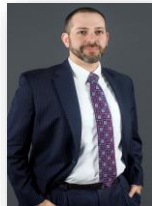


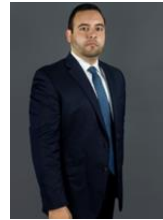
Today's Speakers



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Today's Agenda



- Problem, Purpose, Process
- Tax Cuts and Jobs Act of 2017 (TCJA)
 - Major Elements of the Bill
 - How the Bill Eliminates the Individual Mandate
 - The Impact on Employer-Sponsored Insurance
 - State Responses: Filling the Policy Gap
- Putting the Benefit Back In Benefit Plan
- Cost-Containment Today

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Problem, Purpose, Process



The Problem – Health Care Costs Too Much and The Price is Increasing; Employers are Forced to Offset Costs Through Higher Co-Pays and Deductibles

Our Purpose – To Make Health Benefits Affordable for Employers and Employees

Why? – Because Hard Working Americans Deserve Access to High Quality, Affordable Healthcare



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Problem, Purpose, Process



How Do We Achieve this Purpose? – By Empowering Plans

What Does it Mean to “Empower Plans”? – Create, Manage, Customize and Take Control of Your Plan Through Cost-Containment, Maximizing Benefits While Minimizing Costs

How Do We Empower Plans? – Start by Promoting and Educating About Self-Funding, Implement Cost Containment Services, and Deliver Custom Solutions



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Tax Cuts and Jobs Act of 2017 (TCJA)



On December 22, 2017, President Trump Signed TCJA as Public Law No. 115-97, Amending the Internal Revenue Code of 1986

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Major Elements of the Bill



- Reduces Tax Rates for Individuals (Until 2025)
- Reduces Tax Rates for Businesses (for Good)
- Increases Deductions and Family Tax Credits
- Eliminates Personal Exemptions
- Limits Deductions for State and Local Income Taxes and Property Taxes)
- Expands Healthcare Deduction (2017-2018)
- **Eliminates the Individual Mandate of the Affordable Care Act (2019)**



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By the Numbers: Individual Income Tax



Single filers (2018)^[25]

Married filing jointly (2018)^[25]

Under previous law		Tax Cuts and Jobs Act		Under previous law		Tax Cuts and Jobs Act	
Rate	Income bracket	Rate	Income bracket	Rate	Income bracket	Rate	Income bracket
10%	\$0–\$9,525	10%	\$0–\$9,525	10%	\$0–\$19,050	10%	\$0–\$19,050
15%	\$9,525–\$38,700	12%	\$9,525–\$38,700	15%	\$19,050–\$77,400	12%	\$19,050–\$77,400
25%	\$38,700–\$93,700	22%	\$38,700–\$82,500	25%	\$77,400–\$156,150	22%	\$77,400–\$165,000
28%	\$93,700–\$195,450	24%	\$82,500–\$157,500	28%	\$156,150–\$237,950	24%	\$165,000–\$315,000
33%	\$195,450–\$424,950	32%	\$157,500–\$200,000	33%	\$237,950–\$424,950	32%	\$315,000–\$400,000
35%	\$424,950–\$426,700	35%	\$200,000–\$500,000	35%	\$424,950–\$480,050	35%	\$400,000–\$600,000
39.6%	\$426,700 and up	37%	\$500,000 and up	39.6%	\$480,050 and up	37%	\$600,000 and up

- Standard Deduction Nearly Doubles (\$6,350 to \$12k for Single; \$12,700 to \$24k for Married)
- Eliminates Personal Exemption of \$4,150 (unless in an estate or trust)
- State, Local, Property Tax Deduction Capped at \$10k
- Child Tax Credit Doubles from \$1k to \$2k Per Child
- Mortgage Interest Deduction Capped; No Deduction for 2nd Mortgage (Except for Home Improvements)
- Lowers Threshold for Healthcare OOP Expense Deduction to 7.5% (2017-2018 only); Then Back to 10%
- Doubles Estate Tax Threshold to \$11.2 Million and \$22 Million If Married Filing Jointly

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By the Numbers: Business Taxes



- Corporate Tax Rate Reduced from 35% to 21%
- Pass-Through Taxes (LLCs, P-Ships, S-Corps) Reduced Via a 20% Deduction
 - Some limitations apply here
- Self-funded employers and TPAs in our industry are typically either an LLC, a partnership, or incorporated
- In either case, the corporate tax cut and/or the pass-through deduction of 20% will help employers and TPAs in our industry



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The Individual Mandate: A Refresher



- NFIB v. Sebelius, 567 U.S. 519 (2012)
 - A majority of the Supreme Court held that Congress did not have the constitutional authority to require individuals to purchase insurance under its authority to regulate interstate commerce. Instead, it upheld the mandate as a tax
- Section 5000A:
 - *"An applicable individual shall...ensure that the individual, and any dependent...is covered under minimum essential coverage for such month."*

2014	2015	2016 and beyond
\$95 per adult	\$325 per adult	\$695 per adult
OR	OR	OR
1% of family income	2% of family income	2.5% of family income
— whichever is greater —		



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Why Go After the Individual Mandate?



- Killing Two Birds with One Stone
 - The Individual Mandate Was the Least Popular Component of the ACA
 - Political Benefit in Eliminating It
 - Congressional Budget Office ("CBO") Estimated the Tax Bill Will Cost \$1.455 Trillion over 10 Years
 - Eliminating the Mandate Freed Up \$338 billion over 10 Years and Complied with Senate Rules
 - Despite POTUS's Tweet, This Does Not "Essentially" End Obamacare



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Why the Individual Mandate Is So Important



- The Glue Holding Obamacare Together
 - It solves two problems: **Free Riders** and the **Death Spiral**
 - ACA addressed unaffordability for sick people through “guaranteed issue” and “community-rating” provisions
 - These did not address people free riding the system
- The “Death Spiral”
 - Goal of the mandate was to solve this problem.
 - CBO → ending mandate = 13 million fewer insured by 2027
 - CBO → premiums in marketplaces will rise by at least 10% in 2019



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How the Bill Eliminates the Individual Mandate



- It Does **Not** Repeal the Individual Mandate → It Eliminates Enforcement of It
 - It zeroes out the dollar amount and percentage of income penalties imposed by the mandate
- Why Didn't the GOP Repeal the Mandate?
 - Because of Budget Reconciliation rules. Repealing legislation requires 60 votes
- Section 5000A Is Important for Other Reasons
 - It contains definitions of “minimum essential coverage,” “eligible employer-sponsored plan,” and “modified adjusted gross income,” and these terms are important for tax credits and other ACA provisions



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What Is Left of the Individual Mandate?



- It Does **Not** Repeal the Reporting Requirements under Section 6055 of the Internal Revenue Code
 - There are penalties for anyone who provides “minimum essential coverage” (insurers, employers, government programs) and does not report specific information to the IRS and to the covered individual
- It Does **Not** Eliminate the Employer Mandate, Its Reporting Requirements, or its Penalties
- So...How Might It Impact Employer Insurance?



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Majority of the Impact Is On the Individual Market



- 150 Million Americans Get Health Insurance Coverage through An Employer
- The Majority of the Impact of This Bill Will Affect the Individual Insurance Market
 - Especially those on the exchange who make too much money to qualify for subsidies → they will face the full impact of higher premiums
 - Note that subsidies protect most others in the exchange
- That Said, Employer-Sponsored Insurance of All Types Will Also Be Affected



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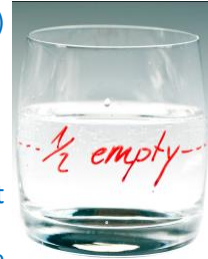
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The Glass Is Half Empty



- Some EEs May Choose Not to Enroll in Employer Plans
 - Which EEs are likely to forgo coverage? **Healthy ones**
 - They may feel young and invincible (adverse selection)
 - They may not want to pay for it
- CBO estimate → 2-3 million fewer individuals will have ER coverage without the individual mandate over the next 10 years
- This Makes Cost-Containment Even More Important
 - You Don't Want to Lose Low Risk EEs from Your Risk Pool. That Can Result in Higher Costs for Everyone



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The Trickle-Down Effect



- Losses in the Individual Market May Be Made Up In Other Lines of Business
 - Group policy rates will go up for fully-insured plans
 - Many self-funded plans work with ASOs (Aetna, Cigna, United)
 - They may raise administrative fees, stop-loss premiums, etc. to cover losses
 - Network access fees may increase for self-funded plans
- Individuals may receive less preventive care, leading to higher costs to the system down the line
- Providers should expect more uncompensated E.R. care
- Providers, networks, administrators, and vendors may raise prices across the board



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The Glass Is Half Full



- Don't Panic People!
- The Majority of the Impact Is on the Individual Market
- Most EEs Will Still Want Coverage; Even If They Are Not Required to Have It
- Other Regulations, i.e. Association Health Plans and State Laws, Present the Opportunity to Design Plans That Are Attractive for EEs Who May Otherwise Drop Coverage
- These Mandates May (and in Some Cases Already Have) Come Back at the State Level



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(Blue) State Responses



- States Have An Interest In Preserving Coverage Mandates
 - They want to show low uninsured rates (MA = 2.8%, VT = 3.8%, IA = 5%)
 - Medicaid is consuming state budgets (MA = 41%, TX = 33%)
 - The economy is stable with low unemployment!
- Individual Mandate Proposals
 - MA – only state with an individual mandate
 - MD – first to propose a bill; includes a creative plan to use the penalty as a down payment
 - Other states (and D.C.) with their own marketplaces and income tax are considering individual mandates, i.e. CA, NJ
- Remember, By Producing Great Plans, You Will Not Lose Low-Risk Lives Despite the Mandate Not Being Enforced



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(Red) State Responses



- On 2/26/2018, 20 U.S. States Sued the Fed. Gov't over Obamacare in the U.S. District Court (N.D. Tex.)
- Their Argument:
 - “[SCOTUS] admitted that an individual mandate without a tax penalty is unconstitutional.” – Texas Atty. Gen. Ken Paxton
 - Using the NFIB v. Sebelius (2012) ruling against the ACA!
 - ACA has no severability clause
- Unclear if Trump Administration Will Defend Obamacare



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Putting the Benefit Back in Benefit Plan



Why Self-Funding?

- Self-Funding Permits Flexibility and Creativity Not Available with Fully-Insured Plans to Attract Healthy Lives
- Self-funded Health Plans Provide the Most Robust Benefits for the Least Cost
- Not All Plans are Equal – GED to BS to PhD
- Level of Control Is the Key to Success
 - But What Is Perfect Size Before You Self Fund?



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Putting the Benefit Back in Benefit Plan



The Phia Group vs. National Average

Phia Monthly Premium	Nat'l Avg. Monthly Premium
Single Plan - \$146.75 (\$1,761/yr.)	Single Plan - \$224.25* (\$2,691/yr.)
Family Plan - \$410.93 (\$4,931.16/yr.)	Family Plan - \$655.09** (\$7,861.08/yr.)
\$0 Co-Pay for Generics & Urgent Care	Avg. Co-Pay Is \$25 for Generics & Urgent Care

* 2016 data, includes average deductible of \$1,478

** 2016 data, includes average deductible of \$2,147

Source: Kaiser Family Foundation, kff.org/report-section/ehbs-2016-section-seven-employee-cost-sharing/

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Putting the Benefit Back in Benefit Plan



- **Phia Actual Cost Per Employee → \$5,858.11**
- **Cost Per Employee in Region → \$11,858.00**
- **Cost Per Employee Employer Size → \$10,439.00**
- **Cost Per Employee Industry Type → \$10,871.00**
 - **Why Our Employees Care About Cost**
 - **Consumers of Health Care**



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Cost-Containment Today



The 10 Spot – Do's & Don'ts

1. Understand Your Claims Data – Analyze, Modify & Monetize
2. Legal Guidance & Compliance
3. Revise Your Plan Document to Match Your Risks and Needs
4. Incentivize Your Employees
5. Stop-Loss, Options, Issues & Gaps



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6. New Gaps – Plan Document v. Employee Handbook
7. Network, Out of Network, & RBP Options
8. Specialty Carve-Outs
9. Direct Facility & Provider Agreements
10. Clarifying Fiduciary Duties



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Incentivize Employees - Plan Incentives (Where Allowed)

- **Emergency Medical Outpatient Services** – No co-pay for urgent care
- **Hospital Alternative Facilities** – No co-pay for non-hospital facility **Generic**
- **Prescription Drugs and Supplies** – No co-pays
- **Claim Audit Review Program** – Plan Participants who identify erroneous charges on medical bills receive 20% of the savings
- **Skin in the Game** – Find alternative means to purchase supplies or care; get a percent of savings
 - Ex. Nebulizer: \$300 (w/ 30% discount) ... or buy from Amazon for \$118

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Incentivize Employees - Employer Incentives

Maternity: We start with a list of the safest facilities. Next, identify the ones that “deliver” the most bang for the buck. A pregnant member that uses one of these facilities gets \$300/month, for a year, to use on Diapers.com

Always Check Hospital Pricing

Communication: Members that consult with HR regarding proposed (planned) medical procedures, to see what plan incentives exist, the most efficient options for them, etc., will receive \$100



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Cost-Containment Today



New Era for Primary Care: *Direct Primary Care*

- Price-Transparent, and Budgeted
- Familiarity with Terms of the Plan's Coverage
- Focuses on Cost-effective Care
- Steerage to Best Options with Patient Needs and Plan Details in Mind
- Telemedicine Included?
- The Phia Group's Maiden Voyage into DPC



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