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What You Need to Know about the "New Normal" for Health Care

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Context: Health care reform is setting the stage for transformation

Individuals

Individuals are required to purchase coverage or pay a penalty

States

States are creating HIXs to make coverage available (and affordable) to most

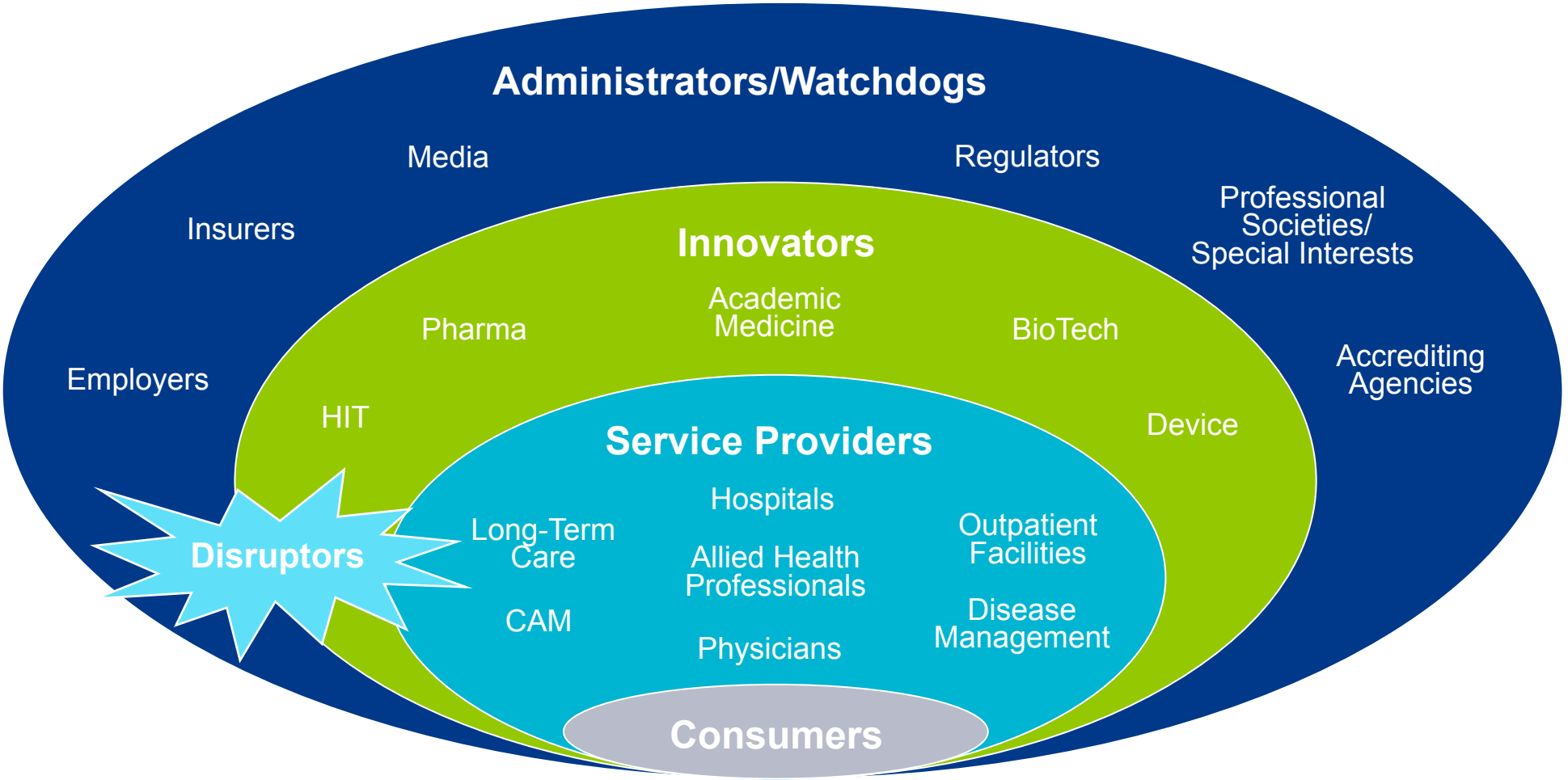
Employers

Employers are encouraged to offer employee health coverage

Each has a stake in new models and approaches to health care insurance

Context: U.S. health system is fragmented, expensive, complex, labor-intense, capital-intense, and highly regulated

Compound annual growth rate (CAGR) +7% per year, 17.9% of the U.S. gross domestic product (GDP), 7.8%* of household discretionary spending, 23% of federal budget



*2011 median income; includes health insurance, medical services, drugs, medical supplies as defined by Bureau of Labor Statistics, Consumer Expenditure 2011

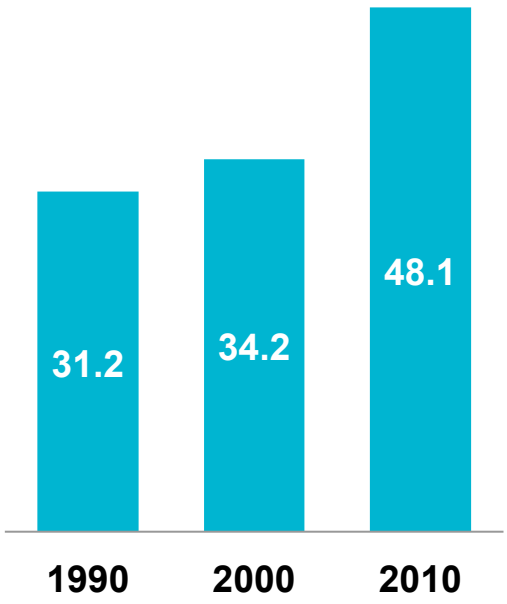
Sources: Centers for Medicare & Medicaid Services (CMS), Actuarial Studies, NHE Projections 2011-2021; Congressional Research Service, Mandatory Spending Since 1962; Bureau of Labor Statistics, 2012, http://www.bls.gov/news.release/cesan.nr0.htm

Context: three big challenges—access, cost, and quality

Access

The number of Americans without health insurance coverage is high and climbing higher.

Uninsured in the United States, 1990–2010 (in millions)



Cost

The U.S. spends significantly more per capita on health care than other industrialized nations.

Health care spending per capita, 2010, comparison of OECD countries

Quality

Despite higher U.S. spending, our nation lags behind benchmark countries in measures of health care outcomes.

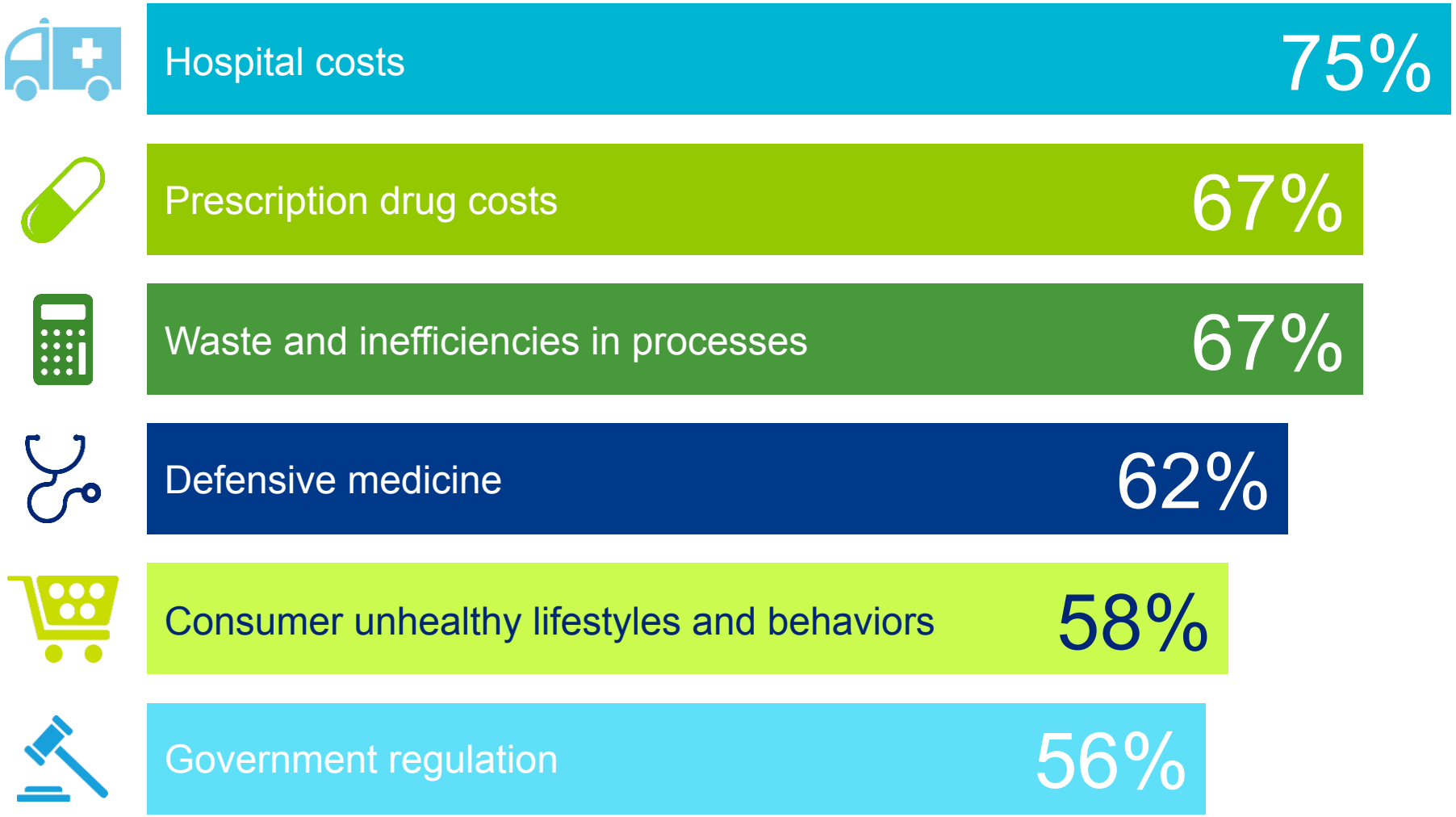
U.S. & OECD average comparison of key health indicators, 2010

	OECD Average	United States
Health care expenditure % of GDP*	9.5%	17.6%
Average life expectancy at birth	79.8	78.7
Public financing % of health care	72.2%	48.2%
Prevalence of obesity	22.2%	35.9%
Birth by Caesarean section, per 1,000	261	329

Sources: OECD; CMS, 2012

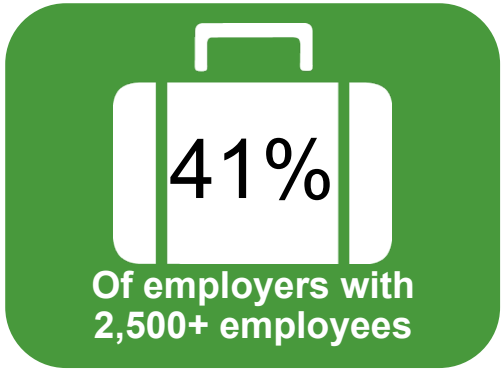
Context: cost is a major concern

Many employers believe that costs are too high and are being driven by…



Source: Deloitte Center for Health Solutions: 2013 Survey of Employers

Context: For an industry that consumes 17.9% of GDP, the system is overwhelmingly considered as underperforming by many employers



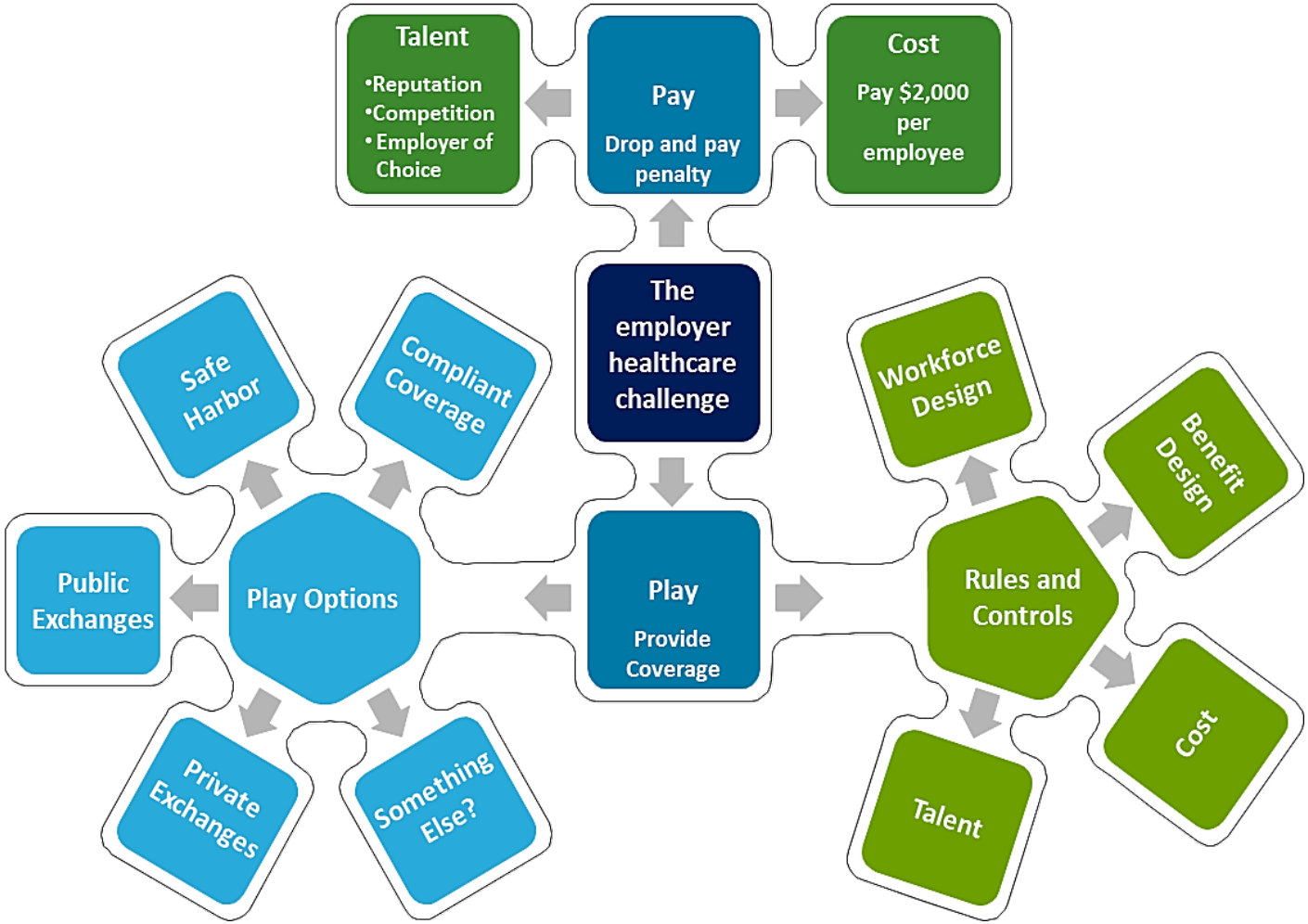
Source: Cuckler, Gigi A. *Health Affairs*, 2013: published ahead of print, September 18, 2013; Deloitte Center for Health Solutions: 2013 Survey of Employers

The Big Event

Rethinking employer health strategy

The Big Event? The opportunity to transform the employer/employee health care relationship.

"Pay or Play" The decision to exit sponsorship and "pay" a penalty tax or "play" by continuing to offer health benefits. Either decision comes with its own set of challenges and implications.



“Pay” – Penalties and Implications

There are two major “pay” (or penalty) considerations

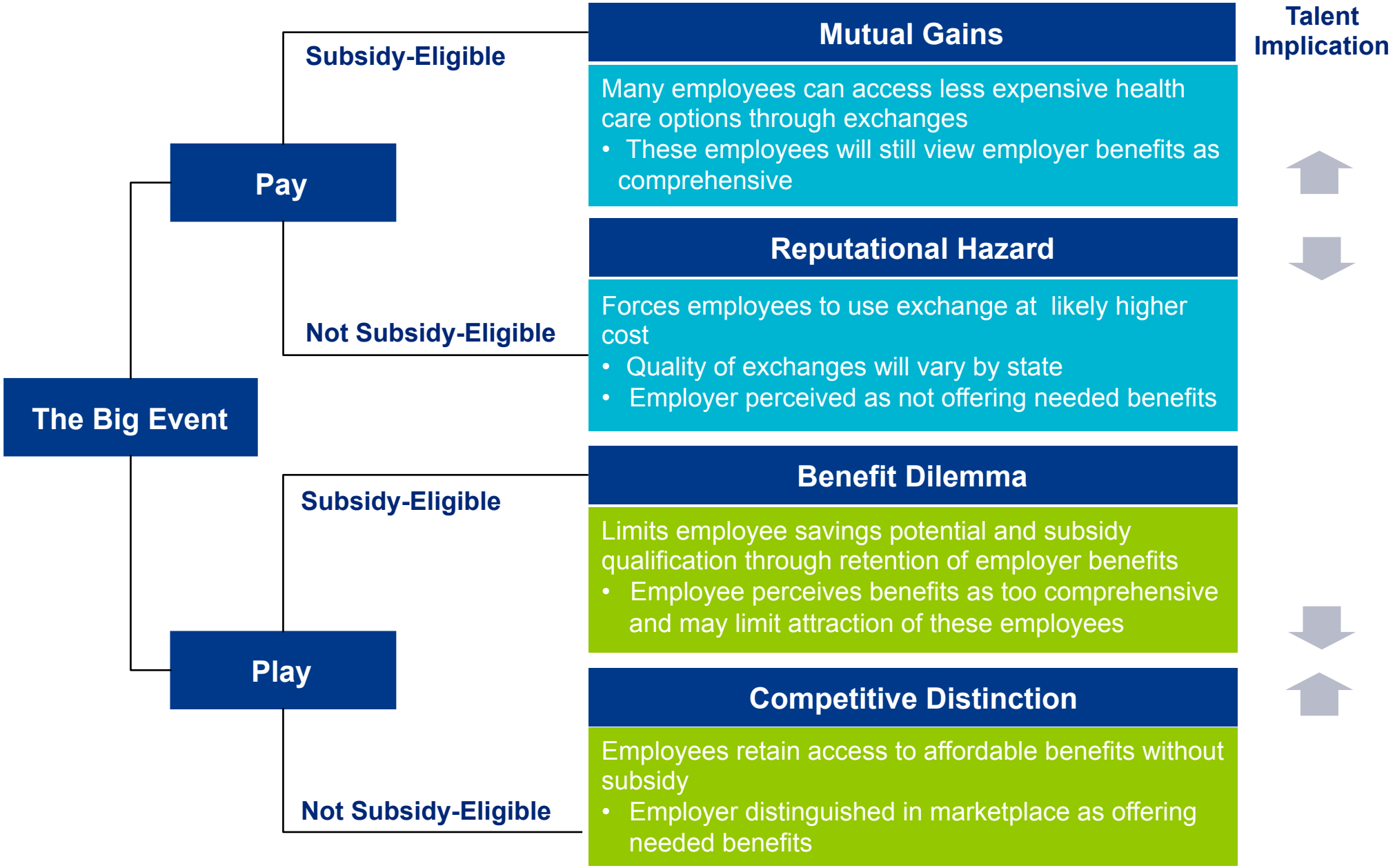
Effective 2015, employers with more than 50 employees are “encouraged” to offer coverage.

- If “minimum essential coverage” is not offered, and at least one full-time employee (FTE) receives a premium credit to buy health insurance through an Exchange, the employer must pay an annual fee of $2,000 per FTE (first 30 employees exempted).
- If “minimum essential coverage” is offered but at least one FTE declines employer coverage, elects coverage through an Exchange and receives a premium credit, the employer must pay a penalty which is the lesser of $3,000 annually for each employee receiving a premium credit or $2,000 annually for each FTE.
- If available, coverage must be offered to FTEs and their dependents. FTEs are those working an average of at least 30 hours per week in a month.
- Penalties are indexed.

Public exchange subsidies are determined by household income

Federal Poverty Level (2013)	133%	200%	400%
Single	$15,282	$22,980	$45,960
Family	$23,550	$47,100	$94,200
% of Premium Cap	2% of income	6.3% of income	9.5% of income
Reduced OOP	1/3 of HSA Max OOP	1/2 of HSA Max OOP	2/3 of HSA Max OOP

What will it mean to be an employer of choice in 2015 and beyond?



Strategic considerations for employers

Sample employer strategies

- Maintain the status quo
  - Potentially increase deductibles, copays, maximum out-of-pocket
- Increase cost sharing for dependent coverage
  - Potentially not covering working spouses
- Introduce tiered benefits (different benefits for different groups)
  - Varied for home office, field, hourly employees
- Offer coverage to part-time employees at 100% of premium cost
  - Triggering the $3,000 penalty for a portion of the affected group who might actually be working 30+ hours and obtain coverage through the exchange
- Implement a private exchange
- Introduce enhanced wellness, disease management, and care management programs
  - Longer-term effort to reduce potential high-value plan tax implications
- Drop coverage and pay the $2,000 penalty
  - Smaller organizations

Center for Health Solutions recent publications

Health reform memos

This weekly series explores breaking news and developments in the U.S. health care industry, examines key issues facing life sciences and health care companies, and provides updates and insights on policy, regulatory, and legislative changes. Subscribe to the memo at www.deloitte.com/us/healthmemos/subscribe.

Networked medical device cybersecurity and patient safety: Perspectives of health care information cybersecurity executives

Health care information cybersecurity executives discuss their challenges, activities, and thoughts about networked medical device governance, risk management, and cybersecurity. www.deloitte.com/us/securemeddevice

Will they come? Consumers and health insurance exchanges: Awareness, preferences, and concerns

Deloitte's 2013 consumer survey reveals a lack of awareness around health insurance exchange (HIX) details and worries about cost. Engaging and informing consumers can help convert interest into enrollment. www.deloitte.com/us/consumerhixreadiness

Physician-hospital employment: This time it's different

Hospitals have been employing physicians at increasing rates, driven mainly by broader health care system transformation. Earlier waves of physician-hospital consolidation ended, for many, with divesture. This time hospitals cannot afford to fail. www.deloitte.com/us/physicianhospitalemployment

Health Insurance Exchanges: Individual market competition

Health Insurance Exchanges: Individual market competition provides a summary of the number of medical carriers we're likely to see competing in states' individual markets in 2014; a breakdown of state-based, state-partnership, and federally facilitated exchanges; and fast facts specific to the federally facilitated exchanges. www.deloitte.com/us/hixmarkets

2013 Survey of U.S. Physicians: Perspectives about health care reform and the future of the medical profession

The Deloitte 2013 Survey of U.S. Physicians presents key findings on physician perspectives about health care reform and the future of the medical profession. DCHS offers two reports: "2013 Survey of U.S. Physicians: Perspectives of health care reform and the future of the medical" and "Physician adoption of health information technology: Implications for medical practice leads and business partners." www.deloitte.com/us/2013physiciansurvey

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