

HEALTH INSURANCE IS CHANGING:

NEW BENEFITS. NEW COSTS.



OVERVIEW

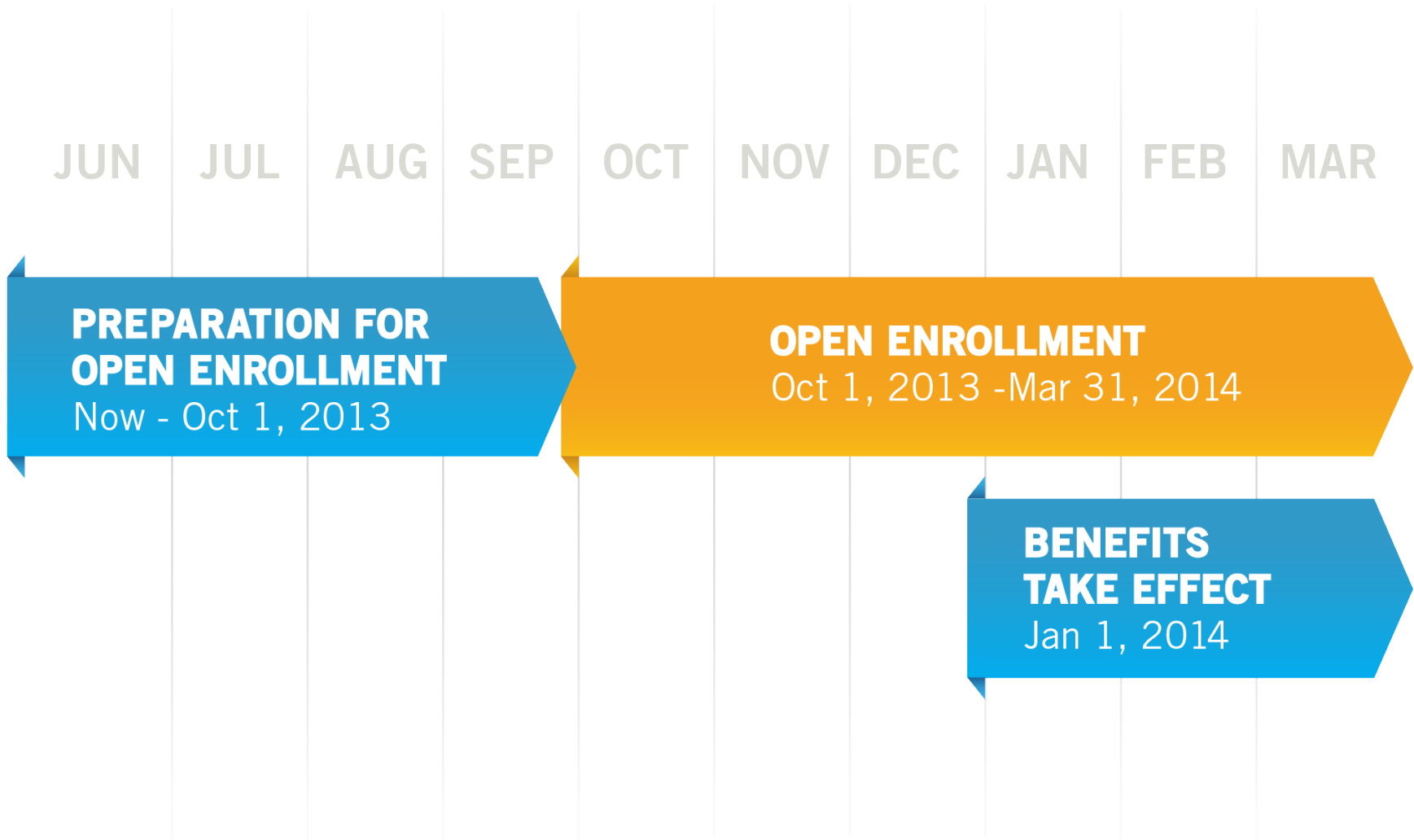


The Affordable Care Act (ACA) changes
health insurance for many people

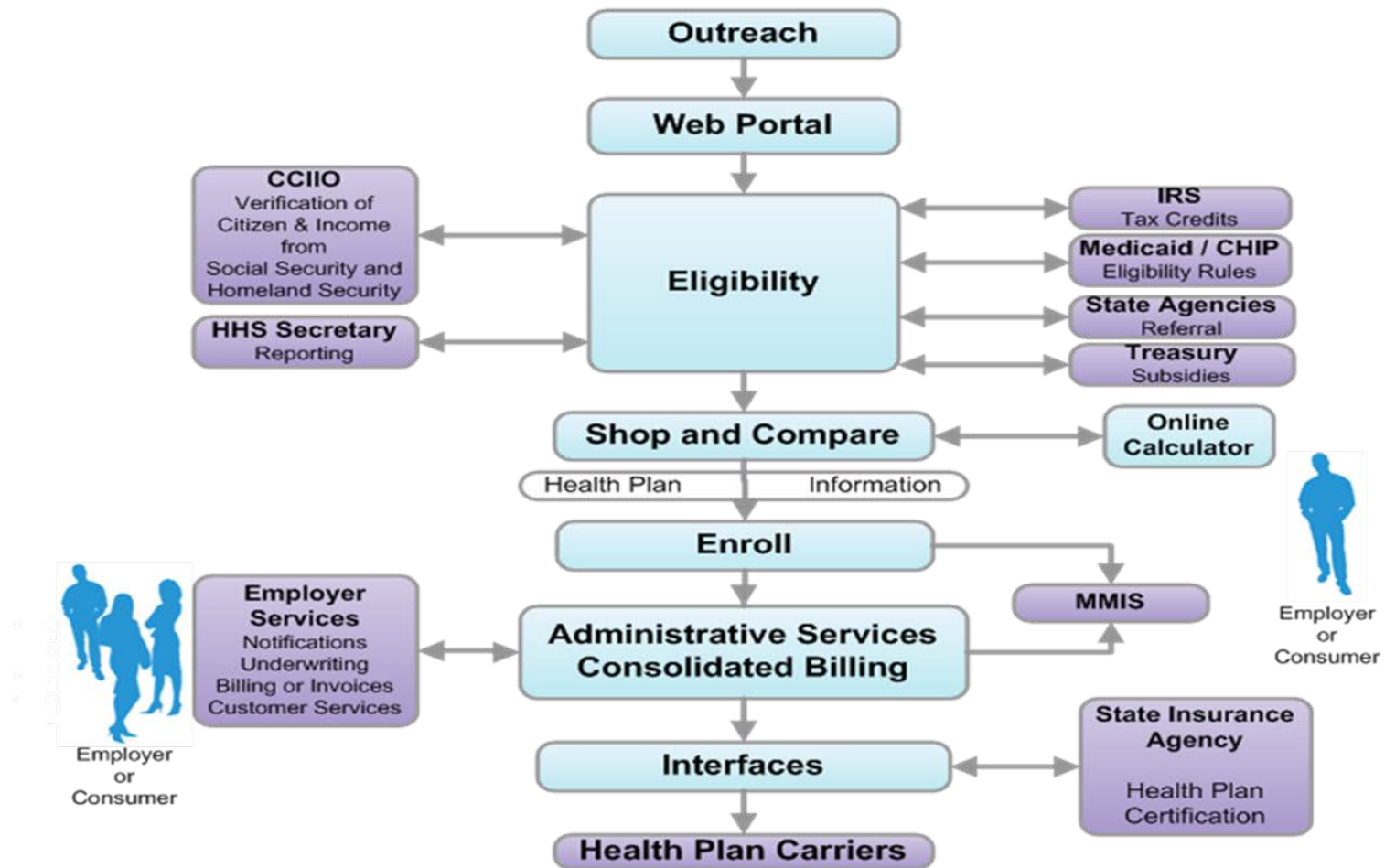
An estimated 25 million new Americans
will access health insurance coverage
for the first time

New benefits and new costs for consumers

KEY DATES



HOW THE EXCHANGE WORKS



OPEN ENROLLMENT

- Initial Open Enrollment period is October 1, 2013 through March 31, 2014.
- Coverage will begin January 1, 2014.
- After the Open Enrollment period, individuals will not be able to obtain coverage until the next OE period unless there is a qualifying event.
- For the SHOP exchange, employers must have less than 50 FTEs and qualify for the tax credit.
- The same OE period applies to the SHOP exchange.

HOW IS HEALTH INSURANCE CHANGING?

There are SIX major changes to health insurance under the new health care reform law.

THEY ARE



Covering the Uninsured



Covering Pre-Existing Conditions



Requiring Broader Benefits



Limiting Premium Differences



Taxing Health Insurance



Providing Financial Assistance

COVERING THE UNINSURED

Health care reform means there will be millions of newly insured Americans who are guaranteed access to health insurance in new “exchange” marketplaces

**AN ADDITIONAL 25 MILLION
AMERICANS WILL BE INSURED**



COVERING PRE-EXISTING CONDITIONS

Everyone will have guaranteed access to health insurance, even after they become ill or injured



REQUIRING BROADER BENEFITS

Broad expansion of required benefits

ESSENTIAL HEALTH BENEFITS



Outpatient services



Emergency services



Hospitalization



Maternity and newborn care



Mental health and substance abuse disorder services,
including behavioral health treatment



Prescription drugs



Rehabilitative and habilitative services and devices



Laboratory services



Preventive and wellness services and chronic disease management



Pediatric services, including oral and vision care

REQUIRING BROADER BENEFITS (CONT.)

The required coverage will be more comprehensive and thus more costly than many people have today

Many individuals and families currently choose to purchase policies that do not include some of the soon-to-be required services¹

MATERNITY



62%

SUBSTANCE ABUSE



34%

MENTAL HEALTH



18%

Significant new coverage requirements
will now be built into premiums:

Preventive care services with
no out-of-pockets costs to the patient

No annual or lifetime dollar limits on most
benefits

¹ <http://aspe.hhs.gov/health/reports/2011/IndividualMarket/ib.shtml>

LIMITING PREMIUM DIFFERENCES



Significant changes to how premiums are set
for people purchasing policies on their own

Premiums will not be based on an
individual's health status or medical history;
Strict limits on factoring age and tobacco
use into an individual's premiums

Changes will generally mean increased premiums
for younger and healthier individuals
and small group customers

Tax credits will help many consumers pay for
coverage

TAXING HEALTH INSURANCE

The health insurance tax will be “largely passed through to consumers in the form of higher premiums.” – Congressional Budget Office¹



Congress's bipartisan Joint Committee on Taxation estimates: Additional \$350-\$400 a year to family premiums in 2016²



New taxes and fees:

- New \$100 billion federal tax on policies health insurance companies sell to individuals, families, small and mid-size employers, Medicare Advantage beneficiaries, state Medicaid programs
- Also new taxes on medical drugs and devices, and fees associated with funding reinsurance and research on efficacy of medical treatments

¹ <http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/107xx/doc10781/11-30-premiums.pdf>

² <http://www.ahipcoverage.com/wp-content/uploads/2011/11/Premium-Tax-JCT-Letter-to-Kyl-060311-2.pdf>

Health Insurance Tax:

MAKING HEALTH CARE MORE EXPENSIVE FOR VIRGINIA



What Is the Health Insurance Tax?

The health care reform law imposes a massive new sales tax on health insurance which will increase the cost of coverage for individuals, small businesses, and public program beneficiaries with private insurance. The tax begins at \$8 billion in 2014 and rises to \$14.3 billion

in 2018, increasing annually thereafter based on premium growth. The Joint Committee on Taxation projects that between 2013 and 2022 the new tax will total \$101.7 billion.

The Health Insurance Tax Is Larger than All the Other Industry Specific Taxes Combined



How It Impacts the National Economy¹

Reduce future private sector employment by 146,000 to 262,000 jobs by 2022

Reduce potential sales between \$19 billion and \$35 billion by 2022

How It Impacts Virginians²

IF YOU PURCHASE COVERAGE IN VIRGINIA >>

Individual



Average increase in premiums of \$2,139 over 10 years.

ON YOUR OWN

Average increase in premiums of \$2,634 over 10 years.

THROUGH A SMALL EMPLOYER

Average increase in premiums of \$2,645 over 10 years.

Family



Average increase in premiums of \$4,772 over 10 years.

Average increase in premiums of \$6,521 over 10 years.

Average increase in premiums of \$7,187 over 10 years.



If you have a Medicare Advantage plan, the tax could cost you on average \$3,081 more in higher premiums and reduced benefits over 10 years.



Medicaid health plan costs could increase \$1,615 over 10 years, putting pressure on already strained state budgets, which could lead to decreased benefits and potentially create coverage disruption.

¹ Effects of the PPACA Premium Tax on Small Businesses and Their Employees: An Update, <http://www.nfib.com/Portals/0/PDF/AllUsers/research/studies/ppaca/health-insurance-tax-study-nfib-2013-03.pdf>
² Estimated Premium Impacts of Annual Fees Assessed on Health Insurance Plans, <http://www.ahip.org/Workarea/linkit.aspx?ItemID=2147483716>. The Oliver Wyman study examined the ten year period from 2014-2023.

PROVIDING FINANCIAL ASSISTANCE



Substantial financial assistance to make coverage more affordable for low and moderate incomes

Premium tax credits for certain income levels: \$47,100
- \$94,200 (for a family of four)

Assistance with out-of-pocket medical expenses

Tax credit decreases as income rises

About 60% of current individual market purchasers will be eligible for subsidies¹

¹ <http://cbo.gov/sites/default/files/cbofiles/ftpdocs/121xx/doc12119/03-30-healthcarelegislation.pdf>

WHAT DO THESE CHANGES MEAN?



Most people with coverage from a large employer are unlikely to see significant changes

Significant changes for many individual market purchasers and small employers

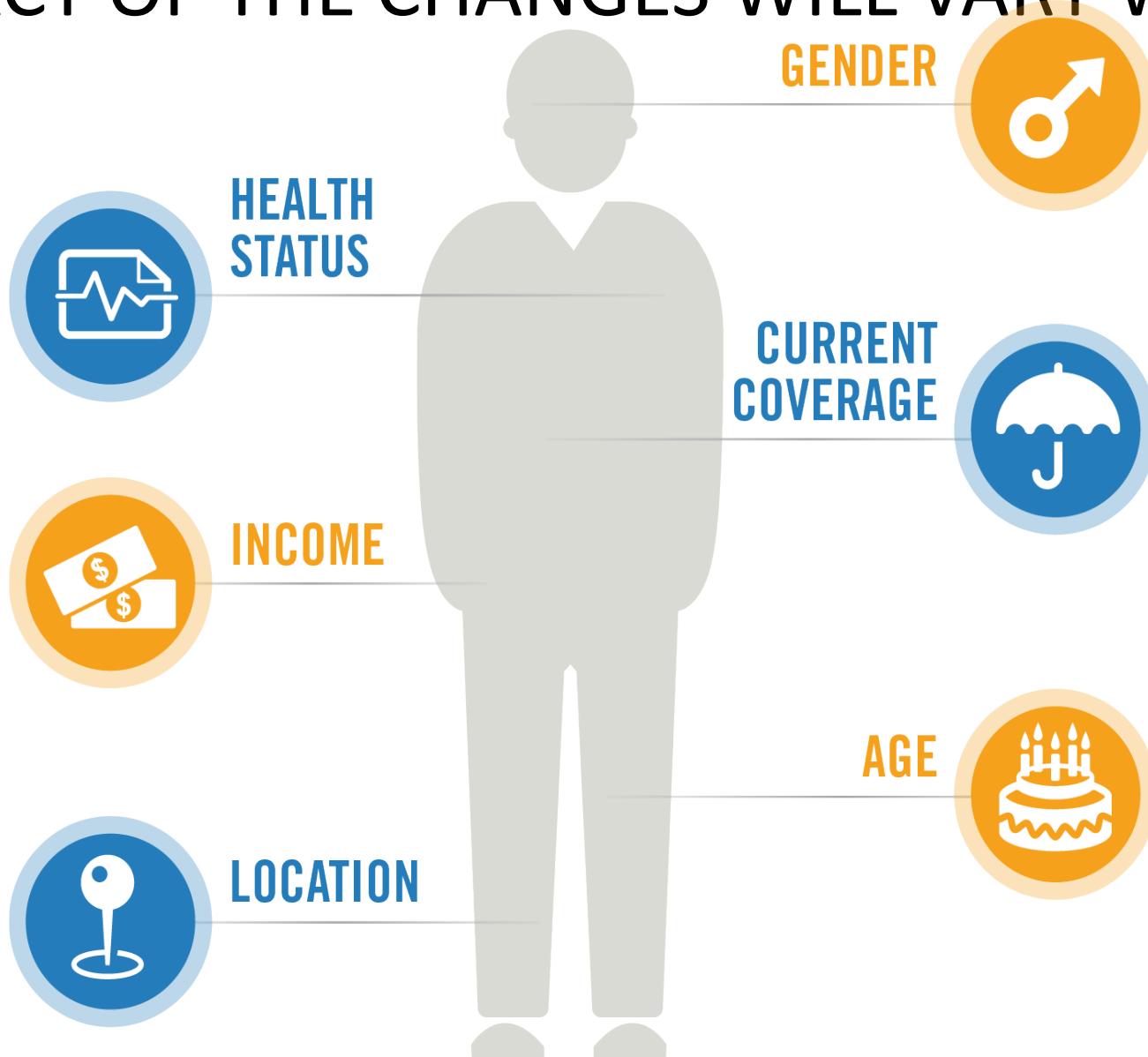


Guaranteed access and broader insurance benefits

Financial assistance will help working people pay for coverage

The new coverage, benefits, rules and taxes will increase costs for many who are currently insured

IMPACT OF THE CHANGES WILL VARY WIDELY



WHAT WE ARE DOING TO IMPROVE HEALTH CARE

- Promoting Prevention & Healthy Living
- Helping Patients Manage Chronic Conditions
- Partnering with Providers to Reward Quality Care
- Improving Patient Safety
- Providing Transparency on Medical Costs and Quality
- Reducing Health Disparities

QHP APPLICATIONS RECEIVED

Company	Individual	SHOP
Aetna Affiliates:		
Aetna Life Insurance Company (PPO)	✓	
Coventry Health Care of Virginia, Inc. (HMO)	✓	
Innovation Health Insurance Company (Aetna/INOVA PPO)	✓	
Blue Cross Plans:		
CareFirst Blue Choice, Inc. (HMO)	✓	✓
Group Hospitalization and Medical Services, Inc. (CareFirst PPO)	✓	✓
HealthKeepers, Inc. (Anthem HMO)	✓	✓
Other Plans:		
Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (HMO)	✓	✓
Optima Health Plan (Sentara HMO)	✓	✓
Piedmont Community HealthCare (PPO)	✓	✓
Totals	9	6

BREAKDOWN OF COVERAGE THROUGH THE EXCHANGE BY LOCALITY

Virginia Counties/Cities Requested By Applicants Wanting to Participate in the Exchange

<u>Counties</u>	<u>Plans</u>		<u>Plans</u>		<u>Plans</u>	<u>Cities</u>	<u>Plans</u>
Accomack	HK, O	Franklin	A, Cov, HK, O	Nottoway	A, HK, O, P	Alexandria	CF, GH, K, I
Albemarle	Cov, HK, O	Frederick	HK, O	Orange	HK, K, O	Bedford	A, HK, O, P
Alleghany	HK, O	Giles	A, Cov, HK, O	Page	HK, O	Bristol	HK
Amelia	A, HK, O	Gloucester	A, HK, O	Patrick	HK, O	Buena Vista	HK, O
Amherst	HK, O, P	Goochland	A, HK, O	Pittsylvania	Cov, HK, P	Charlottesville	Cov, HK, O
Appomattox	HK, O, P	Grayson	HK	Powhatan	A, HK, O	Chesapeake	HK, O
Arlington	CF, GH, K, I	Greene	Cov, HK, O	Prince Edward	HK, O, P	Colonial Heights	A, HK, O
Augusta	Cov, HK, O	Greensville	HK, O	Prince George	A, HK, O	Covington	HK, O
Bath	HK, O	Halifax	HK, P	Prince William	CF, GH, HK, K	Danville	Cov, HK,
Bedford	A, HK, O, P	Hanover	A, Cov, HK, K, O	Pulaski	A, Cov, HK, O	Emporia	HK, O
Bland	A, HK	Henrico	A, Cov, HK, O	Rappahannock	HK, O	Falls Church	CF, GH, HK, K, I
Botetourt	HK, O, P	Henry	A, Cov, HK, O	Richmond	HK, O	Franklin	HK, O
Brunswick	HK, O	Highland	HK, O	Roanoke	A, Cov, HK, O	Fredericksburg	HK, K, O
Buchanan	HK	Isle of Wight	A, HK, O	Rockbridge	HK, O	Galax	HK, O
Buckingham	HK, O, P	James City	A, HK, O	Rockingham	HK, O	Hampton	A, HK, O
Campbell	HK, O, P	King and Queen	A, HK, O	Russell	HK, O	Harrisonburg	HK, O
Caroline	HK, K, O	King George	HK, K, O	Scott	HK, O	Hopewell	A, HK, O
Carroll	A, HK	King William	A, HK, O	Shenandoah	HK	Lexington	A, HK, O
Charles City	A, HK, O	Lancaster	A, HK, O	Smyth	HK, O	Lynchburg	HK, O, P
Charlotte	HK, O, P	Lee	HK	Southampton	HK, O	Manassas	HK, K
Chesterfield	A, Cov, HK, O	Loudoun	CF, GH, HK, K, I	Spotsylvania	HK, K, O	Manassas Park	HK, K
Clarke	HK, O	Louisa	HK, K, O	Stafford	HK, , K, O	Martinsville	A, Cov, HK, O
Craig	A, Cov, HK, O	Lunenburg	HK, O, P	Surry	HK, O	Newport News	A, HK, O
Culpeper	HK, K, O	Madison	HK, O	Sussex	HK, O	Norfolk	HK, O
Cumberland	A, HK, O, P	Mathews	A, HK, O	Tazewell	A, HK	Norton	HK, O
Dickenson	HK, O	Mecklenburg	HK, O, P	Warren	HK, O	Petersburg	A, HK, O
Dinwiddie	A, HK, O	Middlesex	A, HK, O	Washington	HK, O	Poquoson	HK, O
Essex	A, HK, O	Montgomery	A, Cov, HK, O	Westmoreland	HK, K, O	Portsmouth	HK, O
Fairfax	CF, GH, HK, K, I	Nelson	Cov, HK, O, P	Wise	HK, O	Radford	A, Cov, HK, O
Fauquier	HK, K	New Kent	A, HK, O	Wythe	A, HK	Richmond	A, Cov, HK, O
Floyd	A, HK, O	Northampton	HK, O	York	A, HK, O	Roanoke	A, Cov, HK, O
Fluvanna	Cov, HK, O	Northumberland	A, HK, O				

BREAKDOWN OF COVERAGE THROUGH THE EXCHANGE BY LOCALITY (CON'T)

<u>Cities</u>	<u>Plans</u>						
Salem	A, Cov, HK, O						
Staunton	Cov, HK, O						
Suffolk	HK, O						
Virginia Beach	HK, O						
Waynesboro	Cov, HK, O						
Williamsburg	A, HK, O						
Winchester	HK, O						

Key:

- ☐ – Individual Exchange Only
- ☐ – Shop Exchange Only
- ☐ – Both Individual and Shop

Names of Plans:

- A - Aetna Life Insurance Company
- CF – CareFirst Blue Choice
- Cov – Coventry Health Care of Virginia
- GH – Group Hospitalization and Medical Services
- HK – HealthKeepers
- I – Innovation Health Insurance Company
- K – Kaiser Foundation Health Plan of the Mid-Atlantic States
- O – Optima Health Plan
- P – Piedmont Community HealthCare

Additional Notes:

Chart reflects requested service area which has not been approved by BOI/VDH.

RATE SHOCK OR COMPETITIVE PRICING?



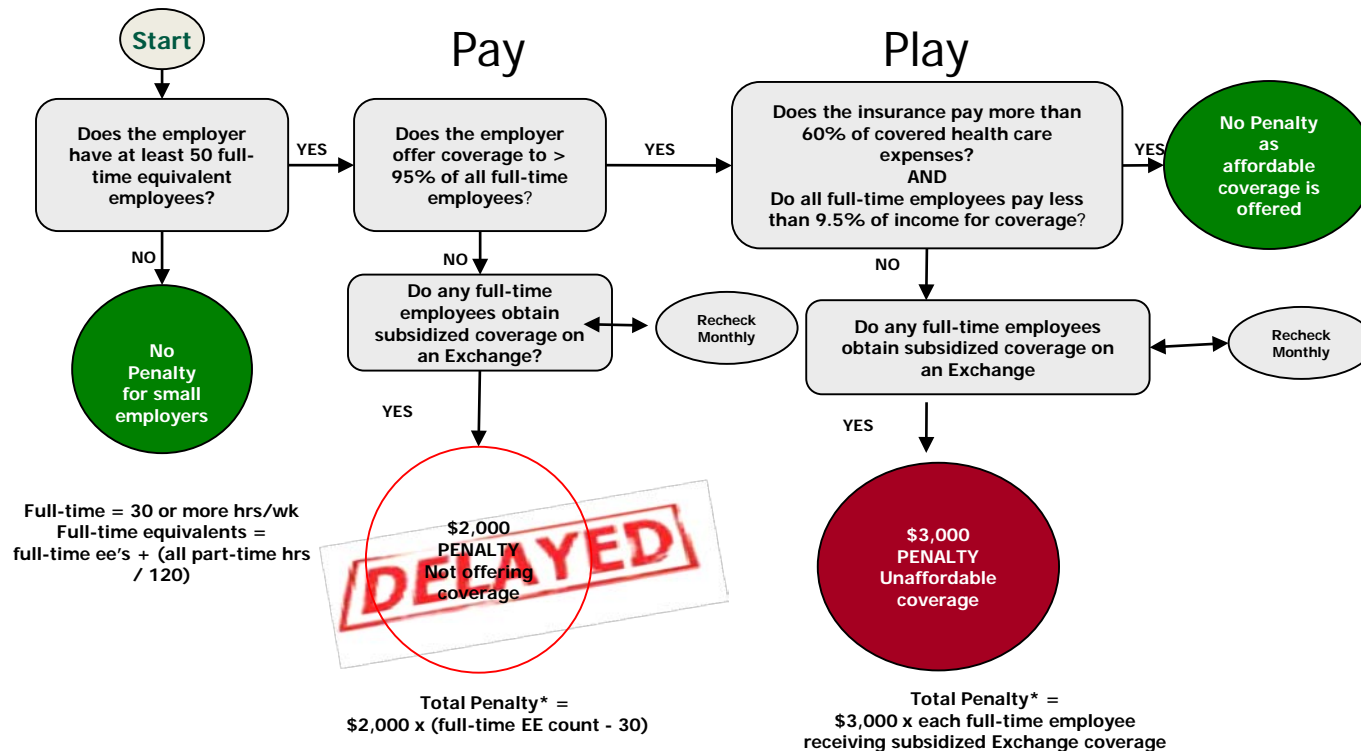
Rates are expected to vary between Exchange Products and Outside Market Products

- Different Products will be offered in the Exchange than in Today's Market.
- Richer Benefits
- System Oriented Networks
 - Limited Provider Choices
- No Health Underwriting.
- Rate Restrictions.

INSIDE VS. OUTSIDE THE EXCHANGE

- Some plans are only participating in the Individual Exchange. (Aetna plans)
- Benefit plans will be similar inside and outside the Exchange since the ACA applies to both markets.
 - Provider networks may be more extensive and more options outside the Exchange.
 - Inside Exchange mainly limited to HMO platform products.
- Self Funded options available to smaller employers outside the Exchange.
 - Allows employer more control over costs, benefit design, and wellness programs. (“Skin in the Game”)

SHOULD YOUR COMPANY PAY OR PLAY?



*Penalties are calculated and assessed monthly (\$2000 will be \$166.67/mo, \$3,000 is \$250/mo.). The maximum penalty is the lesser the two penalties. Penalties are expected to increase each year by the growth in insurance premiums.

UPSIDES OR DOWNSIDES?

- Everyone will have access to coverage whether their employer provides it or not.
- Employers must decide how to use the ACA for their business.
 - How many employees work for the company and are there plans for expansion?
 - Are employees better off getting coverage through the Exchange?
 - Will the rate changes allow the company to hire older, more experienced individuals that have been a strain on the insurance expense in the past?
 - What are competitors doing?

