

The future of the ACA Where are we today?

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Choice | Health | Service

Agenda

- Affordable Care Act (ACA) - A quick look back
- ACA repeal/replace timeline
- House bill - American Health Care Act
- Senate bill - Better Care Reconciliation Act of 2017
- Employer requirements
- Health care trend

Broad ACA goals

- Most significant overhaul of the U.S. healthcare system since the introduction of Medicare and Medicaid in 1965
- Increase the quality and affordability of health insurance
- Lower the uninsured rate
- Reduce healthcare costs



Major components of the ACA

- Guaranteed issue of health insurance and elimination of denials based on pre-existing conditions
- Minimum standards for health insurance related to benefits, availability, and costs
- Creation of health insurance exchanges
- Expansion of Medicare and Medicaid
- The Individual Mandate (and associated taxes)
- The Employer Mandate (and associated Excise “Cadillac” taxes)

The ACA in year 8

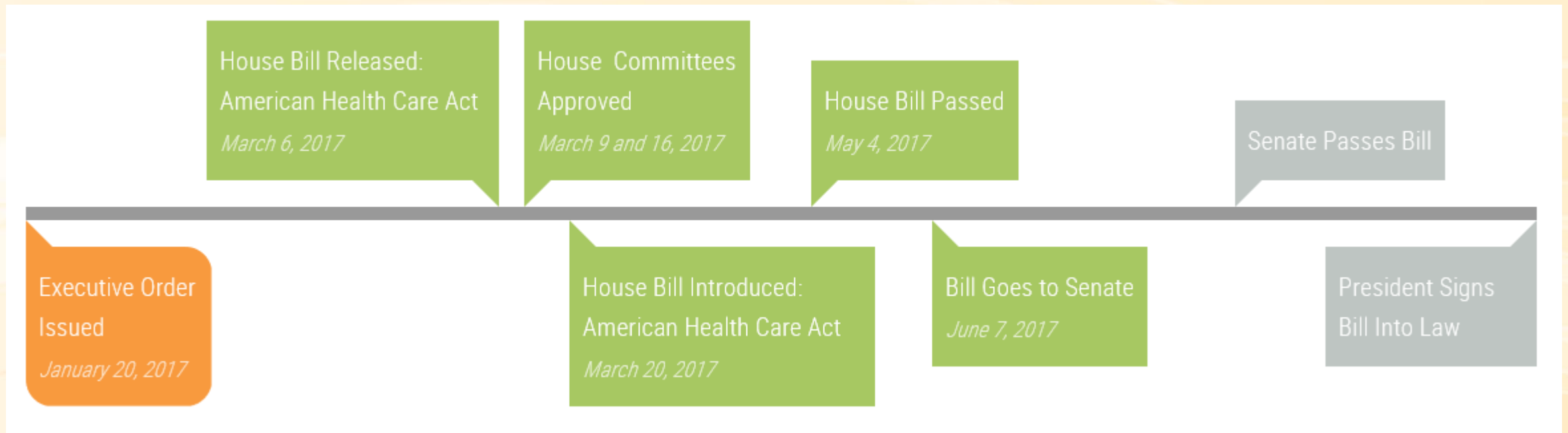
The pluses

- ✓ Uninsured rate dropped from 15.1% in 2010 to 8.8% in 2016 due to
 - ✓ Medicaid expansion
 - ✓ Adult child rule
 - ✓ Public exchanges
- ✓ Health insurance policies offer more comprehensive coverage
- ✓ Did not trigger mass exit of employers from offering health insurance coverage
- ✓ Federal deficit reduced by more than 67% from 2009
 - ✓ Impact of ACA on deficit reduction?

The minuses

- Individual health insurance market still challenged
 - Average benchmark premium increases of 22% in 2017
 - ACA policies offer narrow provider networks, higher deductibles, and higher out-of-pocket limits
- No measurable impact to date on health care quality or national health care spending
- Insurers suffering losses and exiting public exchange
- Impact of ACA of Federal deficit is unclear
 - Sequester had most impact on deficit reduction
 - ACA spending lower than projected due to
 - Fewer enrollees, therefore fewer subsidies
 - Nineteen states not expanding Medicaid

ACA repeal/replace timeline



Mapping out what's next



- **May 4, 2017**
 - American Health Care Act (AHCA) passed by the House of Representatives

- **June 22, 2017**
 - Senate unveiled the discussion draft of their health care legislation, known as the Better Care Reconciliation Act (BCRA) of 2017; updated **June 26**

- **June/July 2017**
 - Senate Republicans postponed a planned vote on the GOP bill to replace the ACA until after the July 4th recess
 - With no Democratic support for the bill, GOP leadership needs the votes of at least 50 of the 52 Republican senators to pass it
 - If House & Senate cannot agree, a conference committee made up of conferees from each chamber will debate bills

ACA vs. House vs. Senate highlights

Essential health benefits

- ACA requires insurers to cover a set of “essential benefits” including hospitalization, prescription drugs, maternity care, and mental health treatment
- Both House/Senate bills would essentially end requirement, allowing states to set their own standards

Pre-existing conditions

- ACA requires insurers to charge people with pre-ex conditions & serious illness the same amount for coverage. Lifetime caps prohibited for essential health benefits.
- House bill eliminates the requirement to charge people with pre-ex conditions the same amount, offered money to states to set up a high-risk pool for the very sick to purchase coverage
- Senate bill requires insurers to charge people with pre-ex the same amount

ACA vs. House vs. Senate highlights

Mandated insurance coverage

- ACA requires most people to buy health insurance or pay a penalty
- Both House/Senate bills eliminate the individual mandate, and eliminate mandate for most employers to provide coverage for full-time employees

Seniors & young people

- ACA allows young people to stay on parents' insurance until age 26, and bars insurance companies from charging older Americans more than three times as much as they charge younger members
- Both House/Senate bills keep dependent coverage to age 26. Both also allow insurers to charge seniors up to five times as much as younger members

ACA vs. House vs. Senate highlights

Medicaid expansion

- ACA expanded Medicaid eligibility to anyone making under 138 percent of the federal poverty line
- Both House/Senate bills make deep cuts to Medicaid

Taxes

- ACA Excise Tax on high-cost employer-sponsored group health plans, effective 2020; additional taxes enacted to pay for insurance subsidies
- Both House/Senate bills would mostly eliminate taxes to pay for insurance subsidies, pushing Excise Tax out to 2026



ACA vs. House vs. Senate highlights

Subsidies & Tax Credits for Insurance

- ACA allows people making between 100 and 400 percent of the federal poverty level to receive tax credits toward purchasing individual insurance on exchanges
- House bill would provide subsidies based on age, rather than income (giving tax break to wealthy older people)
- Senate bill would extend subsidies to people under 100 percent of the federal poverty level, and the income limit for receiving subsidies at 350 percent of the federal poverty line



Favorable proposed changes to FSA/HSA/HRA

Health FSA

- ❖ Uncapped limit (currently \$2,500 cap)

HSA

- ❖ Increased contribution limits
 - Current 2017 = \$3,400/\$6,750
 - Proposed = \$6,550/\$13,100
- ❖ Lowers penalty for non-qualified HSA distributions
- ❖ Allows spouses to make catch-up contributions to same HSA
- ❖ Allows reimbursement for medical expenses incurred within 60 days of HDHP

Health FSA/HSA/HRA

- ❖ Repeals prescription requirement for over-the-counter medications

Employer requirements

Still in place...

- ✓ Employer mandate
- ✓ Employer reporting
- ✓ Excise Tax
- ✓ PCORI fee



Be aware of proposed changes, but for now stay the course, as the ACA is still current law

Health care trend

Trend factors

- Price continues to be a major driver of healthcare costs
 - General inflation, fewer branded drugs coming off patent
 - Higher general inflation rates are driving up wages and medical prices
- Uncertainties with Trump administration may impact employers and their healthcare spending
- Trend from 2017 & 2018 are predicted to be high
- To slow healthcare spending, employers look to lower cost plans, and shifting costs to employees
- Targeting work site health promotion programs is more important that ever!

Trend

- PricewaterhouseCoopers Health Research Institute projects 2018 medical cost trend to be 6.5%
- Aon Hewitt trend assumptions in 2018 are 6.5% for medical, and 11.0% for pharmacy

We value your input and questions...

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