

LEGISLATIVE UPDATE AS OF JUNE 24, 2009

HEALTHCARE REFORM



ACTUARIAL & RETIREMENT • COMPENSATION • EMPLOYEE COMMUNICATION • HEALTH & BENEFITS
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Cowden's Commitment to You

Activity in the US Senate and House of Representatives regarding National Health Care Reform is developing fast. Proposals have been introduced by the SENATE FINANCE COMMITTEE, the SENATE COMMITTEE ON HEALTH, EDUCATION, LABOR, & PENSIONS (HELP) and the HOUSE TRI-COMMITTEE (House Ways and Means, Energy and Commerce and Education and Labor Committees).

Cowden Associates is committed to providing you with current summaries regarding the proposals. We have formatted our summary by major policy provisions that we expect will impact employers. Source web sites are listed at the end of this summary. This summary includes information that is current as of June 24, 2009.

"PAY OR PLAY"—EMPLOYER REQUIREMENTS

The SENATE FINANCE COMMITTEE is considering the option ("pay or play") of requiring employers with more than \$500,000 in annual payroll to offer coverage contributing a minimum of 50% of the cost or pay an assessment tied to payroll.

The HOUSE TRI-COMMITTEE follows the same "pay or play" option, setting the employer contribution requirement at 72.5% of single premiums and 65% of family premiums. It is also specific in its assessment at eight percent of payroll for not meeting requirements. Certain small businesses would be exempt from the "pay or play" requirement.

The SENATE HELP COMMITTEE Act does not currently address "pay or play" for employers.

POOLING MECHANISMS

The SENATE FINANCE COMMITTEE proposes the creation of a Health Insurance Exchange on a national level (a single national plan or multiple regional plans) where individuals and small employers can purchase qualified insurance. It would require participation from all small group and individual plan insurers, with guaranteed issue and renewability. Demographic variation would be limited and a standardized set of plan options would be developed.

The HOUSE TRI-COMMITTEE also proposes a National Health Insurance Exchange where individuals and employers can purchase qualified insurance. This proposal would restrict access to coverage to individuals not enrolled in other public programs. Other restrictions and requirements are similar to the Senate Finance Committee proposal.

The SENATE HELP COMMITTEE proposes creation of state based American Health Benefit Gateways where individuals and small employers can purchase qualified insurance. The Gateway would certify participating health plans and require states to adjust payments to health plans based on the actuarial risk of plan enrollees.

EXPANSION OF PUBLIC PROGRAMS

All three COMMITTEE proposals include provisions for expansion of Medicaid at varying levels.

The other public programs (CHIP and Medicare) would convert to the use of a new public plan offered through a National Health Insurance Exchange or Gateway. This new public plan would incorporate the same rating rules as private plans and meet a minimum standard benefit level.



BENEFIT DESIGN

The SENATE FINANCE COMMITTEE proposes the creation of four benefit categories, and requires all plans provide a comprehensive set of services without lifetime or annual benefit limits on coverage. All policies would have to comply with one of the four benefit categories.

The SENATE HELP COMMITTEE proposes three benefit tiers based on the allowed benefit costs covered by the plan (ranging from 76% of benefit costs to 93% of benefit costs) and require plans to provide at least the essential benefits specified by the Medical Advisory Council without lifetime or annual benefit limits.

The HOUSE TRI-COMMITTEE proposes the creation of an essential benefits package, providing a comprehensive set of services determined by the Health Benefits Advisory Council. The essential benefits package would cover 70% of the actuarial value of covered benefits and would not include annual or lifetime maximums.



PREMIUM SUBSIDIES TO EMPLOYERS

All three COMMITTEE proposals include provisions for tax credits for small employers (less than 10 employees under the SENATE FINANCE COMMITTEE; less than 25 employees under the HOUSE TRI-COMMITTEE; and less than 50 employees under the SENATE HELP COMMITTEE). Each has a maximum average salary provision to qualify and the tax credits phase out as the employer size increases.



TAX CHANGES

The SENATE FINANCE COMMITTEE proposal considers changes to the tax preference for employer-sponsored insurance, Health Savings Account (HSA), Flexible Spending Account (FSA) and medical expense deductions. The SENATE HELP COMMITTEE and the House Tri-Committee proposals do not address specific tax changes related to health insurance.



COST CONTAINMENT

The SENATE FINANCE COMMITTEE proposal emphasizes adoption and use of health information technology and eliminating fraud, waste and abuse in public programs. It also includes provisions for the restructuring of payments to Medicare Advantage plans to promote efficiency and quality.

The SENATE HELP COMMITTEE would establish a Health Care Program Integrity Coordinating Council for oversight of health care fraud, waste and abuse in public and private coverage.

The HOUSE TRI-COMMITTEE would simplify administration by standardizing claim forms and quality reporting requirements, as well as increasing electronic exchange of data. It also includes provisions for modifying provider payments under Medicare and Medicare Advantage plans.



FINANCING

The SENATE FINANCE COMMITTEE is considering a range of options to achieve savings and generate new revenues; however, the three proposals do not specify how the reforms will be financed.



RESOURCES

To read more about the proposals, visit the following web sites:

http://www.senate.gov/pagelayout/committees/d_three_sections_with_tasers/committees_home.htm

<http://help.senate.gov>

<http://edworkforce.house.gov>

<http://www.kff.org>



IMPACT UPON YOUR ORGANIZATION?

TO FURTHER UNDERSTAND HOW THE NATIONAL HEALTHCARE REFORM IMPACTS YOUR ORGANIZATION, CALL VINCE WOLF AND COWDEN ASSOCIATES' PROFESSIONAL TEAM AT 412.394.9360.