

Healthcare Reform: Market and Cost Implications and the Road Ahead

*Alaska State Hospital & Nursing Home Association
CFO Collaborative Meeting*

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April 19, 2013

Agenda

- Health Reform Update
- Market Implications for Purchasers and Providers
- Cost Implications
- How Could It All Evolve?

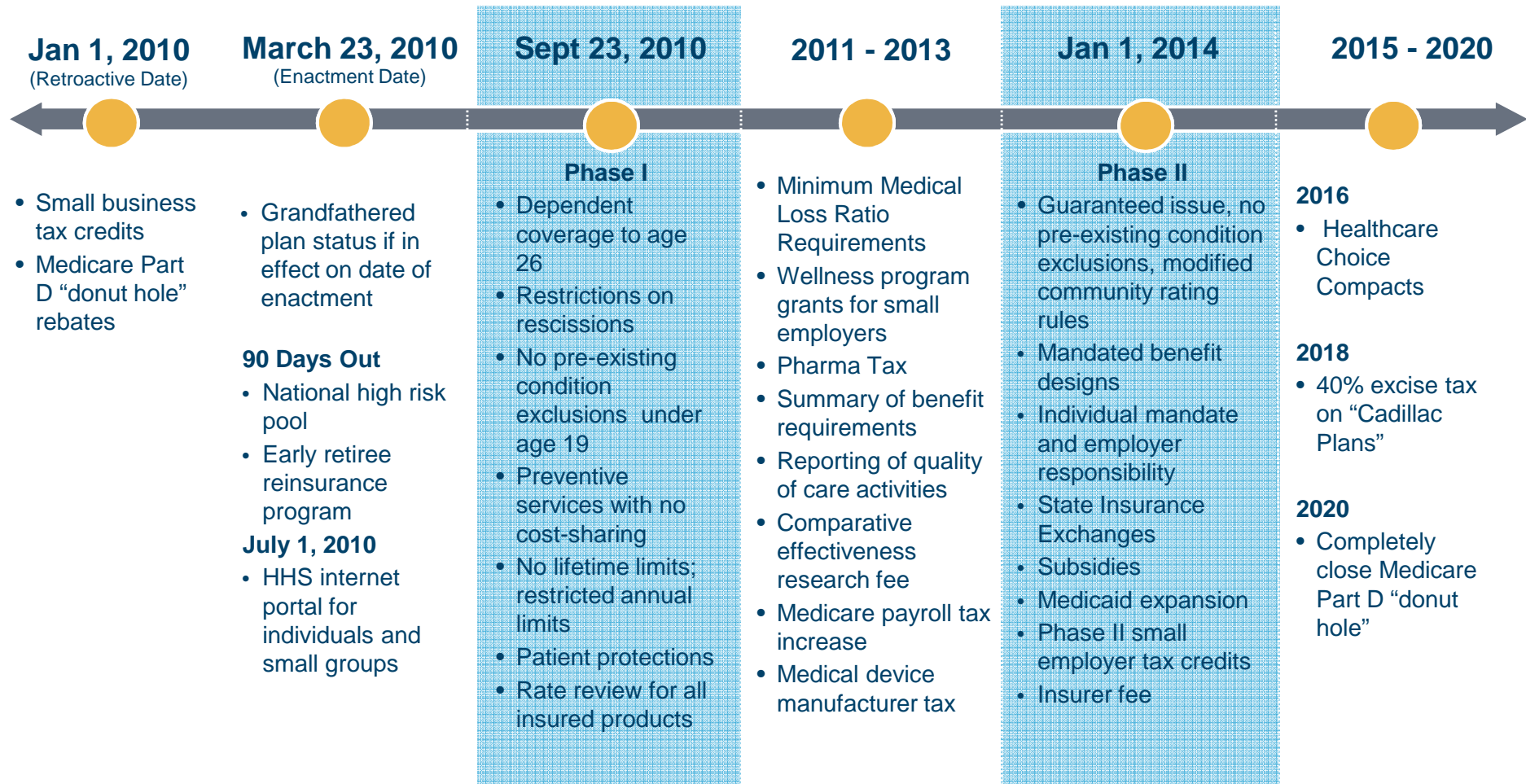
Health Reform Update

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An Independent Licensee of the
Blue Cross Blue Shield Association

PREMERA | 
BLUE CROSS BLUE SHIELD OF ALASKA

Timeline of Healthcare Reform



Recent ACA Rules

While several final rules have been released, still waiting for final rules on key topics as well as operational requirements and IT specifications

- Insurance Market Reforms
- Exchange
- Essential Health Benefits and Actuarial Value Calculator
- Notice of Benefit and Payment Parameters
- Multi-state Plan Program
- Wellness Programs (proposed)
- Health Insurer Tax (proposed)
- Employer Shared Responsibility Payment (proposed)

Multi-State Plan Program

Product

- Silver
- Gold

Start Date/Scope

- 2014
- Nationwide – 4 years
- 31 States/60% 1st Year

***Delivery Through
State/ Federal
Exchanges***

Provide Nationwide Coverage



Advisory Board

- Majority enrollee representation

Health Plans

- Minimum of 2 health plans
- 1 not for profit
- Deemed state certified

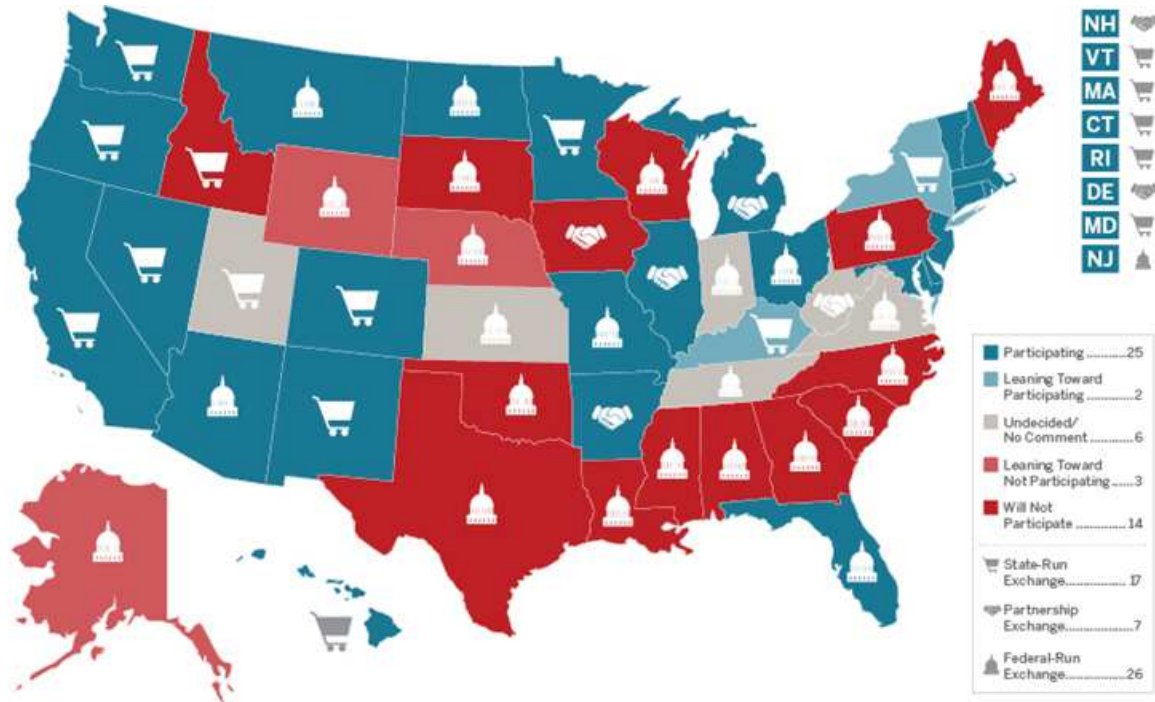
Market

- Individual
- Small Group

FEHBP-like Contracting

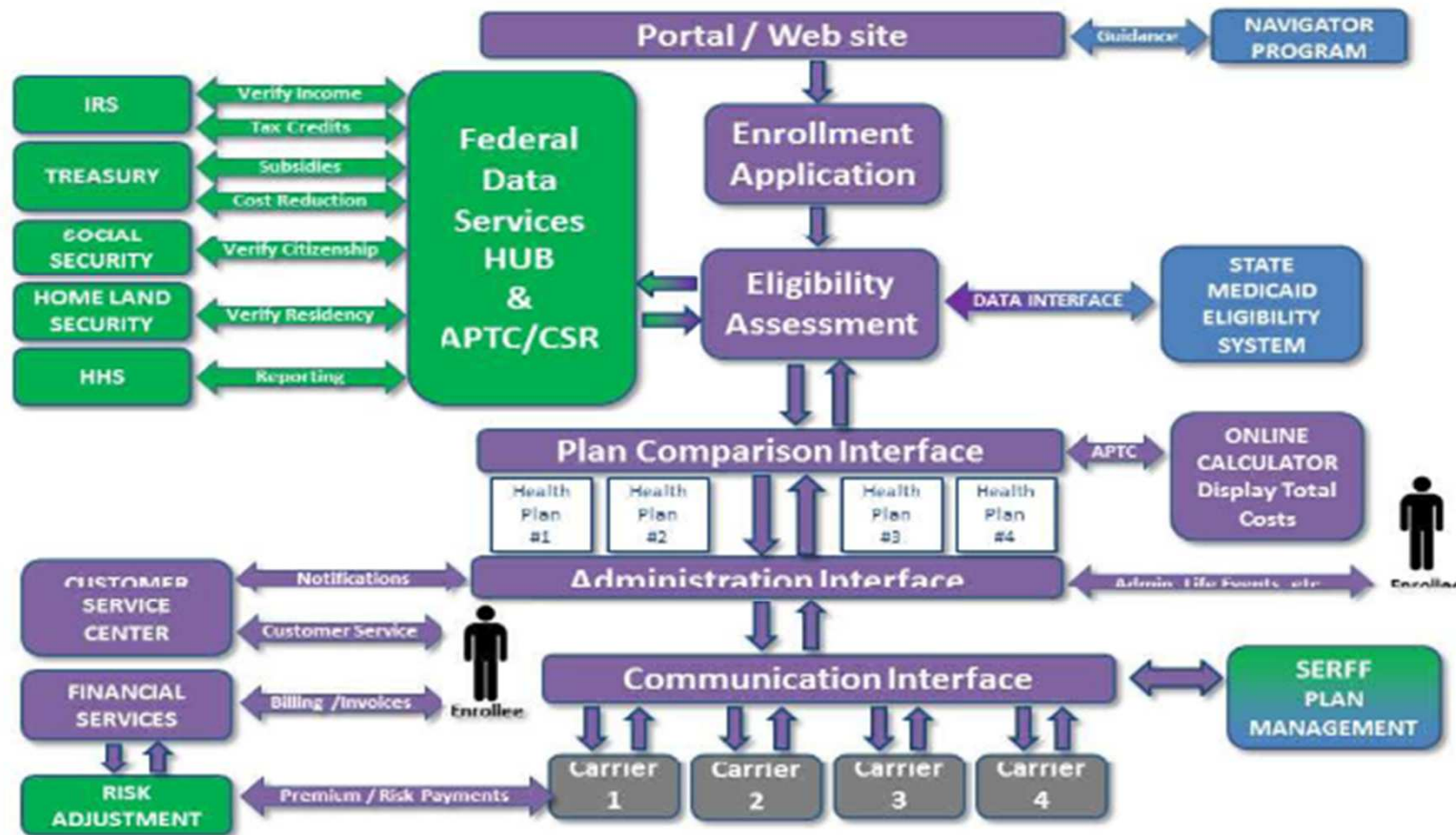
State Decisions on Medicaid Expansion

- Supreme Court decision: state cannot be penalized for not expanding Medicaid to <133% FPL
- If state doesn't expand, 100–133% FPL will qualify for subsidies in the Exchange; <100% FPL will not receive subsidies



Source: Advisory Board Company, as of March 27, 2013

Individual Exchange Interfaces



Source: Leavitt Partners

Market Implications for Purchasers and Providers

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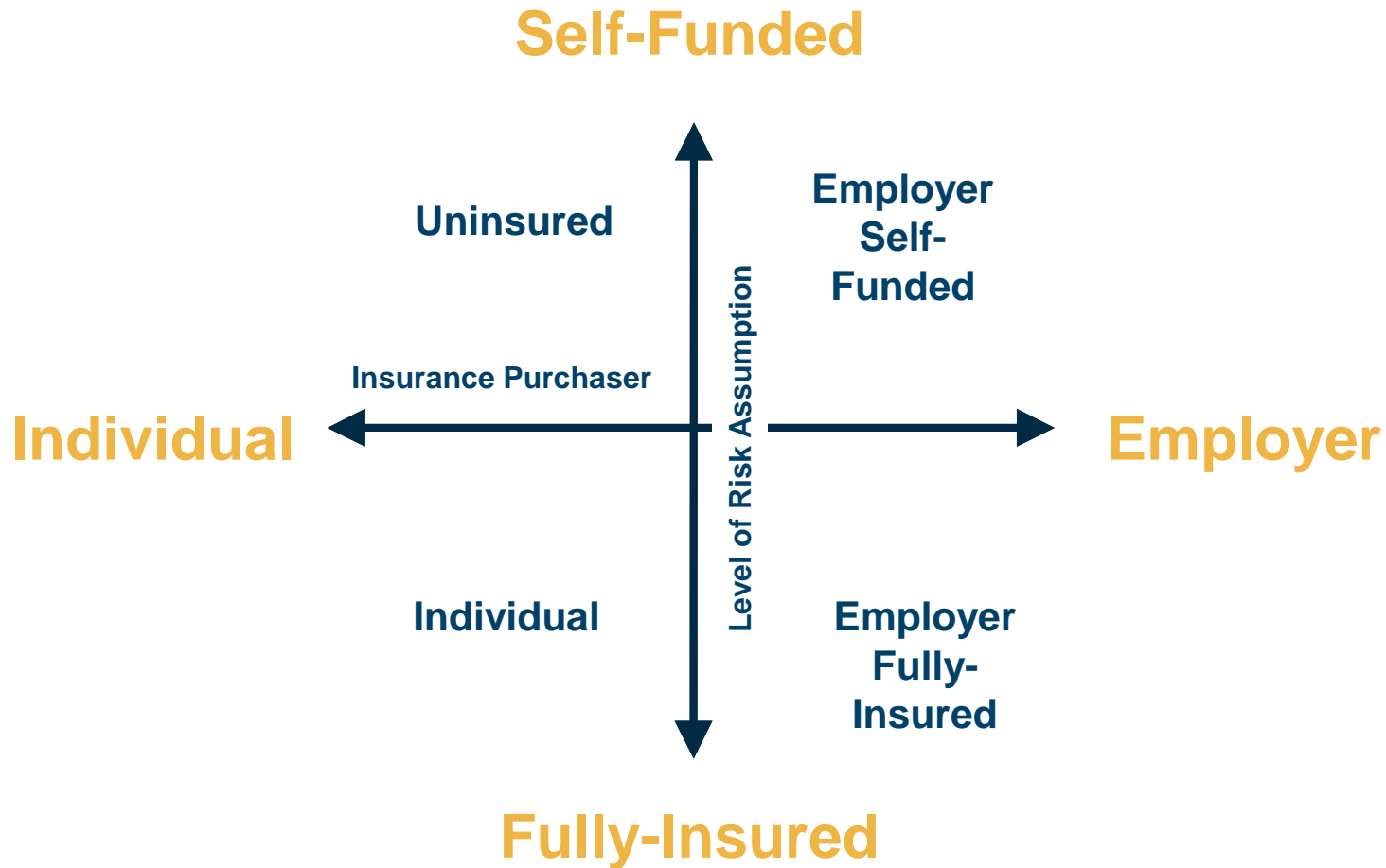
Uncertain Behaviors in a New Environment

There is significant uncertainty in the market as employers and individuals consider reform impacts and options

- **Purchaser:** Will there be a fundamental market shift in the way people buy insurance over the next 10 years?
 - **Employers:** Will employers continue to offer coverage?
 - **Individuals:** Will the mandate/penalty be effective?
- **Provider:** Will the future delivery system be based on market-driven solutions or government regulation?

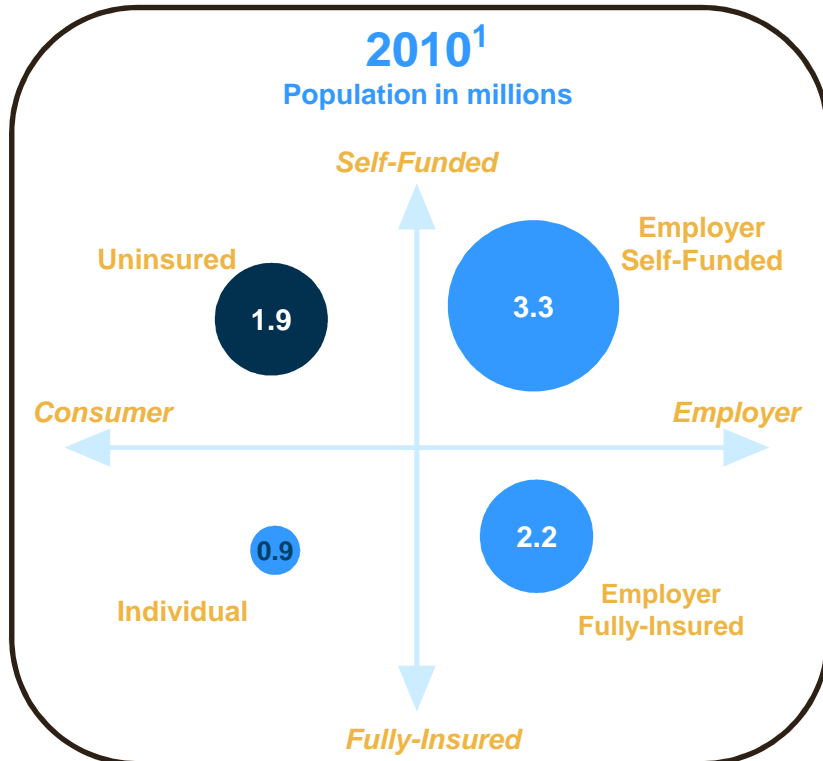
Purchaser Behavior

How will purchasers respond?

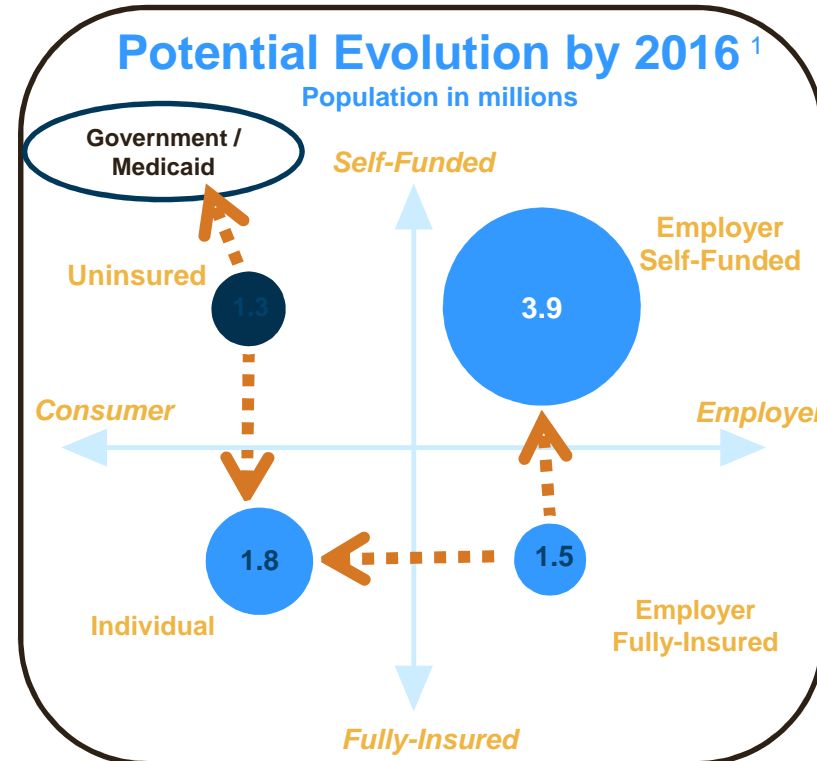


Purchaser Behavior

Where is the market and how could it evolve over time?



Total Commercial Market = 6.41 million²



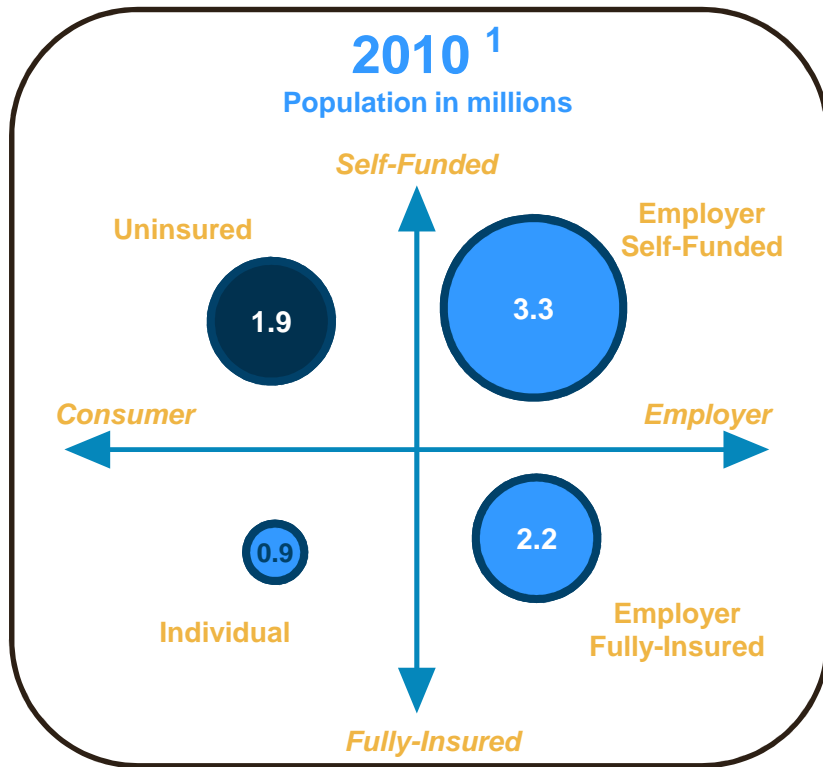
Total Commercial Market = 7.2 million²

1. The numbers are in millions and represent Premera's forecast of the population in the WA, AK, & OR region, excluding government
2. Commercial market based on WA, AK & OR population, excluding government & uninsured

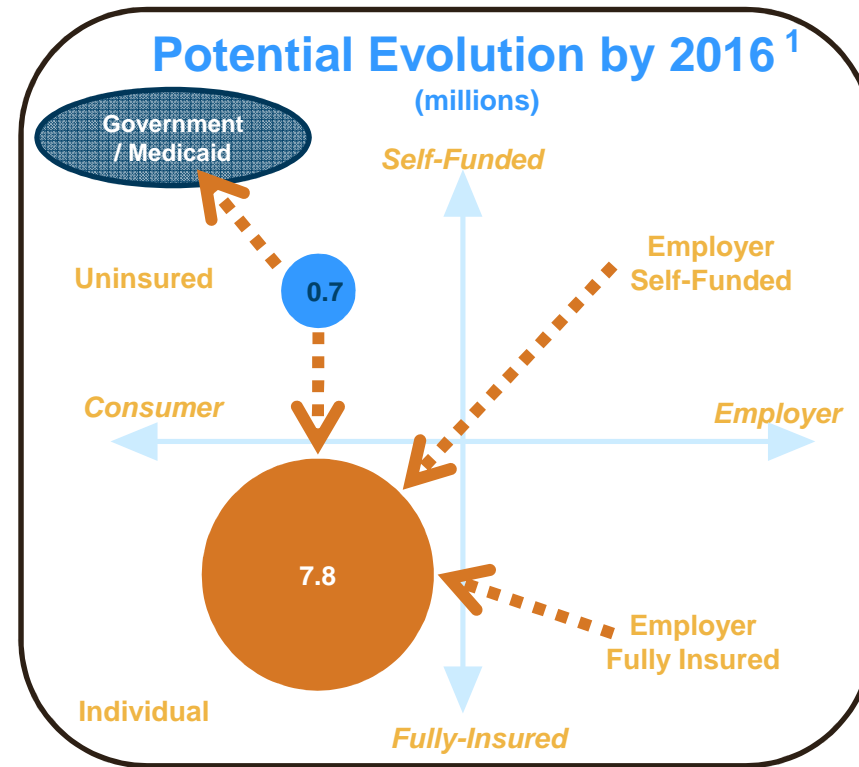
Indicates movement of population

Purchaser Behavior

Individual purchaser scenario”



Total Commercial Market = 6.41 million²



Total Commercial Market = 7.8 million²

1. The numbers are in millions and represent Premera’s forecast of the population in the WA, AK, & OR region excluding government
2. Commercial market based on WA, AK & OR population excluding government & uninsured

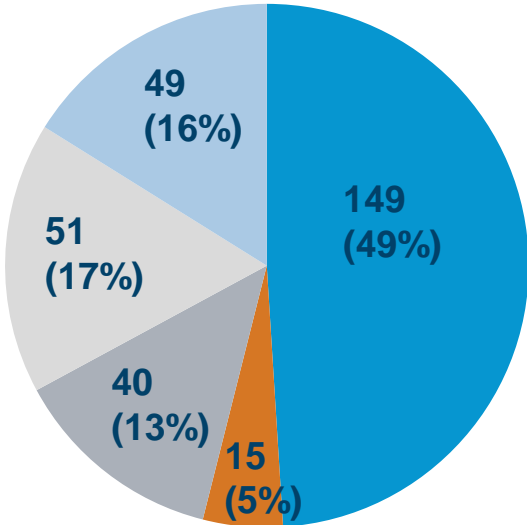
.....> Indicates movement of population

National Market

Nationally, employer-sponsored insurance is, and is expected to remain, the most common source of health insurance coverage

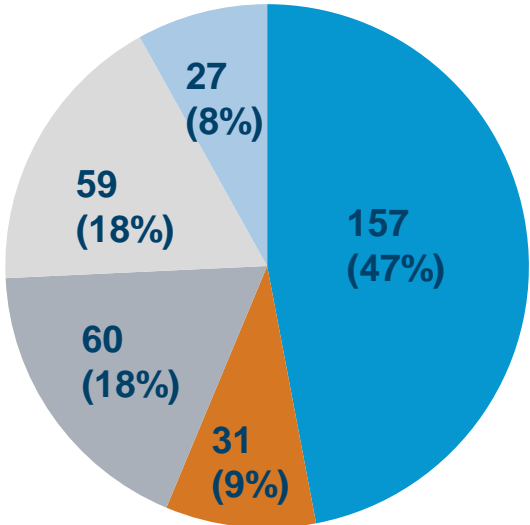
Estimated Market Size (Population in millions)

2011 (Actual)



Total: 304 M

2019 (Estimated)



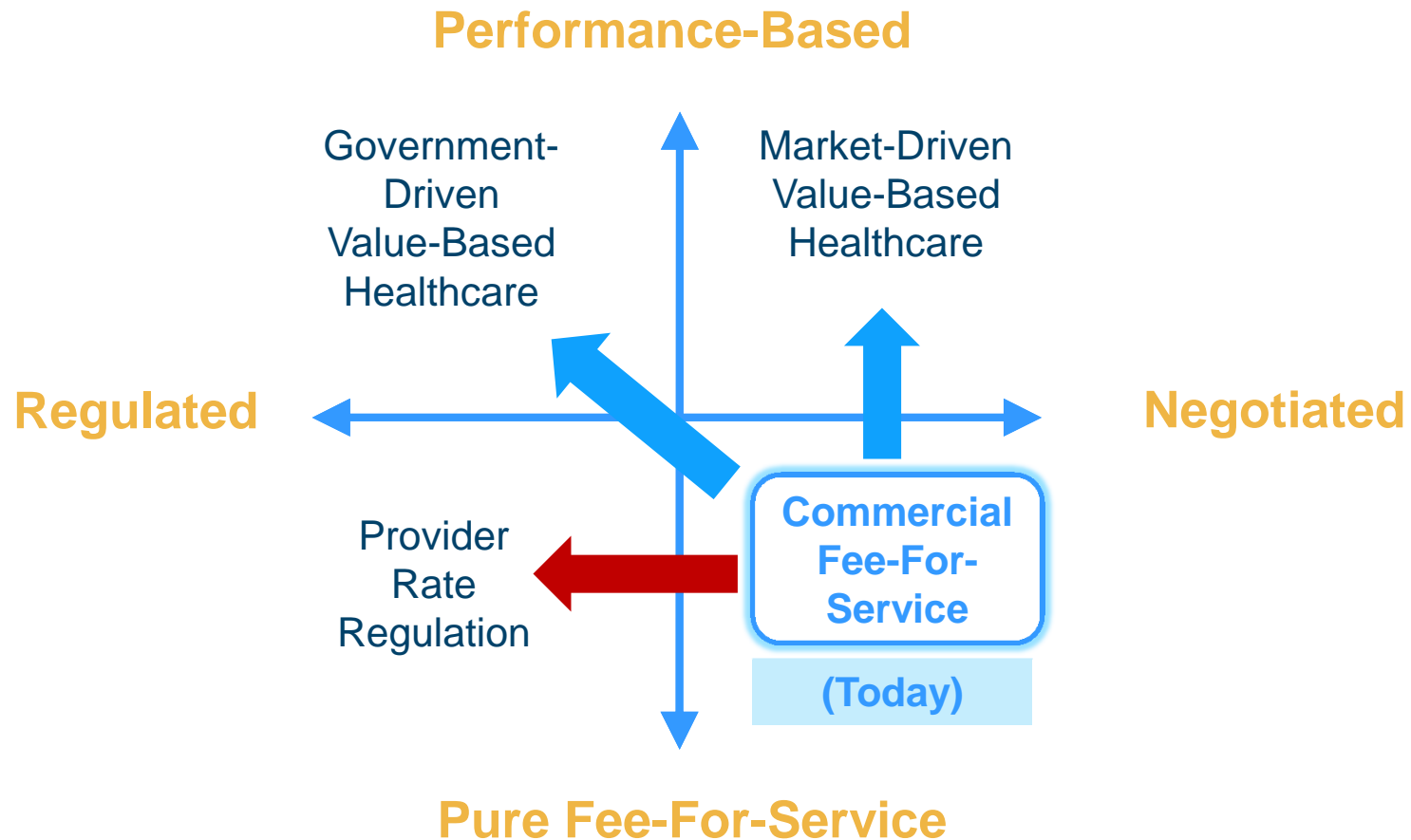
Total: 334 M

- Employer-Sponsored
- Individual
- Medicare
- Medicaid
- Not Covered

Source: Kaiser Family Foundation (2011 actual) and The Boston Consulting Group (2019 estimate)

Provider Behavior

How will providers respond?



Cost Implications

Reform and Costs

“Growth in spending on health care programs remains the central fiscal challenge. In CBO's judgment, the health care legislation enacted earlier this year made a dent in the problem, but did not substantially diminish that challenge.”

Director Douglas Elmendorf, Congressional Budget Office

July 1, 2010

Impacts of Reform on Premiums

Reform will increase access to coverage, but changes to benefit plans and new taxes and fees will drive costs higher

Near Term Provisions (2010)	2014 Provisions
<ul style="list-style-type: none">• No dollar lifetime maximums• Restrictions on annual limits• Preventive care with no cost sharing• No pre-existing condition exclusions for enrollees under age 19• Dependent age extension to age 26	<ul style="list-style-type: none">• Mandated “Essential Health Benefit” packages• Guaranteed issue with weak individual mandate• Adjusted community rating• Health insurer tax

Alaska New Individual Plans:



Estimated Premium Impacts



Family with 2 young kids



Family with 2 teenagers



Single male age 30

<p>200% FPL (purchase Silver plan)</p>	<p>Subsidy: \$10,000 Member pays: \$3,740</p> <p>42% reduction</p>	<p>Subsidy: \$18,540 Member pays: \$3,740</p> <p>71% reduction</p>	<p>Subsidy: \$1,320 Member pays: \$1,810</p> <p>31% increase</p>
<p>401% FPL (purchase Bronze plan)</p>	<p>No subsidy Member pays: \$11,900</p> <p>82% increase</p>	<p>No subsidy Member pays: \$19,090</p> <p>48% increase</p>	<p>No subsidy Member pays: \$2,680</p> <p>94% increase</p>

Source: *Premera Actuarial Services based on information as of Feb 12, 2013*

Significant New Taxes and Fees

Additional costs to individuals and employers will result from new taxes and fees

ACA Taxes and Fees	Rate Impact (% of Premium)
Pharmaceutical Manufacturer Tax (2011)	Assume pass through
Medical Device Manufacturer tax on durable medical equipment (2013)	Assume pass through
Comparative Effectiveness Research Fee (2012)	\$1 PMPY moving to \$2 PMPY
Health Insurer Tax (2014)	1.9%
Exchange Assessment (2014)	3.5%
Reinsurance Program fee (2014)	\$5.25 PMPM
Cadillac Plan Tax (2018)	40% excise tax on employer sponsored plans that exceed \$10,200 a year and \$27,500 for families

How Could It All Evolve?

Catalyst



Potential
Paradigm
Shifts



ACA Implementation

First Term

ACA narrowly passed by
Congress

Defense of the law against
vigorous legal challenges



Second Term

Strong-arming implementation
amid massive fiscal pressures
and a Republican-controlled
House

Launching the Exchanges

Managing Medicaid expansion

Modifications to and Repeal of ACA Provisions

- Medicaid expansion option
- 1099 tax reporting requirement
- Employer “free choice” voucher
- CLASS Act for long-term care
- Reduced funding for Consumer Operated and Oriented Plan (CO-OP)

Potential Catalysts

Cat·a·lyst

Chemistry: a substance that causes or accelerates a chemical reaction without itself being affected.

Literature: something that causes activity between two or more persons or forces without being affected.

Massive
implementation
challenges

Insurer or provider
financial stress

2014 freeze-up
of system

Underlying cost
of healthcare

Accountable Care
Organizations

Massive federal and
state deficits

State innovation
waivers

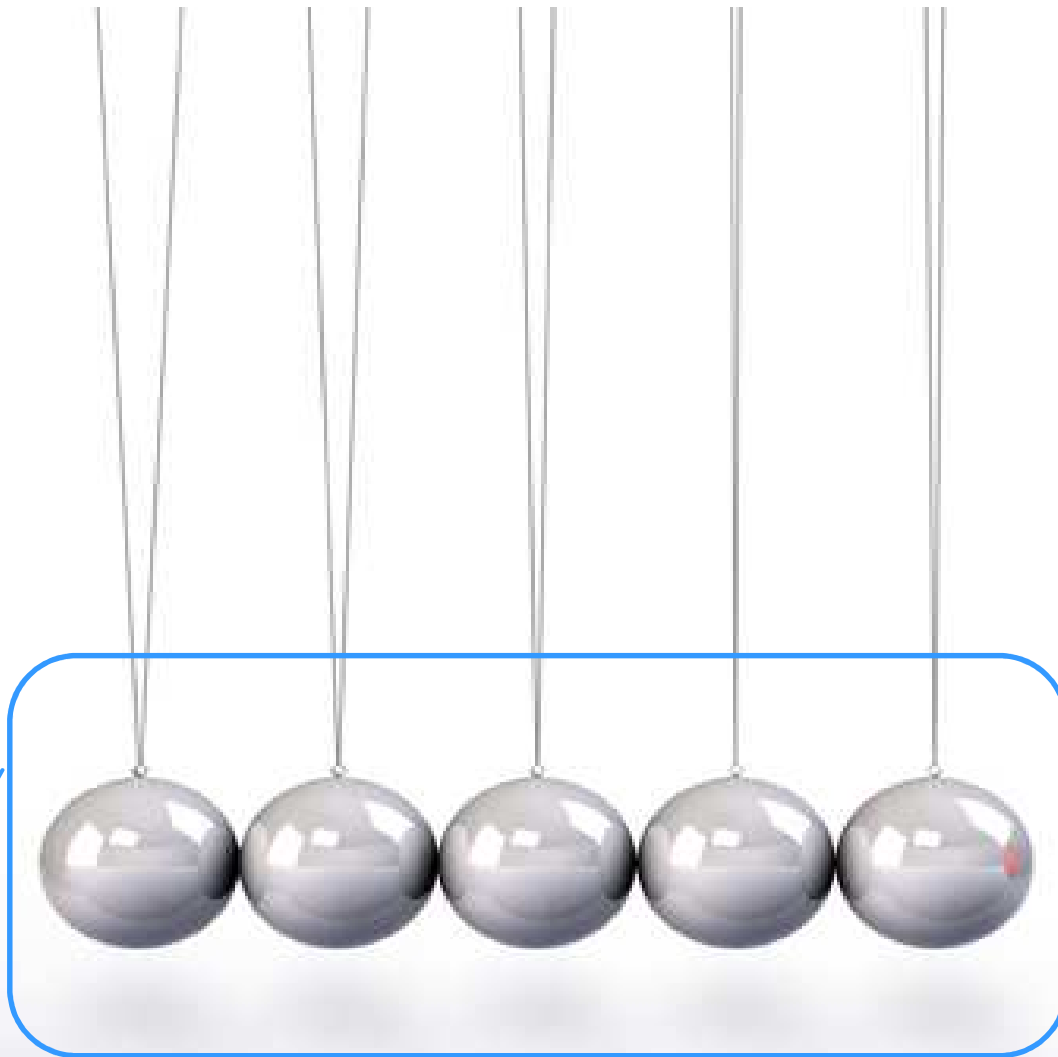
Employer market
implosion

Cost
implications of
ACA

Court challenges
to reform law

How Could It All Evolve?

Catalyst



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Thank you!

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