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Eye on 65 – Episode 8 Transcript

Nina	Welcome to Eye on 65, a podcast for public employers focused on retiree health care, episode eight, I'm Nina Krammer with Via Benefits by Willis Towers Watson, you may be wondering who I am and why you don't hear John Barkett's voice on today's show. If you'll remember back to this podcast's inaugural episode, Marianne described John as quote, the smartest guy in health care. And when you're the smartest guy in anything you are sure to be in high demand. And this is certainly true in John's case, John recently accepted a faculty position at the highly esteemed Johns Hopkins Bloomberg school of public health as a health policy scholar. And while I'm no health care or policy scholar, I have been in the healthcare space for close to 15 years. My background is in marketing and communications, and I've had the pleasure of working behind the scenes on several podcasts over the years, I was incredibly honored when Marianne invited me to join her on her podcast. And I'm so excited to be here with you today.
Marianne	Nina, thanks for agreeing to join me. And John, thank you so much for your immense contributions and I wish you well in your new endeavor. So Nina, I'm excited about today's episode, which will examine retiree healthcare for those not yet eligible for Medicare.
Nina	Me too! There are so many jobs where workers need to retire before they are eligible for Medicare. In fact, for some public safety personnel, retirement is mandated at an age earlier than 65. I understand today, you're going to share some exciting new information about how healthcare for pre-Medicare retirees just got more affordable. Why is that?
Marianne	Yes, Nina. This is really exciting news. So what we are talking about is the recent changes to the affordable care act brought about by the American rescue plan act or ARPA.
Nina	Wait, let’s stop you there. These are pre-Medicare plans for individuals and families available through the federal state or private exchanges, correct?
Marianne	That is correct. And the changes made to the ACA by the American rescue plan act or ARPA are really exciting as they will increase the amount of tax credits or subsidies for those already eligible. And we'll expand eligibility to those who earn more than 400% of the federal poverty level.
Nina	So Marianne, let me back you up again. Explain to our listeners for a moment, just how the subsidies or as they're also called perhaps more correctly advanced tax credits work.
Marianne	Sure. So when the affordable care act was first enacted in 2014, federal subsidies were made available in the form of an advanced tax credit applied directly to your premium payment for the plan you enroll in. The subsidies were available for people earning

between 100% and 400% of the federal poverty level. And the ACA said, these people should not pay more than 9.8% of their income towards health care.

Nina And if you made more than the 400% of the poverty limit or around $51,000 today for a single person, you did not qualify for the subsidy under the original act. Do I have that right?

Marianne Yeah. Nina, you do. That's correct. But now under the changes made by the American rescue plan act, ARPA, even people earning more than 400% of the poverty limit will be eligible for a subsidy from the federal government as the cap has been removed. And no one will have to pay more than 8.5% of their income towards the premium for a benchmark silver plan. That

Nina That sounds so significant. Could you give us an example?

Marianne Sure. So let's take a sixty-year-old in my state of Ohio with an income of $50,000. Under the original ACA provisions, he or she would pay $410 a month for a benchmark silver plan after the premium tax credit or subsidy was applied. Now under the new provisions with ARPA, their premium would be reduced to $354 a month. That's an annual savings of nearly $700. These savings are significant Nina.

Nina Yeah and if I'm following correctly, for those who earn more than 400% of the federal poverty level, the drop in their costs is pretty significant too.

Marianne It is. So let's again, take a sixty-year-old in Ohio, but this time with an income of 55,000. So above the 400% of the federal poverty limit. Under the original affordable care act provisions, he or she would pay $802 a month for the benchmark silver plan and would not be eligible for any subsidy, but under the new provisions with ARPA, their premium would be reduced to $390 a month. That's a 50% reduction because of the elimination of the cap. Their costs go from 17% of their income to 8.5% with the changes brought about by the ARPA

Nina That is significant. So how has the ACA marketplace changed over the past eight years since it has been in place? Have the prices gone up, down? Are there more, fewer plans available?

Marianne I'm glad you asked that Nina. The pre-Medicare marketplace has really improved. More carriers have entered the marketplace. Recent announcements by Aetna and Cigna suggests that they will join other national and regional carriers who recently expanded their coverage areas.

Nina And I would assume this greater competition would bring about lower premiums with more people enrolling in these plans.

Marianne Absolutely. The congressional budget office estimates that the enhanced subsidies will lead to 1.7 million more Americans enrolling in subsidized individual market coverage in 2022, that represents about a 15% increase over the size of the market today. And these new enrollees are likely to be healthier than the current enrollees. Since many of the currently uninsured didn't enroll in a plan because they were in good health and they thought, Hey, I could take this risk. So once they start enrolling, we have healthier enrollees in there. If they stay in the market, that would also lead to lower premiums in these exchanges.

Nina And so, as I understand it, this is on top of some relatively small premium increases in these plans for the past couple of years.

Marianne Yeah, that's right, Nina. Uh, for the second year in a row, we've seen premiums in the pre-Medicare exchanges increase by less than 1% nationally. And I might add, we have seen more providers offering services on these exchanges and more hospitals as well.

Nina So this sounds like pretty good news for Americans, but what about employers or multiemployer funds who are providing pre-Medicare healthcare to their retirees? Can they use these plans and capitalize on the savings in ARPA?

Marianne So the, ARPA savings are only available to individual plans through an exchange or marketplace, but certainly an employer can take advantage of that. What they would do is work with an exchange partner and enroll their folks, uh, instead of a group plan into a, you know, into individual plans. And then they would be able to capitalize on these savings. And as you know, this is the core business of Willis towers, Watson Via benefits. You know, Nina, I might add another bonus for multi-employer funds. Many funds group, their pre Medicare retirees in with their active employees. Now this lowers the cost for the retirees, but it raises it significantly for active employees. If that employer were to move their pre-Medicare retirees to an exchange model, that would really create significant savings for their active employees. And some of those savings could be used to provide retirees with a larger subsidies, thereby reducing their costs in selecting a plan on the exchange.

Nina Now that really sounds like it could be a win-win for multiemployer funds and their unions.

Marianne Go ahead. Yeah.

Nina So what about the subsidies? I mean, if the employer provides one, should the retiree take the employer subsidy or the federal government subsidy?

Marianne Ah, that is the question and a good marketplace partner. Like Via benefits helps that retiree decide that can they, should they take their employer subsidy? Should they take the federal government subsidy now they can't take both Nina. So which one do they take? And it's a simple answer. They just take the subsidy that's the higher dollar amount for them.

Nina So it sounds like this could be the first decision a retiree makes with the help of a benefit advisor from the marketplace partner. I could even see this becoming an annual decision as someone's income could change from year to year.

Marianne Exactly. It is an exercise that people need to go through each year and there's no penalty to go from one to the other. If you take your employers one year and then suddenly you stopped working at a part-time job and now you have lower income, your federal subsidy might, might be, uh, more high, uh, Mo more at the higher for you. And you would take that so you could switch back and forth.

Nina Okay. Now, am I understanding this correctly? If an employer or plan sponsor wants to take advantage of this pre-Medicare marketplace model, they would end their group pre 65 plan and move their retirees to the ACA exchanges run by a marketplace partner like via benefits. Yeah?

Marianne Exactly. And as I mentioned earlier, the only way a plan sponsor can capture these savings is to do just that. And for me and my mission to save retiree healthcare for American workers, I'm excited about anything that can reduce the cost of this important benefit, because it means the benefit will last.

Nina Thank you so much, Marianne. This information has been really eye opening. The fact that this new law will lower premiums for most people who currently have a marketplace plan and expand access to subsidies to more people is sure to help more Americans be healthier, not only physically, but fiscally as well. I love learning new things and I truly look forward to learning more in future episodes with you Marianne.

Marianne Well, thank you Nina for joining me. I certainly appreciated our discussion today and, see you all next time on Eye on 65.