First the Election, Now the First 100 Days: Potential Business Impact for 2017 and Beyond

March 29, 2017
The Moving Target

The Past, Present and Future of the ACA

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The Past...
ACA Timeline

July 2009
Pelosi introduces HR 3962

August 25, 2009
Senator Ted Kennedy passes away – Dems lose super majority

January 2010
Scott Brown (R) is elected to replace Sen. Kennedy

March 11, 2010
Dems decide to use budget reconciliation to get bill through Senate

January 2011
Florida Judge rules that elements of the ACA are unconstitutional

March 14, 2015
SCOTUS hears King v Burwell

March 6, 2014
Fed government extends grace period for non-grandfathered health plans

October 1, 2013
Healthcare.gov goes live then shuts down due to technical problems

July 2, 2013
White House delays employer requirements for one year

June 28, 2012
SCOTUS upholds major provisions of ACA

June 25, 2015
SCOTUS rules 6-3 in favor of Burwell

May 12, 2016
ACA Cost sharing reduction ruled subject to appropriation

May 2016
Ruling placed on hold pending appeal

November 8, 2017
Trump elected 45th POTUS with anti-ACA campaign

January 20, 2017
Trump sworn in and signs executive order

March 24, 2017
Speaker Ryan pulls AHCA because GOP doesn’t have votes to pass in House

March 6, 2017
American Health Care Act (AHCA) introduced to House
Major Coverage Provisions – Prior to 2013

- Small employer tax credit
- Dependent coverage up to age 26
- No lifetime limits/restrictions on annual limits
- No rescissions
- No pre-existing condition exclusions for children
- No cost-sharing for preventive care services (non-GF plans)
- Appeals process changes (non-GF plans)
- No reimbursement for OTC medicine or drugs (without a prescription)
- Medical loss ratio rules
- Form W-2 reporting
Major Coverage Provisions – 2013

- Uniform Summary of Benefits and Coverage (SBC) requirement
- No cost-sharing for preventive care services for women
- Increased Medicare tax
- Health FSA contribution limits
- Whistleblower protections
- Patient-Centered Outcomes Research Institute Fees (PCORI) Fees
- Notice of Exchange

- Individual shared responsibility provision (individual mandate)
- Health insurance Exchanges
- Exchange premium assistance
- Limits on out-of-pocket expenses and cost-sharing
- Waiting period limitation
- Restriction on annual limits for essential health benefits
- Prohibition on pre-existing condition exclusions
- Essential health benefits requirement and premium rating restrictions in the small group market
- Wellness program changes
- Reinsurance fees
Major Coverage Provisions – 2015

- Employer shared responsibility provision (employer mandate or pay or play rules)

- Health plan reporting requirements under Section 6055 and Section 6056
The Present...
Who is Covered?

- Approximately 12 million enrolled in Marketplace for 2017
  - 9.2 million in Healthcare.gov states (500K decrease)
  - 2.8 million in other states
- 8 out of 10 qualify for a subsidy in Marketplace
- Approximate increase in Medicaid recipients of 12 million in states that expanded.
- 2.3 million young adults added to parents employer policy
Who is Covered?

- 178 million currently covered through employer sponsored plans
- 20 million currently covered through the individual market (11 million in exchanges)
- 75 million currently covered through Medicaid and CHIP
- 56 million currently covered through Medicare
The Future…
What’s the Latest?
The Impact of Repeal

CBO Cost & Coverage Estimates – 03/13/17

• Net impact of bill would be a $150 (after amendments) billion reduction in the deficit over 10 years
• Total coverage costs will be reduced by 1.150 trillion over 10 years and tax revenues would be reduced by 999 billion over the same period
• Health insurance premiums would increase by 15-20% in 2018 and 2019 and then decline by 10% by 2026
The Impact of Repeal

CBO Cost & Coverage Estimates – 03/13/17

• 14 million more would be uninsured in 2018
• 24 million more would be uninsured by 2026
  • 14 million under Medicaid
  • 7 million under group coverage
  • 2 million under non-group coverage
  • 1 million under other coverage
American Health Care Act (An Autopsy)

• Three pronged approach
  • Reconciliation
  • Administrative changes (HHS)
  • Legislation
• House vote was expected week of 3/20
• Postponed twice and finally pulled
• Faced a difficult path in Senate
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American Health Care Act
(An Autopsy)

- March 6 – Bill released
- March 13 – CBO score
- March 20 – Initial amendment
- March 23 – Second Amendment
- March 24 – Floor debate / bill pulled

They were united in their resistance to the bill, but actually came from opposite ends of the ideological spectrum.
Ways & Means Bill
American Health Care Act

Sections 01-02 – Deals with the government recapturing subsidy overpayments and allows premium tax credits to be used to purchase “catastrophic” coverage.

Section 03 – Repeals the ACA premium tax credit/subsidies beginning in 2020

Section 04 – Repeals the ACA Small Business Tax Credits

Section 05 – Repeals the Individual Mandate by reducing the penalties to $0 for all months beginning after December 31, 2015.

Section 06 – Repeals the Employer Mandate by reducing the penalties to $0 for all months beginning after December 31, 2015.

Section 07 – Delays the effective date of the Cadillac Tax until January 1, 2026
**American Health Care Act**

**Section 08** – Allows OTC medications to be purchased through HSA, FSA, HRA and Archer MSA accounts effective in 2017.

**Section 09** – Returns penalty for distribution of HSA or Archer MSA dollars for non-qualified expenses to pre-ACA levels in 2017

**Section 10** – Eliminates the $2500 (it has been increased to $2600) limit on medical FSA accounts effective in 2017

**Section 11** – Repeal of Medical Device Excise Tax in 2017

**Section 12** – Reinstates employer deduction for offering retiree drug coverage

**Section 13** – Repeals the increase threshold for medical expense deduction, returning it to 7.5% (5.8%)

**Section 14** – Repeals the 0.9% Medicare Hospital Insurance surtax
Section 15 – Creates new refundable tax credits for individuals who don’t have access to employer or government based insurance

Section 16 – Increases the amount that can be contributed to an HSA to $6,550 for single and $13,100 for family beginning in 2017

Section 17 – Allows both spouses to make HSA catch-up contributions to HSA in 2017

Section 18 – Allows certain medical expenses incurred before the HSA was established to be reimbursed if HSA is established with 60 days of HDHP effective date.

Subtitle:
Section 01 – Repeal of 10% tanning tax
Section 01 – Repeal of 3.8% investment tax
Section 01 – Remuneration from certain insurers allowing deduction of certain expenses paid to an officer
Section 01 – Repeal of Tax on Pharmaceutical Manufacturers
Section 02 – Repeal of Health Insurance Tax
Energy and Commerce Bill
Section 101 – Repeals the Prevention and Public Health Fund

Section 102 – Increases funding for the Community Health Center Fund

Section 103 – One-year freeze on Planned Parenthood funding

Sections 111 – 121 – All deal with Medicaid restructuring

Section 131 – Repeals the ACA Cost Sharing subsidy in 2020

Section 132 – Establishes the Patient and State Stability Fund

Section 133 – Establishes a continuous health insurance coverage incentive in the individual and small group market of 30% increased premium if someone has anything more than a 63-day gap in coverage beginning in 2018
Section 134 – Eliminates the “metal tier” (i.e. platinum, gold, silver, bronze) actuarial value requirements

Section 135 – Changes the age variation allowance in premium rates from 3-1 to 5-1.
Initial Amendments added:
- Block grants for medicaid
- Work requirements for medicaid
- Acceleration of tax relief

Final Amendments added:
- Delayed Medicare Tax relief until 2022
- Added money to patient stability fund ($15 billion) for maternity and mental health
- Gave states control of essential health benefits
Things to Remember about the ACA…
• Medical Device Excise Tax comes back in 2018
• Health Insurer Tax comes back in 2018
• PCORI fees continue through 2019
• Cadillac Tax set to go into effect in 2020
• All existing reporting requirements stand
• All existing notice requirements stand
• Must continue to offer coverage to those averaging more than 30-hours per week or face penalty
• Nondiscrimination for fully insured plans TBD
What we will be working on…

- Simplified reporting
- Full repeal of Cadillac Tax
- Modifications to 30-hour rule
Looking Ahead
Thank You!
MOVING INTO A NEW ERA

Mekael Teshome
Economist

March 29, 2017
A FEW WEIGHTS SLOWED MOMENTUM IN 2016

Economy in 2016

- Oil and gas
- Strong dollar
- Manufacturing inventories
REGIONAL ECONOMY VOLATILE BUT STILL ADVANCING

Private payroll employment, 3 mo. moving average, % change year ago

Source: Bureau of Labor Statistics
U.S. ECONOMY BOUNCING BACK FROM AN EXTENDED DECELERATION

Potential real GDP growth rate: 2.0% – 2.5%
Full employment: 4.5% - 5.0%

Sources: Bureau of Labor Statistics; Bureau of Economic Analysis; The PNC Financial Services Group
BETTER ECONOMIC BALANCE UNDERPINS FAVORABLE OUTLOOK

SUSTAINED ECONOMIC GROWTH

Better Consumer Finances
Housing Recovery
Low Banking Risk
“Great Delay” unwinding
SHORT RATES WILL RISE FASTER THAN LONG RATES

Sources: Federal Reserve; Freddie Mac; The PNC Financial Services Group
REGIONAL ECONOMY TO GAIN SOME MOMENTUM

Payroll employment, % change

- Nashville
- Charlotte MSA
- Atlanta
- Raleigh market
- Greensboro
- US
- Louisville-Lexington
- Southeast VA

Sources: Bureau of Labor Statistics; The PNC Financial Services Group
NC BUSINESSES ARE AMONG THE MOST POSITIVE

% optimistic about own company, Fall survey

Source: The PNC Financial Services Group
DIVERGENT MONETARY POLICIES COULD CAUSE TURBULENCE AND A STRONGER DOLLAR

Sources: Federal Reserve; Bank of Japan; European Central Bank
"TRIAL AND ERROR" POLICY-MAKING IS A KEY LONG-TERM RISK

Good Trump

Infrastructure
Taxes

Deficits
Trade
Immigration

Bad Trump
THANK YOU!

Q&A

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