



## Health Care Regulation Update November 18, 2010

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### New Federal Law - “Obamacare” Patient Protection and Affordable Care Act (PPACA, ACA, or AEA)

- Focus right now on 9/23/10 and 2011
- Undetermined future changes – regulations to be written, state actions, legal challenges, potential election impact
- Things to think about:
  - How will this change the marketplace?
  - What do we know? What do we not know?

## ACA - “What’s in the 2,000 page bill that no one has read?”

- Provisions of health care law not well understood by general public. Why?
  - SC Constituent to Congressman at Town Hall meeting in summer of 2009: “Keep your government hands off my \_\_\_\_\_.”
  - Who else may not understand?
    - Doctors, State Regulators, HR Managers
- Impacts all health insurance markets

## ACA Medicaid Impact

- PCP Payments equal to Medicare levels
- Larger federal contribution
- Extension to 133% of FPL
- ~16 million new enrollees
  - Children age 6- 18 (100% FPL -> 133% FPL)
  - Children age 19- 20 (22% FPL -> 133% FPL)
  - SSI, Aged, Disabled (74% FPL -> 133% FPL)
  - Parents (22% FPL -> 133% FPL)
  - Childless Adults (No Coverage -> 133% FPL)

## ACA Medicare Impact

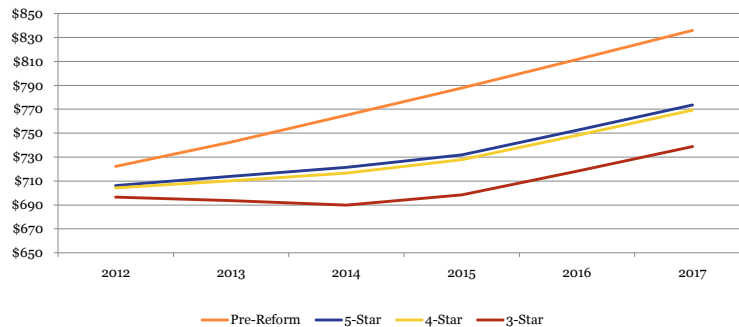
- Lower Provider Reimbursements
- No “doc fix”
- Medicare Advantage (MA) MLR of 85%
  - Rebate; 3 Yrs->no new sales; 5 Yrs->Term
- MA Revenue...lower and complicated
- Part D – closing of the coverage GAP, mandatory discounts in 2012, vs. RDS
- No impact to Medigap policies, except ...

## Financial Impact - MA Revenue

- Impact by 2017 will be -5% to -18% change in MA Revenue vs. Pre-ACA
- Impact varies (significantly) by:
  - County (“Quartile”) / Service Area
  - Star Rating
  - Bid Level
  - Future trend in bids vs. Growth rate – short term during phase-in to new methodology

## Financial Impact - Market Example

MA revenue PMPM by Year  
Milwaukee, WI Plan



## ACA Commercial Impact - 9/23/10

- Removal of Lifetime Limits
- “Restricted Annual Limits”
- No Cost Sharing for Preventive Benefits
- Removal of Pre-existing conditions for children under age 19
  - Carriers not obligated to sell policies
  - Rates are regulated by states
- Dependent eligibility up to age 26
  - It’s not just the age, it’s the definition

## ACA Commercial Impact - 2011

- No more “unjustified” rate increases
  - \$1M Grants– all states except AK,GA,IA,MN,WY
- Minimum Loss Ratio on revised NAIC blanks
  - 85% LG / 80% SG / 80% Individual
  - Statutory Entity, State, Market level calculation
  - Regulator concerns: individual plans leaving market, squeezed commissions
  - Large individual carriers are reorganizing
  - 50% of individual market policies <75% MLR

## ACA Commercial Impact - 2011

- States pushing back on Individual MLR
  - Iowa – applied for Federal waiver; “phase in”
  - Kansas – not yet; Chair of NAIC Committee
  - Maine – applied for Federal waiver until 2014
  - Florida – administrative hearing 9/24/10
    - Will become third state to request waiver
    - “I am especially concerned about how the MLR requirements will affect the role of health care agents who are critically necessary to help consumers in this increasingly complicated health care landscape.” – FL Insurance Commissioner

## MLR Impact to Individual Rates

	Pre-ACA	Scenario #1	Scenario #2	Scenario #3
Premium	100.00	87.50	87.50	
Claims	70.00	70.00	70.00	
Commission	12.50	4.00	0.00	
Other Admin	12.50	10.00	12.50	
Profit	5.00	3.50	5.00	
Loss Ratio	70.0%	80.0%	80.0%	80.0%

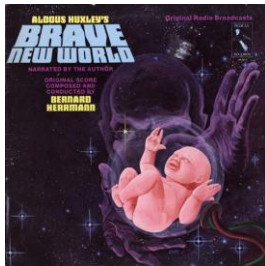
## How is Loss Ratio Calculated?

- There are a lot of opinions
  - Health Plans, Agents, Consumer Advocates, etc.
- Quality, Wellness, Taxes, Fraud Prevention?

	Before Fraud Prevention	After Fraud Prevention
Premium	100.00	93.75
Claims	80.00	70.00
Fraud Prevention (FP)	0.00	5.00
Other Admin	15.00	15.00
Profit	5.00	3.75
Loss Ratio	80.0%	74.7%
Loss Ratio & FP	80.0%	80.0%

## To Grandfather or not to Grandfather? Is that the question?

- *“If you like your health plan, you can keep it.”*
- Is grandfathering really a big deal?
- 50% (2012)/ 30% (2013) / 10% (2014)
- Advantages – **Exempt from** Preventive Care Requirements, Dependents to Age 26 who have ESI, ACR in 2014, Appeals Requirements, Assessments?, Unknown
- Disadvantages – Operational/Tracking



- If Aldous Huxley and George Orwell would have collaborated on a health care book, they would have called it:  
**“Brave New World 2014”**

## Brave New World - Medicaid 2014

- Medicaid - Larger proportion of federal dollars
  - “Federalization of Medicaid”
  - Enhancements: 100% Federal 2014-2016 and phased down to 90% by 2020
  - 95% of revenue for new enrollees will be Federal; how will the states react to their 5% share plus new requirements?

## Brave New World - Medicare 2014

- Medicare Advantage –
  - There’s a “Different Tone” with CMS
  - 2011 MA Rates Denied – this is new stuff  
<http://online.wsj.com/article/SB10001424052748704129204575505870259644884.html>
  - Financial Impact on Bid Audits?
  - Minimum Coding Intensity Adjustment



## Brave New World - Commercial 2014

- Federal subsidies up to 400% of FPL
- “Essential benefits” in exchanges; yet to be defined, expect politicking
- Desire for continuous coverage paired with Medicaid around 133% FPL breakpoint
- Federal money → Federal input
  - My most important point for which I have the least amount to say

“The road to these values is the way of progress. Neither you nor I will rest content until we have done our utmost to move further on that road.”  
President Roosevelt, to Congress on Social Security

“This is a great day for older Americans. And it is a great day for America. For we have proved, once again, that the vitality of our democracy can shape the oldest of our values to the needs and obligations of today.”

President Johnson, on passage of Medicare

“Several years from now you’re going to look back and say, ‘Eh, maybe it isn’t so bad.’”

Senator Max Baucus, ACA Author

## Links:

- <http://www.wakelyconsulting.com>
- <http://www.bcbs.com/issues/uninsured>
- <http://healthreform.kff.org>
- [http://www.insurance.naic.org/documents/index health reform section ppaca state enforcement authority.pdf](http://www.insurance.naic.org/documents/index_health_reform_section_ppaca_state_enforcement_authority.pdf)

Questions/Comments?



Thank You!