

# Health Care Reform:

## What Does It Mean For Your Business?

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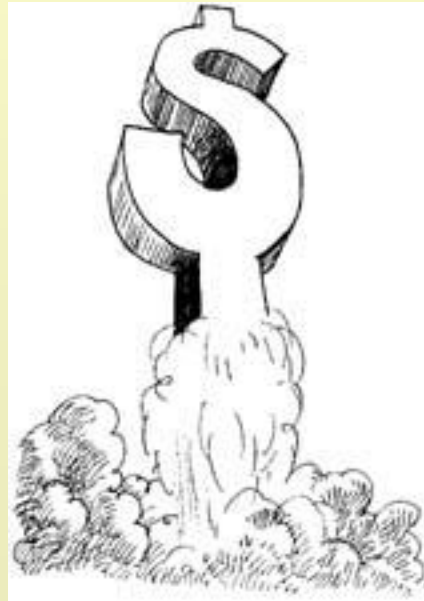


*Disclaimer:*

*This presentation is not intended as a political statement or position paper for or against Health Care Reform. It is instead a breakdown of what businesses can expect from Health Care Reform (if it happens)*

# I. Why Health Care Reform is Under Consideration

# A. The Explosion in National Health Care Spending



National spending for health care in 2007  
totaled \$2.2 Trillion  
or \$7,421 per household.

Spending is projected to reach  
\$3.4 Trillion or \$10,709 per household in  
2013.

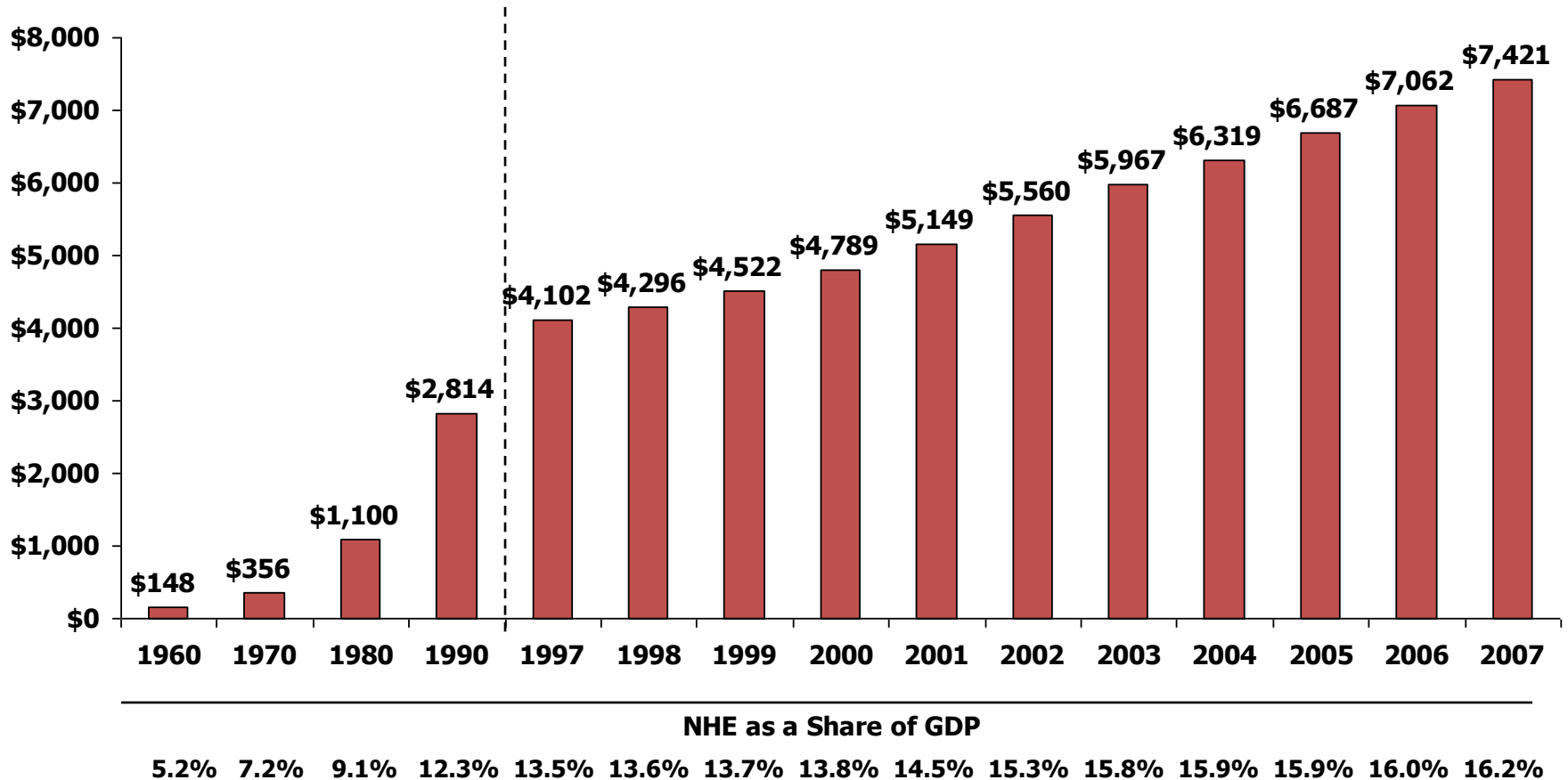
Source: February, 2005, United States Department of Health and Human Services Report.  
Kaiser Family Foundation ([www.kff.org](http://www.kff.org))

National health care spending as a share of Gross Domestic Product increased from 10.1% in 1986 to 16.2% in 2007.

It is projected to increase to 18.4% in 2013 (absent reform).

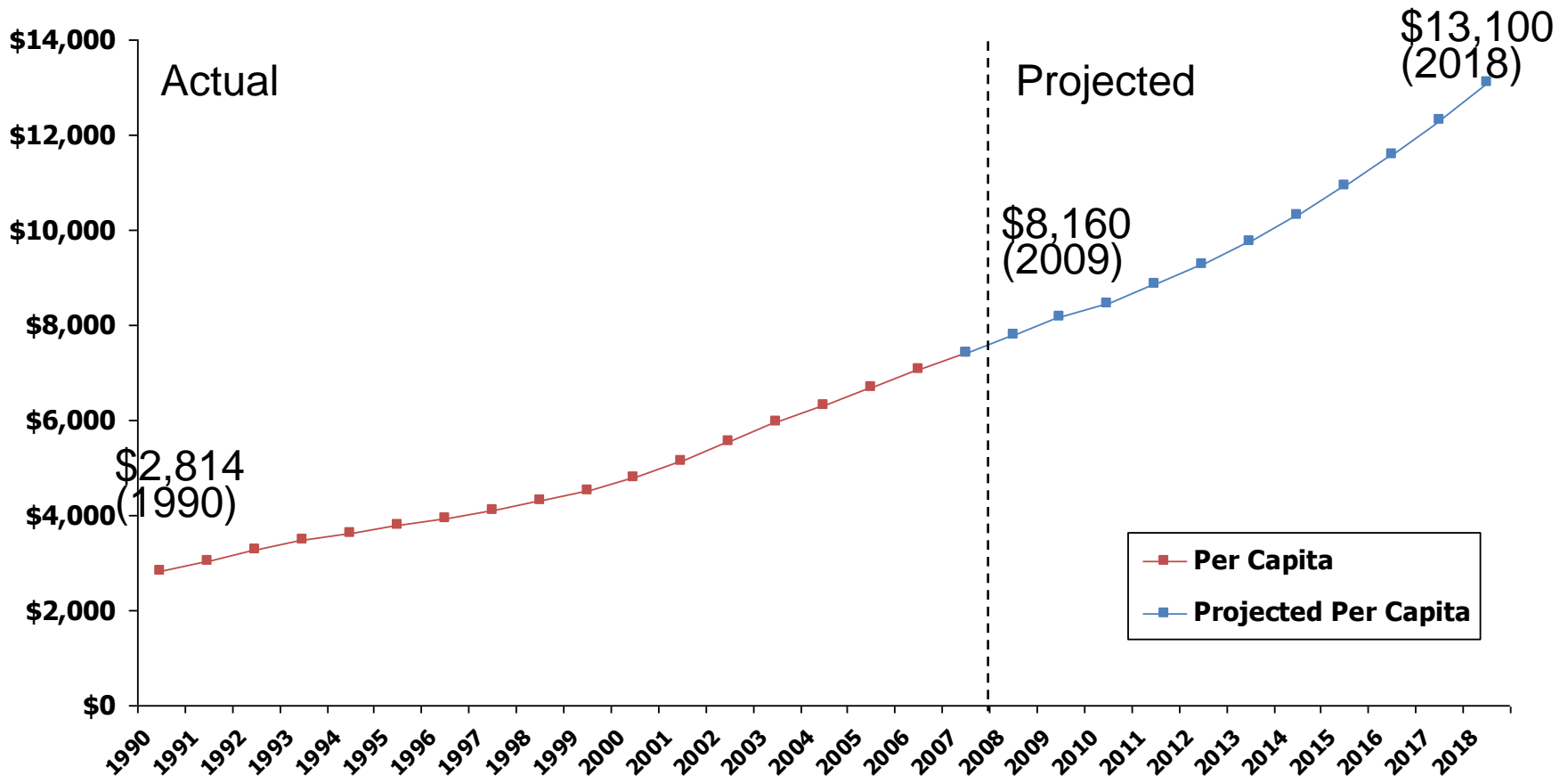
Source: February, 2005, USDHHS Report.

# National Health Expenditures per Capita and Their Share of Gross Domestic Product, 1960-2007



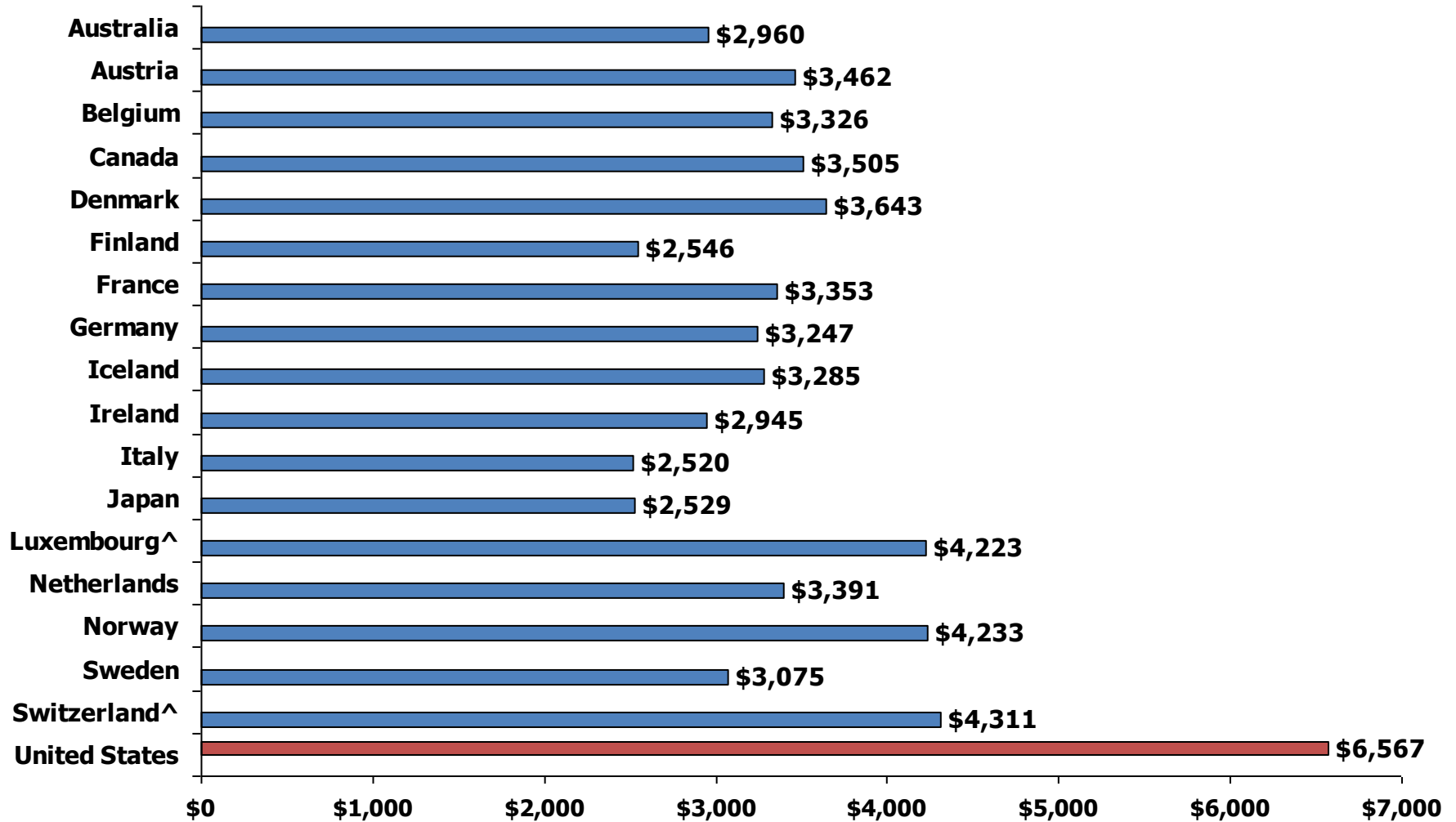
Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, at <http://www.cms.hhs.gov/NationalHealthExpendData/> (see Historical; NHE summary including share of GDP, CY 1960-2007; file nhegdp07.zip).

# National Health Expenditures per Capita, 1990-2018



Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, at <http://www.cms.hhs.gov/NationalHealthExpendData/> (Historical data from NHE summary including share of GDP, CY 1960-2007, file nhegdp07.zip; Projected data from NHE Projections 2008-2018, Forecast summary and selected tables, file proj2008.pdf).

# Per Capita Total Current Health Care Expenditures, U.S. and Selected Countries, 2006

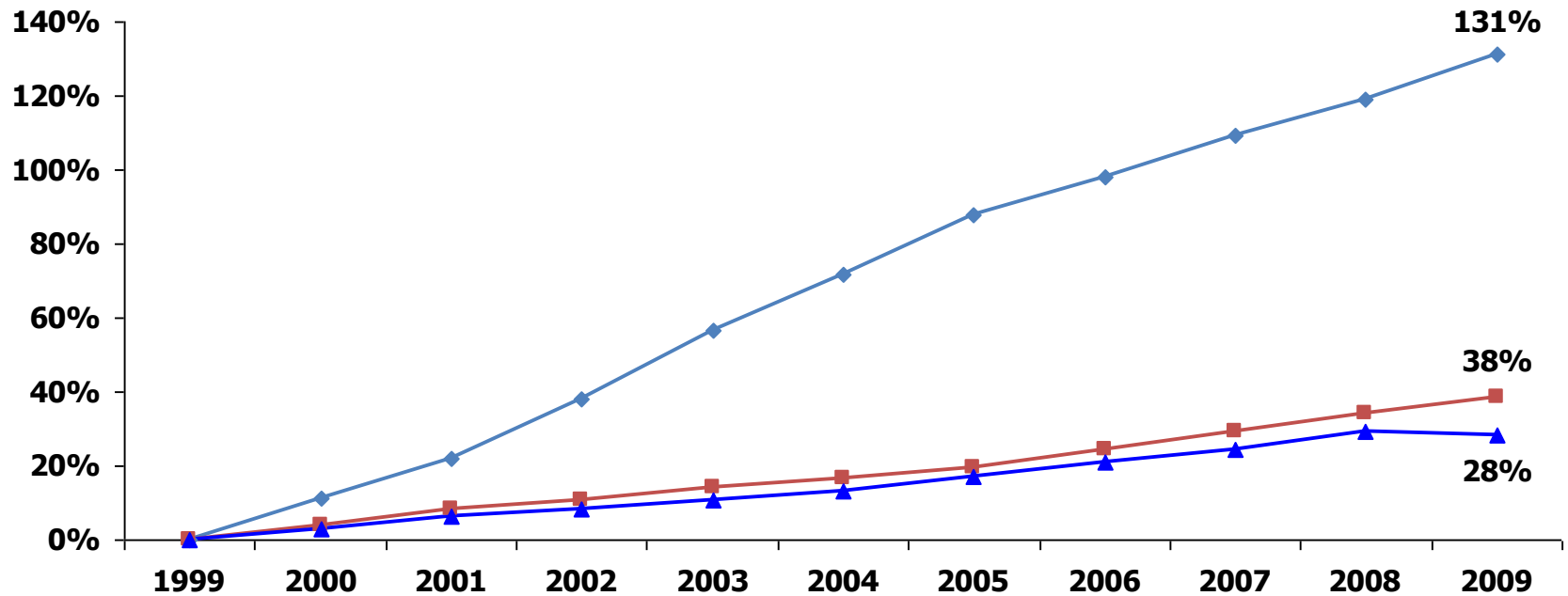


<sup>^</sup>OECD estimate.

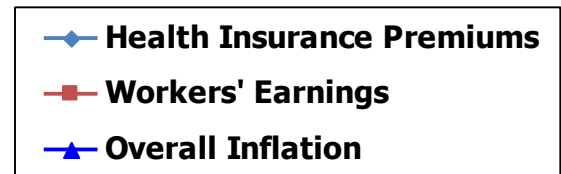
Notes: Amounts in U.S.\$ Purchasing Power Parity, see [www.oecd.org/std/ppp](http://www.oecd.org/std/ppp); includes only countries over \$2,500. Total Current Expenditures on Health is defined by the OECD as the sum of expenditures on personal health care, preventive and public health services, and health administration and health insurance; it excludes investment. United Kingdom not included because it does not provide a breakdown of Total Health Expenditures into Current and Investment expenditures; the Total Health Expenditure Per Capita for the UK in 2006 was \$2,760.

Source: Organisation for Economic Co-operation and Development. OECD Health Data 2008, from the SourceOECD Internet subscription database updated October 2008. Copyright OECD 2008, <http://www.oecd.org/health/healthdata>. Data accessed on 11/12/2008.

# Cumulative Changes in Health Insurance Premiums, Inflation, and Workers' Earnings, 1999-2009



Note: Due to a change in methods, the cumulative changes in the average family premium are somewhat different from those reported in previous versions of the Kaiser/HRET Survey of Employer-Sponsored Health Benefits. See the Survey Design and Methods Section for more information, available at <http://www.kff.org/insurance/7936/index.cfm>.



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2009. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999-2009; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2009 (April to April).

# B. Impact of Health Care Spending for U.S. Businesses



Employers are the most significant source of health insurance coverage in the U.S.

Approximately 60% of Americans are insured by and through their employers.

Source: Kaiser Family Foundation and Health Research and Educational Trust Report, 2008.

American businesses, therefore, are collectively the largest purchasers of health care services.

Business leaders are greatly concerned.

A recent survey of CEO's found that employee health care costs are the foremost cost concern.

Source: Business Roundtable CEO Survey, December, 2004.

## As a result, over the recent years, employers have:

- Reduced the amount of coverage available
- Allocated a greater share of coverage costs to employees
- Reduced their full-time employee numbers, or
- Terminated health care plans.

From 2001 through 2008, the number of smaller businesses (3 – 9 employees) providing health care coverage has decreased by 16% to 49% overall.

Source: Kaiser Family Foundation and Health Research and Educational Trust Report, 2008

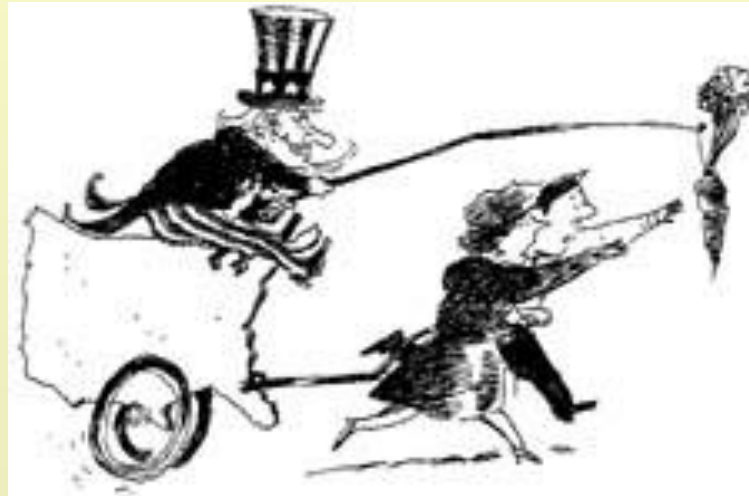
The result, some argue, is that U.S. businesses cannot offer, in a global economy, competitive pricing for goods produced.

For example, GM estimated in 2004 that health insurance expenses added \$1,4000 for the cost of cars built in the U.S.

Source: February, 2005, USDHHS Report.

Furthermore, as a result of the reduction in smaller employers providing health insurance coverage, there are greater numbers of uninsured.

## II. What Would Health Care Reform Mean for Businesses?



# Reform proposals similar to Massachusetts plan adopted by that state in 2006. Key features:

- Individual mandate – buy coverage or pay fine.
- Employer mandate – pay for coverage or pay fines/employee.
- Fines pooled to subsidize purchase of insurance through “Connectors” where individuals with income up to 300% of FPL can collectively negotiate.
- Small businesses and individuals over FPL can participate in separate “Connectors” to collectively negotiate coverage.

# The Pitch

- Principles of President's Initial Proposal:
  - Reduce Long-term growth of Health care costs for both Businesses and Government
  - Reduce family debt/bankruptcies due to Health Care costs
  - Guarantee choice of doctors
  - Invest in prevention and wellness
  - Improve patient safety and quality of care
  - Assure quality, affordable coverage for all Americans
  - End pre-existing coverage and portability barriers

# Three Major Proposals Currently in Congress

- H.R. 3200 - America's Affordable Health Choices Act of 2009 a/k/a the "Tri- Committee Bill"
- S. 1796 - America's Healthy Future Act of 2009 (Senate Finance Committee)
- S. 1679 - Affordable Health Choices Act (HELP Committee)
- Other, smaller Bills

# Overview and Comparison

- All three include “Individual Mandate” enforced by penalty of \$750 per year per person or 2.5% of AGI
- All three provide credits toward payment of premiums to individuals with incomes <400% of the FPL
- All three expand Medicaid coverage to all individuals at 133% (or 150%) of the FPL

# Employer Requirements

Senate Finance Committee	Senate HELP Committee	House Tri-Committee
<ul style="list-style-type: none"> <li>•Require employers to offer Health coverage &amp; contribute to 60% of the premium</li> </ul>	<ul style="list-style-type: none"> <li>•Require employers to offer Health coverage</li> </ul>	<ul style="list-style-type: none"> <li>•Require employers to offer automatic Health coverage &amp; contribute to a percentage of the premium</li> </ul>
<ul style="list-style-type: none"> <li>•Enforced through penalty of \$750 for each full-time &amp; \$375 for each part-time employee uninsured</li> </ul>	<ul style="list-style-type: none"> <li>•Enforced by a fee based on the number of employees who receive tax credits through an exchange</li> </ul>	<ul style="list-style-type: none"> <li>•Alternatively, employer must contribute 8% of its payroll to the Insurance Exchange</li> </ul>
<ul style="list-style-type: none"> <li>•Exemptions for employers with &lt;25 employees</li> </ul>	<ul style="list-style-type: none"> <li>•Exemptions for employers with &lt;50 employees</li> </ul>	<ul style="list-style-type: none"> <li>•Hardship exemptions for employers where job losses are result of requirement</li> <li>•Eliminate “pay or play” assessment for employers with annual payroll of &lt;\$400K</li> </ul>
<ul style="list-style-type: none"> <li>•Health Options Program Credit for small businesses who provide coverage</li> </ul>	<ul style="list-style-type: none"> <li>•Tax credit for small businesses who provide coverage</li> </ul>	<ul style="list-style-type: none"> <li>•Tax credit for small businesses who provide coverage</li> </ul>

In addition, employer plans characterized  
as “Cadillac Plans”  
(i.e., plans with premium costs at roughly  
\$18,000 to \$20,000 or more annually  
for family coverage)  
would pay an “excise” or luxury tax.

Interestingly, what is *NOT* proposed currently is a tax upon the health insurance benefit paid to employees.

The proposed reform plans would, for the most part, eliminate pre-existing condition exclusions.

The scope of conditions to be covered, therefore, would be increased under the proposals.

# Insurance Exchanges

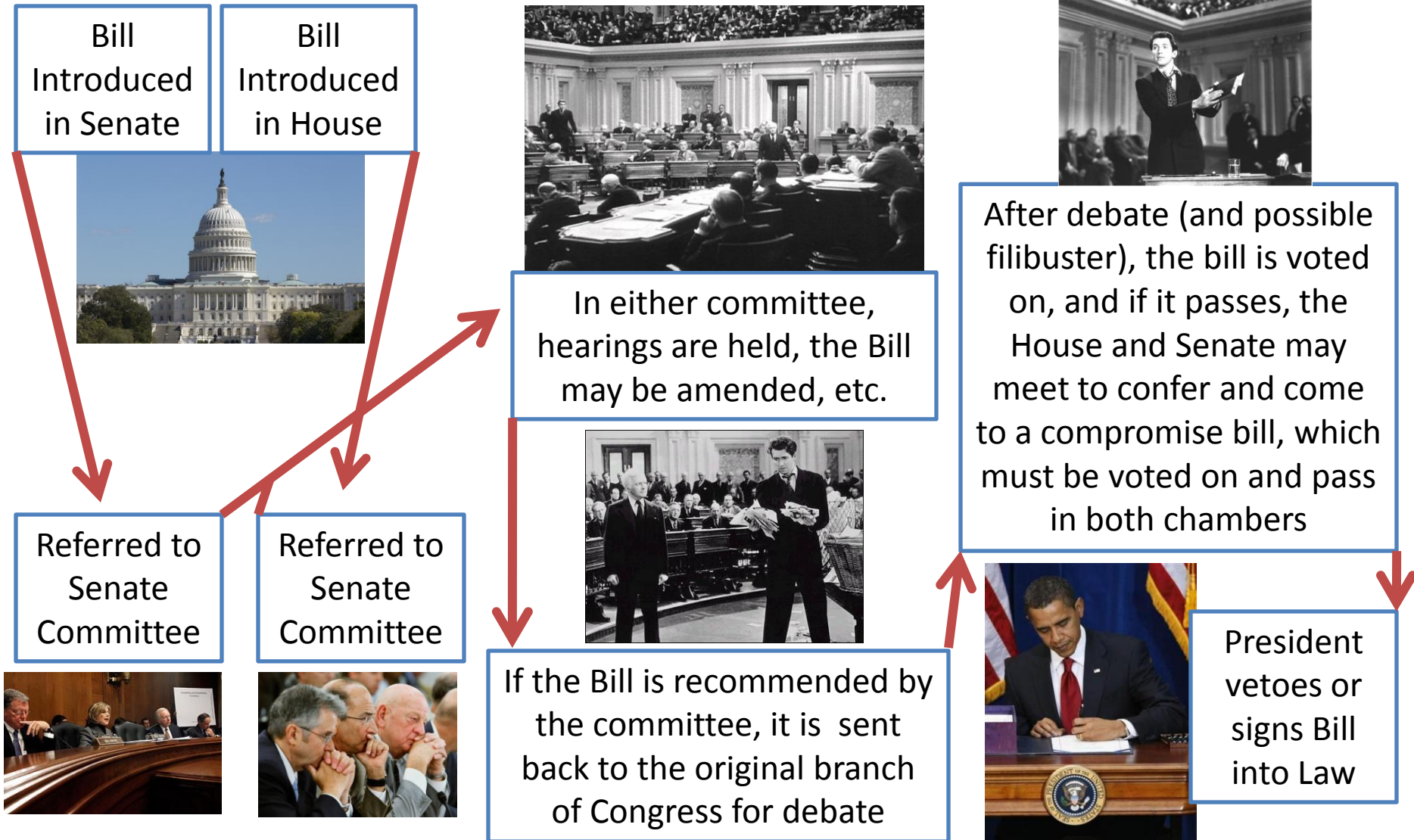
- All three plans create some form of Insurance “Exchange” – a single “marketplace” to shop for insurance (individuals as well as businesses)
- Present Choices and organize the database of choices
- Clear information to consumers
- Clear, simple mechanism for employers to enroll
- Simple portability
- Enforce changes in rules governing methods insurance policies are sold
- Administered by government agency or Non-Profit group
- Run by states (except House Tri-Committee Bill, which has a single, Federal exchange)

# Public Option

Senate Finance Committee	Senate HELP Committee	House Tri-Committee
<ul style="list-style-type: none"> <li>•Public Option at State's discretion</li> </ul>	<ul style="list-style-type: none"> <li>•Co-Ops</li> </ul>	<ul style="list-style-type: none"> <li>•Public Option</li> </ul>
<ul style="list-style-type: none"> <li>•Government arm essentially acts like an insurance company, negotiates rates, etc. just like any other</li> </ul>	<ul style="list-style-type: none"> <li>•New Non-profit organizations are created in all 50 states</li> </ul>	<ul style="list-style-type: none"> <li>•Government essentially acts like an insurance company, negotiates rates, etc. just like any other</li> </ul>
<ul style="list-style-type: none"> <li>•Details of how and when states would opt-out are unclear</li> </ul>	<ul style="list-style-type: none"> <li>•Same requirements as other insurance companies such as licensure, etc.</li> </ul>	<ul style="list-style-type: none"> <li>•Require the plan to offer three tiers of plans with an option for an even higher-tier plan</li> </ul>
<ul style="list-style-type: none"> <li>•Some say this offers moderate Democrats a "shield" of sorts</li> </ul>	<ul style="list-style-type: none"> <li>•Any excess profits must be used only to lower premiums, improve benefits, improve health care, etc.</li> </ul>	<ul style="list-style-type: none"> <li>•Provider payment rates for set by or negotiated by the government-arm running the plan</li> </ul>

# III. What Can We Expect?

# How a Bill Becomes a Law



# Sources of Information

- Kaiser Family Foundation ([www.kff.org](http://www.kff.org))
- U.S. House of Representatives ([www.house.gov](http://www.house.gov))
- U.S. Senate ([www.senate.gov](http://www.senate.gov))
- U.S. Centers for Medicare and Medicaid Services ([www.cms.hhs.gov](http://www.cms.hhs.gov))
- Organization for Economic Co-Operation and Development ([www.oecd.org](http://www.oecd.org))
- U.S. Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov))
- Agency for Health Care Research and Quality ([www.meps.ahrq.gov](http://www.meps.ahrq.gov))
- U.S. Department of Health and Human Services ([aspe.hhs.gov](http://aspe.hhs.gov))
- Minor, Bell & Neal ([www.mbnlaw.com](http://www.mbnlaw.com))

# *Questions?*

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