Government Finance Officers Association

Healthcare and the ACA

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Agenda

I. GFOA Best Practices

II. ACA Repeal/Repeal and Replace

III. Affordable Care Act Excise Tax on High-Cost Plans

Health Care Best Practices

Communicating Health-Care Benefits to Employees and Retirees GFOA recommends that governments develop effective communication strategies that support their health-care benefit goals.

Strategic Health-Care Plan Design GFOA recommends that plan sponsors consider developing and formally adopting a long-term, strategic plan that includes guiding principles and key objectives for managing health-care costs and improving participant wellness.

Patient Protection and Affordable Care Act Compliance Recommends that state and local government employers that sponsor group health plans implement a process for reviewing federal health-care benefit requirements at least quarterly to ensure that they are aware of any newly issued or soon-to-be issued regulations.

OPEB Best Practices

Establishing and Administering an OPEB Trust GFOA recommends creating a qualified trust fund to prefund OPEB obligations. To ensure that the trust is established and administered properly, governments should consult qualified legal counsel and fully understand the issues contained within.

OPEB Governance and Administration GFOA recommends that sponsoring governments establish a clear, well-documented governance structure to guide governing bodies and plan administrators.

Ensuring Other Postemployment Benefits (OPEB) Sustainability GFOA recommends that governments ensure OPEB sustainability by evaluating key items specifically related to OPEB, including the structure of benefits offered, the associated benefit cost-drivers, and clear communication to stakeholders.

Sustainable Funding Practices for Defined Benefit Pensions and Other Postemployment Benefits (OPEB) GFOA recommends that government officials ensure that the costs of DB pensions and OPEB are properly measured and reported. Sustainability requires governments that sponsor or participate in DB pension plans, or that offer OPEB, to contribute the full amount of their actuarially determined contribution (ADC) each year.

Other Postemployment Benefits (OPEB) Bonds

ACA Repeal/Repeal and Replace

- Reconciliation for FY 2017 attempts end on September 30, 2017
  - Reconciliation prevents a filibuster and only requires a simple majority to pass
- House bill changed coverage and costs
- Senate unable to draw support

- Last ditch attempt – Graham-Cassidy

The Constitution assigns certain responsibilities to the federal government and reserves the balance to the states. When federal policies preempt the roles of state and local governments in areas of responsibility which legitimately belong to the states, they violate the principles of our federal system of government. Federal intervention in areas that rightfully belong to state and local governments cannot be condoned.

ACA Excise Tax on High-Cost Plans

GFOA Policy Statement on the 40% Excise Tax on Health Plan Premiums

GFOA is committed to working with federal policy makers to develop and support the health care reform initiatives in order to expand access to quality care and control the growth of health care costs. GFOA continues to support expanded health care coverage resulting from the Affordable Care Act and acknowledges that implementation of the policy requires adequate federal funding supporting its sustainability. However, GFOA opposes efforts by the federal government to impose unfunded mandates that will further escalate the cost of employer-provided health care insurance on state and local governments. In so doing, GFOA supports legislative efforts to repeal the 40% Excise Tax on Health Plan Premiums, as well as alternative approaches that would mitigate the effect of the excise tax on state and local governments.

The means for funding the implementation of the Affordable Care Act should preserve the authority of state and local governments to design and maintain health insurance arrangements that are tailored to the specific needs of the employers. These arrangements should:

(a) provide flexibility for the significant regional variations in health care costs;
(b) support initiatives to reduce the rising costs of healthcare in order to ensure adequate health care benefits to employees, including programs designed to mitigate total health care costs such as wellness programs, on-site medical clinics and tele-medicine; and
(c) be affordable, financially prudent, and meet the sponsor's workforce management goals.

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The tax is determined not only by the value of the medical plan but also the value of all affected health benefits elected by an employee or family.

So by all-in costs, we are talking about the total cost of the plan, and fsa, hsa as well as total costs for wellness clinics or onsite medical care distributed to the covered.

GFOA Policy Statement on the 40% Exise Tax on Health Plan Premiums

The non-deductible excise tax on employer-sponsored health coverage that provides "high-cost benefits," also known as the Cadillac tax, is a 40% excise tax on health plan premiums that cost more than $10,200 for individual plans and $27,500 for family coverage annually. The amounts are the total premiums, which is generally paid in part by the employer and in part by the employee, as well as employee contributions to health savings accounts or flexible spending accounts, which many state and local governments use to complement employee health benefits plans. Despite an age and gender adjustment for employers with higher percentages of older workers and women, there is no adjustment for regional differences in health spending, which tend to drive health-care costs. Although the tax would nominally be levied on insurers, governments are concerned that it would be passed on to employers and, ultimately, to workers in the form of more expensive health care.

This issue is vitally important to states and municipalities, which continue to work diligently within sometimes severe budget constraints to provide benefit plans that will help them attract and retain a quality workforce, in competition with private-sector wages and salaries.

In early 2015, the Congressional Budget Office (CBO) estimated that the Cadillac tax would generate $87 billion in revenue. Of this total, 25% would comprise revenue actually received from the excise tax, while the rest – approximately 75%, or $65 billion – would come from tax revenues on increased taxable wages. In other words, the federal government is assuming that employers will decrease benefits and increase wages simultaneously, an assumption that is further complicated in states that maintain collectively-bargained contracts. In either scenario, direct costs to local governments will rise.

Recent federal legislative and regulatory efforts seek to address the excise tax tied to the Patient Protection and Affordable Care Act that has many major U.S. employers considering the costs of compliance as the 2018 implementation date draws nearer.

Questions?