



June 15, 2010

AEI **Health Care Reform:** **Initial Checkup** *Employer Perspective*

Tracy Watts, Washington D.C.

tracy.watts@mercer.com

Agenda

- Employer reactions: “Sizing the Challenge” survey
- Financial impact to employers
- Key questions
- Unfinished business

Excise tax is the reform provision that worries employers the most

Percent of employers saying provision is a significant or very significant concern

Excise tax for high-cost plans



No lifetime limits



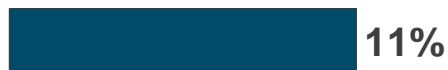
Children eligible up to age 26



Auto-enroll new hires



Employees working 30+ hours are eligible



Plan must pay 60% of covered services

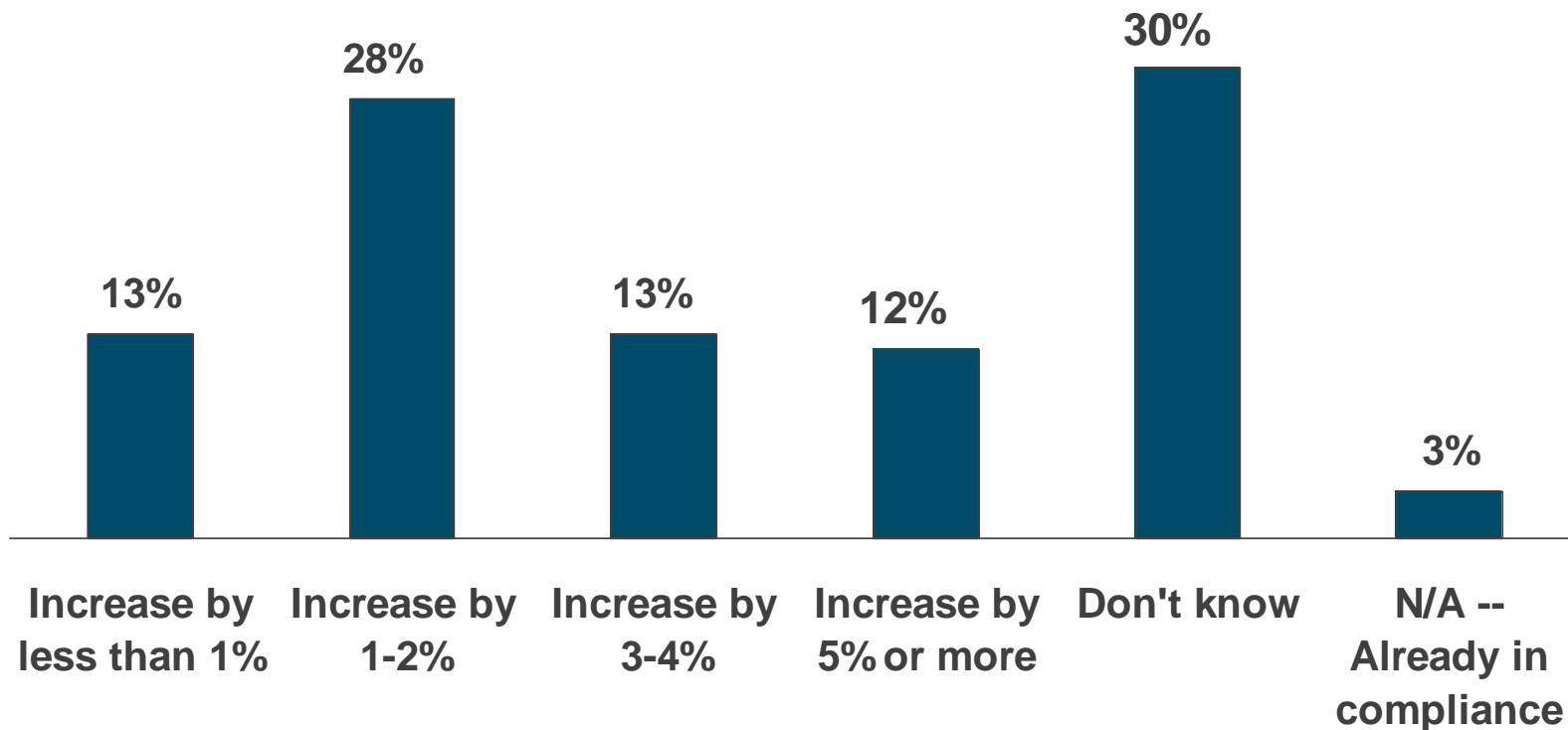


- “Sizing up the Challenge” survey was fielded between April 27 and May 7 to employers registered for Mercer’s webinars on health reform
- 791 employers participated, with a good distribution by industry and employer size
 - Fewer than 500 employees: 236 respondents
 - 500-4,999 employees: 354 respondents
 - 5,000+ employees: 196 respondents
- Designed to gauge employers’ *potential* actions in response to specific reform provisions, focusing on those effective in 2011. Employers were told “Gut reactions are allowed.”

Source: Mercer’s 2010 Survey on Health Reform – Sizing up the Challenge

Close to half of employers expect PPACA-related changes to push up 2011 cost by no more than 2% -- but about 1 in 10 expect increase of at least 5%

Employer estimates of cost increase due to covering children up to age 26 and eliminating benefit maximums



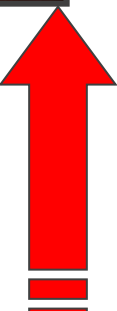
Source: Mercer's 2010 Survey on Health Reform – Sizing up the Challenge

Employer Perspective: Thinking ahead to 2018

Finding the “sweet spot” for compliance

New Cost Pressures

- Eliminate lifetime maximums, most annual maximums and preventive care cost sharing
- Expand eligibility for some FTEs and dependents
- Increase administrative expense for compliance, auto-enrollment, salary-based contributions, CLASS Act
- Absorb cost shifting from government programs, uncompensated care, insufficient rates



Don't go below 60% value!

Don't incur excise tax!

Key questions for employers to address

- If an employer wants to be fully compliant, what would it cost to close gaps between current plan provisions and the new law?
 - Comply with design requirements
 - 60% Actuarial value
 - No cost sharing for preventive care
 - No lifetime maximums, no annual maximums (per guidelines)
 - No exclusions
 - Cover all employees who work 30 hours or more
 - Limit the waiting period to 90 days
 - Cover older children to age 26
 - Comply with affordability requirements to ensure low-income employees qualify for Medicaid or pay more than 8 -9.5% of pay for coverage?
- If an employer wants to keep their current approach, what penalties would apply for not being compliant?
- Are there savings opportunities by changing current eligibility, design or contribution provisions to align with the new requirements?
- What is the risk of having to pay an excise tax for having a high cost plan?

Reform left behind some unfinished business

- What was reformed? Insurance, not health care
 - Regulates eligibility, benefit design, minimum loss ratios
 - Increased oversight of carriers
 - Sets standards for minimum loss ratios to control administrative expense and profitability
 - Caps tax deductible compensation
 - Adds national oversight on top of state rate approval process
- Missed opportunities
 - Standardized payment approaches that promote quality and efficiency (e.g., bundled payments, capitation, value-based)
 - Standardized data – key to evaluating quality, cost efficiency
 - Tort reform
- Will re-shape the insurance markets and delivery systems in some unanticipated ways