

# Financial impact of the Affordable Care Act

Health reform brings opportunities and challenges. UnitedHealthcare is actively engaged in the federal and state reform efforts – focused on supporting these changes while delivering innovative solutions and services. We are dedicated to providing our customers, channel partners and providers with tools and information to assist them in their implementation efforts.

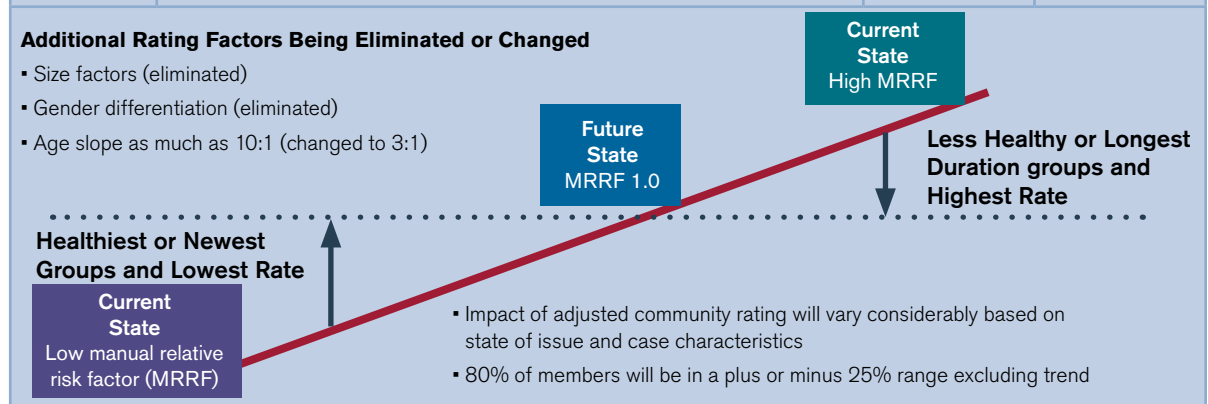
The Affordable Care Act became law on March 23, 2010. The government has since issued preliminary guidance for most provisions, but not all, and in some instances final regulatory guidance to aid in our implementation and analysis. While we're able to analyze the rules and guidance as currently issued, the potential impact won't be fully recognized until after all health reform regulations are finalized and implemented.

## Expected average medical claim impact estimates

The following grid outlines the financial impact of health reform on medical claims. Many of these increases have already been included in premium rates since previously effective ACA provisions applied to those rates. Others will be included in premium rates for future plan years once the provision goes into effect. The impact for preventive services, for example, was incorporated for most non-grandfathered plans into premium rates in 2010. Future government regulations and requirements may change the impact estimates.

The low and high financial impact estimates are based on a percentage of medical costs.

Provision	Description	Impact estimates on expected average medical claims	
		Low	High
<b>Adjusted Community Rating on or after Jan. 1, 2014</b>	<p>Restricts the use of rating factors. A state may further restrict the use of rating factors.</p> <p><b>Group size:</b> Individual and small group only</p> <p><b>Funding type:</b> Fully insured plans</p> <p><b>Grandfathered plans:</b> Not required</p> <p><b>Group rate factors limited to:</b> Family size (individual or family), geographic area, age (3:1 limit), tobacco use (1.5:1 limit)</p> <p><b>Prohibited factors include:</b> Gender, health status, claims history, medical underwriting, group size, industry</p>	<p>-25% of current rate</p> <p><b>Decreasing Impact:</b> Less healthy groups Older groups More young females Smaller groups Substandard industry</p>	<p>+25% of current rate</p> <p><b>Increasing Impact:</b> Healthier groups Younger groups Fewer young females Larger groups Preferred industries</p>



Provision	Description	Impact estimates on expected average medical claims	
		Low	High
<b>Annual Limits on or after Jan. 1, 2014</b>	Prohibits annual dollar limits on Essential Health Benefits beginning with plan year on or after Jan. 1, 2014. Restricted annual dollar limits had been allowed beginning 2010 until 2014. <b>Impact:</b> Will vary based on individual employer experience and benefit plan designs. <b>Group size:</b> Small and large group <b>Funding type:</b> Fully insured and self-funded plans	0.1%	0.7%
<b>Dependent (Adult Child) Coverage Sept. 23, 2010</b>	Plans providing dependent coverage required to cover adult children to age 26 for plans effective on or after Sept. 23, 2010. <b>Impact:</b> Most of the impact will result from an increased number of dependents. <b>Group size:</b> Small and large group <b>Funding type:</b> Fully insured and self-funded plans <b>Grandfathered plans:</b> May exclude adult children to age 26 if adult child is eligible to enroll in another employer-sponsored health plan (this option ends on the first plan year on or after Jan. 1, 2014).	0.4%	1.7%
<b>Essential Health Benefits Sept. 23, 2010</b>	Requires coverage for 10 mandated categories. Children's dental and vision and habilitative care are the only new categories typically not covered by UnitedHealthcare medical plans today. <b>Group size:</b> Individual and small group <b>Funding type:</b> Fully insured plans <b>Grandfathered plans:</b> Not required	Pediatric Dental 1.5% Pediatric Vision 0.1% Habilitative 0.0%	2.1% 0.3% 5.9%
<b>Lifetime Limits Sept. 23, 2010</b>	Prohibits lifetime limits on all benefits except for lifetime per-beneficiary limits that are <i>NOT</i> "Essential Health Benefits." Effective for plans beginning on or after Sept. 23, 2010, customer will have to remove the limit. <b>Impact:</b> Experience will vary by customer <b>Group size:</b> Small and large group <b>Funding type:</b> Fully insured and self-funded plans	0.1%	0.6%
<b>Preventive Care Services Sept. 23, 2010</b>	Non-grandfathered plans must cover preventive care without cost-sharing when received in the plan's network. The offsetting savings from preventive care will vary by customer based on the current activation level. Many plans already cover preventive care. <b>Impact:</b> Will range from no impact to substantial, depending on current plan design. For most fully insured groups, the impact is 1% or less. <b>Group size:</b> Small and large group <b>Funding type:</b> Fully insured and self-funded plans <b>Grandfathered plans:</b> Not required	0.0%	3.6%
<b>Expanded Women's Preventive Care Services On or after Aug. 1, 2012</b>	Non-grandfathered health plans must cover an expanded list of women's preventive care services without cost-share effective the first plan year beginning on or after Aug. 1, 2012, when received in the plan's network. <b>Impact:</b> Average financial impact is 0.32% for customers with both medical and pharmacy benefits. Actual impact may vary based on the group's demographics, coverage provisions, current and future cost-sharing provisions.	0.2% impact if applying religious employer exemption  0.32% is the average financial impact	0.7% impact if not currently covering contraceptives
<b>Pre-existing Conditions Sept. 23, 2010 for members under age 19. On or after Jan. 1, 2014 for other members</b>	Effective Sept. 23, 2010, pre-existing condition exclusions were generally prohibited for all members under age 19. Effective for plan/policy years beginning on or after Jan. 1, 2014, all pre-existing condition exclusions will have to be removed for all plans, with the exception of <i>individual</i> plans that are grandfathered plans. Employers should review 2011 experience in light of the first phase. Many customers do not impose pre-existing conditions on new employees or their dependents. Customers may effectively manage cost by monitoring claim trend, reviewing coverage options and family contribution strategies. <b>Impact:</b> Half of UnitedHealthcare customers will have a negligible impact from removing pre-existing condition limits with most other customers having less than 0.3% impact. <b>Group size:</b> Small and large group <b>Funding type:</b> Fully insured and self-funded plans <b>Grandfathered plans:</b> Required for group plans that are grandfathered. Not required for <i>individual</i> plans that are grandfathered.	0.1%	1.0%

Taxes and Fees		Impact estimates on expected average premium and cost of coverage
<b>Insurer Fee 2014</b>	<p>An annual, permanent fee on health insurance issuers beginning in 2014 to support Health Insurance Exchanges.</p> <p><b>Impact:</b> The amount is determined by the market share of the health insurance issuer. It is based on its net written health insurance premiums in the previous year, with certain exclusions. Estimated impact will vary by state based on the average per member per month in each state.</p> <p><b>Group size:</b> Individual and group (small and large)</p> <p><b>Funding type:</b> Fully insured plans only</p> <p><b>Grandfathered plans:</b> Required</p>	2.5% of premium
<b>Patient-centered Outcomes Research Institute (PCORI) Fee 2012-2019</b>	<p>Temporary fee that funds research that evaluates and compares health outcomes, clinical effectiveness, risks and benefits of medical treatments and services.</p> <p><b>Impact:</b> Nominal impact on premiums. For years ending on or after Oct. 1, 2012, and before Oct. 1, 2013 - the applicable dollar amount is \$1 per member per year. For years ending on or after Oct. 1, 2013, and before Oct. 1, 2014 - the applicable dollar amount is \$2 per member per year. For years ending in any fiscal year beginning on or after Oct. 1, 2014 - the applicable dollar amount is the prior fiscal year's dollar amount plus an adjustment for medical inflation.</p> <p><b>Group size:</b> Individual and group (small and large)</p> <p><b>Funding type:</b> Fully insured and self-funded plans</p> <p><b>Grandfathered plans:</b> Required</p>	<p>\$1 per member per year increasing to \$2 in the second year, and for years ending in any fiscal year beginning on or after Oct.1, 2014 - the applicable dollar amount is the prior fiscal year's dollar amount plus an adjustment for medical inflation</p>
<b>Transitional Reinsurance Fee 2014-2016</b>	<p>Funds the Reinsurance Program.</p> <p><b>Impact:</b> \$5.25 per member per month (fully insured; self-funded plans remain responsible for these direct payments)</p> <p><b>Group size:</b> Individual and group (small and large)</p> <p><b>Funding type:</b> Fully insured and self-funded plans</p> <p><b>Grandfathered plans:</b> Required</p>	About \$5 per member per month for the first year

*Estimates may vary based upon the existing plan design/limits on the impacted benefit categories.*

## Financial considerations based on benefit design

▶ **Maximum deductible of \$2,000** – Applies to small group only

- Impact 0 – 12 percent

Note: 65 percent of small group members now have a deductible less than \$2,000, so no impact.

▶ **Out-of-pocket maximum tied to health savings account (HSA) limit (\$6,350 in 2014)** – Applies to small group and large group<sup>1</sup>

- Impact 0 – 5 percent

Note: 95 percent of National Account members, and 90 percent of small group members are now below this out-of-pocket limit, so no material impact.

▶ **All cost-sharing applies to out-of-pocket maximum** – Applies to small group and large group

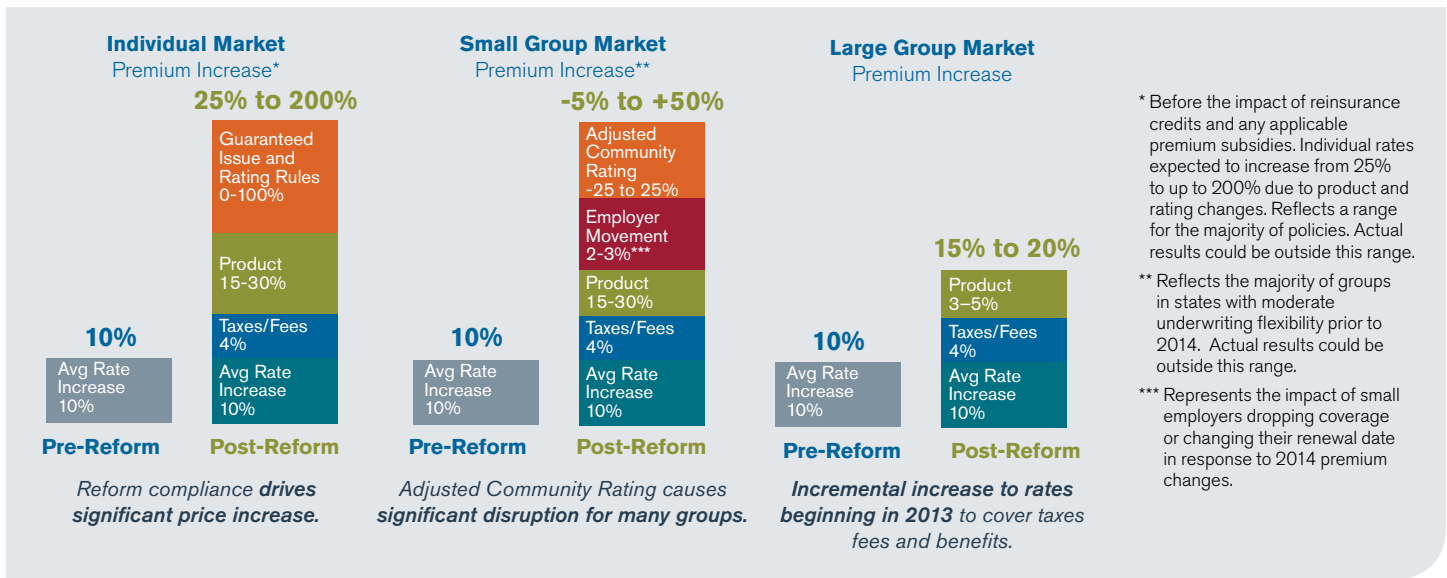
- Impact 0 – 5 percent

Maximum of range based on impact of changing from a \$5,000 deductible/80 percent coinsurance/\$10,000 out-of-pocket maximum plan with copayments for office visits, urgent care, emergency room, pharmacy. These ranges may be offset by other benefit plan design changes.

<sup>1</sup> Large group applies to both fully insured and self-funded customers.

## Estimated pricing impacts

Many consumers and employers will face substantial price increases



## For more information

Our commitment is to keep our customers, channel partners and other constituents informed as further information and guidance is published through the Department of Health and Human Services, Department of Labor, Internal Revenue Service and other government agencies. This communication is not intended, nor should it be construed, as legal or tax advice. Please contact a competent legal or tax professional for legal advice, tax treatment and restrictions. Contact your UnitedHealthcare representative with questions.

