

Survey Report

How Counties as Employers are Responding to the Health Reform Law: A NACo Survey of County Human Resource Directors

June 2010



About the National Association of Counties

The National Association of Counties (NACo) is the only national organization that represents county governments in the United States. Founded in 1935, NACo provides essential services to the nation's 3,068 counties. NACo advances issues with a unified voice before the federal government, improves the public's understanding of county government, assists counties in finding and sharing innovative solutions through education and research, and provides value-added services to save counties and taxpayers money. For more information about NACo, visit www.naco.org.

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Executive Summary

In mid-June 2010 the National Association of Counties conducted a survey on how counties are preparing for the changes to employer-sponsored health plans that are mandated through the health reform law, the Patient Protection and Affordable Care Act (PPACA). The survey was sent to 677 county human resource directors. The 129 distinct county responses received were from counties in 35 states.

The survey shows that the majority of county human resource departments that responded to the survey are preparing in some way for the changes required by the health reform law—specifically, 43 percent are undertaking some degree of planning and 26 percent are in the initial planning stages. It is also evident that counties will need more information, as the provisions affecting employer-sponsored health plans are implemented, to better understand the impacts.

Specific Highlights

- **Sixty-two percent of counties** either plan to apply for reimbursement or are considering applying for reimbursement through the Early Retiree Reinsurance Program¹.
- **Fifty-eight percent of counties** expect that another provision in the law regarding the expansion of dependent coverage to young adults up to age 26 will likely result in considerable changes and cost increases to the health plans they offer.²
- **Sixty-five percent of county human resource directors** reported that they need more information about the voluntary Community Living Assistance Services and Supports (CLASS) Act program³ before determining whether they will participate.
- **Many counties—46 percent—are still in the process of determining how they will respond to any increased costs that may be associated with implementing the changes that the health reform law requires, such as whether they will increase beneficiary cost-sharing or increase premiums.**

¹ The Early Retiree Reinsurance Program is a temporary program created by the health reform law that reimburses participating employment-based plans for a portion of the cost of providing health benefits for non-Medicare eligible early retirees and their spouses, surviving spouses and dependents.



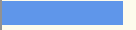



² The health reform law requires all individual and group health insurance plans that provide coverage to beneficiaries' dependent children to provide them coverage until they reach age 26. This rule applies to all plans in the individual market and new employer plans. It also applies to existing employer plans (plans in existence on March 23, 2010, which are considered grandfathered health plans) unless the adult child has another offer of employer-based coverage. However, in 2014, this exception for grandfathered health plans will not apply and young adults up to age 26 will be able to remain on their parent's employer-sponsored plan even if the young adult is eligible for coverage through their employer.

³ The Community Living Assistance Services and Supports (CLASS) Act program is a new voluntary long-term care insurance program that provides participants with a cash benefit to cover the costs of long-term care services. Employers determine whether or not to participate in the program. Employers that choose to participate will automatically enroll employees for the CLASS payroll deductions beginning January 1, 2011; however, employees may choose to opt out of the program.

- While **39 percent of respondents** reported that they are not intending to implement benefit plan changes that may affect their county's status as a grandfathered health plan (plans in effect on March 23, 2010), **43 percent** are still assessing the recently released regulations and/or in the process of determining potential benefit plan changes.
- **A large majority of county human resource directors—80 percent—are also concerned about the additional reporting requirements contained in the law**, such as the requirement to report the cost of health insurance coverage on W-2 forms in 2012. Other significant concerns related to implementing the health reform law included:
 - Concerns about changes that occur in 2014, such as the employer free-rider penalty and others – 63%
 - How the excise tax in 2018 on high cost health plans may affect plan offerings – 56%
 - Potential costs associated with seeking legal or other counsel to ensure compliance with the law – 55%
 - Potential effects on administrative processes – 52%

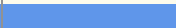




Impact of Health Reform on Counties as Employers Survey

1. Has your county started to prepare for the changes to employer-sponsored health care plans that the health reform law requires?

#	Answer		Response	%
1	Yes, significant planning is occurring		24	19%
2	Yes, to some degree		55	43%
3	County is in the initial planning stages		33	26%
4	No		10	8%
5	Don't know		2	2%
6	Need more information and technical assistance		3	2%
	Total		127	100%

Statistic	Value
Mean	2.37
Variance	1.16
Standard Deviation	1.07
Total Responses	127

2. If your county offers health benefits to early retirees, is your county considering applying for reimbursements through the Early Retiree Reinsurance Program?

#	Answer		Response	%
1	Yes		47	37%
2	Possibly		32	25%
3	No		18	14%
4	N/A (coverage not provided to early retirees)		21	17%
5	Don't know		9	7%
	Total		127	100%

Statistic	Value
Mean	2.31
Variance	1.73
Standard Deviation	1.31
Total Responses	127

3. Do you anticipate that the requirement to extend dependent coverage to young adults up to age 26 (who do not have other employer-sponsored coverage) is likely to result in considerable changes and cost increases to your county's health plan?

#	Answer		Response	%
1	Yes, will significantly affect plan		18	15%
2	Yes, to some degree		69	58%
3	No		30	25%
4	N/A (county plan does not offer dependent coverage)		1	1%
	Total		118	100%



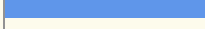
Statistic	Value
Mean	2.12
Variance	0.43
Standard Deviation	0.66
Total Responses	118

4. Does your county plan to participate in the voluntary Community Living Assistance Services and Supports (CLASS) Act program which begins in 2011 and involves collecting voluntary opt-out payroll deductions from employees?

#	Answer		Response	%
1	Yes		1	1%
2	Possibly		12	14%
3	No		18	20%
5	Need more information about the program		57	65%
	Total		88	100%









Statistic	Value
Mean	4.14
Variance	1.50
Standard Deviation	1.22
Total Responses	88

5. Does your county plan to implement benefit plan changes that may affect your county's status as a grandfathered health plan? (Grandfathered health plans are plans that were in effect on March 23, 2010)

#	Answer		Response	%
1	Yes, county is likely to implement changes that will affect status as a grandfathered health plan		23	18%
2	No, at this point no significant benefit plan changes are anticipated		49	39%
3	Not sure, still assessing the recently issued regulations and/or in process of determining potential benefit plan changes		55	43%
	Total		127	100%

Statistic	Value
Mean	2.25
Variance	0.56
Standard Deviation	0.75
Total Responses	127

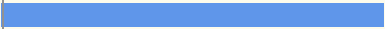

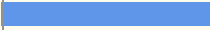

6. How do you anticipate that your county will cover any increased costs that may be associated with implementing changes to employer-sponsored health care that the health reform law requires?

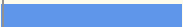






#	Answer		Response	%
1	Increasing the total premium amount		18	14%
2	Increasing the amount that employees have to pay for deductibles		5	4%
3	Increasing the amount that employees have to pay for office visit co-pays or coinsurance		5	4%
4	Increasing the amount that employees have to pay for prescription drugs		0	0%
5	Reducing certain types or levels of coverage or changing other options within benefit plan		5	4%
6	In process of determining potential strategies		58	46%
7	Don't know		24	19%
8	Other		12	9%
	Total		127	100%

Other
Employee Health Clinic
cash in lieu cafe plan
Don't anticipate cost increases above norm for 2 or more years
Combination of all of the above
Possible layoffs
Plan design changes that may include all or some of these.
we are with CakPERS and expect a combination between higher deductibles, copays, drug costs and benefit plan changed with increased premiums
Increased premiums, increased deductibles, increased co-pays and coinsurance, increased Rx's - ALL
A higher premium to cover dependent
Given CBAs, have to layoff employees to afford increases
Not making changes
Increase deductibles, increasing prescription drugs, and increase employee copays

Statistic	Value
Mean	5.35
Variance	4.75
Standard Deviation	2.18
Total Responses	127

7. What other issues related to implementing the health reform law are your county concerned about? (Select all that apply)

#	Answer		Response	%
1	Additional reporting requirements (e.g. reporting cost of health insurance coverage on W-2 forms in 2012, reflecting coverage in 2011)		97	80%
2	Other potential effects on administrative processes (e.g. if county chooses to participate, implementation of the voluntary payroll deductions associated with the Community Living Assistance Services and Supports (CLASS) Act program, or automatic enrollment requirements for employers with more than 200 employees in 2014)		63	52%
3	Compliance with uniform standards for certain benefits communications (effective in 2012)		53	44%
4	Educating employees about the requirement that Flexible Spending Accounts (FSAs), Health Reimbursement Accounts (HRAs) and Health		54	45%

	Savings Accounts (HSAs) can only reimburse participants for the over-the-counter drugs where the participant has a prescription (effective in 2011)			
5	Educating employees about the new limits on Health Flexible Spending Arrangements (in 2013 limited to \$2,500/year)		46	38%
6	Implementation of the newly required fee to fund comparative effectiveness research (in first plan year ending after September 30, 2012)		49	40%
7	How changes to Medicare Advantage and Medicare Part D may affect provision of retiree benefits		46	38%
8	Concerns about other changes that occur in 2014, such as the employer free-rider penalty, free choice vouchers and the prohibition on waiting periods of more than 90 days		76	63%
9	How the excise tax on health plans that cost above a certain threshold may affect county health plan offerings (effective in 2018)		68	56%
10	Potential costs associated with seeking legal or other counsel to ensure compliance with the law		66	55%
11	Other		12	10%

Statistic	Value
Total Responses	121

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Statistic	Value
Total Responses	129



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