



INNOVATIVE BENEFIT  
SOLUTIONS, INC.

# FOREFRONT

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## Social Security

The recent Social Security Trustee's 2018 report has created a political hornet's nest with the Trump administration in the middle of it.

The meat of this newly released report shows that Medicare will run out of money in 8 years, and Social Security will become insolvent in 16 years.

*"This report should eliminate any doubt that Trump's tax law yanked Medicare closer to insolvency," said in a statement from Sen. Ron Wyden (D-Ore.). "The president's rap sheet on health care gets worse by the day."*

Whatever your political feelings, the insolvency of Medicare and Social Security cannot be placed squarely on Trump. The problems in these programs have existed for decades.

Remember, this is your retirement. It is up to each of us to make sure we have enough income to live the retirement we have planned for ourselves. Do not let the government's mismanagement of the Social Security system rob you of your retirement future.

*Randall B. Marking*  
*President*



Healthy  
Living



## The Legislative Front

Here is what is happening in the U.S. House of Representatives regarding Health Care Reform:

1. Allow HDHPs to annually cover up to \$250 (*self-only*) or \$500 (*family*) for non-preventive services that could not currently be offered pre-deductible.
2. Allow individuals who use direct primary care service arrangements to be eligible for an HSA and use the account to pay annual or monthly fees affiliated with those services.
3. Allow individuals to use employers' onsite medical clinics or retail clinics providing certain services without risking HSA eligibility. Allow contributions to an HSA without regard to coverage under a spousal's general purpose FSA to transfer those into an HSA if they become enrolled in a high deductible health plan.
4. Change the annual HSA contribution limits to match the annual out-of-pocket maximums for health plans, while also allowing spousal catch-up contributions to the same account when covered under a family HDHP. Create a 60-day grace period for the establishment of an HSA account after the start of an HSA account during which medical expenses incurred will be considered qualified.
5. Allow seniors over age 65 who are entitled to Medicare Part-A, but continue to work to contribute to an HSA.
6. Allow individuals to use up to \$1,000 in HSA funds to pay for gym memberships, fitness classes, or certain other exercise equipment.
7. Allow individuals with FSAs to roll over unused balances from year-to-year.
8. Repeal the ACA provision that bars individuals from using accounts like HSAs and FSAs to buy over-the-counter medicines.
9. Delay the Cadillac Tax for another year.

This is worth keeping an eye on, as the House will be voting on these measures.

# Hospital Price Transparency

Hospitals will be required to post online a list of their standard charges under a recently finalized rule by the Trump administration. Starting January 1, hospitals will be required to update the information annually. CMS is working on how to allow consumers to more easily access relevant health care data and compare providers.

This should be considered a small step, but an important step towards providing users with price transparency. We all know that price transparency is core to patient empowerment and making sure everyone has the tools they need to make the best decisions for themselves and their families.

## A FIVE - YEAR PLAN

A recent Mercer employer survey lists six major strategies that large employers will deploy over the next five years to advance the triple aim of lower cost, higher quality, and a better employee experience.

- The top two on this list (*Spending on Specialty Drugs and Managing High Cost Claims*) certainly will not be a surprise to anyone with responsibility for managing a health program.;
- The third on the list (*Focused Strategy for Creating a Culture of Health*) was unexpected with 70% of large employers citing it as “important” or “very important;”
- Large employers are serious about the positive impact that a culture of health can have on every aspect of their organization.

### Strategies for Advancing the Triple Aim over the Next 5-Years

■ % Employers Rating Strategy “Important”     ■ % Employers Rating Strategy “Very Important”

#### Focused Action to Manage Cost for Specialty Pharmacy



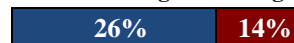
#### Monitoring/Managing High Cost Claimants



#### Focused Strategy for Creating a Culture of Health



#### Point Solutions – High Tech/High Touch Support for Physical/Mental/Financial Health



#### ACO and Other High Performance Network Strategies



#### Offering Employees More Plan/Benefit Options with Decision Support Tools



# THE AFFORDABLE CARE ACT



Continuing legal challenges against the Affordable Care Act are again in the public spotlight. In the latest legal challenge, a group of states (*including Wisconsin*) and two individuals argue the law is unconstitutional now that Congress has eliminated the tax penalty for Americans who lack health insurance.

The Department of Justice (DOJ) said it would not defend the ACA against the lawsuit. No matter how the courts ultimately decide the case, the final outcome is likely to take years.

After the district court issues its ruling, the case is likely to be heard by an appeals court and then the Supreme Court.

However, the DOJ asked the court to strike down the individual mandate guaranteed issue and community rating, effective January 1, 2019. As a result we will see significant media coverage of the case leading up to the mid-term elections in November.

## Rx Rebates in the Crosshairs

The Trump administration has created a plan to lower drug prices.



The Department of Health and Human Services is scrutinizing the system of rebates and discounts paid to middlemen as Medicare flows from the manufacturers to patients.

These middlemen, such as drug wholesalers, pharmacies, and pharmacy benefit managers are often compensated a percentage of a drugs' list price. That, the administration believes, is a perverse incentive for higher list prices throughout the system.

In recent years, the spread between list price and net price has widened, suggesting that pharmaceutical manufacturers are benefiting less from higher prices. A rule that might curb rebates in government programs such as Medicare is under review by the Office of Management and Budget. We expect those rebates will overtime, fade away. The opacity surrounding the high cost of prescription drugs, net of rebates and other discounts raises questions about the relative value creation of each member in the health care chain.

It is quite interesting that CIGNA wants to buy Express Scripts at a time when Amazon is entering this space and the feds appear determined to alter the current landscape.

## Did You Know?



According to the annual Milliman Medical Index, the total cost for a typical family of four insured by an employer's most common health plan will top \$28,000 this year.

The estimate includes the average cost of health insurance paid by the employers and employees, as well as deductibles and out-of-pocket expenses. Recently, health insurance premium increases have lowered, but every month, on average, the health care costs for this family of four has gone up \$100 per month and has been going up by approximately that amount for more than a decade.

Though the Index trend (*estimated to be about 4.5% for 2018*) is encouraging, costs continue to rise at a faster rate than inflation or economic growth. We are expecting that workers will continue to see a small wage increase for 2019 as their share of health insurance will eat away at any real wage growth despite a tight labor market.

## The Future of Health Care Benefits

Every employer needs a health care strategy to acquire and keep talented employees. No one wants to waste time and money chasing the next shiny object, the next “must have benefit” that really does not accomplish much. Before you adopt any innovation, ask yourself these questions:



1. Does the new solution or technology fit into the flow of your employee's daily life; can the user access the solution easily and when needed?
2. Does the new solution or technology deliver a personalized experience and if so, does it meet the customer's expectations?
3. How will it work in coordination with your other programs and is it using information from other point solutions to make the customer experience better?
4. What do you expect the program to achieve for your organization and can you easily track usage and results?
5. Does it solve a specific problem or address a high priority need you have and is the solution ready to help when customers need it?
6. Do you really have the resources to make it happen, both initially and over the longer term?
7. What is the financial impact to your employees and their families?

Change can be costly and disruptive, so it shouldn't be change for change's sake.



# The Employer Bill of Rights

## Self-Funded Employers

Too many organizations are left in the dark when it comes to health plan design and managing costs. Employers have a tremendous responsibility to offer quality benefits for their employees. All employers and their employees have a right to know and pay a fair amount for health care and to challenge the status quo when it comes to health care costs.



### The Employee Bill of Rights

*Your Organization has the right to:*

- 1. Pay a fair amount for health care:** Paying for health care should be treated like any other expense, especially since it often represents the second largest operating expense after employee wages. Employers do not have to accept the status quo for their health plan and pay medical expenses that are inflated.
- 2. Know what health care services actually cost:** A traditional PPO health plan typically leaves the employer in the dark about how plan parameters were set by the insurer and medical provider. Employers have the right to know.
- 3. Audit medical bills:** Billing mistakes and inflation of medical charges are common. Employers and employees have a right to carefully evaluate health care expenses. Auditing of medical bills helps ensure the charges are accurate and fair.
- 4. Explore your health plan options:** By partnering with an informed and experienced health care consultant, employers can discover health plan options beyond the traditional PPO model. A self-funded health plan, where employers pay for medical claims as services are rendered instead of providing ongoing and advanced payments to an insurance company, can take employers on the path towards more control over spending.

## The Employer Bill of Rights/Self-Funded Employers (*continued*)

**5. Offer comprehensive and affordable benefits program:**

Employees count on their employer-sponsored health plans to be reliable and financially feasible. Employers have a right to offer health care solutions that minimize the financial burden on the plan member.

**6. Design a health plan to meet your needs:**

The best health plans are well rounded and flexible. Employers have the right to customize their health plan to determine the approach that best suits the needs of their organization and members. Unlike traditional health plans, self-funded plans are customizable.

**7. Defend the best interest of your organization and members:**

Surprise medical bills and inflated prices are common, but health care finances do not have to be handled alone. Employers and employees have the right to access advocacy services that support fair and reasonable health care payments and help employers meet the fiduciary responsibility.

**8. Direct connections with providers and health systems:**

Fair outcomes can be achieved when people work together. By creating direct partnerships with providers and health systems in their community, employers can become good stewards of health care by building bridges and driving quality health care experiences for all.





*From the President, Randall B. Marking*

## ***Medicare for All?***

*According to a recent poll, more millennials today would prefer to live in a socialist nation. Personally, I think this number reported points to the extreme helplessness this indebted generation feels and the difficult economic conditions this generation inherited.*

*In the world of health care, socialism in the United States means Medicare for all as being pushed by Bernie Sanders and other Senate Democrats. Representative John Conyers(D-MI) is sponsoring broadly similar legislation in the House with support of others proposing a bill that the government would become the single payer of all health expenses, including dental and vision care. There would be no charge for doctor visits or emergency room care with no deductibles or copays.*

***Is health care in socialized nations as great as we are led to believe?***

***In Canada,*** doctors have waiting lists and the process is more like getting into an exclusive country club where you have to be referred. Special equipment, such as MRI machines, also have a waiting list and are in service around the clock. It is not unusual to get an appointment a month or two out, with a middle of the night time slot. According to the Pacific Research Institute, it is so bad that 52,000 Canadians come to the U.S. every year to receive the medical care they need now.

***In the U.K.,*** waiting lists are so bad that nearly 300,000 citizens had to wait six months or longer for treatment.

***In Sweden,*** one Swedish economist confessed that his country's socialist experiment has proven "such a colossal failure that few even in the left today view the memory as something positive," which is why 10% of that country's population has reverted back to private health insurance. Of course, there is the issue of quality. Providing Medicare for all does not equate with better health care.

*As for the economics, Senator Sanders has proposed higher taxes. For starters, there would be a 7.5% payroll tax and a 4% new income tax, as well as a wealth tax on folks above a certain net-worth threshold.*

*We are on the verge, yet again, of hosting another national election and this will certainly be a major topic. Every American will have their opportunity to express their opinion regarding this matter.*

*My conclusion is that health care will never cost more than when it is free!*



## ***New Role of HRAs***

*At the end of 2016, as one of his final acts as President, Obama signed into law the 21<sup>st</sup> Century Cures Act. Within that broad-based bill was a stipulation overturning previous IRS guidance on HRA use, which essentially allowed small business owners (50 or fewer employees) to give their employees money to shop for individual health coverage and potentially ACA subsidized coverage.*

*This move was significant for two reasons:*

- 1. It encouraged employers to give employees a lump sum to shop for their own coverage rather than selecting employer-sponsored payroll deducted coverage.*
- 2. It allowed for HRAs to be the vehicle for this contribution, thereby enabling employers to maintain tax preference without the added administrative burdens of offering employer sponsored health insurance.*

*President Trump wants to allow for HRAs to be used for non-group coverage for employers of all sizes, not just small employers. Never before has there been a vehicle for large employers to send employees to the individual market and maintain the tax advantage of applying for employee health coverage. Never before have employees stood to potentially pay less on the open market than for employer coverage, thanks to ACA subsidies.*

*In order for such a strategy to work, the ACAs employer mandate for large employers would have to be repealed like the individual mandate was at the end of last year. We would also have to see serious improvements in the individual market, whose narrative is currently dominated by talk of a death spiral.*

*We will watch this closely.*

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We are a privately owned insurance benefits firm specializing in the development, delivery, and implementation of employee benefits. Our primary focus is tailoring health care solutions for active and retiree populations. These solutions include our proprietary programs wrapped within a complete package of employee benefits and administration. We are a one-stop shop.

IBSI is on the cutting edge of providing benefits to active employees as well as both pre- and post-65 retirees for major employers nationwide. We offer Medicare Supplement, Major Medical, Life, Dental, Vision, and Prescription Drug Benefits on both a fully insured and self-funded basis. We integrate HMO Risk contracts and PPO's with our core solutions for the retiree segment.

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