



Business Administrators & Consultants, Inc.

with offices in:

Columbus and  
Cleveland, Ohio

Houston, Texas

Indianapolis, Indiana

DATE: March 25, 2010

TO: Friends of BAC

RE: How will Health Care Reform and Major Trends affect your Health Benefit Plan?

**BAC is in the process of reviewing the recently signed Health Care Reform Act as well as the proposed reconciliation bill. Although many exceptions exist for Self-Funded Plans we recognize that there will be changes that may impact your plan. Check back soon to see our analysis of how these 2 pieces of legislation will impact your plan. The document below written in November 2009 provides some good insights which are still important to consider for the coming year.**

## HEALTH CARE REFORM

In order to see any major health care reform bill this year, all of the Democrats in the House, the Senate, and the White House will have to agree to sing the same verse on the same page at exactly the same time. Is this likely? While you'll hear that they agree on 80% of the ObamaCare provisions, it's the other 20% that matter. Because the 20% for each interest group (Unions, Providers, Insurers, Employers, Right to Life, Seniors, Pharma, Anti-Deficit, etc.) is different and not easily subject to compromise. Right now there are 3 camps:

1. **ALL OR NOTHING:** These are the folks who want the public option or government run plan and include the Democratic leadership in the House and Senate and some in the White House.
2. **NOTHING AT ALL:** This camp includes the fiscal conservatives, almost all Republicans, most of the Blue Dog Democrats, and many who are up for reelection next year especially in those red states or districts.
3. **JUST PASS SOMETHING:** While the smallest of the 3 camps, it is growing and led by the White House who is desperate to declare victory on their key election promise of Health Care Reform. Accordingly, they would settle for a watered down bill that may not amount to much. However, the danger in such a bill would be the potential of 'poison pills' that could haunt us in later years.

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What does this mean for your health care plan? Now is the time to concentrate on the major trends that will affect your plan regardless of what the folks in Washington decide. Currently, the earliest any of the proposed bills would begin is 2013 and many of the reforms take an additional 5 years to come on line. The analogy of 'worrying about the big game, when we should be preparing for the next game' seems appropriate.

## MAJOR TRENDS

Where would we be today if we hadn't responded to the need for additional grade schools, then high schools, followed by more college dorms and classrooms when the Baby Boomers exploded through our educational systems? In 2 years the first of the Baby Boomers turns 65 and is eligible for Medicare. Does anyone really believe that the Boomers will demand less health care let alone stay even with current trends? Not only will the number of Boomers increase demand, these are the folks who demanded the best of everything from designer jeans to new homes with the latest appliances. The idea that we can magically make the cost of health care go down while at the same time near term demand is going to increase is illogical; unless medical care is rationed.

If demand is going up, what is happening to supply? The AMA says we currently have a physician shortage of 35,000 doctors. Worse, a big chunk of our current doctors, nurses and medical technicians are Boomers who want to retire while our schools are not graduating enough students to replace these losses. When demand exceeds supply we know that prices go up, but that is in a totally free (unregulated) market. Today about half of all medical spend is government controlled through Medicare and Medicaid. Each of these programs fixes the price paid to providers. Most private plans use PPR contracts to stave off the effects of provider price shifting. So if prices are somewhat resistant to increases what will happen? Exactly what we have already seen in Canada and England, longer and longer waits for treatment and care. In Massachusetts, a state which enacted a universal health care plan a couple of years ago, wait times have already doubled.

### **As an employer and sponsor of your health plan, how does this affect you?**

Without any health care reform legislation, expect the increase in demand to equate to more member utilization and the provider shortage to put pressure on increasing provider charges notwithstanding the PPOs. This increasing trend, possibly double digit, means your costs could be going up at an increasing rate. At the same time your employees and their families will be waiting longer for the care they need which will increase absenteeism and lower productivity. Should some form of health care reform pass, these trends will likely accelerate between now and 2013 because:

- Providers will increase pricing to maximize profits before wholesale government regulations and greater price fixing take hold.
- Insurers will also raise rates to increase profits for the same reason and be less willing to bid on marginal risks with no expectation of a long term return.

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- Plan members may choose to do elective procedures now as opposed to waiting for the uncertainty of new government restrictions.
- More providers may choose early retirement or other endeavors as Medicare cuts and other government oversight make it harder for them to practice.

## **CONCLUSION**

Inaction will certainly lead to greater health care costs for your plan and company. However, your active involvement in the strategic oversight of your plan can mitigate the affect of these increasing trends. For more information please ask a BAC representative for...

**BAC's Strategic Plan for Health Plans facing Health Care Reform and Increasing Trends.**