Challenges Impacting Municipal Health Plans

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Agenda

- Opening Comments
- Anticipated Changes under the New Administration
- The State of the Healthcare / Insurance Market
- Emerging Trends and Strategies
Access and Affordability
Paying Providers for Value, Not Volume
Focus on Prevention
Bending The Trend

March 23, 2010
Signing of the Affordable Care Act (ACA)
Uninsured Rate At A New Low

September 2016
U.S. = 8.6% per HHS Secretary

Illinois = 7.1% (900,000) per Census Bureau from a high of 12.7% in 2013

Across the US Medicaid increased 70% from 2011-2015.
Young Invincible Still sitting out

48.6 million Americans were uninsured

28.4 million uninsured

GALLUP-HEALTHWAYS WELL-BEING INDEX

Results
Where Are They Insured? | Illinois

- Employer: 54%
- Government: 34%
- Buy My Own: 6%
- Uninsured: 6%

*Kaiser*
Exchange members needed more medical services than projected resulting in severe increases in premiums
- State Co-Ops shut down (5 of 23 remain)
- Blue Cross parent company (HCSC) loses $1.5B
- Aetna, United Healthcare, Humana and Coventry pulled out of Exchanges

ACA Mandates, Guarantee Issue, No Pre-Ex, Unlimited Lifetime Maximum and Taxes have been taking their toll on premiums!
Anticipated Changes Under The New Administration
Healthcare Reform 2.0

“Insurance For Everyone!*”

*Washington Post
What Is The Better Way?

Currently Reviewing Proposals from Speaker Paul Ryan, Proposed Secretary of HHS Tom Price and Awaiting one from Senator Rand Paul

All Lean Toward Repeal and Replace
Removing the “Legislation Mumbo Jumbo”*

- Procedural Steps were taken last week to set the stage for a reconciliation bill. Meant to repeal significant parts of the health law that are budget relevant with a simple majority, 51 votes in the Senate.

- Last week President Elect Trump said he wants to repeal and replace the law “simultaneously.”

- Late last week President Obama said he would be happy to support a replacement to his signature healthcare reform law if presented with a fully formed plan that would provide good coverage.**

- “It’s not our plan for people to lose coverage”*** Rep Tom Price

* Speaker Paul Ryan Town Hall
**Modern Healthcare
***Fierce Healthcare
What’s Being Proposed?

- **American Health Care Reform Act of 2017 (AHCRA)**
  - Insurance For Everyone, But not Single Payer
  - Allows for Doctors and their patients to be in charge of healthcare decisions
  - No Pre–Ex, but continuous coverage required
  - Highest Cost patients move to subsidized high-risk pools
  - Children covered on parent’s plan to age 26
  - Preserving Employer Sponsored Health Insurance
  - Empower Individual’s and Small Businesses to band together to purchase as Associations
  - Allow selling of insurance across State lines
What’s Being Proposed?

- Continued—
  - Refundable tax credit for those without employer provided insurance (Voucher)
    - Not subject to income limits
    - Not required to purchase through an exchange
    - More plan choices including **low cost, low benefit plans**
  - Greater access and expansion of Health Savings Accounts (HSAs)
  - Emphasis on Lowering Pharmacy Costs
  - Price Transparency
What’s Being Proposed?

- Continued—
  - Eliminate Cadillac Tax
  - A Cap on Employer Tax Exclusion
  - Expand Federally Qualified Health Clinics
  - Reform of Medicaid (Model HIP2.0)
    - Block Grants Empowering States
  - Malpractice Reform?
A few HSA expansion ideas floated:

- Raise Contribution Limits to $9,000 for people who file single, $18,000 for joint.
- Remove restrictions imposed by the ACA for items that are purchased over the counter.
- Permit HSA funds to pay for health insurance premiums and other health care costs.
- Simplify regulations by eliminated the high deductible health plan mandate.
A Year of Uncertainty

If Repeal through Reconciliation (and no Replacement), only Budget Items will be impacted:

- For Example, Penalties and Taxes: Individual and Employer Penalties (not the mandate, and not reporting requirements)

Longer term how will the Replacement plan impact?

- Unlimited Lifetime, Essential Health Benefits, Prevention and Expanded Women’s Health, Maximum Out-of-Pocket Caps, SBCs, full-time requirement of 30 hours, etc.

What Else?

- 18M now, to 32M in 2026, could possibly lose coverage*
- Hospitals could lose $166 Billion by 2026**

* CBO
**American Hospital Association
Stay The Course For Now

Continue Following Original ACA Compliance

- Individual Mandates
- Employer Mandates
- Plan Design Mandates
- Employer Reporting Requirements (extension this year to report to employees, not the IRS)
- Etc., Etc.
“It’s Deja Vu All Over Again”!

— Yogi Berra
State of The Healthcare / Insurance Market
Insurance Premiums Are Not Sustainable!

Medical Trend = 6 to 8%, Pharmacy Trend = 10 –12%
Impact from Innovation and Legislation

Specialty Rx

$1 Million Claims On The Rise
Most Common: Leukemia, Transplants, Premature Babies
Do Mergers Really Lower Cost?

Clinical Efficiencies or Competitive Edge?

Healthcare Systems

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<th>Partners</th>
<th>Markets</th>
<th>Combined Scale</th>
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<td>Northern Suburbs</td>
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<td>$1.1B revenue, 2 hospitals</td>
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Insurance Carriers

- Anthem
- Cigna
- Aetna
- Humana
- UnitedHealthcare
- SCA

Surgical Care Affiliates
Specialty Drugs

- Technology Advancements

- Humira / Enbrel for Rheumatoid Arthritis $40,000+/ yr.
- Hepatitis C cure = $100,000
- Spinal Muscular Atrophy (Spinraza) high as $750,000 first year
- EpiPen increased from $100/two pack to $608 since 2007
Plan Designs Alone cannot fix Pharmacy. It will require a change in Legislation, and we might get it.

“You’re getting away with murder and I’m going to stop it”!  *DJT*

- President Elect Trump promises PHARMA changes:
  - Competitive Bidding
  - Drugs to be manufactured in the U.S.
An Aging Population is More Costly

Doctor Shortage

Short 100,000+ Physicians by 2025

- Physician Burn-Out Rate is Up
- Nearly 40% of U.S. physicians now employed by hospitals or health systems

Image obtained from: AMA-ASSN.ORG
We Have Reached The Boiling Point!

Market Impacts

ACA Compliance, Taxes = PCORI, Transitional, HIT, Medical Device, Pharma

High Medical and Rx Trend

Cadillac Tax or Cap on Tax Exclusion

Healthcare for a family of 4 tripled since 2001

*Milliman 2016 Medical Index.
What’s Possible?

Goals:
- Attract and Retain Quality Personnel
- Meet CBAs, Increase Employee Satisfaction
- Meet Compliance Requirements 1.0 or 2.0
- Sustainable and Predictable Cost
Emerging Cost Containment Trends

- Risk Management – Worksite Wellness
- Consumerism HSA - Personal Engagement
- Technology – Telemedicine, Cost Transparency
- Eligibility Management – Retiree Carve Out
- Multi-Generational Benefit Planning – Employer Exchange
- Defined Contribution – Cost Sharing
Mega-Claims over $1M were up 25% in 2015*

- Costliest Claims: Cancer, End Stage Renal Disease, Congenital Anomalies and Premature Birth

Chronic Conditions On The Rise:

- Obesity
- Diabetes
- Behavioral Health

*Worksite Wellness and Prevention efforts have proven to mitigate rising healthcare costs and improve productivity**

* Sun Life
* *Pwc
Blue Cross Association’s Study of HSA Members that were tracked for five years showing behavioral change vs. Traditional Plans

- 12% reduction in aggregate healthcare spending
- 10% more likely to fill prescriptions with generics
- 24% reduction on inpatient hospital charges
- 23% reduction in hospital admissions
- 12% reduction in emergency room visits
Technology Revolutionizing Healthcare*

- Telehealth Visits – Alternative Care
- Pricing Transparency
Alternate Care Solutions*

Alternate care venues cost less for routine and minor care

Electronic – Telehealth Visit $40
Retail Clinic – Nurse Practitioners $89
Primary Physician Visit $120
Urgent Care $221
Emergency Room $1,499

Healthcare will continue to move out of hospital and physician offices. More care will be delivered via non-traditional channels at a lower cost.

*Pwc
Eligibility Management

- 4-tier Cost Sharing Model
  - Employee
  - Employee + Spouse
  - Employee + Children
  - Full Family (Employee, Spouse and Children)
- Spousal Carve-Out, Surcharge or Incentive to Waive
- Retiree Alternative HealthCare Options (Pre and Post 65)
Retiree HealthCare | Why Review?

- Retirees Pre-65 and Post-65 are higher claimants than Active Employees, in many cases by 2:1!
- This higher implicit cost raises the price for everyone else on your plan also raising the Cadillac Tax Exposure, piercing the Cap on Tax Exclusion, and Impacts GASB.
Multi-Generational Benefit Planning - Employer Private Exchange

Today - Fewer Millennials, More Boomers

Future - Fewer Boomers, More Millennials
Paired With - Defined Contribution

Employer pays a flat amount per person or family tier – Employee elects the plan and pays the balance.
Regardless of Reform 1.0 or 2.0

Emerging Trends & Strategies

- Digital Onboarding and Communication
- Data Analytics
- 2020 Tax Forecaster
- Worksite Wellness
- Consumerism, HSA
- Defined Contribution
- Employer Private Exchange
- Multi Generational Benefit Design
- Eligibility Management
- Post 65 Retiree Carve-Out
- Rx Management

HORTON
Key Takeaways

- The Uninsured rate is down to 8.6% from a high of 17.1%
- Medical and Rx Trend is on the rise
- We are moving into a New Healthcare Era 2.0 where HSA plans will take center stage
- Employers will manage health and risk through worksite wellness and safety programs – with incentives.
- Pre and Post 65 Retiree Opt-Out or Carve-Out Programs, many with incentives, will also play a key role in Cost Containment
Key Takeaways

- If in place of the Cadillac Tax, there is a Cap on the Tax Exclusion, it will impact your employees’ paycheck.

- Job attraction and retention could be challenged.

- How will these changes impact your Collective Bargaining Agreements?

- Defined Contribution cost sharing paired with Multiple Choice Plan options (Employer Private Exchange) will become commonplace.

- Remember…..The ACA remains the Law of the Land - Stay The Course with Compliance.
Questions
Thank You!

Horton works with employers who have complex needs and limited resources who desire to Achieve a Higher Level of Performance.

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