Post-Election Analysis of Health Care Reform

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National Electoral College Results

2012 Electoral Map

Barack Obama (D)
Mitt Romney (R)
Unknown

2012 Electoral College Votes

206
Romney

29
Unknown

303
Obama

270 votes needed to win

<table>
<thead>
<tr>
<th></th>
<th>Voted for Obama</th>
<th>Voted for Romney</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>55%</td>
<td>44%</td>
</tr>
<tr>
<td>Men</td>
<td>45%</td>
<td>52%</td>
</tr>
<tr>
<td><strong>Race</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White (non-Hispanic)</td>
<td>39%</td>
<td>59%</td>
</tr>
<tr>
<td>Black</td>
<td>93%</td>
<td>6%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>71%</td>
<td>27%</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-College Graduate</td>
<td>51%</td>
<td>47%</td>
</tr>
<tr>
<td>College Graduate</td>
<td>50%</td>
<td>48%</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18 to 29 years</td>
<td>60%</td>
<td>37%</td>
</tr>
<tr>
<td>30 to 44 years</td>
<td>52%</td>
<td>45%</td>
</tr>
<tr>
<td>45 to 64 years</td>
<td>47%</td>
<td>51%</td>
</tr>
<tr>
<td>64+ years</td>
<td>44%</td>
<td>56%</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than $50,000</td>
<td>60%</td>
<td>38%</td>
</tr>
<tr>
<td>$50,000 to $100,000</td>
<td>46%</td>
<td>52%</td>
</tr>
<tr>
<td>$100,000 or more</td>
<td>44%</td>
<td>54%</td>
</tr>
</tbody>
</table>

"What worries me is that the GOP is about to become the WOP—the White Old Party," – former Sen. Norm Coleman
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2012 Senate Results Chart

Former Senate Makeup

- Dem Not Up for Reelection
- Dem Maintained Seat
- Dem Defeated Incumbent
- Dem Won Open Seat
- Republican Not Up for Reelection
- Republican Maintained Seat
- Republican Defeated Incumbent
- Republican Won Open Seat
- Unknown
- Independent

Quick Takeaways

- While GOP remains the minority, retains filibuster power
- Expect GOP soul-searching after failure to knock down 2006 Dem Senators
- Sens.-elect Joe Donnelly of IN, Ted Cruz of TX, and Elizabeth Warren of MA may be brightest stars in new Senate

New Senate Makeup


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2012 Senate Seats Gained and Held


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House of Representatives Results Map

191 Democrats

+1 seat
Need +25 seats for control

12 undecided

218 for majority

232 Republicans

-2 seats

House races are called by The Associated Press.
Balance of power

Democrat 192
Independent 0
Republican 232

NBC projection: Democrats expected to win 198 House seats; Republicans, 237 seats. Margin of error +/- 4.
Fiscal Cliff Numbers

- $16 Trillion – Current federal debt (GDP of $13.6 Trillion)
- $1.3 Trillion – Projected 2012 federal deficit
- $1.2 Trillion – 10 year cost of maintaining Bush tax cuts
- $1.2 Trillion – Amount saved if sequestration moves forward
### Fiscal Policies Soon to Expire or to be Automatically Enacted

<table>
<thead>
<tr>
<th>Issue</th>
<th>History</th>
<th>Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bush-Era Tax Cuts</td>
<td>Created in 2001 and 2003 as temporary tax cuts; Congress passed temporary extension in 2010 given weak economy</td>
<td>Reduced tax rates on individual income, capital gains, dividends, and estates; limits AMT and continues tax breaks for married people</td>
</tr>
<tr>
<td>Debt Ceiling</td>
<td>Passed without much controversy, before Tea Party</td>
<td>Established U.S. borrowing power</td>
</tr>
<tr>
<td>Sequester</td>
<td>Used in late 1980s as mechanism to force negotiation</td>
<td>Mandated as result of failed deal in Super Committee</td>
</tr>
</tbody>
</table>

Immense Pressure for Action in Six-Week Window

- Nov 6, 2012: Election Day
- Nov 13, 2012: Lame Duck Session Begins
- Jan 1, 2013: Lame Duck Ends
- Jan 2, 2013: Sequester takes effect
  - $55B in mandatory defense cuts
  - $55B in mandatory non-defense cuts

What’s in Play, if No Action Taken

Dollar Value of Expiring Tax Provisions and Mandatory Spending Cuts for FY2013*
(In Billions)

More than half a trillion dollars at play (2/3 expiring tax cuts)

*Does not include Sustainable Growth Formula “doc fix” ($11B)

Source: Congressional Budget Office; Bipartisan Policy Center; Eurasia Group.

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Several Scenarios Leading to Fiscal Instability

### Two Dramatic Scenarios: Doing Nothing vs. Stalling Everything

**CBO Analysis, August 2012**

<table>
<thead>
<tr>
<th>Do Nothing (&quot;Fiscal Cliff&quot;)</th>
<th>Stall Everything</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short-Term</strong></td>
<td><strong>Long-Term</strong></td>
</tr>
<tr>
<td>• Likely recession; lower deficit</td>
<td>• Healthier fiscal course</td>
</tr>
<tr>
<td>• Real GDP decreases by 0.5%</td>
<td>• Real GDP begins growing in late 2013; growth averages 2.4% between 2018 and 2022</td>
</tr>
<tr>
<td>• Unemployment rate rises to about 9%</td>
<td>• Unemployment rate declines to 5.3% by late 2022</td>
</tr>
<tr>
<td>• Deficit shrinks to about $641 billion, or 4% of GDP</td>
<td>• Deficit continues to shrink to 0.4% GDP by 2018, then rises to 0.9% by 2022</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Long-Term</strong></th>
<th><strong>Short-Term</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Stronger economy; higher deficit</td>
<td>• Fiscally untenable; unsustainable debt</td>
</tr>
<tr>
<td>• Real GDP grows by 1.7%</td>
<td>• Real GDP in first few years higher than fiscal cliff scenario, then decreases later</td>
</tr>
<tr>
<td>• Unemployment rate declines to about 8%</td>
<td>• Unemployment rate initially lower, then income levels reduced</td>
</tr>
<tr>
<td>• Deficit totals $1T, almost 2.5% of GDP more than in fiscal cliff scenario</td>
<td>• Deficit averages 5% GDP from 2014-22</td>
</tr>
</tbody>
</table>

### Alternative Scenario: Tempered Approach

Avoid short-term economic shock and long-term fiscal insolvency by enacting a combination of tax increases and spending cuts that would widen deficit in 2013 relative to current law, but would reduce deficits later in the decade relative to current law.

*From May 2012 CBO Analysis*

Experienced Players at the Table

Obama Administration

- President Barack Obama
- Vice-President Joe Biden
- Jacob Lew, Former Budget Director
- Timothy Geithner, Secretary of the Treasury
- Jeff Zients, Acting Director, OMB
- Rob Nabors, Director, Legislative Affairs
- Gene Sperling, Director, National Economic Council

House

- Rep. John Boehner, R-Ohio

Senate

- Sen. Harry Reid, D-Nev.
- Sen. Max Baucus, D-Mont.
- Sen. Patty Murray, D-Wash.
- Sen. Chuck Schumer, D-N.Y.
- Sen. Orrin Hatch, R-Utah
- Sen. Rob Portman, R-Ohio
- Sen. Pat Toomey, R-Pa.


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Healthcare Numbers (All Numbers CBO)

- $1.017 Trillion – 10 year cost of Exchange subsidies
- $1 Trillion – Medicaid expansion
- $73 Billion – State Medicaid expansion cost
- $289 Billion – Projected Medicaid savings due to State non-participation in Medicaid expansion
- 48.6 Million – Uninsured Americans (2014)
- 30 Million – Uninsured Americans (projected 2016)
Exchanges Timeline

1/1/13
State/Regional Exchange Certification

Mid-2013
Exchanges must be operational for Open Enrollment

1/1/14
Open to Individuals and Small Employers

1/1/15
Exchanges Financially Self-Sufficient

1/1/17
May Open to Large Employers

Late 2010 – Mid 2013
Exchange Development

11/16/12
Exchange Blueprints Due (Soft Deadline)
# Exchange Operating Models - Examples

<table>
<thead>
<tr>
<th>Information Aggregator</th>
<th>Retail-Oriented</th>
<th>Guided Exchange</th>
<th>Market Curator</th>
</tr>
</thead>
<tbody>
<tr>
<td>(ACA Minimum Requirements)</td>
<td>(Open to all eligible carriers, consumer shopping experience, robust services and assistance)</td>
<td>(Limits carriers via competitive process, standardized product offerings)</td>
<td>(Competitive carrier selection, end-to-end customer experience)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>UT</th>
<th>WV</th>
<th>HI</th>
<th>MD</th>
<th>OR</th>
<th>WA</th>
<th>VT</th>
<th>MA</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO</td>
<td>NV</td>
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4 Flaws That Have to be Fixed?

- Medicaid doughnut hole
- Preferential support treatment accorded to non-Americans
- Subsidy Gap
- Subsidy / Mandate Issue
Reforms Already in Place - **STAY**

- Coverage up to Age 26
- Annual/Lifetime Limits (phase-in begun)
- Pre-Ex for Children
- Free Preventive Care (non-GF only)
- MLR (insured only)
- Premium Increase Reviews (insured only)
- Waiver of Annual Limit Rule for Mini-Meds (exp. 2013)
- Claims Review (non-GF only)
- Uniform Coverage Summary Disclosures (all plans)
Grandfathering

**Cannot –**
- Eliminate all benefits to diagnose or treat a particular condition
- % co-insurance charges
- co-pays, fixed amount cost-sharing "significantly" (med. infl. + 15%)
- ER contribution "significantly" (> 5%)
- New or decreased annual limits
- Change carriers (for insured plans)
- Switch EE’s plans; corporate mergers/sale to avoid compliance

**Can – (for the moment)**
- Change premiums
- Some structural changes
- Change provider network
- Change Rx formulary
- Add new employees/enrollees
- Enroll new dependents
- Make changes to comply w/law (“normal adjustments”)

(Each Benefit Package Considered Separately)
Employer Mandate Issue: Pay or Play?

**Large Employers**
- 51+ FT & FTE ees*
- No coverage – $2000/FT ee penalty (>30 ees)
- Coverage – lesser of: $3000/subsidized FT ees or $2000/total FT ees (>30 ees)
- Starting 1/1/2014

**Small Employers**
- exempt

*this is the definition for employer size categorization only
Individual & Employer Mandates New P/T Safe Harbor

- Standard Measurement ("Look Back") Period (3 – 12 Months)
- Administrative Period (Up to 90 Days)
- Combination of Standard Measurement + Admin Period <13 Months from Employee Start Date
- Stability Period (Must Be At Least 6 Months & Cannot Be Shorter than Standard Measurement)
- Good faith and reasonable basis for new ees
- 90 Day Waiting Period
Open Rule-Makings – MOVING FORWARD

- Auto Enrollment (all > 200 employees)
- Non-Discrimination / Highly Compensated Employees (non-GF)
- Employee Exchange Notice / IRS Coverage Rpts (2013/2014)
- Wellness Programs (30% reward; grant program)
2014 Package – KEEP PLANNING

- Subsidies & Premium Tax Credits
- Community Rating (non-GF sml grp mkt)
- Guaranteed Issue/Guaranteed Renewal
Essential Health Benefits

- Essential Health Benefits = the basic benefits in all individual and small group market (<100 employees) plans offered inside and outside health benefit exchanges after 2014

  - Ambulatory patient services
  - Emergency services
  - Hospitalization
  - Maternity and newborn care
  - Mental health and substance use disorder services, including behavioral health treatment
  - Prescription drugs
  - Rehabilitative and habilitative services and devices
  - Laboratory services
  - Preventative and wellness services and chronic disease management
  - Pediatric services, including oral and vision care
New Fees May Prompt Higher Premiums

- TPAs/Carriers – $25 B (3 yr High Risk Reins. Program)
- SIPs/Carriers – $2/beneficiary (Comparative Effectiveness Research)
- Carriers – $8B - $14.3B+ /yr
- Pharmaceutical manufacturers – $2.5B+/yr
- Medical device manufacturers – 2.3% Per Sale Excise Tax
New Statutory Reporting Obligations—Employers

- W-2s – Health Insurance Value (2011)
- Treasury Department – Comprehensive Info Re Coverage Provided & Who Is Covered (2014)
New Statutory Reporting Obligations – SIPs/Carriers

- To Enrollees: Uniform Summary of Coverage
- To Enrollees: 60 days Advance Notice of Material Changes To Plan Not in Uniform SPD (eff. date after Uniform SPD adopted)
- To Enrollees: Plan’s Appeals Process & State Consumer Assistance Office (No GF)
- To Enrollees & HHS: Quality of Care Measures/Wellness Programs (No GF)
- To HHS: Cost Data for MLRs (Informational for SIPs)
- To HHS/State/Internet: “Unreasonable” Premium Increases Notice/Justification (No GF) (Carriers Only)
- To HHS: Net Premiums Written (by 2014) (Carriers Only)
- Certification to HHS: HIT Data, Systems, & Payment Req. Compliance (Only in 2013 & 2015)
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