times in country- avg. of 46.7 days
 - “Jumpers and Dumpers”
- Mandates increase cost
- And this is just for one state, imagine the feds running the show.



Summary

- But for those who are unsubsidized, such as small business purchasers, exchanges will likely struggle to provide a product that is more affordable than what is available in the outside market. The ACA's small business tax credit will help small group exchanges with enrollment, but it is narrowly targeted and limited to three years.

- Georgetown University Health Policy Institute



Summary

- What lowers costs of doing business in Kansas?
 - Do exchanges have potential?
 - Yes, if they're free from government interference
 - Will a Federal or State exchange lower costs?
 - No, ACA has so many elements that will increase costs on business, providers, etc.

