

Health Care Reform and The EGWP “Egg Whip”

With Change Comes Opportunity

Agenda

- Key Points: Patient Protection and Affordable Care Act
- Employer Impact
- The “Egg Whip” Solution
- How AmWINS Group Benefits Can Help

Key Points: Patient Protection & Affordable Care Act

- Retiree Drug Subsidy (RDS) will be taxable:
 - Effective 1/1/13
 - Medicare-eligible retirees
 - No more tax-deductibility
 - FASB 106 Liability increase
 - Administrative cost associated with RDS not deductible
 - Significant reduction in employer financial benefits

Recent FASB 106 increase examples:

- AT&T - \$1 billion charge
- John Deere - \$150 million charge
- Caterpillar - \$100 million charge

Key Points: Patient Protection & Affordable Care Act

- Elimination of Part D “Doughnut hole”
 - Effective 1/1/11 (Complete elimination by 2020)
 - \$250 rebate in 2010 for individuals who are in the donut hole
 - Beneficiaries who hit hole eligible for 50% discount in brand name drugs (not available if supplemental benefits provided)
 - Undiscounted amount credited to True Out of Pocket (TrOOP)
 - Increases relative value of Part D over RDS
 - Impact on Part D and FASB 106 obligations

Employer Impact

- Cost to provide retiree prescription drug coverage will increase
 - Tax liability on RDS
 - Non-deductibility on expenses related to RDS
- More pressure on FASB 106 liabilities
- Employers will re-evaluate retiree prescription drug offering

How will you (the broker) respond?

The “Egg Whip” Solution

- Employer Group Waiver Plans (EGWP) – “Egg Whip”
 - 2 options
 - 800 Series: Purchased through third party Part D sponsor
 - No additional expenses for costs associated with RDS compliance
 - Insured plan bears compliance responsibility
 - Maximizes Medicare D government contribution
 - Plan can be customized to match current benefits
 - » (valuable in a Collectively Bargained environment)
 - Maximizes flexibility in regard to contribution options
 - Direct: Contracting with CMS
 - Employer manages filing and reporting requirements
 - » Application
 - » Documentation
 - » Due diligence
 - » Reporting

How AmWINS Group Benefits Help Your Clients

- Can relieve pressure on FASB 106 liabilities
 - Pushing responsibility to third party or assist employer with CMS requirements
 - Only questions employer needs to answer are funding
 - Unlimited flexibility (0% to 100%)
- Offered nation's first 800 Series EGWP
- More experience than anyone in this space
- A National leader in Retiree Medical solutions

How AmWINS Group Benefits Can Help You

- We can help position you as a market innovator in retention and growth
- We are the experts so you don't have to be
- We offer a diverse product offering, industry knowledge and marketplace clout