PATRICK COLBECK
STATE SENATOR
DISTRICT 7

MI Healthcare
Town Hall

April 4, 2013

Goals

"This week, I conveyed to Congress my belief that any health care reform must be built around fundamental reforms that *lower costs, improve quality and coverage, and also protect consumer choice*. That means if you like the plan you have, you can keep it. If you like the doctor you have, you can keep your doctor, too. The only change you'll see are falling costs as our reforms take hold."

- Remarks of President Barack Obama, Weekly Address, Saturday, June 6, 2009

Key Provisions

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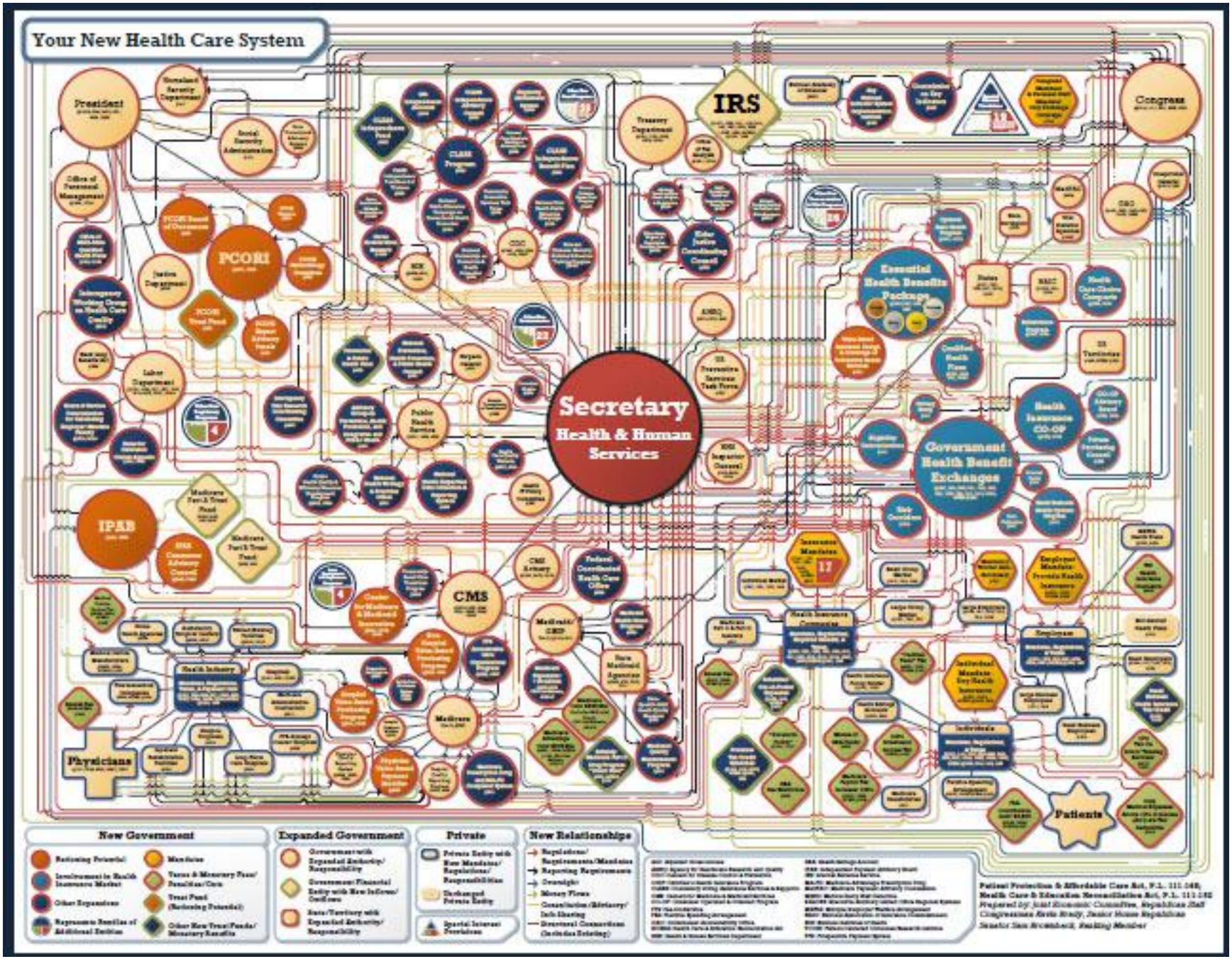
1. The individual mandate -- a requirement to have insurance that meets the HHS "minimum essential health benefits" requirements or pay a fine, with credits for those with lower and moderate incomes.

2. Tax credits -- for companies with fewer than 25 employees that provide health insurance.

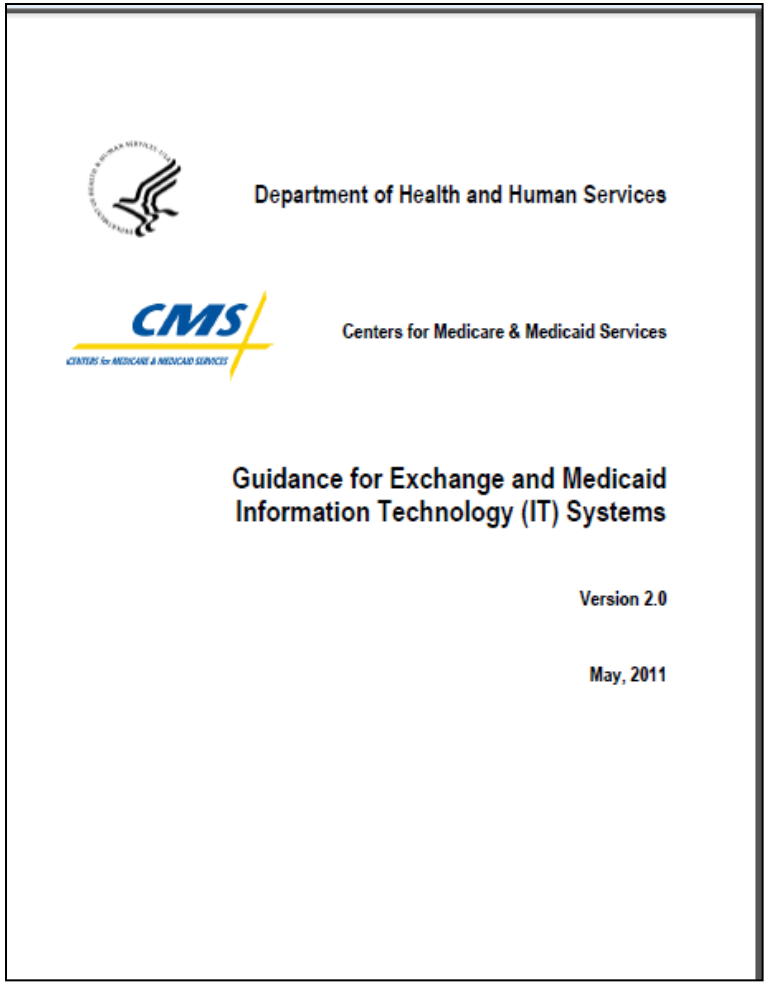
3. Penalties -- for companies with more than 50 employees that do not provide insurance.

4. State health insurance exchanges -- marketplaces with approved plans, including Small Business Health Options Programs. If a state doesn't establish its own exchange, a federal exchange will be available.



SOURCE: American Thinker, 2/27/12

IT Guidance



Department of Health and Human Services

CMS
Centers for Medicare & Medicaid Services

Guidance for Exchange and Medicaid Information Technology (IT) Systems

Version 2.0

May, 2011

Here is your project specification…

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Results?

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Lower Costs?	Improve Quality?	Improve Coverage?	Protect Consumer Choice?
• $1 Trillion Program • $503 Billion in new taxes • Fines for non-compliance • Costs shifted to taxpayers	• Projected shortage of 150,000 doctors • Supply not able to match demand resulting in rationing	• 16 million newly insured • Minimum coverage mandates • Projected Medicare expenditures will be reduced by ~$500 billion over next 10 years • Only 8,000 filings for pre-existing conditions nationwide (i.e not rampant)	• Consumers must select from a list of “qualified” benefit plans or be assessed fines

Free Market Alternatives to Obama Care

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Solution	Lower Costs	Improve Quality	Improve Coverage	Protect Consumer Choice
Free Market Exchanges	X	X	X	X
Eliminate Certificate of Need	X	X	X	X
Health Care Compact	X	X	X	X
Health Savings Accounts	X	X	X	X
Portability of insurance	X		X	X
Preventative Care	X	X	X	
Eliminate Mandates	X		X	X
FDA Certification Focus	X		X	
Tort Reform	X		X	

What is it really about?

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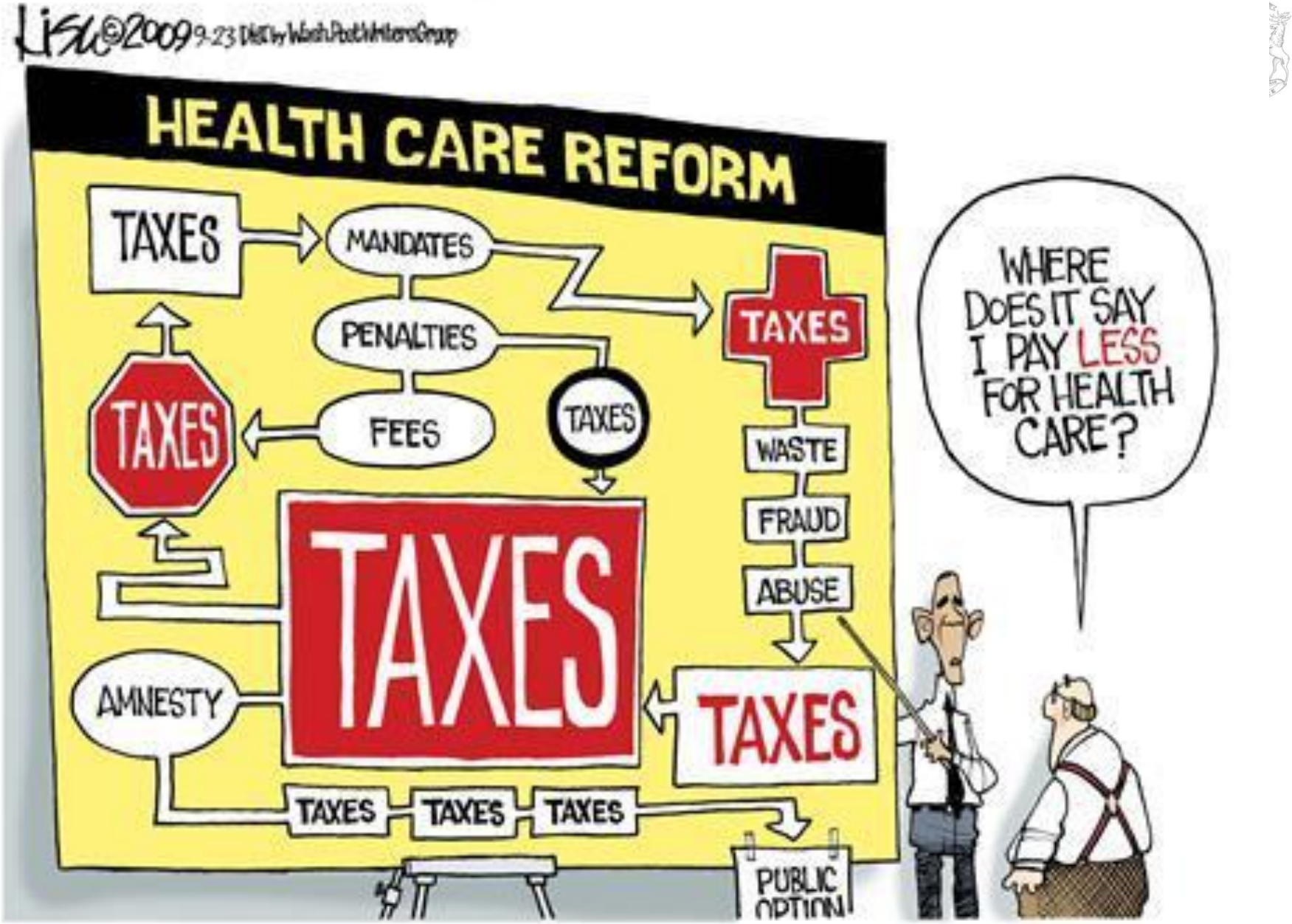
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HEALTH CARE REFORM
TAXES
MANDATES
PENALTIES
FEES
TAXES
TAXES
TAXES
TAXES
WASTE
FRAUD
ABUSE
TAXES
AMNESTY
TAXES
TAXES
TAXES
TAXES
PUBLIC
WHERE DOES IT SAY I PAY LESS FOR HEALTH CARE?

New Taxes

Description of Tax	Year Effective	Revenue Raised (2010–2019)
Increase Hospital Insurance (HI) portion of the payroll tax from 2.9 percent to 3.8 percent for couples earning more than $250,000 a year ($200,000 for single filers).	2013	$210 billion
Apply the 3.8 percent HI tax to investment income for couples earning more than $250,000 a year ($200,000 for single filers) for the first time.	2013	*
Mandate for individuals to buy health insurance and employers to offer it to their workers.	2014	$65 billion
Annual fee on health insurance providers based on each individual company's share of the total market.	2014	$60 billion
40 percent excise tax on "Cadillac" health insurance for plans costing more than $10,200 for individuals and $27,500 for families.	2018	$32 billion
Impose an annual fee on manufacturers and importers of branded drugs based on each individual company's share of the total market.	2011	$27 billion
Exclusion of unprocessed fuels from the existing cellulosic biofuel producer credit.	2010	$24 billion
2.3 percent excise tax on manufacturers and importers of certain medical devices.	2013	$20 billion
Higher corporate taxes through stricter enforcement by requiring them to report more information on their business activities.	2012	$17 billion
Raise the 7.5 percent AGI floor on medical expenses deduction to 10 percent.	2013	$15 billion
Limit the amount taxpayers can deposit in flexible spending accounts (FSAs) to $2,500 a year.	2014	$13 billion
Reduce the number of medical products taxpayers can purchase using funds they put aside in health savings accounts (HSAs) and FSAs.	2011	$5 billion
Eliminate the corporate deduction for prescription expenses for retirees.	2013	$4.5 billion
Increase corporate taxes by making it more difficult for businesses to engage in business activities that reduce their tax liability.	2010	$4.5 billion
10 percent excise tax on indoor tanning services.	2010	$2.7 billion
Increased penalty for purchasing disallowed products with HSAs to 20 percent.	2011	$1.4 billion
Increase taxes on health insurance companies by limiting the amount of compensation paid to certain employees they can deduct from their taxes.	2013	$0.6 billion
Repeal special deduction for Blue Cross/Blue Shield organizations.	2010	$0.4 billion
TOTAL REVENUE RAISED		**$503 billion**

* Revenue raised from the application of the Hospital Insurance tax to investment income is included in the $210 billion figure shown above.

Sources: Heritage Foundation calculations based on data from the Joint Committee on Taxation.

Obamacare

It impacts state and local government as well.

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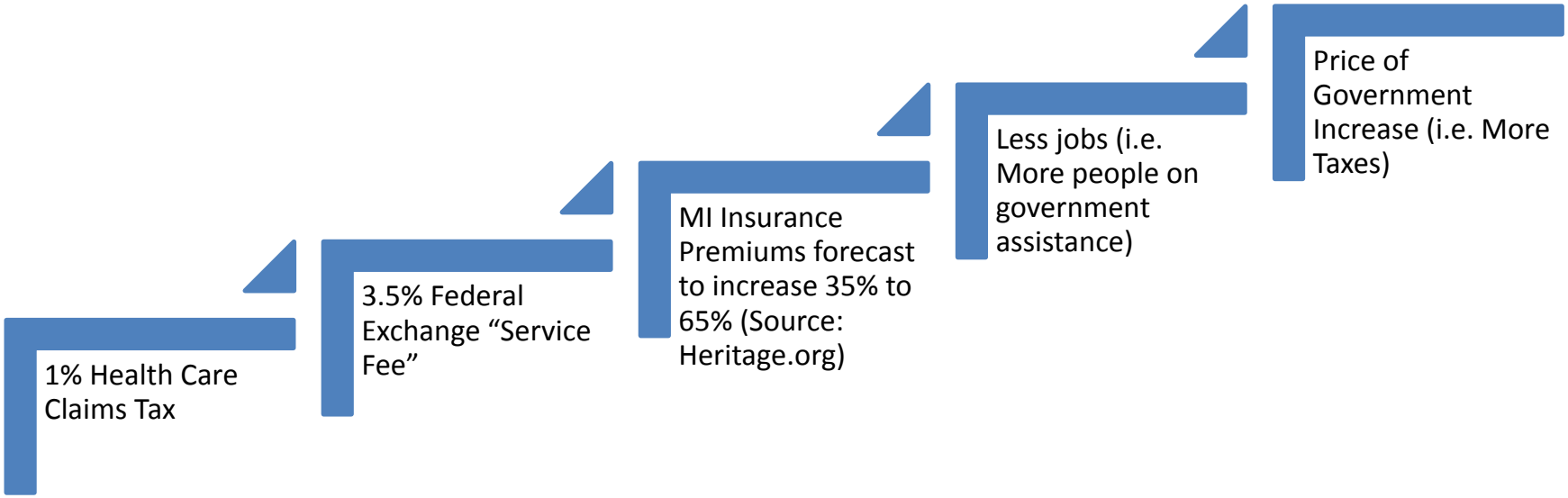

Nationwide Exchange Status

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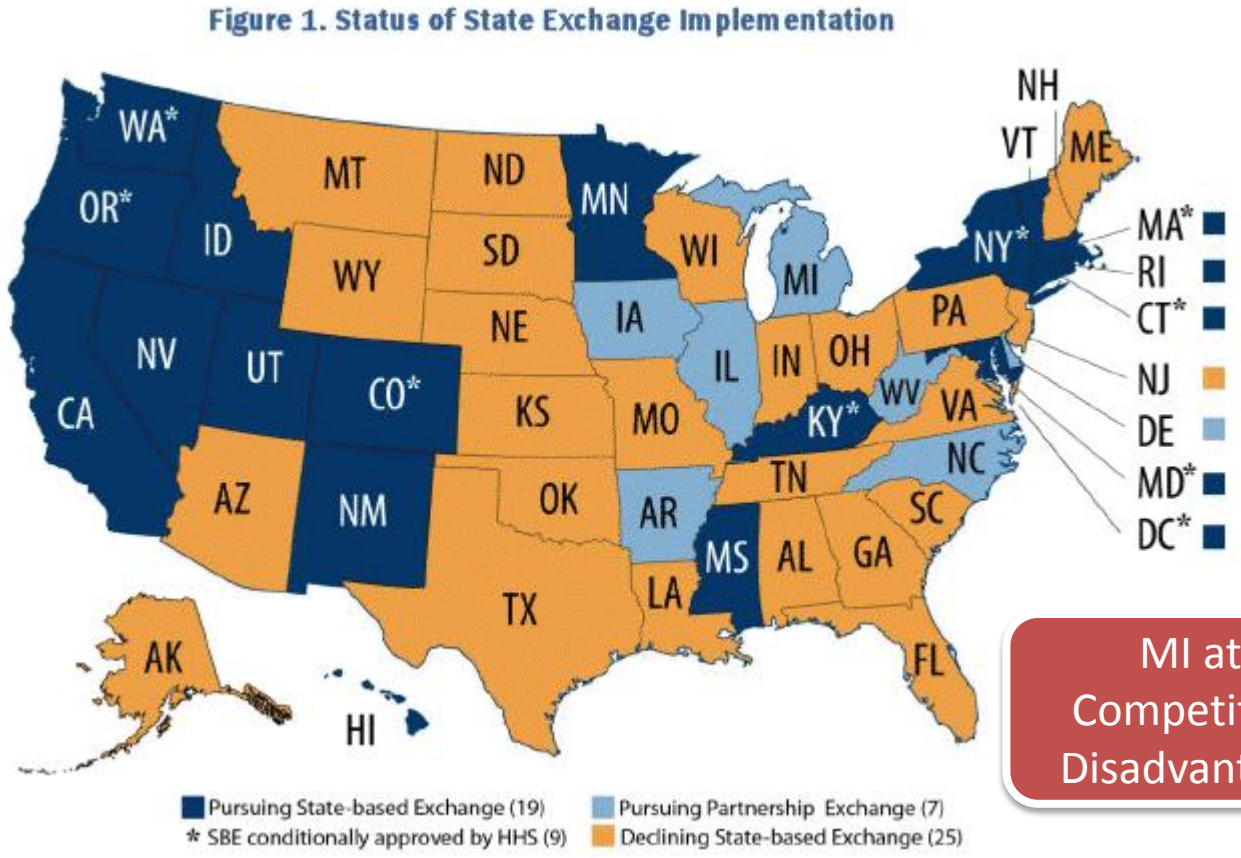

MI at Competitive Disadvantage

SOURCE: Center on Budget and Policy Priorities, Jan 29, 2013

Nationwide Medicaid Expansion Status

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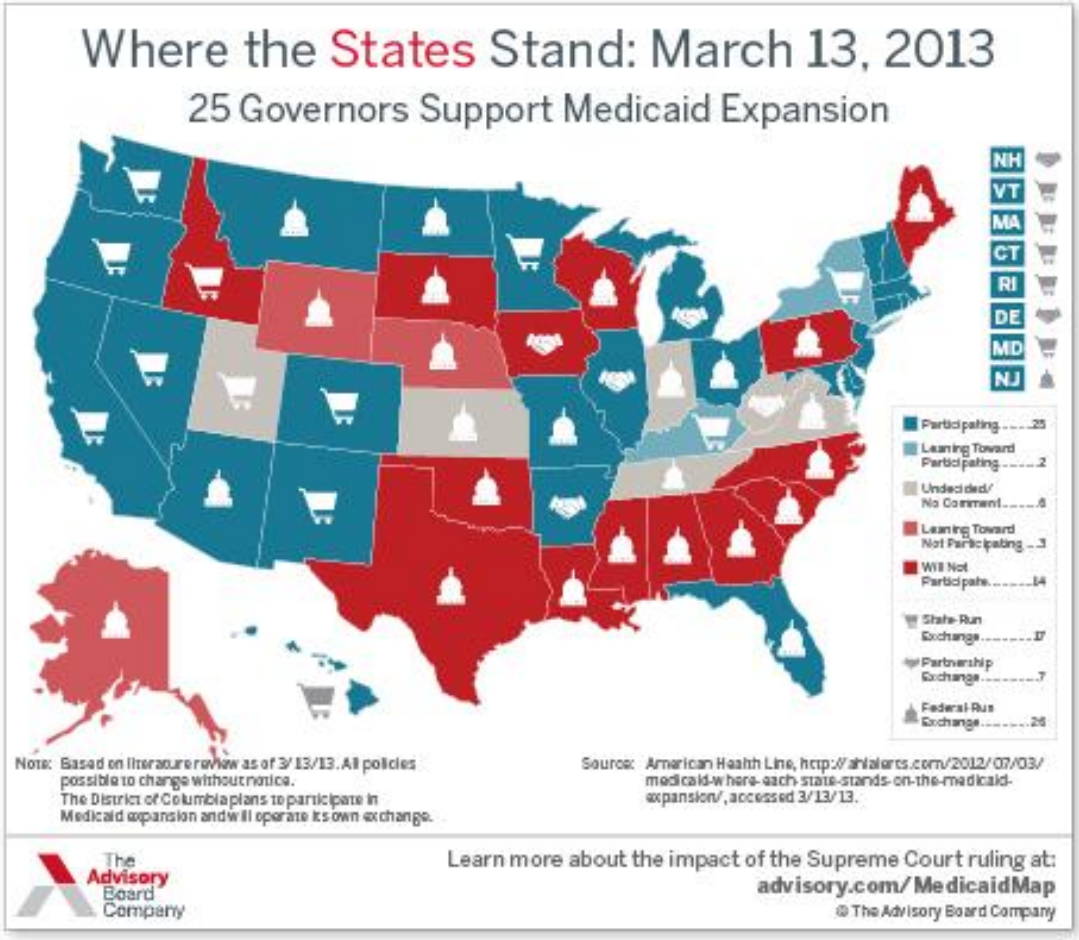

Michigan Status

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MI Health Marketplace	Governor Letter of Intent	Exchange Appropriations	Medicaid Expansion

• SB 693
  • Passed in Senate
  • Blocked in House
	• Intended to pursue the "state partnership exchange" option
	  • Includes wish to pursue Consumer Assistance function
	  • Does not include wish to pursue Reinsurance function
	• Stated that his preference is for state-based exchange
		• HB 5014
		  • Exchange Funding Scrubbed in Senate during Lame Duck
		• SB 233
		  • Exchange Funding Scrubbed
		• HB 4111
		  • Passed in House
		  • Blocked in Senate
			• Included in Governor's FY14 Budget
			• Not included in FY14 Senate or House budgets

State Exchange Options

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SB 693 Solution

State-Based Exchange

- State "operates" all Exchange activities; however, State may use Federal government services for the following activities
  - Premium tax credit and cost sharing reduction determination
  - Exemptions
  - Risk adjustment program
  - Reinsurance program

Governor's Intent

State Partnership Exchange

- State "operates" activities for:
  - Plan Management
  - **Consumer Assistance**
  - Both
- State may elect to perform or can use Federal government services for the following activities:
  - ~~Reinsurance program~~
  - *Medicaid and CHIP eligibility assessment or determination*

Default Position

Federal-facilitated Exchange

- HHS operates; however, State may elect to perform or can use Federal government services for the following activities:
  - Reinsurance program
  - Medicaid and CHIP eligibility assessment or determination

Best Option

No Government Exchange

- Request waivers or implement Health Care Compact
- Join 25 other states not pursuing a state-based exchange
- Establishes competitive differentiator for MI

Exchange Application "Blueprint"

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Exchange Activity	Free Market Compliance	Issues
Legal Authority and Governance	Red	Requires state to authorize private exchanges Requires boards compliant with ACA
Consumer and Stakeholder Engagement and Support	Yellow	Requires Navigator program
Eligibility and Enrollment	Red	HHS approval required for individual market and SHOP applications Requires periodic data pulls by Feds Requires government assistance eligibility data interface Feds determine what is a "Qualified Health Plan" Transition plan for high risk pools
Plan Management	Green	
Risk Adjustment and Reinsurance	Green*	State has the authority to perform adjustments but is not required to do so
Small Business Health Options Program	Yellow	Requires compliance with HHS regulations Restricts plan change timing
Organization and Human Resources	Green	
Finance and Accounting	Green	
Technology	Green	
Privacy and Security	Green	
Oversight and Monitoring	Yellow	Policies and procedures must promote ACA compliance
Contracting, Outsourcing, and Agreements	Green	
State Partnership Exchange Activities	Yellow	Requires capability to interface with Federal exchange (sets up fed takeover)

Big Picture

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- In 2014, taxpayers will be assessed fines by the IRS if they do not have plans that meet the HHS “minimum essential benefits” requirement.
- FFE does not have the authority to provide insurance subsidies that would lower costs for certain citizens.
- It is not clear if the FFE will be operational by October 1, 2013.
- If the FFE is not able to provide subsidies or be operational at all by October 1, 2013, many taxpayers may not be able to comply with the HHS requirement. They may still be liable for IRS fines.
- States that “chose” the FFE option may therefore have “amnesty” from the enforcement provisions of Obamacare resulting in a de facto competitive advantage of $2,000/employee/year over states featuring state-based exchanges

IMPLEMENTATION

Implementation Checklist

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Notice of Public Exchanges	Health and Human Services has determined that the model will be provided in late summer/fall 2013 to be distributed annually and upon each new hire. You'll need to figure out who will provide and how. Always include the notice in your new hire packet.
Grandfathered Plan Rules	You'll need to determine if your health plan is still "grandfathered" … If it's grandfathered, provide annual "grandfathered plan" notice.
Phase-In of Annual Benefit Limits	Identify your plan's current annual limits and their application to essential health benefits (EHBs) and make sure limits do not exceed maximum for the 2013 year plan ($2,000,000 for plan years beginning 9/23/12 – 01/1/14). Mental health parity applies to businesses over 50 or more employees.
W-2 Reporting Requirements	The PPACA offers many changes to W-2 reporting requirements. You'll need to determine if each requirement applies to you (250 Form W-2 threshold). Identify employer-sponsored coverage that must be reported annually. Decide how to calculate aggregate cost of coverage and make sure your payroll system is properly tracking, since 2012 is the first year being reported (on 2012 IRS Form W-2 due January 31, 2013).
Women's Preventive Care Mandate	If you have a calendar year plan, make sure you comply by 1/1/13 (if non-calendar year plan, mandate took effect for all plans beginning or renewing on or after August 1 2012).
FSA Limit Lowers to $2,500	Part of the ACA lowers the limits for a family for FSA dollars to $2,500 beginning in 2013. To stay compliant, if you have not done so already, you'll need to amend your FSA plan document.
Know your "Pay or Play" Rules	Look over your health plans to see if they comply with PPACA minimum essential coverage rules. The PPACA forces businesses over 50 FTEs (50 or more full-time equivalents) to either offer affordable coverage to employees or pay a penalty. You'll need to determine if you will be subject to the pay or play rules in 2014. You'll need to figure out if there are steps you need or want to take in 2013 to avoid coverage by pay or play rules or minimize impact.
Maximum 90-Day Waiting Periods	One of the newest requirements for the ACA is to keep a maximum of a 90 day waiting period to offer new benefits for new hires. You'll need to review of all waiting periods for enrollment and amend plans as necessary to shorten actual plan entry date to within 90 days of hire. Make sure you use "initial measurement period" to determine full-time employees for pay or play.
No Pre-Existing Condition Exclusions for Anyone	Make sure you amend your plan documents and insurance policies to state that there aren't any pre-existing condition exclusions.
Increased Wellness Limit	Figure out if you want to implement a wellness program and modify processes and materials to reflect newly allowable changes in your wellness programs if you currently have one.
Small Business Tax Credit	Do the calculations to see if your business qualifies for the SBTC.

SOURCE: Merit Health Reform Source

Implementation Timeline

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Itemized Deductions for Medical Expenses (1/1/13)	Increases the threshold for the itemized deduction for unreimbursed medical expenses from 7.5% if adjusted gross income; waives the increase for individuals age 65 and older for tax years 2013 through 2016
Flexible Spending Account Limits (1/1/13)	Limits the amount of contributions to a flexible spending account for medical expenses to $2,500 per year, increased annually by the cost of living adjustment.
Medicare Tax Increase (1/1/13)	Increases the Medicare Part A (hospital insurance) tax rate on wages by 0.9% (from 1.45% to 2.35%) on earnings over $200,000 for individual taxpayers and $250,000 for married couples filing jointly and imposes a 3.8% assessment on unearned income for higher-income taxpayers.
Employer Retiree Coverage Subsidy (1/1/13)	Eliminates the tax-deduction for employers who receive Medicare Part D retiree drug subsidy payments.
Individual Requirement to Have Insurance (1/1/14)	Requires U.S. citizens and legal residents to have qualifying health coverage (there is a phased-in tax penalty for those without coverage, with certain exemptions).
Health Insurance Exchanges (1/1/14)	Creates state-based American Health Benefit Exchanges and Small Business Health Options Program (SHOP) Exchanges, administered by a governmental agency or non-profit organization, through which individuals and small businesses with up to 100 employees can purchase qualified coverage. Exchanges will have a single form for applying for health programs, including coverage through the Exchanges and Medicaid and CHIP programs. It should be noted that this Open Enrollment coincides with Merit's 10/1 Open Enrollment.
Health Insurance Premium & Cost Sharing Subsidies (1/1/14)	Provides refundable and advanceable tax credits and cost sharing subsidies to eligible individuals. Premium subsidies are available to families with incomes between 133-400% of the federal poverty level to purchase insurance through the Exchanges, while cost sharing subsidies are available to those with incomes up to 250% of the poverty level.

SOURCE: Merit Health Reform Source

Implementation Timeline (continued)

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Guaranteed Availability of Insurance (1/1/14)	Requires guarantee issue and renewability of health insurance regardless of health status and allows rating variation based only on age (limited to a 3 to 1 ratio), geographic area, family composition, and tobacco use (limited to 1.5. to 1 ratio) in the individual and the small group market and the Exchanges.
No Annual Limits on Coverage (1/1/14)	Prohibits annual limits on the dollar value of coverage.
Fees on Health Insurance Sector (1/1/14)	Imposes new fees on the health insurance sector. This includes the Patient Centered Outcomes Research Institute (PCORI) fee, which will go into effect for plans years ending after 9/30/12, and will not be assessed for plan years ending after 9/30/19. Another fee included in this provision is the Transitional Reinsurance Program Fee, which proposed regulations will provide for a monthly fee of $5.25 per person for 2014 or $63 annually per covered individual.
Essential Health Benefits (1/1/14)	Creates an essential health benefits package that provides a comprehensive set of services, limiting annual cost-sharing to the Health Savings Account limits ($5,950/individual and $11,900/family in 2010). Creates four categories of plans to be offered through the Exchanges, and in the individual and small group markets, varying based on the proportion of plan benefits they cover. Implementation Update: On October 7, 2011, the Institute of Medicine released recommendations on the Essential Health Benefits package. On December 16, 2011, the Center for Consumer Information and Insurance Oversight (CCIIO) released a bulletin on the Essential Health Benefits rulemaking process. On January 25, 2012, CCIIO issued an illustrative list of the three largest small group products by state to "facilitate a better understanding of the intended approach to EHBs." On February 21, 2012, HHS issued FAQs on how HHS is intending to approach defining Essential Health Benefits.
Multi-State Health Plans (1/1/14)	Requires the Office of Personnel Management to contract with insurers to offer at least two multi-state plans in each Exchange.
Temporary Reinsurance Program for Health Plans (1/1/14 thru 12/31/16)	Creates a temporary reinsurance program to collect payments from health insurers in the individual and group markets to provide payments to plans in the individual market that cover high-risk individuals.
Basic Health Plans (1/1/14)	Permits states the option to create a Basic Health Plan for uninsured individuals with incomes between 133-200% of the federal poverty level who would otherwise be eligible to receive premium subsidies in the Exchange. Implementation update: On September 14, 2011, CMS issued a request for information regarding state flexibility to establish Basic Health Plan.
Wellness Programs in Insurance (1/1/14)	Permits employers to offer employees rewards of up to 30%, increasing to 50%, of the cost of coverage for participating in a wellness program and meeting certain health-related standards; establishes 10-state pilot programs to permit participating states to apply similar rewards for participating in wellness programs in the individual market. 10-state pilot programs established by July 1, 2014

SOURCE: Merit Health Reform Source

Reasons to Avoid Government-Run Health Exchanges

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States are under no obligation to create one.

Exchange would cost its state an estimated $10 million to $100 million per year, necessitating tax increases.

Volatile “Deadlines”

States can always create an exchange later if they choose.

A state-created exchange is not a state-*controlled* exchange. All exchanges will be controlled by Washington.

Congress authorized no funds for federal “fallback” exchanges. So Washington may not be able to impose exchanges on states at all.

Obama administration has yet to provide crucial information that states need before they can make an informed decision.

Creating an exchange sets state officials up to take the blame when Obamacare increases insurance premiums and denies care to the sick.

Creating an exchange would be assisting in the creation of a “public option” that would drive domestic health-insurance carriers out of business through unfair competition.

Obamacare remains unpopular. The latest Kaiser Family Foundation poll found that only 38 percent of the public supports it.

Defaulting to a federal exchange exempts a state’s employers from the employer mandate — a tax of $2,000 per worker per year

Rejecting an exchange reduces the federal deficit. Obamacare offers its deficit-financed subsidies to private health insurers only through *state*-created exchanges. If all states declined, federal deficits would fall by roughly $700 billion over ten years.

HOW DOES IT AFFECT YOU?

What is the cost of this "free" healthcare?

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- Over the next 10 years, the Congressional Budget Office estimates that the plan will cost $938 billion
  - $503 billion in new taxes
  - $435 billion in Medicare "savings"
- People with higher incomes will pay higher Medicare taxes
- A new 40% excise tax will be levied on any health insurance plans that exceed $10,200 in value for individuals and $27,500 for families
- If an individual's current insurance policy does not meet the minimum requirements, the insurer must raise the standards of its policy, and therefore premiums paid by individuals can rise.
- Employers who do not provide health insurance for their employees will be forced to pay a fine of $2,000 per occurrence

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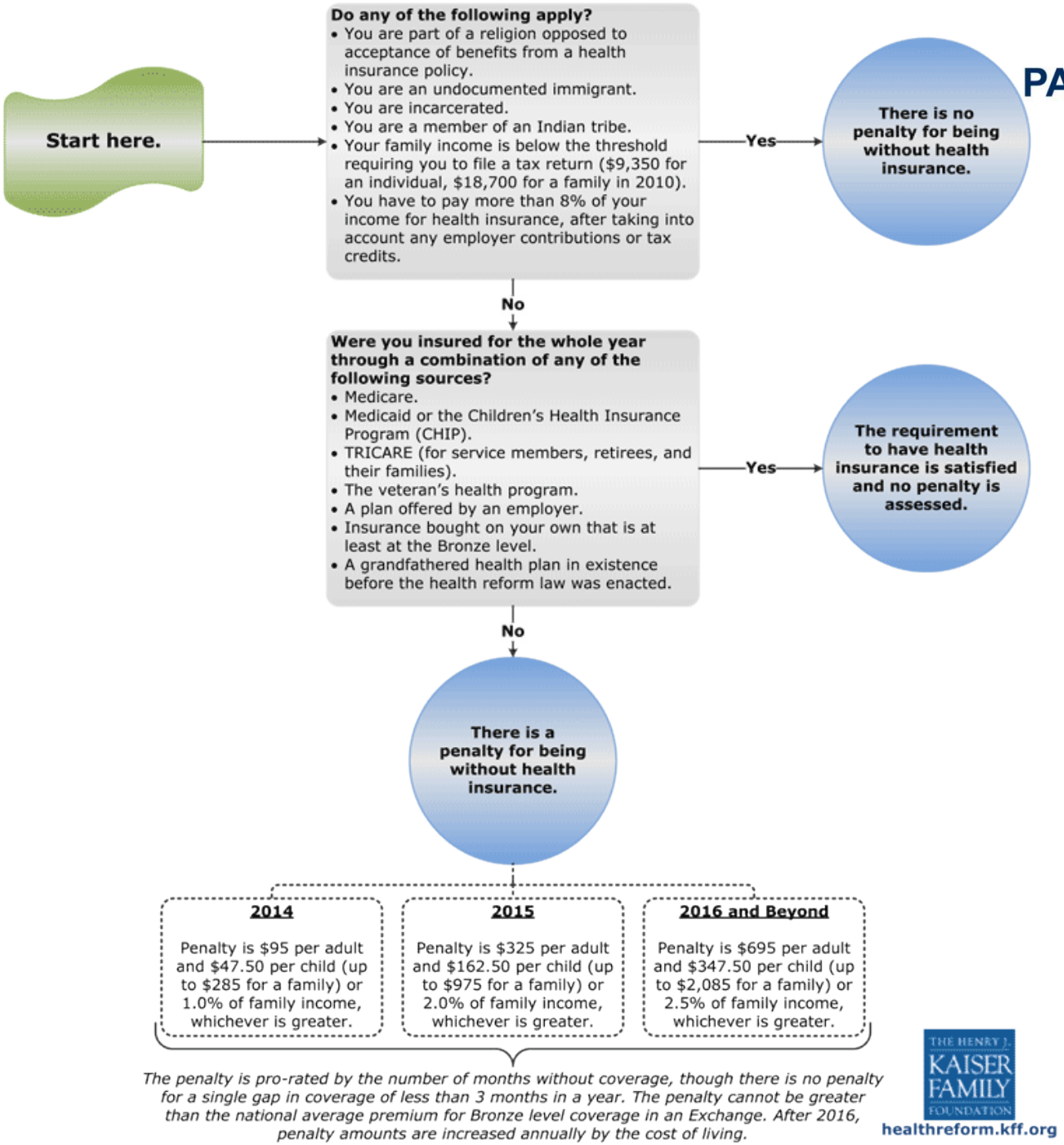
Direct Citizen Impacts



Direct Business Impacts

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- **Businesses with fewer than 25 employees:** Receive tax credits of 35% to 50% of the cost of health insurance premiums if salaries average $50,000 or less.
- **Companies with more than 50 full-time employees or the equivalent:** Must provide health insurance for workers or pay a fine if even one worker qualifies for a tax credit for purchasing health insurance. Penalty is $2,000 per employee, minus the first 30 employees.
- **Small Business Health Options Programs:** State health insurance exchange marketplaces will have packages for small businesses. A federal exchange will be available if a state does not establish its own.
- **Self-employed and uncovered individuals:** Will be required to carry health insurance or pay a fine. The penalty is as little as $95 per adult in the first year, climbing to $695 in 2016, or a percentage of income.