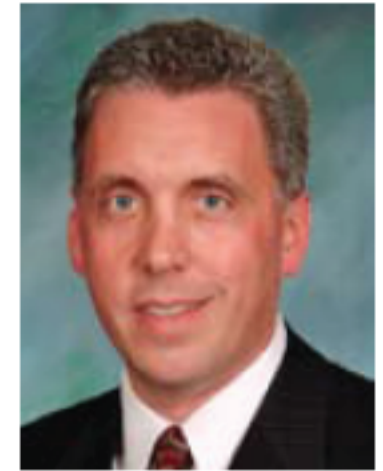


Healthcare Reform: Some Initial Advice in 2010

By Joe Torella



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When the President signed the healthcare bill into law, many thought reform was launched and ready to go. Some physicians even reported patients in waiting rooms, seeking treatment under the new system. But it's not happening overnight. Instead, it's a gradual phase-in that's pointing up the need for competent advisors.

First, keep 2012 through 2018 in mind, but focus on 2010-11 changes, with some of the earliest impacts being felt with plan year anniversaries falling on or after October 1, 2010. If you have many questions, you're not alone. We still need, and anticipate, significant regulatory guidance. This is a shared market challenge that requires some patience – carriers need such clarification to adjust pricing, adapt and submit State filings and modify their systems.

Even under the best circumstances, small changes create disruption, require additional understanding and can be expected to create transitional challenges. With changes as sweeping as this, there will be many questions and administrative issues to navigate.

Clients should start budgeting immediately for increased costs during their next renewal – as many parts of the law expand coverage, especially those effective on 10/1/2010. As their advisor, you should manage clients' plans over the long term. This means understanding the legislation well enough to monitor legal developments and options while maintaining a compliant, cost-effective approach.

Group-specific considerations are important during the first few years, but become more critical in 2014 when the distribution model includes 'Exchanges'. Your clients will need to make decisions based on employee count as "Small Group" gets redefined as <100 lives and become eligible for State-level Exchanges. Employers in the "bubble" with 51-99 employees could face tough choices and if they're thinking about growing or shrinking, merging or acquiring, now might be the time. And, while clients with 100 or more employees may have access through Exchanges (later), they will continue to enjoy greater financial control and freedom.

Clients need to consider their State regulatory environment – especially in the Tri-State region, where we already have requirements such as mandated coverage for certain adult dependents and guaranteed issue. Think, too, about a client's employed population, cost structure

and potential coverage changes stemming from eliminated limits or expanded coverage (e.g., coverage for dependents to 26 and elimination of pre-ex for children to age 19 and lifetime caps). Additionally, clients' plan designs and potential impacts with respect to FSA and HSA may come into play. And, small groups can finally take advantage of Wellness incentives.

So, to reinforce your role as a trusted advisor, reaffirm your clients' benefits philosophy (by size) and develop a longer term plan. There is no client for which a single visit per year – the annual renewal "fire-drill" – is adequate. Spend more time with clients and concentrate on those with 100 lives or more.

Claims, which determine 86% of an employer's health care cost, need to be the underlying focus of a client's benefit plan strategy in this target market. Embedding wellness, disease and chronic illness management must be employed strategically to improve quality and reduce claims; as will, incentive-based plan designs which are favored in the reform language. Questions of "comparative effectiveness" will start to be answered and reported on (i.e., appropriateness of MRIs, the number of natural v. Caesarian births, etc.).

Clients will need their advisors to evaluate options for permissible plan changes that might offset increased rates and provide guidance on "sustainable" changes (e.g., those areas not affected in the longer term). The same advisors will need to have command of the reform language and the challenges (and opportunities) it holds. With an emphasis on "actionable" information, advisors will need to possess a strong financial acumen and perform detailed financial and comparative analyses; as well as use tools for claims analysis and contribution and payroll/income modeling.

Sure, there are obvious concerns for brokerage firms under the reform model; but equally clear is the increased need for competent advisors. From expanded vendor oversight to more strategic plan design modeling to increasing demand for on-staff ERISA attorneys, to reviewing changes made by carriers and administrators, the 2500 pages should keep us busy for the next several years. **FA**

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