

B.O.S.S. Workshops

(Business Owner Strategy Sessions)

Healthcare Reform: *How will your business be affected?*

November 17, 2010



envision
BUSINESS PARTNERS

Blue Benefits Consulting, Inc.

FINDLEY DAVIES
consultants in human resources



OEOC Ohio Employee
Ownership Center

B.O.S.S. Workshops
(*Business Owner Strategy Sessions*)

Corporate Partners

Blue Benefits Consulting, Inc.

B.O.S.S. Workshops
(*Business Owner Strategy Sessions*)

Corporate Partners



B.O.S.S. Workshops
(Business Owner Strategy Sessions)

Corporate Partners

OEOC Ohio Employee
Ownership Center

B.O.S.S. Workshops
(Business Owner Strategy Sessions)

Corporate Partners



B.O.S.S. Workshops
(Business Owner Strategy Sessions)

Corporate Partners



BEACON HILL

INVESTMENT ADVISORY

B.O.S.S. Workshops
(*Business Owner Strategy Sessions*)

Corporate Partners

FINDLEY DAVIES
consultants in human resources

B.O.S.S. Workshops
(*Business Owner Strategy Sessions*)

Healthcare Reform: *How will your business be affected?*

Speaker: Bruce Davis



Health and Group Benefits Consulting National Practice Leader

FINDLEY DAVIES
consultants in human resources

Election 2010 Highlights



- U.S. House of Representatives
 - Current Make-up: 257 D/178 R
 - In January: 239 R/190 D (6 races still undecided)
 - Republican margin will be smaller than the current Democratic margin
- U.S. Senate
 - Current Make-up: 59 D/41 R
 - In January: 53 D/47 R

Election 2010 Highlights



- 52 incumbent House Democrats defeated, including 3 Committee Chairs
- 94 new members of the House (85 Republicans)
 - 21% of the House members will be Freshmen
 - Education needed on Retirement and other Benefit-related issues
- 12 new Republican Governors
- 19 state legislatures switched to Republican control
 - Republicans will control Governorship & both legislative bodies in 20 states (up from 9; includes OH)

Election 2010 Highlights



- Of the 52 Democratic incumbents who lost, 35 voted “yes” for the PPACA
- Many moderate/conservative or “Blue Dog” Democrats lost
 - The House & Senate will be sharply divided between liberals and conservatives

What Can We Expect?



- Speaker-to-be John Boehner will control the agenda and make the rules in the House
 - May have more difficulty with new conservative Republicans (many identified with the “Tea Party”) than with liberal Democrats
- Senate Majority Leader Reid has a tough job (Lieberman, Nelson & Manchin are independent, fiscal conservatives who may occasionally side with Republicans)
- Minority Leader McConnell is in a good position
 - Can lose Collins, Snowe and/or Brown on some votes and still sustain a filibuster

What Can We Expect?



- **Confrontation or Compromise in DC?**
 - Both the President & Congress will keep their eyes on opinion polls
 - Can they avoid the type of gridlock that leads to a shutdown of the Government?

What's Next for the PPACA?



- Republican's Pledge to America: Repeal and Replace the PPACA
 - Repeal “Job-Killing Mandates” such as 1099 reporting for purchases > \$600
 - Medical liability reform
 - Purchase coverage across state lines
 - Empower small business with greater purchasing power
 - Expand HSAs (and be able to use it for OTC Rx)
 - Protect the Patient-Doctor relationship
 - Ensure those with PECs have access to coverage
 - Eliminate annual and lifetime “spending caps”
 - Prohibit termination of health coverage based on health status
 - Permanently end taxpayer funding of abortion & protect conscience of health care providers
 - Fight efforts to fund the PPACA

What's Next for the PPACA?



- HR 1, 2, or 3: House will likely repeal the PPACA
 - This is not 1988 (repeal of Medicare Catastrophic Coverage Act)
- Democratic Senators will object/filibuster
 - Even if the Senate were to also repeal the PPACA, neither the House nor the Senate have 2/3 majorities to override a Presidential veto
- House will then try to restrict \$\$ to implement the PPACA through the Appropriations process (but Democratic Senator Tom Harkin will control Appropriations in the Senate and block this move)
- House will hold many hearings and pass resolutions of disapproval to defeat HHS/DOL/Treasury PPACA-related regs, but that tactic has rarely been used

What's Next for the PPACA?



- Focus will shift to the States
 - AZ passed Proposition 106 to block the individual mandate)
- GOP Governors & State Legislatures can slow down or re-shape PPACA implementation
 - Not fund the Health Insurance Exchange (but Feds would step in if State is non-compliant)
 - Medicaid Expansion (Texas is considering opting out)
 - Join lawsuits challenging individual mandate & unfunded Medicaid mandate
- If Congress turns more authority over to the states, ERISA pre-emption for self-funded employers becomes vulnerable
- President Obama has signaled he is willing to repeal 1099 requirement, but nothing else; “fix strategy” will lack widespread bipartisan support
- The future of the PPACA depends on the 2012 elections

Other Considerations



- National Commission on Fiscal Responsibility Recommendations (12/2010)
 - Employer-sponsored plans are a source of \$\$ to reduce deficit, debt, or support for Medicare/Social Security
 - Exclusion of employer contributions for medical coverage worth \$177 billion in FY 2011 tax expenditures)

What's a Small Business Owner to Do?



- Does providing health benefits support your business strategy? Can you afford it? If yes....
- Can you take advantage of the tax credits to purchase group health insurance?
 - Full credit is available to employers < 10 EEs and avg. annual wages of < \$25K
 - For 2010 credit is up to 35% of employer's contribution for health insurance, so long as employer pays at least 50% of the total premium
 - Credit phases out as the size of the business and avg. annual wages increase
 - Credit not available to employers > 25 EEs or if avg. annual wages > \$50K
 - This is a disincentive to grow the business
 - Families USA survey: only ¼ firms < 25 EEs will qualify for full credit

What's a Small Business Owner to Do?



- If more than 50 EEs, is it better to drop coverage and pay the \$2,000 penalty?
 - Some models show it may be more cost effective to provide less subsidy than no coverage at all
 - Must consider the number of EEs eligible for federal subsidies
- Your Plan's Eligibility Provisions
 - Will you cover both employees and dependents?
 - Will you exclude working spouses?
 - What about your employee?
 - What about the children if the spouse's birth date precedes that of your employee?
 - Will your workforce strategy change to use more part-time employees? If so, consider offering limited medical and voluntary work place benefits to provide assistance with medical expenses
- Cost Sharing: What % of costs should be paid by employees for Single coverage? Family Coverage?

What's a Small Business Owner to Do?



- Evaluate group purchasing opportunities (Chamber plans, ERC, other Associations)
 - Some carriers supporting these plans have offered meaningful wellness incentives and caps on renewal increases
- Consider a High Deductible Health Plan coupled with a Health Savings Account
 - In 2014 the maximum deductible for small employers under the PPACA is scheduled to be \$2,000 Single/\$4,000 Family; if PPACA is not repealed with this rule be changed?
- Now that some individual market reforms are implemented, consider a defined contribution approach; may vary contributions based on longevity, so long as not discriminatory in favor of HCs

B.O.S.S. Workshops
(*Business Owner Strategy Sessions*)

Healthcare Reform:
How will your business be affected?

Q & A