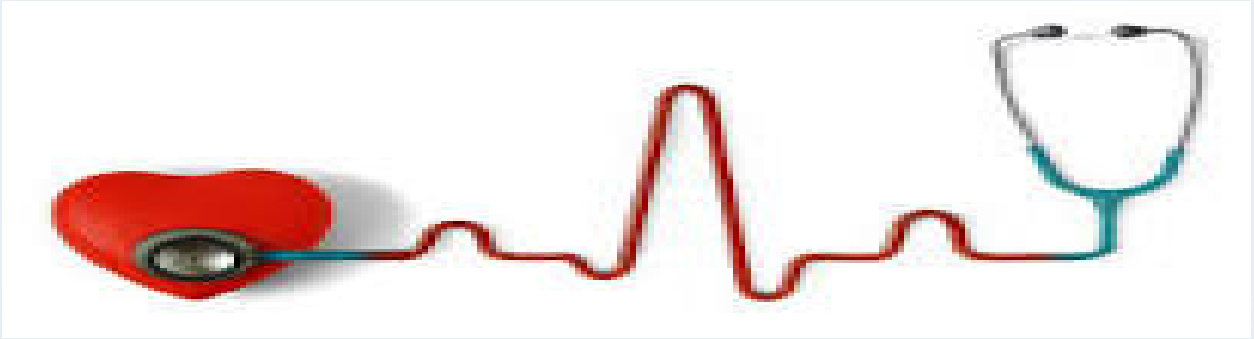


ACA: What do I have to do Now?

Kearney, NE-Younes Conference

April 8, 2016

Jesse A Patton *LUTCF, HIA, MHP, FAHM, HIPAAA, EHBA, PHIAS, DBA*

PROTECTING THE CONSUMER'S FUTURE

NAHU

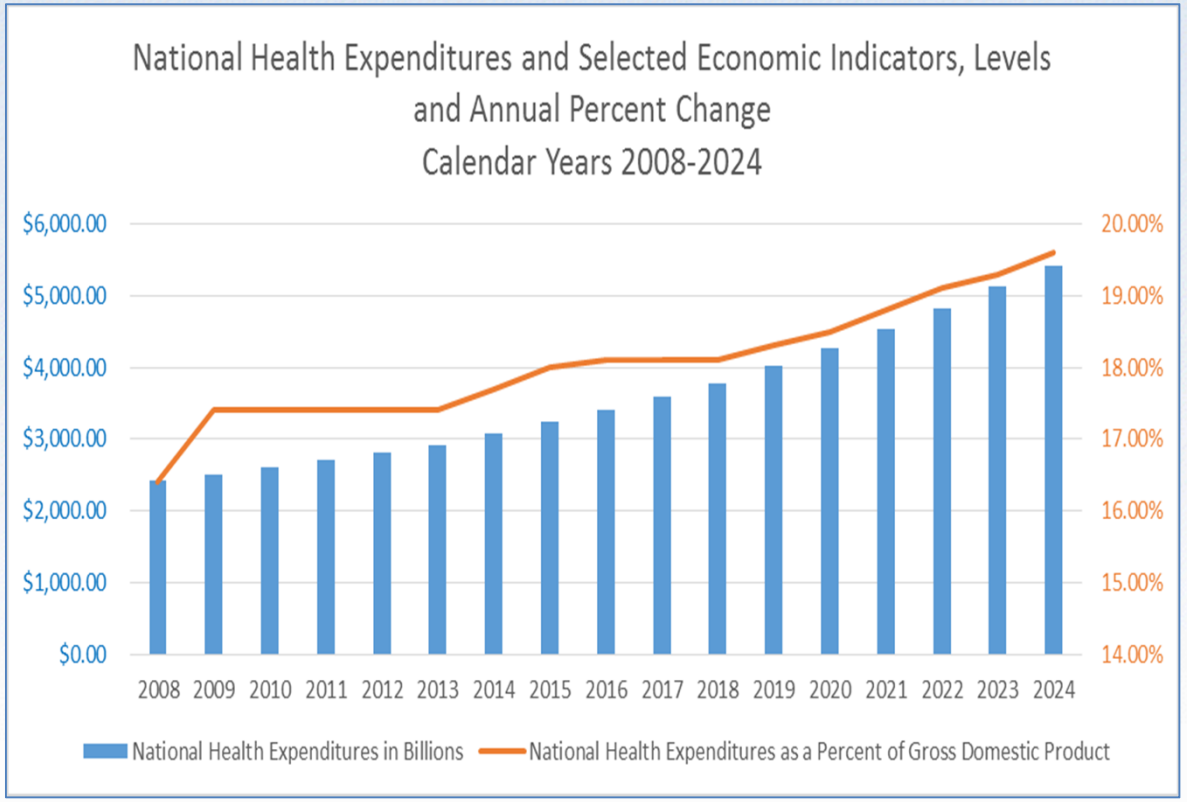
National Association of Health Underwriters

AMERICA'S BENEFITS SPECIALISTS

Healthcare Costs & the Economy

Projected 2024 U.S. healthcare spending = $5.46 trillion, 19.6% GDP

Up, Up and Away: U.S. Healthcare Spending Projections



Centers for Medicare and Medicaid Services

What Do We Get For All This Spending?

- U.S. ranks **last** in efficiency
- U.S. ranks low on safe and coordinated care and patient access to primary care
  - However, the U.S. ranks best on:
    - Provision and receipt of preventive and patient-centered care.
    - Rapid access to specialists.

Employers Foot the Bill

Employers paid **58%** of employees' healthcare costs in 2014.

- A typical family of four has **$23,215** in medical costs each year
  - Employer pays **$13,520**
  - Employee pays **$9,695**
    - *($5,908 in payroll deductions and $3,787 in out-of-pocket costs.)*

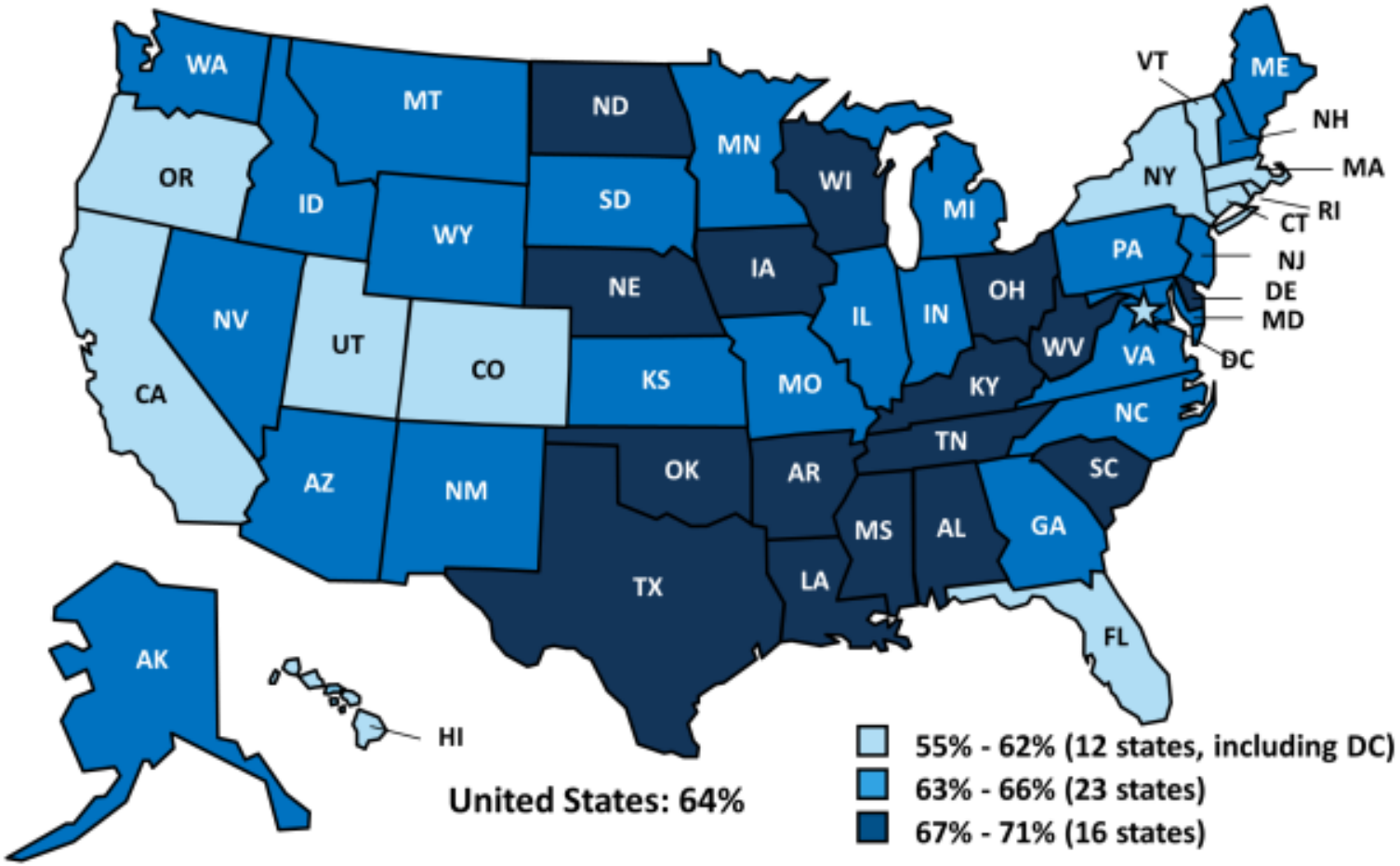
What Is Driving Healthcare Costs?

- Fee-for-service reimbursement
- Fragmentation in care delivery
- Administrative burden
- Population aging, rising rates of chronic disease and co-morbidities
- Advances in medical technology
- Lack of transparency about cost, quality
- Tax treatment of health insurance

- Insurance benefit design
- Cultural biases influencing care utilization
- Healthcare market consolidation
- High unit prices of medical services
- The health care legal and regulatory environment
- Structure and supply of the health professional workforce

Figure 6

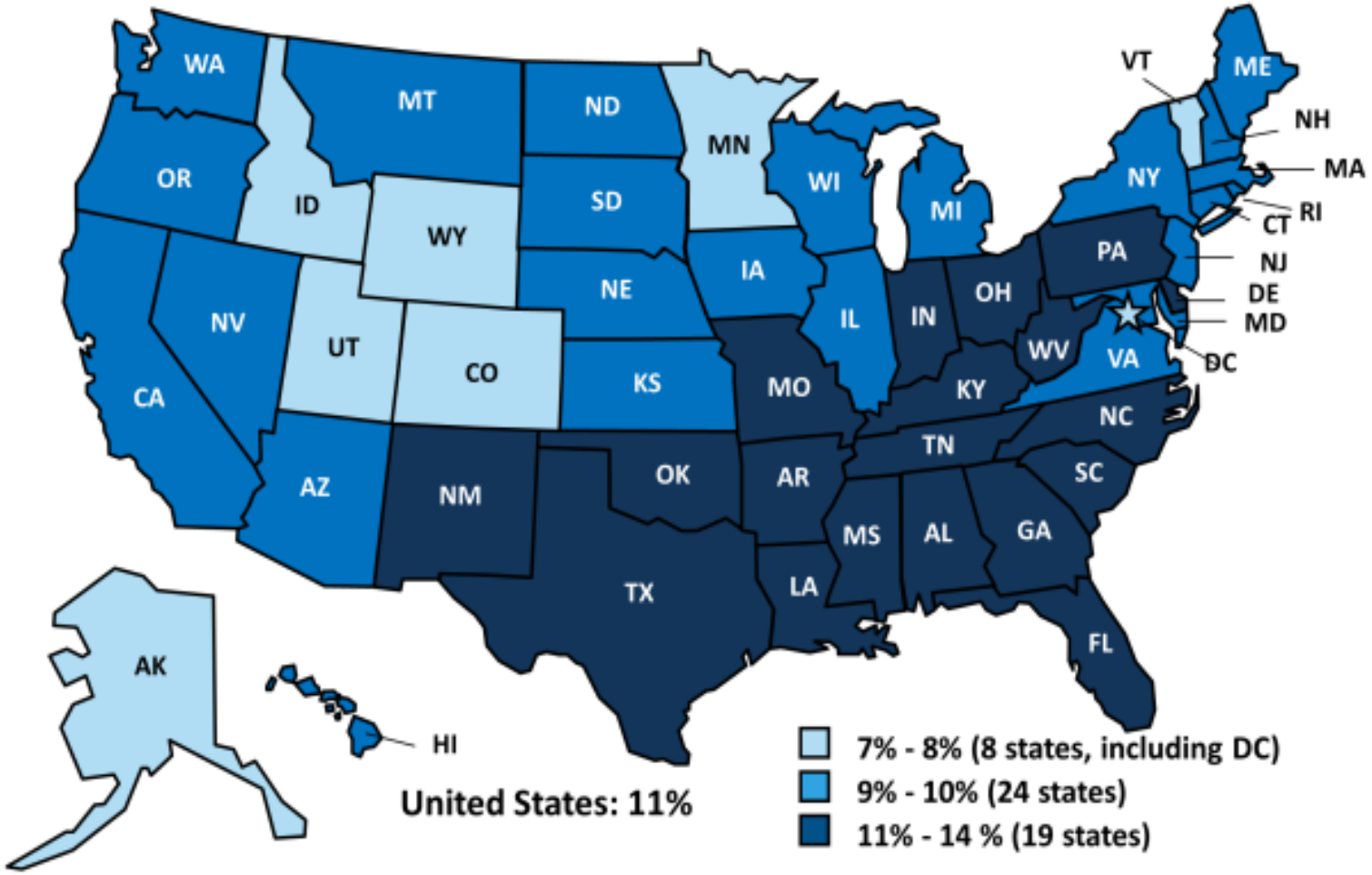
Percent of Adults Who are Overweight or Obese, 2014



Source: KCMU analysis of the Center for Disease Control and Prevention (CDC)'s Behavioral Risk Factor Surveillance System (BRFSS) 2014 Survey Results.

Figure 5

Percent of Adults Who Have Ever Been Told by A Doctor that They Have Diabetes, by State, 2014

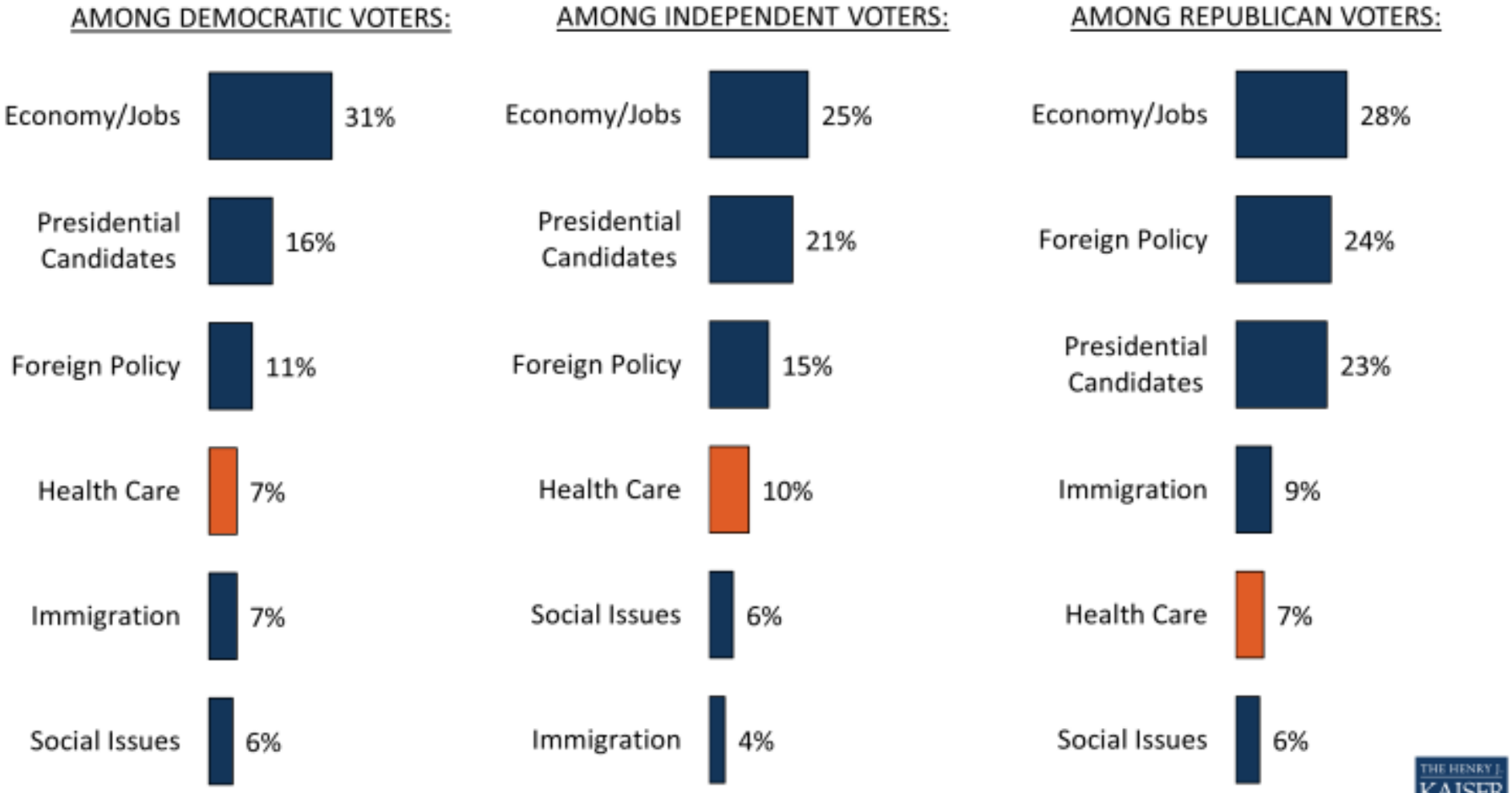


Source: KCMU analysis of the Center for Disease Control and Prevention (CDC)'s Behavioral Risk Factor Surveillance System (BRFSS) 2014 Survey Results.

Figure 1

Economy/Jobs Is Top Voter Issue Across Parties, Health Care Ranks Lower

Thinking about the campaign for the presidential election in 2016, what is the single most important issue in your vote for president? / Is there another issue that's nearly as important? (open-end)



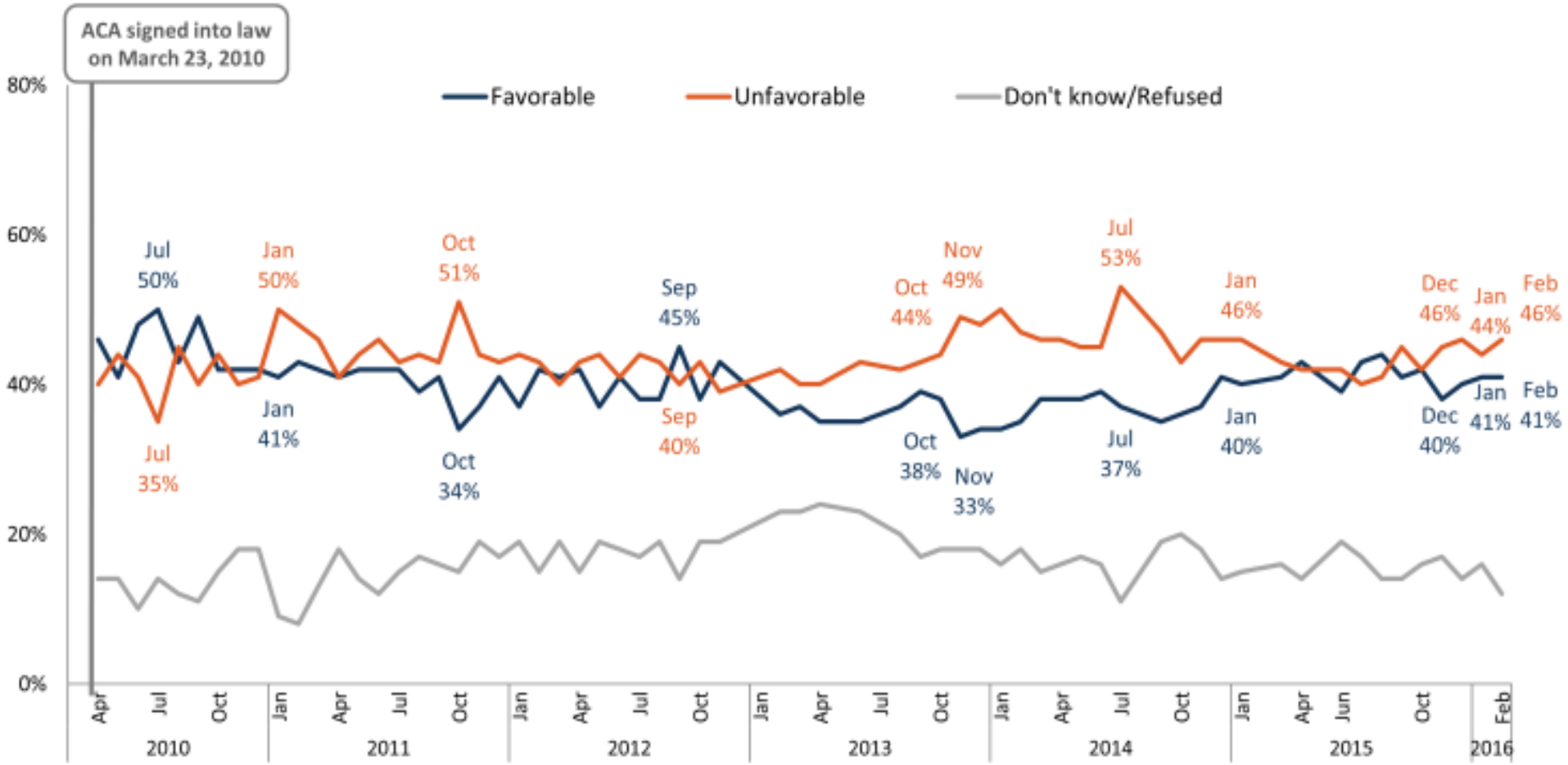
SOURCE: Kaiser Family Foundation Health Tracking Poll (conducted February 10-18, 2016)

THE HENRY J. KAISER FAMILY FOUNDATION

Figure 9

Public's View of the Health Care Law Remains Divided

As you may know, a health reform bill was signed into law in 2010. Given what you know about the health reform law, do you have a generally favorable or generally unfavorable opinion of it?



NOTE: Data not collected for Dec 2012, Jan 2013, May 2013, Jul 2013, Aug 2014, Feb 2015, May 2015, and Jul 2015.
SOURCE: Kaiser Family Foundation Health Tracking Polls

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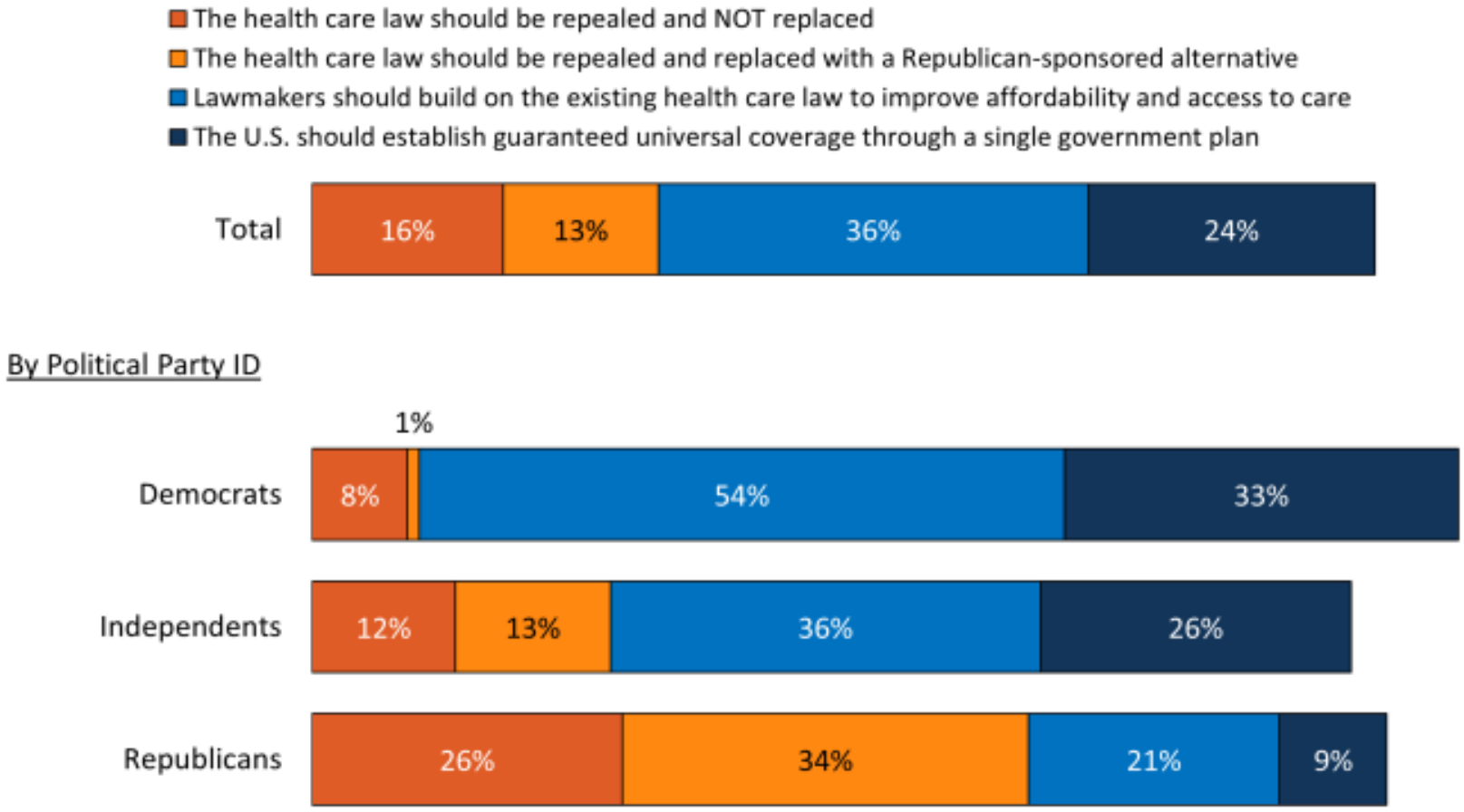
Happy 6th Birthday ACA-Speaker Pelosi stated

- "The United States will finally join the rest of the civilized world in achieving universal coverage…
- "Families will save thousands of dollars on premiums…
- "No one will be denied care because they can't afford to pay…
- "Passage of this law will reduce the federal budget deficit…"

Figure 2

Views of the Future of the U.S. Health Care System

Which of the following comes closest to your view of the future of the U.S. health care system?



NOTE: None of these/ Something else (Vol.) and Don't know/Refused responses not shown.
SOURCE: Kaiser Family Foundation Health Tracking Poll (conducted February 10-18, 2016)

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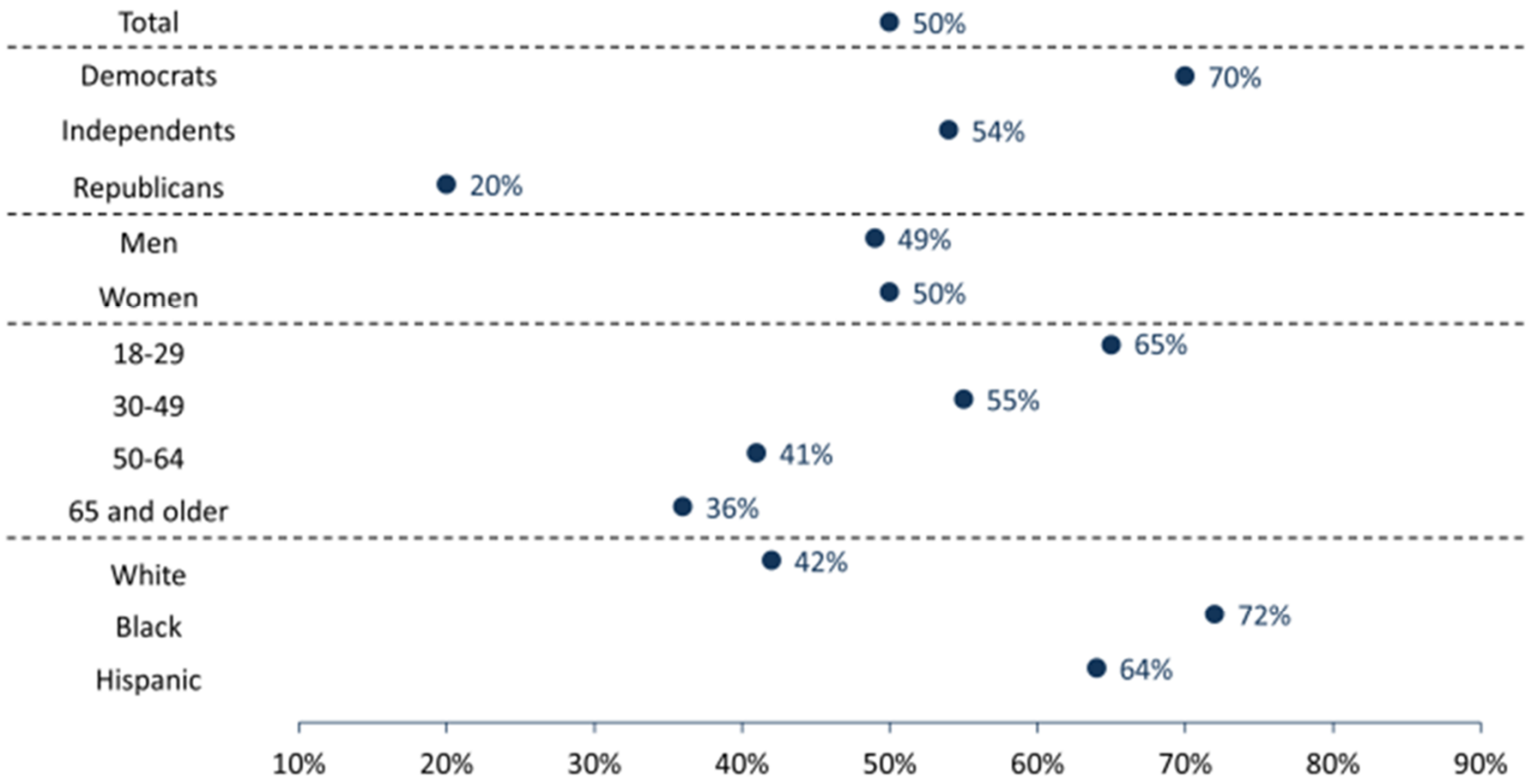
Figure 3

Views of Universal Coverage

Percent who say they strongly or somewhat favor having guaranteed health insurance coverage in which all Americans would get their insurance through a single government health plan:



SOURCE: Kaiser Family Foundation Health Tracking Poll (conducted February 10-18, 2016)

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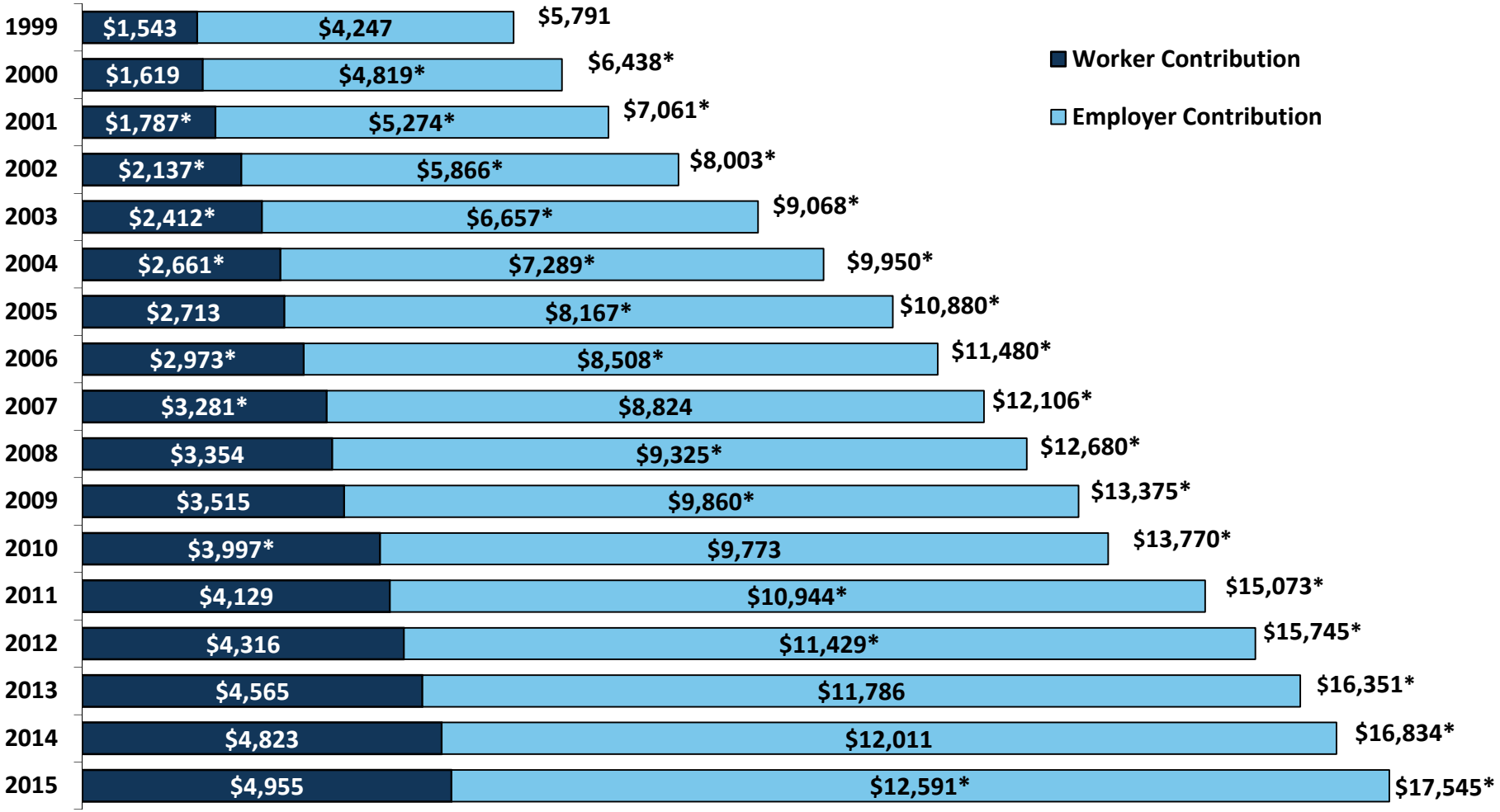
Average Annual Worker and Employer Contributions to Premiums and Total Premiums for Family Coverage, 1999-2015

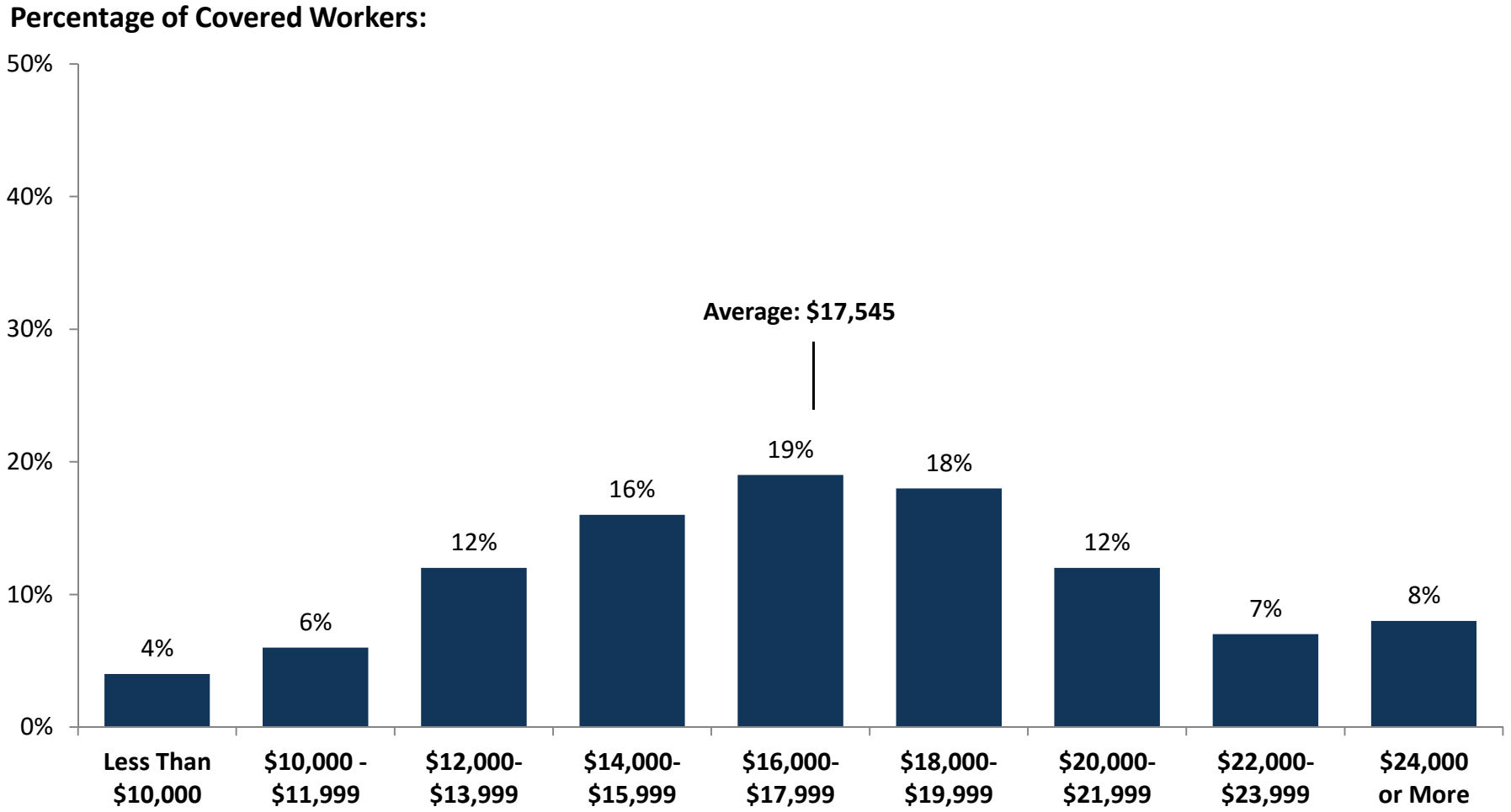


* Estimate is statistically different from estimate for the previous year shown (p<.05).

SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2015.

THE HENRY J. KAISER FAMILY FOUNDATION -AND- HRET HEALTH RESEARCH & EDUCATIONAL TRUST

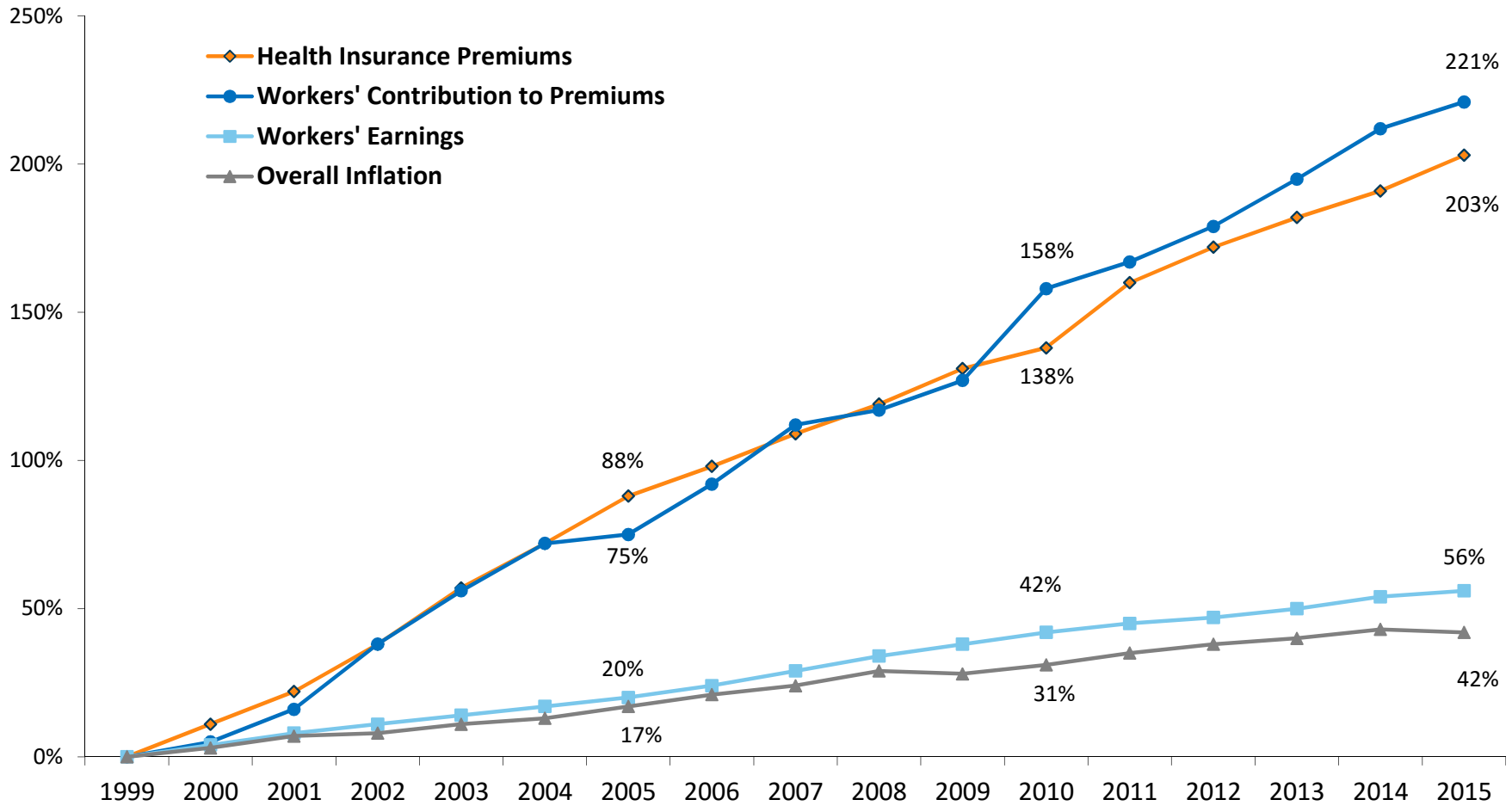
Distribution of Annual Premiums for Covered Workers with Family Coverage, 2015



SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2015.

THE HENRY J. KAISER FAMILY FOUNDATION

Cumulative Increases in Health Insurance Premiums, Workers' Contributions to Premiums, Inflation, and Workers' Earnings, 1999-2015



SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2015. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999-2015; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2015 (April to April).

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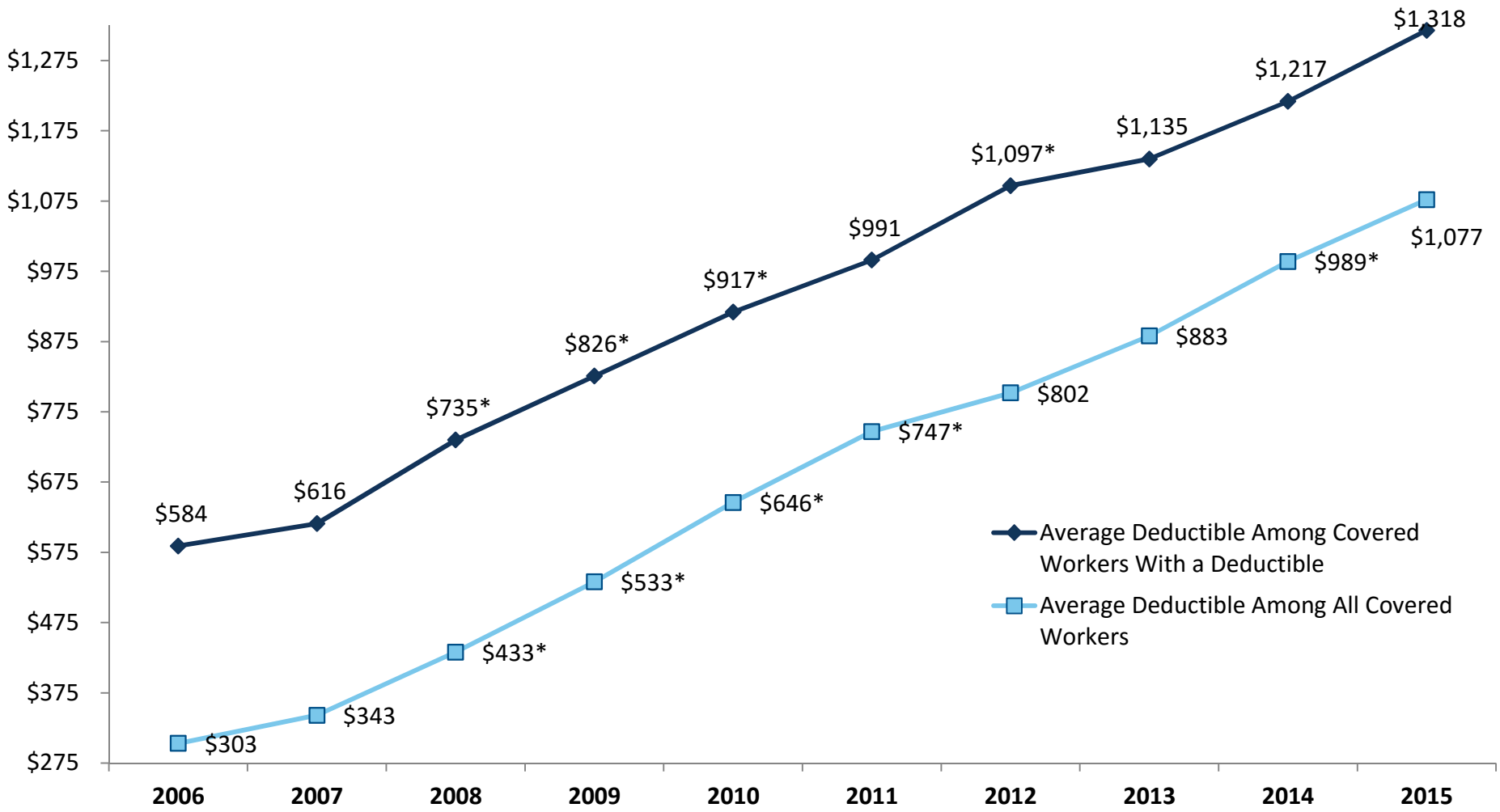
Average General Annual Deductible for Covered Workers Enrolled in Single Coverage, 2006-2015



* Estimate is statistically different from estimate for the previous year shown (p<.05).

NOTES: Average general annual deductible is among all covered workers. Workers in plans without a general annual deductible for in-network services are assigned a value of zero.

SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006-2015.

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Market Landscape in 2015

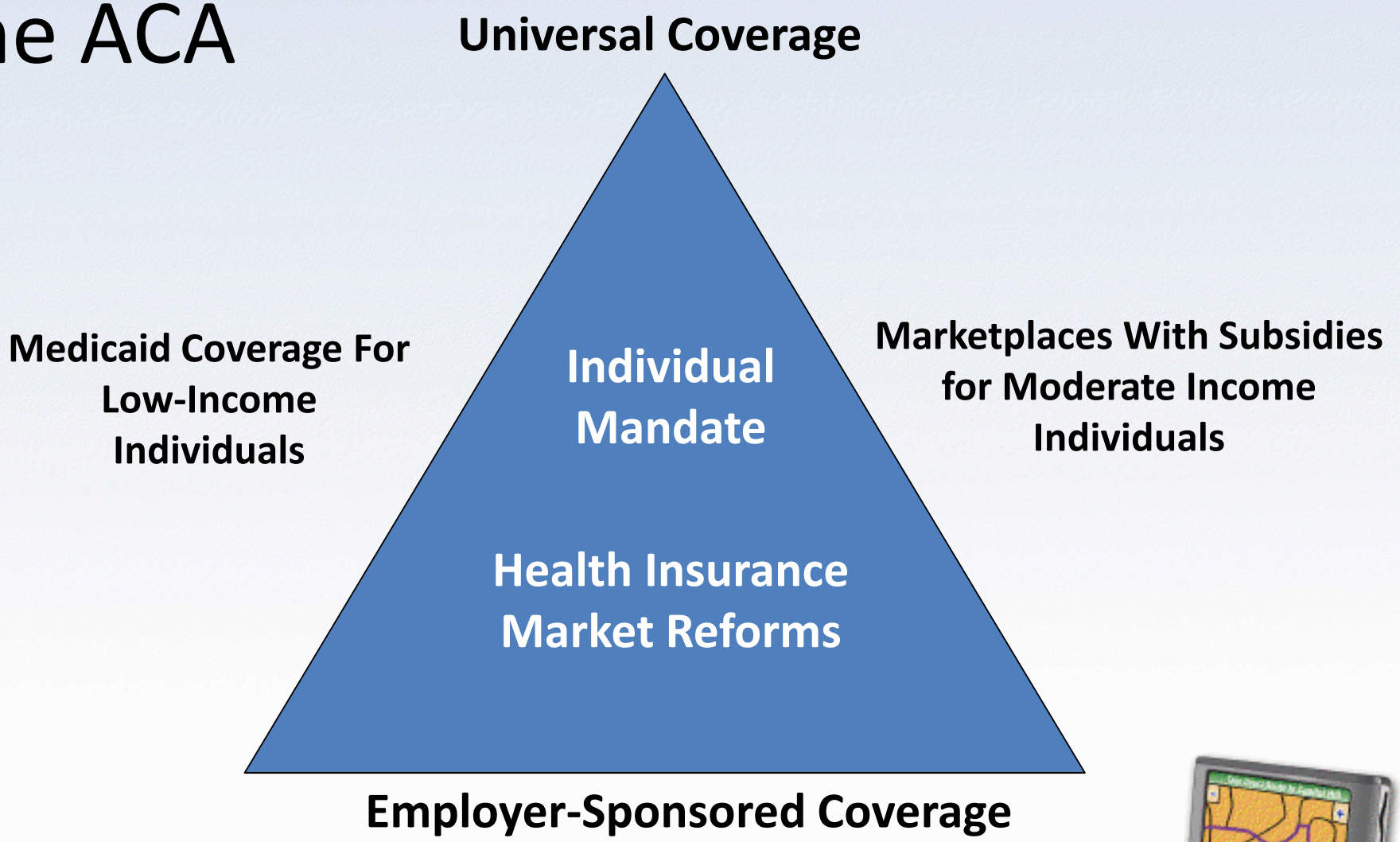
- Everyone must enroll in one of these plans or programs

<table>
<tr><td colspan="2">Individual or Small Group Plans</td><td rowspan="2">Large Group Plans</td><td rowspan="3">Government Programs

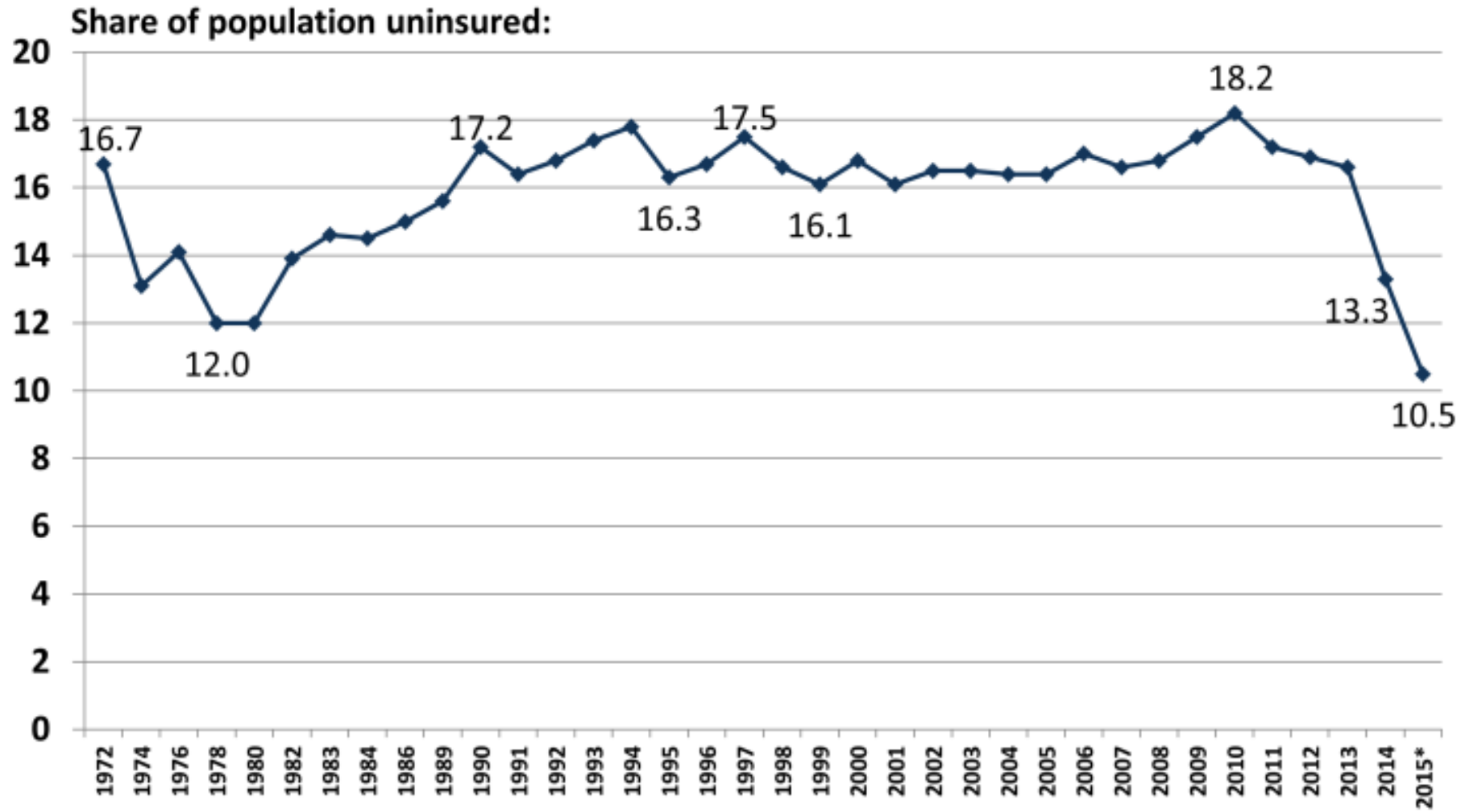
• Medicare
• Medicaid
• CHIP
• Tricare
• Veterans</td></tr>
<tr><td>Offered in Exchange</td><td>Offered Outside Exchange</td></tr>
<tr><td colspan="3">Grandfathered Plans*
(Individual, Small or Large Group)
Grand-mothering</td></tr>
</table>

* Existed 3/23/10, with minor changes allowed under ACA. Added employees and dependents OK.

Promoting Health Coverage through the ACA



Uninsured Rate Among the Nonelderly Population, 1972-2015



Note: 2015 data is for Q1 and Q2 only.
Source: CDC/NCHS, National Health Interview Survey, reported in http://www.cdc.gov/nchs/health_policy/trends_hc_1968_2011.htm#table01 and http://www.cdc.gov/nchs/data/nhis/earlyrelease/insur201511.pdf.

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Marketplace Enrollment and Financial Assistance

Location	Total Marketplace Enrollment	Marketplace Enrollees Receiving Advance Premium Tax Credits (APTCs)	Percent of Total Marketplace Enrollees Receiving APTCs	Marketplace Enrollees Receiving Cost-Sharing Reductions (CSRs)	Percent of Total Marketplace Enrollees Receiving CSRs
United States	8,780,545	7,375,489	84.0%	4,955,281	56.4%
1. Nebraska	59,348	52,603	88.6%	29,585	49.9%
2. Iowa	36,085	31,039	86.0%	17,726	49.1%

Enrollment as Share of Potential

Location	Marketplace Type	Total Enrollment	Estimated Number of Potential 2015 Marketplace Enrollees	Percent of Potential Marketplace Population Enrolled
United States	13 State-based Marketplaces; 4 Federally-supported Marketplaces; 7 State-Partnership Marketplaces; 27 Federally-facilitated Marketplaces	8,780,545	27,438,000	32%
Iowa	State-Partnership Marketplace	36,085	247,000	15%
Nebraska	Federally-facilitated Marketplace	59,348	221,000	27%

Enrollment by Metal Level

Location	Bronze	Silver	Gold	Platinum	Catastrophic	Total
United States	1,788,315	5,993,766	645,390	310,784	42,290	8,780,545
Iowa	10,791	21,423	3,846	NSD	NSD	36,060
Nebraska	19,877	35,234	3,690	116	431	59,348

CMS 2016 small group guidance

On February 29, 2016 the Center for Medicare & Medicaid Services (CMS) issued guidance related to the extended transition of pre-Affordable Care Act-Compliant policies. CMS has said:

"States and issuers will have the option to renew non-grandfathered individual and small group health policies, but these policies must end no later than December 31, 2017."

Changing deadlines from October 1, 2017 to December 31, 2017 allows small groups with any renewal date in 2016 to remain on their current plan until their 2017 renewal.

Small v Large Employer Defined 2016

- With the PACE Act, a State may elect to define small employer by substituting “100 employees” for “50 employees.”
- At this time, CA, CO, NY, VA and VT are using up to 100.

https://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Market-Reforms/state-rating.html

- In the case of an employer that was not in existence throughout the preceding calendar year, the determination of whether the employer is a small employer is based on the average number of employees that it is reasonably expected the employer will employ on business days in the current calendar year.

- A complicated factor is that not all states with use the same counting methodology i.e. ATNE (average total number employees) v FT employee plus equivalents v eligible

- NOTE: this count is not the same as the counting methodology to determine ALE status under the Employer Shared Responsibility/Play or Pay/ 4980(H).

Tax Relief afforded 12-18-2015

- Two-year delay (2018 and 2019) of the Excise (Cadillac) tax on high-cost plans. It also makes the tax deductible to the employer,
- A one year suspension (tax applies in 2016 and suspended for 2017 premium) of the Health Insurance Tax (HIT) and,
- A suspension of the medical devices tax until December 31, 2017.

End of Transitional Relief

- All employers with at least 50 FT including FT equivalents will be subject to the Employer Shared Responsibility(ESR) in 2016. Note Union employees are included in group size determination.
- Affiliated companies (controlled groups), as defined under IRC 414 (b), (c), (m), or (o), are included as well.
- Non calendar year relief for employers with 100 or more Ft including equivalents expires at the employer's 2016 ERISA plan year renewal.
- The safe harbor affordability was indexed and is 9.56% for 2015 (retroactive to Jan 1, 2015) and 9.66% beginning January 2016.
- Employers who want to avoid any tax assessment /penalty will have to offer coverage to at least 95% of FT employees in 2016. Offering to 70% is now over.
- Employers will have to offer to DU26 as well as FT employees. There is no mandate to offer to spouses in order to avoid penalty.
- Transitional relief codes used to complete form 1095C will no longer apply for employer reporting 2016 date in 2017. We anticipate that there will be updated instructions for reporting 2016 data.

ESR Penalties

- IRS aligning affordability safe harbors with marketplace affordability
- 9.56% for plan years beginning in 2015
- 9.66% for plan years beginning in 2016
- Employer mandate penalties

	2015	2016
A Penalty	$2,080	$2,160
B Penalty	$3,120	$3,240

Reporting Relief

Notice 2016-4

- The notice extends due dates for both furnishing to individuals and filing with the IRS for insurers, employers and other providers of minimum essential coverage (MEC) and information reporting by applicable large employers (ALEs).
- There is an automatic extension for furnishing 1095s (B and C) to individuals from February 1, 2016 to *March 31, 2016*.
- If not filing electronically, there is an automatic delay from February 29, 2016 to *May 31, 2016* .
- There is an automatic extension to file electronically with the IRS from March 31, 2016 to *June 30, 2016*.
- The notice also provides guidance to individuals who might not receive Forms B or C by the time they file their 2015 tax returns.

2016 Max Out of Pocket

- Insurers must limit out-of-pockets costs to the individual limit, regardless of if the enrollee is in a family plan with a higher out-of-pocket cap. The maximum out-of-pocket spending in 2016 will be **$6,850 for individuals and $13,700 for families**. The guidance also clarified how plans can offer a family deductible of $10,000 and remain in compliance with the requirement; so long as each individual is not subjected to more than the $6,850 out-of-pocket maximum as the limit applies to each person individually.
- 2017 OOP limits are **$7,150 for individual and $14,300 for families**
- NOTE that for HSA compatible plans the 2016 MOOP is $6,550/$13,100

Current Medical Care Environment Leads To:

- Overpricing of services
- Support of poor physician performances
- Over utilization of care
- Discount mentality
- Disorganized care

Price Varies Widely

Price for service in the U.S. can vary as much as

600%

Facility costs vary so dramatically that discounts become less important than directing patients

Look at the difference between facilities for the same types of procedures!!!

MRI Brain with and without dye	Colonoscopy	C-Section without complications
43 locations	71 locations	56 locations
facility payment range $425 to $3,900	facility payment range $479 to $3,528	facility payment range $5,165 to $16,966

Source: Rates taken from one of the CUBA's (Cigna, United, BCBS, Aetna) contracted rate schedule in Chicago, IL

Look at the difference between facilities for the same types of procedures!!!

Some hospitals cost more than others, which renders discounts meaningless.

KANSAS CITY INPATIENT - TOTAL KNEE REPLACEMENT

Geographic Area (Clay, Jackson and Wyandotte Counties)

	Length of Stay		Charges		Index		
Facility	Actual	Expected	Actual	Expected	Severity	LOS	Charge
1	4.30	4.64	$ 50,528.64	$ 34,024.94	122%	92%	149%
2	4.22	4.46	$ 50,170.44	$ 31,849.39	114%	95%	158%
3	4.46	4.60	$ 49,574.13	$ 33,992.80	122%	97%	146%
4	3.94	4.63	$ 47,060.24	$ 34,631.41	124%	85%	136%
5	3.74	4.68	$ 44,824.95	$ 34,248.57	123%	80%	131%
6	3.54	4.50	$ 40,504.05	$ 35,663.90	128%	79%	114%
7	4.50	4.63	$ 39,593.16	$ 33,369.40	119%	97%	119%
8	4.51	4.61	$ 38,710.51	$ 33,920.65	121%	98%	114%
North Kansas City Hospital	4.98	4.62	$ 33,883.59	$ 33,702.13	121%	108%	101%
10	3.68	4.60	$ 29,961.93	$ 33,454.92	120%	80%	90%
11	3.47	4.56	$ 26,798.53	$ 33,432.44	120%	76%	80%
12	4.90	4.61	$ 24,523.45	$ 33,583.06	120%	106%	73%
13	7.50	5.25	$ 24,436.79	$ 35,748.41	129%	143%	68%
14	4.67	4.62	$ 21,238.73	$ 34,233.37	123%	101%	62%
15	5.00	4.57	$ 20,149.96	$ 33,363.96	119%	109%	60%

Regional Norm

Even within the hospital, the right physician is KEY to lowering the cost despite the charge structure.

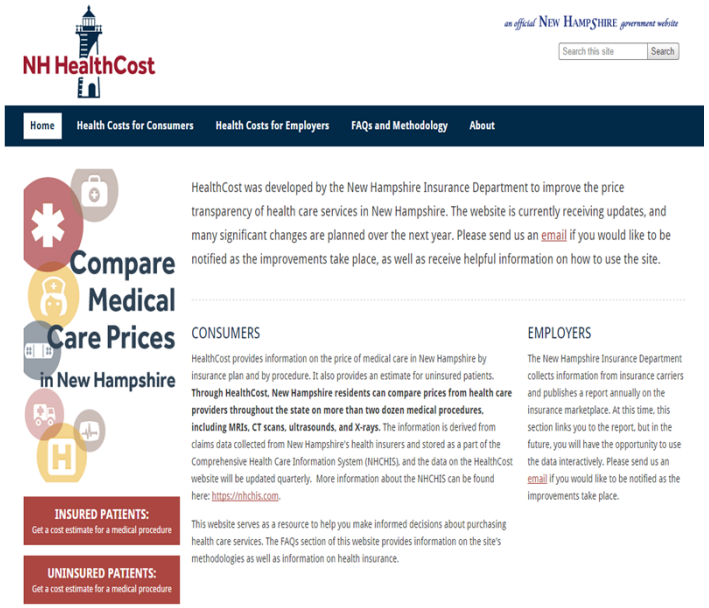
NORTH KANSAS CITY HOSPITAL INPATIENT - TOTAL KNEE REPLACEMENT

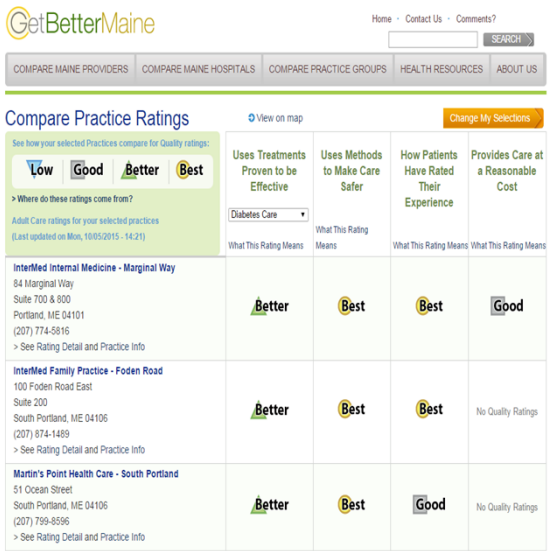
Sorted by Physican Cost

Facility	Physician ID	Length of Stay		Charges		Index		
		Actual	Expected	Actual	Expected	Severity	LOS	Charge
North Kansas City Hospital-MO	375242	6.17	4.60	$ 43,282.07	$ 33,270.17	119%	134%	130%
North Kansas City Hospital-MO	488954	4.43	4.56	$ 41,318.08	$ 33,307.66	119%	97%	124%
North Kansas City Hospital-MO	1024680	4.13	4.57	$ 35,916.90	$ 33,463.19	120%	90%	107%
North Kansas City Hospital-MO	155683	8.80	4.89	$ 35,384.91	$ 33,982.52	121%	180%	104%
North Kansas City Hospital-MO	567446	3.77	4.53	$ 34,737.20	$ 33,562.29	121%	83%	104%
North Kansas City Hospital-MO	156264	4.92	4.61	$ 33,842.83	$ 33,608.79	120%	107%	101%
North Kansas City Hospital-MO	488134	5.00	4.53	$ 33,513.99	$ 33,747.12	124%	110%	99%
North Kansas City Hospital-MO	314150	4.64	4.68	$ 31,695.72	$ 33,796.55	121%	99%	94%
North Kansas City Hospital-MO	377457	4.57	4.61	$ 29,698.55	$ 33,224.08	119%	99%	89%
North Kansas City Hospital-MO	86302	4.20	4.59	$ 29,266.46	$ 33,512.29	119%	91%	87%
North Kansas City Hospital-MO	155910	4.00	4.49	$ 28,913.96	$ 33,240.06	117%	89%	87%
North Kansas City Hospital-MO	312968	5.23	4.67	$ 28,708.37	$ 35,230.15	126%	112%	81%
North Kansas City Hospital-MO	573849	5.00	4.66	$ 28,674.49	$ 32,947.52	118%	107%	87%
North Kansas City Hospital-MO	443366	3.00	4.49	$ 28,617.00	$ 33,240.06	117%	67%	86%
North Kansas City Hospital-MO	1019971	4.50	4.56	$ 27,834.54	$ 33,459.56	120%	99%	83%
North Kansas City Hospital-MO	1038991	4.67	4.50	$ 27,732.73	$ 33,409.08	119%	104%	83%
North Kansas City Hospital-MO	400237	4.50	4.54	$ 27,704.23	$ 33,515.67	119%	99%	83%
North Kansas City Hospital-MO	155697	6.00	4.53	$ 26,517.59	$ 33,747.12	124%	132%	79%
North Kansas City Hospital-MO	996643	4.00	4.53	$ 26,295.09	$ 33,747.12	124%	88%	78%
North Kansas City Hospital-MO	570843	4.00	4.57	$ 23,115.55	$ 33,318.93	119%	87%	69%
			Average	$ 33,884.00				

Price and Quality Transparency

- Transparency is important to:
  - Create educated healthcare consumers
  - Create accountability for price and quality variation among providers
  - Enable purchasers to judge value

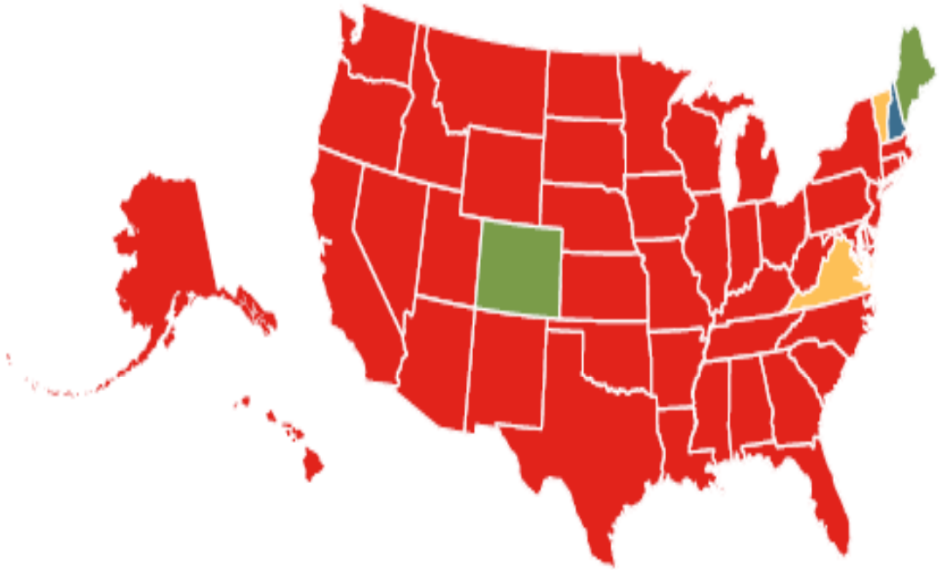




Source: National Association of Health Underwriters Education Foundation

States Are Not Filling the Void…

2015 Report Card on State Price Transparency Laws



STATE	GRADE	STATE	GRADE	STATE	GRADE	STATE	GRADE
Alabama	F	Indiana	F	Nebraska	F	South Carolina	F
Alaska	F	Iowa	F	Nevada	F	South Dakota	F
Arizona	F	Kansas	F	New Hampshire	A	Tennessee	F
Arkansas	F	Kentucky	F	New Jersey	F	Texas	F
California	F	Louisiana	F	New Mexico	F	Utah	F
Colorado	B	Maine	B	New York	F	Vermont	C
Connecticut	F	Maryland	F	North Carolina	F	Virginia	C
Delaware	F	Massachusetts	F	North Dakota	F	Washington	F
Florida	F	Michigan	F	Ohio	F	West Virginia	F
Georgia	F	Minnesota	F	Oklahoma	F	Wisconsin	F
Hawaii	F	Mississippi	F	Oregon	F	Wyoming	F
Idaho	F	Missouri	F	Pennsylvania	F		
Illinois	F	Montana	F	Rhode Island	F		

1-A 2-Bs 2-Cs 45-Fs

CATALYST FOR PAYMENT REFORM

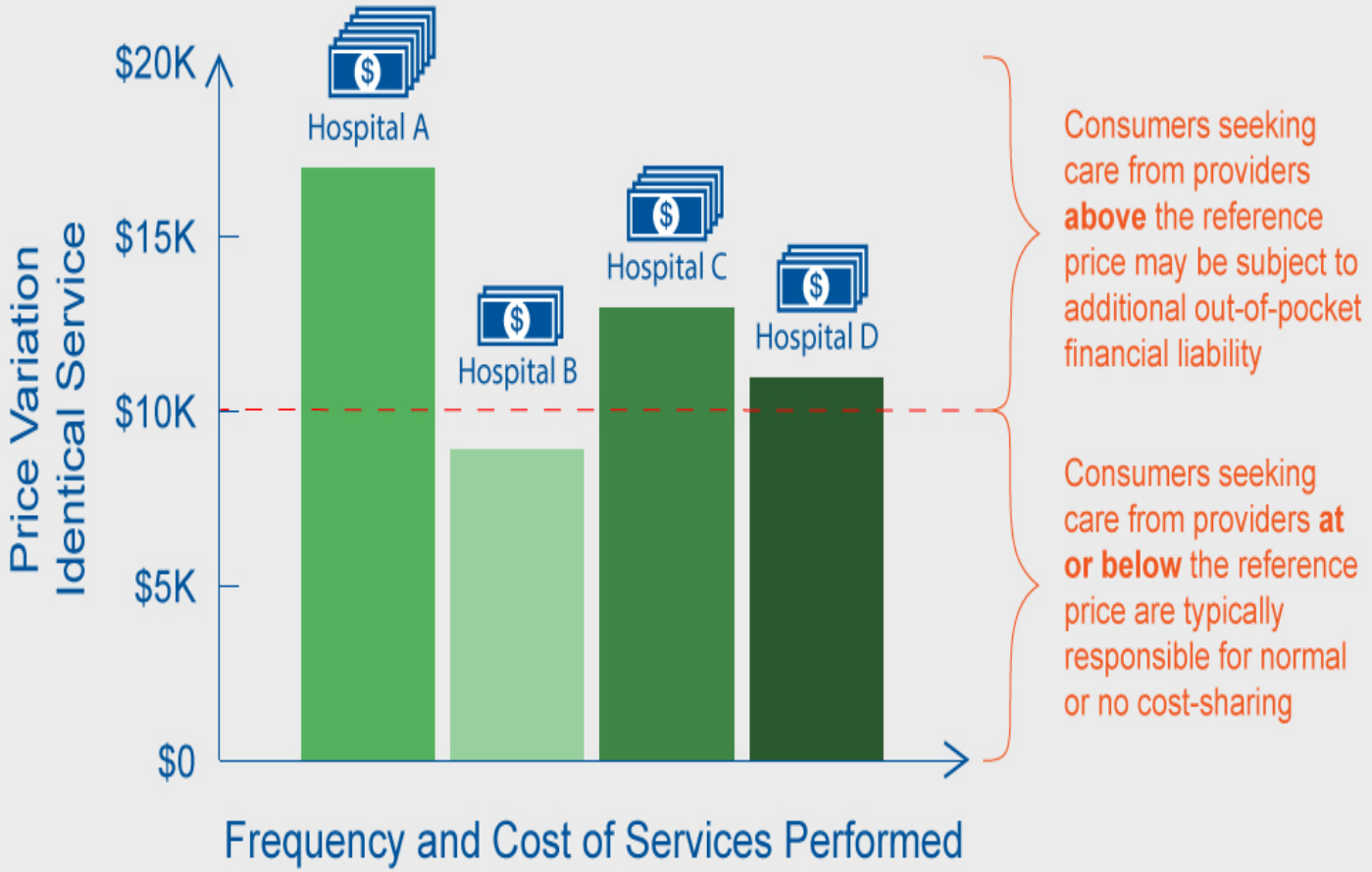
HEALTH CARE INCENTIVES IMPROVEMENT INSTITUTE℠

Your Logo Here

Source: National Association of Health Underwriters Education Foundation

REFERENCE PRICING

AMGI



Source: Catalyst for Payment Reform

Reference pricing establishes a standard price for a drug, procedure, service or bundle of services and generally requires that health plan members pay any allowed charges beyond this amount.

Steering Employees to Centers of Excellence

- Lowe's eliminates co-pays and pays travel costs if employees use the Cleveland Clinic for elective heart procedures
- Cleveland Clinic's negotiated bundled price beats price of local hospitals

Lowe's will bring its workers to Cleveland Clinic for heart surgery

By Harlan Spector, The Plain Dealer
February 17, 2010, 3:58AM

View full size Chuck Burton / Associated Press

Lowe's is offering employees nationwide incentives in the form of reduced out-of-pocket costs to come to the Cleveland Clinic for heart procedures.

CLEVELAND, Ohio -- With medical costs climbing and health care reform stalled, **Lowe's Companies Inc.** decided to shop nationally for the best deal in heart surgery for its employees, and it landed at the **Cleveland Clinic**.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