



National Association of Dental Plans' Annual Conference  
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# Realignment of the Health Insurance Market

Presented by: Cindy Gillespie, Managing Director

Date: September 13, 2011



## Realignment of the Health Insurance Market

An interactive discussion on how leaders in the dental industry should prepare to succeed in a time of change.



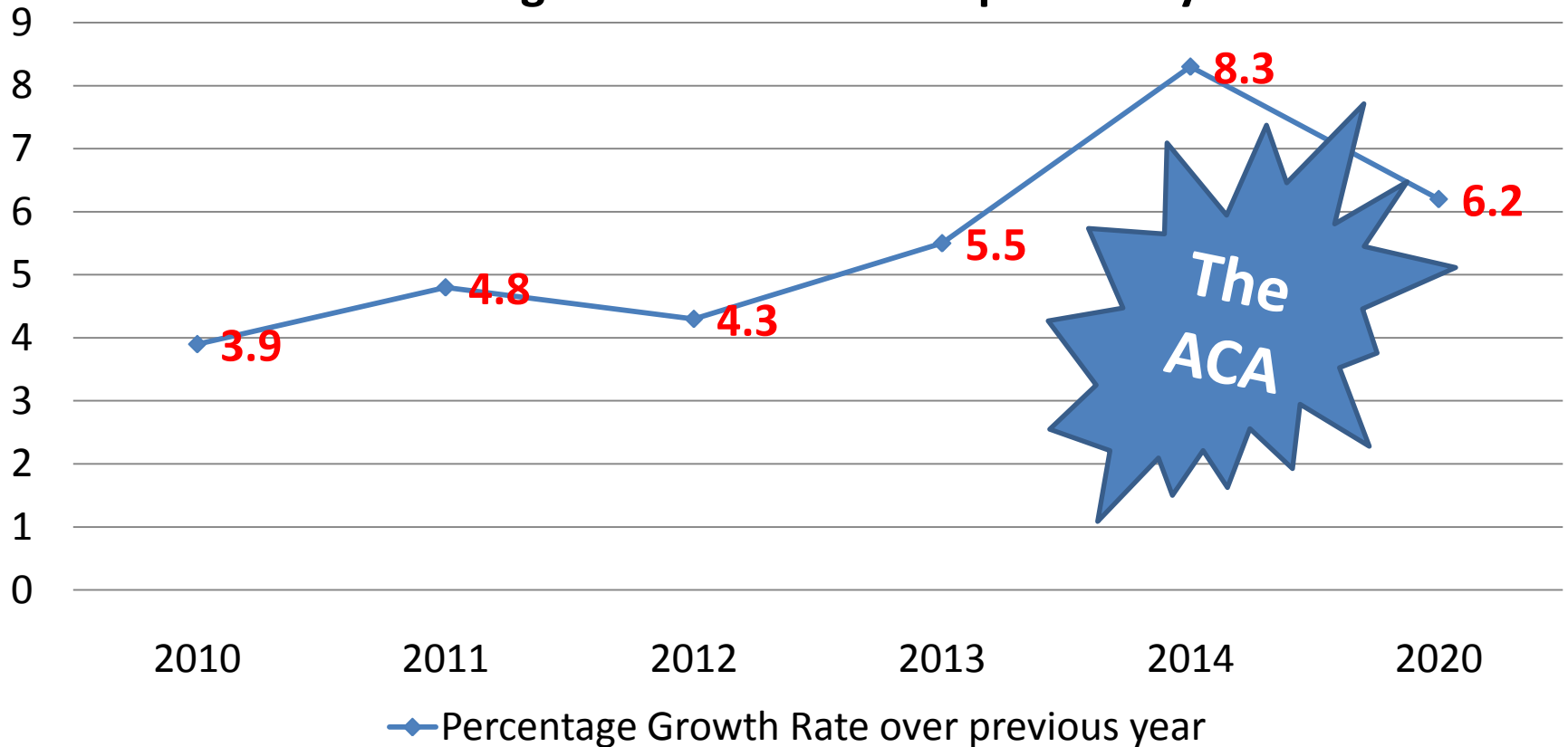
## What We'll Cover

- a. Washington's view of Health Care Spending – trends & forces driving change
- b. How exchanges fit into these trends
- c. Succeeding in the new environment.



# US Health Care Spending Growth Rate: By 2020: 19.8% of GDP

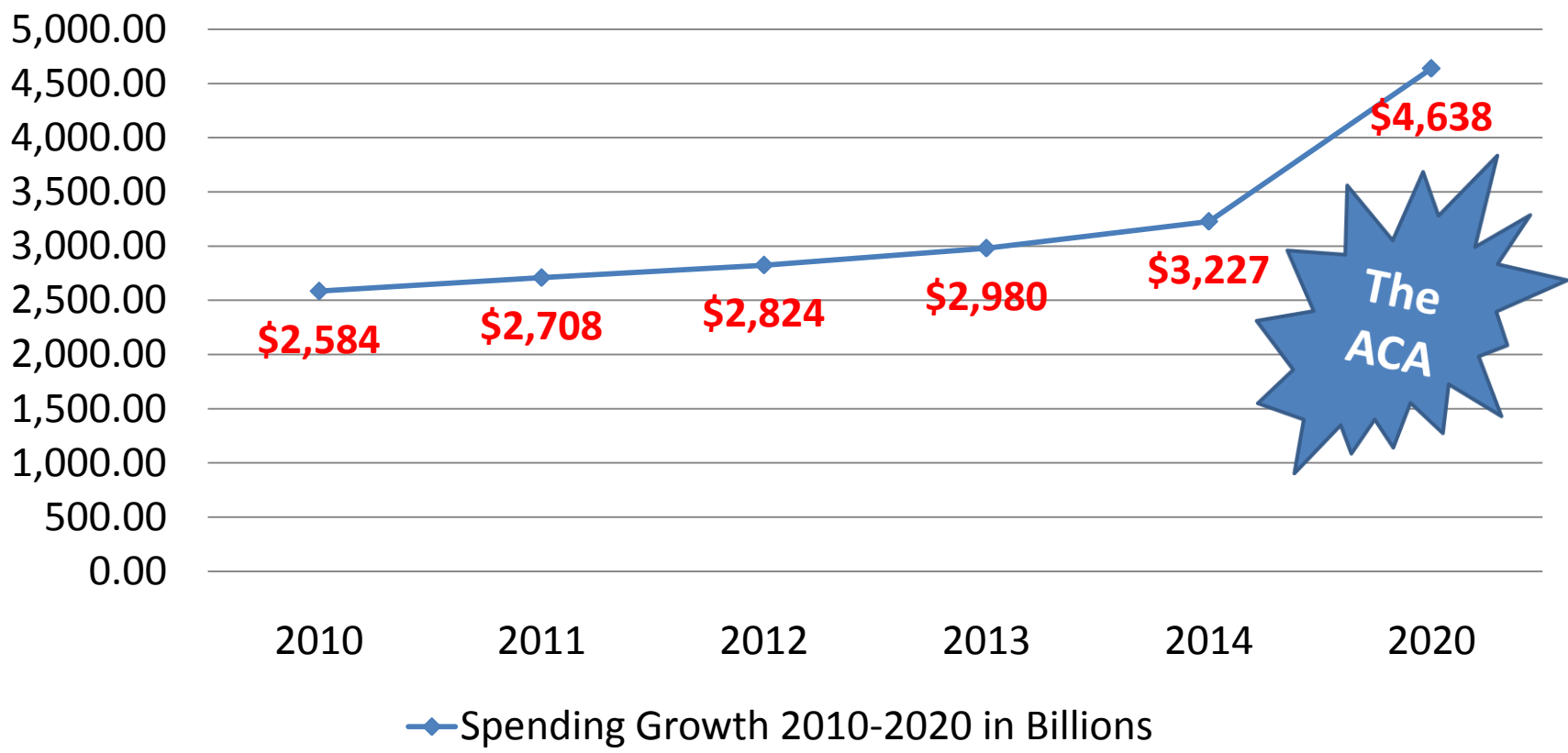
Percentage Growth Rate over previous year





# By 2020: \$4,638 Trillion

## Spending Growth 2010-2020 in Billions

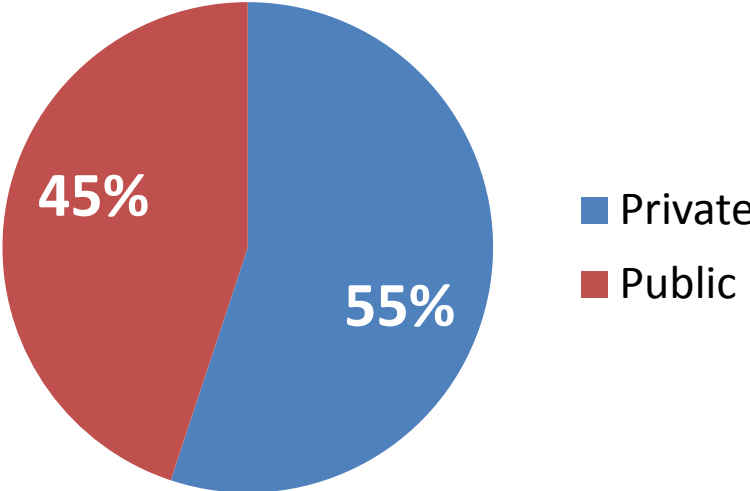


NHE Spending Projections through 2020: Economic Recovery & Reform Driver Faster Spending Growth, Aug 2011, Health Affairs. **By** the Office of CMS Actuary

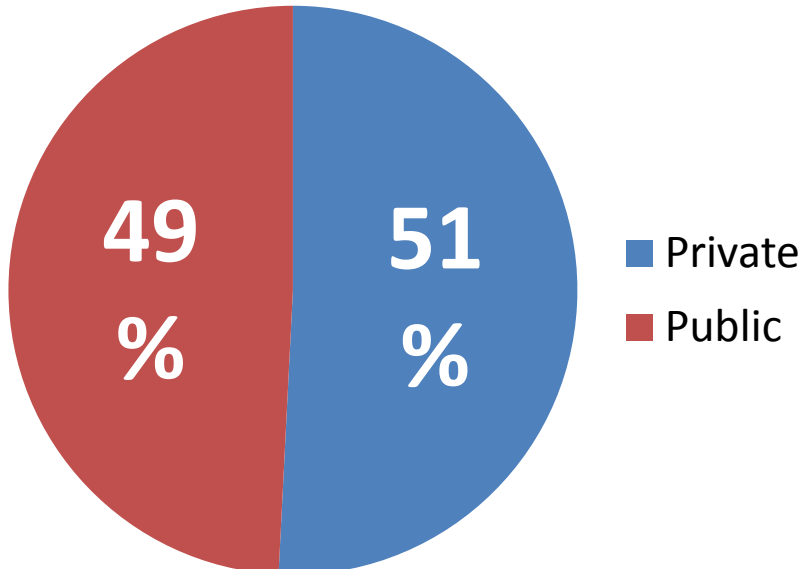


# ACA Shifts Source of Health Care Funding Towards Government

**2010 National Health Expenditures - \$2.584 Trillion**



**2020 National Health Expenditures - \$4.638 Trillion**



*NHE Spending Projections through 2020: Economic Recovery & Reform Driver Faster Spending Growth, Aug 2011, Health Affairs. By the Office of CMS Actuary*

# The Money is Shifting with the People

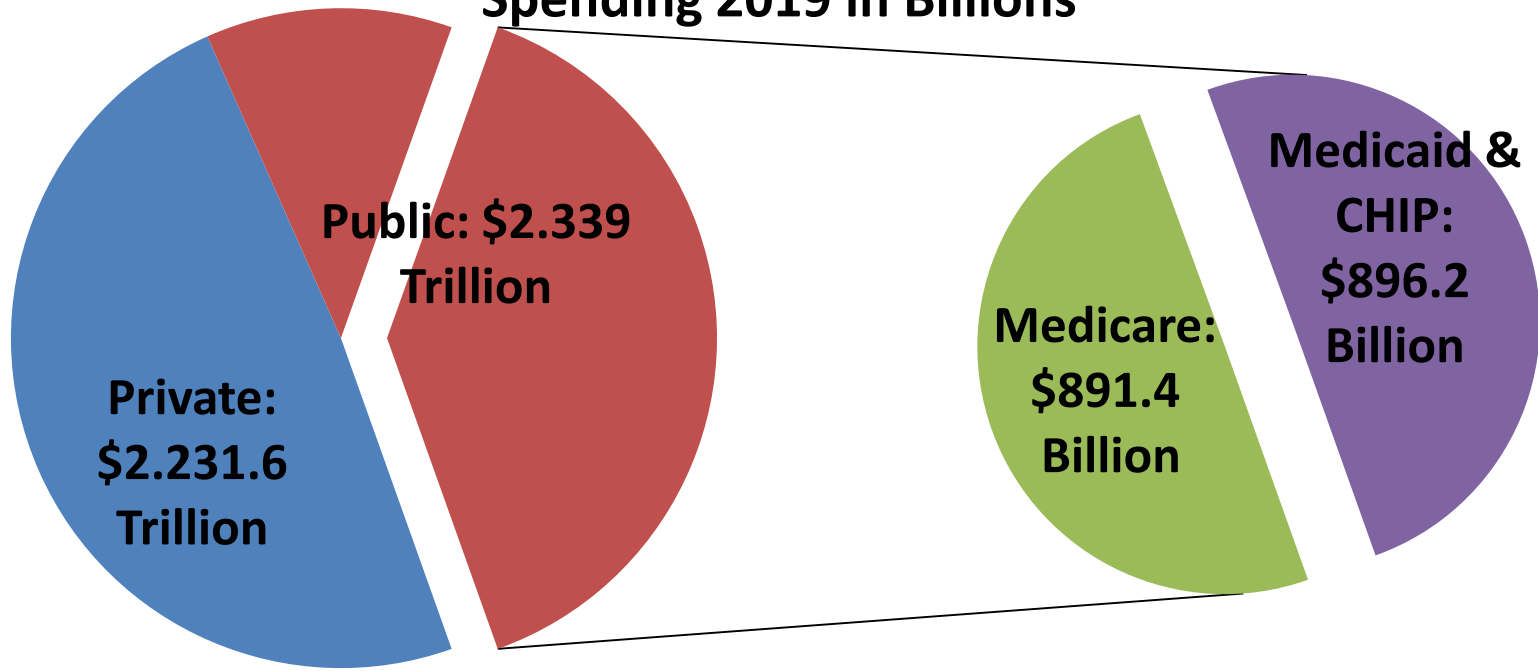
Enrollment	2110	2011	2012	2013	2014	NO ACA	2019
Medicare	46.8	47.9	49.3	50.9	<b>52.4</b>	52.4	60.5
Medicaid/ CHIP	60.4	61.8	62.6	63.4	<b>85.2</b>	61.9	82.2
Other Public	12.5	12.8	12.8	13.1	<b>13.4</b>	13.4	15.1
ESI	162.1	160.8	162.4	164.8	<b>168.0</b>	165.1	165.1
Other PI	27.1	26.3	26.0	25.9	<b>14.3</b>	26.5	11.4
Exchanges	0	0	0	0	<b>15.8</b>	0	30.6
Uninsured	49.7	52.0	51.1	49.9	<b>25.5</b>	51.1	24.4
% Insured	84.0	83.4	83.8	84.3	<b>92.1</b>	84.1	92.7

Source: National Health Spending Projections: Estimated Impact of Reform Through 2019: CMS; 10/2010



# Medicaid & CHIP Catch up to Medicare

Spending 2019 in Billions



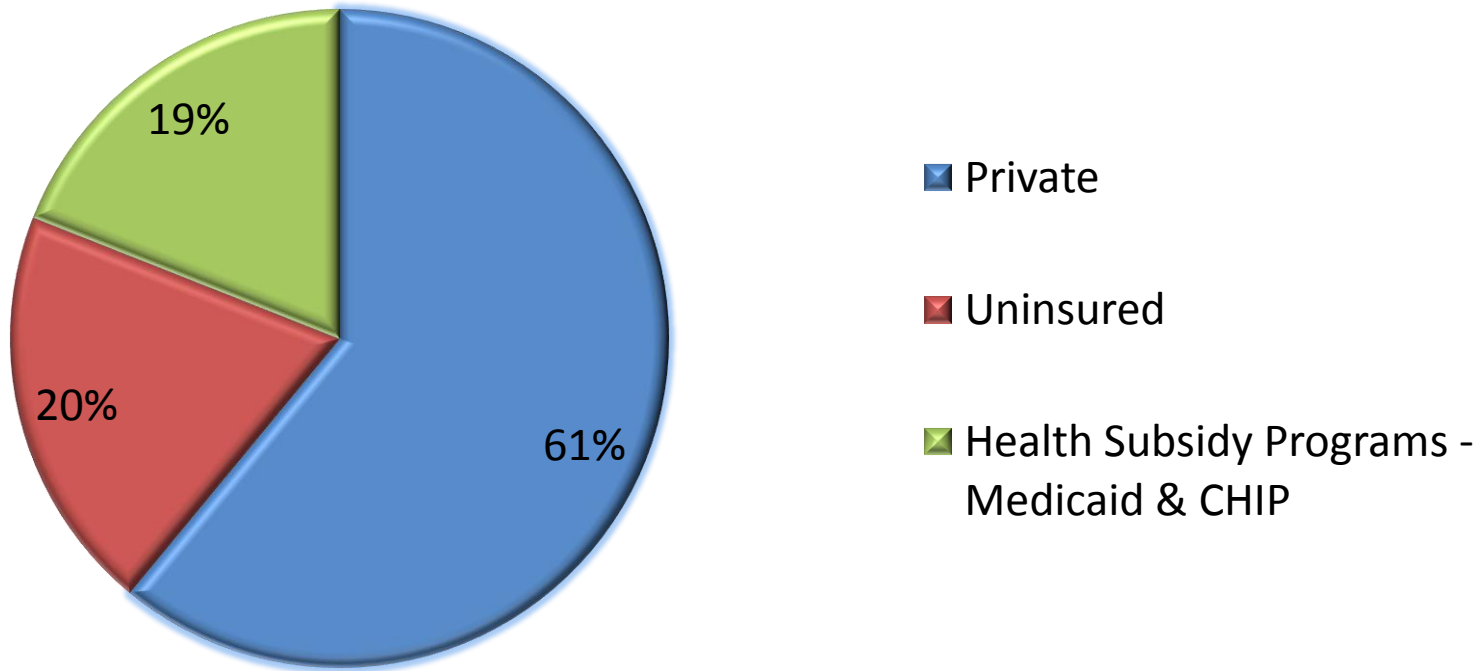
■ Private   ■ Public-Other   ■ Medicare   ■ Medicaid & CHIP

Source: National Health Spending Projections: Estimated Impact of Reform Through 2019: CMS; 10/2010



# And the source of health insurance coverage...

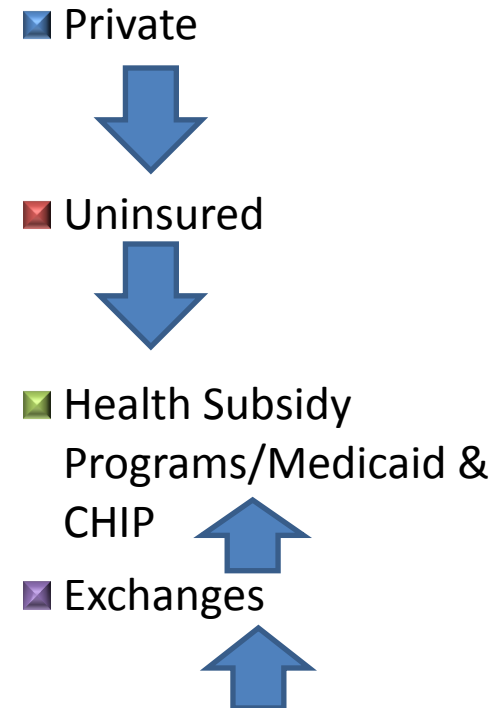
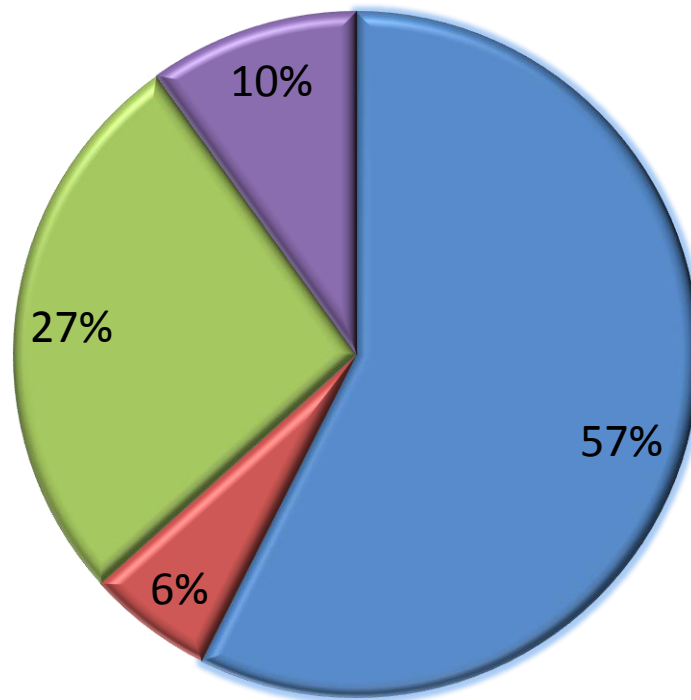
**Pre-2014**



Private = Employer Sponsored Insurance (ESI), as well as Individual and Small Group Coverage

# Realigns beginning in 2014

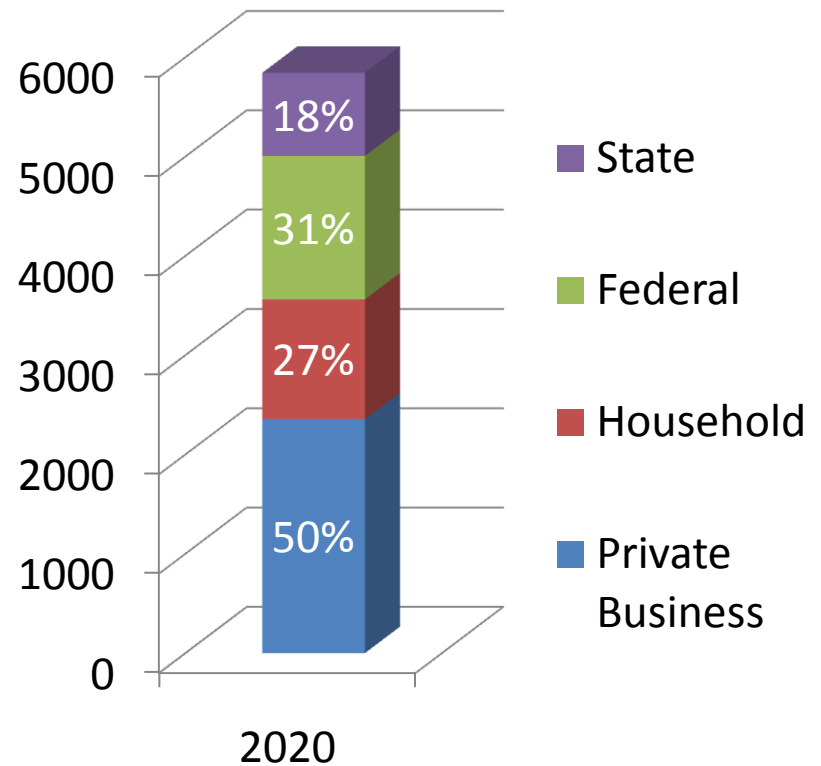
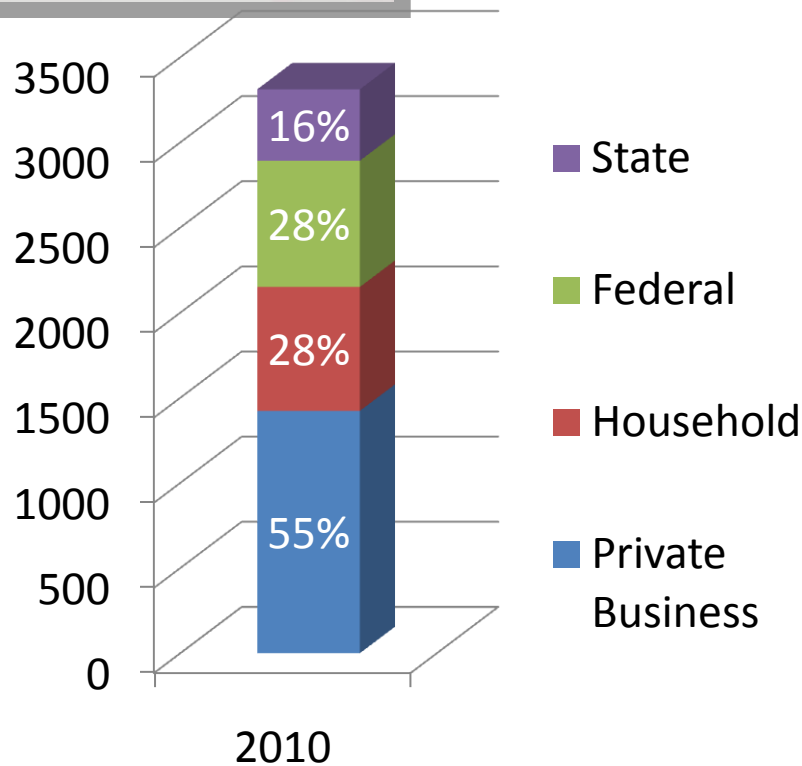
## Post-2014



Private includes all Employer Sponsored Insurance (ESI), as well as Individual and Small Group Coverage



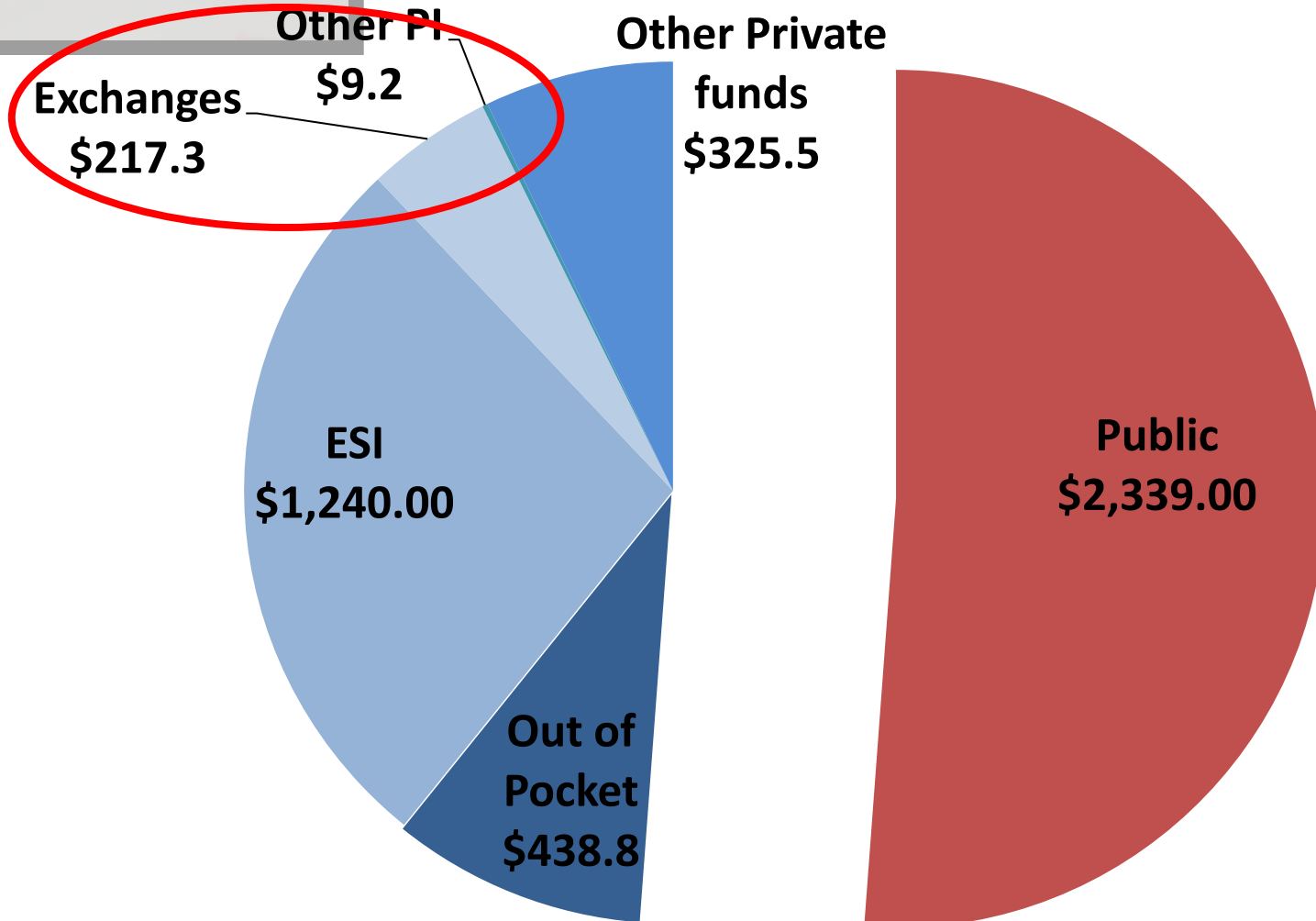
# The Next Ten Years Will Shift the Payer Source for Future Spending



**Success requires understanding & managing this shift**



# It's not just public spending that shifts to Exchanges, private growth is significant



Note: Spending  
In Billions



# So What's An Exchange?

- It's simply a on-line shopping mall for comparing and purchasing insurance
- It can be as elaborate or as simple as a company or government chooses to make it.
- Exchanges have been operating in the US for a number of years
  - Created by governments
    - Usually fail
  - Created by businesses



# Exchanges 101

- When people mention Exchanges, they usually mean one of 3 types:

Private  
Exchange

- **Several in the market today:**
- **Both under-and-over 65 market**
- **Wide range of functionality & products**
  - **Medicare Advantage**
  - **Small Group & Individual**
- **Proliferating: Employers of all sizes considering shift to defined contribution via Exchanges**



# Exchanges 101

- Most of the discussion is on 2 other types of Exchanges:

Private  
Exchange

**AHBE**  
American Health  
Benefits  
Exchange

**SHOP**  
Small Business  
Health Options  
Exchange

- Required by the ACA
- Must be operational by January 2014
- All 50 States to Establish...
  - or the Federal Government will

# Exchanges under The ACA

By January 1, 2014, all 50 states must establish (or defer to feds)

## AHBE: Individual Market

Focus Individuals

### Eligible Users:

- US citizen or legal alien
- Not incarcerated
- Resident of the state in which exchange is based

### Subsidies available:

- Between 100-400% FPL
- Not offered affordable Minimum Essential Coverage via employer or government program
- Penalties on employers of 50+ with subsidized employees

No Cafeteria Plan Pre-Tax Treatment

## SHOP: Small Group Market

Focus Employers

### Eligible Users:

- Full-time employees of small businesses with 1 to 100 workers.
- State option: businesses of 1-50 or less until 2016
  - State option: expand to 100+ as of 2017, with approval of USHHS

### Subsidies available:

- Employers of less than 25 employees
- Average taxable wages less than \$50K per year
- Sliding-scale credit max 50% of premium contributions
- Maximum of 2 consecutive years

Section 125 "Cafeteria Plan" Allows Pre-Tax Treatment



## What will Exchange Plans Look Like? HHS Will Set Minimum Essential Benefits this Fall


Minimum Categories listed in The ACA. HHS developing final requirements:

- (A) Ambulatory patient services.
- (B) Emergency services.
- (C) Hospitalization.
- (D) Maternity and newborn care.
- (E) Mental health and substance use disorder services, including behavioral health treatment.
- (F) Prescription drugs.
- (G) Rehabilitative and habilitative services and devices.
- (H) Laboratory services.
- (I) Preventive and wellness services and chronic disease management.
- (J) Pediatric services, **including oral** and vision care.

**States may add additional requirements – but must pick up the cost for any subsidized person**



# Let's Focus First on the AHBE



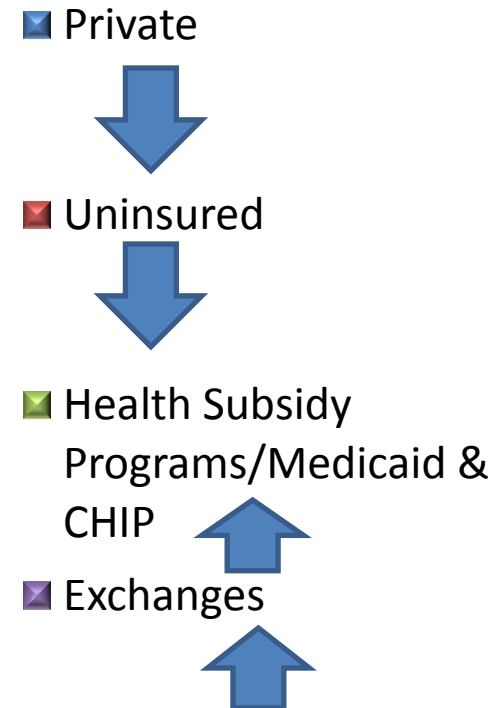
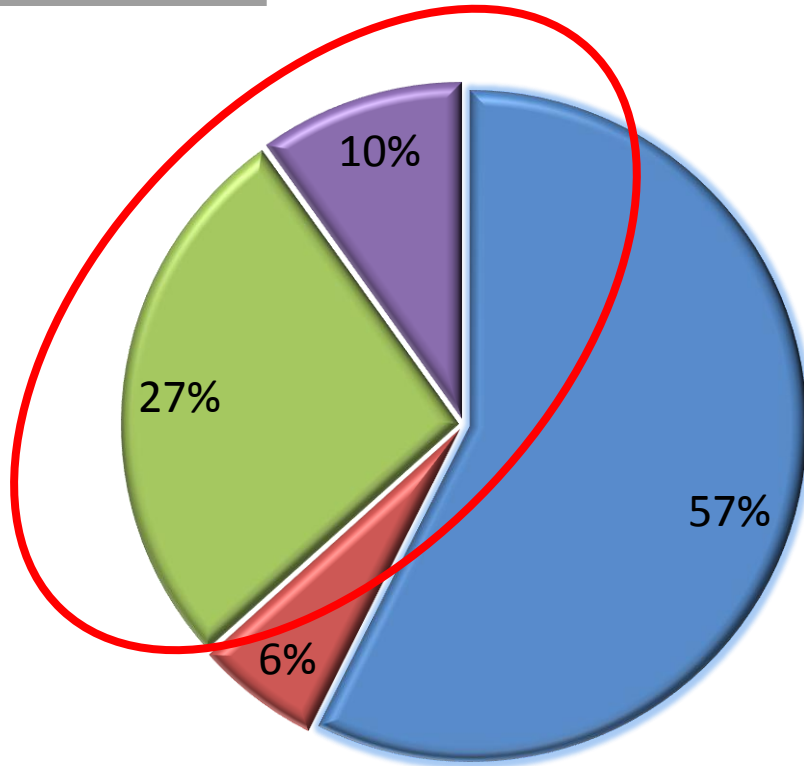
**AHBE operates  
Hand-in-Hand  
With Medicaid & CHIP**

**Understanding this  
Relationship is central to determining  
the impact Exchanges  
could have on your business model**



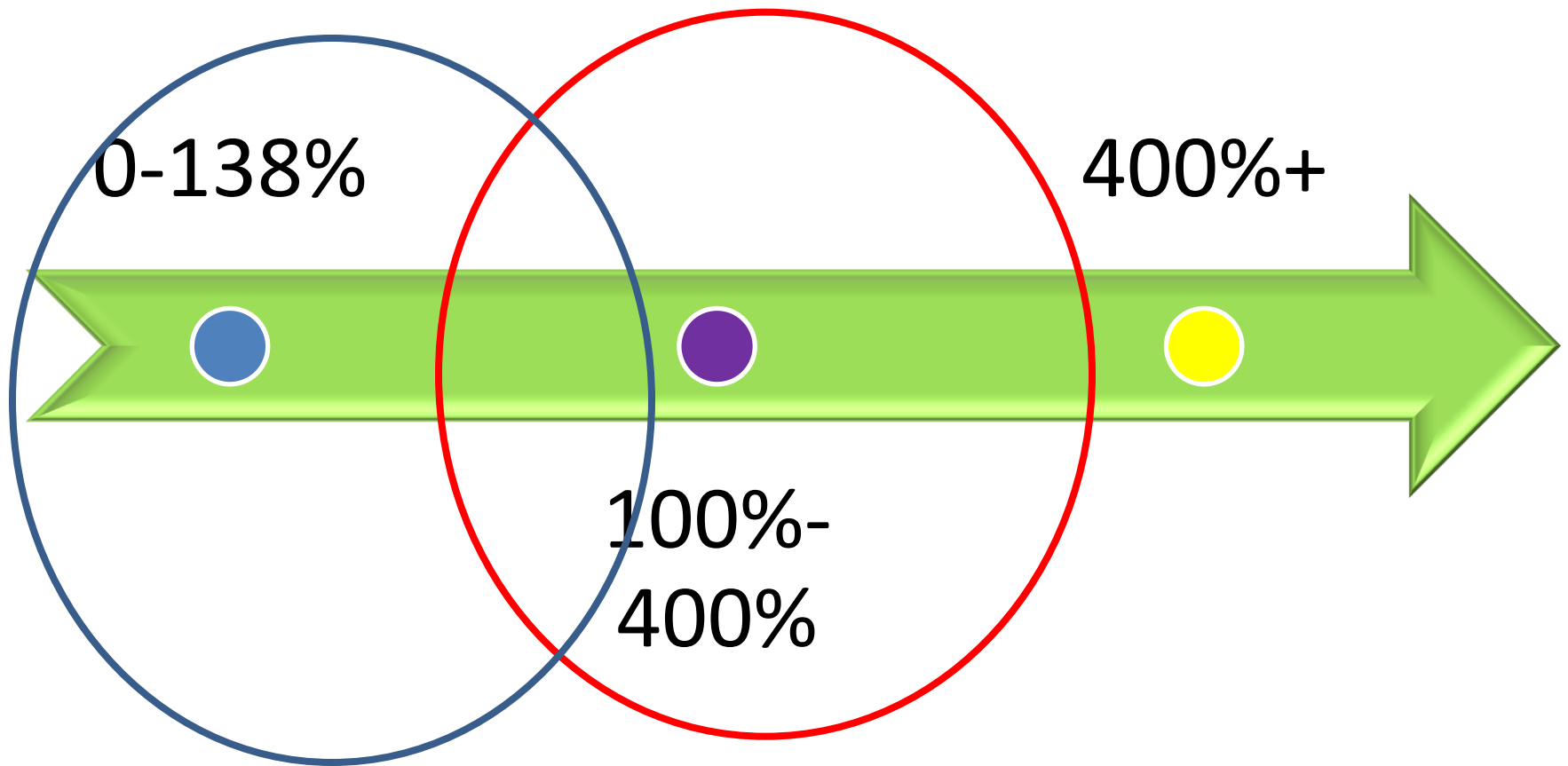
# Remember our Chart on Health Coverage/Insurance Post-2014?

Post-2014



Private includes all Employer Sponsored Insurance (ESI), as well as Individual and Small Group Coverage

# The new “Subsidy Continuum”

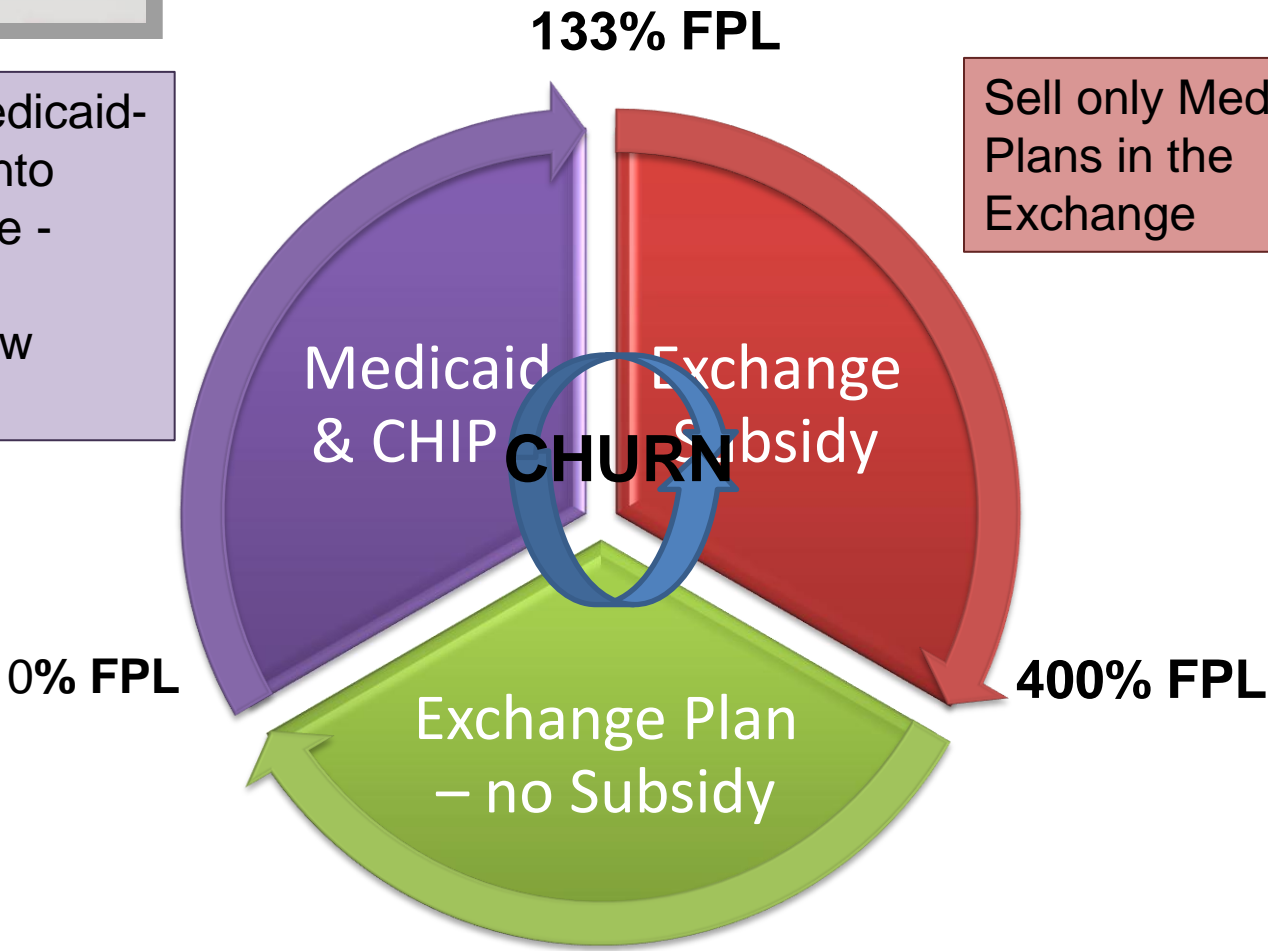




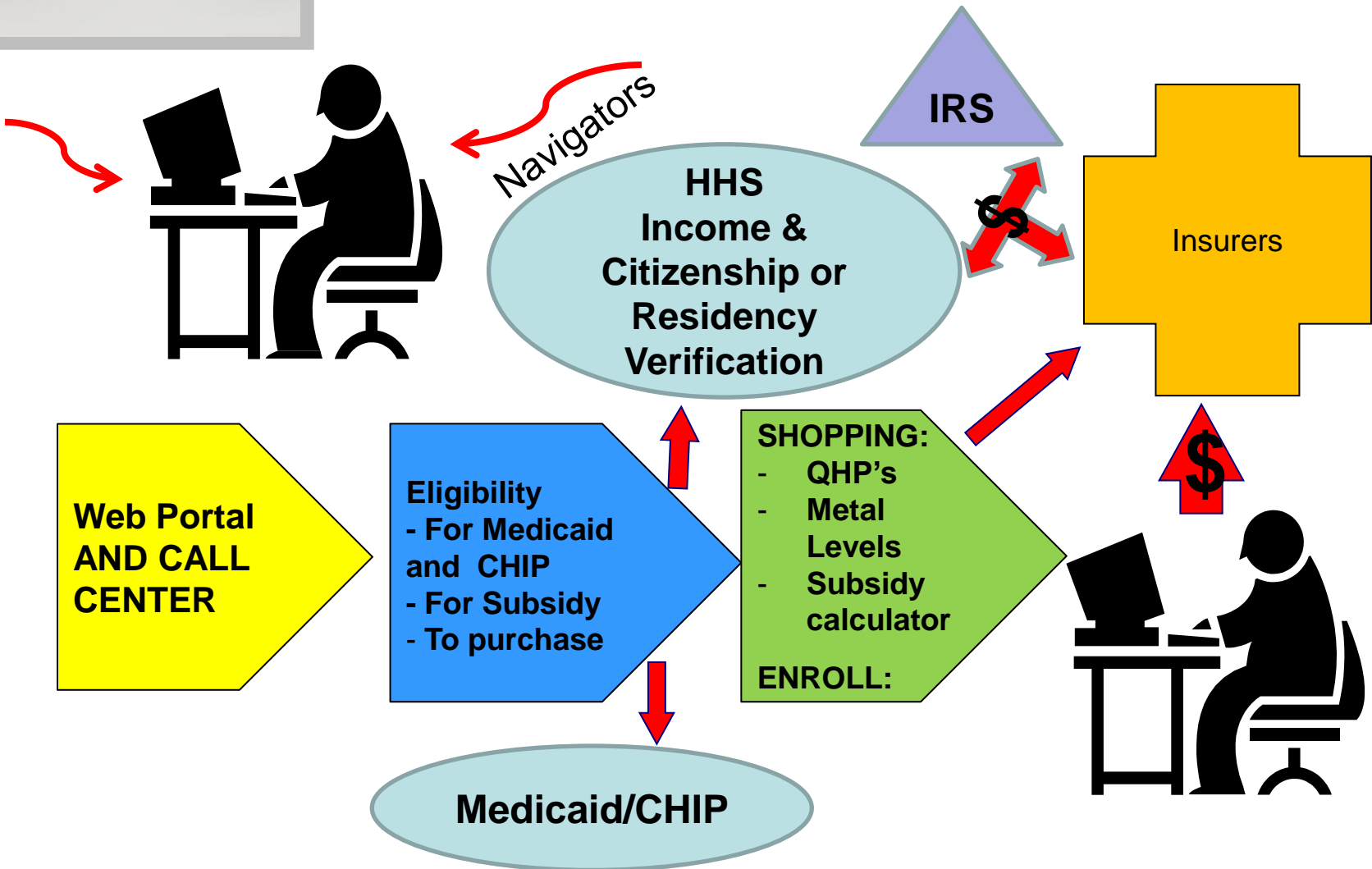
# Medicaid & the Subsidy Exchange are Linked – States will Design these Together

Move Medicaid-Eligible into Exchange - above and below 133%

Sell only Medicaid Plans in the Exchange



# Purchasing Through an Exchange: AHBE





# Table Discussions

- How do AHBE Exchanges impact the current business model for the dental industry? Are they a threat or an opportunity? Where these Benefit Exchanges threaten the industries' current business model, what could a company do to turn the threat into an opportunity.
  - Each table has 10 minutes to discuss and then report back on your analysis.



## Now Let's Look at a SHOP Exchange

- There was minimal law in the ACA re: SHOP Exchanges
- Regulatory guidance, to date, for SHOP has also been limited
- There is little government funding the SHOP
  - And what funding there is applies for only two years

**The Result: SHOP Exchanges may be more private than governmental and may vary greatly from state to state**

# Purchasing Through an Exchange: SHOP



Employer

The Exchange:  
Web Portal and Call Center

Eligibility Determination  
1-100 Employees

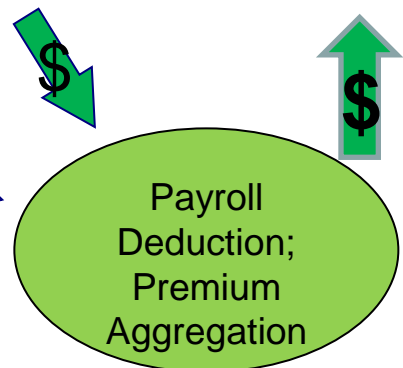
Sets Contribution;  
Determines level of employee choice

Insurers

The Exchange:  
Web Portal; Call Center

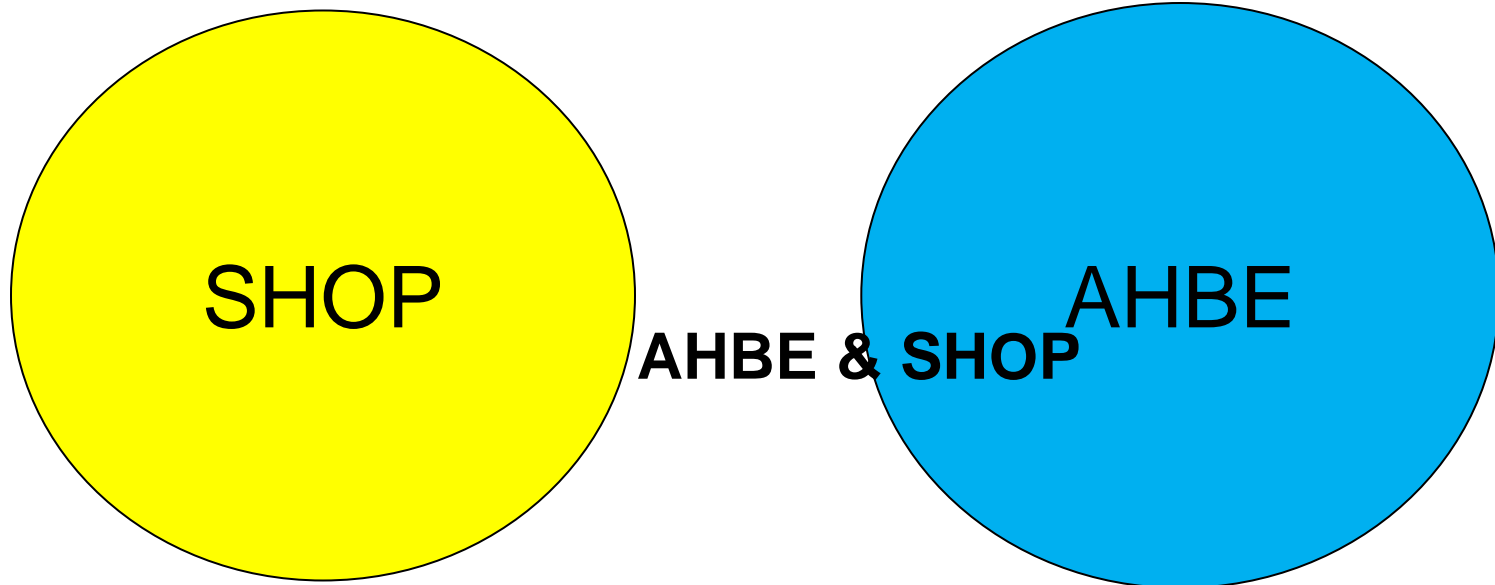


Employees





# SHOP & AHBE Relationship is a key design issue States will decide



Private, Business Led

Government-Run

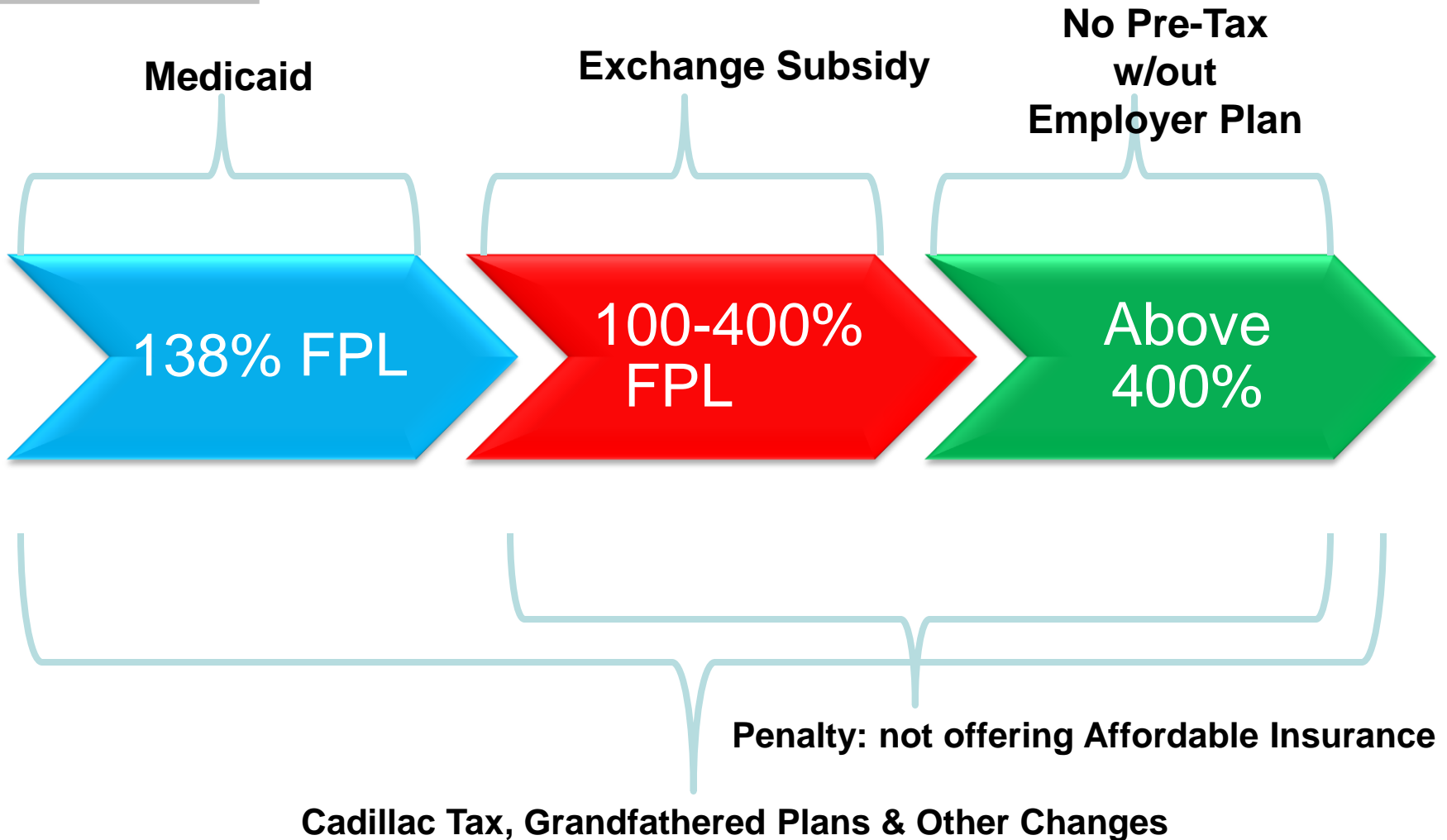




# Why do employers care about SHOP Exchanges?

- For employers of all sizes, the ACA has opened the door for a realistic discussion about alternative models for employers to subsidize their employees' health insurance
- Defined contribution/employee choice is an option employers are now considering
- Can be through an expanded SHOP or through private exchanges operating in the new insurance environment
  - SHOP for employers of 100+
  - Pros & Cons to public vs private exchanges

# What Does this Market Shift Look Like for an Employer?



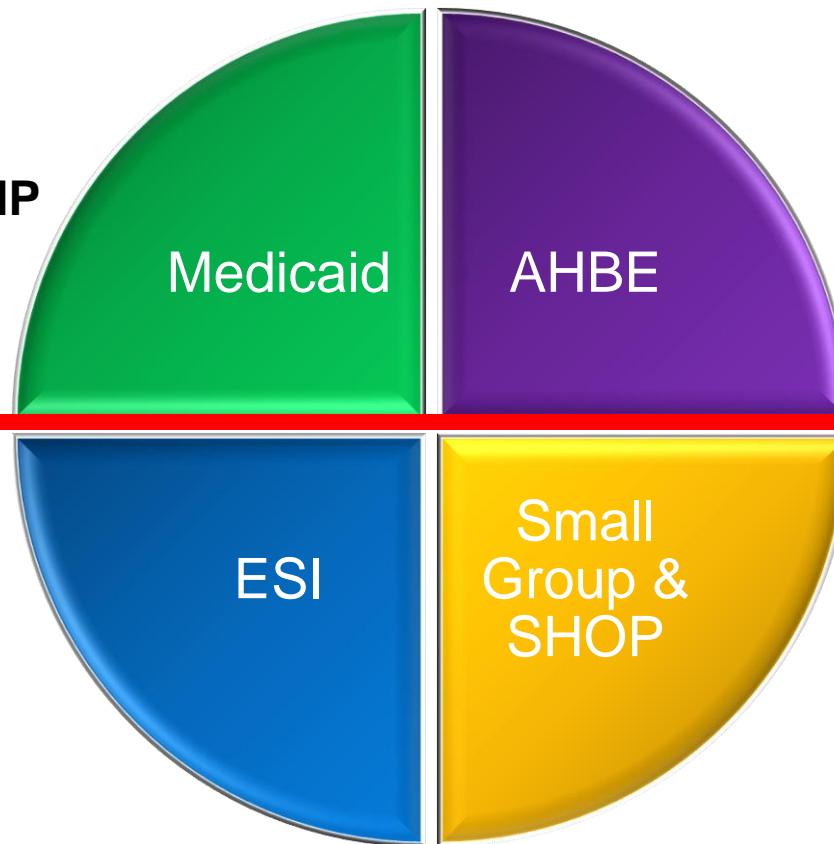


# State decisions on Medicaid/Exchanges will Impact Employer Risk Pools

**Subsidize ESI?**

**End Medicaid/CHIP  
Above 138%**

**No Income**

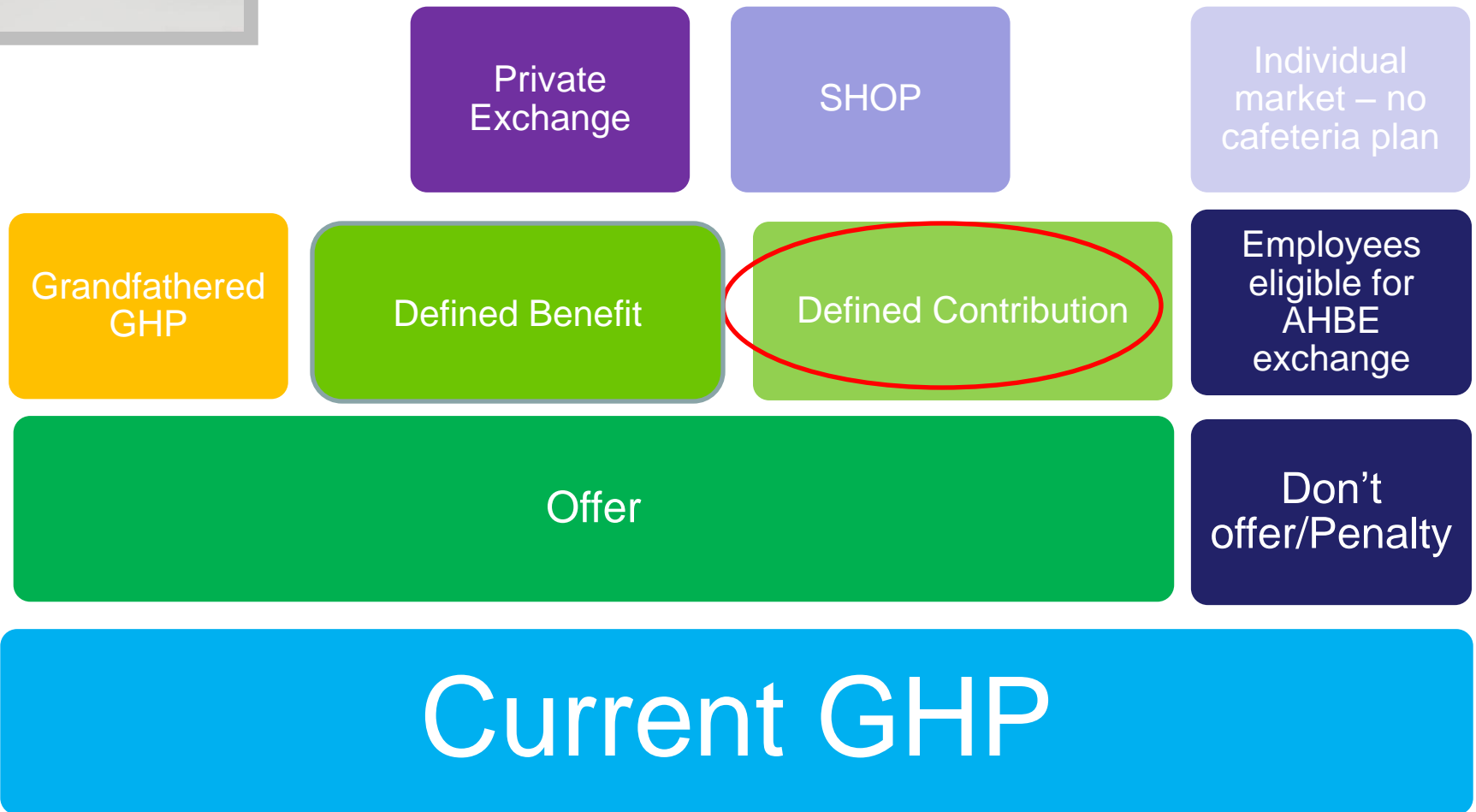


**Commercial vs  
Medicaid plans**

**\$88,000 a year\***

**Allow large groups  
in?**

# Employer Exchange Decision Tree





# The Road Ahead for Employers

- But even as they evaluate the impact of Exchanges on their workforce & GHP's, remember...
- For some employers, this may also offer an opportunity to look at alternatives to “defined benefit/employer choice” insurance purchasing
  - Private exchanges
    - Industry groups; trade associations; regional purchasing mechanisms
    - Focus on chronic conditions/wellness/bending the cost curve
    - Co-ops



# Table Discussions

- SHOP Exchanges, business exchanges, private exchanges – what are the challenges these pose for the industry?
- Do you see threat or opportunity in these exchanges? What can you do to make the opportunity stronger than the threat?

Each table will have 10 minutes for discussion and then will report back on their analysis.



# So that's the new Landscape

As a concluding thought, what you've seen and discussed today reflects four trends that will drive government and private investments and spending decisions in the health care space over the next several years:

1. Realignment of the Payer Market
2. Downward Spending Pressure Leading to New Business Models
3. Government Matters More than Ever to the Health Industry
4. Volatility Continues as Economic Crisis Finally Leads to Reforms



# For More Information

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