



The Road to Reform

Preparing for health reform today





At UnitedHealthcare, our goal is to help people live healthier lives

How? Providing innovative and affordable choices in the health benefit plans we offer. Focusing on the quality of service we deliver. And, making health benefit plans easy to understand and simple to administer.

The Patient Protection and Affordable Care Act of 2010 (the Act) brings significant and sweeping changes to how Americans access and pay for health care. And while change is good, it can be challenging. We are navigating these changes together.

Changes in federal law are just one way to move toward a more modern health care delivery system. UnitedHealthcare is at the forefront of improving access to quality care, containing costs, using technology to increase transparency, and changing the way the system pays for care. We understand that when physicians, insurance companies, employers, consumers and government bring their best ideas to the table, we can help improve access to quality and affordable care.

The Big Picture

The Act is being rolled out in phases between 2010-2019. Generally, the provisions fall into one of these areas:

- ▶ Standards for minimum health benefit plan offerings
- ▶ State-based Health Benefit Exchanges
- ▶ Mandates for employers and individuals to provide or purchase health care coverage
- ▶ Subsidies to individuals to purchase coverage
- ▶ Requirements that insurance companies spend a certain percentage of premium dollars on patient care
- ▶ Insurance market reforms
- ▶ Expanded appeal rights for patients
- ▶ Expanded Medicaid eligibility
- ▶ Changes to Medicare reimbursement

Keeping Your Grandfathered Plan

If you decided to “grandfather” your health benefit plan, some of the health reform changes won’t apply. Grandfathering a plan means that you decided to keep the plan that you had in effect on March 23, 2010, with only minimal changes. Going forward, only approved changes can be or will be made to a grandfathered plan. However, there are a few changes that apply to all plans whether or not you have a grandfathered plan.

Remember, employers will need to stay on top of any reporting obligations that may be required to maintain grandfathered status. In general, plan changes that can cause loss of grandfathered status include: eliminating certain benefits, increasing coinsurance, increasing fixed dollar cost-sharing (copays, deductibles and out-of-pocket limits) beyond allowed amounts, and the plan sponsor’s decrease in its contributions toward the cost of coverage by more than 5 percent. So if you have chosen to maintain grandfathered status, keep in touch with your broker or account representative to be aware of any changes that could affect that status.

Five Things You Should Do Now

As regulations, mandates and laws become effective over the next months and years, it’s important to know where to begin and what to focus on as you prepare your business and employees. Here are five things you should consider today:

- 1 Get ready for new reporting requirements scheduled to take effect in 2012.** Some of these changes may involve upgrading systems as well as updating plan documents and materials to comply with the new regulations.
 - ▶ Employers that file 250 or more W-2 forms will be required to report the cost of employees’ health benefit coverage on their 2012 W-2 forms that are distributed in January 2013. (This requirement is informational only and does not mean that employees will be taxed on these dollars.)
 - ▶ Employers or issuers must provide an easy-to-understand uniform coverage document that follows standards established by the Department of Health and Human Services (HHS). A sample notice of uniform coverage documents and standard definitions will be finalized by HHS before this requirement goes into effect. The information must be issued to applicants, new members and those re-enrolling in a plan. Those who choose not to comply with this requirement will face a fine of up to \$1,000 per member. This requirement is effective no later than March 23, 2012.



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- ▶ By March 2013, employers must provide all employees with information about Health Benefit Exchanges (also called Health Insurance Exchanges), including employee eligibility, how to participate in an Exchange and available premium credits if the employer's coverage is considered unaffordable.

2 Leverage tax credits if you are a small business. The Small Business Health Care Tax Credit is designed to encourage small businesses and small tax-exempt organizations to offer health insurance coverage for their employees. UnitedHealthcare developed a modeling tool to assist employers and brokers in determining eligibility for the credit and estimating the potential credit amount. In 2014, the tax credit will be increased and is available only to those employers that purchase insurance through an Exchange.

3 Understand the medical loss ratio requirement. Health insurance companies must report the percentage of premium dollars spent on clinical services, quality improvement, patient care and other related services. This provision applies to fully insured individual and group plans only, not self-funded plans. The medical loss ratio means that 80 percent of small group premiums and 85 percent of large group premiums go toward these areas. If the ratio falls below that percentage, health insurance companies must issue member rebates. The medical loss ratio will be calculated based on 2011 results and any rebates must begin going out by Aug. 1, 2012. Today, many health benefit plans have medical loss ratios near 80-85 percent.

4 Be aware that group and individual health insurance plans now have a standard appeals process if a claim, coverage or health care service is denied. The process includes an internal review, conducted by the insurance company, but also an external review by an independent organization. The appeals process is now available for both fully insured and self-funded plans. External reviews apply only to claims involving medical judgment or a rescission of coverage. Members must be notified of the appeals process and have the opportunity to review their file and present evidence. UnitedHealthcare has traditionally offered these rights to members. Grandfathered plans may continue with their existing appeals processes.

5 Determine how Health Benefit Exchanges could impact how you offer coverage to your employees in the future. Although Exchanges are not in place until 2014, it's important to think about them now.

By March 2013, employers must provide all employees with information about Health Benefit Exchanges.





Looking Back

Here is a review of key health reform changes that went into effect on or before Jan. 1, 2011:

- ▶ Adult children may be covered to age 26, and members under age 19 may be covered even with pre-existing medical conditions. (Grandfathered plans may exclude coverage to age 26 if the adult child has other employer group coverage.)
- ▶ Annual dollar limits restricted for essential health benefits
- ▶ Appeals review standards^G
- ▶ Coverage can no longer be rescinded except in cases of fraud or premiums not being paid
- ▶ Early retiree reinsurance
- ▶ Emergency services covered at the network rate and prior approval is not required^G
- ▶ Health FSAs, HSAs, Archer MSAs
- ▶ or HRAs may no longer be used to purchase over-the-counter drugs on a pre-tax basis without a prescription
- ▶ HSA tax increase from 10 percent to 20 percent for non-medical withdrawals
- ▶ Lifetime dollar limits removed on essential health benefits
- ▶ Part D rebate for Medicare beneficiaries in the gap
- ▶ Physician choice for patients^G
- ▶ Preventive care services covered 100 percent if in network^G
- ▶ Small business tax credits for businesses that offer health benefits
- ▶ Temporary high-risk pool for individuals denied health care coverage due to pre-existing conditions

It's important to help your employees understand the health reform changes that impact them now. Take advantage of UnitedHealthcare's online tools to communicate changes or create programs for your employees: healthcarelane.com, *Healthy Mind*, *Healthy Body* newsletter, member portals, and the interactive health and wellness communications plan builder.

^G Grandfatherable provision

On the Horizon

Health Benefit Exchanges are intended to help individuals and small businesses shop for, select and enroll in high-quality, affordable private health plans that fit their needs at competitive prices. Some have compared Exchanges for health insurance to doing what a Travelocity® or Expedia® does for travel arrangements.

The Act requires Exchanges in each state by Jan. 1, 2014. In 2014-2016, only individuals and employers in the small group market are eligible to participate in an Exchange. In 2017, states may permit employers in the large group market to participate.

Employees meeting certain requirements who cannot afford the coverage provided by their employer may take whatever funds their employer might have contributed to their insurance and use these resources to help purchase a more affordable plan in the Exchange.

Employers with at least 50 full-time employees that decide not to offer a health benefit plan to their employees, and instead leverage the Exchange, are subject to penalties referred to as the employer mandate.

The employer mandate says that employers who do not offer “minimum essential coverage” must pay a fee of \$2,000 multiplied by the total number of full-time employees minus 30, as the first 30 employees are exempt. If the employer does offer “minimum essential coverage” but the coverage for any full-time employee is unaffordable and the employee receives premium assistance through an Exchange, the employer must pay the lesser of a \$3,000 fee per full-time employee who receives premium assistance to purchase coverage through an Exchange or \$2,000 per full-time employee (minus 30).

Certain small employers (employing fewer than 50 full-time employees) are exempt from the assessments noted above. Otherwise, the penalties may vary depending upon whether coverage is provided by the employer, and if the coverage is deemed affordable.

Employers will want to consider whether they need to make changes to the cost and quality of the coverage offered to avoid penalties that will apply if that coverage is considered unaffordable or low in value.

A new fee called a “comparative effectiveness research fee” will apply to plan sponsors and issuers of individual and group policies. This fee will go toward the Patient-centered Outcomes Research Trust Fund. The fund supports research to evaluate the effectiveness and outcomes of medical treatments. The findings are designed to help patients and health care professionals make informed decisions about their care.

The fee is \$1 per member per year for policy or plan years ending after Sept. 30, 2012. The fee adjusts to \$2 per member for policy or plan years ending 2013, through Sept. 30, 2014. For policy or plan years ending after Sept. 30, 2014, the dollar amount will be adjusted by the Secretary of Treasury. The comparative effectiveness research fee ends after 2019.



Employers will want to consider whether they need to make changes to the coverage offered. Penalties will apply if that coverage is considered unaffordable or low in value.

The State of Health Reform

Today, several states are disputing the constitutionality of the health reform law. It is anticipated that the question of whether or not the health reform law is constitutional will likely be decided by the U. S. Supreme Court after the issue works its way through the appellate court system.

Because the process still has several steps to go, it is impossible to speculate at this point on what any ultimate rulings could mean for health reform. As this issue works its way through the courts, UnitedHealthcare is committed to moving toward a modernized care delivery system ensuring that changes in health care are made as effectively as possible for the health of the American people.



Helpful Websites for More Information

- ▶ United for Reform Resource Center at uhc.com/reform
- ▶ uhc.com/employers
- ▶ Society for Human Resource Management at shrm.org



Questions?

Talk with your broker or account representative who can address your specific concerns. We're here to help you:

- ▶ Stay updated on ongoing policy changes through our e-newsletters and special websites dedicated to health reform news
- ▶ Learn about special programs available from the federal government such as the Small Business Health Care Tax Credit and Wellness Grants
- ▶ Find affordable health benefit plans
- ▶ Talk about health reform with your employees



Modernizing Health Care

As one of the largest participants in the health care system, we know first-hand the significant challenges our nation faces in improving access to quality care and managing costs for all Americans. We are actively working across the nation with states and the federal government to support broader health care coverage, lower health care costs and improve the delivery of care.

UnitedHealth Group believes that the modernization of the health care system is an ongoing process. That's why we continue to provide thoughtful, practical ideas to expand access and control the growth of medical costs while strengthening care. We are offering creative solutions, forming meaningful new partnerships and developing innovative products, ensuring that every American has access to affordable, quality health care.



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