

Health Care Reform Issues: Implications for Milwaukee

Patient Protection and Affordable Care Act:
March 23, 2010
Health Care and Education Reconciliation Act
March 30, 2010

presented by Michael Brady, Employee Benefits Director and
Eric Gass, Public Health Research and Policy Director, Milwaukee Health Department

Health Care Reform Issues

- **Adult Children:** Group Health Plans will be required to cover non-tax dependent adult children through the end of the year the child turns 26 without any imputed federal tax penalty in 2010.

- **Flexible Spending Medical Plans:**
 - Plans may not reimburse over-the-counter medications unless obtained with a prescription beginning January 1, 2011.
 - A \$2500 cap on FSA Medical plans is effective January 1, 2013. There are currently 90 employees over this limit. The current City cap is \$4000.

□ Covering Preventive Expenses:

- This will have no impact on the current HMO design which covers preventive services without a \$10 co-pay. The Basic Plan will drop the 20% co-insurance for preventive visits.

Health Care Reform Issues

□ **Eliminates the following:**

- **Lifetime Maximums** – The City HMO plan design had a lifetime maximum of \$1M. The City Basic Plan had a \$500,000 Major Medical Lifetime maximum. While few employees reached these maximums they will be eliminated as of January 1, 2011.
- **Pre-existing conditions exclusions** --The City plan has no pre-existing exclusions except for new employees selecting the Basic Plan without prior insurance.

- Insured Plans will be required to provide loss ratio**
 - The current City HMO plan is insured.
 - The City HMO plans over the past six years have had loss ratios between 97% and 102%.
 - The reform will require insured plans to show loss ratios of at least 85%.

□ Value of Health Care on W2's

- For 2011 W2's which are issued in January 2012, employers, including the City, will have to report the value of the health insurance a member has received.
- The value of health insurance is indicated on the rate sheet prepared each year.

Comparative Effectiveness Fee

- This fee will fund comparative effectiveness research, or patient centered outcome research. In 2012 employers will pay \$1 per average number of covered lives (25,000 for city of Milwaukee) per year, \$2.00 in 2013-2019, with sunset in 2019.

□ Retiree Reinsurance (RR):

- RR will reimburse up to \$60,000 to employers with retirees 55 to 65 who utilize between \$15,000 and \$90,000 to implement programs to generate costs savings for members with high cost chronic conditions.
- RR has \$5B available until 2014.
- The City is working with UHC and Anthem to pursue RR funding.

Health Care Reform Issues

- **Medicare beneficiaries will receive:**
 - A \$250 rebate in 2010 if total drug spend is over \$2700.
 - A 50% discount on brand-name medications beginning in 2011 for medications filled in the Medicare D gap.
 - Access to a comprehensive health risk assessment and a personalized prevention plan beginning in 2011.
 - Medicare Advantage (Secure Horizons Plan) reimbursements in 2011 are kept at 2010 levels.

Health Care Reform Issues

Other key issues

- \$5B over first five years for prevention and public health to state, local government and community organizations.
 - \$10B over second five years
- Issues to be addressed under prevention
 - Personal Prevention Planning
 - School-based health centers
 - Oral Health
 - Patient incentives to prevent chronic disease
 - Community Transformation Grants
 - Immunizations
 - Nutrition labeling in “chain” restaurants
 - Public Health Services Research
 - Health Disparities Research
 - Employer-based Prevention Programs

□ Additional Public Health Components

- \$760M for Public Health Laboratories between 2010-13
- \$1.5B for Maternal and Child Health Home Visitation Programs between 2010-14

Health Care Reform Issues

■ **Fitness and Nutrition**

- The Health Care Reform includes an emphasis on fitness, physical activity, improved nutrition and disease, prevention including a new federal trust that will pay for hiking trails, sidewalks, playgrounds and bicycle paths.

□ **Excise Tax on “High Value” Plans to begin in 2018**

- A high value plan is a single plan costing \$10,200 or a family plan costing \$27,500 or more indexed to the CPI-U. There will be increased thresholds for high-risk professions and retirees. Excludes dental and vision.
- The excise tax is on portion over these costs.
- The City will have to find ways over the next seven years to control costs or risk paying this additional tax.

Health Care Reform Issues

□ What does the City need to do?

- Pursue current strategies to manage costs both short and long term.
- Take advantage of retiree reinsurance.
- Revisit Medicare Advantage plan strategies.
- Reassess Medicare Part D Drug coverage.
- Adjust current plan design with both HMO plan and Basic Plan to meet new standards.

□ What does the City need to do?

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- Stay focused on long term strategy implications.
- Evaluate the impact on collective bargaining agreements. Continue to work with unions.
- Continue to communicate with employees and retirees.

Questions