

## The Many Consequences of Healthcare Reform

*We are all covered in webinars and seminars on the Patient Protection and Affordable Care Act. I attended several in recent weeks and the most common answer to audience questions was “we don’t know yet”. True as that may be only months after passage, you will need to make key decisions soon. The details are beginning to paint some pictures for us. Consider these “big picture” predictions by medical industry observers as you think about the future of your group health plan:*

- Higher health care costs for employers and most patients well beyond the additional risk from new enrollees
- Better access for the previously uninsured with new access impediments for the insured
- More employers will convert employees to part-time to avoid mandates...
- ...but watch for regulations complicating the exclusion of part-time workers from plans (remember, the goal is 100% coverage)
- Much improved data collection and sharing; better use of evidence-based medicine
- Higher medical equipment and drug costs
- A rise in concierge medicine, private pay and direct reimbursement plans
- Breaches in security of electronic personal health data housed in the “cloud”
- Increased taxes from value added/national sales taxes and such
- More outcome-based payment schedules
- Penalties to hospitals for readmissions and hospital-acquired illnesses
- Increased financial stress at community hospitals
- “The end of self-insurance” in small and medium sized plans due to blunting or deleting its advantages over time
- Increased subsidization of Exchanges
- Eventual domination of Insurance Exchanges and Medicare; impractical to remain a “Grandfathered” plan under new rules
- Application of IRC Section 105(h) to non-grandfathered insured plans (discrimination testing and daily excise taxes) making it difficult to exclude categories of full-time employees
- Micro-networks of physicians providing deeper discounts and limited choices
- Fewer viable commercial domestic insurers over time; more medical tourism overseas
- Commoditization of health care and diminished professional status/pay for office-based physicians
- Greater use of mid-level practitioners such as PA’s and NP’s



### MY PREDICTION:

Reform is so big and far reaching that no one can accurately predict the end result. The literal language of a new law is never the last word. Regulators are working hard to add meat to the bones. Take this to the bank: your renewal and strategy meetings with plan advisors will be 50 to 80% different in coming years and include tax, penalty, network, employee household income, essential coverage and plan viability issues you have never confronted. I believe you can count on rules making it more attractive for some employers to pay the fine and turn a plan over to the Exchanges, and to make the single-payer option more attractive (or necessary) to the public in future years. An example is the rule just issued defining “Grandfathered Plans”, making it unlikely any plan can meet the standard for very long. Whether this is good or bad is less important than the effect on your own planning process. Will the Exchanges become viable alternatives accepted by employees as substitutes for legitimate, mainstream-employer plans? I believe we will eventually face bifurcated health care: one for most of us defined by the “essential coverage” rules and offered increasingly by Exchanges; and one for some of us defined by supplemental plans providing better access to physicians and non-baseline services.



### HOW TO PREPARE:

An important role for executives is to ensure a strategy for marketplace competitiveness into the future. Longer-term thinking will be rewarded.

*Begin seeking answers to these questions:*

- 1) Will employer-sponsored healthcare remain a key part of your total rewards plan into the future? What are the alternatives?
- 2) Is it worth the contortions to remain Grandfathered if you are likely to lose that status soon?
- 3) Will new supplemental benefits strategies, or even wage supplements in lieu of coverage, become your differentiator?
- 4) If predications of a de facto single-payer system come true in the medium-term, what is the best transition plan for your workplace?
- 5) Does your size affect your decision-making?
- 6) Is your benefits consultant up to the challenge of teaching you and considering all options and business needs?

**Put them to the test now and stay informed.**

*Credits: I am grateful to all the seminar speakers and area professionals for their help, including Todd Yates of HCW Benefits, Joel Daniel of Ogletree Deakins and Dr. David Marcinko. CAI’s 2010 Compensation and Benefits Conference is September 16-17 in Raleigh.*

Contact me directly if I can help you or your team.

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