

RISK MANAGEMENT

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Changing Risk — Paying for and Coordinating Health Care at Camp after Health Care Reform

This information is current as of July 24, 2013. For the latest information, please visit www.ACAcamps.org/publicpolicy/health-care-laws/health-insurance.

There are big changes ahead for health insurance in the U.S. beginning potentially on January 1, 2014. The impetus for change is the Patient Protection and Affordable Care Act (PPACA), referred to as the Affordable Care Act and commonly known as Obamacare. The act, which was controversial from the very beginning, became law in March 2010. On July 2, 2013, effective dates of certain provisions of the law were delayed until 2015; however, there are still questions about the future of other provisions of the law, including the mandate for individuals to obtain health coverage in 2014.

The health insurance law made many changes in the way health insurance can be purchased. It also changed the scope of health insurance protection and added new requirements for individuals and businesses. Some of these changes were effective immediately. Others were scheduled to phase in over time. This article will identify some of the changes and discuss various risk management and insurance issues that camp owners and directors will want to consider before next summer.

Buy Health Insurance or Pay a Penalty

Potentially effective January 1, 2014, the Affordable Care Act requires pretty much everyone to buy and maintain “minimum essential (insurance) coverage” for health risks. This includes the typical employer-sponsored group health insurance plan, health insurance plans purchased by individuals from private companies like Blue Cross and Blue Shield, and government-sponsored health insurance programs such as the Children’s Health Insurance Program (CHIP), TRICARE, Medicare, and Medicaid.

Noncompliance with this requirement will result in a financial penalty. For individuals the penalty starts out small (\$95 or 1 percent of household income, whichever is greater) but increases over the next couple of years until the individual penalty in 2016 is the greater of \$695 or 2.5 percent of household income. Penalties for families who fail to comply are significantly higher, and substantial penalties apply for certain employers who are required to provide health insurance but fail to do so.

Impact on Camps as Employers

The law requires larger employers with fifty or more full-time employees or equivalents to provide health insurance for their employees, beginning January 1, 2015. There is an exception to this requirement for seasonal employers if they employ fifty or more full-time staff for less than 120 days. The bottom line is most camps and especially those with seasonal operations will not be required to provide health insurance to their employees. ACA has prepared a good overview on this topic. For more information, visit www.ACAcamps.org/publicpolicy/health-care-laws/health-insurance.

New Marketplaces

Previously, health insurance could be purchased through employer-sponsored group insurance plans, through insurance agents, or directly from some insurers. Comparing benefits and costs was a challenge. The new law has established state-specific insurance marketplaces called Health Insurance Exchanges (HIEs) where individuals can shop and compare prices and benefits among insurers. Each state was asked to establish such an exchange. But so far only eighteen states and the District of Columbia have

done so. This means the balance of the state exchanges will be operated by the federal government. Enrollment in these state Health Insurance Exchanges is scheduled to begin on October 1, 2013. For more information about these state-specific insurance exchanges, visit www.healthcare.gov.

The Affordable Care Act also requires the states to create Small Business Health Options Programs (SHOP Exchanges). These marketplaces are designed to help small employers find affordable insurance for their employees. Tax credits are offered to small employers with no more than 25 employees and average annual wages of less than \$50,000 as an incentive to encourage them to offer health insurance to their employees.

Changes Affecting Children

Significant changes affecting children and young adults include the elimination of pre-existing condition exclusions and the expansion of coverage to young adults by allowing them to be insured by their parents’ insurance plans until age twenty-six. The previous maximum age was nineteen, unless they were a college student.

Children up to age twenty-six can now join or remain on their parents’ health insurance plan even if they are:

- married
- not living with their parents
- attending school
- not financially dependent on their parents
- eligible to enroll in their employer’s plan

A Change in Strategy?

The Affordable Care Act has changed the playing field for health care. Under the

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circumstances, it is time to re-examine the medical insurance strategy in use for campers and staff. Consider the following propositions.

- The risks of injury and illness are such at camp that no camp director would consider operating without a risk management plan, including a plan to manage health and wellness risks and a plan to pay for health insurance expenses that are incurred when children have accidents at camp or get sick.
- Health care costs grew at twice the general inflation rate during the past decade according to the Health Care Cost Institute in Washington. While the Affordable Care Act has designs to help stem this tide, it is unlikely to succeed in the near term. The biggest concern is the cost in the long run.
- The health care system in the U.S. is expected to be strained as the Affordable Care Act requirements phase in. In particular, there are concerns about a possible shortage of primary care physicians.
- It is vitally important that camps maintain good working relationships with local primary care physicians, medial practice groups, and hospitals to enable prompt care for injured or sick campers and to ensure that these medical providers are properly reimbursed for their services.
- The strategies for managing health care costs that worked in the past may not work as well in the future.
- In spite of the Affordable Care Act requirements that everyone be insured with minimum essential coverage, it is unwise to assume that every camper and staff member will be insured next year.

In light of the above, it seems to make sense to require every camper family to share their health insurance policy information as part of the enrollment process with the understanding that the family health insurance will be used to pay for any medical expenses resulting from

accidental injuries or illnesses the camper sustains while they are at camp.

It makes sense to utilize parents' insurance as the primary resource for medical reimbursement because:

- It is cost effective — parents are insuring their children already.
- Doctors and hospitals are familiar with the billing procedures for these primary health care policies and accept their reimbursement rates.
- Health insurance companies negotiate reimbursement rates with doctors and hospitals who are part of their network.
- It makes sense to take advantage of these lower reimbursement rates.

It also makes sense to purchase excess camper accident and sickness medical insurance protection to act as a backup for the parents' insurance because:

- No health insurance policy pays for everything in full. There are always deductibles, copayments, coinsurance, and out-of-network cost sharing features, which means there is usually some out-of-pocket expense incurred by parents.
- Picking up these out-of-pocket expenses for injuries and illnesses at camp builds relationships and goodwill with camper families.
- Excess camper and sickness medical insurance has a feature that allows it to become primary insurance if the parents have no insurance.

Different Strategy for Staff?

Employees are protected by workers' compensation insurance if they are accidentally injured out of and in the course of their employment. Resident camp staff have some risk of injury and illness that might not be work related, but day camp staff have little to no risk in this regard. Did you know the ACA Healthy Camp Study reported that staff illness rates in resident camp programs exceeded the injury rates?

In a post-health care reform environment where young adults can be insured under parents' insurance up to age twenty-six, does it make sense to insure staff under camper accident and sickness policies? You decide!

Survey your current U.S. staff and find out how many of them are insured. Depending upon what you discover, you can either continue to include staff on excess accident and medical insurance policies purchased by your camp, or you can eliminate them from this coverage. If you decide to change your strategy, just make it clear to your staff they will be relying on their own health insurance coverage in 2015 for any nonwork-related injuries or illnesses.

International staff will continue to be insured by the policies the international cultural exchange placement agencies provide.

The best health care strategy involves teaching campers and staff about nutrition, regular exercise, and a healthy life style; in the long run, a healthier population will have the greatest impact on the cost of health care. Are you ready to manage change?

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