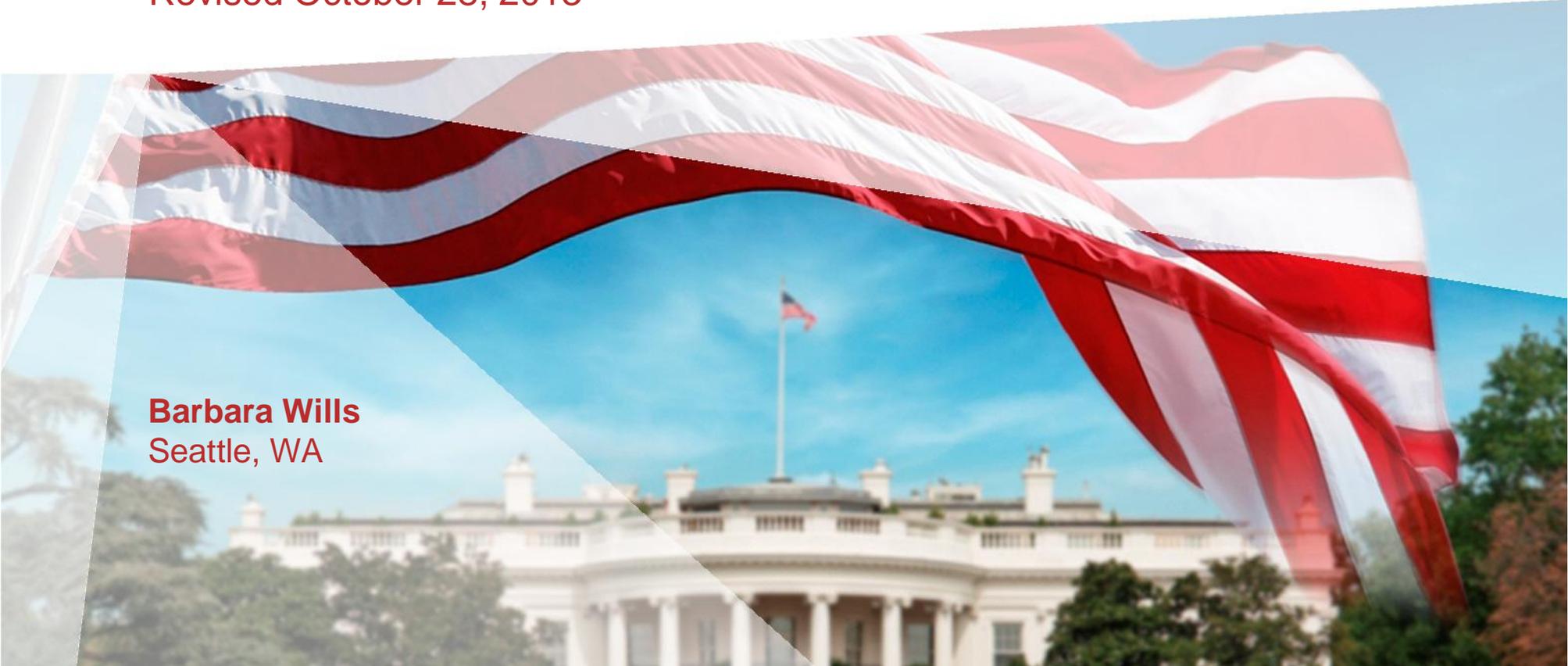


HEALTH CARE REFORM DENTAL AND VISION PLANS

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Health Care Reform Dental and Vision Plans Summary

- Standalone dental and vision plans are exempt from many aspects of health care reform.
 - Bundled plans will be subject to provisions such as: dependent coverage up to age 26, removal of lifetime and annual limits, individual mandate, automatic enrollment, elimination of preexisting condition limitations, and waiting period limits.
- Pediatric dental and vision coverage is included in essential benefits that will be offered by exchanges in 2014.
- Dental and vision vendors are planning on increasing insured premiums to account for the health insurer assessment fee.
- Self-funded plans **may** be considered part of the excise tax calculation.
- Employers may wish to evaluate their plan design and funding strategy.

Do Health Care Reform Regulations Apply? Dental and Vision (Limited Scope Benefit Plans)

Is the dental or vision plan considered a standalone plan?		
Test #1	Is the dental or vision plan <u>insured</u> under a separate policy?	Yes → The dental and vision plans are considered standalone
		No → Proceed to test #2 below
Test #2	Do employees make a separate election for dental or vision coverage <u>AND</u> make a contribution to the coverage cost?	Yes to <u>both</u> conditions → The dental and vision plans are considered standalone
		No to <u>either</u> condition → The dental and vision plans are not considered standalone and will be subject to HCR

What if the plan is NOT standalone? What are impacts of HCR?

Timing	Impact	Comments
Now	SBC Required	Plans may be out of compliance
	Comparative effectiveness fees (PCORI)	Must count people covered by the dental/vision plan but not the medical; if both plans are self-funded and share the same plan year, only need count person once
2014	Included in W-2 reporting	Requires updates to payroll
	Coverage offered to dependents to age 26	Many employers have already made this amendment
	No pre-existing conditions or waiting periods allowed	Could impact provisions such as missing tooth exclusions and waiting periods for major services on dental plans
	Pediatric dental and vision must be covered without annual or lifetime maximums	Pediatric is defined as up to age 19 and required benefits are determined by the state benchmark plan (generally either CHIP or FEDVIP)
	Reinsurance fee (estimated \$63 per-covered life) applies for individuals with major medical plan coverage	Fee doesn't apply for individuals covered under the dental or vision plan but not the medical plan (as presumably the aggregated plan coverage doesn't constitute major medical coverage)
	Pediatric dental and vision coverage factored into aggregate OOP maximum calculation; adult dental or vision may also be factored in if covered by plan's EHB benchmark	For 2014, can use a separate OOP maximum that does not exceed HCR limits For 2015, requires OOP integration of the dental/vision plan with the medical and Rx vendors
2018	Dental and vision plans are subject to excise tax calculation	Bundled plans will be included in the cost calculation for the excise tax

Self-funded Dental & Vision Benefits

Excepted benefits today

Self-funded dental/vision benefits are excepted benefits only if:

- Separate election.
- Separate employee payment.

The problem

Ban on annual dollar limits for pediatric dental/vision benefits.

Anticipated extension of excepted benefit status

Per Treasury official, relief coming but timing and scope unclear.

- Perhaps borrowing EAP **insignificant benefit** concept.
 - EAPs are excepted benefits if they don't provide significant benefits in the nature of medical care or treatment. Until more guidance, use reasonable good faith interpretation.
- May require opt out.
- Expected not to require separate payment.

Standalone Dental and Vision Plans Exempt From Many Aspects of Health Care Reform

- No requirement to cover **dependent children to age 26**.
 - However, many clients have expanded dependent eligibility anyway:
 - Common eligibility requirement for enrollment and administration.
 - Some carriers have expanded eligibility for dependents to age 26 as part of their “standard” offering.
- Coverage is not required as part of the **individual coverage mandate**.
- Design is not subject to the restrictions on **annual and lifetime maximums**.
- Insured plans not included in determining exposure to the **excise tax** in 2018 and beyond.
 - Self-funded plan guidance is not as clear, but more on that in a bit...

Direct Impact of Health Care Reform Dental and Vision Implications

- Pediatric dental and vision coverage is included in **essential benefits** that will be offered by exchanges in 2014.
- The **health insurer assessment fee** will apply to dental and vision carriers (insured plans only).
- Self-insured plans may be included in determining exposure to the **excise tax** in 2018 and beyond based on language in the legislation.
- Filed premium rates and rate increase requests for individual and small group standalone dental plans will be subject to oversight by HHS in conjunction with the states.

Direct Impact of Health Care Reform

Essential Health Benefits – Pediatric Dental and Vision

- Primary impact is for individuals and small groups (under 100 lives) whether they purchase benefits through the exchange or not:
 - Pediatric coverage is defined to age 19.
 - Benchmark plans generally based on CHIP or FEDVIP offerings.
 - Specific to dental:
 - Standalone dental plans are permitted on the exchange.
 - For plans offered within an exchange, medical plans do not need to provide dental benefits, provided consumers have a standalone option.
 - Plans offered outside the exchange must provide all EHB, including dental and vision.
- Implications to the dental industry could be significant:
 - 22.9 million children are currently covered under small group standalone dental plans.
 - NADP estimates that half of parents (11 million covered adults) may drop dental coverage if their children are covered under a medical plan.

Direct Impact of Health Care Reform

Health Insurance Assessment Fees

- Mercer's 2012 dental RFI results suggest that all dental vendors are planning on increasing insured premiums to account for the health insurer assessment:
 - Estimated impact in 2014 varies from 1–3% of premium, with the overwhelming majority estimating 2% in 2014.
 - Indications that fees could increase to as high as 3–4% of premium in later years.
- Vision vendors have also indicated that the fees will be built into insured rates beginning in 2014.
- Employers may wish to evaluate their funding strategy:
 - Addition of insurer fees to existing premium taxes and risk/margin charges further widens the gap in cost between self-funding and insurance.
 - ASO dental fees may increase as carriers look to replace lost revenue from clients migrating from insured plans to self funded.

Direct Impact of Health Care Reform

2018 Excise tax

- ACA regulations state the following are exempt from the excise tax calculation:
 - *“any coverage under a **separate policy, certificate, or contract of insurance** which provides benefits, substantially all of which are for treatment of the mouth (including any organ or structure within the mouth) or for treatment of the eye”*
- Taken literally, this language implies self-funded plans may be considered part of the excise tax calculation.
- We anticipate additional clarification from regulators as 2018 approaches.
- If HHS determines that self-insured plans are included in the calculation:
 - Some financial benefits associated with self-funded plans would diminish.
 - Employers may migrate to insured plans to avoid the excise tax.



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