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FOREFRONT

Look through the Fog



I, like many others have speculated on the fate of the ACA. This communicate will continue to report on what we see happening and what we think.

Perhaps the most important aspect of ACA reform will be what happens to the individual marketplace. The ACA was designed to strike a delicate balance between requiring coverage to support the at-risk pools and insurance requirements to issue coverage. This alignment has not been satisfactorily achieved.

Subsidies for health plans and the individual mandate are both "balancers" that were backed in the ACA and removing or undermining them while the rest of the law remains in effect would have a negative impact on market stability. Market instability is bad for all of us, not just the individual market, and those who rely on it.

*Randall B. Marking
President*



Healthy
Living



A PAGE FROM THE DEMOCRATS

We have all heard the Democrats opine, “*Never let a crisis go to waste.*” Well, I think another one is about to unfold in Washington D.C., and the epicenter will be Health Care Reform. President Trump and the Republicans are intent on repealing and replacing the Affordable Care Act (ACA), and they have to do it; Donald Trump will ask Congress to immediately deliver a full repeal of Obamacare. This is a very prickly problem that has many asking:

- What will replace Obamacare?
- What provisions shall be kept?
- What will the replacement look like?
- How are pre-existing conditions handled?

We know that Republicans have struggled for years to agree on any replacement. Here is my best guess on what they will need to do.

- (1) Republicans will act by repealing Obamacare now and try for replacement later;
- (2) They will begin taking away the money in 2017, thus creating a crisis; and
- (3) They will say that the money for the current law will stay in effect for 2017 and probably 2018.

However, the crisis is that Congress has to agree on a comprehensive replacement, both for Medicaid and for the health insurance Exchanges by January 1, 2019 or we will have somewhere between fifteen and twenty million people fall off the coverage.

Why a Crisis? We have all lived through the U.S. Congress over the last twenty years. We know that bipartisan agreement is almost impossible. The only way that we can get a new health law is to create a crisis. Any new law will absolutely contain large provisions of the current law because it is health insurance. You have to figure out how to deal with pre-existing conditions and what to do with children who are on their parent’s health plans until age 26. Millions of people are now eligible for Medicaid. These are elements of health insurance reform that have to be dealt with no matter who writes the bill.

You can expect the Republicans to roll back the Medicaid expansion to the way it used to be three years ago. This means a lot of people will lose their Medicaid coverage. Financial assistance for very low-income people will be provided to buy a mainstream health policy. Republicans will argue that Medicaid is a lousy place to be and one is better off being in a standard insurance plan. While some changes may seem simple, the details are complicated and likely to cause problems. Just how much financial assistance will be provided for people? Will it really be better for everyone?

Stepping Back. Democrats generally believe, as represented by Obamacare, that the best way to expand health coverage is through a government-run program. They believe that government will regulate the system to keep costs under control. Republicans believe that expanding government programs just adds to entitlements. They also believe you need to bring the market to bear for more efficiency. So there is not a difference of opinion that people should be covered, but there is a fundamental difference in how they should be covered.

A PAGE FROM THE DEMOCRATS *(continued)*

Expect health plans to become less regulated. Individuals will find plans with less coverage become more flexible and more suited to their needs. Right now the plans are over-regulated and overly structured so that, for example, the standard Silver Plan for a family of four costs around \$1,000 a month with a \$7,000 deductible.

Health insurance is not only about the benefits, it is about the cost. Plans are expensive due to the fact that only about forty-percent of the people eligible for Obamacare subsidies have bought them, and they are disproportionately sick. Health insurance actuaries feel that if they were allowed to offer more attractive plans, enrollment would increase. Therefore, if you go from 40% to 75% of the eligible signing up, we should be able to reduce the cost of these health insurance plans by 30% to 40% with far more healthy people participating.

What is really unfortunate about the ACA (Obamacare) is Democrats pushed it through in 2010 over the objections of the Republicans, which has been a hot-potato political issue since that point. Let's hope the Republicans do not end up repeating the same thing by steamrolling their brand of health insurance reform through. Hopefully, Republicans and Democrats have learned their lesson and we will see some bipartisanship here. It will take two to tango.

Real Health Care Reform will depend upon whether these people can work together or not. If we do not see bipartisanship on the next iteration of Health Insurance Reform, we are just going to have the mirror-image political bickering that we had the last four years trying to implement Obamacare. Regardless of what happens, one thing is for sure; Obamacare will be with us for all of 2017 and most likely in 2018.



The Swami on ACA

1. Since the employer mandate will disappear, so will Minimum Essential Coverage plans. If they were only offered because the employer had to do so, the employers will discontinue these as soon as they can.
2. 1094/1095 reporting will stop, but it is too late to stop this year's upcoming requirement. Good riddance, what a waste of time, money, and resources.
3. Medicare will not change.
4. The Cadillac tax will be thing of the past. Congress will seek to pay for indigent care by limiting the individual exclusion for health care benefits provided by employers. This will further facilitate the shift to high-deductible plans.
5. Drug costs are going to come down. While pharma is a powerful lobby, this issue has too much momentum. Whether it is re-importation or transparency laws, something is going to give.

So What's Next - Trumpcare?

Obamacare is dead law walking, and make no mistake
Obamacare is dead!



Here are the two routes the Republicans will consider:

1. Immediate repeal and replace that can rebuild insurance reform under the Senate 51-vote budget rule. Following this route will mean that the pre-existing condition reforms, for example, would have to remain in any new law because they are not budget related and would have to stay. The individual mandate (*the Supreme Court declared it a tax*) could be done away with as well as all of the Exchange subsidies and the Medicaid expansion because they are spending related. Just what this path would look like in detail will depend upon what Senate budget rules ultimately determine to be budget items and whether that would be enough to build a health law consistent with a Republican vision.
2. Effectively repealing by using the Senate 51-vote budget rules to gut the financing of the law on a future date certain. That would be followed by the Republicans saying to the country and the Democrats that Obamacare would continue as is until that future date that Obamacare would continue to cover everyone in the Exchanges and under Medicaid, but if Democrats didn't cooperate in legislating a new health insurance law, they will argue, it will be on the head of the Democrats that people lost their coverage on the day funding ends. This course could have the effect of forcing the Congress to agree on a new bipartisan path for health insurance reform or result in one incredible implosion of coverage if the Democrats didn't cooperate.

Either way, Obamacare is over and there is much to consider. The Obamacare Exchanges are now in an underwriting free fall and this will have to be addressed by the Republicans. Will insurance carriers continue to pull out in increasing numbers not wanting to be the last haven for a worsening pool? Humana is the latest casualty.

Now what do we do? Here are a few thoughts as all of this sinks in:

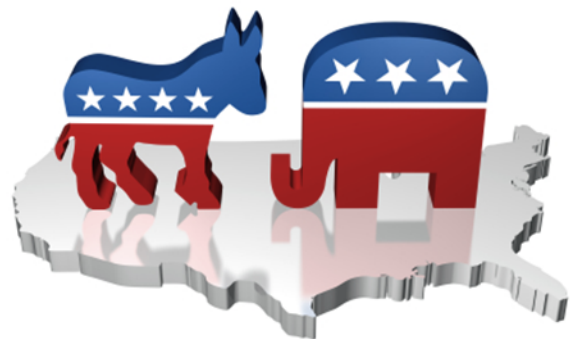
- The Republicans have a plan. The plan was written by Paul Ryan as part of his “better way” document released in June 2016. It is not in legislative form, but it is as detailed as the plan Bill Clinton or Barack Obama had the morning after they were elected. Paul Ryan will take point on this effort.
- Obamacare repeal will be the first, if not one of the first agenda items.
- Repeal will be the easiest part, not a literal repeal, but a defunding of the money used for Exchange subsidies, the Medicaid expansion, and the money to run the Exchanges.
- The much harder part will be the replacement. Republicans will ask Democrats to help create the new insurance system or be responsible for the consequences. Common belief is the Democrats will not cooperate, but here is why I think they will.
 - In 2018 there will be twenty-three Democrats and two independent senators (*who caucus with the Democrats*) that will be up for re-election from a great many states that Donald Trump won.
 - There is a clear mandate to replace Obamacare. If these Democrats fight it and that arguably results in millions of Americans being thrown off their coverage, they will do so at their own peril.

(continued)

Trumpcare *(continued)*

- The best news here is that defunding and then replacing of Obamacare could ironically set the table for the first real bi-partisan legislative effort in a very long time. The one we should have had in the first place.
- As challenging as creating a replacement will be the transition period before the new plan can be operative. It is not possible to instantly replace the Obamacare policies and the Exchanges overnight. There will need to be a transition period between the old and the new that will be at least a year, if not two, for the new market to be prepared and implemented.
- I have to believe that the ongoing 2017 open enrollment will be a real problem for the insurers that are already losing lots of money in Obamacare. Healthy consumers promised a new and cheaper plan by the Republicans, will likely hold back rather than pay the big prices and suffer with the big deductibles. That means fewer healthy people in the pool while the sick people stay with Obamacare during 2017.
- Insurers will be asking a very important question: why should we stay with Obamacare during the transition and lose even more money while the program deteriorates at an accelerating rate? Beyond 2017, why should an insurer withstand more losses during what will likely be the transition year of 2018? I expect the Republicans will find themselves in the uncomfortable, but necessary position of having to subsidize these losses in the transition or have no insurers for people. Do not forget, half of Obamacare participants do not get a subsidy. I expect the vast majority of these people hit with big premiums and deductibles, voted for Trump and the Republicans. If for no other reason, Republicans have to worry about supporting these people in the transition.
- Obamacare is a dead law walking, but it will be the only individual health insurance marketplace and the place millions of people get their Medicaid coverage for at least 2017 and very likely in 2018. Republicans will have to support it in the transition or face their own “if you like your insurance you can keep it” debacle.
- Will Republicans do a better job of paying attention to how the market works than Democrats did? I don’t presume anything here. The Obamacare repeal and replace effort has left the station. No turning back. Health care is hard and it is easier to screw it up than get it right. Democrats just learned that lesson. Republicans would do well to see what happened to the Democrats as a sobering example of what not to do. A fully ideological Republican plan that does not pay attention to how this market really works could put the Republicans right back where the Democrats are today.

Elections have consequences!





Happy belated New Year to all of you!

When it comes to your 2017 benefits package, you may want to consider:

- 1. Focus on the big – do not sweat the small.** The majority of your health spending is generated by roughly five to ten percent of your members. Do you know your group's health risk mod? Do you know there is such a thing? For most employers it is a good time to implement, nurture, and grow a program focused on the health of the ninety to ninety-five percent members. This program addresses significant health issues not yet in full bloom and offers the greatest return possible for your investment. A good example would be programs focused on identified diabetics, hypertensive members, obese members, tobacco users, etc. Behavior change programs can have a positive impact on these prevalent chronic conditions.
- 2. Think differently.** Consider an entirely different approach. Most employers have used the same process, broker, and approach for years if not decades. You can judge for yourself if you have experienced your desired goals and objectives.

Here is how I define thinking differently:

- Harvest all your claim data from all providers including price and discount;
- Design benefit plan(s) to reflect what is going on within your covered population;
- If fully insured, learn the value proposition by implementing premium arbitrage;
- Use Third-Party dollars to offset some of your costs;
- Investigate a direct Employer/Hospital Partnership.

If you are looking for guidance as to how to take advantage of today's health market and as you look for new ways to manage costs and engage plan members, look to IBSI.

Is it time for you to Think Differently?

Do You Sponsor **TELADOC**?

When your insured employees decide to see a doctor, the scenario goes something like this:

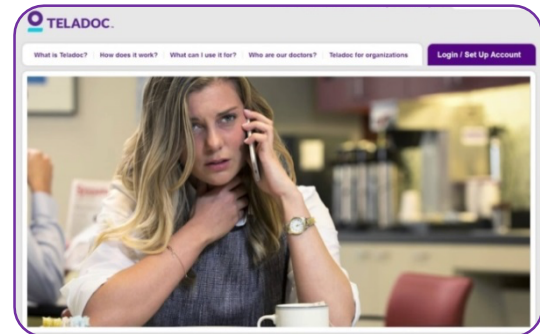
1. Physician office is called for an appointment;
2. Notifies their employer that he/she needs to take time off for this appointment;
3. Travels to the doctor's office;
4. Checks in and pays \$30-\$45 co-pay (*or sometimes more*);
5. Has 30-45 minutes of interaction with the staff while waiting for the doctor;
6. Finally is seen by the doctor for an average time of 10 minutes for the consult;
7. Waits for staff to follow-up and checkout;
8. Travels home or goes back to work;
9. Total bill is about \$100-\$150

Sometimes the physician does not have an opening for several days and the patient goes to an urgent care or emergency room where the cost is higher.

There are other costs to be considered and the net result of these costs could cause the team member to delay the doctor visit that may ultimately increase the cost of care.

The doctor visit may result in:

- Lost wages, (*which is about 10% for half-day of the weekly salary*);
- Transportation costs;
- Possible Child Care.



An effective health care strategy for any employer should include an understanding of these costs and to develop a strategy, which permits the team member to speak with a doctor from the workplace as an entry level to treatment.

TELADOC saves costs and time for everyone.

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