self-insured plans should calculate COBRA premiums. "It should be noted that while there is regulatory pressure that tends to push COBRA premiums below the actual expected cost, the opposite will be true for the excise tax calculation," McCarthy says.

◆ ***James Galasso,*** president and consulting actuary for Atlanta-based Actuarial Modeling, tells *HPW* that for individual plans (and to a somewhat lesser extent small-group plans), he believes the biggest issue is trying to evaluate and price the relative morbidity of the newly enrolled members during the 2014 and 2015 open-enrollment periods, since even for 2015 the experience is not terribly credible. "While the ACA offers some protections, I believe the protections will be of limited value to the industry as a whole," Galasso says. "Almost as important as the morbidity of the newly insureds will be estimating cost increases (i.e., medical trends) over the next 12 to 36 months. This will be particularly challenging since I believe most actuaries (certainly this actuary) gives little to no credit to the ACA for the relatively modest cost increases in medical care since the start of the 'great recession.'"

Beyond the immediate term, he says the greatest risk to health insurers is the price of health care and the government's potential response. "It is very easy and convenient to demonize the insurance industry for admittedly unaffordable health care (notwithstanding the 'Affordable' in the ACA title). I do not see anything on the horizon that will bring health care down to what might be considered affordable to the average citizen," Galasso says.

◆ ***Tammy Tomczyk,*** principal and consulting actuary at Oliver Wyman Actuarial, Inc. in Milwaukee, tells *HPW* that in the individual and small-group markets, the big challenges continue to be regulatory uncertainty and the changing makeup of the population that is insured under ACA-compliant policies. "Regulatory uncertainty is a serious problem. Over the past couple years, there have been a lot of significant changes in how the ACA has been implemented, and the results of the midterm election strongly suggest that we may be in for even more," she says.

One particularly difficult set of problems is caused when significant changes are made to the way the markets operate through regulation, and these changes are made after rates are already established, or, worse yet, are applied retroactively. "For example, the president's transitional policy allowed some small groups and individuals with non-group coverage to stay outside of the single-risk pools. Not all states allowed this, but in the ones that did, there was a significant impact on the make-up of the single risk pools," Tomczyk says. "And this policy was implemented in November 2013, long after premium rates had been filed and approved." Another example she gives is that HHS has indicated it "may" retroactively change the parameters for the transitional reinsurance program for 2015.

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UnitedHealthcare CEO Boudreaux Quits; New Lineup to Lead Insurer

A major reshuffle of the executive lineup at UnitedHealth Group saw Gail Boudreaux, CEO of the group's UnitedHealthcare unit, resign on Nov. 12, which could signal at least a moderate strategy shift in how aggressive the insurer prices in public exchange and Medicare markets, consultants and analysts say. And certainly the changes are a sign that current CEO Stephen Hemsley has his eye on other executives as possible successors.

As a result of Boudreaux's exit, the heir apparent to UnitedHealth's longtime CEO Stephen Hemsley may have emerged in David Wichmann, who was named president of UnitedHealth Group in charge of UnitedHealthcare's domestic and international businesses. Wichmann, the current CFO of UnitedHealth Group, will also be part of a new Office of the Chief Executive, which includes Hemsley and Larry Renfro, vice chairman of UnitedHealth Group. Renfro also will remain CEO of Optum. Marianne Short, the company's executive vice president and chief legal officer, and Ellen Wilson, executive vice president, human capital, also will be part of the new office.

continued

Additional News of the Week

Coverage of these health plan developments was included in this week's issue of *Spotlight on Health Insurers:*

- Cigna Launches ACO with Conn. Medical Society
- Horizon Adding Four Plans to Federal Exchange
- Highmark, BCNEPA Deal Could Lower Costs
- WellCare Publishes Study on Star-Ratings Gaps
- Former WellCare Employees Suing Insurer
- ABU Drops BCBST Over Hendrick Dispute
- BCBS Nebraska Will Include 5 CHI Hospitals

Links to these additional news stories can be accessed at www.AISHealth.com/enews/spotlightonhealthinsurers.

Henry Loubet, chief strategy officer for Keenan and former CEO of UnitedHealthcare's Western operations, tells *HPW* that the Wichmann and Renfro ascensions also indicate that more UnitedHealthcare-Optum coordination is in store. "They may be trying to integrate the entities more closely than before," he says. "It is a challenge for a health plan that owns a company like Optum, since there are conflicts, with lots of sales to health plans." UnitedHealth does a good job of walling off Optum, but some insurers doing business with Optum are still leery of the unit's ownership ties.

As for who eventually takes the helm from Hemsley, which the company gave no indication is happening anytime soon, it may be Wichmann, Loubet says. "Wichmann has always been Hemsley's trusted top executive and certainly a stand-up guy from the time I was there," he says.

Insurer Is Performing Well

Analysts did not think Boudreaux's performance had anything to do with her resignation. Vishnu Lekraj, senior healthcare analyst at Morningstar Inc., tells *HPW* that the conservative way the insurer under her leadership approached the public exchanges in 2014 made perfect sense, for instance. But more "aggressive" pricing may be in the offing as UnitedHealth gets more active in the public exchanges in 2015, he adds.

Steve Zaharuk, senior vice president, Moody's Investors Service, tells *HPW* that the talent level in the executive suites at UnitedHealth is exemplified by the reshuffle. "They have always had a very deep bench, and you don't know who lands in what chair. Unfortunately, for her, there was not a chair for her at the end of the day," he says.

The company also named Dirk McMahon, currently chief operating officer of Optum and CEO of Optum Rx, executive vice president, enterprise operations of UnitedHealth Group, reporting to Wichmann.

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New Guidance From HHS Gives Some Clarity to Employer Mandate Role

A set of answers to frequently asked questions (FAQ) issued on Nov. 6 by HHS and the departments of Treasury and Labor clarifies that an employer would run afoul of the Affordable Care Act (ACA) if it reimburses an employee for the purchase of an individual market plan. Another part of the FAQs indicates that a Section 105 Health Reimbursement Arrangement (HRA) is a "group health plan" under the reform law.

What does it mean? Chris Condeluci, a principal at CC Law & Policy, says the guidance by the three agencies means that HRAs and other payment methods used by employers are subject to the ACA, "and that vendors saying that employees covered under this arrangement can access the premium subsidies are wrong."

The point being made by the Obama administration, which in some cases repeats previous guidance from last year and earlier this year *(HPW 8/4/14, p. 8)*, is that employees cannot purchase an individual market plan with tax-preferred dollars. "However, vendors and other consultants continued to blatantly ignore the federal departments' pronouncements, and these vendors continued to market arrangements that they claimed could provide tax-free reimbursements of individual market premiums. They also claimed that these employees could access a premium subsidy through the ACA exchange. Well, Q&A-3 puts an end to this type of arrangement once and for all — although I have heard that one vendor remains defiant," Condeluci says.

Employer Mandate Gets More Substance

Another market consultant says the new guidance seems to say that despite calls for its removal, the employer mandate will eventually be implemented. Starting on Jan. 1, 2015, the employer shared responsibility mandate requires employers of 100 or more full-time equivalent (FTE) employees — those who work an average of at least 30 hours per week — to provide coverage to 70% of all full-time workers. Originally, the mandate was to go into effect this year, but it was delayed by one year until 2015. Midsized employers of 50 to 99 FTE employees got a reprieve; they won't have to comply until Jan. 1, 2016 *(HPW 2/17/14, p. 1)*.

Employers that do not offer coverage must pay a $2,000 penalty for every full-time employee who is not offered health insurance. Employers that offer benefits that do not meet the ACA's minimum essential benefits requirements can be fined $3,000 for each employee who receives a premium tax credit through the public exchanges.

"It is important for a couple of things, because it really gets to the heart of what the employer mandate is," Roy Ramthun, president of Maryland-based HSA Consulting Services and a former senior health policy advisor to President George W. Bush, tells *HPW*. "Some employers out there, and the brokers and consultants who help them design the coverage they offer to their employees, would be perfectly happy with paying some portion of the cost of the coverage that their employees get. But the ACA really forced them to provide minimum essential coverage and that means all of those mandated benefits. And they also have to pay up to a certain amount of the