Health Reform Survival Strategies

Eric Johnson
ComedyCE.com
Two Options:

Get Out

Stay In
Get Out!

- Are brokers really leaving?
- Studies say they are
- Other brokers are selling out to larger firms with more resources
Stay In

- Work harder
  - Make less $$

- Work even harder
  - Make the same $$

- Work smarter
  - Make more $$

How do people get smart?
How do people get smart?

They study!

Time to hit the books?
No!
Stop Book Violence!
Our Competition

How many brokers in Texas?

60k
Pareto Principle

80-20 Rule

20% of the inputs

80% of the results
How many employers are getting good advice?

Not enough!

This creates an opportunity
Do the same rules apply to each segment?

What are the three market segments?
What are the three segments?

Large Group
Small Group
Individual

Can we further divide each one?
Segmenting the Market Segments

Individual
- >400% FPL
- <400% FPL

Small Group
- 2-9
- 10-50

Large Group
- 51-99
- 100+
- Carve Out
- No Coverage

Household Income
Size & Health Status
Size, Health Status, Current Coverage
Can we further divide each one?

**Individual**
- >400% FPL: no subsidy; now guaranteed issue
- <400% FPL: subsidy-eligible

**Small Group**
- 2-9: max tax credits (small group / individual)
- 10-50: great ASO candidates

**Large Group**
- 51-99: transition relief; will be small soon
- 100+: must offer coverage in 2014
- Carve Out: expand or drop coverage
- No Coverage: play or pay, MEC candidates
INDIVIDUALS AND FAMILIES
Focus on their need for health insurance

- Lots of money – something to lose
- Medical conditions – something to gain
<400% FPL and Subsidy Eligible

Show THEM the Money!!!
Learn about Medicaid and CHIP

PRO BONO
(not U2’s lead singer)

This is your opportunity to give back

Ethics

Remember all those ethics courses?
Prove that you learned something!

Navigators

Don’t let the navigators be the only ones to help these folks.
Show the government that navigators aren’t needed.
Lots of similarities between the Individual and Medicare markets

- Guaranteed issue
- Government subsidized
- Annual enrollment periods that don’t completely overlap
Don’t depend on groups dissolving

Not happening like we expected...yet

Remember, Texas has the highest uninsured rate in the nation – lots of prospects

Nearly two-thirds of small employers don’t currently offer coverage – groups of prospects (low hanging fruit)

Existing group clients – part-timers who probably qualify for subsidies

What about all those people you ran individual quotes for who didn’t qualify for coverage in the past? You kept their contact info, right?
Set up a Storefront

American Health Underwriters, Downtown Fort Worth
SMALL GROUPS
12/1 Strategy

Moved younger, healthier groups (those paying below-average rates in 2013) to a 12/1 effective date

- Delayed market reforms (essential benefits, cost-sharing limitations) and allowed the government make corrections ($2k deductible)
- Delayed modified adjusted community rating (ACR)

Moved older, sicker groups (those paying above-average rates in 2013) to a 1/1 effective date

- Underwriting eliminated
- Lowered rates
Grouped Together

For the first time in insurance history, risk is segregated by month

Best Risks: 12/1

Worst Risks: 1/1
Groups with other effective dates

You might have a bad broker if...
2-9 Employees

May qualify for the max tax credit of 50%
(10 or fewer employees, $25k or less in average wages)

Tax credit was designed to encourage small employers to start offering coverage.
Is that happening?

Those who do qualify for the maximum credit have very low-paid employees who would likely qualify for significant subsidies in the individual market.

Segment which is most likely to dissolve.
If it makes sense to offer coverage, do it. If not, don’t.
10-50 Employees

Drop Group Coverage
(+ Def. Contribution)

Health Savings Accounts
Wellness Programs

ACA-Compliant Plan
Stay Grandfathered

ASO
Transition Relief
Defined Contribution

HRAs, EPPs, and 125 plans are eligible employer-sponsored plans

Therefore
- HRAs, EPPs, and 125 plans used to purchase individual coverage are out of compliance with the market reforms
- Even if they weren’t out of compliance, they would block employees from getting a subsidy

Eligible employer sponsored plans
- are considered minimum essential coverage
- cannot place limits on essential benefits
- must provide up-front preventive services with no cost-sharing

These plans can be integrated with individual coverage but not group coverage for purposes of the annual dollar limit prohibition and preventive services requirement
So far in 2014

January 1 groups (older groups with more medical conditions) have moved into ACA-compliant plans and are benefiting from the law.

December 1 groups (younger, healthier groups that have historically paid below-average rates) have yet to feel the impact.
Rate Compression

- Right now the rates at the top have been suppressed, pre-supposing the bottom will come up.

- But b/c of transition relief and an aggressive ASO strategy, the bottom will never come up, so the top will move back up over time and the bottom will stay where it is.
Can load or DTQ the groups

• Similar rate bands as we had before ACA as a result of ASO
## Don’t sell it like self-funded!

### Why large groups self-insure
- Think they can beat the market
- Cash flow advantage
- Benefit flexibility

### Not same reasons for small groups
- **ACR is the only reason** – groups get to be rated by the same rules that helped them get lower rates in the past
- Goal is for the max liability to be close to where you were before – any savings is a bonus
Small groups will move in and out of ASO as their risk changes.

Every fully insured group every year should be checking to see if they should go self-funded.

This makes the small group broker even more important because of the strategy.

They’ve tried to commoditize you and they’ve just done the opposite – made you more important.

*Self-funded will capture the bottom 30% of the market and help preserve the lower rates that we had before* – Mark Bellman.
51-99 Employees

Will be small groups in 2016

Ideal effective date is 10/1 to take advantage of transition relief and avoid ACR

Eventually, self-funding option will be good for this size group as well
The Threat

State or Feds could kill it
- Setting stop-loss too high ($50k)

Unlikely to happen at a federal level
- Republican-controlled house
- NAHU guarding the wall

Unlikely to happen in Texas
- We’re a red state
Transition Relief

Can renew with current, non-compliant plan (just like being grandfathered without being grandfathered)

Same benefits and rating rules as in the past

Unhealthy groups probably won’t want to take advantage of this (they should have already move to ACA-compliant plans)

Healthy groups may have a higher renewal because carriers still need to offset the cost of the unhealthy groups who aren’t paying as much now.
LARGE GROUPS
Shift Full-Timers to Part-Time

Not ok!

- ERISA says that if your only motivation in moving employees to part-time is to avoid offering them health insurance, that’s a violation.
- Subject to fines and potential lawsuits.
- There are still legitimate business reasons to cut employees’ hours.

Source: [http://www.cbpp.org/cms/?fa=view&id=4028](http://www.cbpp.org/cms/?fa=view&id=4028)
Replace old employees with part-timers
Save American Workers Act
King vs. Burwell
## 4 Possibilities:

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<thead>
<tr>
<th>30 Hours Subsidies</th>
<th>40 Hours Subsidies</th>
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<tbody>
<tr>
<td>30 Hours No Subsidies through FFM</td>
<td>40 Hours No Subsidies through FFM</td>
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Ditch the Spouse

- Not included in definition of dependent
- If spouse is not eligible for group coverage, he/she is not blocked from a subsidy
- Would still pay family rate (% of household income) in individual market
- Hurts higher-paid employees
Skinny Plans – 3 Perspectives
Get your money up front

MEC:

• Charge up-front consulting fee for carve-outs because they’re not going to like the answer you give them

• Answers are bad or worse

• Not used to offering insurance, so they won’t be happy

• You don’t get paid a commission on the penalties...
No benefit for employees

Stripped-down plan doesn’t really help employees

Since they don’t pay attention during the enrollment meetings, they may think they have coverage they don’t have

Enrolling in the plan blocks them from a subsidy

A subsidy may be better for them

Since the goal of offering the plan is to minimize employer penalties, brokers are encouraged not to explain the benefit of the subsidies
<table>
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<tr>
<th>The Right Way to Sell</th>
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<tbody>
<tr>
<td>Explain to employer that not offering coverage hurts the company but offering MV coverage could hurt employees</td>
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<td>Offer MEC plan to help employer avoid penalties</td>
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<tr>
<td>Pair MEC plan with a limited benefit option (excepted benefits) to create a better solution for employees</td>
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<tr>
<td>Don’t block employees from a subsidy</td>
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<td>In the enrollment meeting, explain the value of the subsidies so those who would benefit take advantage of the option</td>
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<td>Explain the implications of signing up for the MEC plan or 125 plan</td>
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<td>For those who don’t decline the MEC plan, explain the value of the employer plan (good up-front coverage, no penalties, pre-tax)</td>
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<td>Good news: high participation requirements mean higher commissions</td>
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BENEFITS COMMUNICATION
Your Job

Increase ROI

How is ROI calculated?
Calculating Return on Investment

$\text{ROI} = \frac{\text{Bang}}{\text{Buck}}$

Two ways to accomplish: more bang or fewer bucks
Good Communication is a MUST
Sell the Value (the bang)

- Better benefits
- Better network
- Don’t have to deal with the government
- Employer contribution
- Tax-free gift
- Pay your share with pre-tax dollars
Cram in some more stuff (more bang!)

- Tell them about carrier-provided freebies
- Employer-paid ancillary
- Voluntary products
- Other fringe benefits
Minimize the Negatives

Explain CHIP and hand out brochures

Throw the government under the bus
COMPLIANCE
Compliance!

That’s part of increasing ROI – reducing exposure to penalties

Compliance penalties are much bigger than the employer mandate penalties

Outsource compliance, especially ERISA

Use compliance to win business from bad brokers
IN SUMMARY
Your Two Takeaways

The majority of brokers are a bunch of idiots

Play offense on 12/1 or you miss out on a chance of a lifetime
Go after groups with current coverage

Solve a reasonably fixable problem

- 10-50 with 12/1
- 51-99 fully-insured groups
A Final Thought

Two 40-man plumbing groups with identical demographics

- One group renews 6/1, gets rate increase of 50% more
- Other group moved to 12/1, takes advantage of transition relief or ASO

Big difference!

- In the past you could dabble in benefits and your mistakes only cost 5 to 10%
- Now a mistake could cost the plumbing company the business

Compelling reason to get good brokers to take AORS, if you don’t, you’re doing Texas a disservice