Diagnosis: Uncertainty

New York's individual health insurance market faces threats as Congress moves to undermine the Affordable Care Act

BY JONATHAN LAMANTIA

MACIELAK has seen the state's individual market plunge before.

Come New Year's Day, the Affordable Care Act will be standing but could be badly wounded.

Congress is nearing passage of a tax overhaul that would repeal the individual mandate, which requires people to buy insurance or pay a penalty. While New York continues to promote its ACA marketplace, the mandate's repeal could imperil the state's individual insurance market by late 2018. That's when healthier customers will begin weighing whether to buy coverage for 2019 if they don't face a fine.

Insurers' rates are locked in for next year, but if the mandate is repealed, New York health plans would surely request significant premium increases from the state Department of Financial Services for 2019.

A case in point: Faced with the possible repeal of the ACA earlier this year, DFS asked insurers to estimate how much they would increase premiums if the individual mandate was repealed. On average, they said, they would have needed an increase of 32.6% on top of the 14.5% average hike they were already granted.

Scrapping the mandate would return the state to a situation it faced before the ACA, when it prohibited insurers from charging higher premiums to sicker customers but did not penalize people who didn't buy coverage. The market shrunk to about 21,000 members, and monthly premiums soared by about $1,000 for individuals.

"We saw what New York looked like without an individual mandate, and the individual market went into a death spiral," said Paul Macielak, president of the New York Health Plan Association.

Macielak is hopeful that a federal bill, such as the one proposed by Sens. Lamar Alexander and Patty Murray, will help stabilize the marketplace by funding subsidies to insurers that cover consumers' copays and deductibles. The payments contribute $870 million to New York's Essential Plan, a product that provides lower-income people free or low-cost coverage. Enrollment in that plan is nearly 710,000.

Predictions from President Donald Trump that Obamacare is "imploding" haven't hurt the popularity of health plans on the NY State of Health marketplace. The state said Dec. 7 that enrollment for next year was outpacing last year's by 13%. "The swift pace of enrollment shows that New Yorkers want the protection that health plans offered through NY State of Health provide," Donna Frescatore, the marketplace's executive director, said in a statement.

Because it runs its own marketplace, New York hasn't suffered from some of the federal actions meant to hobble the health law. The state is keeping enrollment open for 12 weeks, until Jan. 31, double the time of federal marketplaces. It also funds its own marketing and outreach efforts. The Trump administration cut advertising spending 90%, to $10 million, and funding for navigators who help people sign up by 70%, to $37 million, for federal markets.

While some U.S. counties have just one insurer selling ACA plans, city residents still have seven to choose from. And that's despite the fact that two insurers, Northwell Health's CareConnect and Affinity, stopped selling Obamacare plans this year, with Northwell leaving the insurance business entirely.

Insurance woes won't be limited to the individual market next year, however. Employers are facing increased benefit costs as well, albeit at a much lower rate. Metro area companies with 500 or more employees said they expected their benefit costs to rise 5% in next year, according to a survey of 125 organizations conducted by Mercer.

Rita Numerof, co-founder and president of the health care consulting firm Numerof & Associates, said she expected continued cost hikes for employers due in part to unnecessary and inefficient medical care.

"When you think about every other industry, with the introduction of new technology you get more and more features at less and less cost." In health care, she said, "the trend is always up." ■

Accountants' 'Super Bowl'

Firms expect big growth as New Yorkers seek help with federal tax overhaul

BY JESSICA SEIGEL

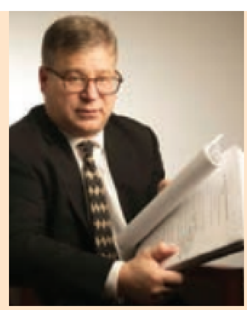
The smartphone pings again. It's another text from a client glued to coverage of the congressional tax bills, asking what it means for his business.

With the hand-scribbled ink still wet on Washington's shifting legislative efforts, accounting executives such as Joseph Perry and his team at Marcum are fielding an onslaught of inquiries. One big-money client, weighing the major impact on New York of the likely reduction or total loss of the deduction for local and state taxes, asked if it would be cheaper to buy a $2 million jet, decamp to low-tax Florida and fly back as needed. The answer for some multimillion-dollar earners: Absolutely. Next?

"I look at this as the Super Bowl or World Series for tax accountants," said Perry, Marcum's tax and business services leader.

But unlike a football team that makes the championship game once every 30 years, New York City's top accounting firms aren't worried about losing on the green—they'll be making it. Just as the last major tax-code overhaul, in 1986, spurred major accounting industry growth, executives expect that the needs of middle-market business and high-enders will drive new billings and hiring, with longer hours for all already a fact.

To keep up, Steven Eliach, principal-in-charge of tax services at Marks Paneth, has been devouring the House's regulatory tome "at home, over coffee in the morning, on the bus, on the train, wherever I'm traveling," he said. "I read all 490 pages."



BEDTIME READING: Marks Paneth's Eliach with the Senate's 479-page bill.

Years of work ahead

Complexities include a proposed corporate income tax rate drop to as low as 20%—a number still in play. But business owners in flow-through entities such as LLCs, LLPs and S corporations would still pay individual rates up to 39.6%. Should they restructure into a C corporation, which can be difficult to undo? That's the question of the minute, with accountants disagreeing widely on hypothetical scenarios.

"Restructuring companies and rethinking the planning can be a few-year process," said Eliach. "This is not a short-term increase in work" for accounting firms.

Hired fresh out of law school by his current firm 31 years ago, Eliach said that the tax code's last revamp helped Marks Paneth expand from 100 people then to 700 today. "A significant portion of growth comes from the complexity of the tax law and increased burden on entrepreneurs," he said, predicting similar hiring today especially for accountants, lawyers and possibly economists.

Many firms also expect more recruiting from the STEM fields. "We're using many of these folks to run technology models," said Robert Weber, tax managing partner and principal of the Northeast region for accounting giant EY.

It's an exciting time for accountants, particularly recent graduates, said Shivani Jain, tax leader at Sax. "The new generation especially will learn everything firsthand and build their careers off it," she said.

Calling herself a "tax geek," she grew animated as she discussed the ins and outs of expected impacts, such as the loss of deductions in New York City and other high-tax regions. The planning must start now, she said, advising the payment of all state taxes by year's end—while they are still deductible—rather than waiting for mid-January deadlines or a finalized congressional bill. Roger that. ■

TIMOTHY RAAB, BUCK ENNIS