

Quality health plans & benefits
Healthier living
Financial well-being
Intelligent solutions



Health Care Reform – What's Next?

Paul Wingle and Colleen Rackley-Cuda
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This document provides a high level summary of the Affordable Care Act (ACA). Information contained in this document is subject to change as regulations are issued. This information contained within this document should not be considered to be legal guidance regarding ACA or its potential impact and should not be distributed beyond intended audience.



Our vision for a sustainable, affordable Health Care system



- The outcome of Health Care Reform will have a profound impact on our customers
- There are serious challenges left unmet by the current legislation
- Aetna is committed to being a key part of the solution - now and in the future

Health Care Reform – The Call to Action

49 million

Number of Americans who lacked health insurance coverage in 2010

\$2.6 trillion

Total health care spend in the United States in 2010

Over 25%

Those who chose not to buy health insurance from their employers saying it costs too much

58%

Percentage of Americans who reported delaying or foregoing medical care in 2011

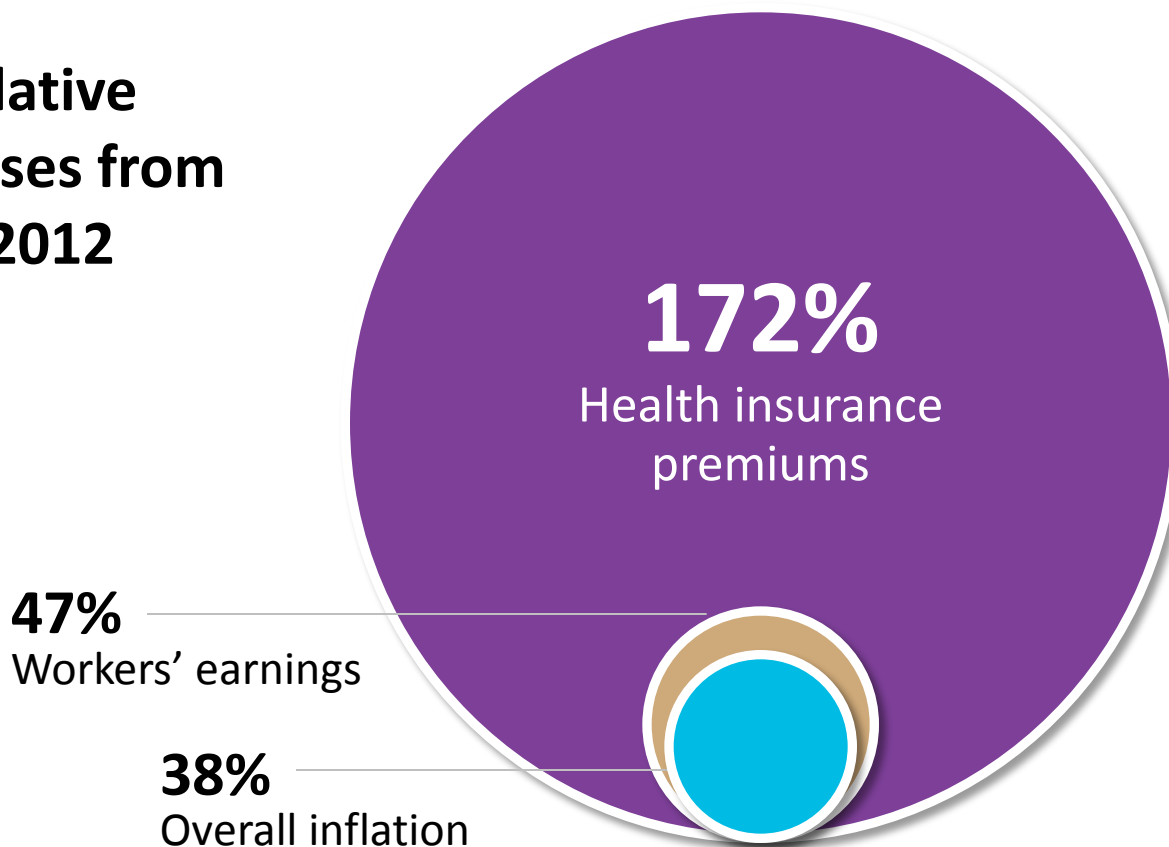
Sources: Centers for Medicare and Medicaid Services, National Health Expenditures Projections 2011-2021. www.cms.gov/Research-Statistics-data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/Proj2011PDF.pdf.

U.S. Census Bureau, "Income, Poverty and Health Insurance Coverage in the United States: 2011," September 2012. www.census.gov/prod/2012pubs/p60-243.pdf

Kaiser Family Foundation, "Health Security Watch," June 2012.

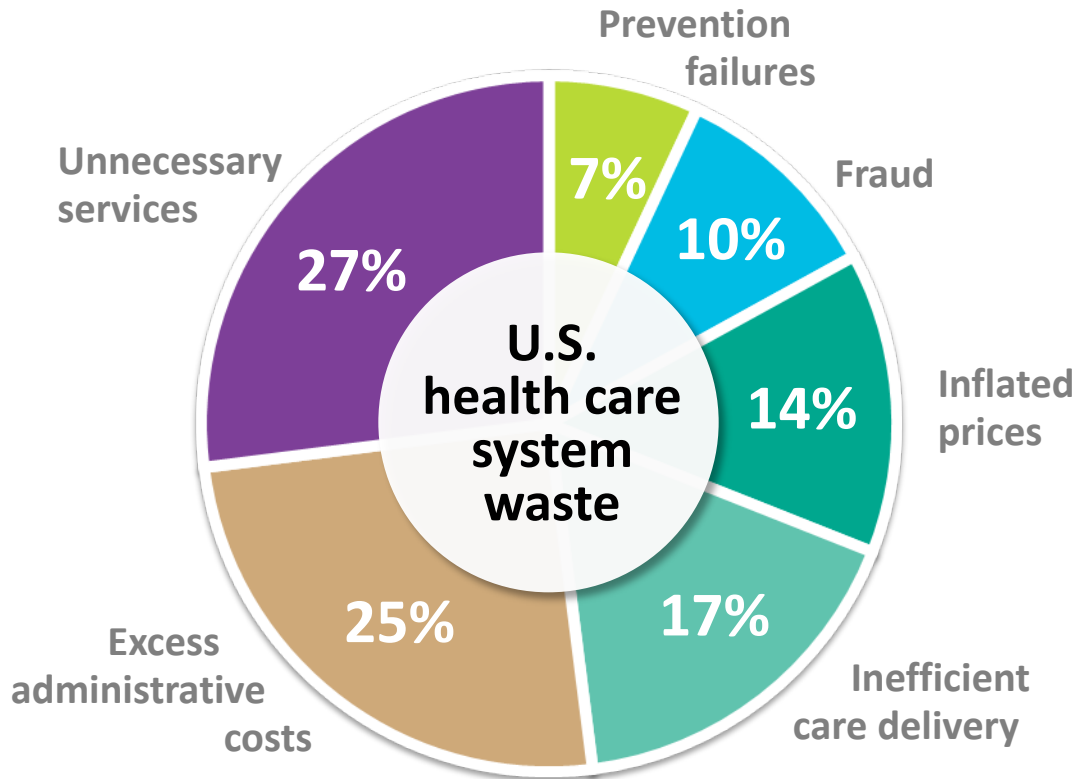
Health Care Premiums are Growing at 3x the Rate of Inflation and Wages

**Cumulative
increases from
1999-2012**



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2012. Bureau of Labor Statistics, Consumer Price Index and Employment Statistics Survey

The Health Care System Produces \$750 Billion in Yearly Waste



~30%
of health
spending
is waste

Source: Institute of Medicine; 2009 data

Areas of Expected Impact

Areas of Expected Impact

Essential Health Benefits & Network Adequacy Requirements

All Individual and Small Group plans on and off Exchange must meet Essential Health Benefit standards, while all Qualified Health Plans must also meet Network Adequacy requirements

Essential Health Benefits

The ACA identifies a range of services that must be included in the benefits package for Individual and Small Group plans. These required benefits include:



Network Adequacy

- Exchanges must ensure that the service area of a Qualifying Health Plan (QHP) covers at least a county, unless the QHP demonstrates that serving a partial county is necessary, nondiscriminatory, and in the interest of qualified individuals and employers
- Exchanges must ensure that QHP service areas are established without regard to racial, ethnic, language and health status factors
- Health plan networks must include a sufficient number of Essential Community Providers that provide care to predominantly low income and medically-underserved populations

Note: Essential Health Benefits and Network Adequacy standards are subject to change based on state or further federal legislation / guidance

Areas of Expected Impact

Shared Responsibility Provisions

Beginning in 2014, the Individual Mandate requires all Americans, with some exceptions, to maintain a minimum level of health insurance or face a penalty

Individual Shared Responsibility

2014

Penalty is \$95 per adult and \$47.50 per child (up to \$285 for a family) or 1.0% of family income, whichever is greater

2015

Penalty is \$325 per adult and \$162.50 per child (up to \$975 for a family) or 2.0% of family income, whichever is greater

2016 and Beyond

Penalty is \$695 per adult and \$347.50 per child (up to \$2,085 for a family) or 2.5% of family income, whichever is greater

Employer Shared Responsibility

- Applicable large employers (i.e., an employer with more than 50 full-time equivalent employees) may be required to pay fees for providing no coverage or inadequate coverage if any employees buy subsidized exchange coverage
- Coverage Adequacy
 - Does not require an employee to pay more than 9.5% of their household income for self-only coverage
 - “W-2 Safe Harbor” relies on the use of an employee’s Form W-2 wages in determining affordability; wages would be the amount required to be reported in Box 1 of W-2
 - Has a minimum value of at least 60%
 - Premium subsidies and cost-sharing assistance on the exchanges will not be available to employees who have access to affordable self-only coverage as well as their spouses and children of employees

Areas of Expected Impact

Reporting Requirements

Year	Notice / Report	Insured Plan Sponsor	Self-funded Plan Sponsor	Health Plan / Carrier
2012	Summary of Benefits and Coverage (SBC)	✓	✓	✓ <i>(Insured only)</i>
2013	W-2 Reporting <i>(over 250+ employees)</i>	✓	✓	N/A
	Notice of Coverage Options	✓	✓	N/A
	Reporting of Health Insurance Coverage <i>(IRC 6055)</i>	N/A	✓	✓
2014	Reporting of Health Insurance Coverage <i>(50+ FTEs – IRC 6056)</i>	✓	✓	N/A
TBD	Automatic Enrollment Notice <i>(over 200 employees)</i>	✓	✓	N/A
	Quality of Care Reporting	N/A	✓	✓
	Transparency Reporting Requirement	N/A	✓	✓

Areas of Expected Impact

Taxes, Fees & Penalties

Patient-Centered Outcomes Research Institutes Fee

- Insured and self-funded plans
- Effective 10/12/12
- Funds clinical outcomes effectiveness research
- Fee subject to adjustment for increases in National Health Expenditures in future years
- Does not apply to plan years or policy years ending after September 2019

Health Insurance Provider Fee

- Insured plans only
- Effective 1/1/14
- Annual fee on health insurers to offset a portion of the expense related to premium subsidies and tax credits to be made available to qualifying individuals purchasing health insurance coverage on the exchanges
- Industry fee of \$8 billion in 2014, increasing to \$14.3 billion in 2018, and increasing each year thereafter at the rate of premium growth

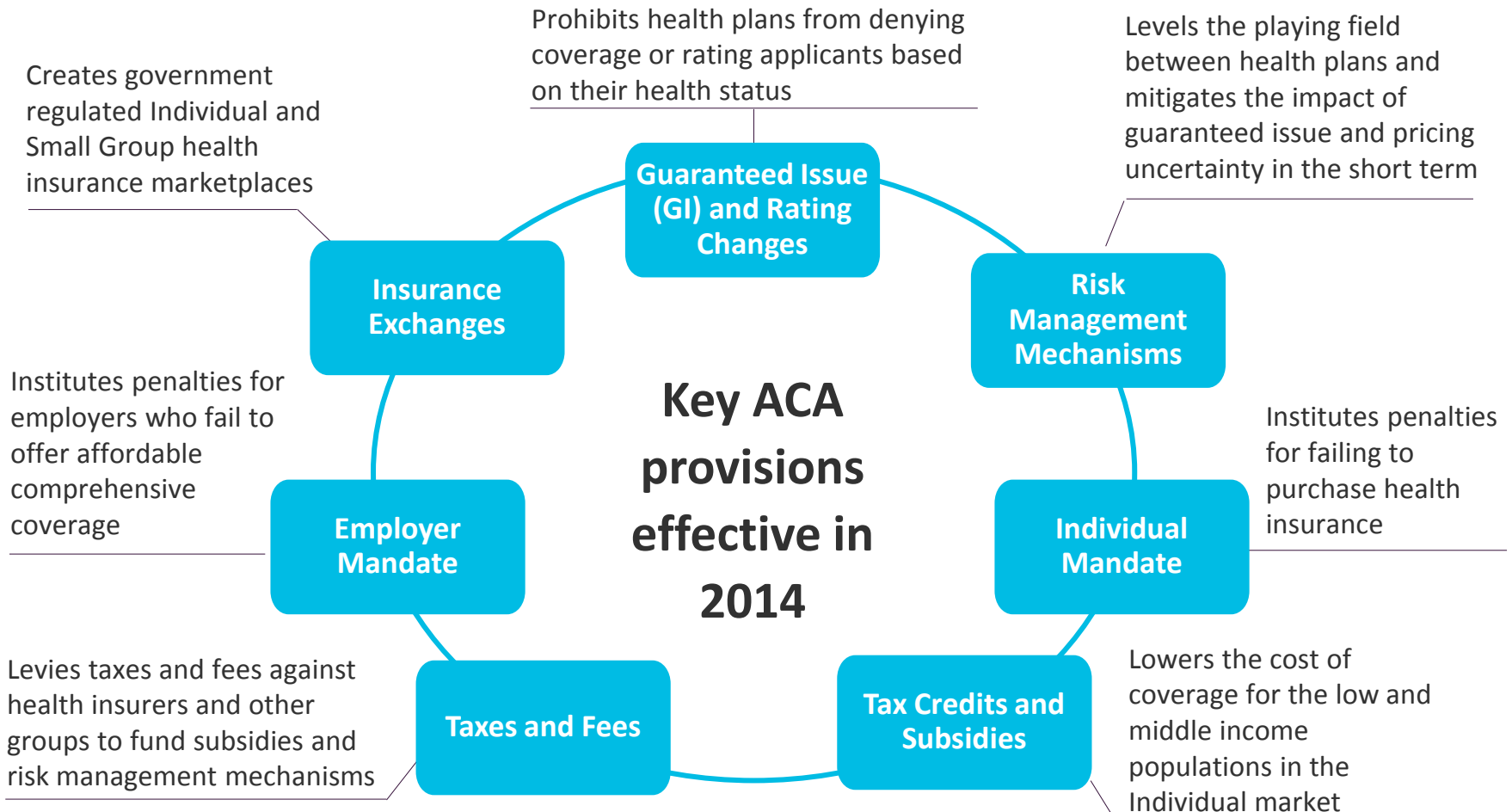
Transitional Reinsurance Contribution Program

- Insured and self-funded plans
- Effective 1/1/14 and ends 12/31/16
- Funds transitional non-profit reinsurance entities that help finance the costs of high-risk individuals in the individual market
- Aggregate fee of \$25 billion over the three year period
- For 2014, the Reinsurance Contribution will be \$5.25 per member / per month

Exchanges

Prominent ACA Provisions in 2014

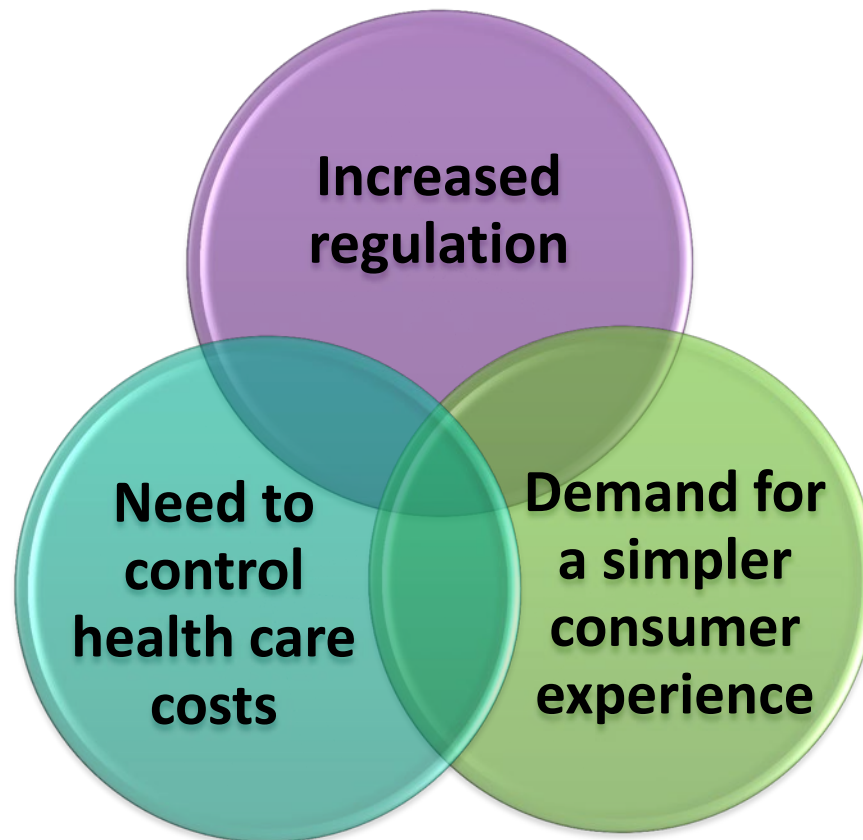
Key ACA provisions, which will become effective in 2014, will have a significant impact on the health insurance marketplace



Source: Congressional Budget Office

The Changing Marketplace

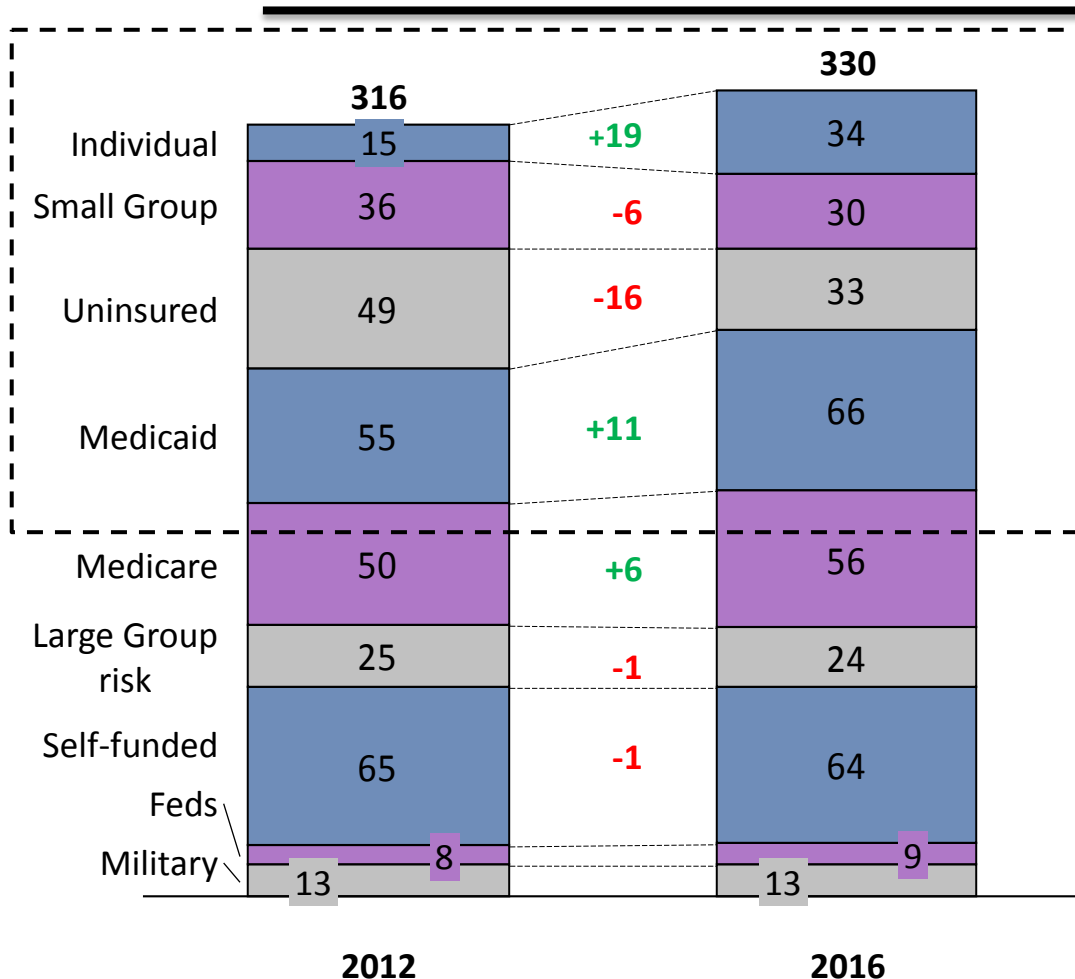
The introduction of exchanges is highlighting the significant changes underway in the marketplace



Defining the Market

ACA-driven implementation of public exchanges will drive meaningful changes in insured populations

U.S. Membership (millions)



- Individual market is expected to grow by **19M lives**
- Small Group market is projected to **decline** as **employers opt out.**
- Uninsured will **decline** as subsidies and penalties drive people to buy insurance.
- Medicaid will **increase** as uniform eligibility is enforced.

Types of exchanges



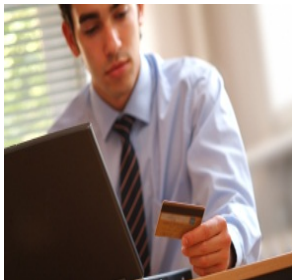
Individual

- Managed by federal or state government
- Travelocity®-style shopping experience
- Provides access to tax credits and subsidies to promote affordability



Small Group (SHOP)

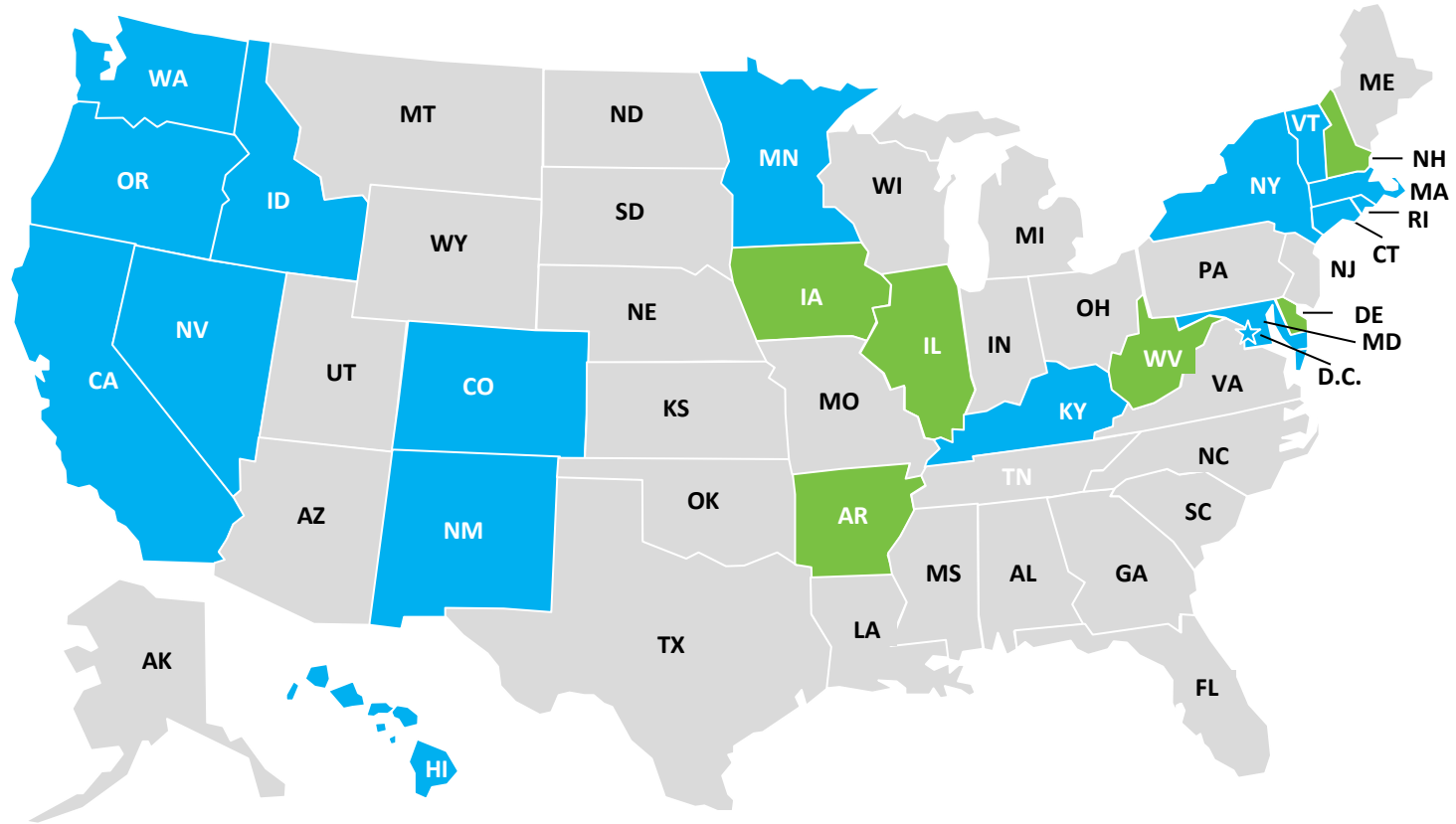
- Target groups with up to 100 lives; states can opt to limit up to 50 lives until 2016
- Managed by federal or state government
- Small businesses shop for insurance for their employees
- States will decide on the degree of choice and contribution models offered to employees



Private exchanges

- Exist today; interest is growing
- Managed by third parties, not the government
- No access to tax credits and subsidies

Type of Exchange Likely in States in 2014



HHS Deadlines

- 12/14/12 for state-based exchange commitment
- 2/15/13 for state-partnership commitment
- 11/18/13 partnership states to transition to state based in 2015

Key (as of 3/21/13)

- Likely State Exchange in 2014 (17) ■
- Likely State Partnership Exchange in 2014 (6) ■
- Likely Federally-Facilitated Exchange in 2014 (28) ■

Evaluating the opportunity



Opportunity in 2014 – What’s the potential membership projected in the Individual and Small Group markets?



Rating – Will we be able to get appropriate premium rates approved?



The regulatory environment – Do we believe we can operate successfully within the emerging regulations for this state?



Our competitive position – How strong are our networks, what is our market presence?

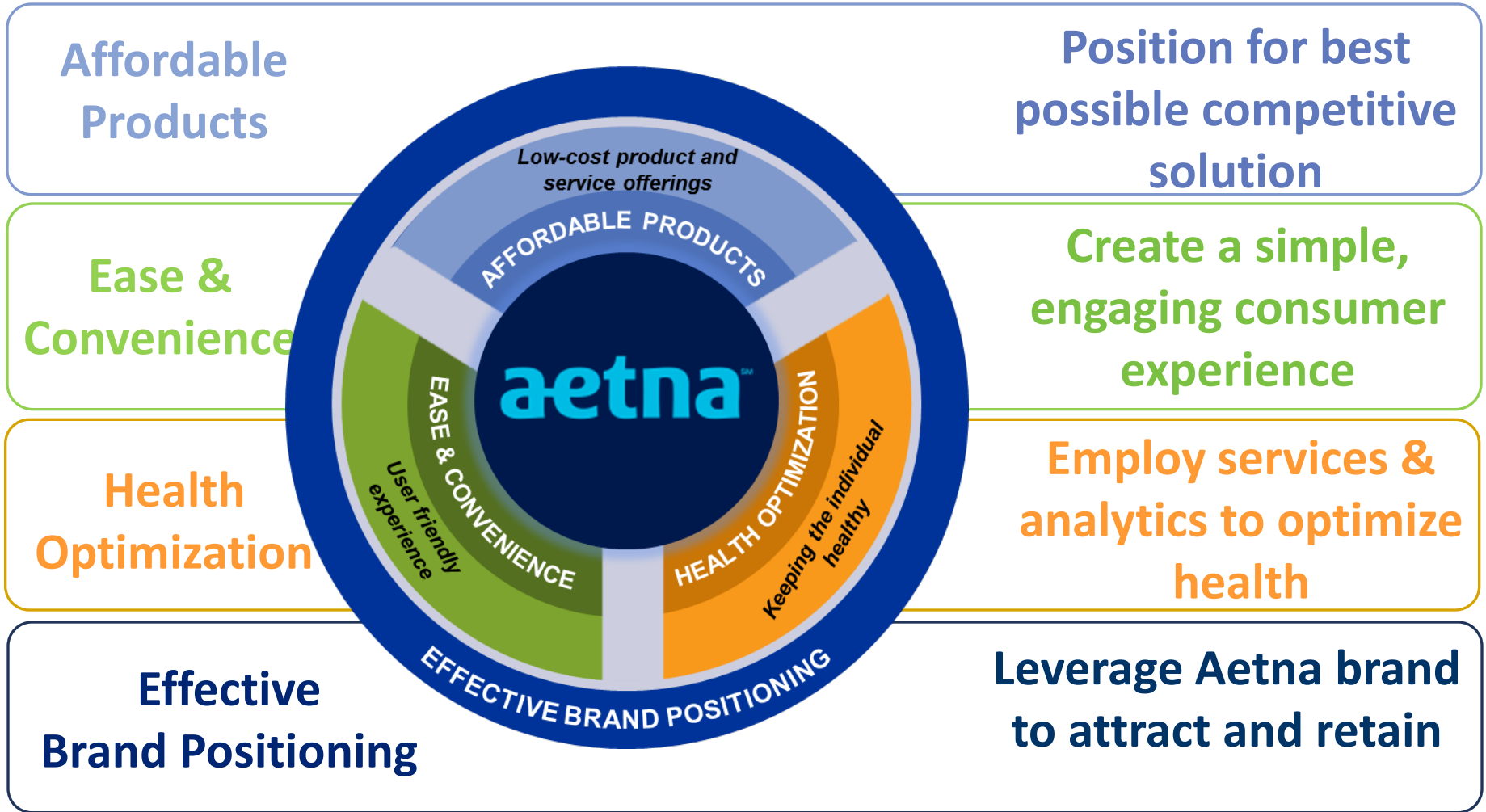
A New Consumer Market is Evolving

Experts predict that over 19 million new consumers will purchase commercial insurance in the individual market by 2016

Who are they?

- Over 65% will be uninsured
- More racially/ethnically diverse
- One in four will speak a language other than English at home
- Poorer and less educated

How do we meet their needs?



Key Points of Consideration for Small Group Employers and Individual Consumers and How Aetna Can Help

Small Group and Individual Outlook

What We Know Now

- The Individual and Small Group insurance markets will undergo significant change with the implementation of health insurance exchanges and new regulatory requirements
- Individual business is expected to grow much faster on exchanges than off exchanges due to the availability of subsidies only through individual exchanges
- By 2016, there is the potential for over 19 million new consumers who will purchase commercial insurance in the individual market
- The demographics of this newly insured population will differ than the market today (e.g., one in four will speak a language other than English at home, more racially/ethnically diverse)

Small Group and Individual Top Things to Consider

Exchanges

- Do employers think public exchanges will be viable options where their employees are located?
- Will states be ready?
- Will coverage be affordable?
- Will exchanges be easy to navigate and make purchasing decisions?
- Are there pockets of an employer's total population where exchanges could make sense? (e.g., pre-65 retirees, lower wage workers, etc.)
- Will an employer consider a defined contribution strategy as an alternative approach?

Tax Credits and Premium Subsidies

- Who is eligible?
- What are the subsidy options for employers and individuals?
- What is 133% of the FPL? How does that affect me?

Small Group and Individual Top Things to Consider

Premium Rate Shock

- Understand the impact of Essential Health Benefits on your plans
- Do your plans meet the 60% Actuarial Value?
- Understand the impact of Guaranteed Issue
- Determine which of the following ACA taxes and fees will impact your plans and when
 - Patient-Centered Outcomes Research Institute fee
 - Health Insurance Provider Fee
 - Transitional Reinsurance Contribution (RC)

Employer Reporting Requirements

- Summary of Benefits Coverage (2012)
- Exchange coverage Option Notice (2013)

Health Care Reform Tools and Resources

Aetna has developed tools and resources to help our customers understand the potential impacts of the ACA and identify the best course of action

Health Reform Connection



Aetna has invested significantly in freely available online resources to provide customers with the latest legislative updates, analysis and impacts of Health Care Reform.

Health Insurance Exchanges



Dedicated section on Exchanges within the Health Reform Connection website.

New Exchanges Tutorial



Quick and easy-to-understand overview of exchanges.

Small Group Tax Credit Calculator

Your annual tax credit is:
2010-2013 :
2014+ :

Number of Full Time Equivalent Employees:

Total annual wages:

Total employer premiums:

Are you a tax exempt organization(Y or N)?
 Yes No

[Get Estimate](#)

The tool provides an approximation of the tax credit based on the questions answered, the data provided, and the information currently available to the public from the IRS regarding the tax credit.

Take Home Messages



- Aetna remains focused on transforming the health care delivery system such that all Americans have a choice of affordable, simple health care options
- Aetna remains committed to fostering compliance with the ACA and helping our customers achieve the same
- As constructive advocates for the people who use our services, we continue to work with HHS, NAIC and other agencies to shape regulations and avoid unintended consequences
- We all have a role to play; get and stay informed