

# Healthcare Reform: Insurer Perspective

*Jeff Davis*

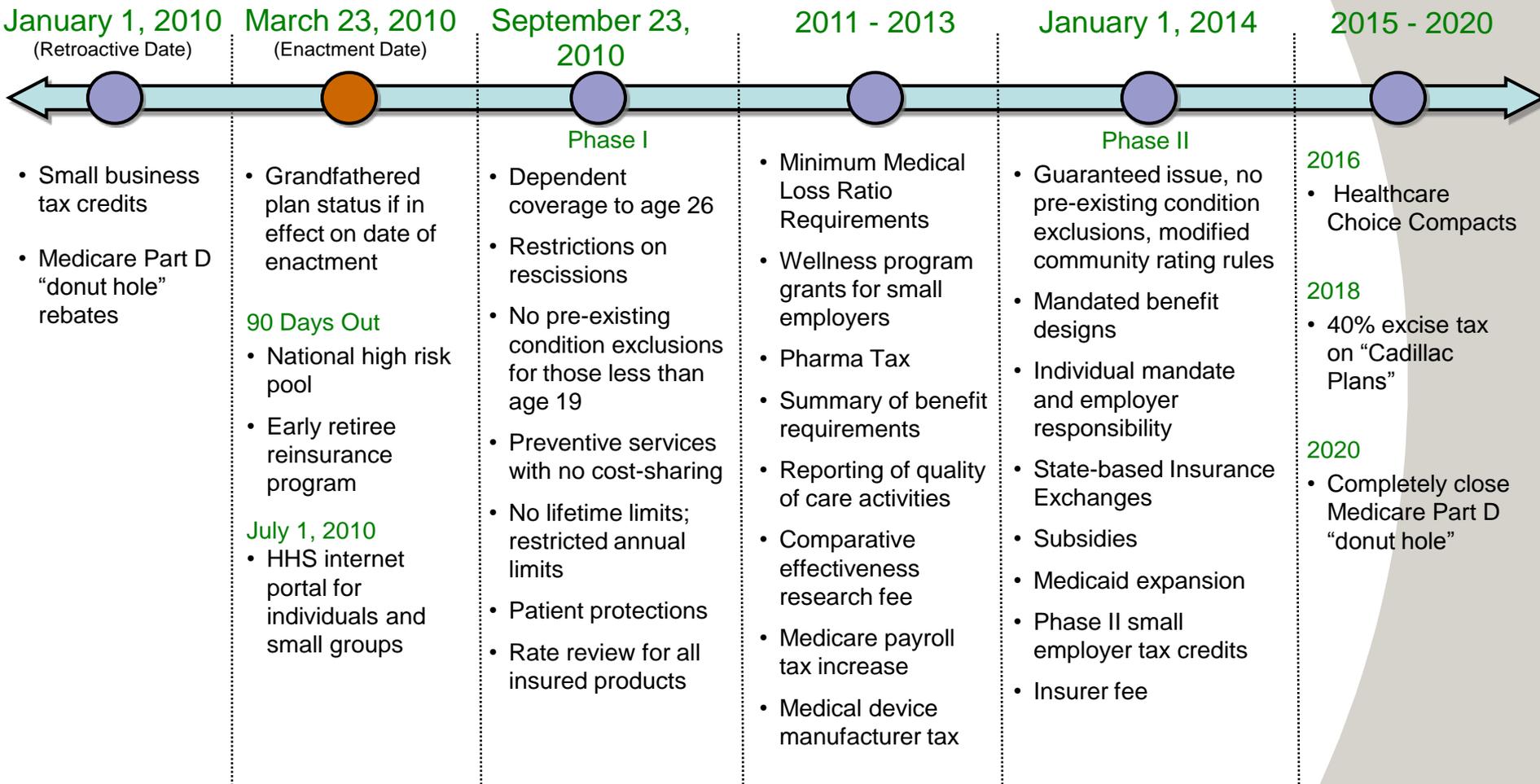
*President, Premera Blue Cross Blue Shield of Alaska*



# Agenda

- Where are we now?
- What does it mean?
- What is the future of health reform?
- What is the answer?

# Timeline of Healthcare Reform



# Federal reform passed... now what?



*Numerous questions remain as we work with federal regulators and states on implementation*

# Uncertainty, problem or opportunity?

- 2400 pages of legislation
- 1200 times “The Secretary shall”
- Over 1100 pages of rules and growing
- Over 100 new agencies and programs
- Over 20 new taxes, fees and penalties

# Highlights of PPACA

*The reform law builds on the existing employer-based system*

- Guarantee issue
- Individual coverage mandate
- Subsidies through an Exchange
- Benefit changes
- Wellness credits
- Comparative effectiveness research

# Reform Provisions - September 23, 2010

- 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

***Rate impacts primarily individual (4-7%) and small group plans (1-3%)***

Grandfathered plans are exempt from some requirements

# Guarantee issue, the real show...2014

- Guarantee issue – no denials based on health status with no PEC waiting periods
  - “Buying insurance when house is burning”
- Mandate intended to be the “antidote”
  - Unconstitutional? Too weak?
- Rules in Exchange will be critical to sustainability
- Elimination of State High Risk Pool (ACHIA)

# Major cost drivers from reform in 2014

- Guarantee issue, no PEC waiting period
- Phase out of ACHIA
- Rating rules – 3 to 1 rate bands
- Much richer plan designs
- New taxes
- Individual, up to 169%
- Small group, up to 21%

# Uncertain Behaviors in a New Environment

*Enormous uncertainty in the market as employers and individuals consider impacts and options*

- Employers
  - Will employers continue to offer coverage or pay penalty?
  - Will subsidies drive employers to drop coverage and send employees to the Exchange?
  - Will small and mid-size employers seek to self-fund to avoid new costs and rules?
- Individuals
  - Will the mandate to purchase insurance be effective?
  - How to prevent “jumping and dumping”?

# State Implementation Activities

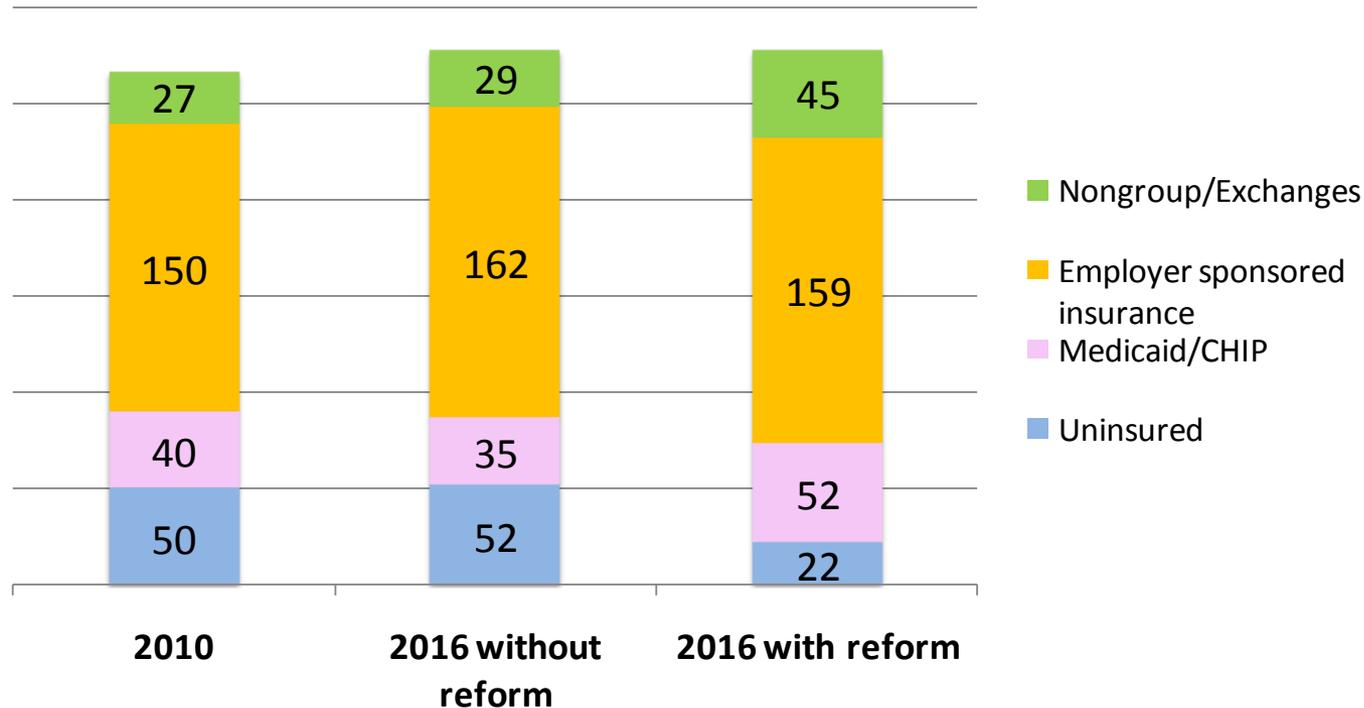
- Pre-existing Condition Insurance Plan (temporary Federal high risk pool)
- Medicaid Expansion – to 133% FPL by 2014
- Exchange: many important decisions
  - Structure and governance
  - Open enrollments and waiting periods
  - Participation requirements, etc.
- State Innovation Waiver

# State - Exchange Grants

- 49 states and D.C. to receive up to \$1 million each for Exchange planning and establishment grant
  - \$1M in proposed State budget
- Funding to research and plan for marketplace and determine operations and governance
  - Assess IT systems
  - Plan for consumer call centers
  - Develop partnerships to gain input
- Additional grants for states that implement Exchange
- AK pursuing with State funds, not Federal

# Estimated Coverage Impacts of PPACA

Millions of nonelderly people, by calendar year



Source: CBO, Estimated effects of the Insurance Coverage Provisions of Reconciliation Proposal combined with H.R. 3590

# Reform and Costs

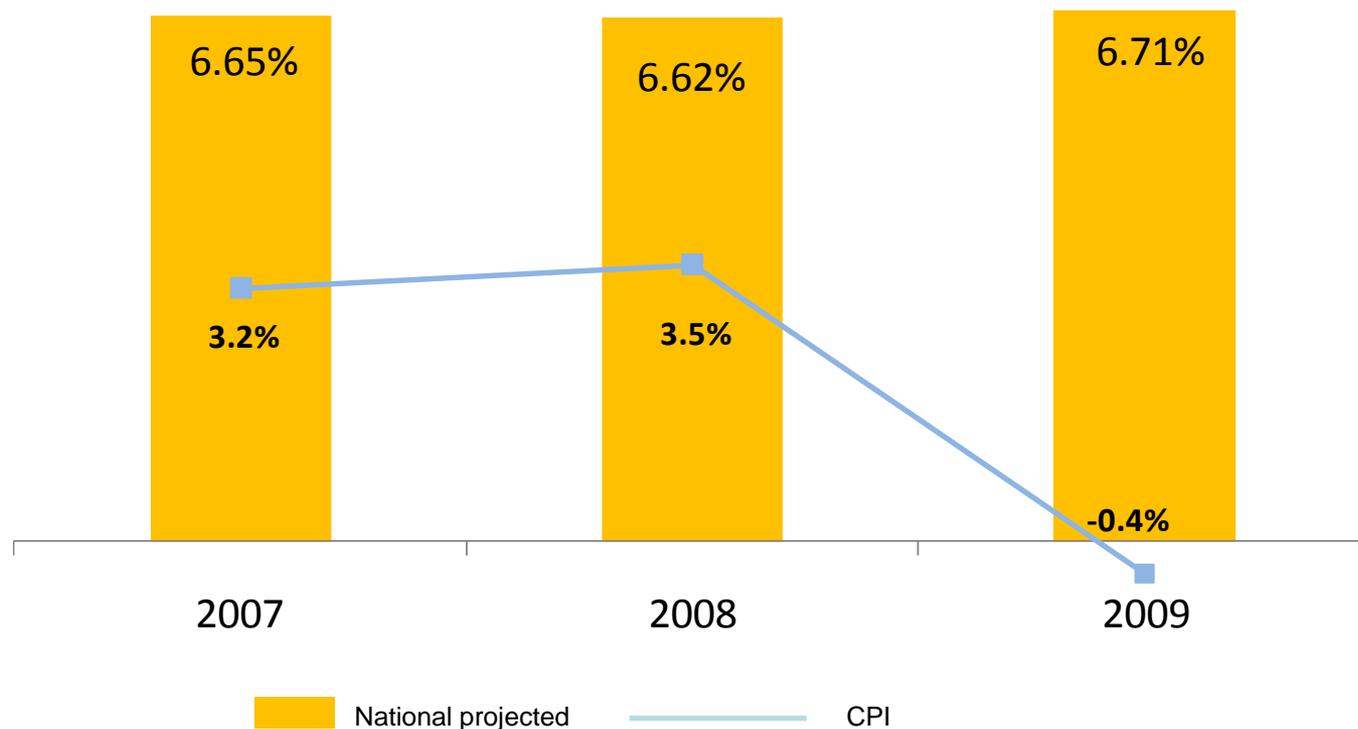
***“Growth in spending on health care programs remains the central fiscal challenge. In CBO's judgment, the health care legislation enacted earlier this year made a dent in the problem, but did not substantially diminish that challenge.”***

*Director Douglas Elmendorf, Congressional Budget Office*

*July 1, 2010*

# Healthcare Cost Trend

*National healthcare costs have outpaced Consumer Price Index (CPI)*



Source: Centers for Medicare and Medicaid Services, National Health Expenditure (NHE) Amounts by Type of Expenditure and Source of Funds: Calendar Years 1965-2017, projected; Bureau of Labor Statistics

# Future of Health Reform

- Republican majority in the House
  - Committee hearings on implementation
  - Withholding appropriations for implementation
- Possible initiatives to modify reform law
  - Repeal vote
  - Replace
  - Significant modifications
- Lawsuits challenging reform law
- State Innovation Waiver – move to 2014?

# So, what is the answer?

- My roles?
- Your roles?
- Local governments?
- State governments?
- Federal government?

Thank You!