Health Reform Bulletin

EMPLOYEE BENEFITS

Week of December 10, 2012

A new state-by-state analysis conducted by Oliver Wyman shows that the new health insurance tax established by the Affordable Care Act (ACA) will increase the cost of health care coverage for consumers and employers in every state. A 2011 version of the report concluded that the health insurance tax alone will increase premiums by an average of 2.8 percent to 3.7 percent by 2023. The new report provides per-person and cumulative estimates of the health insurance tax impact on individual market consumers, employers, and Medicare Advantage beneficiaries in all 50 states. Families purchasing coverage in the individual market will be hit the hardest in New York while those getting coverage from a small employer will be most impacted in West Virginia. With respect to public programs, Medicare Advantage enrollees in New Jersey and the Medicaid managed care program in Washington, D.C., will be hardest hit by the new tax.

Federal

Efforts to avoid the "fiscal cliff" yielded no apparent progress last week, as congressional Republicans and the White House remain deeply divided on tax and spending issues. Differences over a number of significant issues – including entitlement spending and the debt ceiling – stand in the way of a final agreement. Earlier in the week, House Republican leaders suggested that the Bowles-Simpson plan from November 2011 should serve as a "middle ground" approach to averting the fiscal cliff. But the White House rejected the proposal, stating that it "does not meet the test of balance." On December 6, the Joint Economic Committee held a hearing on the impact that the "fiscal cliff" – the expiration of the Bush era tax cuts and the imposition of sequestration cuts beginning in January 2013 – could have on the U.S. economy and middle-income families. Witnesses testified that a recession will occur next year if Congress and the President do not reach an agreement to avoid the fiscal cliff.

States

MICHIGAN: The current lame duck session of the legislature has passed two significant pieces of legislation, one of which changes the structure of Blue Cross Blue Shield of Michigan from a charitable nonprofit to a nonprofit mutual insurer. As of January 1, 2014, Blue Cross will no longer serve as the insurer of last resort, as the market moves toward guaranteed issue under the ACA. In the legislation, Aetna successfully argued for prohibiting the use of most-favored nation clauses between providers and BCBSM. The bill includes other substantive health insurance market reform changes affecting such issues as rating and Medigap subsidies.

In other related matters, the Michigan claims tax bill is on hold. There were not enough votes to pass the bill, which was intended to address an unanticipated shortfall in the original claims tax adopted last year. The lame duck session is expected to continue through this week. The legislature will continue to discuss how to account for the loss in revenue during break and the beginning of next session.

MISSOURI: Governor Jay Nixon and other key Democratic policymakers have expressed support for expanding Medicaid eligibility and are echoing the findings of a recently released report that says an expansion would have economic value to the state. Commissioned by the Missouri Hospital Association, the report found that expansion could bring billions of dollars to the state's economy and create thousands of jobs. It projects that Missouri would benefit from 24,000 additional jobs, nearly $7 billion in increased payroll, and a boost to local and state tax receipts of $856 million between 2014 and 2020. The report also forecasts that a Medicaid expansion would help lower the cost of private insurance premiums.

NEW JERSEY: For the second time this year, Governor Chris Christie has vetoed legislation that would establish a state-based health insurance exchange. The governor cited a lack of critical information from the federal Department of Health and Human Services (HHS) concerning the potential cost of a state-based exchange vs. either a partnership or federally facilitated exchange. Governor Christie indicated that moving forward without the information would be fiscally irresponsible. His veto message indicated the state is willing to comply with the ACA but in a way that is most effective and cost effective for taxpayers. He gave no indication as to whether the state may opt for the federal-state partnership model or fall back on a federally facilitated exchange.

OHIO: The House of Representatives has passed legislation that would require licensing of "navigators" – individuals who would educate consumers on their insurance options in a new health insurance exchange under the ACA. The bill also would establish educational requirements for both navigators and licensed insurance agents who help facilitate the purchase of insurance through the exchange. Finally, the bill would mandate that an exchange allow health carriers to sell any product that is a qualified health plan in an attempt to ensure maximum choice of health benefit plans on an exchange. The bill now moves to the Senate for consideration.

Courtesy of Aetna Health Reform Weekly