

Healthcare Reform

What Are We Supposed to Do Now??

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Pre-Meeting Seminar
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Disclaimer

The information in this presentation is general in nature, is not intended to provide specific product development, filing, or pricing advice, and is not intended to represent any specific company. The information must be validated by a company to arrive at its own opinion. Milliman is not a law firm, is not authorized to practice law, and does not provide legal advice.

The new national healthcare reform laws are complex and currently there is much uncertainty on many underlying details and implications. We expect that levels of uncertainty will decrease as regulations are promulgated and new infrastructure is created. However, at this point in time, few, if any, final regulations exist. This presentation represents our understanding of the law as enacted and may not reflect its final implementation.

Agenda

- Introduction – Stu Rachlin
- Supplemental Health Products – Michael Weiland & Darrell Spell
- Long Term Care Insurance – Joshua Weber & Darrell Spell
- Commercial Insurance – Stu Rachlin & Alex Cires
 - Including Review of HCR Modeling
- Medicare Advantage – Matt Chamblee
- Medicaid – Stu Rachlin
- Q&A

Accident & Health Insurance Products

- Medical
 - Fee For Service
 - Managed Care (PPO, HMO, etc.)
 - Limited Benefit Mini-Medical
 - Short Term Major Medical
- Medicare Advantage
- Part D
- Medicare Supplement
- Dental
- Vision
- Accident
- Critical Illness
- Cancer
- Long Term Care
- Disability Income
 - Long-Term
 - Short-Term
- Hospital Indemnity

Accident & Health Insurance Products

Does PPACA Apply to Everything?

Patient Protection and Affordable Care Act (PPACA)
Title I, Subtitle G – Miscellaneous Provisions,
Section 1551 – Definitions

“Unless specifically provided otherwise, the definitions contained in section 2791 of the Public Health Service Act (42 U.S.C. 300gg-91) shall apply with respect to this title.”

Accident Insurance

- Variety of unique accident based indemnity benefits
- “Excepted” under the Public Health Service Act (PHSA)
 - 300gg-91(c) Excepted Benefits (1) Benefits not subject to requirements (A) Coverage only for accident, or disability income insurance, or any combination thereof.
- Trends to be aware of in pricing:
 - On-the-job safety
 - Highway/vehicle safety
- Crucial reference sources:
 - National Safety Council - Injury Facts
 - National Center for Health Statistics

Limited Benefit Mini-Medical

- Plan designs in the market vary between “expense reimbursement” and “fixed indemnity” benefits
- Expense reimbursement products will be held to PPACA requirements
 - PPACA bans annual and lifetime limits
 - In the near-term, this would likely wipe out this niche product
 - Final rules to implement the provision could be written to allow limited benefit plans until 2014 when insurance exchanges are set up and tax credits become available for low wage workers
- Fixed indemnity products are “excepted” under the PHSA
 - 300gg-91(c) Excepted Benefits (3) Benefits not subject to requirements if offered as independent, non-coordinated benefits
 - (B) Hospital indemnity or other fixed indemnity insurance

Critical Illness (CI)

- “Excepted” under the Public Health Service Act (PHSA)
 - 300gg-91(c) Excepted Benefits (3) Benefits not subject to requirements if offered as independent, non-coordinated benefits
 - (A) Coverage only for a specified disease or illness
- CI products are often sold in conjunction with a high deductible health plan (HDHP) and a health savings account (HSA)
 - Carriers need to be careful about their CI product design so that the HSA does not lose its tax advantaged status
 - IRS Notice 2004-50 (Question #7) indicates that a policy (like CI) can be considered “permitted insurance” and provide coverage for multiple diseases “...as long as the principal health coverage is provided by the HDHP.”
 - There is no definitive guidance concerning whether CI procedures like angioplasty or major organ transplant would qualify as “permitted insurance”.

Short Term Medical

- Policy is typically issued through an association or on an individual basis
- Current short term medical product's design, pricing, and risk control mechanisms are not set up to comply with full PPACA requirements (e.g. ban on annual/lifetime limits, guarantee issue, pre-existing conditions prohibited, 80% medical loss ratio, etc.)
- Association is considered individual coverage in the Code of Federal Regulations (C.F.R.) promulgated pursuant to PHSA
 - 45 C.F.R. 144.102 (c)

Coverage that is provided to associations, but not related to employment, is not considered group coverage under 45 C.F.R. parts 144 through 148. The coverage is considered coverage in the individual market, regardless of whether it is considered group coverage under state law.

Short Term Medical

- Until 2014, there may still be a market for the product if it is restricted to short-term, limited duration coverage, as this would be “excepted” from PPACA requirements
 - 45 C.F.R. 144.103 Definitions
 - Individual health insurance coverage* means health insurance coverage offered to individuals in the individual market, but does not include short-term, limited duration insurance.
 - 45 C.F.R. 144.103 Definitions
 - Short-term, limited duration insurance* means health insurance coverage provided pursuant to a contract with an issuer that has an expiration date specified in the contract (taking into account any extensions that may be elected by the policyholder without the issuer’s consent) that is less than 12 months after the original effective date of the contract.

Short Term Medical Sales Impact due to Loss of COBRA Subsidy

- The American Recovery and Reinvestment Act (ARRA) of 2009 provided a 65% subsidy for up to nine months to eligible individuals for their COBRA premiums
- Unless Congress passes an extension retroactively, people who lose their jobs on or after June 1, 2010 no longer will receive the subsidy. The U.S. House of Representatives stripped out of a recent jobs bill a provision that would have extended the COBRA payment subsidy. That bill now heads to the Senate. If lawmakers choose not to extend the COBRA subsidy, the only people who could claim those subsidies for 15 months are those who were laid off between Sept. 2008 and May 31, 2010.
- For those that qualify for short term medical coverage, it is often a more cost effective alternative than full COBRA premiums

Medicare Supplement

- There are fourteen 1990 standardized plans (effective pre-6/1/2010)
- Medicare Improvements for Patients and Providers Act (MIPPA) of 2008
 - Provides for implementation of the changes in the NAIC Model
 - Applies to policies issued effective 6/1/2010 and after
- Changes to NAIC Model
 - Elimination of the At-Home Recovery benefit
 - Elimination of the Preventive Care benefit
 - Increased the 80% Part B Excess benefit to 100%
 - Added the Hospice Benefit to all plans
 - Elimination of Plans E, H, I, J
 - New Plan M and Plan N

Medicare Supplement

Pricing Considerations for New MIPPA Plans

- Plan selection
 - In theory, better risks go for leaner benefits
 - Unclear whether or not this applies to the typical plans
 - Much more impact on high cost sharing plans (F-HD, K, L, M, and N)
 - No real evidence based studies other than anecdotal observations
- How to price for Plan N co-pays
 - Example: “the lesser of twenty dollars (\$20) or the Medicare Part B coinsurance or copayment for each covered health care provider office visit (including visits to medical specialists)”
 - Refer to NAIC 3/8/2010 letter concerning implementation issues for Plan N
 - “Office Visits” include CPT-4 codes 99201-99205 and 99211-99215, but not other charges such as laboratory, x-ray or durable medical equipment

Medicare Supplement Is Fresh Start Pricing Allowed?

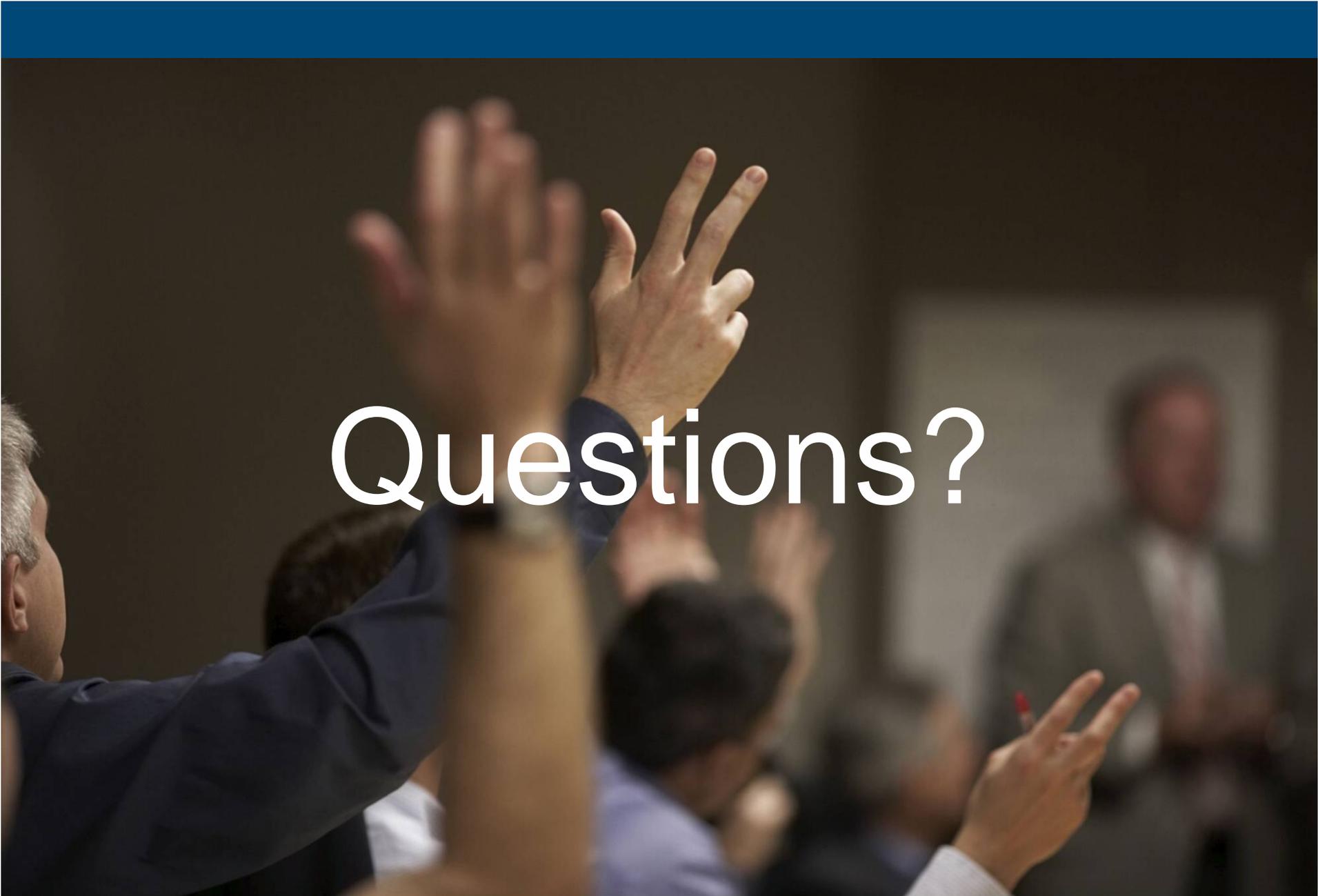
- NAIC Medicare Supplement Compliance Manual
 - Manual written to assist states in complying with directives set forth in various Med Supp regulations
 - Latest version is June 12, 2009
- Section IV: Filings of Proposed Rates

“The experience of all 1990 standard plans shall be pooled with the experience of all 2010 standard plans of the same letter designation for all rating purposes.

In filing its initial rates for a 2010 SB Plan, the company should describe the relationship of those rates to the filed renewal rates for the comparable 1990 SB Plan.”

Medicare Supplement Changes due to PPACA

- PPACA Title III - Subtitle C - Section 3210
 - The law requests that the NAIC review and revise standards for Medicare Supplement Plans C and F beginning in 2015. In particular, the law requests updates in the plan structures to include nominal cost sharing in these plans in order to encourage the use of appropriate physicians' services under Part B.
 - The NAIC will be forming a committee to look into this.
- Otherwise “excepted” under the PHSA
 - 300gg-91(c) Excepted Benefits (4) Benefits not subject to requirements if offered as separate insurance policyMedicare supplemental health insurance...

A photograph of a conference or meeting. Several people are visible, with their hands raised in the air, suggesting an interactive session or a Q&A period. The background is slightly blurred, focusing attention on the hands and the text. The text "Questions?" is overlaid in a large, white, sans-serif font in the center of the image. The top of the image has a solid blue horizontal bar.

Questions?