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Firms warned of health-law hitches

BY TOBY MANTHEY

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LITTLE ROCK — Insurance experts Tuesday
warned employers that it will be difficult to maintain status quo on their health plans, and to expect higher costs under the nation's new health-care system.

On Monday, federal agencies, including the U.S. Department of Health and Human Services, issued rules to govern how companies with plans existing before March 23 can remain "grandfathered."

Company plans in place before the overhaul of health care in March don't have to comply with every new requirement of the new law, even though some mandates soon to take effect would apply.

But "it's going to be pretty tough for people to keep that grandfathered status," said Alex Ifrah, an attorney with the Friday, Eldredge & Clark law firm of Little Rock.

The federal government said Monday that its "midrange" estimate is that about 18 percent of large employers will lose that status next year, and 45 percent will have lost it in 2013. For small employers, the estimate is for 30 percent to lose the designation next year, rising to 66 percent in 2013.

The government's most severe estimate is that as many as 80 percent of small employers will have lost grandfathered status in 2013.

More than 100 employers, human-resource officials and health-policy experts gathered at the Capital Hotel in downtown Little Rock at a seminar held by Stephens Insurance LLC.

Employers' plans would lose the grandfather status in several ways, including significantly cutting benefits such as coverage for cystic fibrosis or AIDS. They also could lose the status if they raised co-payments by more than $5 or cut the percentage of premiums paid by the employer.

A company also would lose the status if it changed insurance carriers, Ifrah said.

Once the status is lost, an employer would have to add more benefits required by the law as they take effect, including covering the full cost of preventive services.

President Barack Obama promised that the law would allow Americans who like their health insurance to keep it.

The U.S. Department of Health and Human Services said in a release that the guidelines "make good" on the promise.

But Sen. Charles Grassley, R-Iowa, said in a release Monday that the rules are "just more proof that despite all of the promises made by the president and other supporters, you actually can't keep what you like under the new partisan health reform law. Change is coming for a lot of people, whether they want it or not."

Two things in the health law that may hurt some companies' bottom lines, particularly those who fund their own insurance plans, are a provision that allows dependents to remain on their parents' insurance until age 26, and one that bans lifetime coverage limits, said Marc Thompson, a senior vice president at Stephens Insurance.

Many companies that fund their own plans, for example, have "reinsurance" policies that cover an employee's bills once they reach high levels - $300,000, for example.

Thompson said the ban on lifetime limits could mean that the reinsurance companies may raise their deductibles.

“We think there is some exposure there” from the employer standpoint, Thompson said.

Also under the health law, employers won’t be able to make their workers pay more to cover adult children up to age 26 than they do for young children. But Thompson said that reinsurance companies may create higher deductibles for, as an example, a 25-year-old than for a younger dependent.

Tom Kane, also a senior vice president at Stephens, said that starting in 2011, over the-counter drugs will no longer be an eligible expense for Health Savings Accounts, Health Reimbursement Accounts or Flexible Spending Accounts unless they’re prescribed by a physician.

Brandy Ward, human-resources specialist for Easter Seals Arkansas, said the change in health-spending accounts would have immediate concern for her fellow workers.

“We have a lot of employees who rely on that,” Ward said.

Another audience member asked what the law’s biggest impact for health plans will be in 2014.

For companies with existing plans, Ifrah said a big challenge for employer plans in coming years will be competing with new “exchanges” to keep young people in their plans. Health-care exchanges have been described as a kind of Travelocity of insurance plans, a market where consumers can easily compare prices and plans of similar benefits.

Including more young people in a plan is generally considered important because they typically incur fewer health-related expenses than older populations.

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