

PPACA Impact on Taft-Hartley Funds

Topics for Consideration & Discussion

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Affordable Care Act & Its Impact on Taft-Hartley Funds

A New World Order

- **State-Based ACA Exchanges**

- Rates – *which are age & plan design driven* – can be far lower than the typical Taft-Hartley Fund's
- program features that many Taft-Hartley Funds have typically not adopted
- Stakeholders – *including members* – will begin to seek some of the advantages associated with the exchange offerings
- **Solution: Trustees need to adopt programs & solutions that parallel those in the Exchange**

- **Member Penalties for those Who Do Not Have Coverage**

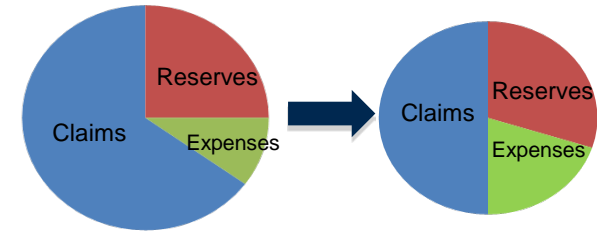
- Members who have contributions directed to the H&WF, but don't earn coverage - *and now have to pay a penalty for not having coverage* - may ask for their contributions be returned
- By 2016, the individual no-coverage penalties are substantial – i.e.: \$200+ a month per person
- **Potential Solution: Allow union members with redirected H&W contributions to pay up to eligibility for benefits** (avoid the dispute around the return of contributions to buy coverage to avoid the penalty)

- **Cadillac Tax**

- By 2018, a 40% tax will be applied to all Funds whose cost is above \$27,500 per family (\$31,500 for high risk professions)
- Studies have shown that simple medical trend applied to today's benefits will cause more than 40% of US plans to be subject to the Cadillac tax.
- **Solution: Implement significant actions to control spend, today's plan may simply not be sustainable**

Affordable Care Act

A Paradigm Shift for Taft-Hartley Funds



- **CHALLENGE:** ACA brings profound changes, cost increases and specific challenges to Taft-Hartley Funds. Trustees need to think and act differently for Funds to be able to compete and thrive beyond 2015
 - Benefit compliance with Reform
 - ✓ Essential Health Benefits
 - ✓ Mental Health Parity
 - Individual mandate
 - Employer mandate
 - New taxes/fees
 - Future Cadillac Tax
 - Exchanges
- **SOLUTION:** Leverage available, proven cost control measures to better compete with state exchanges
 - Utilization & Care Management
 - Inpatient, Outpatient, Rx
 - Network Alternatives
 - Narrow, quality
 - Benefit Structure Efficiency
 - OON payment structure, CDHP, tiered benefits
 - Consider the exchanges for early retirees
 - Health Improvement & Engagement
 - Coaching: Chronic, At-Risk
 - Preventative Care, Health Assessment, Biometrics
 - Incentives
 - Efficiency Focus
 - Transparency, better decisions guidance
 - Integration of products and services
 - Dental, Pharmacy, Behavioral

Implement competitive features & solutions to shrink the size of the benefit pie, similar to the offerings on the exchanges. Focus on how much you spend, not just on savings through discounts & fees.



HEALTH PLAN GOALS AND OBJECTIVES



✓ Healthier Participants



✓ Lower benefit costs



✓ Better use of benefit plan \$



✓ Improved lives



✓ Ability to survive under Health Care Reform

Different Perspectives: Individual Mandate, Employer Mandate, Essential Health Benefits Waivers, New Taxes/Fees, Cadillac Tax

Concerns for the Fund

- Exchanges are competitors for the Fund
- Members may get cheaper (subsidized) benefits on the exchange, and not want to come back when they do qualify for Fund benefits.
- They might want their H&W contributions back in the form of wages.
- Union loses an important relationship with their members
- Work is already low. Reserves are low.
- We are still in a recession.
- We are not getting enough contributions to cover current costs.
- Union Employers have to be able to compete for work against non-union competitors.
- Need to take money away from pension or wages.
- Our plan may be subject to the Cadillac Tax in 2018

Concerns for the Member

- My employer contributed on my behalf, but I am not eligible for benefits.
 - I still have to go to the exchange to pay for coverage or pay a penalty.
 - I am subsidy eligible
- OR, my current benefits don't meet minimum essential benefit or affordability requirements, so I have to buy coverage on the exchange.
- The Trustees might need to defer more money from my wages to cover the new reform-related health and welfare expenses in order to provide competitive, minimum essential health benefits.
- The plans on the exchange appear cheaper and to have better benefits.

Discounts, Access and Fees Are Becoming Less Important

- **Discounts** are rapidly becoming less of a determinant of performance
 - Hospital chargemaster changes due to transparency requirements of PPACA yield dramatic swings in discounts for the same total savings (50% discount becomes 16%)
 - Global agreements and capitated arrangements
 - Risk sharing arrangements – pay for value not volume
 - Who pays billed charges?
- **Access** is no longer about who has the biggest network, but who has the most cost-efficient arrangements
 - ACOs and PCMHs are changing network contracting
 - Health plans are moving to smaller high-efficiency networks for spend reduction
 - Health plans are opting for narrow networks for spend reduction
 - ***It cost less to get the person to most efficient physicians/providers***
- **Fees** are a very small piece of the overall spending pie
 - The Fund needs to compete with the “bells and whistles” on the exchanges
 - Shouldn't we concentrate on buying the services that reduce spend?
 - Is working with the cheapest vendor the best strategy?

Building a Strong Foundation for the Future: Multi Year Trend Management

Better Decisions

Increase the efficiency around how members access health care

- Utilize In Network Providers
- Use Urgent Care Clinics as an alternative to the Emergency Room
- 24 Hour Nurseline
- Maternity Support & Management
- Accept the call from Case Management
- Utilize most efficient providers for lowest net cost to the Plan

Better Engagement

Engagement strategies and clinical support that deliver real results

- Time tested and proven – industry leading, third party validated – Business Insurance Weekly (Case Management, Care Mgmt)
- Cigna Care Designation
- URAC accredited
- Designated Physician Executive for deep dive quarterly reviews
- Client & member aligned nurses

Better Health

Improving the health of your membership is the only way for sustainable long term trend control

- Preventive care education
- Encourage healthy lifestyle choices such as healthy diet and exercise
- Quarterly review of performance related to goals
- Customized multi year health improvement strategy including customized member materials
- Communication plans to enhance engagement and participation

Three pillars of trend management

MAKE THE CRITICAL CONNECTIONS TO DRIVE BEHAVIOR CHANGE.

personalize
support



Inform

**Initial contact
made with
individual**

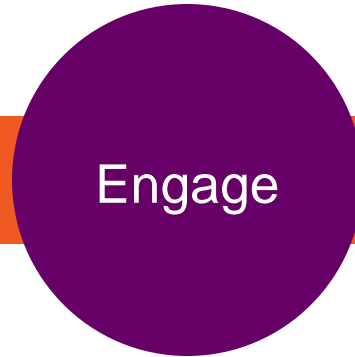
- Letter
- Automated call
- Voicemail



Participate

**Individual agrees
to take action**

- Enrolls in program
- Takes live calls



Engage

**Individual
continually works
with a coach**

- Online
- Coaching calls



**Behavior
change**



INCENTIVE-BASED PLAN DESIGNS: A POWERFUL MIX.

design benefits
& funding

Activities to improve health:

- Take health assessment
- Get biometric screening
- Get annual preventive care
- Work with a health coach
- Maintain/improve risk status
- Choose Center of Excellence



Plan-based incentives:

\$ or % deducted from:

- Premium
- Deductible
- Coinsurance
- Copay

\$ or % additional
funding to HRA/HSA

**INNOVATIVE DESIGN.
BETTER OUTCOMES.**

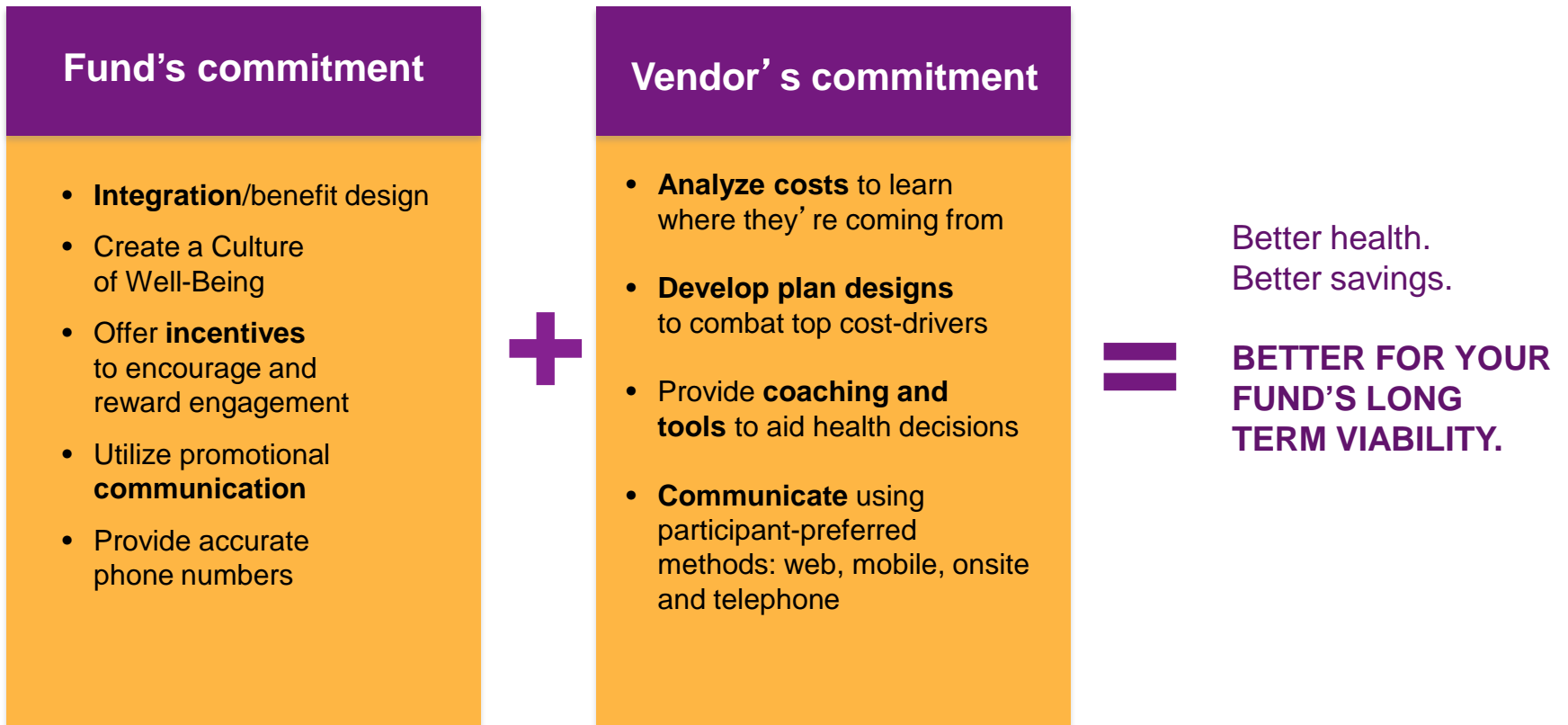
Higher engagement

1 - Savings vary based on population health risks

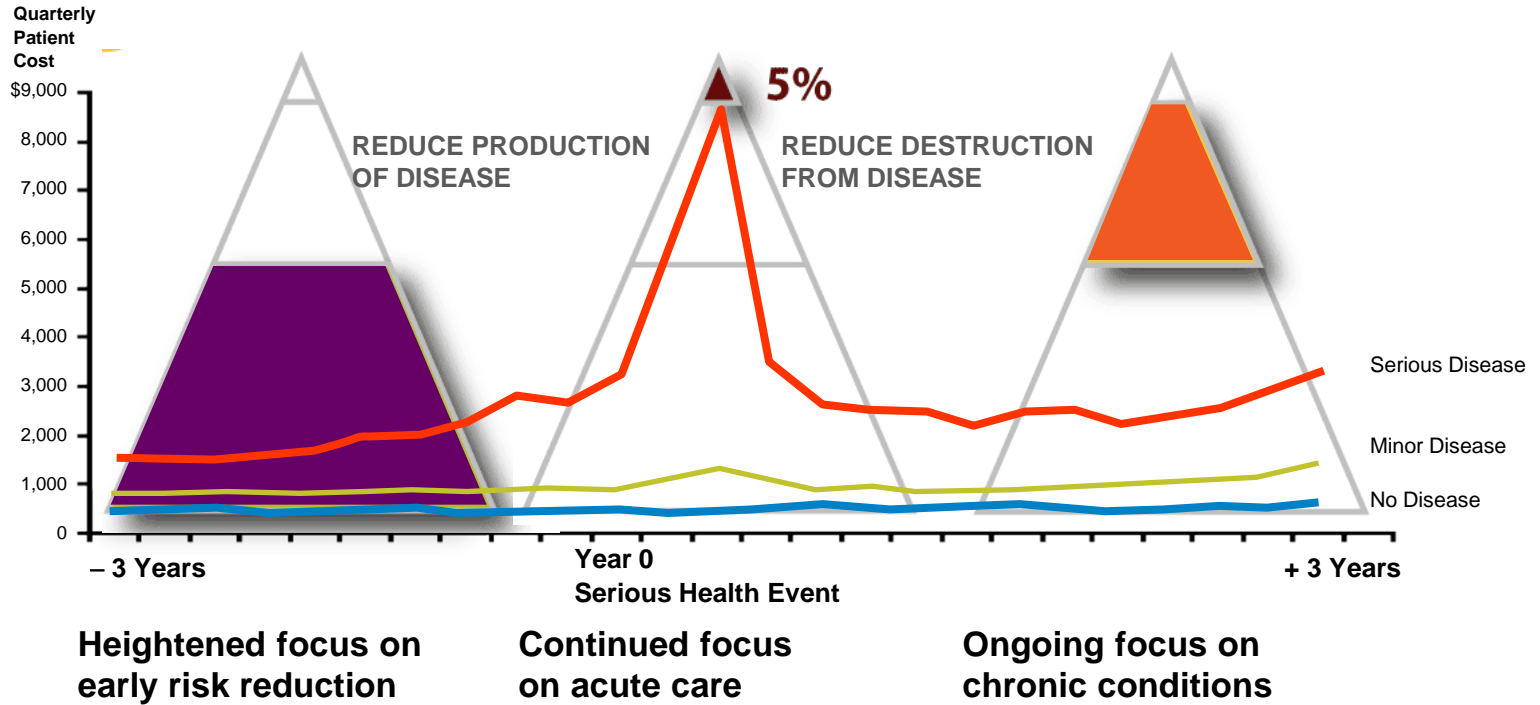


LAYING THE GROUNDWORK FOR SUCCESS

A partnership



BE RELEVANT. Reduce disease. 100% of your population.



LESS ABSENCE. HIGHER PRODUCTIVITY. LOWER COSTS.

What is improved health?

- Reduction in heart attacks, strokes, depression, diabetes and cancers
- Fewer medical errors, hospital readmissions and surgical complications
- Less absence, higher productivity and lower costs



NEW CHALLENGES. NEW ERA. NEW THINKING.

Every individual performing at their full potential

IMPROVED HEALTH = LOWER COST

