IAA Legislative Ledger

February 21, 2013

Self-Funding Employee Benefits!

A True Success Story Within The Political Rhetoric.

If you haven't seen the New York Time article regarding how self-insurance is helping employers, take a moment to read it. http://nyti.ms/WRWasn

The article supports what many of you have known for years. Self-funded medical programs work very well. They provide a lower cost medical insurance delivery system, flexibility in plan design, risk control and better customer service.

However, considering the current political climate we all need to keep our congressman well informed about the value of choice and stability especially through a Self-funded medical plan. Let me explain. There is a concern of government that smaller employers will not want to participate in the exchanges because of the higher cost and no flexibility of plan design. Although the President said employer's can keep their current medical plan, the political reality is they don't want the Exchange program to fail. So in addition to more scare tactics, they may try to convince the states to legislatively attack Stop-loss Insurance with restrictions of some type.

To compound the exchange participation concern, the government is also realizing many of the young uninsured will not participate in the exchanges because of the cost. As the law is written, it will be cheaper to buy insurance from the exchange when they need it. They will just pay the insignificant financial penalty in the meantime. (Remember, no pre-existing condition clause is allowed in the exchange products.) By the way, if you don't file a 1040, there is no vehicle for the government to collect the penalty.

Private Health Insurance Plans Continue To Do The Job!

Employers understand the value of Self-funding and the private employee benefit system. After the initial fear that employers might decide to junk their plans and dump their employees into the idyllic-sounding Exchanges, a higher and higher percent of employers declare their determination to keep their own plans. All of the surveys show this, and the loyalty goes up even when the administrative headaches (including ACA tax increases) of ACA become more and more known. For example, a recent survey of over 50 workers by the *Congressional Government Accountability Office (GAO)* originally predicted that 20% of employers were thinking of dumping their plans in the first year….now only 2% are thinking about it. Another recent survey that originally predicted 30% would drop now says 5%. Employers aren't stupid. Workers and dependents also know the truth. So, the people are with us. It is just those with agendas to make a questionable program work no matter what.

As we are learning, the ACA was not a well written law and the facts of the program are just beginning to be understood by

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consumers. Its survivability is in question unless significant changes are made. Here are some of the ACA programs that have already been tabled or have no way of being funded.

- CLASS (one of the largest intended money-makers for ACA) was recognized by all sides as unworkable and was dropped.
- CO-OP, which was the darling of the single-payer proponents to have ACA pave the way to single-payer, has been sputtering, and start-up money has been terminated.
- The Basic Health Plan (BHP) was to be the coverage vehicle for the working poor has been delayed until 2015.
- The much-heralded temporary coverage program for people with pre-ex conditions has fewer than projected enrollees, but has had to stop taking enrollees almost a year early because of lack of funds.

Willis Capital Practice did a survey of 1,200 employers about their strategies and expectations for ACA compliance.

The results are:

- 61% of the employers say ACA has increased their expenses.
- 60% hope to avoid increases in spending
- Only 20% of respondents plan to adjust their other personnel costs, such as retirement, dental, vision, salaries and vacations.
- Of employers who have seen ACA cost increases, only 17% say it has been over 5%.
- 34% of employers say they will shift costs to employees.
- 39% of employers are voluntarily foregoing grandfather status in order to control plan design Co-pay and premiums. Last year, only 13% were willing to forego grandfather status.
- Most employers plan to play under the Pay or Play rules.

The hard truth is that ACA is going to cost more for every type of coverage (govt., individuals, employers, and insurance companies). So, we need to face it like the currently-rising gasoline prices.

The good news is that self-funding is expected to have smaller increases. The other cost impact of ACA is that the amount of administrative research, implementation and day-to-day work per client is doubling.

In closing, the NYT article also provides a perfect example of how a good concept that is succeeding is being portrayed as a bad thing because American workers and employers want to be in a customized self-funded plan instead of government-designed schemes. So, embrace this article, and discuss it with your colleagues, brokers, and Congressmen (who are home this week).

Enjoy the rest of your day and stay healthy!

Thank you,
Paul Kelly, President