

Financial impact of the Affordable Care Act

Health reform brings opportunities and challenges. UnitedHealthcare is actively engaged in the federal and state reform efforts – focused on supporting these changes while delivering innovative solutions and services. We are dedicated to providing our customers, channel partners and providers with tools and information to assist them in their implementation efforts.

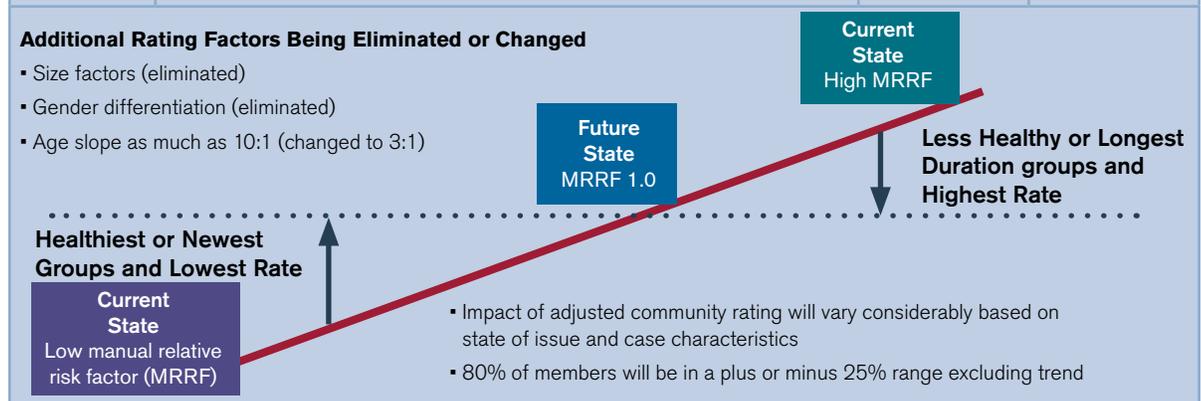
The Affordable Care Act (ACA) became law on March 23, 2010. The government has since issued guidance for most provisions, but not all, and in some instances final regulatory guidance to aid in our implementation and analysis. While we're able to analyze the rules and guidance as currently issued, the potential impact won't be fully recognized until after all health reform regulations are finalized and implemented.

Expected average medical claim impact estimates

The following grid outlines the financial impact of health reform on medical claims. Many of these increases have already been included in premium rates since previously effective ACA provisions applied to those rates. Others will be included in premium rates for future plan years once the provision goes into effect. The impact for preventive services, for example, was incorporated for most non-grandfathered plans into premium rates in 2010. Future government regulations and requirements may change the impact estimates.

The low and high financial impact estimates are based on a percentage of medical costs.

Provision	Description	Impact estimates on expected average medical claims	
		Low	High
Adjusted Community Rating on or after Jan. 1, 2014	Restricts the use of rating factors. A state may further restrict the use of rating factors. Group size: Individual and small group only Funding type: Fully insured plans Grandfathered plans: Not required Group rate factors limited to: Family size (individual or family), geographic area, age (3:1 limit), tobacco use (1.5:1 limit) Prohibited factors include: Gender, health status, claims history, medical underwriting, group size, industry	-25% of current rate Decreasing Impact: Less healthy groups Older groups More young females Smaller groups Substandard industry	+25% of current rate Increasing Impact: Healthier groups Younger groups Fewer young females Larger groups Preferred industries



Provision	Description	Impact estimates on expected average medical claims	
		Low	High
Annual Limits on or after Jan. 1, 2014	Prohibits annual dollar limits on Essential Health Benefits beginning with plan year on or after Jan. 1, 2014. Restricted annual dollar limits had been allowed beginning 2010 until 2014. Impact: Will vary based on individual employer experience and benefit plan designs. Group size: Small and large group Funding type: Fully insured and self-funded plans	0.1%	0.7%
Dependent (Adult Child) Coverage Sept. 23, 2010	Plans providing dependent coverage required to cover adult children to age 26 for plans effective on or after Sept. 23, 2010. Impact: Most of the impact will result from an increased number of dependents. Group size: Small and large group Funding type: Fully insured and self-funded plans	0.4%	1.7%
Essential Health Benefits Sept. 23, 2010	Requires coverage for 10 mandated categories. Group size: Individual and small group Funding type: Fully insured plans Grandfathered plans: Not required	Pediatric Dental 1.5% Pediatric Vision 0.1% Habilitative 0.0%	2.1% 0.3% 5.9%
Lifetime Limits Sept. 23, 2010	Prohibits lifetime limits on all benefits except for lifetime per-beneficiary limits that are not "Essential Health Benefits." Effective for plans beginning on or after Sept. 23, 2010, customer will have to remove the limit. Impact: Experience will vary by customer Group size: Small and large group Funding type: Fully insured and self-funded plans	0.1%	0.6%
Preventive Care Services Sept. 23, 2010	Non-grandfathered plans must cover preventive care without cost-sharing when received in the plan's network. The offsetting savings from preventive care will vary by customer based on the current activation level. Many plans already cover preventive care. Impact: Will range from no impact to substantial, depending on current plan design. For most fully insured groups, the impact is 1% or less. Group size: Small and large group Funding type: Fully insured and self-funded plans Grandfathered plans: Not required	0.0%	3.6%
Expanded Women's Preventive Care Services. On or after Aug. 1, 2012	Non-grandfathered health plans must cover an expanded list of women's preventive care services without cost-share effective the first plan year beginning on or after Aug. 1, 2012, when received in the plan's network. Impact: Average financial impact is 0.32% for customers with both medical and pharmacy benefits. Actual impact may vary based on the group's demographics, coverage provisions, current and future cost-sharing provisions.	0.2% impact if applying religious employer exemption 0.32% is the average financial impact	0.7% impact if not currently covering contraceptives
Pre-existing Conditions Sept. 23, 2010 for members under age 19. On or after Jan. 1, 2014 for other members	Effective Sept. 23, 2010, pre-existing condition exclusions were generally prohibited for all members under age 19. Effective for plan/policy years beginning on or after Jan. 1, 2014, all pre-existing condition exclusions must be removed for all plans, with the exception of <i>individual</i> plans that are grandfathered plans. Many customers do not impose pre-existing conditions on new employees or their dependents. Customers may effectively manage cost by monitoring claim trend, reviewing coverage options and family contribution strategies. Impact: Half of UnitedHealthcare customers will have a negligible impact from removing pre-existing condition limits with most other customers having less than 0.3% impact. Group size: Small and large group Funding type: Fully insured and self-funded plans Grandfathered plans: Required for group plans that are grandfathered. Not required for <i>individual</i> plans that are grandfathered.	0.1%	1.0%

Taxes and Fees		Impact estimates on expected average premium and cost of coverage
Insurer Fee 2014	<p>An annual, permanent fee on health insurance issuers began in 2014 to fund premium tax subsidies for low-income individuals and families who purchase insurance through Exchanges (also called Health Insurance Marketplaces).</p> <p>Impact: The amount is determined by the market share of the health insurance issuer. It is based on its net written health insurance premiums in the previous year, with certain exclusions. Estimated impact will vary by state based on the average per member per month in each state.</p> <p>Group size: Individual and group (small and large)</p> <p>Funding type: Fully insured plans only</p> <p>Grandfathered plans: Required</p>	2.5% of premium
Patient-centered Outcomes Research Institute (PCORI) Fee 2012-2019	<p>Temporary fee that funds research that evaluates and compares health outcomes, clinical effectiveness, risks and benefits of medical treatments and services.</p> <p>Impact: Nominal impact on premiums. For years ending on or after Oct. 1, 2012, and before Oct. 1, 2013 - the applicable dollar amount is \$1 per member per year. For years ending on or after Oct. 1, 2013, and before Oct. 1, 2014 - the applicable dollar amount is \$2 per member per year. For years ending in any fiscal year beginning on or after Oct. 1, 2014, the applicable dollar amount is the prior fiscal year's dollar amount plus an adjustment for medical inflation.</p> <p>Group size: Individual and group (small and large)</p> <p>Funding type: Fully insured and self-funded plans</p> <p>Grandfathered plans: Required</p>	\$1 per member per year increasing to \$2 in the second year. For years ending in any fiscal year beginning on or after Oct. 1, 2014, the applicable dollar amount is the prior fiscal year's dollar amount plus an adjustment for medical inflation
Transitional Reinsurance Fee 2014-2016	<p>Funds the temporary Reinsurance Program.</p> <p>Impact: \$5.25 per member per month in 2014. The fee drops to \$3.67 per member per month in 2015 and is to be determined for 2016.</p> <p>Group size: Individual and group (small and large)</p> <p>Funding type: Fully insured and self-funded plans</p> <p>Grandfathered plans: Required</p>	\$5.25 per member per month in 2014 (\$63 annually)

Estimates may vary based upon the existing plan design/limits on the impacted benefit categories.

Financial considerations based on benefit design

- ▶ **Out-of-pocket maximum for member cost-sharing must not exceed the following limitations: In 2014, \$6,350 for self-only coverage and \$12,700 for family coverage for HSA and non-HSA plans. In 2015, the limits will be as follows:**

Non-HSA plans \$6,600 for self-only and \$13,200 for family coverage
HSA plans \$6,450 for self-only and \$12,900 for family coverage

Applies to small group and large group¹

- Impact 0 – 5 percent

Note: 95 percent of National Account members, and 90 percent of small group members are now below this out-of-pocket limit, so no material impact.

- ▶ **All cost-sharing applies to out-of-pocket maximum** – Applies to small group and large group
 - Impact 0 – 5 percent

Maximum of range based on impact of changing from a \$5,000 deductible/80 percent coinsurance/\$10,000 out-of-pocket maximum plan with copayments for office visits, urgent care, emergency room, pharmacy. These ranges may be offset by other benefit plan design changes.

For more information

Our commitment is to keep our customers, channel partners and other constituents informed as further information and guidance is published through the Department of Health and Human Services, Department of Labor, Internal Revenue Service and other government agencies. This communication is not intended, nor should it be construed, as legal or tax advice. Please contact a competent legal or tax professional for legal advice, tax treatment and restrictions. Contact your UnitedHealthcare representative with questions.

¹ Large group applies to both fully insured and self-funded customers.

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