



# HEALTH CARE

— DECEMBER 7, 2010 —

# REFORM SUMMIT

**PANELISTS**



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# Small businesses ready to get to work on health care reform



Ask nearly any small business owner and they'll tell you our health care system is broken. They've seen double-digit premium increases year after year. They've gotten lost in mountains of paperwork trying to figure out what their options were, only to find out they are relatively few. For these reasons and more, employers are eager to be a part of the implementation process of the new health care law so we can begin fixing this unsustainable system.

There's been tremendous rhetoric about the Affordable Care Act (ACA), making it hard to separate fact from fiction. The truth is that there is a lot in the new law that benefits California's small businesses.

Small Business Majority has done extensive research on small employers' struggle to provide health insurance. We polled small business owners across California and found that of the 55 percent who don't offer insurance, 86 percent cite cost as the reason. For those who do offer, 70 percent are struggling to do so. Even more discouraging is that 30 percent of self-employed individuals — 826,000 entrepreneurs — have no health insurance at all. But without health care reform the future was even bleaker. We conducted an economic analysis showing that without reform, small businesses' health care costs would double over the next 10 years to \$2.4 trillion nationally and \$243 billion in California.

These sobering numbers underscore why



**John Arensmyer**  
Founder and CEO



— are eligible for a credit in 2010. In addition, the law also created a new high-risk pool that is selling insurance to individuals, including the self-employed, who had previously been denied coverage due to a preexisting condition, and grants will be made available to small businesses to start wellness programs starting in 2012. And, the ACA contains a grandfathering provision that allows employers to keep the plans they had when the law was enacted.

small business owners are eager to see the law implemented. The ACA contains many provisions that will help reduce costs and put businesses on a more affordable, sustainable path. Small firms that offer insurance are now eligible for tax credits covering up to 35 percent of the employers' premiums. Another economic study we conducted found that 80 percent of California's small businesses — more than 450,000 firms

**The ACA contains many provisions that will help reduce costs and put businesses on a more affordable, sustainable path. Small firms that offer insurance are now eligible for tax credits covering up to 35 percent of the employers' premiums.**

However, the single most important piece of the ACA for small businesses is the insurance exchange. The exchange is a large marketplace where small businesses will be able to band together to purchase private health coverage. By pooling their purchasing power they'll increase their clout when negotiating for coverage and decrease their administrative

costs, which will lower their premiums overall. The exchange will negotiate with insurers on behalf of small business owners to get the highest quality and lowest price possible. Business owners will be able to easily compare plans online, get detailed information about price and quality, and purchase coverage through a streamlined billing process.

Small businesses' priority is containing costs, and the new law is projected to bring down costs over both the short and long-term. It aims to achieve this by ensuring that more money is spent on actual patient care and less on administrative costs. The law also contains incentives for consumers to live healthier lifestyles and for health care providers to adapt more efficient practices. And by requiring all individuals to be insured, we can reduce the hidden tax currently passed on to the insured to compensate for the uninsured receiving medical care.

Despite the benefits in the ACA, some members of Congress are actively proposing repealing the law. But so many of the provisions in the ACA are popular and a full repeal is unlikely. Nonetheless, Congress is open to improving the law. For example, Republicans, Democrats and President Obama are committed to eliminating the 1099 reporting requirement scheduled to begin in 2012. While the law is not perfect, small business owners should engage with policy makers to help make reform successful. The success of our businesses depends on it.

## THE NEW NATIONAL HEALTH CARE LAW HAS THROWN A LIFELINE TO SMALL BUSINESSES ON SEVERAL LEVELS BY USING:

**TAX CREDITS** - California businesses with less than 25 employees and an average salary of less than \$50,000 a year are eligible for up to a 35 percent small business credit until 2014. After that, the credit increases to 50 percent. This makes health insurance more affordable and all small businesses, even if they are already providing coverage, are eligible if they meet the criteria.

**COST CONTROLS** - The establishment of health care exchanges will give group purchasing power to small businesses, resulting in lower costs. The exchanges will act as a clearinghouse of information so small businesses will have access to information they can understand and use to bring down business costs. Wellness and preventive programs will bring down costs because fewer employees will be out sick. There will be pilot projects giving small businesses comparisons on the effectiveness of different health care providers in the areas of cost and quality.

**HEALTH CARE EXCHANGES** - Small businesses now pay 18 percent more for health care than larger businesses and usually receive fewer comprehensive benefits. The exchange will allow small businesses to band together to purchase insurance giving them the type of clout that large businesses enjoy when negotiating for coverage.

**A MESSAGE FROM THE CALIFORNIA ENDOWMENT:** From a public health perspective, an expansion of health coverage to small business employees will result in millions more Californians with access to the primary and preventive care they need to stay healthy. Healthy workers mean less missed days and a more productive workforce—a win/win for California's small businesses. **THIS INFORMATION WAS MADE POSSIBLE BY:**

# Business tax changes related to Affordable Care Act



The new Affordable Care Act contains many new tax changes. Some changes occur in 2010, some in 2011, some in 2012, etc. Each year up through 2018 will have some tax changes due to the new Affordable Care Act. The most significant tax change for businesses in 2010 is the New Health Care Tax Credit. For 2011, changes in flexible benefit plans will occur.

The new law provides small employers with a tax credit (that is, a dollar-for-dollar reduction in tax) for nonelective contributions to purchase health insurance for their employees. The credit can offset an employer's regular tax or alternative minimum tax (AMT) liability. At first look it may seem like most businesses are too big or pay their employees too much to qualify, but one recent estimate was that 80% of small businesses may qualify. In addition, non-profit organizations can also qualify for the credit.

## Small business employers eligible for the credit

To qualify, a business must offer health insurance to its employees as part of their compensation and contribute at least half the total premium cost. The business must have no more than 25 full-time equivalent employees ("FTEs"), and the employees must have annual full-time equivalent wages that average no more than \$50,000. The full amount of the credit, however, is available only to an employer with 10



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or fewer FTEs, provided those employees have average annual full-time equivalent wages of less than \$25,000.

## Years the credit is available

The credit is initially available for any tax year beginning in 2010, 2011, 2012, or 2013. For this first phase of the credit, only health insurance coverage purchased from an insurance company licensed under state law will qualify. For tax years beginning after 2013, the credit is only available to an eligible small employer that purchases health insurance coverage for its employees through a state exchange, and is then only available for two years. The maximum two-year coverage period does not take into account any tax years beginning before 2014. Thus, an eligible small employer could potentially qualify for this credit for six tax years, four years under the first phase and two years under the second phase.

**The calculation for the credit may seem complicated and a lot of information to gather in order to see if your organization qualifies, but it is worth the time to investigate.**

## Calculating the amount of the credit

For tax years beginning in 2010 through 2013, the credit is generally 35% (50% for tax years beginning after 2013) of the employer's nonelective contributions toward the employees' health insurance premiums. The credit phases out as firm-size and average wages increase. Tax-exempt small businesses meeting these requirements are eligible for payroll tax credits of up to 25% for tax years beginning in 2010, 2011, 2012, or 2013 (35% in tax years beginning after 2013) of the employer's nonelective contributions toward the employees' health insurance premiums.

## Special rules

The employer is entitled to an ordinary and necessary business expense deduction equal to the amount of the employer contribution minus the dollar amount of the credit. Self-employed individuals, including partners and sole proprietors, 2% shareholders of an S corporation, and five percent owners of the employer are not treated as employees for purposes of this credit.

The calculation for the credit may seem complicated and a lot of information to gather in order to see if your organization qualifies, but it is worth the time to investigate if you think your organization may qualify for the credit.

Tax changes after 2011 will include reporting the cost of health coverage on employee W-2s, and new 1099 reporting requirements for payments made to corporations and other entities. Both of these changes will occur in 2012. Increased Medicare taxes to high income taxpayers, and limits on medical expense deductions and Health Savings Accounts will be introduced in 2013. The individual coverage mandate and premium assistance to low income taxpayers begin in 2014. The Cadillac Plan tax to insurance companies and self-insured employers starts in 2018. Each year, the Affordable Care Act will change the tax environment for both employers and employees, and so will require ongoing careful attention to its requirements as they are rolled out.

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# Fees, taxes, exchanges part of the law

On March 23, employers across the U.S. reacted to the health care reform bill, the Patient Protection and Affordable Care Act, signed into law by President Obama.



The goal of the bill is to ensure affordable access to health care insurance for all Americans. The legislation, coupled with the Health Care and Education Reconciliation Act of 2010, will have tremendous impacts on employers, human resource managers, employees, families and individuals.

Here are a few of the bill's major highlights and complexities employers will be facing in the coming years.

## Expanded insurance coverage

In 2010, the law provided improvements in access to health care coverage. Provisions include:

- Extended coverage for young adult dependents up to age 26
- Access to an extensive list of preventive benefits at no cost
- Establishment of a temporary high risk insurance pool program to grant access to insurance for uninsured individuals with pre-existing conditions
- Accessibility to affordable coverage options
- Reinsurance for early retirees

## Health insurance reform

The new law imposes requirements on health insurance issuers to reform certain insurance practices and improve available coverage. Some health care reform measures have already been enacted, ranging from eliminating pre-existing



**Jim Bulotti Jr.**  
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condition exclusions for children, to removing lifetime coverage limits and extending coverage with annual benefit limitations.

Health plan administration

In addition to administrative changes required by coverage improvements, employers and health plans will be subject to increased administrative duties. Items that will be enacted include an improved appeals process for coverage determinations and claims, and fully-insured group health plans must satisfy nondiscrimination rules regarding eligibility to participate in the plan and eligibility for benefits. These rules prohibit discrimination in favor of highly-compensated individuals. Employers are also required to send model notices of material changes to all employees prior to plan renewals.

Health plan administration mandates will increase and issuers offering group or individual health insurance coverage must annually report on the share of premium dollars spent

on health care and provide consumer rebates for excessive medical loss ratios.

Employers will also be requested to disclose the value of the health coverage provided to each employee on their annual Form W-2. Slated for 2011, this part of the bill has already changed. On November 15, 2010, the Department of Health and Human Services delayed this rule until 2012.

## Fees and taxes

With a total estimated cost of over \$900 billion, reform of the nation's health care system comes with substantial additional costs and fees, many of which will be borne by employers. Beginning in 2013, several new payroll and individual taxes will be implemented. One which will affect many group insurance programs at the beginning of 2011 is the inability to pre-tax over-the-counter medications and limiting the amount of contributions to health FSAs to \$2,500 per year, indexed by CPI for subsequent years.

## Coverage mandates

January 1, 2014 is a game-changing day for employers, employees and individuals. Employee and employer mandates, health insurance exchanges and reform measures will be more extensively implemented at that time. Most individuals will be required to obtain acceptable health insurance coverage or pay a penalty of up to 2.5% of income.

Although there is no clear mandate for employers of any size to purchase insurance on behalf of their employees, mandates will affect employers with 50 or more employees more significantly than those with fewer than 50 employees. For example, employers with 50 or more employees that do not offer coverage to their employees will be subject to penalties if one employee receives a government subsidy for health coverage.

Employers with 50 or more that are purchasing on behalf of employees may also be subject to fines, depending on the level of coverage and the contributions toward premiums paid by their employees.

## Health insurance exchanges

The health care reform legislation provides for health insurance exchanges to be established in each state by 2014. Individuals and small employers will have access to a set group of health plans offered by participating insurers with tax subsidies offered to qualified participants.

## Act now!

Now is the time to work with your insurance broker to ensure your organization is planning for the shifts created by health care reform. The bill is comprehensive in scope, yet complex, creating the need for a well-planned road map for businesses.

## Health Care Reform

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# Healthcare reform roadmap for employers

*Navigating the myriad changes in healthcare can be daunting for employers, and even more so for employees*



Though many of the changes that come with the passage of the Patient Protection and Affordable Care Act of 2010 (PPACA) are not set to occur until 2014, there are immediate ramifications for employers.

"We understand the frustrations business owners are experiencing with the new legislation. We are here to help," said Western Health Advantage President and CEO Garry Maisel. The following are some changes employers should be aware of over the next four years:

## Now

Small businesses (an employer with up to 25 employees and average wages of less than \$50,000) can get tax credits of up to 35 percent of the cost of providing health insurance. "Talk with your CPA and tax advisors now to take advantage of this financial benefit in the 2010 tax year," suggested WHA Chief Financial Officer Rita Ruecker.

Young adults are now able to stay on their parents' insurance until age 26. About 1.3 million young Californians can benefit from this expansion. Make sure to point out the change during your organization's open enrollment period.

Preventive care services now at no cost to the patient. WHA Chief Medical Officer Dr. Don Hufford explained, "We recognized the immediate value of no-cost preventive care for our members so we made our entire membership eligible for this benefit on the first possible implementation date." All Western Health



**Garry Maisel**  
President and CEO



with pre-existing illnesses. California's guaranteed coverage laws — for employers with less than 50 employees — already preclude many of our state's employees from this worry.

## Next Four Years

**2011:** Employers will be required to start reporting on W-2 forms the value of health insurance premiums paid for each employee, including both the employee and employer's share of the premium. These amounts are not taxable.

Flexible Spending Accounts (FSAs) and Health Savings Accounts (HSAs) will only

Advantage members were eligible for this change on October 1, 2010, while other health plans tied effective dates to the annual renewal process, resulting in some employees having to wait until late 2011 for this new benefit.

Insurance companies can no longer drop individual coverage if a serious condition develops and they're no longer able to deny coverage to children

**With access to the right information, and consultation with a licensed health broker, business owners can make strategic decisions that will positively affect the bottom line and bring valuable benefits to local employees.**

allow reimbursement for prescription drugs, not over-the-counter medications.

**2013:** Additional Medicare taxes will be imposed on individuals making more than \$200,000 per year and couples making more than \$250,000 annually.

The maximum contribution amount available for FSAs will be limited to \$2,500.

**2014:** It will be mandatory for every individual to have health insurance. Employers with more than 50 employees will be penalized for not offering coverage. The mandates and penalties will vary on a case-by-case basis.

Each state will implement healthcare exchanges where individuals and small businesses can buy health insurance as part of a

larger group for cost savings. Federal subsidies will be available for individuals in need. California was the first state to pass legislation outlining a post-reform Health Exchange. "One of the last official acts of out-going governor Arnold Schwarzenegger will be the naming of two members to the Health Exchange Governing Board," said WHA President Maisel. "These Board appointees will set the rules and structure of the Exchange." The Exchange will have four goals: expand coverage, improve quality, reduce costs and lessen the rate of cost growth, and contribute to the improvements in the health status of Californians. By creating a marketplace that has a level playing field for small businesses and individuals, there will be more competition among health insurance plans based on price, quality and service.

These changes in healthcare will have a wide-reaching impact on companies. With access to the right information, and consultation with a licensed health broker, business owners can make strategic decisions that will positively affect the bottom line and bring valuable benefits to local employees.

Western Health Advantage, the local health plan, is here to help during implementation of this new law. Visit [mywha.org/reform](http://mywha.org/reform) for more information and reference documents from which this article is based. You can also sign up online for our healthcare reform newsletter and stay connected to the latest reform information with links to our blog, Twitter and Facebook accounts.

## The local health plan that gives Griselda's Catering a full menu of options.

Western Health Advantage gets four stars from Griselda Barajas, owner of Griselda's Catering. Griselda says when it comes to her employees getting access to the doctors they need, there's simply no better plan.

Access is part of being a Western Health Advantage member. Western Health is the local health plan started by local health care providers — which is why it makes perfect sense our providers work together to give members access to over 500 different physicians and 1800 specialists.

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# Health Care Reform Summit Q&A

Four professional insiders provide answers to key questions regarding the new Health Care Reform law

Photos by Dennis McCoy



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**Darla A. Colson**  
Gilbert Associates, Inc.



**Jim Bulotti, Jr.**  
InterWest Insurance Services, Inc.



**Garry Maisel**  
Western Health Advantage

**Q:** In terms of the benefit packages, what conversations have there been about mental health benefits and how does that fit in? And a second question is on the cost containment side. Any discussion about tort reform as a cost containment measure in the future?

**John Arensmeyer:** I'll quickly address the second one, and somebody else may want to jump in, as well. The Secretary of Health and Human Services is going to be able to set up some sort of pilot programs around the country for different efforts to deal with tort reform, and there weren't any limits or anything placed in there. And I think the goal of some of the tort reform efforts is to start to standardize what are acceptable ways of dealing with certain conditions. And then if health providers do all of the things that are listed there, then there is a bubble presumption they're not going to be liable.

**Garry Maisel:** Regarding the definition of benefits, the federal government is working quickly to try to define those. What I hear is that as they price out everything they want in the plan, they're getting some big surprises on what the cost of that might be. But we expect guidance on that very soon. I will say that I have no doubt that mental health benefits will be in the Essential Health Benefit package. It's just a question of what the extent and the breadth of mental coverage will be, as it will be for other benefits. It's all about what's going to be defined as covered and essentially what is not.

**Q:** What's your prediction about what will happen to the premiums that individuals and small businesses may have to pay?

**Arensmeyer:** We're continuously

seeing premiums go up, and the major provisions in the law haven't kicked in. There are expectations; there is going to be downward pressure on costs. The exchange is going to create that because there is going to be more competition. There was a fair amount in the law about cost containment under Medicare, which supposedly drives some of the cost containment throughout the system, and there will be, again, pilot programs outside of Medicare where there will be incentives for people to control costs. But, I think, it's fair to say that the level of cost containment that all of us would have wanted in a comprehensive bill did not pass. I think it's politically extreme — there are people who said we should do the cost containment first because everybody agrees on it. When you have a bill pending, someone's ox is being gored; it's not so easy to get it done.

In fact, what we're seeing in Massachusetts, which ignored cost containment when they ... passed their expanded coverage portion of the bill, they're now being forced to deal with it. And I happen to believe that as you get everybody in the system, it increases the political pressure and the need to start to really address costs. Now, everyone is in the system in a somewhat more level playing field, and everyone is saying, "Oh my god, we have to deal with these costs." But having said that ... none of this stuff is easy. It's going to take probably at least 10 years to start to see significant costs wrung out of the underlying medical costs in the system.

**Maisel:** I think the goal is you're not going to see premiums go down. The goal is to try to bend the cost curve, have future increases less than what they would normally be. A couple caveats on that. Initially, I think costs are going to continue to go up, and we may see a little blip upward in 2014 for a couple of reasons. One is you're going to have a lot of people coming into the system that have pent-up health care needs because they

haven't been able to get insurance. And a big fear is that the young, healthy folks are going to rather pay the penalty. If you're 22 to 26 years old, they are going to do the calculation: If I buy insurance even though it's required, this is what I'm going to spend or I can pay the penalty. So the fear is that if there is an influx of unhealthy folks or folks needing care into the system and the healthy folks want to pay the penalty and stay out, initially that could cause an aberration or a jump in health care costs. And I think that's what happened in Massachusetts, initially. That has now changed. Initially, in the first few years, costs did go up, and now we see the cost curve bend a little bit.

**Jim Bulotti, Jr.:** I think that when we look at it philosophically ... it's hard to disagree with guaranteed access to insurance, preexisting condition clauses going away, taking off the caps on benefits making things unlimited. None of those things to me sound like they are less costly. They're greater benefits. We have to prepare to pay for those as a society if that's where we're going. And if that's where our priorities are going to be, we just have to accept that. Right now, whether we know it or not, we have a national health care system. Everybody has access to health care. So we're talking about health care reform, which is why ... the bill is called the Patient Protection Act. It's about providing people more access to insurance. So, right now, we still haven't mandated people to buy insurance. Right now everybody has access to health care. So your insurance policy is completely unrelated to health care, in my opinion. You can walk into the emergency room of any hospital and receive health care. So we have a national health care system. We don't have a who's-paying-for-it system. And in talking about the exchanges, I mean I run into it, I'm sure many of you employers do, too, the frustration that I have, it's a voluntary system now.

In our business, we have a little over

250 employees. We provide insurance to our staff. We do it on a voluntary basis as a part of our employee benefits package. So we've already chosen to do that as a way of running our business. We choose options we think are affordable for our employees, something we can budget for. But, ultimately, people still choose not to take insurance sometimes, depending on how much their contribution is. And depending on your industry, if you're offering to pay maybe 80 percent or 90 percent of the coverage, which is pretty rich in benefits — and I challenge any employee to try to purchase that same coverage on the outside market for 10 or 20 percent coming out of their payroll deduction pretax — and they still won't do it. So, if I'm an employer and I offer it to all of my employees, there's 100 employees and 30 or 40 of them say I don't want it if it's going to cost me 50, 60 bucks a month, I'd rather just take that cash and do something else with it, as the employer, I'm kind of guilt free. I've offered it. I'm going to retain an attractive employee, and I've probably saved four grand a year times 30. I think most employers are talking that responsibility. I just don't know. I'll have to see where these mandates, the subsidies will all have to be factored in, and we'll have to try to get more of an overall image that everybody has to take responsibility for their own health care costs.

**Q:** Are there going to be any provisions for preventative care, obesity reduction, smoking cessation, any kind of incentives for people promoting those types of programs? Or are we all going to be in the same pool and paying the same premiums as everyone else?

**Arensmeyer:** Starting I believe a month or two ago, I think it was September, plans



could no longer charge more for preventive programs.

**Maisel:** Right, and some preventive services, they're free, no longer co-pays.

**Arensmeyer:** And starting in 2011, there will be subsidies for small businesses to participate in wellness programs, to set up wellness programs. So there are provisions to encourage prevention and wellness in the system. I want to add one other thing on the costs. Right now, those who are not paying anything into the system and getting coverage in emergency rooms or elsewhere, we're all paying for that. It's the hidden tax. And, in fact, when it comes to the emergency rooms, we're paying for it the most expensive way possible, someone going in for the common cold into the emergency room. So, let's not kid ourselves, we are paying for everyone. And, yes, there's an effort made for those folks who are receiving benefits to either pay what they can afford or have the government subsidize it. So, again, I would agree we don't know for sure where costs are going to end up. There are a lot of forces coming from different angles, but I wanted to make sure we realize we're paying for all of the complimentary care that people are getting when they walk into the emergency room right now.

**Q: What are the pros and cons of the (California Health Benefits) Exchange versus the private insurance options? In other words, what incentives do I have to go with the Exchange versus private or vice versa?**

**Arensmeyer:** There will be a whole choice of plans on the Exchange. There will be one sort of web portal. It will be standardized. I think we still need to see the impact of this on choice, but the exchange will negotiate with all of the plans. So, basically the exchange will be providing the same buying power and economies of scale that a large corporation or CalPERS (California Public Employees' Retirement System) or federal government health plan does right now. So everyone, small businesses and individuals, will have the advantage of that. There are obviously things built into the law, too. You can only get subsidies through the Exchange. Employers getting the tax credit starting in 2014 have to go through the Exchange to get the small business tax credit. So if the Exchange is properly set up, there are these sort of transparencies and sort of bulk purchasing benefits built in, as well as the particular subsidy and tax credit benefits.

**Q: If I were like a medium or large employer without tax credit benefits, what would drive me into the private market as opposed to opting for exchange? Does it have more transparency or cost control? I don't really see. There's got to be something there that's got to make the decision.**

**Maisel:** First of all, if you're a very large employer, you won't qualify. Initially, it's 50 and fewer. They have the option of going to 100 and fewer I think in 2016 or 2018. It's 100 now. In the exchange, you can only get those four plans, the bronze, silver, gold, and platinum plans. So, if you want to customize

the benefit plan, if you don't like those benefit plans, and you want other benefit plans, the only way to get different plans is outside the exchange. So you may look at those and say I really don't want the gold, I don't want the platinum, but this plan here in the private market is selling a different benefits structure. And a lot of large employers will come to plans and say this is the benefit plan we want, can you sell it to us, and will customize plans just for that employer. That's one reason. While there is choice inside the Exchange, it's more of a choice of carriers perhaps than a choice of benefit plans because there's only going to be those four, and that's it. And everybody that's in the Exchange will sell those same four plans. They're going to look exactly the same.

**Q: I've read through various articles regarding the capacity of the medical community and the number of doctors available for the increase in patients by those that are uninsured are going to directly impact the system. I'm wondering what your comments might be in California or does that apply to other states? Are there enough doctors to take care of the uninsured that will become insured, and how will that impact all of us that are currently insured?**

**Maisel:** I could say there is an access problem. I think there will continue to be an access problem. We all know that folks graduating with primary-care medical degrees is way down. And so as of these folks come into the system nationally, access is going to be an issue, and it's not been addressed. So we'll just have to see where all of that goes.

**Arensmeyer:** They'll increase reimbursement rates in Medicare for the primary-care physicians, which is where the biggest access problem is today. So the law clearly needs to address it ... to increase the reimbursement rates to primary-care physicians and specialists.

**Maisel:** I mentioned there are about 1.5 million folks who are going to be in the Medi-Cal program. Medi-Cal is a real dicey program, and there are major access issues in Medi-Cal, and so there could be an issue for those folks on the Medi-Cal program. We'll just have to see where that goes.

**Q: I know nationally there has been a lot of discussion about increasing access to care with secondary providers like nurse practitioners, physicians' assistants. Is there any move in California that you know of that would try to maybe increase the scope of practice for those types of practitioners that maybe deal with this issue of less physicians available for primary care?**

**Maisel:** I don't know of any. I know that nurse practitioners and physicians' assistants are already used quite widely in the State of California. I don't know if that's nationally or not. But other than that, I don't

know of any new initiatives or legislation.

**Q: I'm just wondering what your predictions are for Medicare, changes in Medicare, and also the cost of Medicare supplemental insurance?**

**Maisel:** I know that Medicare is a program that's going to be undergoing a lot of change in the next few years, and I would think that perhaps they might tweak that with legislation in the future because that wasn't really addressed to a high degree in health care reform. So I think that there may be some future work on that, as there will be with quality. One of the criticisms of the reform legislation was it didn't speak to quality of care. So I think that there's going to be additional legislation over the next few years over that, as well.

**Arensmeyer:** Most of the focus in terms of care itself in the Reform Healthcare Act was around the Medicare program, which is where the government has the most influence to change. The assumption is the changes made in Medicare would bleed into the rest of the system. And there's definitely going to be a bending of the curve on Medicare costs, and, of course, there are some concerns that means rationing, et cetera. But there have been a lot of smart folks trying to figure out how to get the costs down and still keep care at an optimal level. And that's something that a lot of smart people in HSS are working on right now. And so ultimately, the ultimate cost of this bill, I should mention, according to the CBO (Congressional Budget Office), is actually going to be a deficit reducer by a small amount in the first 10 years, and by \$1.4 trillion in the second 10 years. So, there is definitely a goal to bend that cost, particularly starting with Medicare.

**Q: You had talked earlier about (Medi-Cal) is going to loosen the eligibility requirements. So considering that, logically how does that factor into the costs in the future?**

**Arensmeyer:** It's going up to 133 percent of federal poverty level. Everybody will be eligible for Medi-Cal, all Medicaid programs across the country.

**Q: What incentives do employers have to keep offering health care where they can pay the tax which is cheaper than to keep offering benefit plans? You just opt out and have all of their employees join the Exchange?**

**Arensmeyer:** Right. There is no obligation to offer health care, and X number of employers are doing it. And the biggest barrier, as we know, is cost of doing that. With the small exception of folks with over 50 employees, there will be no change in that.

The only issue will be employers will continue to make a judgment about costs and whether they want to keep offering it. So, really, there is a tax credit. There is an Exchange. There are all of these new things available, which presumably hopefully are going to have some beneficial impact. But at the end of the day, employers under 50, there is going to be no change if they decide

ultimately it's too expensive because costs are going up, they will continue to drop. There is no question that rates of coverage, certainly under 10 and even under 50 are going down, and if we don't get control of costs, that's going to continue. For those above 50, it's a very small percentage that don't offer right now. And, again, it comes down to, yes, they probably will make a judgment. But some who are not offering, will be perhaps prodded into offering based on the fact of the penalties. And, again, that will be a business decision. The law was set up to allow the employers to continue to make that business decision.

**Q: I had a quick question about the Cadillac tax and how it applies or starts beginning to apply to older employees. Once you get over 50 years old, their health insurance premiums tend to increase pretty dramatically. And as we get to 2014, that \$10,200 limit for Cadillac tax plans gets very close to what they're paying even on a large deductible health plan.**

**Darla Colson:** I think there are provisions to increase that amount and adjust it for inflation. So I think by 2018 that amount may be increased, but right now that's where it is set.

**Q: It was rumored that there would be no need for health insurance brokers after all of that legislation. Have you seen that?**

**Bulotti:** I didn't get the memo, sorry man. You know, that's a good question. I think that what I've been hearing from clients is actually kind of encouraging, quite the opposite. I think if whatever you do for a living is heavily legislated, there is always going to be some natural paranoia. But ultimately they've told me that given the complexity of it, our usefulness is going to grow three, fourfold. So it's going to be more involved. The more government gets in my business, the more I need you to help me get through that. So that's been encouraging. I think that if you've been an insurance broker, however, selling individual health policies or very small group insurance policies, primarily the under 10, and your whole role in that transaction has been just simply securing insurance and answering a phone call on occasion, your timeline is shortened actually, given this reform. But health care, in my mind, is just one portion of the employee benefits planning for a client. We do all sorts of other different insurance. I don't know that just the health care piece is going to be so insignificant where that changes our role that dramatically. But certainly, again, for individuals or small businesses where it's been a simple transaction, people may just simply go to the purchasing pool and sign up. They don't have to go through the requirements and the participation guidelines and the underwriting and so forth outside, so that could be an issue. I think you'll still be in business.