



# **Delivering Health and Welfare Benefits to the Employees of Health Care Systems and Providers**

**February 23, 2017**

Haynes and Boone, LLP [haynesboone.com](http://haynesboone.com)

BRG Healthcare [thinkbrg.com](http://thinkbrg.com)

Aon Hewitt [aon.com](http://aon.com)

# Agenda

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- Haynes and Boone
  - Repealing the Affordable Care Act (ACA)
  - Healthcare Reform Proposals to Replace the ACA
- Aon Hewitt
  - Healthcare Environment
  - Wellbeing
  - Delivery Model Transformation
  - Healthcare System Navigation
- Kelsey-Seybold Clinic
  - About Kelsey-Seybold Clinic
  - Plan Benefit Strategy
  - Self Funding Stop Loss
  - Wellness Programs



## Repealing the ACA

# Repealing the ACA

Republicans have the votes in the House, but an absolute repeal of the ACA is tricky because of the Senate's debate rules

- It takes 60 votes to end debate on a bill in the Senate, such as a bill repealing the ACA, and force a vote (i.e. overcome a filibuster)
- There are 52 Senate Republicans, and overcoming a Democrat-led filibuster to block the repeal of the ACA will take a replacement bill that at least 8 other senators will approve
- A repeal would likely have a delayed or phased effective date due to the complexity of unwinding the ACA and the politics associated with many Americans potentially losing their current coverage without ready alternatives
  - ❑ The Trump administration and Republicans now indicate that repeal and replacement ("repair") could take a year or more
  - ❑ Sometimes, the dog catches the car



# Repealing the ACA

- Alternatively, Republicans can achieve a partial (but effective) repeal of the ACA through reconciliation
  - Reconciliation is an expedited voting procedure that may be used to vote on bills that directly affect the federal budget (i.e. taxes and spending)
  - A budget reconciliation bill only requires 51 votes to pass in the Senate and is not subject to a filibuster
  - ACA provisions at risk to reconciliation include the individual mandate, premium tax credits, the employer shared responsibility payment, the Cadillac tax and other fees and taxes
  - While not an absolute repeal of all ACA provisions, reconciliation could “defund” the ACA and eventually lead to a general repeal/replacement



# Repealing the ACA

President Trump signed an Executive Order on January 20<sup>th</sup> directing federal agencies to halt enforcement action related to ACA provisions that cause financial or regulatory burdens on various entities

- Agencies delayed action until confirmation of new secretaries
- This should eventually result in non-enforcement for items like employer reporting (for 2016, perhaps just penalty enforcement given timing issues), the individual mandate, and various other fees and taxes
  - ❑ The IRS has taken a baby step on the individual mandate...sort of
- The executive order also suggests HHS will not challenge the current injunction on the application of ACA 1557 to gender identity
- It seems unlikely a Republican Congress will take action against this approach
- Lawsuits must generally be brought against the respective government agencies (the President has immunity)





# Healthcare Reform Proposals to Replace the ACA

# Healthcare Reform Proposals

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There are four leading Republican healthcare reform “proposals” listed by their main sponsor below:

1. Trump Administration – The “Healthcare Reform to Make America Great Again” is currently a brief policy statement with 7 bullet points
2. Rep. Paul Ryan (R. WI and Speaker of the House) – “A Better Way” healthcare plan is a 37-page white paper addressing health insurance, Medicare/Medicaid and other reforms
3. Secretary of HHS Tom Price (and former Rep. R. GA) – Secretary Price first introduced the “Empowering Patients First Act” as an ACA replacement in 2009 and in its current form in 2015 (H.R. 2300 (114th)); it addresses health insurance, Medicare/Medicaid and other reforms; it seems unlikely to get Democratic support in its current form and will need a new sponsor as Secretary Price is no longer a member of Congress





# Healthcare Reform Proposals

## 4. Senator Bill Cassidy (R. LA) and Senator Susan Collins (R. ME) – The Patient Freedom Act of 2017 (S. 191 (115<sup>th</sup>)) addressing health insurance, marketplace and other reforms, and very limited Medicare/Medicaid reform

- a) The Patient Freedom Act (PFA) acts as a partial repeal and replacement of Title I of the ACA only (e.g. the individual mandate and employer shared responsibility mandates are eliminated, but see slide 15 and reinstatement of Title I as a state option)
- b) The PFA retains several existing Title I ACA provisions “as is” (e.g. the dependent coverage mandate) and retains ACA provisions that exist outside of ACA Title I including many fees and taxes (e.g. The Cadillac Tax is in Title IX.)
- c) The practical effect of the PFA appears to be preservation of much of the ACA with a modest reduction in federal spending; it’s not clear this will get enough Republican support in its current form as a result (also see slide 16)
- d) The PFA seems to overlook ERISA preemption when describing state powers



# Snapshot –Effects on Employer Coverage

Provision	Trump	Ryan	Price	Cassidy/ Collins
Individual Mandate	No	No	No	Yes <sup>1</sup>
Employer Mandate for FTEs	No	No	No	Yes <sup>1</sup>
Dependent coverage to age 26	Yes?	Yes	No	Yes
Pre-existing condition limitations	No?	No?	Yes	No
Eliminates EHBs	Presumably eliminates EHBs	Yes	Yes	Yes <sup>1</sup>
Subsidies toward coverage	?	Yes	Yes	Yes
Tax on high cost employer coverage	?	Yes	Yes	Yes
Expand HSAs	Yes	Yes	Yes	Yes

<sup>1</sup> The Cassidy/Collins bill permits states to reinstate Title I of the ACA, which would reinstate the individual mandate, employer mandate for FTEs, and EHBs within the state.

Note: This chart and presentation primarily focuses on effects to employer-provided coverage and not the individual market or other proposed healthcare reform such as Medicare/Medicaid funding.

# Snapshot – Plan Design Protections

Provision	Trump	Ryan	Price	Cassidy/ Collins
Dependent coverage to age 26	Yes?	Yes	No	Yes
Pre-existing condition limitations	No?	No?	Yes	No
Prohibit Rescissions	?	No	Yes	No <sup>1</sup>
Eliminates EHBs	Presumably eliminates EHBs	Yes	Yes	Yes <sup>1</sup>
Preventive Services Mandate	?	?	?	Yes
Prohibit annual and lifetime dollar limits	Yes <sup>2</sup>	Yes <sup>2</sup>	No	Yes

<sup>1</sup> The Cassidy/Collins bill permits states to reinstate Title I of the ACA, which would reinstate the prohibition against rescissions and EHBs within the state.

<sup>2</sup> The Trump and Ryan proposals do not address annual dollar limits.

# Snapshot – Exchanges and Risk Pools

Option	Trump	Ryan	Price	Cassidy/ Collins
Federal exchange	No	No	No	Yes <sup>1</sup>
State-run exchange	?	No	No	Yes <sup>1</sup>
High risk pools	?	Yes <sup>2</sup>	Yes <sup>2</sup>	No

<sup>1</sup> The Cassidy/Collins bill permits states to reinstate Title I of the ACA, which would retain the ACA marketplace system, or states may develop a similar state market-based alternative. Both approaches receive 95% of the ACA's level of federal funding. The Cassidy/Collins bill also permits states to develop a different solution without federal funding.

<sup>2</sup> The Ryan and Price proposals intend for high risk pools to replace the exchanges. Ryan and Price propose vastly different levels of federal funding for the state high risk pools.

Note: Eliminating exchanges without a viable replacement solution is the biggest source of the delay in the ACA repeal and replacement strategy.

# Snapshot – Subsidies

Provision	Trump	Ryan	Price	Cassidy/ Collins
Who is eligible?	?	Individuals without access to employer coverage, Medicare, or Medicaid	Individuals without access to employer coverage, Medicare, Medicaid, or certain other coverage <sup>1</sup>	Similar to ACA, although appears available for those with employer coverage
How is the size of the subsidy determined?	?	Age-based and relative to cost of typical pre-ACA plan	Age-based	Age and geography-based; phase out beginning at \$90,000 (\$150,000 for MFJ); may be offset by value of employer coverage <sup>2</sup>
In what form is the subsidy available?	?	Refundable tax credit; excess deposited in spending account	Refundable tax credit; excess deposited in spending account	Existing ACA subsidy system or Roth HSA Contribution <sup>3</sup>
How can the subsidy be used?	?	Tax credit may be used to pay for insurance premiums; spending account can pay for OOPM expenses	Tax credit may be used to pay for insurance premiums; spending account can pay for OOPM expenses	May be used to pay for insurance premiums and pay for OOPM expenses

<sup>1</sup> It appears an individual could opt out of employer coverage and be eligible under the Price bill.

<sup>2</sup> This appears to be the intent, but unclear language makes this an open question.

<sup>3</sup> This depends on whether the state reinstates Title I of the ACA or adopts a state-based marketplace alternative.

# Snapshot – Health Savings Accounts

Provision	Trump	Ryan	Price	Cassidy/ Collins
Increase HSA limits	Yes	Yes	Yes	Yes
Spouse catch-up contributions to same HSA	?	Yes	Yes	No
Federal contribution	?	No <sup>1</sup>	Yes	Yes <sup>2</sup>
Reimburse for expenses before HSA established	?	Yes	Yes	No
Expands permitted uses	?	No	No	Yes <sup>3</sup>
Tax free transfer on death	Yes	Yes	Yes	Yes

<sup>1</sup> Ryan's bill indicates excess subsidy remaining will be placed in an HSA-like account, but an individual will not be required to purchase HDHP coverage, so it seems unlikely this will be a traditional HSA.

<sup>2</sup> The Cassidy/Collins bill uses the taxable Roth HSA as the subsidy vehicle for states that implement a state-based marketplace alternative.

<sup>3</sup> The taxable Roth HSA can be used to pay for insurance premiums.

# Snapshot – Tax on High Cost Coverage

Provision	Trump	Ryan	Price	Cassidy/ Collins
Tax on high cost employer coverage	?	Yes	Yes	Yes
Tax paid by employer	?	No <sup>1</sup>	No <sup>1</sup>	Yes <sup>2</sup>
Tax paid by employee	?	Yes	Yes	No
How is tax calculated?	?	Primarily on cost of medical/Rx coverage; HSAs excluded	Cost of accident and health coverage and HSA contributions but excludes LTC	Existing ACA approach

<sup>1</sup> Ryan and Price's bills cap the unlimited exclusion for employer-provided coverage which will result in additional taxable income to employees. This will have some affect on the employer's payroll taxes.

<sup>2</sup> The Cassidy/Collins bill retains the ACA's "Cadillac Tax" in its current form.

# Possible Action Items

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- Revisit medical plan eligibility rules and administration
  - Likely end to ACA measurement and reporting processes
  - Some employers may wish to revise eligibility rules if no 30-hour standard or pooling within a controlled group applies
- Consider plan design changes if/when certain mandates end
  - Some employers may wish to drop or curtail coverage for certain services if no longer required
  - Many employers will weigh the noise associated with a “takeaway” versus savings
  - Employers will likely need to manage the cost of their plans for tax purposes (i.e. high cost tax)
- Plan communication roll-out effort
- Update plan materials, as necessary





# Healthcare Environment

# On the Minds of Healthcare Provider Industry Benefit Professionals

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## Key Outcomes

- 75% Meet cost/budget
- 69% Increase program engagement
- 60% Improve management of prevalent/high cost chronic conditions
- 46% Improve employee health/ understanding of healthcare benefits
- 21% Increase use of integrated delivery systems/high performing provider networks

## Consumer Tools

- 70% 24/7 nurse line
- 51% Tool to help pick right coverage
- 45% Transparency tools for high quality/cost effective providers
- 43% On-site preventive, primary and urgent care services
- 32% Complex care advocacy for patients
- 31% Advocate to help navigate the system

## Design Approaches

- 60% HDHP as a choice
- 50% Steer to high quality providers
- 26% Value-based designs
- 11% HDHP full replacement
- 14% Defined contribution

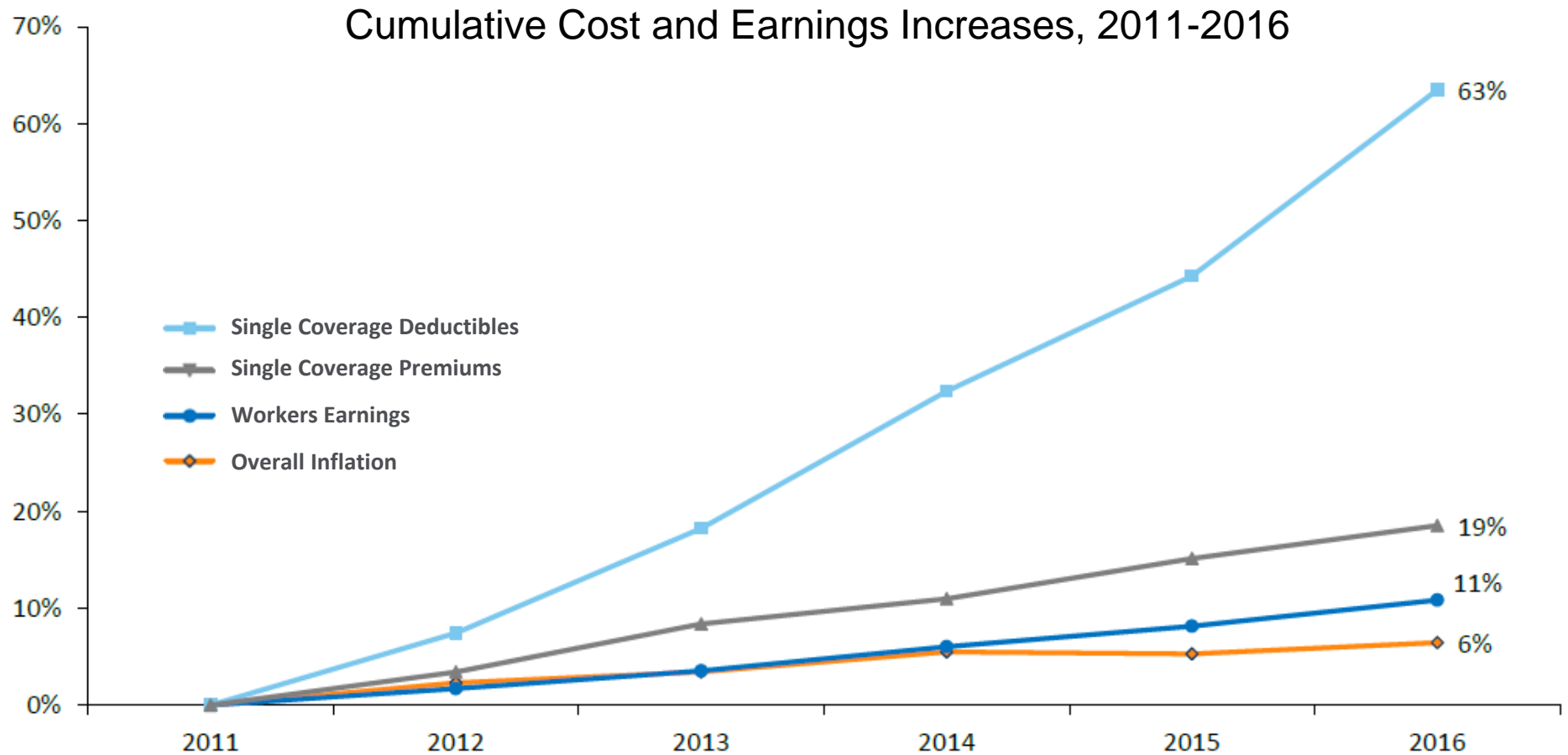
Source: 2016 Aon Health Survey, Healthcare provider industry

# Healthcare Providers Are Different

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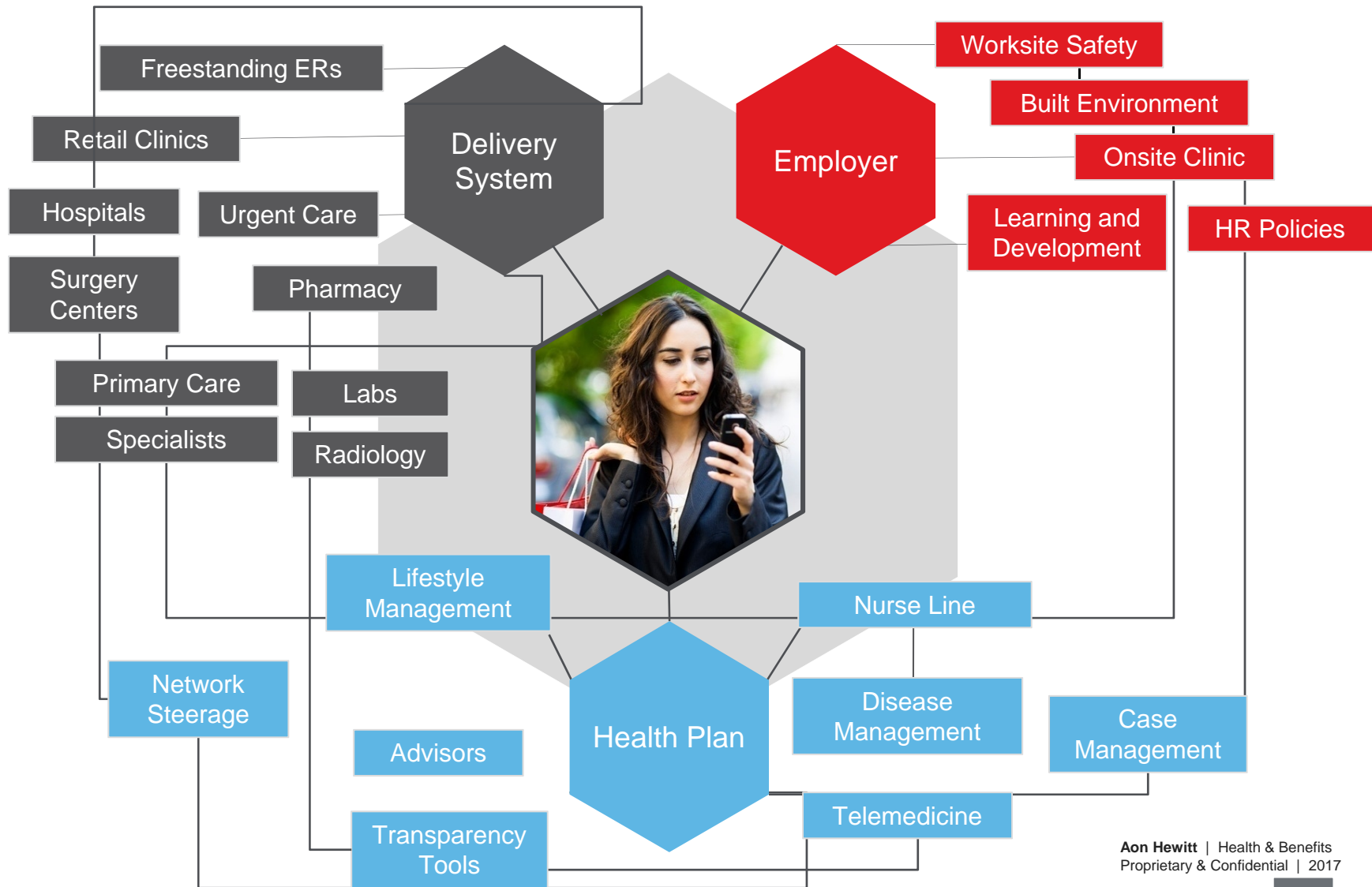
- Unlike other Plan Sponsors, your business delivers the “product” you are purchasing
- You have more control over the delivery system than other plan sponsors, for example:
  - Tiered networks: Facilities and physicians
  - Plan design: Supporting value-based care
  - Care / medical management services
  - Clinical decision support: Medical and pharmacy services
  - Absence management integration capabilities
  - Ability to impact provider reimbursement
- But, you also have unique challenges, for example:
  - More perceived knowledge regarding healthcare consumption
  - Privacy concerns
  - Preferred and Non preferred provider partnerships

# On the Minds of Consumers: Cost

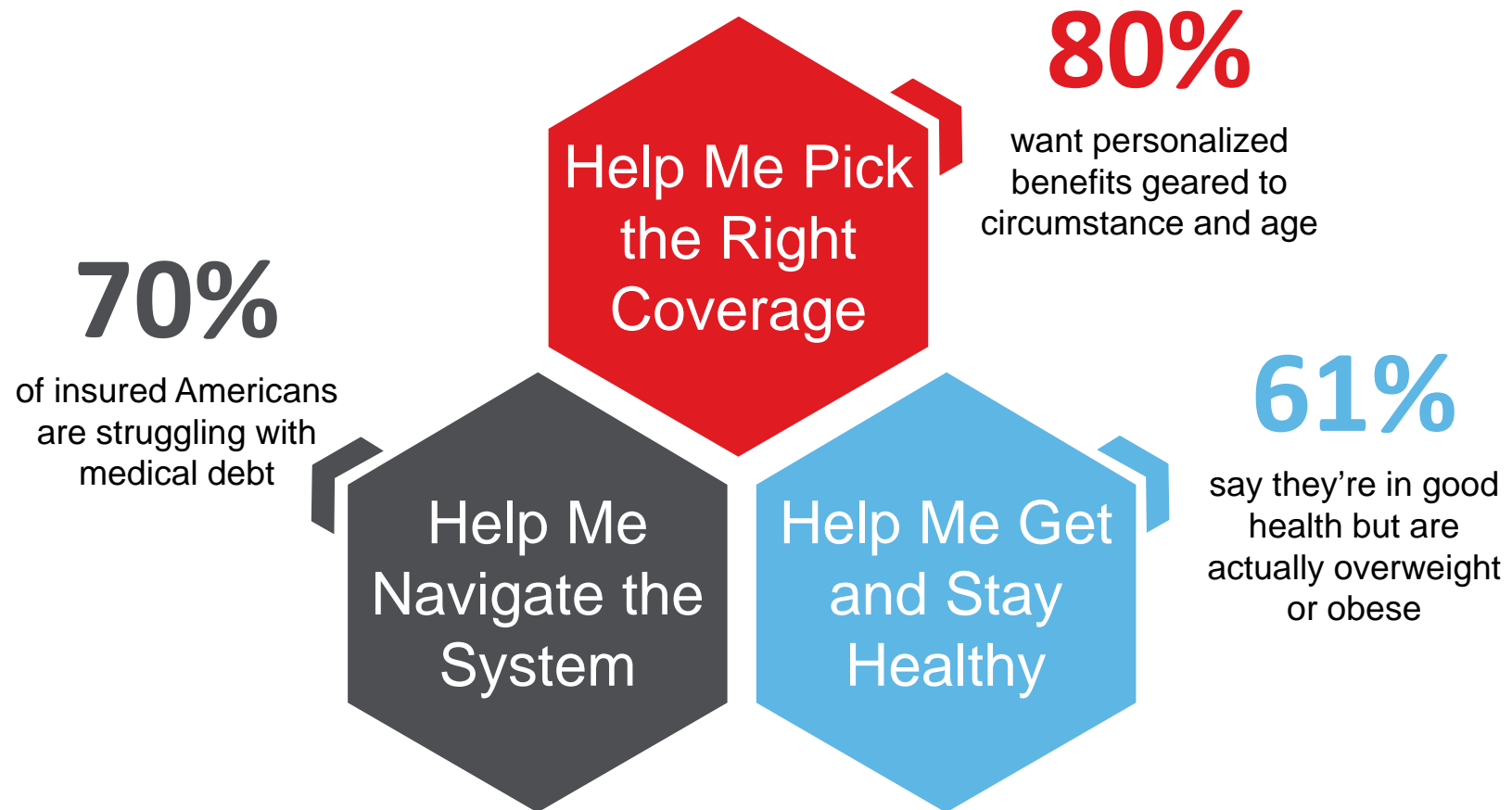


Source: The Henry J. Kaiser Family Foundation, Employer Health Benefit Survey 2016

# On the Minds of Consumers: Confusion



# On the Minds of Consumers: Help Me



Sources: Kaiser Family Foundation; 2016 Consumer Health Mindset Study: Aon Hewitt, the National Business Group on Health, and The Futures Company

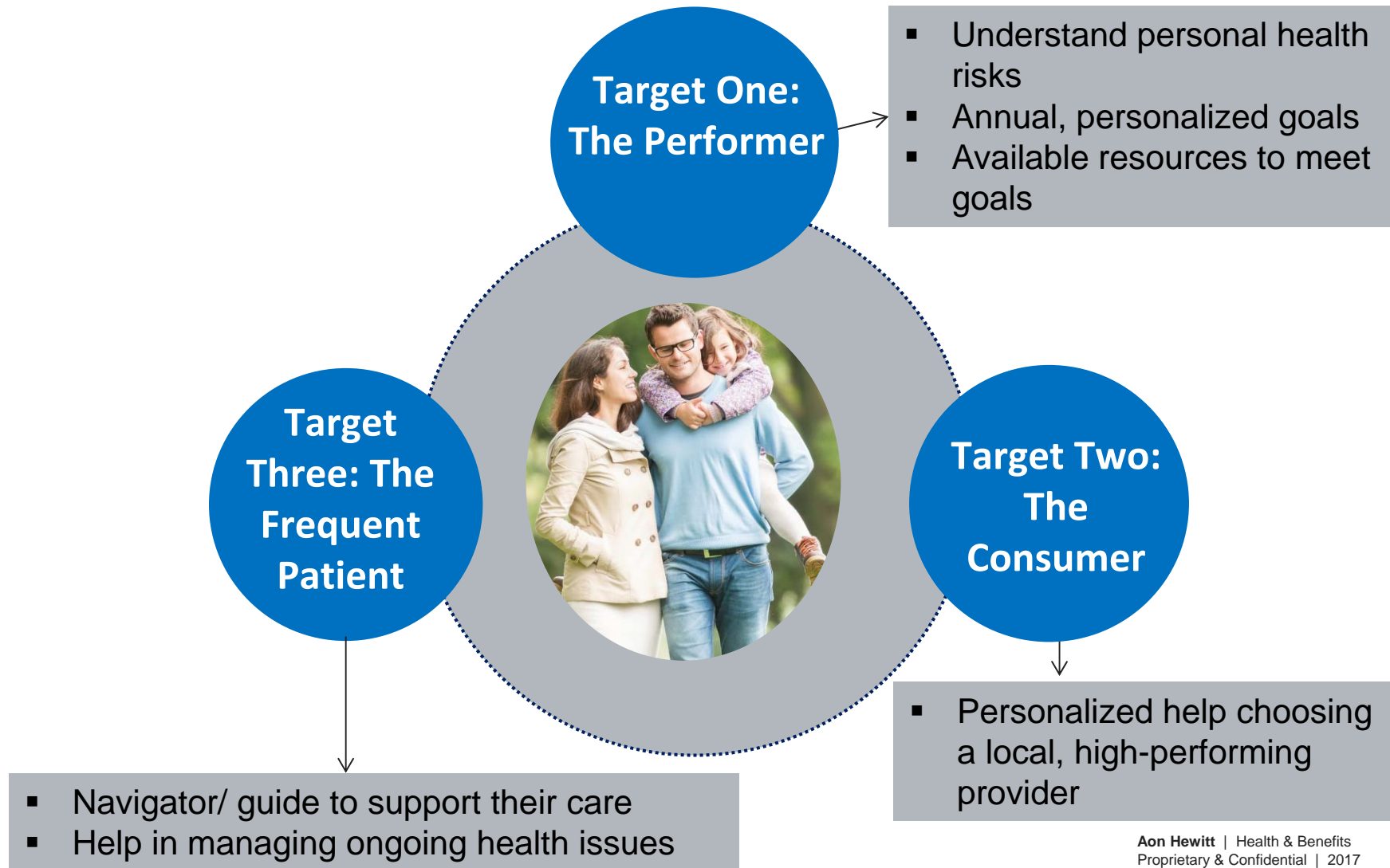
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# Personalizing Health—Three Targets



# Personalizing Health—Programs that Meet Needs of Various Life Stages



Financial Wellness Tools and  
Advisement

College Loan Tools and  
Match; Debt Repayment

Home-Buying Assistance

Enhanced Maternity/Paternity  
Policies



Child's Education  
Savings

Benefits for Parents

Parental Leave

Enhanced  
Maternity/Paternity  
Policies



Reverse Mentoring

Phased Retirement

Benefits for Parents

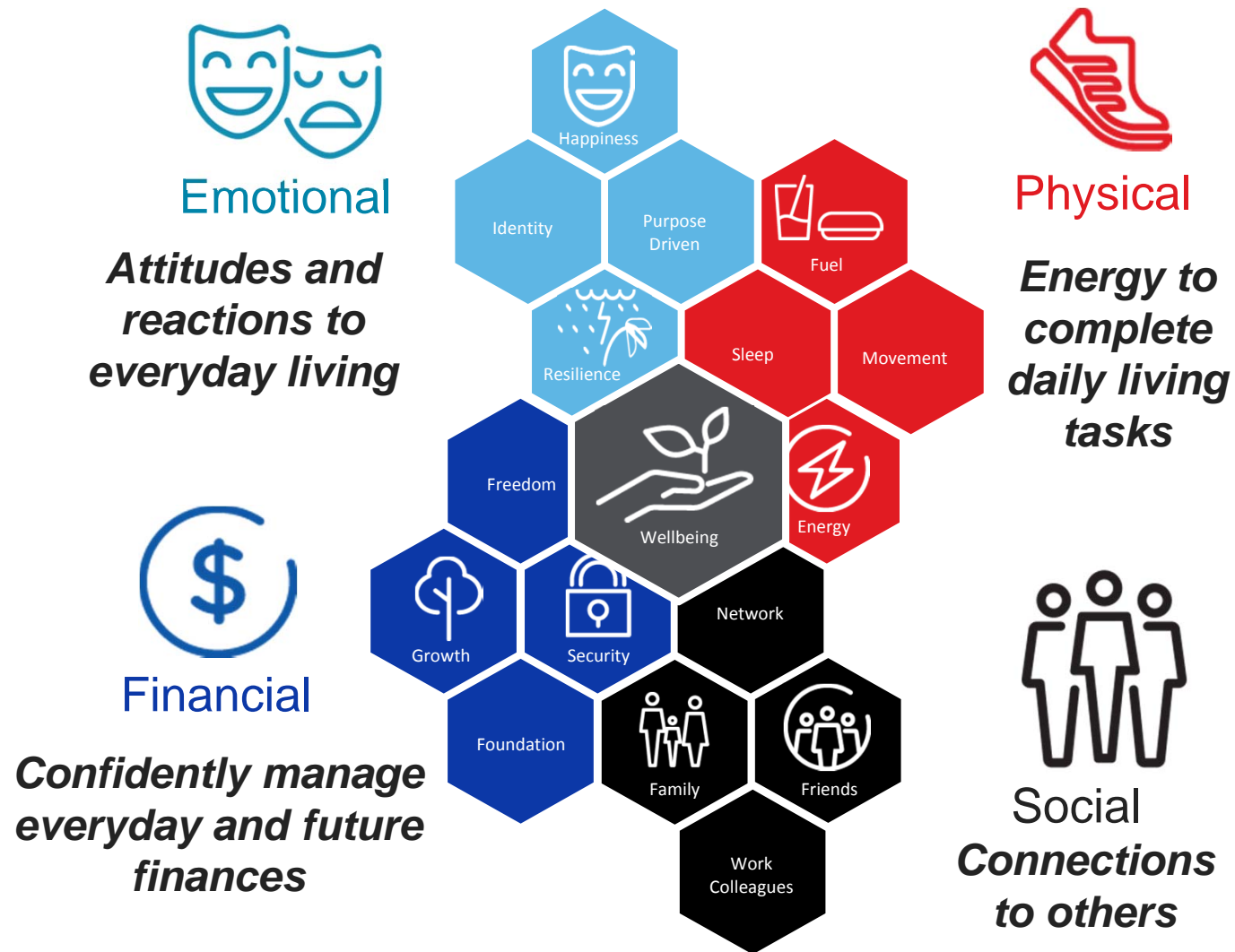
Benefits for  
Grandchildren





# Wellbeing

# What is Total Wellbeing?



# Impact of Total Wellbeing



Sources: Gallup, "State of The American Workplace Employee Engagement Insights for US Business Leaders," 2013; 2016 Consumer Health Mindset Study Aon Hewitt, the National Business Group on Health, and The Futures Company

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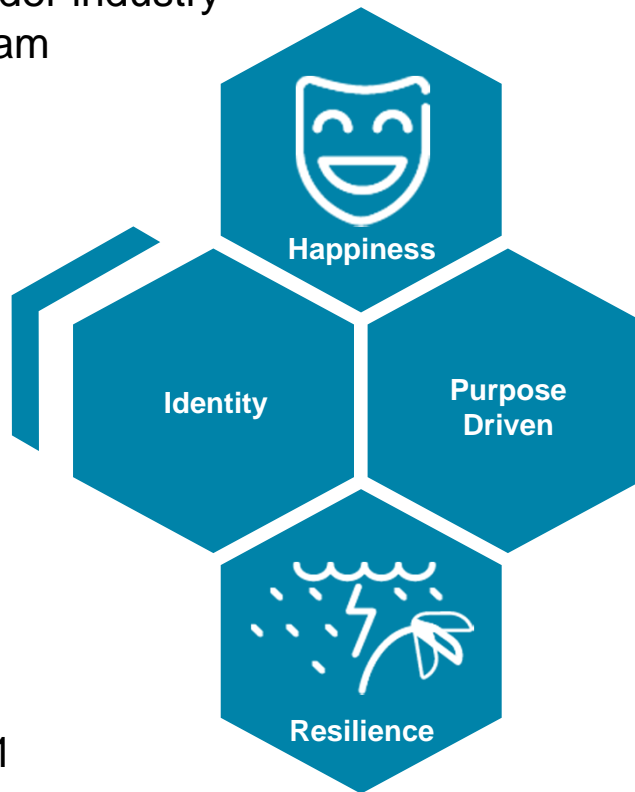
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# Emotional Wellbeing

**60%** of healthcare provider industry address in current program



**83%** of consumers say being emotionally well is the #1 most important wellbeing attribute in their personal lives

## Building Emotional Strength

### How To Boost It

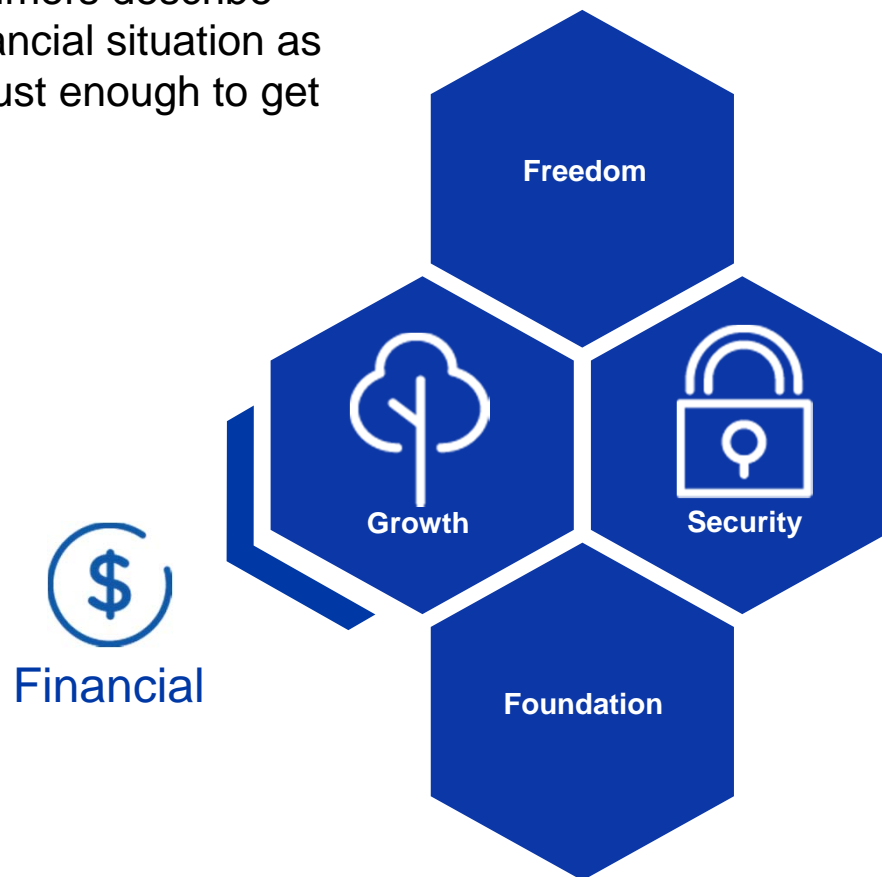
- Work environment & culture
- Authentic leadership & manager support
- Life coaching
- Network & community connections

# Financial Wellbeing

**70%** of healthcare provider industry address in current program

**44%**

of consumers describe their financial situation as having just enough to get by



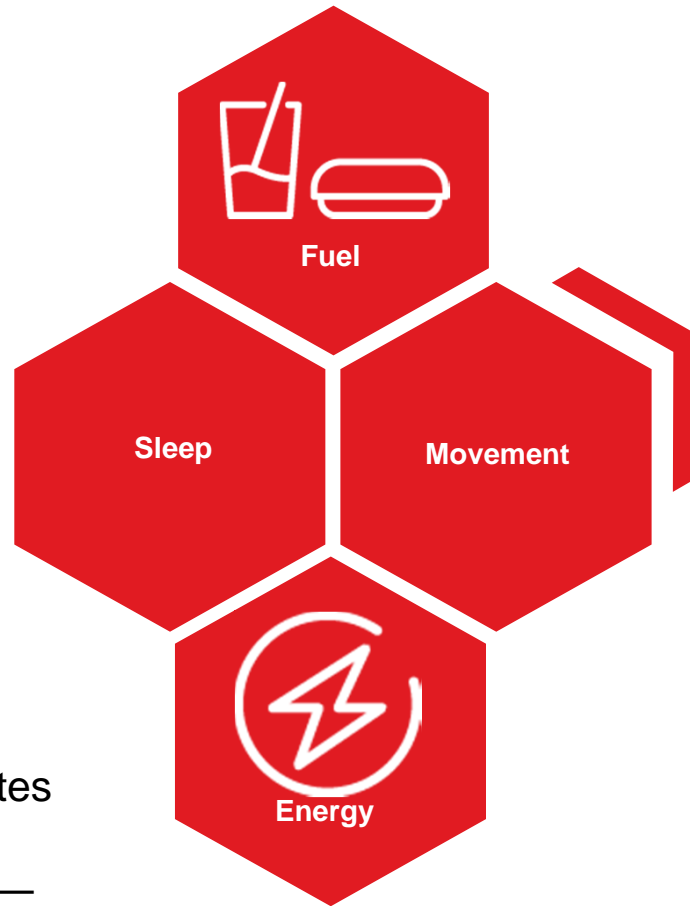
## Building Financial Freedom

### How To Boost It

- Financial counseling & education
- Budgeting & financial basics
- Savings & investing help
- Financial planning

# Physical Wellbeing

**71%** of healthcare provider industry address in current program



**64%** of Millennials say looking good motivates them to maintain or improve their health—compared with **44%** of Boomers



Physical

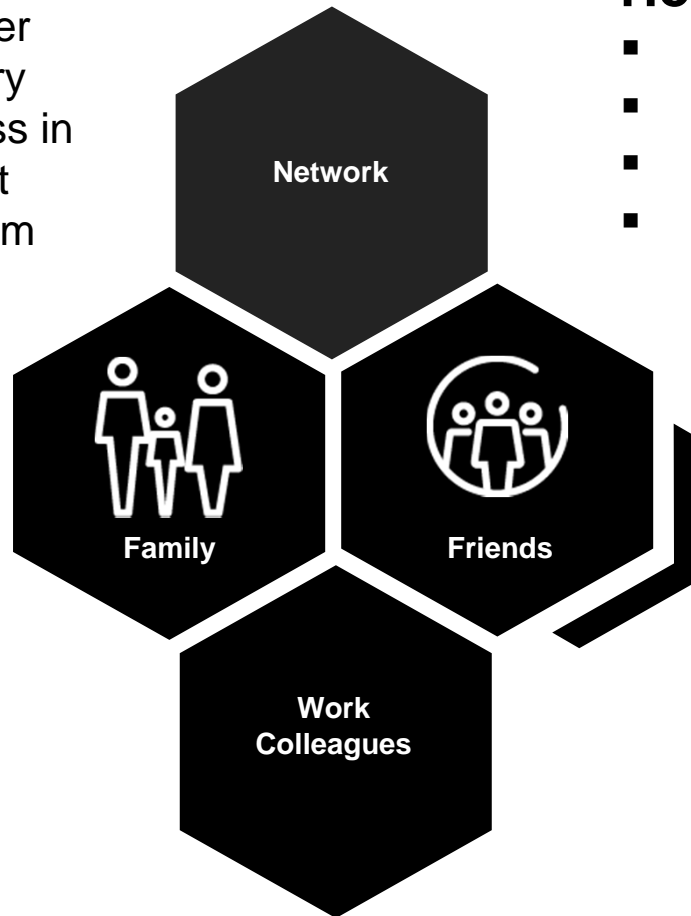
## Building Physical Endurance

### How To Boost It

- Individual & organizational change
- Priorities that influence many
- Personalization & guidance
- Work environment & culture

# Social Wellbeing

**57%** of healthcare provider industry address in current program



## Building Social Connections How To Boost It

- Strengthening mutual connections
- Social time + physical activity
- Emotional synchronization
- Connecting to virtual work relationships

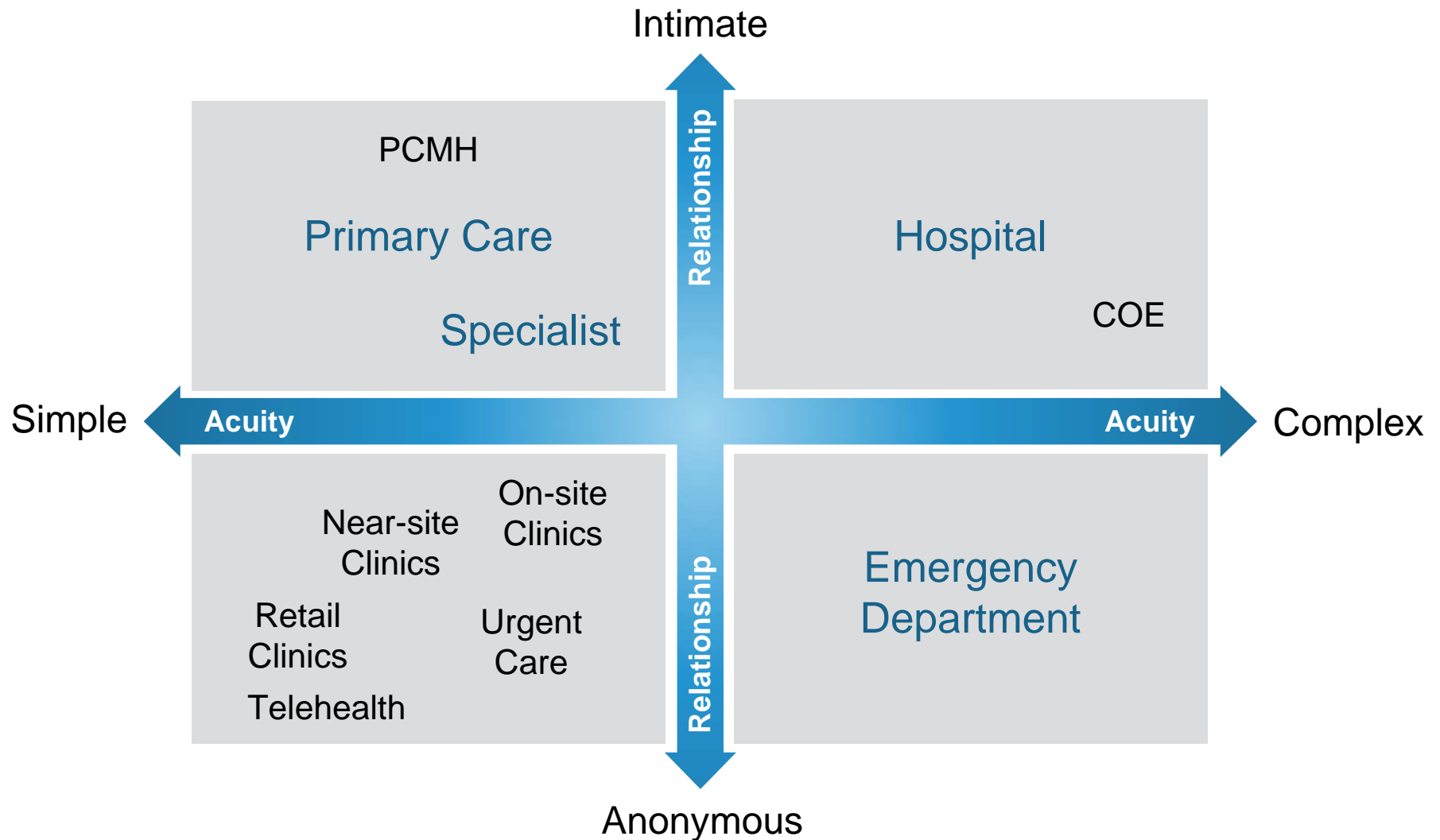
**41%** of Millennials are influenced by their social circle when taking health actions—compared with **23%** of Boomers



# Delivery Model Transformation



# Innovations in the Delivery System



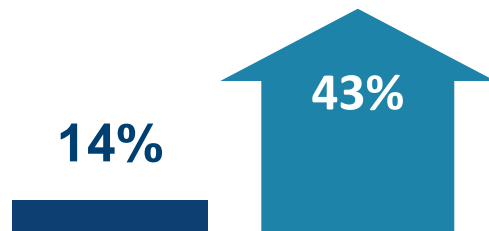
# Push Towards Risk-Sharing Payment Models

Increasing Provider Accountability, Risk, Resistance, and Complexity →

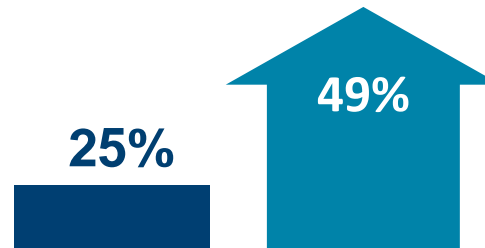
Fee For Service		Bundled Payments			Global Payments			
Traditional FFS	Quality Bonus, P4P	Per Diem	DRG	Episode Case Rate	Shared Savings (upside only)	Shared Risk (two-way)	Partial Capitation	Full Capitation

# What the Healthcare Provider Industry is Doing About Delivery System Transformation as an Employer

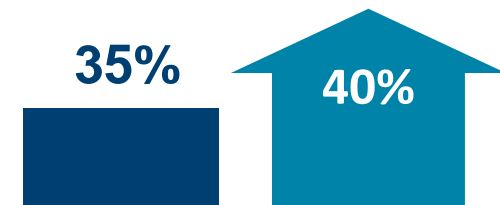
Promotion of **high-performing providers**



Offer **clinically integrated** delivery models (ACOs, PMCHs)



**Centers of excellence** for certain non-transplant procedures



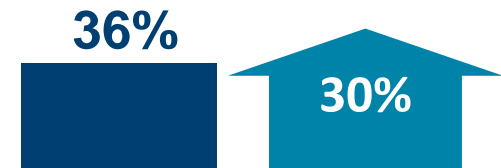
**Direct contract** with hospitals/health providers in specific locations



**Narrow network** offered through independent entity



**Narrow network** offered through health plan



■ Current ■ Future

Source: 2016 Aon Health Survey, Healthcare provider industry

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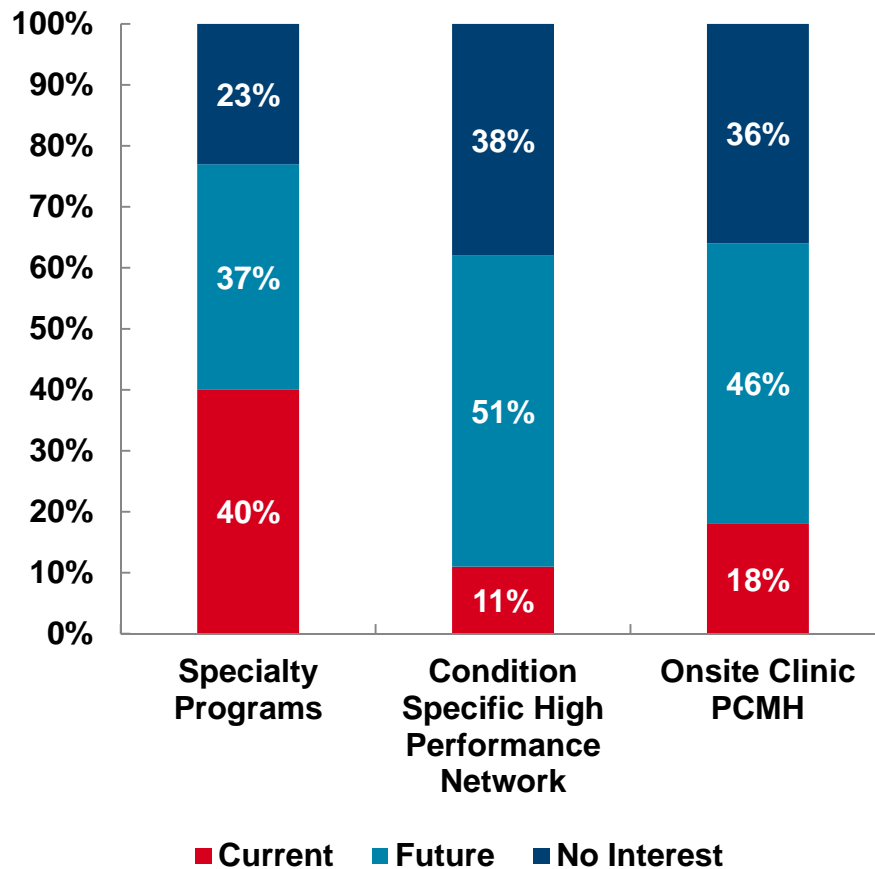
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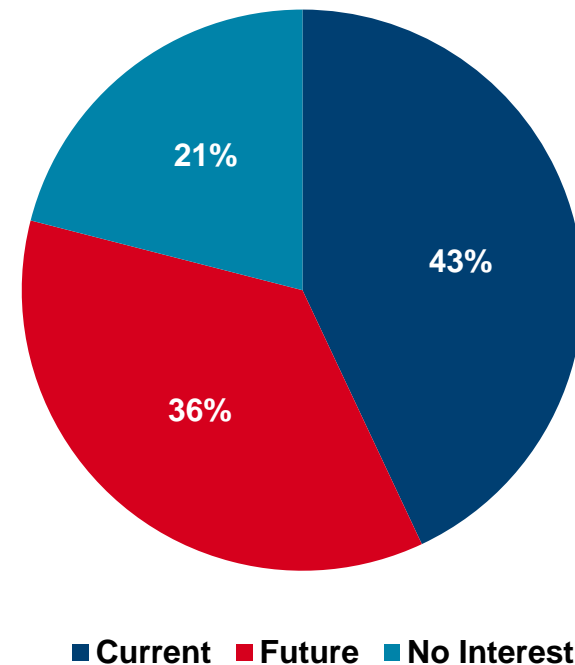
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# Interventions for Clinical Management of Chronic Conditions

## Prevalence of Select Approaches



## Behavioral Health



Source: 2016 Aon Health Survey, Healthcare provider industry

# How Can You Prepare as a Business?

## 1. Know where you stand

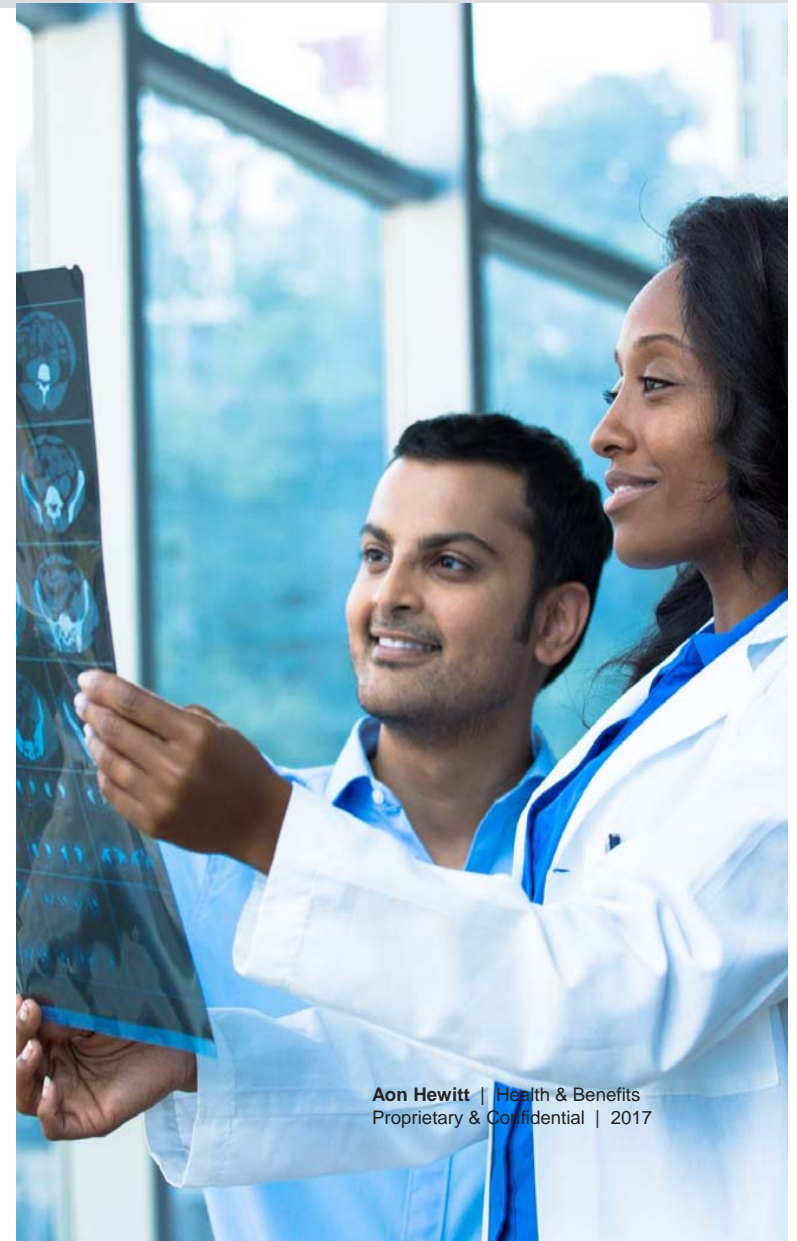
- Costs
- Utilization
- Quality
- Contracts
- Market Share
- Competition

## 2. Connect with purchasers in your community

- Know who your large groups are, including employers, trusts, and purchasing collectives
- Identify mutually beneficial opportunities:
  - Direct service relationships
  - Volume-pricing/bundled service agreements
  - On-site clinics, centers of excellence
  - All in partnership with carriers

## 3. Start with your own employee plan

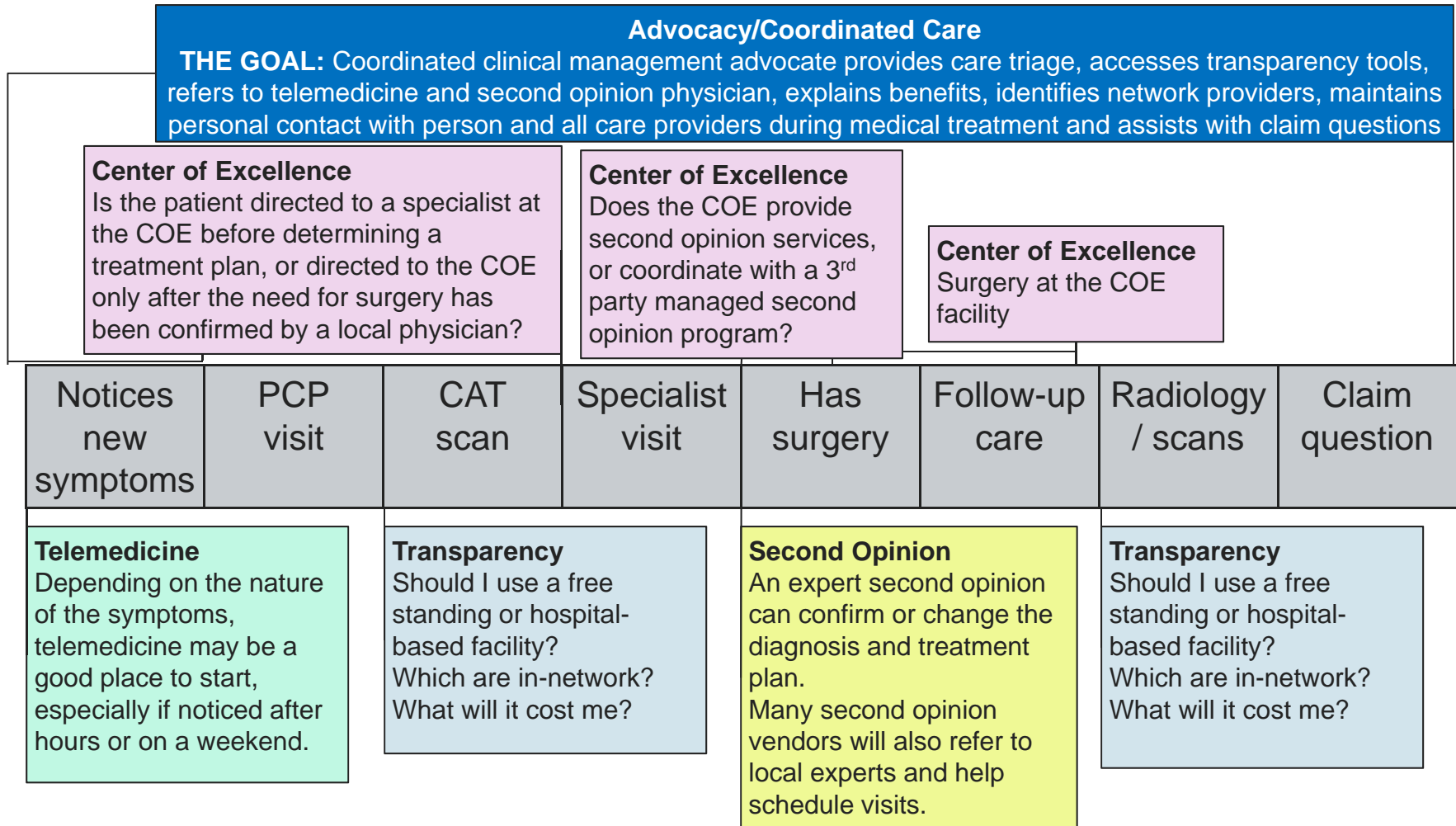
- Ideal “learning lab” to refine strategies





# Healthcare System Navigation

# A Typical Patient Healthcare Journey



*How do we ensure everything is integrated and members know where to go and what to do?*

# Coordinate Healthcare Offerings in a Meaningful Way





## Kelsey-Seybold Clinic

# About Kelsey-Seybold Clinic

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- 67 years in the Greater Houston region
- 20 multispecialty outpatient clinic locations representing 55 specialties, 13 retail pharmacies, 2 Oupt Surgery Centers, Cancer Center
- Trusted by 500,000 patients / 1.2 million patient visits each year
- Partnerships with all major hospital systems and affiliated physicians
- The Nation's First NCQA-Accredited Accountable Care Organization(ACO)
  - *Houston's Only NCQA-Accredited ACO*
  - *One of only two in Texas*
- Own and Operate a Medicare Advantage Plan
  - *2017 5 Star CMS Designation in Part C & Part D*
  - *1 of 6 plans in the country to receive this designation*



# Kelsey-Seybold Workforce



Physicians: 486



Non-Physicians: 2,574

Total Employees: 3,060

## Employees

Average Age: 43.6

17% Male / 83% Female

## Members

Average Age: 32

36% Male / 64% Female

## Enrollment

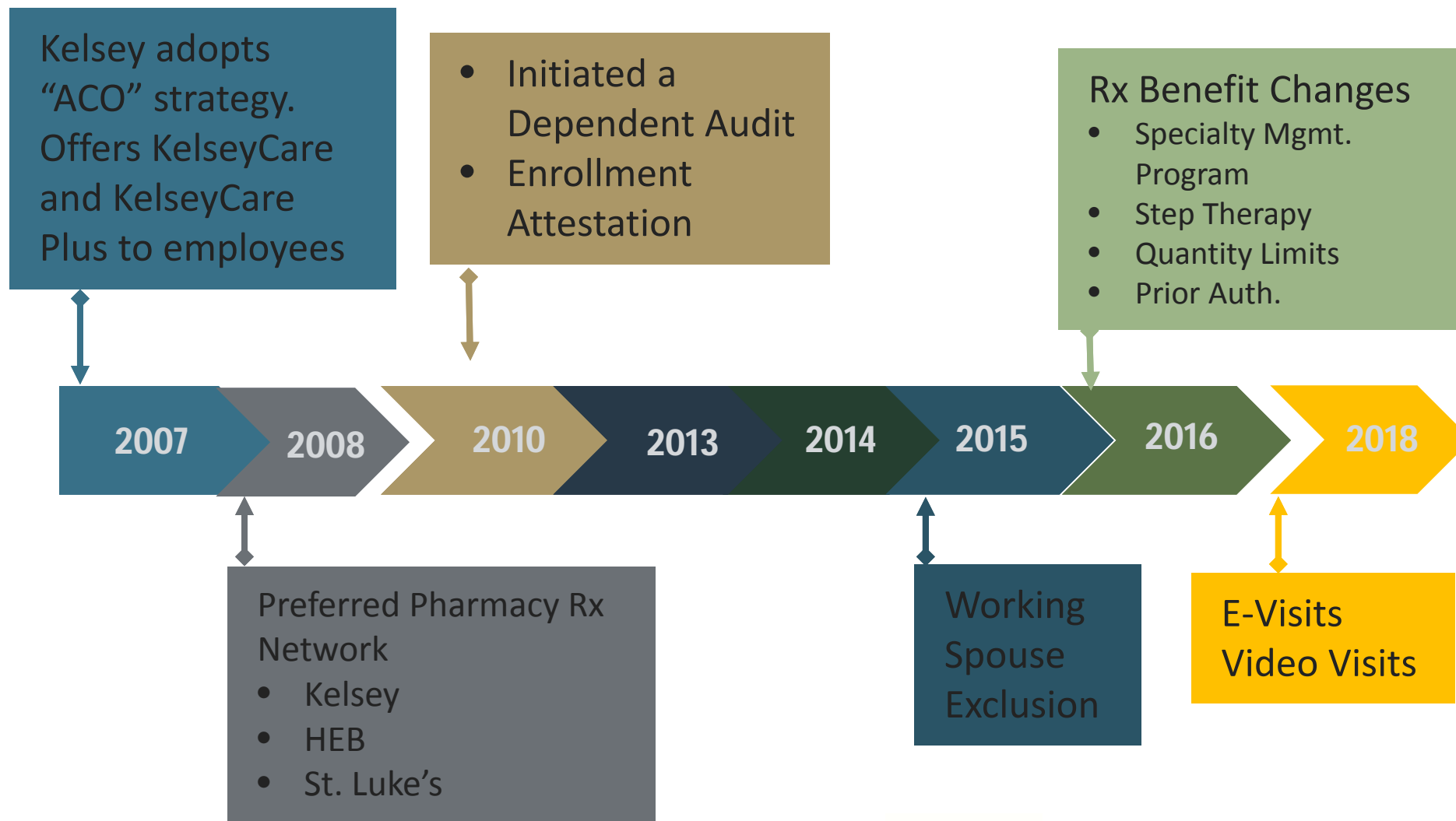
87% Elect Coverage

49% Elect Emp Only



# Plan Benefit Strategy

# Plan Milestones



# Impact of Plan Changes

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## ACO Network

- CAGR 2008-2016
  - Medical: 3.23%
  - RX: 9.24%
- Aon/Hewitt HHVI Result: Financial Efficiency
  - KelseyCare Overall: 119%
  - Kelsey-Seybold Clinic Employees: 106%

## Preferred Pharmacy Network

- Preferred Pharmacy Utilization: 83%
- 2016 GDR: 86%

## Dependent Audit/Verification

- 141 dependents / \$185,000 in savings

# Impact of Plan Changes

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- Working Spouse Exclusion

Coverage Tier	% Change: '14 to '15
Emp Only	5%
Emp + Spouse	-9.8%
Emp + Child	2.5%
Emp + Family	-5.4%
Total	1.3%

- PBM Programs

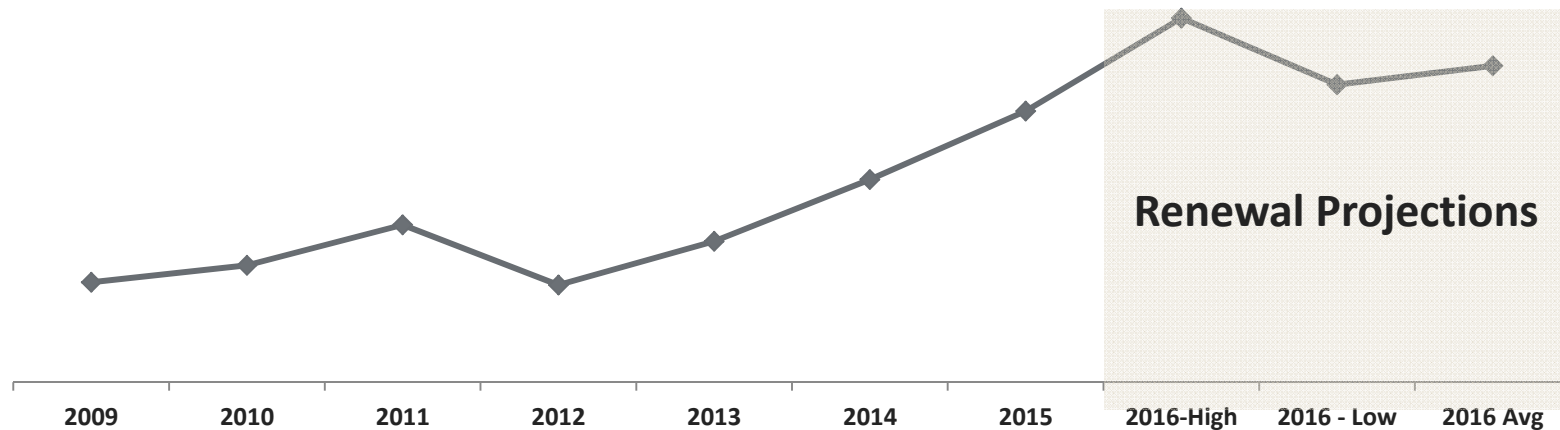
- E-Visits / Video Visits

# Self Funding Stop Loss

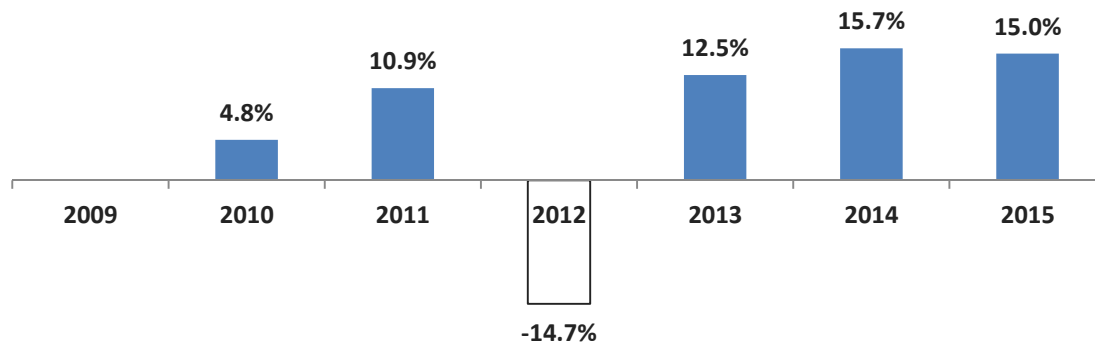


# Self Funded Stop Loss Via a Captive

## Kelsey-Seybold Stop Loss Premium (PEPM) History

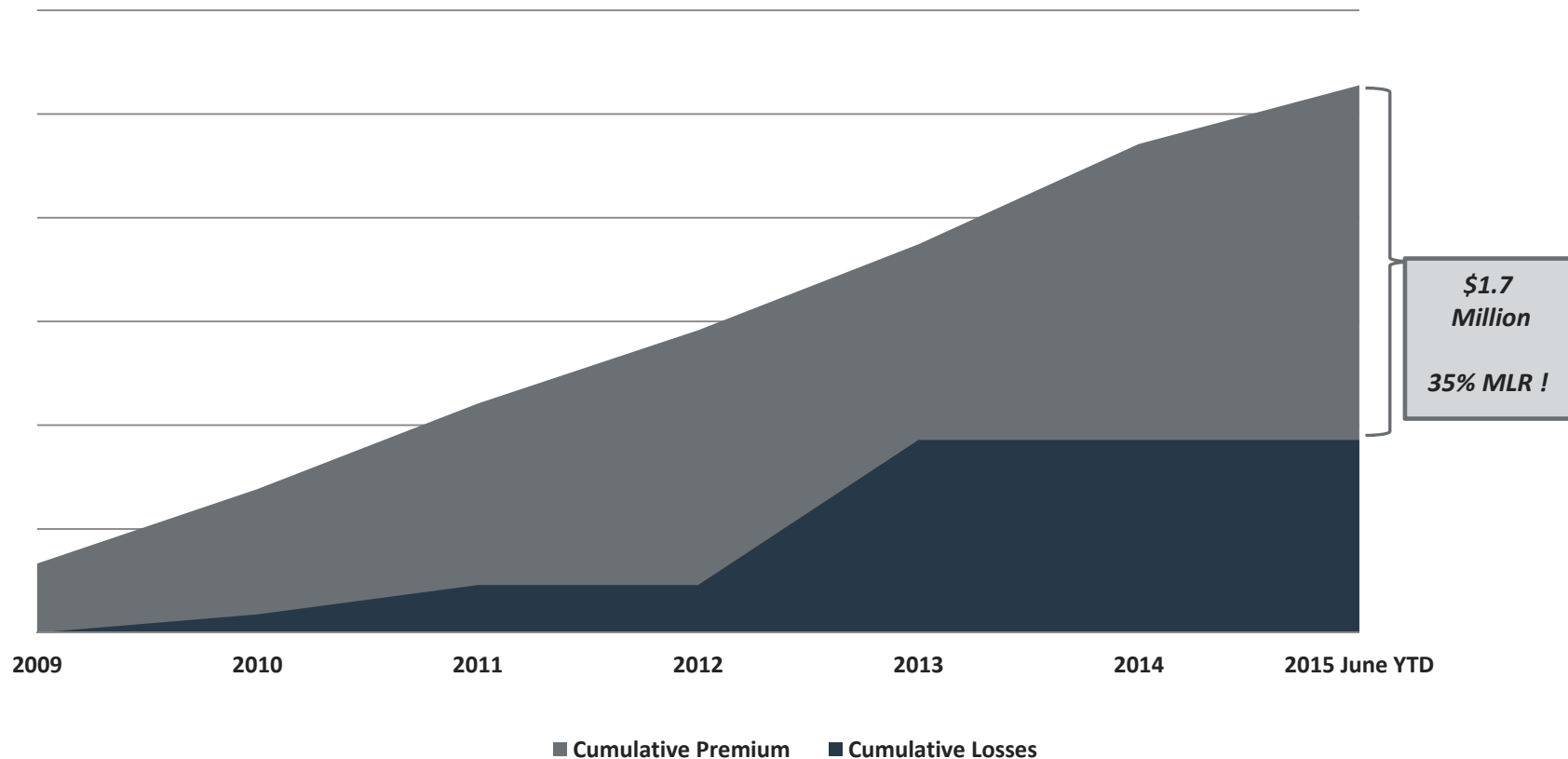


## % Change in Stop Loss Premium



# Self Funded Stop Loss Via a Captive

Kelsey-Seybold  
5 Years Cumulative Stop Loss Results



# Self Funded Stop Loss Via a Captive

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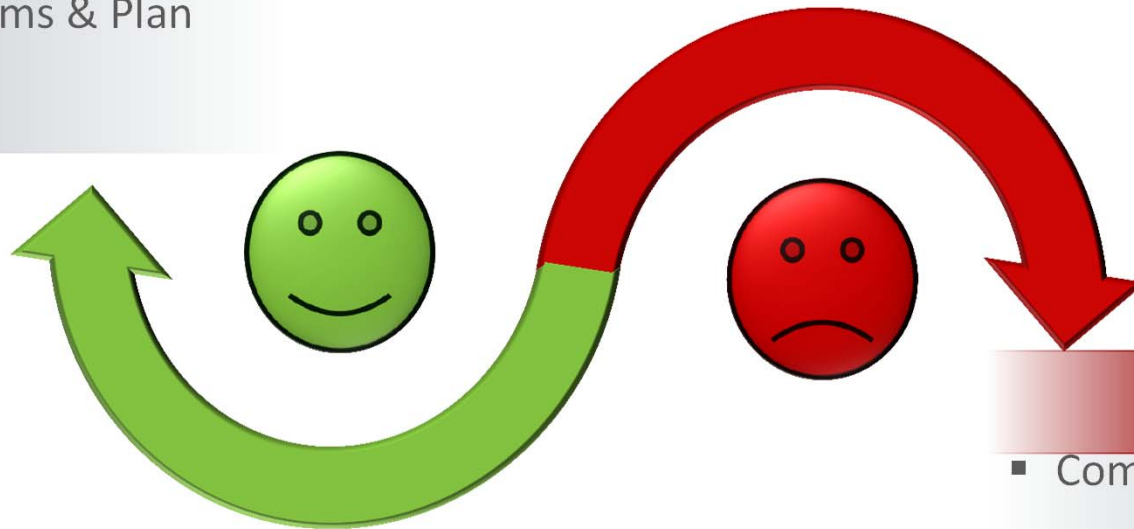
- Captive to issue an excess policy to Kelsey with a \$500,000 stop loss deductible.
- Reinsurer issues an excess policy to Kelsey with a \$1million stop loss deductible.
- Reinsurer issue a reinsurance agreement to the captive to cover claims in excess of the assumed Aggregate Attachment Point(AAP) of 170% of Net Captive Premium
- Kelsey to provide the necessary security/collateral to the captive to fully fund it's obligation under the reinsurance agreement. Approximately: \$250,000

Projected Savings: 1.67 Million over 5 years

# Pros & Cons of Self Funding Stop Loss

## Pros

- Retain Underwriting Profits
- Earn Interest on Premiums
- Control: Premiums & Plan Design



## Cons

- Complexity
- Frictional Cost
- Increase Risk

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# Kelsey Wellness

# Kelsey Wellness

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- General overall participation: **36%**
- Focus is on designing and implementing high-touch, high-tech programs
- Programs have organically developed over the years to be more viral and more fluid

# The Kelsey Wellness Hero Program

- The program began in 2014 for the purpose of highlighting the wellness stars at Kelsey-Seybold Clinic and to inspire team members.
- Wellness Heroes are nominated annually by their peers.
- Heroes are Kelsey-Seybold employees or physicians who have an inspiring story focusing – overcame a health issue, lives a healthy lifestyle, made significant behavior changes to lose weight/achieve greater health.
- Wellness Heroes are featured in a desk calendar insert provided to all employees, on internal video screens at all locations, and via an all user email.



# The KelseyWellness Maintain No Gain

- One of the most popular programs offered to Kelsey-Seybold employees.
- The campaign runs from November 15<sup>th</sup> to January 15<sup>th</sup> with the goal of making it through the holiday season staying within 2lbs of the weigh-in number on 11/15!
- Events occur at each clinic:
  - Initial Weigh-In
  - Distribution of the Maintain No Gain bracelets to wear as a daily reminder.
  - Incentives are provided at the end of the campaign - for a participants and a special incentive if the participants did not gain
- Weekly emails are sent to participants
  - Motivation
  - Healthy Recipes
  - Add An Exercise!
- Average Results
  - Number of Participants: 700
  - % Complete the Program: 68%
  - # of Participants that Maintain and Don't Gain!: 414 (59%)





# The Kelsey Wellness Fitbit Challenge!

- Introduced the Fitbit Program in 2016 - more high-tech, modern option for employees
- The traditional programs worked well, but we needed to be more viral to reach a larger number of our population.
- During the initial campaign, all employees were offered a Fitbit – the system subsidized 2/3 of the price.
- Fitbit challenges are pushed out via a portal
  - Work Week Hustle
  - All Clinic / Department Challenges
- High Participation Rates!
  - # Purchased Fitbits: 900
  - # Signed-Up in the Portal: 1100
  - Total Steps for 2016: 1 Billion Steps total, 7500 daily average per person
- Before Fitbit Program – 30% were exercising daily; 75% are now!
- 2017 Wellness Challenges are Fitbit based
  - Participants can hit key tier levels to achieve rewards
  - Focus is on max steps, BMI reduction and completing Health Assessments



# Questions?

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# Delivering Health and Welfare Benefits to the Employees of Health Care Systems and Providers

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