

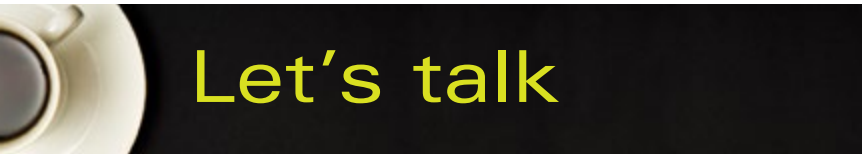


**BlueCross
BlueShield
of Kansas**



How Health Care Reform Affects Premiums and Coverage

As hundreds of provisions in the **Affordable Care Act** (health care reform) are implemented, you may be wondering which sections of the law affect your business the most. After all, the law contains at least 10,000 pages of rules and regulations.



Let's start by talking about how premiums are impacted. There are several new taxes and fees designed to finance expanded coverage and new programs to Americans. Ultimately, many of those costs end up being included in premiums. Additionally, new health care reform mandates

like *guaranteed coverage* and *rate structure requirements* add to health care costs.

We've outlined some of the key reasons why you and your employees are likely to see higher premiums.

New Fees & New Taxes

All of the fees and taxes below are applicable to fully insured plans and are to be paid by health insurance issuers, i.e., Blue Cross and Blue Shield of Kansas.

Fee	Description	Effective Date
Reinsurance Fee	<ul style="list-style-type: none"> To stabilize premiums in the individual market Fees are built into premiums An annual fee; designed to be in effect for three years 	2014 through 2016
Health Insurer Tax	<ul style="list-style-type: none"> An annual fee based on insurers' market share of net premiums Estimated impact to premiums is about 2% to 3% This is a permanent fee 	2014
Comparative Effectiveness	<ul style="list-style-type: none"> Established to fund research on the effectiveness of certain medical treatments and services 	2013 through Sept. 2019
Health Insurance Marketplace Fee	<ul style="list-style-type: none"> To pay for the Health Insurance Marketplace Monthly fee of 3.5% of premium This is likely a permanent fee 	2014

New Rating Structure

The method for determining rates for non-grandfathered plans has changed significantly under health care reform. While rates have previously been calculated based on health status, age and gender, the new rating structure does not include health status or gender.

This means you'll see many healthy groups and individuals pay more, and those who are sicker paying less.

Here's a brief overview of the **four** rating factors under health care reform:

- 1 Geographic location** – where a business is located within the Blue Cross and Blue Shield of Kansas service area. Blue Cross has established seven rating regions.
- 2 Age** – rates cannot vary by more than a 3-to-1 ratio for adults 21 years or older. *Example:* If a 35-year-old woman has a health plan with a \$250 premium, a 60-year-old man applying for the same health plan cannot be charged more than three times (\$750) the woman's rate.
- 3 Tobacco usage** – rates will increase for individuals who use tobacco, but cannot vary more than 1.5 times a non-tobacco user's rate.
- 4 Self-only or family enrollment** – rates will vary for whether coverage is for an individual or family.

Guaranteed Issue

Another provision expected to affect premiums involves guaranteed coverage. Everyone applying for health insurance must be accepted by the insurance issuer. *That means everyone – regardless of health status, age or gender.* Plans are also guaranteed renewability although there are still certain circumstances where the issuer may discontinue coverage.

Essential Health Benefits (for small groups and individuals)

Effective Jan. 2014, all health insurance plans must cover new mandated benefits (including maternity and newborn care) known as "essential health benefits." As a result, some Kansas small groups and individuals will be required to purchase plans that were more comprehensive and expensive than what they currently have.

Essential health benefits include the following services in these categories:

- Ambulatory patient services
- Maternity and newborn care
- Emergency services
- Mental health and substance use disorder services
- Hospitalization
- Rehabilitative and habilitative services
- Preventive and wellness care
- Prescription drugs
- Pediatric services (for ages 0 - 19)
- Laboratory services

What employers should know

- Review the grandfathered status of your current plan.
- Familiarize yourself with all the new taxes and fees that will impact premiums.
- Know how to determine the size of your business.
- Large group employers should review the “play or pay” employer mandate which is effective Jan. 1, 2015.
- Become familiar with penalties that are established for non-compliance of health care reform provisions.
- Small group employers should explore tax credits of up to 50% of employer-paid health and dental premiums.
- Small group employers should explore the availability of grants for wellness programs.
- Small group employers can use the Federal Small Business Health Options Program (SHOP) to offer coverage to their employees.

Resources

Blue Cross and Blue Shield of Kansas	bcbsks.com/hcr
Kaiser Family Foundation	kff.org/health-reform
Department of Labor	dol.gov/ebsa/healthreform
Kansas Insurance Dept.	ksinsurance.org
The Marketplace Website	healthcare.gov
The White House	whitehouse.gov/issues/health-care

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