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## Association News

# IVCA Feature: Seven Facts About the Affordable Healthcare Act From the ‘Overview and Implementation of Illinois’s Health Insurance Exchange’ IVCA Luncheon

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On April 23rd, the IVCA presented an educational luncheon with the subject, “ Overview and Implementation of Illinois’ Health Insurance Exchange,“ presented by Kevin Scanlan, the President and Chief Executive Officer of the Metropolitan Chicago Healthcare Council (MCHC). The presentation focused on the upcoming phases of the Affordable Healthcare Act (ACA), which was signed into law on March 23rd, 2010. These next important phases are regarding the implementation of a “healthcare insurance marketplace” that will emerge in Illinois and all states on October 1st of this year. After that date, individuals in each state will be able purchase healthcare insurance, to begin coverage in 2014.

The luncheon emphasized the facts of the ACA, in association with the next phase. Kevin Scanlon gave an overview of these facts, in connection with his new ‘Land of Lincoln Health,’ which is a consumer operated and oriented plan that is explained below. The following seven facts were highlighted in the presentation, along with attendee Q&A and website destinations for more information.

Under ACA, the movement is toward payments based on the outcome of care.

**Kevin Scanlan:** Quality is pushed up over ten times in the ladder of importance than it has in the past, and along with that is the wringing out of redundant costs. For example, my member healthcare givers are talking about reducing costs and improving quality all in the same breath. In order to survive they will have to do that. Hospitals and healthcare providers are also moving towards collecting themselves into systems, because the ACA is much easier to implement in a system rather than in a stand alone entity.

Individual mandates requires all U.S. citizens to purchase coverage.

**Scanlan:** In 2016, when the ACA is fully implemented, the estimate nationwide is that that healthcare insured membership will spike from 19 million up to 59 million in 2016. Medicaid expansion is another option, which states can volunteer for – in Illinois, for example, 1.9 million people do not have insurance, and 500,000 of those folks would be eligible for expanded Medicaid coverage. In the Supreme Court decision supporting the ACA, the federal government will pay 100% of the expanded Medicare costs for 2014-15. In 2016, it will drop to 90%, and then 5% less every year thereafter, until it becomes part of the 50/50 split of Medicaid between the states and the federal government. This is a voluntary program, and some states are not accepting it, both on political party lines and potential future liability.

Medicare moves up, but that is just a function of the aging baby boomers. Self insured plans will have a slight decline. Large and small group insurance will slightly decline, as an employer weighs the cost of

insurance versus the cost of the penalty that they will have to pay. As a result of all this, the number of uninsured will be estimated to decline by approximately 50%.

There is a penalty for individuals who opt out of insurance.

**Scanlan:** In 2014, the penalty will be \$95 per adult, and \$47.50 per child, up to 1% of family income. In 2015, the numbers will increase to \$325 and \$162.50 and 2%. In 2016, the penalty increases to \$695, \$347.50 and 2.5%.

The responsibility of small businesses for employee healthcare coverage.

**Scanlan:** There are a whole host of new fees and costs because of ACA. There is an insurer's fee, an annual excise tax on health insurance to fund premium subsidies and Medicaid expansion, which begins January of 2014. This applies only to fully insured plans, which will be based on insurer's market share of net premiums based on the previous year, estimated to be 2-3% of the premiums.

Starting in 2014, the ACA requires companies with 50 or more employees to provide coverage or pay tax penalties, and will leave the calculation to the Internal Revenue Service. Getting below 50 employees before December 31st won't necessarily get a business a pass. The IRS has made their calculations based on a full time employee equivalent.

The penalty for non-compliance will be 166.67 per month multiplied by the number of full time employees, excluding the first 30. The transition rule allows employers to count the number of full time employees during any six month period (consecutive) of 2013.

The ACA requires each state to set up a "health insurance marketplace."

**Scanlan:** These were referred to, while the legislation was being set up, as the health insurance exchange. The Centers for Medicare & Medicaid Services (CMS) and [Health and Human Services] Secretary Kathleen Sebelius didn't like the terminology 'health insurance exchange' so it has since been changed to 'health insurance marketplace.'

The ACA requires each state to set up a health insurance marketplace, that must be in place by October 1st of this year. From our perspective, the marketplaces will look and function like a Travelocity®-type website, an electronic format in which a purchaser can put in qualifiers, like hospital, physician, locations and more. Once the purchaser pushes enter, hopefully a number of insurance options and prices to choose from will appear. Notice that I said 'hopefully.' We haven't seen anything yet. It is still in development. The states have the option to run the marketplace. If they refuse, the federal government will run the marketplace. There has also been hybrid models between the states and the feds, which is how Illinois is running it. So the insurance marketplace is approved, consumers will be able to purchase plans through the marketplace on October 1st, for coverage year beginning in 2014.

Within each of these plans on the public exchange, there will be up to thirteen or so, but within each of those plans, there has to be four levels of coverage – 'Platinum,' 'Gold,' 'Silver' and 'Bronze.' This difference between these levels are a function of deductibles and co-payments.

There are consumer operated and oriented plans.

**Scanlan:** Created through the ACA, these are non-profit, member run organizations that offer health insurance plans, governed by an independent board comprised of their members. The Federal Government gave approval and funding to launch 24 of these consumer operated and oriented plans. One of these is 'Land of Lincoln Health.' The health insurance exchange will be a vehicle through which individuals and companies will go to select their insurance, we will be one of the options that sits on the exchange.

There are a number of private healthcare exchanges being developed.

**Scanlan:** Corporations and insurance brokers are putting them together, there will probably be eight to ten private marketplaces that will look similar to public marketplaces, but the private marketplaces will be targeted toward employers.

For example, what Aon Insurance is doing, is going to businesses with the Travelocity approach, with a platform giving seven different healthcare insurance carriers to look at, with several different options available within those carriers to pick from. This gives employers the opportunity to give their employees a certain amount of money to select the carrier that the individual employee wants. It's a movement, like retirement savings before this, to go from a defined benefit plan to a defined contribution plan.

#### LUNCHEON ATTENDEE Q&A

**QUESTION:** The payments of healthcare insurance providers, will those be determined by commercial rates, Medicaid or Medicare rates, where will they fall?

**Scanlan:** It's a general assumption that it will not be commercial rates. We've got to come up with a competitive structure for payments to the hospitals, along with a competitive cross structure of fees through a third party administrator and others for that. There is lots of talk about Medicare rates, because hospitals are accustomed to those margins, so it could be that. But a third option is a private label plan, through a system of hospitals and providers.

**QUESTION:** So for those businesses who have 50 or more employees, and want to send them to a public or private marketplace, will there be a minimum contribution that they have to make per employee?

**Scanlan:** There is a minimum acceptable plan that will be a benchmark, but it will be a catastrophic-style plan, with high deductibles.

**QUESTION:** What about big employers? Will they put everyone on an exchange, or will some of their employees opt out of their plans to go on a public exchange? How will that work?

**Scanlan:** Based on my experience, it would be an all or nothing. If you have, for example, Blue Cross coverage now, you may still have that option under the private marketplace. It may look different than the Blue Cross coverage offered now, but in addition to that Blue Cross plan, there could be other insurance plans around it on that marketplace, like Aetna, Humana or others.

**QUESTION:** Will there still be before tax and after tax contribution options?

**Scanlan:** Yes, there will still be a 'cafeteria' plan for payroll deductions of premiums only.

**QUESTION:** Could a large group implement a plan, like the plans that are offered now, without the existence of these marketplaces?

**Scanlan:** We have yet to determine as what we'll do for 2014 as far as Land of Lincoln Health, that could be an option that we explore for 2015, but we're on the public marketplace as of October 1st, 2013. We'll use those results of 2014 as a learning experience, and decide how to make changes to it, to be effective by 2015.

**QUESTION:** How will pricing work, I know in the first year it will be hard to figure out how to price things, but in the second year, will the pricing be determined by the individual experience or the whole group of those who sign up?

**Scanlan:** It will be the whole group, and a community rating will be determined through the Platinum, Gold, Silver and Bronze subset levels. Looking at Massachusetts, who implemented many of these elements three years ago, we're seeing in years two and three that many of consumers are migrating out of the Platinum and Gold plans, down into the Silver and Bronze plans. Either they don't need the high levels, or can't afford it.

**QUESTION:** Where there be the same level subsets throughout all states, Platinum, Gold, Silver, Bronze, or will they be different in different states and in the private marketplaces?

**Scanlan:** Those subset levels will be the same across the states, although in the private marketplace it might be different. I've heard two different scenarios, they will use them or they'll come up with their own levels and names.

**QUESTION:** How will the pre-existing conditions play out in public marketplaces?

**Scaalon:** Those pre-existing condition clauses, which have existed in virtually all plans in the past, get thrown out on December 31st, 2013.

**QUESTION:** Will the rates, in your opinion, be competitive with what big employers offer for their employee plans now?

**Scanlan:** I think they have to be, or this will be a waste of time. It depends again on how much risk the healthcare insurance entity is willing to take, and how they – and us – will determine those rates accordingly. A big component of those who will take advantage of the public marketplace, will be that they have no insurance now, so if we come in with a competitive structure for those folks, we'll probably pick up 75% of our covered lives that way. It can grow every year.

**QUESTION:** Will the questions regarding the subset levels – the Platinum, Gold, Silver, Bronze – create a chaotic effect, in your opinion, come January 1st, 2014?

**Scanlan:** It will be chaotic, there is a provision in the ACA, that calls for the funding and creation of navigators. The intent of those navigators will be to guide individuals on how to navigate the marketplace, but they can't point a person to a specific plan. There is another group being talked about, 'Certified Enrollment Assisters,' or something like that, who will have a slightly different role. The navigators are funded by the federal government on a grant basis, with the application process closing soon. Hopefully they will be able to talk to people who don't understand the process. I would say 65% of the population don't understand it at all.

**QUESTION:** How are these marketplace providers spreading the gospel of the new healthcare system?

**Scanlan:** We're working through our board of directors, who represent our consumer marketplace, and we're using community based organizations and chambers of commerce to push the information out to the communities they serve. The idea is to reach out to those community-based organizations, religious groups and hospitals to give out this information. And we also have our websites to push information, and people are using them every day.

To link to the information presented by Kevin Scanlon, go to <http://kff.org/health-reform/> or <http://landoflincolnhealth.org/> or <http://www.mchc.com/eweb/> or <http://insurance.illinois.gov/hirc/hie.asp>