

porterwright

Health Care Reform:



Four-Step Plan Analysis

STEP 1

- **Determine how PPACA will impact the plan.**
 - Review compliance with current requirements.
 - If plan is grandfathered, determine if continued grandfathered status is necessary/desirable for 2014 (loss of grandfathered status may result if design changes occur).
 - If grandfathered status will be lost, determine if/how plan will comply with new requirements and how this will affect costs.
 - Analyze potential impact of “pay or play” mandate: increased participation, changes in eligibility, changes in plan design, etc.
 - Analyze potential impact of new fees (Transitional Reinsurance and PCORI fees).



STEP 2

- **Evaluate options and determine which deserve further investigation.**
 - **“Play” Instead of “Pay” – Keep status quo.**
 - **“Play” Instead of “Pay” – With some changes to basic structure.** Employer could keep its medical plan, but implement cost-saving measures. This would likely result in loss of grandfathered status.
 - **Increase employee and/or dependent cost share** such as deductibles, out-of-pocket maximums, and coinsurance. Must analyze whether coverage is “affordable” and provides “minimum value.”



STEP 2 (cont.)

- **Further limit eligibility** within the constraints imposed under health care reform to limit number of benefit-eligible employees (*i.e.*, to those who qualify as “full-time employees” under pay or play provisions). Must analyze if the employer offers coverage to 95% of full-time employees.
- **Implement workforce changes** to move more full-time employees to part-time status. Must examine who qualifies as “full-time employee.”
- **Two-tiered premium structure** with different cost-sharing structure for employees/dependents.



STEP 2 (cont.)

- **Offer voluntary benefits** (such as critical illness) to offset employees' out-of-pocket expenses particularly in higher deductible plans.
- **Eliminate or reduce financial support of other benefits** to offset increased medical plan costs (vision, dental, life, disability, etc.).
- **Increase scope of wellness programs** to offset increased medical plan costs.
- **Adjust compensation arrangements** to offset increased medical plan costs.



STEP 2 (cont.)

- **Evaluate options and determine which deserve further investigation.**
 - **“Play” Instead of “Pay” – Broad-based changes.**
Employer could continue to offer medical coverage under a modified structure.
 - **Consumer Driven Health Plan (CDHP) with savings option** – Combination of high-deductible plan with Health Savings Account (HSA) or Health Reimbursement Account (HRA) funded in part by employer.
 - **Defined Contribution Plan through private exchange**



STEP 2 (cont.)

- **Value Based Benefit Plan Design**
 - Remove barriers to essential, high-value health services.
 - Eliminates or reduces copayments or coinsurance for certain medications or types of care that are demonstrated to be crucial in preventing or managing disease.
- **Reference Based Benefits (RBB)** – Set a per-service dollar maximum (reference cost) on selected medical procedures/services. If employee selects alternative for which charges are higher than that amount, the employee is responsible for all costs beyond the reference-based price.



STEP 2 (cont.)

- **“Pay” Instead of “Play” – Eliminate medical plan.**
Employer could eliminate its medical plan and pay the penalty for full-time employees.
 - **2014 Amount of Penalty** – \$2,000/year (adjusted for inflation after 2014) x full-time employees (less first 30 full-time employees).
 - **Implement workforce changes** to move more full-time employees to part-time status. Must examine who qualifies as “full-time employee.”



STEP 3

- **Prepare long-term cost projections.**
 - Examine cost projections of options identified in previous step that warrant serious consideration.



STEP 4

- **Decide which option(s) meets the employer's long-term goals and implement any necessary changes.**

