



# Welcome Brokers and Consultants!



## ***Crisis: Healthcare Reform Waivers in Dispute***

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Insurance Group



# I. Introduction

## •• Webinar Agenda

### *Crisis: Healthcare Reform Waivers in Dispute*

- I. Introduction
- II. LBMPs Defined
- III. Uncertainty with Waiver Process
- IV. Potential Solutions for your Clients
- V. Q & A

**Anytime during the webinar, submit your typed questions via the GoToWebinar Questions tab.**

**\*\* The phone line is muted. \*\***

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# I. Introduction

## •• Webinar Disclaimer



The Patient Protection and Affordable Care Act (PPACA) became federal law in March 2010.

Insurance policies providing certain health insurance coverage issued or renewed on or after September 23, 2010 are required to comply with all applicable requirements of PPACA. Guidance provided by HHS and regulations to be developed may continue to alter the product landscape for limited-benefit medical plans.

This presentation is designed to provide an overview of the “waiver” components of healthcare reform which appear to have the most relevant impact on limited-benefit medical plans as it stands today – April 2011.

**This presentation is for informational purposes only. The views and opinions expressed herein are not intended to provide legal advice.**



# I. Introduction

## • Ternian Insurance Group

- **Founded by former executives of Starbridge (now CIGNA Voluntary)\***
  - Founders have voluntary/LBMP experience since 1989
  - Ternian formed in April 2007
- **Voluntary Benefits MGA/MGU**
  - Independent insurance broker: *A Broker's Broker*
  - National product distributor and administrator for multiple carrier partners
  - Design – Market – Administer – Manage: niche insurance programs and services
  - Limited-medical, supplemental and other voluntary benefits
  - Markets: Employer Group, Associations, Affinity, Individual Direct-to-Consumer
- **We Serve our Distribution Channel Partners of Brokers and Consultants**

\* Note: Ternian Insurance Group LLC, its founders, employees, products and/or services are not affiliated with CIGNA HealthCare, CIGNA Voluntary, Star HRG and any of its products and/or services in any way. CIGNA HealthCare, CIGNA Voluntary, Star HRG and Starbridge are registered trademarks of CIGNA Corporation - Philadelphia, PA.



# I. Introduction

## •• 4 Key Takeaways

1. Differences in 2 types of LBMPs
2. Issues surrounding the PPACA waiver process
3. Anticipated outcomes
4. Potential solutions for your clients



## II. Two Types of LBMPs Defined

### •• Group Health Plans

- Defined in prior federal legislation such as ERISA and COBRA and state legislation such as Small Group Reform
- More recent definition under HIPAA includes plans considered Creditable Coverage under HIPAA
- Subject to healthcare reform provisions
- Defines “excepted benefits” not considered a group health plan to include: accident, hospital indemnity and other indemnified benefits, specified disease, limited-scope coverage, offered on an independent, non-coordinated policies (see § 2791 of the Public Health Services Act).

### •• Limited-Benefit “Health” Plans

- Considered Creditable Coverage under HIPAA
- Falls under definition of Group Health Plan
- Subject to healthcare reform provisions
- Have applied for and received “Waivers” under PPACA

### •• Limited-Benefit “Indemnity” Plans

- Not considered Creditable Coverage under HIPAA
- Policy filings are primarily indemnity based including: accident, hospital indemnity and other indemnified benefits, specified disease, and independent, non-coordinated policies.
- Meets definition of excepted benefits do not fall under definition of Group Health Plan
- Policies are NOT to be subject to healthcare reform provisions

**It's all about  
how the policies  
are filed.**



## III. Uncertainty with Waiver Process

### • Mini-Med Waivers Defined \*

#### Annual Limits:

Annual limits do not have to meet the \$750,000 minimum in 2011.

#### Medical Loss Ratio:

Minimum medical loss ratios do not have to meet the 80-85% mandate in 2011.



The Secretary of Health and Human Services (HHS) is the sole entity that sets the guidelines and review process for the waivers. The current waivers were granted for one year (2011) and are subject to new guidance and review process for 2012.

***\* Remember: this is not applicable to indemnity LBMPs as excepted benefits!***



## III. Uncertainty with Waiver Process

### • What is causing the uncertainty?

#### Political Pressure

- Negative press on 1,000+ waivers granted.
- Associated with unions and political favoritism.
- No provision in law that gave HHS authority to grant waivers.

#### Annual Guidelines and Annual Review:

- HHS clearly states that waivers granted for 1 year – 2011.
- HHS guidance for Student LBMPs imposes waiver with \$250k annual limit.
- Timing of MLR guidance release was December 2010 for 2011.

#### Grandfathering Status:

- NAIC recommending change of carrier voids grandfather status.

#### Law Suits

- Constitutionality: Virginia. FL joined by 20 states.
- FOIA violation on access to public record of waivers.



## III. Uncertainty with Waiver Process

### • What are the anticipated outcomes?

#### Political Pressure

- Full audit of all waivers imposed on employers from budget passed.

#### Annual Guidelines and Annual Review:

- Annual limit waiver eliminated or changed from \$0 to \$250-500k.
- Loss ratio waiver eliminated or changed to 70-85%.
- Timing of guidance release? December again?



#### Grandfathering Status:

- Waivered carriers stop selling new business. Run-off mode. Service deteriorates.

#### Law Suits

- Supreme court will decide constitutionality of individual mandate of PPACA.



## IV. Potential Solutions for Your Clients



### Option 1 – Do Nothing and Hope for the Best

- Employers will be exposed to full audit of waiver process.
- Continue exposure to negative publicity as a waived employer.
- Wait for unpredictable and unknown timing of HHS guidance for 2012.
- Remain with carriers not committed to business.



### Option 2 – Discontinue LBMP Offering

- Bad PR and employee backlash for benefit takeaway.
- Reduce retention and recruiting efforts of employer.
- Competitive disadvantage against companies continuing LBMP offering.
- Not in the nature of HR professionals to worsen employee lives.



## IV. Potential Solutions for Your Clients

### Option 3 – Move to Indemnity LBMP...Now!



- Eliminate the hassles of the annual waiver process and audits.
- Remove exposure to negative publicity as a waived employer.
- No waiting for unpredictable/unknown timing of HHS guidance for 2012.
- Engage with carrier committed to business.
- Maintain competitive advantage with best-in-class LBMPs.
- Continue to better employees lives with LBMP coverage.

### How Ternian can help with an **EASY** transition:

- Best in class plans with \$10 doctor visits and prescription co-pays.
- Custom plan designs to match in-force premium rates.
- Rollover employee enrollment and communication strategy.
- Duplicate current EDI payroll file process for seamless transition.
- Offer an extended policy year rate guarantee (greater than 12 months) for mid-year move.



*Ternian plans now feature the PHCS Network!*





## V. Questions & Answers

**Submit your typed questions via the  
GoToWebinar Questions tab.**

**Ternian Insurance Group**  
*Your resource for LBMP expertise.*

To submit an RFP or obtain Ternian product information:

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