








Kevin Keogh currently serves as the Director of Health Policy at HealthPass New York after joining the organization in 2013. In this role, he oversees the monitoring and analysis of local, state, and federal legislative and regulatory developments related to health insurance exchanges as well as employee health benefits. Additionally, Mr. Keogh works to develop consensus-based policy positions on a range of activities that directly interact with the functionality of both private and public exchanges.

Mr. Keogh enjoys interacting with the HealthPass community by providing assistance and support around the federal health reforms and connecting how exactly the topic is shaped on the state-level. With a Bachelor of Science from Rutgers University, Mr. Keogh has previously served as a legislative fellow for the United States Senate, as well as a consultant for national not-for-profits and social ventures.



Northeast Business Group on Health



- Represents employers based in New York, New Jersey, Connecticut and Massachusetts – many are large national employers
- Employer driven – includes insurers, providers, benefit consultants and other stakeholders
- Influences the healthcare and health insurance available to 10 million+ working Americans
- Speaks with one voice for quality, accountability and value in the region's health care system
- Member of National Business Coalition on Health
- Recognized as one of the country's most influential business coalitions



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NEBGH (previously the New York Business Group on Health) is the parent company of Health Pass. NEBGH serves the interests of the large group market, while HealthPass serves small groups.







Problem with U.S. Healthcare System



- **Access:** 47 Million Americans are uninsured and experts suggest this leads to 45,000 deaths per year.
- **Costs:** Today healthcare expenditures per person are nearly twice that of many developed countries.
- **Quality:** Today Americans do not receive 45% of the recommended care and many receive more testing than needed.






The Aim of Reform

- **Focused on two main areas**
 - **Reducing the number of uninsured by providing greater access to health insurance**
 - **Improving value (reducing costs and improving quality) in the delivery system**





The first step in improving value was the establishment of ten “Essential Health Benefits” in the ACA. Essential health benefits must be offered in all plans and include items and services within at least the following 10 categories:

1. ambulatory patient services;
2. emergency services;
3. hospitalization;
4. maternity and newborn care;
5. mental health and substance use disorder services, including behavioral health treatment;
6. prescription drugs;
7. rehabilitative and habilitative services and devices;
8. laboratory services;
9. preventive and wellness services and chronic disease management; and
10. pediatric services, including oral and vision care.





Reform: Quality Initiatives

- **Paying hospitals based on performance of quality measures**
- **Pilots**
 - **An Innovation Center is testing strategies to reduce costs and improve quality**
 - **State pilot project to improve patient safety**
 - **Medicaid project to reimburse docs and hospitals using a bundled payment for an episode instead of fee-for-service**
 - **Accountable Care Organizations (ACOs) which will allow physicians and hospitals and others to organize and provide care which meets quality thresholds and results in savings**





An ACO is a network of doctors and hospitals that share responsibility for providing coordinated care to Medicare patients. Under the Affordable Care Act, each ACO has to manage the health care needs of a minimum of 5,000 Medicare beneficiaries for at least three years. This program started in 2011, so it hasn't cycled yet through a full three-year period. Expect to see more ACOs formed after the current ACOs results are evaluated in 2014.

Note: some FAN members may be familiar with the Healthy NY program, which for the past several years served as one arm of Medicaid in NYS. But with the establishment of the New York State exchange, which will identify individuals who qualify for Medicaid and help them apply for it, Healthy NY will no longer provide coverage for individuals or sole proprietors. Instead Healthy NY will be limited to small employers only.
(<http://www.dfs.ny.gov/healthyny>)



Accountable Care Organizations (ACOs)

- **Accountable Care Organizations (ACOs) are groups of doctors, hospitals, and other health care providers, who come together voluntarily to give coordinated high quality care to their Medicare patients.**
- **The goal of coordinated care is to ensure that patients, especially the chronically ill, get the right care at the right time, while avoiding unnecessary duplication of services and preventing medical errors.**
- **Under the ACA, an ACO succeeds both in both delivering high-quality care and spending health care dollars more wisely, it will share in the savings it achieves for the Medicare program.**
- **Payment reform is needed to ensure the survival of this model.**



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Reform: Delivery Initiatives

- **Payment reform has been accelerated**
 - Health plans are reimbursing based on value not volume
- **Providers are changing how care is delivered**
 - Restructuring to deliver better, coordinated care to patients and be accountable for their care.
 - Creating new models of delivery like patient- centered medical homes and ACOs.
 - Consolidating; hospitals are buying physician practices and merging with other hospitals.





“Patient-centered medical homes” are mostly found in rural areas. See www.pcmh.ahrq.gov



Reform: The Now

- **Open Enrollment for the Public Exchange Begins on October 1, 2013.**
- **New York State will have two exchanges: Individual and Small Group Health Options Program (SHOP).**
- **Small groups will have three main outlets to purchase their coverage from from this date forward:**
 - **1) Public Exchanges**
 - **2) Private Exchanges**
 - **3) Traditional Commercial Market**





Open enrollment for individuals on the exchanges runs October 1, 2013 through March 31, 2014. Open enrollment for small groups runs year-round.

Tax treatments:

The exchange for individuals offer subsidies on premiums that are immediate. I.e., the premium that the individual must pay is reduced from the time of first billing. The tax credits for small businesses that purchase on the exchange are credited when the businesses' taxes are filed.



One can think of SHOP sites as being like the "Travelocity of healthcare plans," allowing employers to compare multiple offerings at the same time.

The definition of "Private exchanges" on this slide includes PEOs.



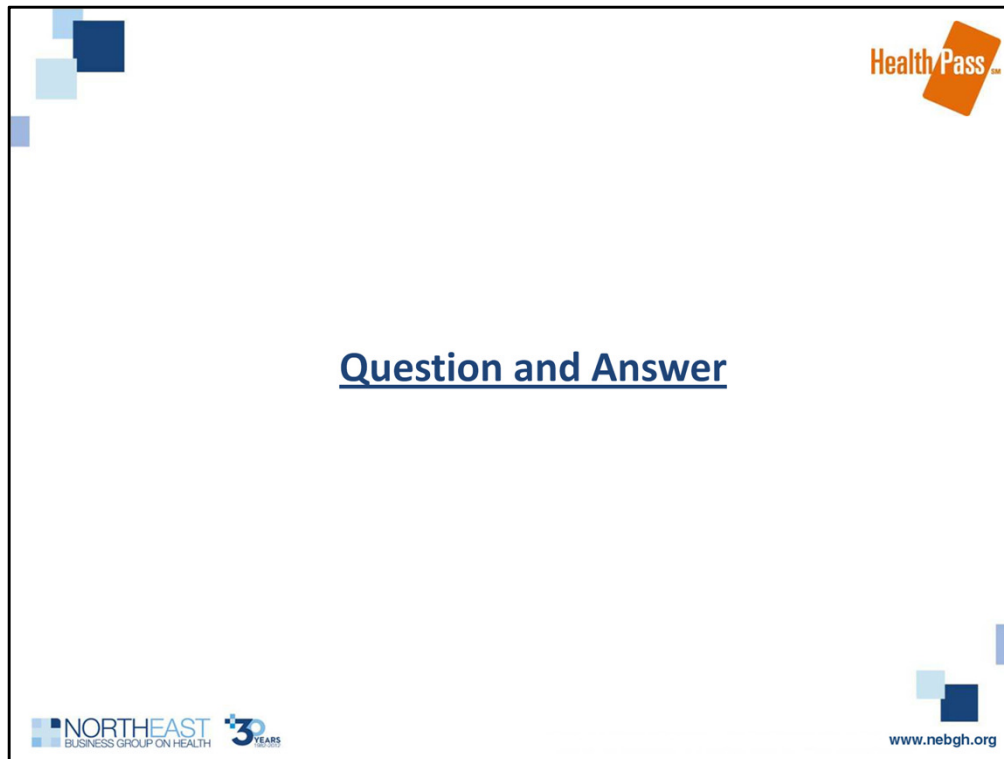
Overview of Implementation



PROVISION	TIMING
New Medicare taxes on high earners	Effective January 1, 2013
W-2 reporting of health care value for small employers	Postponed w/ Option
FSA contributions limited to \$2,500/year	Effective January 1, 2013
Open Enrollment for SHOP begins	Effective October 1, 2013
Employee Choice Rule	Postponed until 2015
Small business tax credit increases (50% Max.)	Effective January 1, 2014
Individual Mandate	Effective January 1, 2014
Employer Mandate	Postponed until 2015
Prohibition on Annual Dollar Limits	Effective January 1, 2014



W-2 reporting of health care value has been postponed for small employers; however, it is now required for companies with more than 250 employees. The form to use when reporting is available now, however, so if smaller companies want to report they may – it is an option.

In April 2013, the administration announced a delay in the ACA requirement for all SHOP marketplaces to include an 'employee choice' feature for small businesses. Under this 'employee choice' or 'plan choice' model, small businesses could offer employees a menu of plan options through the SHOP marketplaces, like many larger businesses do today. The delay made this requirement optional until 2015, though now it appears that most of the states operating their own health insurance exchanges will go forward with an 'employee choice' option in 2014, including New York State.









Defining Health Plans under the ACA

- Traditional – For small groups, the importance of meeting minimum essential health coverage and addressing all 10 EHBs.
- Cost Sharing Plans – Reform prevents these plans from applying limits on out-of-pocket maximums and deductibles for employer-sponsored plans.
- Consumer Directed Health Plan (CDHP) - A high deductible health plan with a health savings account (HSA). HSA are not affected by the annual limit rules under reform.

On the slide to follow, we will map out the purchasing options that a small group will have access in 2014.





Note that the price of a plan on the exchange must be exactly the same as the price of that same plan off the exchange. However, there will be some plans that are not offered on-exchange and will only be offered off-exchange.





Option 1: The Public Exchange

- New York State is one of just 17 states to build and manage their own exchange.
- Full employee and employer choice across all tiers.
- The definition of small groups will expand to 2-100 as required by ACA in 2016.
- The SHOP allow employers to use a Defined Premium Contribution.
- It will act as Selective Contractor/Active Purchaser, negotiating with carriers re: benefits & cost.
- In 2014 ,The SHOP will become the only platform that the Small Business Health Care Tax Credit can be claimed.





Expanding the definition of small group from 2-50 (which it is now) to 2-100 in 2016 is going to be very important and will offer groups with 50 or fewer more plan options.

The Defined Premium Contribution allowed by the SHOP exchanges can be as large as the full premium amount.





Option 2: Private Exchanges

- In general, an exchange offers three main benefits. They are:
 - Choice
 - Service
 - Savings
- Depending on location, there may be a varied products to choose from.
- Like the SHOP, many exchange allow employers to use a Defined Premium Contribution and provide as much administrative support for small business owners as it can afford.





For the purposes of this presentation, Private Exchanges include PEOs. More information on PEOs can be found on the slide after next.





Option 3: Traditional Approach

- If you currently offer coverage and are comfortable with your purchasing method you can continue to use the same approach.
- Plans will carry the same premiums, but have more variation in cost-sharing provisions than exchange-based options.
- Important to confirm that coverage meets minimum value and covers all 10 Essential Health Benefits (EHBs).
- PEOs will remain an option for those companies that currently have one or are considering.





Under the traditional approach, one can expect the plan offerings to change going forward but the buying experience for employers will remain the same.



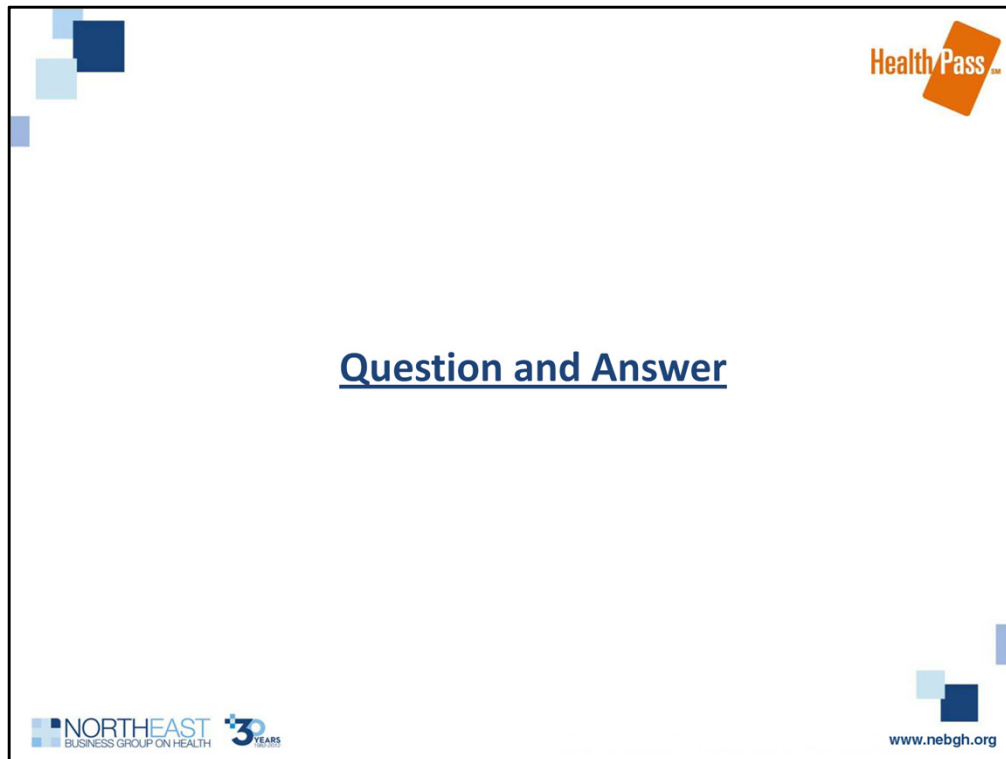
Professional Employer Organization



- A PEO allows a business to outsource the management of their HR employee benefits, payroll, and workers' compensation responsibilities
- When it comes to purchase health insurance on your behalf, PEOs procure the benefits from licensed insurance agents and authorized insurers.
- Similar to an exchange, employers find value in PEOs as these organizations provide choice, identifying lower premiums due to a larger purchasing pool, and assist with HR complexities.
- Commonly charge a flat monthly fee for service.
- Serve as a trusted advisor to a small employer



In our group of about 30 FAN attendees at this presentation, there were 3-4 organizations that currently used PEOs, and another 3 who are considering them. ADP, for example, offers a PEO (see <http://www.adp.com/solutions/services/professional-employer-organization.aspx> for an example of a PEO).



Before the exchanges, a small organization could definitely benefit from lower premiums by going through a PEO rather than buying a community-rated plan. But now with the new exchanges, we don't know whether these cost savings will be such an advantage.







Next Steps – Distributing the Model Notice

- Next to open enrollment, October 1 remains to be a critical date to distribute the Employer Exchange Notice.
- The purpose of the notice is to inform all employees that receive at W-2 of their option and right to enter the exchange if they wish to purchase their own coverage.
- After October 1 and when a new employee is hired, the notice must be provided within 14 days of their start date.
- A model notice is provided on the Department of Labor’s website.





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The presenter reminded us that page 3 of DOL’s model notice is “optional.”





Next Steps – Individual Mandate

- Employees may inquire about their interaction with the individual mandate.
- The mandate only applies if the employee opts out of coverage and does not purchase coverage of their own.
- In the event of an employee being released, the mandate would be critical to review with them as it carries a penalty.
- COBRA v. Individual Coverage w/ Subsidies – two options an departing employee can have to consider at that time. There are pros/cons to both.





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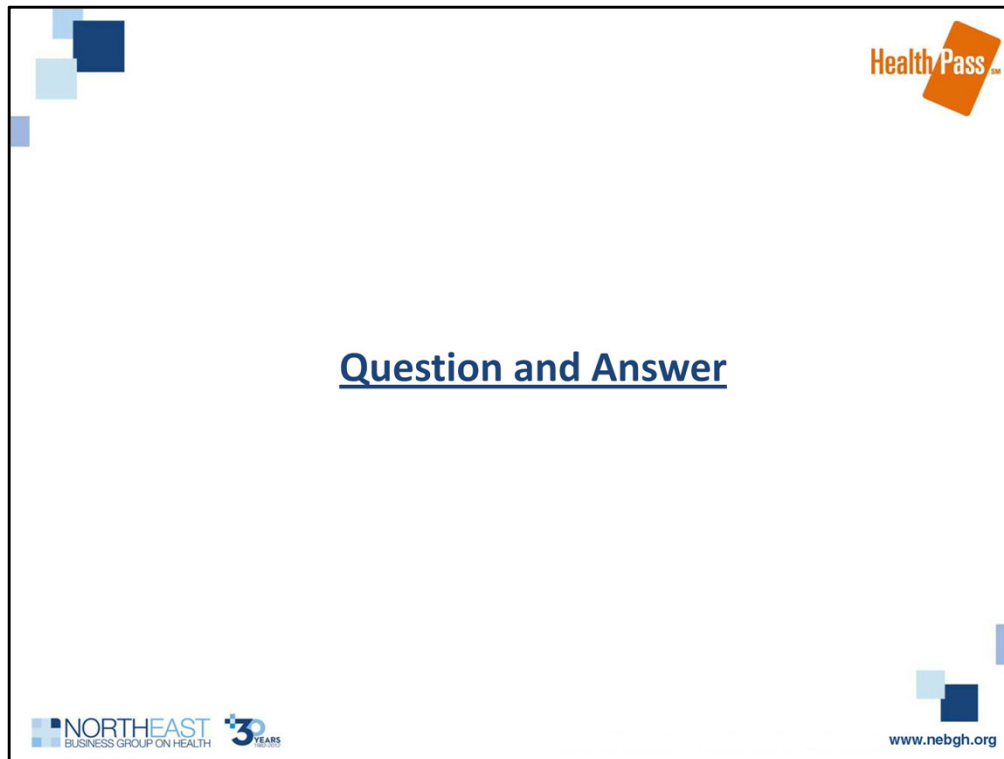


Next Steps – COBRA v. Subsidies

- COBRA allows employees and their dependents to continue their group health benefits provided by their employer for 18 month at their own expense.
- Under the ACA, there had been a subsidy to reduce the impact of these costs and have the individual pay no more than 35%. This has expired in 2012.
- The individual premium subsidies will make exchange-purchased health coverage much cheaper than COBRA, in which beneficiaries pay the full premium or as much as 102% of the group rate for coverage that employers provide to active employees.
- To qualify for a subsidy, employees would have to both satisfy the 400% federal poverty level test and have a COBRA single-coverage premium that exceeds 9.5% of their income to receive the federal subsidy.



The future of departing employees' choosing COBRA is also unclear once the exchanges start operating. In the past, the individual rates for health insurance were sometimes more than double the COBRA rates, so taking advantage of COBRA was often a good deal by comparison. Now the exchanges are likely to offer a departing employee a better rate than COBRA. Employers should explain both options to departing employees going forward.





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Thanks to Kevin for such a great presentation! He also offered to answer any questions any of us may have at any time and encouraged FAN members to contact him.

Notes submitted by Gail Pesyna, FAN co-chair and September 27, 2013 note-taker