

Patient Protection and Affordable Care Act (PPACA)

- Legislative and Regulatory Update
- Provision Updates
- Strategic Cost Considerations Heading into 2011

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KEEPING YOU UP-TO-DATE ON THE PPACA

Constitution of the United States



Article I. Section 1. All **legislative** Powers herein granted shall be vested in the Congress of the United States...



Article II. Section 1. The **executive** Power shall be vested in a President of the United States...



Article III. Section 1. The **judicial** Power of the United States shall be vested in one Supreme Court...



Amendment X. The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the **States** respectively, or to the people.

112th Congress Legislative Update

Health Care Reform



112th Congress Near Term Agenda

- January 19 – H.R. 2: “Repealing the Job-Killing Health Care Law”
- January 25 – President’s State of the Union
- February 14 – President’s FY 2012 Budget
- March 2 – FY 2011 Continuing Funding Resolution Expires
- March 31 to May 16 – Statutory Debt Limit of \$14.3 trillion reached
- April 15 – Congress to adopt FY 2012 Budget Resolution
- April 18 – Tax Filing Day (Moved forward)
- April 18 to May 1 – House and Senate on recess

112th Congress Long Term Agenda

- Expiration of Doc Fix – December 31, 2011
 - Extension in “Lame Duck” cost of \$14.9 billion was offset by increasing penalties in PPACA for reconciling estimated income used to determine credit subsidies and actual income
- Extension of Expiring Tax Provisions – 2012

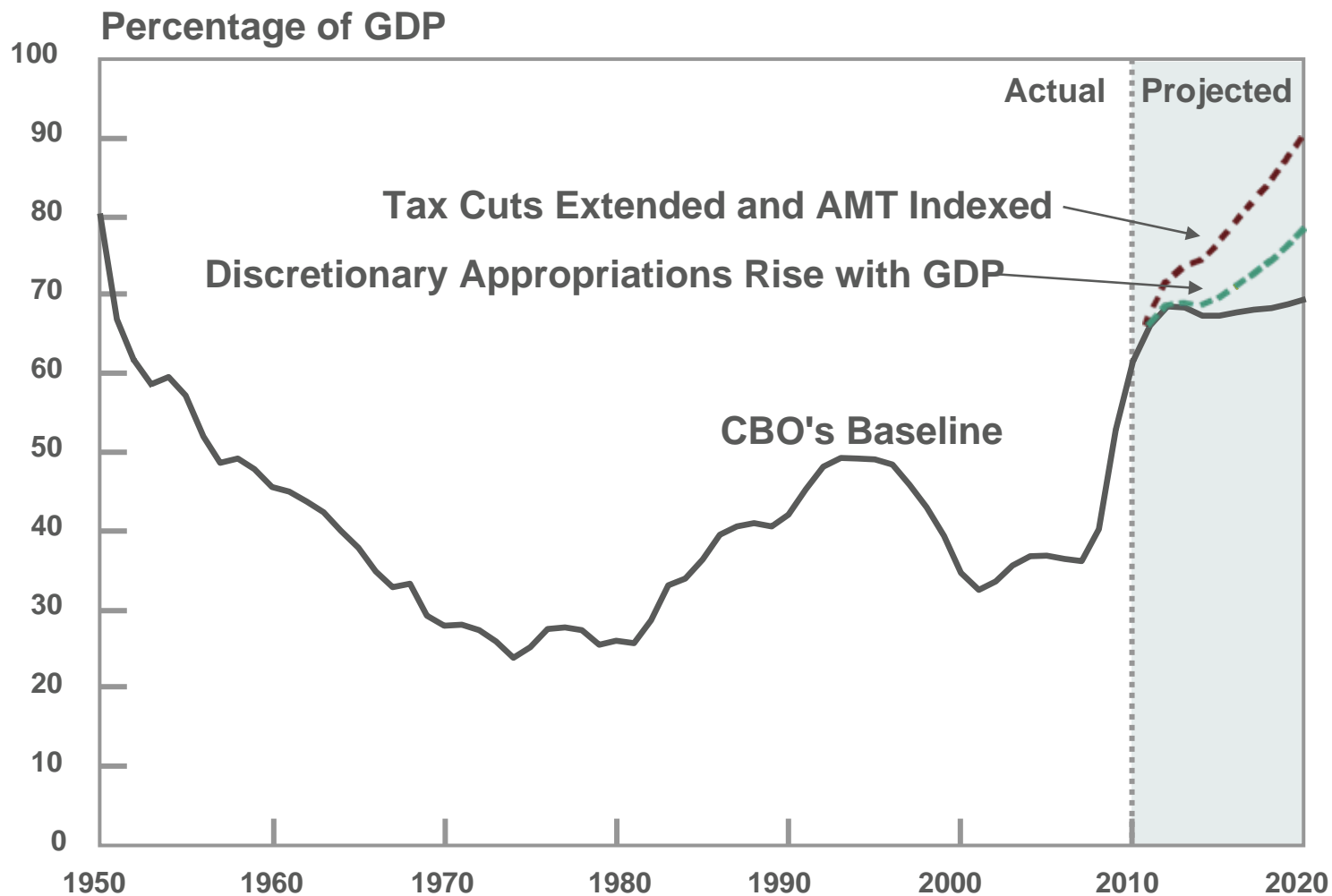
Congressional Review Act

H.J. Res. 19

Disapproving MLR regulations

112th Congress Legislative Update

Federal Debt Held by the Public



Public Opinion on Health Care Reform



Gallup Poll: January 4-5, 2011

Question: A vote is scheduled in the House of Representatives on a proposed bill that would repeal the health care overhaul legislation. Would you want your representative in Congress to vote “yes” to repeal or “no” to let it stand?

	Total	Republican	Democrat	Independent
Vote to Repeal	46%	78%	24%	43%
Vote to Let Stand	40%	15%	64%	39%
No Opinion	14%	7%	12%	18%

Random sample of 1,025 aged 18 or older living in all 50 states. 95% confidence interval \pm 4 percentage points.

112th Congress Legislative Update

H. Res. 9 – Instruction to Report Legislation



- **PURPOSE:** Instructing certain committees to report legislation replacing the “job-killing” health care law.

- Instructs the Committee on Education and the Workforce, the Committee on Energy and Commerce, the Committee on the Judiciary, and the Committee on Ways and Means to each report legislation to the House proposing changes to existing law within the committee’s jurisdiction with provisions that:
 - Foster economic growth and private sector job creation;
 - Lower health care premiums;
 - Preserve a patient’s ability to keep his or her health insurance;
 - Provide people with pre-existing conditions access to affordable health coverage;
 - Reform medical liability system;
 - Increase the number of insured Americans;
 - Protect the doctor-patient relationship;
 - Provide States greater flexibility to administer Medicaid programs;
 - Expand incentives to encourage personal responsibility for health care coverage and costs;
 - Prohibit taxpayer funding of abortions and provide conscience protections for health care providers;
 - Eliminate duplicative government programs and wasteful spending; or
 - Do not accelerate the insolvency of entitlement programs or increase the tax burden on Americans.

- **HOUSE ACTION:** On January 19 House voted to repeal PPACA 245-189

On January 7 House voted on Rule to repeal 236 – 181.

On January 5, 2011, Chairman Dreier (R-CA) introduced H.Res. 9.

Executive Branch: Regulatory Update

Select PPACA Interim Final Regulations 2011



Selected Topic	Date Issued	Effective Date
Auto enrollment	DOL & Treasury – FAQ December 24, 2010	2014 target.
Nondiscrimination/Highly Compensated	DOL & Treasury – FAQ December 24, 2010	No compliance until rules issued.
MLR	December 1, 2010	January 1, 2011
Rate Increase Disclosure & Review	December 23, 2010	July 1, 2011 (For rate increases filed after 7/1/2011)
Medicare Accountable Care Organization	November 17, 2010 RFC	IFR Expected Jan. 2011
Definition of Essential Benefits	Expect EOY 2011	January 1, 2014 (Exchanges)



Judicial Branch: Legal Challenges

Patient Protection and Affordable Care Act



Two Key Federal Lawsuits

Commonwealth of Virginia vs Sebelius:

U.S. District Court for Eastern District of Virginia. Ruling December 13, 2010, government's motion to dismiss denied on appeal to 4th Circuit:

"A thorough survey of pertinent constitutional case law has yielded no reported decisions from any federal appellate courts extending the Commerce Clause or General Welfare Clause to encompass regulation of a person's decision not to purchase a product"

"Court must conclude that Section 1501 of the Patient Protection and Affordable Care Act – specifically the Minimum Essential Coverage Provision – exceeds the boundaries of congressional power."

"Court will sever only Section 1501 and directly-dependent provisions which make specific reference to Section 1501."

State of Florida, et. al. vs Sebelius.

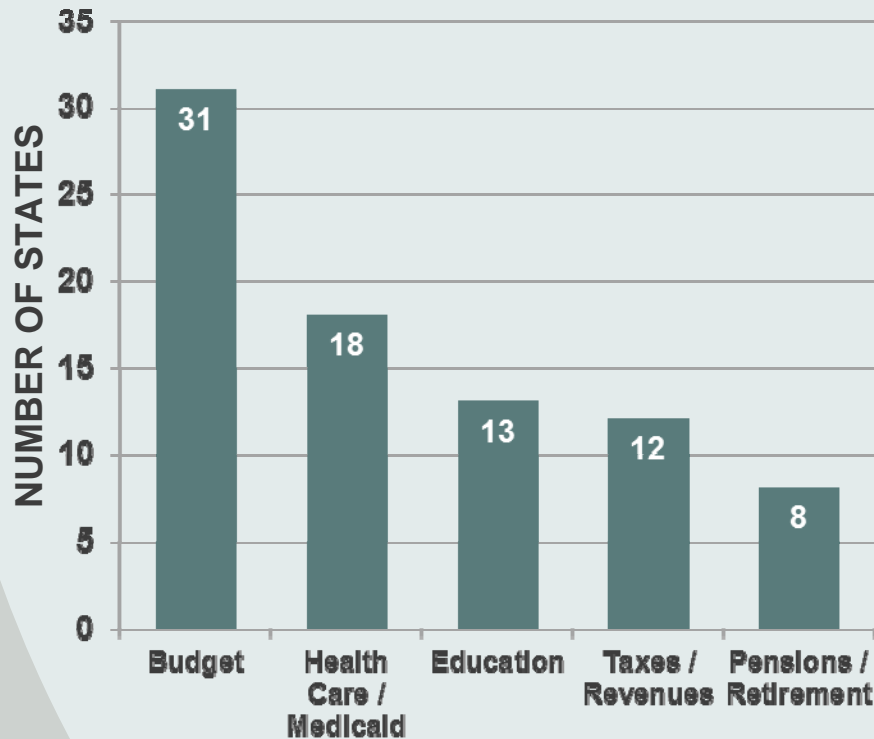
U.S. District Court for the Northern District of Florida heard motion to dismiss September 14; ruling October 14 on standing of plaintiffs not on merits. Summary judgment hearing on merits December 16 – ruling expected mid-February 2011.

26 State Attorneys General + NFIB: Article I, §§ 2 & 9, unlawful tax and infringes on sovereignty of the states and X Amendment by "converting Medicaid from a federal-state partnership to ...a federally-imposed universal health care regime."

Top Issues for 2011 State Legislative Sessions & The Federal Stimulus “Cliff”



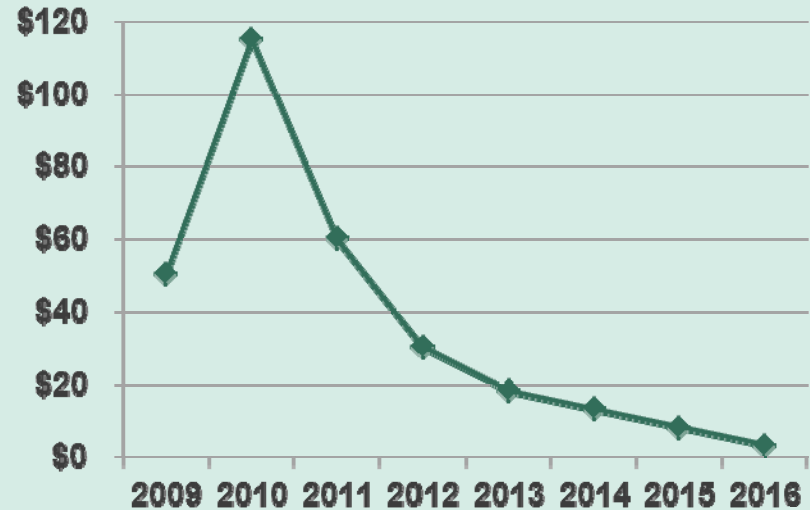
Top Fiscal Issues for 2011 Sessions



Federal Stimulus “Cliff”

As of December 2010, states and localities had received \$186 billion in stimulus funds. Most of these funds end for state fiscal year 2012, which in most states begins July 1.

BILLIONS



Sources: National Conference of State Legislatures, Jan. 3, 2010
U.S. Government Accountability Office



State Governance 2011

Health Care Legislative & Regulatory Update



State Fiscal Condition

2009 and 2010, two most difficult years for state fiscal conditions since Great Depression.

State Deficits

2011 current deficit estimate \$27 billion/after closing \$84 billion gap this year. Estimate for 2012 -- \$113 billion deficit.

Medicaid

Enhanced federal support ends June 2011 (ARRA match 68% – PPACA match 60-62% in 2014.) State MOE requirements under PPACA placing burden on states.

Health Insurance Exchanges

Estimate half of states will draft/enact legislation in 2011.

Medical Loss Ratio

State legislation/ 10 states likely to request transition waivers for individual market.

Rate Review

Estimate at least 20 states to revise statutes reflecting definition of “unreasonable.” Others may go further with prior approval mandates.

Patient’s Bill of Rights

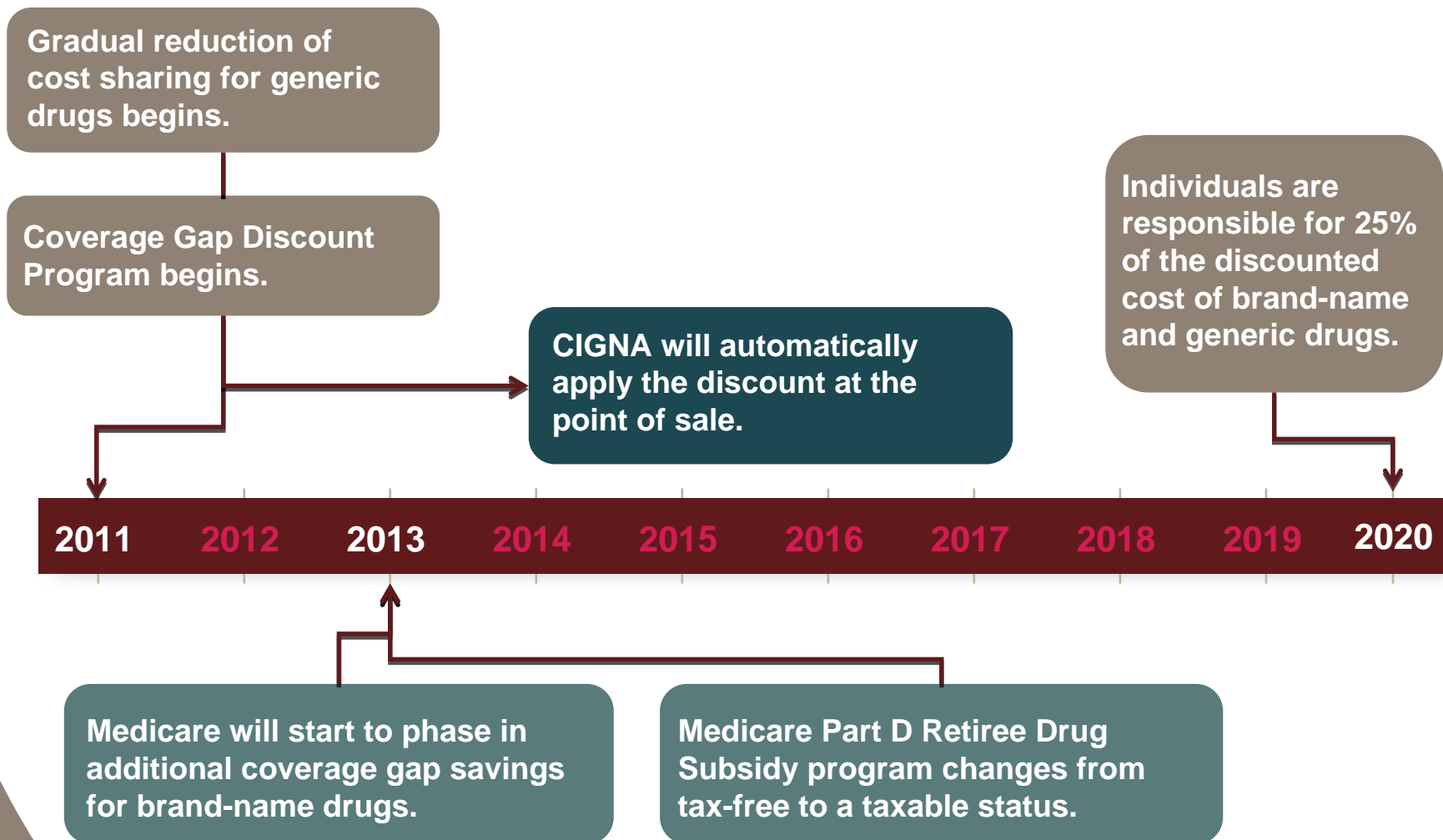
States to update statutes and rules to reflect PPACA policies on pre-x, dollar limits, appeals, age 26, out-of-network and in-network preventive services.



Provision Updates

- Medicare Part D (doughnut hole) changes effective 1/1/11
- Flexible Spending Account (FSA) debit card changes

Provision Updates: Medicare Part D Changes



Provision Updates: IRS Clarification About FSA Debit Cards Notice 2011-05 (December 22, 2010)

Use of FSA Debit Cards to Purchase Over-the-Counter (OTC) drugs

- If a prescription for an OTC drug is filled and dispensed by a pharmacist (in accordance with state law), and is assigned an Rx number, then a pharmacy may process it as a prescription item.
- If a pharmacy **does** process the OTC drug as a prescription, the charge **will be** allowed as an eligible item on the debit card.
- If a pharmacy **does not** dispense an OTC drug as a prescription item, the OTC drug will not process as eligible on the debit card. A different form of payment would be required.
- Customers have option to submit their receipt/prescription for OTC drugs manually for reimbursement through a direct submit process.

Strategic Cost Considerations Heading into 2011

- Cost Drivers and Triggers
- Cost Savings Opportunities
 - Case Studies
 - Quick Hits and Long-Term Strategies
 - Consumer-Driven Health Plans (CDHP)

Cost Drivers and Triggers

Your top ranked concerns heading into 2011

1 Cost Drivers/Opportunities

2 Employee Engagement

*November 2010
CIGNA
Webinar Survey*

- 25% of employers said PPACA compliance will add at least another 3% to their projected 2011 plan costs (Mercer study)

Cost Drivers and Triggers

Enhanced Benefits

- Plan/Benefit dollar limits
- Dependents up to age 26
- Preventive care

Penalties, Taxes and Fees

- Opt-out penalties
- Various excise taxes

Market Forces

- Underlying medical trend
- Physician consolidation and cost-shifting

Additional Resources

- Additional budget and staff needed to achieve and maintain compliance

Cost Drivers and Triggers

- Enhanced Benefits**
 - Plan/Benefit dollar limits
 - Dependents up to age 26
 - Preventive care
- Penalties, Taxes and Fees**
 - Opt-out penalties
 - Various excise taxes
- Market Forces**
 - Underlying medical trend
 - Physician consolidation and cost-shifting
- Additional Resources**
 - Additional budget and staff needed to achieve and maintain compliance

Physicians		
	Self-employed	Employed by hospitals, insurance companies
2002	75%	25%
2009	49%	51%

National Shortage		
2010	-50,000	6.5%
2020	-240,000	25%

Sources: Group Practice Information Network (GPIN) . November, 2010.
Merritt, Hawkins and Associates.



Cost Savings Opportunities

Case Studies: Strategies to Control Costs and Better Engage Employees

BEFORE

EMPLOYER A

100 employees –
Local Government

- Increasing costs along with rising rates of disease.
- Extremely low health assessment completion rates.

EMPLOYER B

1,300 employees - Hospital

- 1.6% of population driving 47.1% of costs.
- High prevalence of diabetes and heart disease.

EMPLOYER C

9,000 employees – Food
Manufacturer/Distributor

- New CEO set savings challenge in order to be more competitive.
- 22 traditional plans.

AFTER

EMPLOYER A

Non-grandfathered

- Full replacement Health Savings Account plan.
- Incentives drove 31% increase in health assessment completion.
- Health coaches.
- Monthly health seminars and quarterly challenges.
- Saved half a million dollars over 5 years.

EMPLOYER B

Grandfathered

- Wellness committee.
- Lower premiums for those engaged with health and wellness programs.
- 49% completed biometric screenings and 54% a health assessment.
- -11% high blood pressure, -17% elevated glucose, tobacco cessation.

EMPLOYER C

Non-grandfathered

- One HRA and two PPOs.
- Year 1 HRA enrollment of 72% (vs. 18% projection).
- +12% preventive care, +34% nurse line, +8% urgent care, -14% ER.
- Year-long communication.
- Nearly \$10 million in savings over the first two years.



Cost Savings Opportunities

Quick Hits and Long-Term Strategies

Benefit and Plan Design	Network Cost and Quality	Engagement and Advocacy
<ul style="list-style-type: none">▪ Cost-share options<ul style="list-style-type: none">- Increase copays, coinsurance, deductibles, out-of-pocket maximums- Review and manage current life enhancing buy-up or client-specific benefit options▪ Consumer-driven health plan (HRA or HSA)<ul style="list-style-type: none">- Option or full replacement▪ Pharmacy options<ul style="list-style-type: none">- \$0 or low cost generics, step therapy, robust tiering including home delivery▪ Other cost containment strategies<ul style="list-style-type: none">- Establish benefit days/visit limits in accordance with PPACA requirements- Incentives to pursue healthy behavior/care (e.g. completion of health assessment, enrollment in disease management program, etc.)	<ul style="list-style-type: none">▪ High performance networks<ul style="list-style-type: none">- Identify high value providers- Encourage customer choice using benefit design and/or incentives▪ Change from a U&C-based to a Medicare-based Maximum Reimbursable Charge▪ Promotion of preferred labs and radiology centers▪ On-site clinics	<ul style="list-style-type: none">▪ A culture of health<ul style="list-style-type: none">- Wellness programs- Wellness committees- Cafeteria/vending audits- Wellness challenges▪ Cost and quality tools▪ Health assessments▪ Biometric screenings▪ Personalized incentive programs▪ Year-round communications▪ Health coaches▪ Lifestyle management▪ Chronic condition support▪ Specialty pharmacy



Cost Savings Opportunities

Reform May Further Accelerate Consumer-Driven Health Plan Growth

By the end of 2012, 1 in 3 consumers will be in a CDHP¹

61% of companies will offer a CDHP in 2011²

- Employers selected CDHP as the “most effective tactic to control health care costs.”²
- Consumer-driven plans continue to grow.
 - Moving to CDHP will likely impact grandfathered status.
 - Grandfathered cost savings predicted at 1-4% as compared to CDHP average 1st year savings of 15%

Sources: 1 – Aite, “Consumer-Directed Healthcare: Sizing the Market.” Feb. 2010

2 – “Large Employers’ 2011 Health Plan Design Changes,” National Business Group on Health, Aug. 2010



Cost Savings Opportunities

CDHPs Provide Sustainable and Increased Savings Over Time

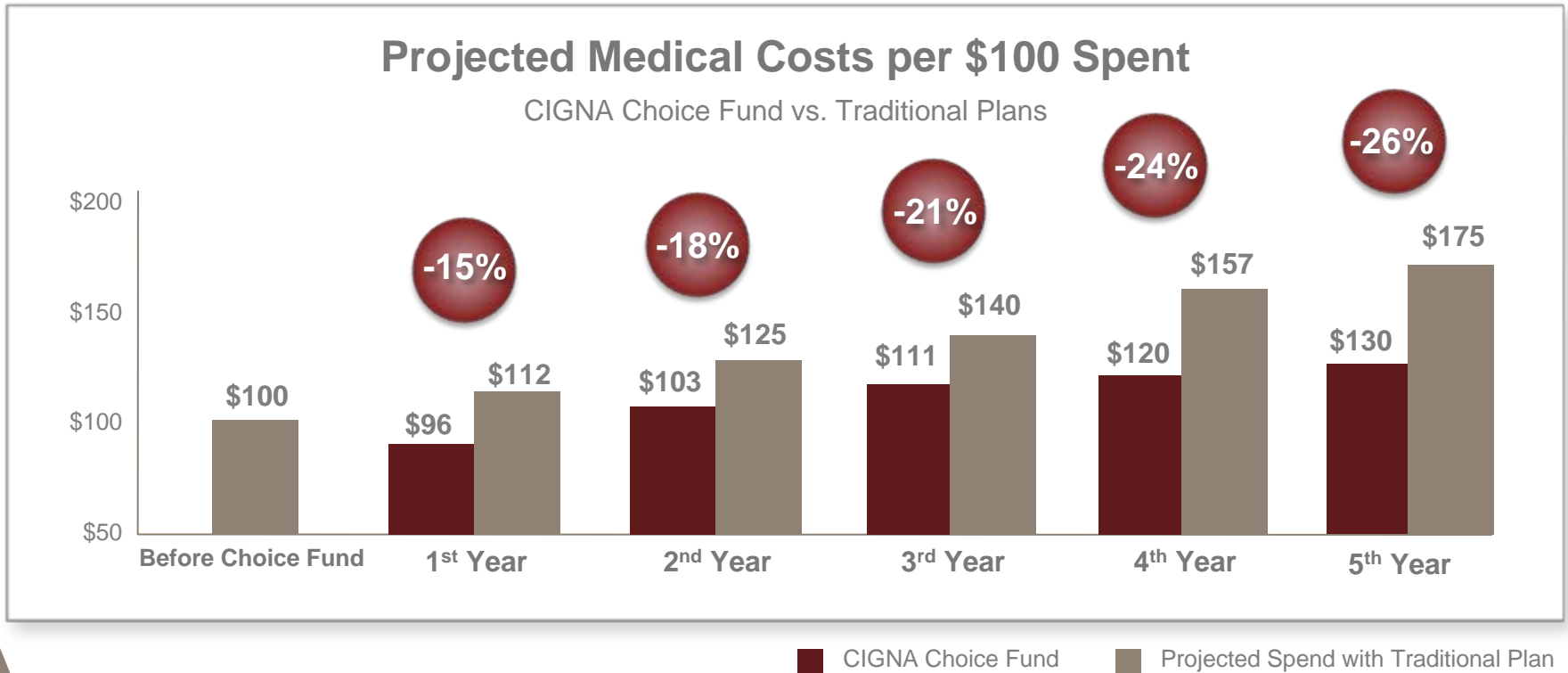


Chart: October 2010 CIGNA Choice Fund Experience Study



Cost Savings Opportunities

Finding a Sustainable “Win-Win” Solution

- 1 Thoroughly understand PPACA, to the extent it’s defined
- 2 Know which cost levers and triggers may affect you
- 3 Identify short- and long-term goals
- 4 Review and revamp your benefits and engagement strategies

Next Steps and Questions

Our **next webinar is Feb. 24, 2011**. We will focus on Exchanges and what this new marketplace might mean for employers, employees, and insurance companies.

Look out for **alerts and invitations** to interactive meetings about the PPACA and other timely subjects – in 2011 and beyond.

Visit our **Reform website** at www.informedonreform.com or through www.cigna.com.



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