HEALTH CARE REFORM

Details on Key 2014 Concerns

Potential for new enrollment

Individual coverage mandate

- Effective January 1, 2014, individuals must get minimum essential health coverage or pay a penalty

	The greater of a fixed amount:	And a % of household income
2014	$95 per person ($285 cap/family)	1.0%
2015	$325 per person ($975 cap/family)	2.0%
2016	$695 per person ($2,085 cap/family)	2.5%

- Who is eligible, but waiving coverage today? 

Automatic enrollment of full-time employees

- Employer must automatically enroll all eligible employees, including new hires
  - *Again, some current opt-outs may be "pulled in"*
- Was to be effective by 2014, but no regs have been issued
  - DOL says guidance will not be ready to take effect by 2014

Shared Responsibility Compliance – Minimum Standards

- Group health plan eligibility: employers must offer coverage to "full-time employees" as defined in the law (and their dependents) or face potential employer shared responsibility penalties
  - Working 30+ hours/week on average (or 130 hours/month)
  - Generally must count actual hours worked
- Coverage must be "affordable"
  - Single coverage costs no more than 9.5% of employee's household income
  - Doesn't matter if anyone *chooses* this plan
- Minimum plan value offered must cover 60% of covered costs
  - Generally not an issue with today's plan designs
  - Guidance just released on how to determine this value

Shared Responsibility – Decision Tree
Effective in 2014

1. Do you have 50 or more full-time equivalent employees?

- No → You will not be subject to any Shared Responsibility penalty.
- Yes →

2. Do you offer a health plan to all full time employees (FTEs) and their dependents (not spouses)?

- No → You will pay a penalty fee of up to $2,000 (indexed*) annually for every FTE if at least one FTE receives income-based premium assistance to purchase coverage through the exchange. Penalties do not apply to the first 30 FTE's.
- Yes →

3. Do all of your employees have household income that exceeds 400% of Federal Poverty Level

- Yes → You will not be subject to any Shared Responsibility penalty.
- No →

4. Does the health plan offered to FTEs pay less than 60% of total benefit costs or is the required employee contribution for plan > 9.5% of household income?

- No → You will not be subject to any Shared Responsibility penalty.
- Yes → You will pay the lesser of up to $3,000 (indexed*) times the number of FTE's receiving income –based assistance for exchange coverage; or up to $2,000 (indexed*) times the total number of full-time employees; first 30 FTE's not counted.

*Penalties will increase each year to reflect average national increase in health insurance premiums

Shared Responsibility - Minimum Plan Value

- Offer a plan that pays at least 60% of covered costs
  - It's not what members *choose*, it's what you *offer*
- Most plans today would pass this test

MODELING A 60% VALUE PLAN		Median cost sharing* amounts for:		
	60% plan	**PPO**	**HMO**	**HSA-eligible CDHP**
Deductible	$1,800	$500	$500	$1,500
Hospital coinsurance	30%	20%	20%	--
Out-of-pocket maximum	$5,950	$2,250	--	$3,000

More employers are considering CDHPs as the default plan for value and affordability compliance and for auto-enrollment

*Mercer 2012 National Survey of Employer-Sponsored Health Plans, cost sharing for individual, in-network coverage

Shared Responsibility – Affordable Contributions

Affordable: Single coverage costs no more than 9.5% of employee's household income

Employer "Safe Harbor" Contributions				
	With Medicaid Expansion		Without Medicaid Expansion	
	138% of Federal Poverty Level (projected to 2014)	Employee contribution for employer to avoid penalty	100% of Federal Poverty Level (projected to 2014)	Employee contribution for employer to avoid penalty
Individual coverage	$16,353 per year	$129 per month	$11,850 per year	$94 per month

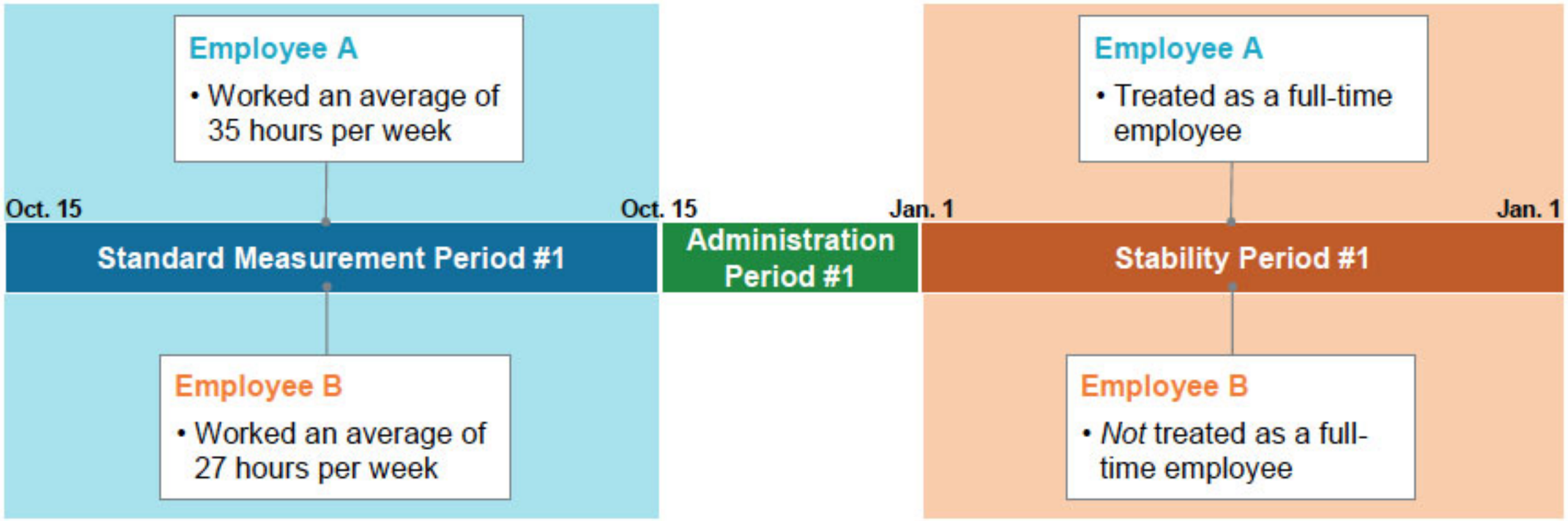
Health reform legislation specifies income threshold of 133% FPL but also requires states to apply an "income disregard" of 5% of FPL in meeting income test; effective income threshold for eligibility is 138%

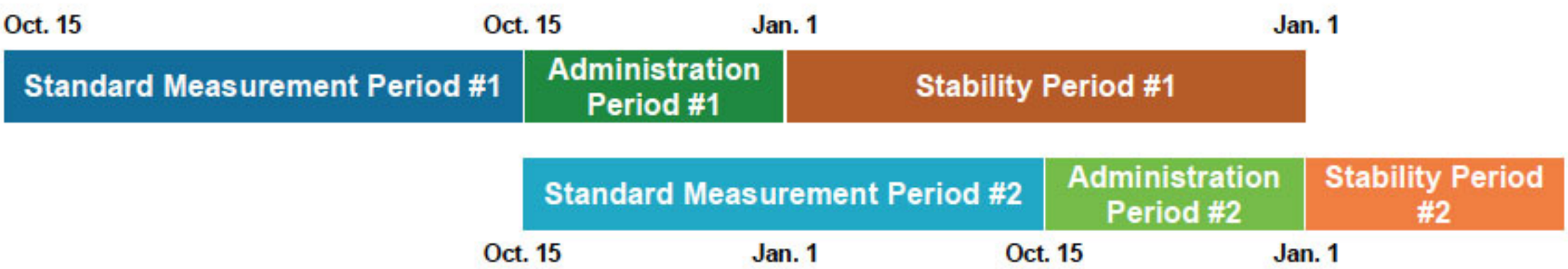
- If you *offer a qualifying plan* with individual contributions at or below these rates, your plan is affordable to all subsidy-eligible FTEs
- Must offer coverage for children, but no rules on contributions
- Other employer safe harbors: use W-2 wages or rate-of-pay
- Should you make subsidized Exchange coverage accessible?

Shared Responsibility - New Concept of Full-time Employee

- An employer's standard definition of full-time does not matter for employer shared responsibility
  - 30 or more hours per week on average/130 hours per calendar month
- IRS set out optional approaches for variable hour and seasonal employees
  - Allows a "lookback" measurement period of 3 to 12 months to determine average hours
  - Requires a "stability" period of at least 6 months (and no shorter than the measurement period) when employees determined to work 30+ hours must be offered coverage
  - Allows an "administrative" period up to 90 days
- If 95% of FTEs can elect coverage, you are offering coverage to "substantially all" employees
  - Penalties could still apply, should someone without coverage be eligible for and elect subsidized Exchange coverage

Shared Responsibility - Lookback and Stability Example





Shared Responsibility - New Concept of Full-time Employee

- Are there any entities that would be in the Employer's "controlled group"?
  - Employers in the same controlled group may choose different benefit strategies
- Are all aspects of Collective Bargaining Agreements—enrollment, determining eligibility—managed by the Employer?
- Hours are generally actual hours used to pay the individual
  - Includes most paid leave
- Standard measurement and stability periods must generally be used for all employees, though different strategies/periods may be used for
  - Salaried versus hourly employees
  - Union versus non-union employees
  - Employees covered under separate collective bargaining agreements
- Special measurement and stability periods
  - Certain new hires with variable hours
  - Transition measurement period for determining 2014 coverage

Health Care Reform Fees
Summary

Fee	Effective Year	Who Pays	Impact
Fee on Health Insurance Providers	Begins in 2014 and continues thereafter	Health insurance companies offering fully insured coverage	Estimated 1.9% - 2.3% in 2014
Patient-Centered Outcomes Research Institute (PCORI) Fee	Policy or plan year that ends on or after Oct. 1, 2012, and before Oct. 1, 2019	Insurer for fully insured plans Group health plan sponsor for self insured plans (e.g., employer maintaining a single-employer plan)	$1.00 PMPY for policy or plan years ending on or after Oct. 1, 2012 but before Oct. 1, 2013, increasing in subsequent years
Transitional Reinsurance Fee	2014 and sunsets in 2016	Insurance providers; self-insured plan is liable (but TPA or ASO may transfer fee at plan's discretion)	Estimated $63 PMPY for 2014, decreasing in subsequent years

- The self-insured plan's sponsor is:
  - the employer, for a single employer plan
  - the employee organization, for a plan maintained by an employee organization
  - the joint board of trustees, for a multiemployer plan
- So, for a plan established or maintained by a union, the union would be liable to report and pay the fees.

Patient-Centered Outcomes Research Institute (PCORI) Fee

- Federal program on comparative effectiveness in medical practice
- Self-insured plans generally can use any reasonable method to determine the average number of covered lives in the first plan year
  - Insurance carrier pays fee for insured plans (expect pass-through)
- Fees are per covered life (i.e. including dependents), retirees, and COBRA participants
- Timing: Annual payments, in effect 2012-2019;
  - First payment is due July 31, 2013
- Fee
  - $1.00 PMPY for first payment
  - $2.00 for year two, indexed thereafter
- Annual cost: roughly $1,100 for every 500 employees
  - Assumes an average of 2.2 plan members per employee

Transitional Reinsurance Fee

- To fund reinsurance pools to help stabilize the individual insurance marketplace, and to provide revenue to the federal government
- Paid by self-funded plans, and by insurance carriers for insured plans
- Fees are per covered life (i.e. including dependents), pre-65 retirees and COBRA participants
- Timing (proposed): Annual payments, in effect for 2014-2016
  - Employer would report its enrollment count in November
  - In December, HHS sends Employer amount due
  - Payment due within 30 days (in January) for the year 2014 will be due in early 2015
- Fee
  - "National contribution rate" will be released each year by HHS
  - Estimated 2014 fee: $63 PMPY
    - Fee should drop to roughly $40 in 2015, $25 in 2016, but TBD
- Annual cost: roughly $70,000 for every 500 employees
  - Assumes an average of 2.2 members per employee

Counting members for Health Care Reform fees

Options		Patient-Centered Outcomes Research Institute Fees	Transitional Reinsurance Fees
Actual Count	Sum the lives each day of the plan year / Days in the plan year	Yes	Count only the first 9 months
Form 5500	BOY Participant Count + EOY Participant Count	Yes	Use Form 5500 from the last plan year
Snapshot	Count covered lives on specific, consistent dates in each quarter / Number of dates used	Yes	Count only in the first 3 quarters
Snapshot Factor	Same as Snapshot, but count employees, using (# with single coverage) + (# with dependent coverage x2.35)	Yes	Count only in the first 3 quarters
Special First-Year Transition Rule	Any reasonable method	Yes	No

Excise tax on “high-cost” plans

- 40% excise tax starting in 2018
  - Applied to “excess” plan cost above set thresholds
  - Assessed on gross cost – blind to contributions
  - Includes medical, health FSA contributions, onsite medical clinics, employer HSA contributions

- Initial 2018 cap set at $10,200/single and $27,500 family, then indexed
  - Higher threshold for pre-65 retirees: $11,850 & $30,950
  - Higher threshold for single multiemployer plan coverage ($27,500)

- Employer to determine its cost
  - Insurers to pay the tax for insured coverages
  - Benefit administrators pay to the tax on behalf of self-insured programs

- Once you breach the thresholds, the tax cost rises quickly
  - Cannot wait to act until your costs near the threshold