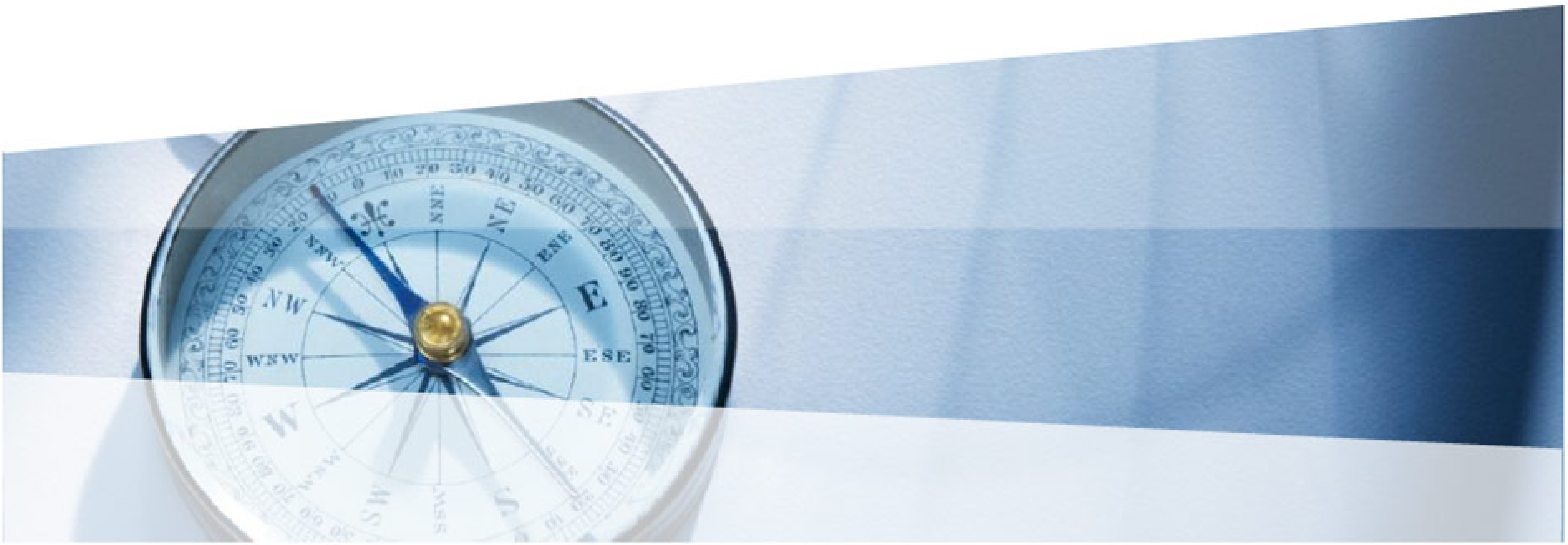
Calculating Assessments; Determining Affordability & Minimum Value



"Non-offering Employer" Assessment
The 70% / 95% Test

For 2015 Only

2. Do you offer a health plan to substantially all **(70%)** full-time employees (FTEs) and their biological/adopted children through the end of the calendar month in which they turn 26 (not spouses/domestic partners)?

(Disaggregate controlled group members)

No

You will pay:

$2,080 x (Total # FTEs – 80 FTEs)

Applies if at least one FTE receives tax-subsidized exchange coverage

$2,080
Non-offering Employer (a) Assessment

2016 and Beyond

2. Do you offer a health plan to substantially all **(95%)** full-time employees (FTEs) and their biological/adopted children through the end of the calendar month in which they turn 26 (not spouses/domestic partners)?

(Disaggregate controlled group members)

No

You will pay:

$2,080 (indexed) x (Total # FTEs – 30 FTEs)

Applies if at least one FTE receives tax-subsidized exchange coverage

$2,080 (indexed)
Non-offering Employer (a) Assessment

"Offering Employer" Assessment
Affordability and Minimum Value Tests

For 2015 Only

3. Does the health plan offered to FTEs satisfy standards for both:
(1) **affordability** (employee-only contribution for plan ≤ 9.5% of an employer affordability safe harbor or 9.56% (indexed) of an employee's household income), and
(2) **minimum value** (60%)?

(Disaggregate controlled group members)

↓ **No**

You will pay the lesser of:

$3,120 x FTEs receiving tax-subsidized benefits for exchange coverage

OR

$2,080 x (total # FTEs – 80 FTEs)

$3,120
Offering Employer (b) Assessment

2016 and Beyond

3. Does the health plan offered to FTEs satisfy standards for both:
(1) **affordability** (employee-only contribution for plan ≤ 9.5% of an employer affordability safe harbor or 9.56% (indexed of an employee's household income), and
(2) **minimum value** (60%)?

(Disaggregate controlled group members)

↓ **No**

You will pay the lesser of:

$3,120 (indexed) x FTEs receiving tax-subsidized benefits for exchange coverage

OR

$2,080 (indexed) x (total # FTEs – 30 FTEs)

$3,120 (indexed)
Offering Employer (b) Assessment

"Offering Employer" Assessment (cont.)
Affordability and Minimum Value Tests

The lowest cost option health plan must:

- Provide minimum value - The plan must be designed to pay at least 60% of covered benefits. Approach for determining minimum value:
  - HHS minimum value calculator.
  - Actuarial certification for non-standard plan designs.
- Be affordable - An employee's required contribution for self-only coverage for the lowest cost plan available either satisfies one of 3 safe harbors (see next slide) or doesn't exceed 9.56% (indexed) of the employee's household income.

Offering assessment

The lesser of:

$3,120 x # full-time employees receiving tax-subsidized benefits for exchange coverage

OR

$2,080 x (Total # full-time employees - first 80* full-time employees)

*2015 only, 2016 and after, substitute 30.

- If coverage offered to full-time employees isn't affordable or lacks minimum value, employer may owe the "offering assessment."

"Offering Employer" Assessment (cont.)
Affordable Contributions

- Safe harbors – contribution less than or equal to 9.5% of:
  - Employee's W-2 wages (Box 1).
  - Hourly rate of pay x 130 hours for hourly employees or monthly salary for salaried employees.
  - Federal poverty level (2014 = $11,670 in 48 states; higher in AK and HI).
- Although individuals' affordability percentage is indexed and will be 9.56% in 2015, 9.5% employer safe harbor percentage currently is not indexed.
- To avoid assessments, employers must offer affordable, minimum value coverage to full-time employees and MEC to their biological or adopted children to the end of the month in which child turns age 26, but not their spouses, domestic partners, stepchildren or foster children.

Employer safe harbor employee contributions for 2015 calendar year plans*			
	Actual W-2 wages (Box 1)	Employee's rate of pay	100% of Federal Poverty Level ($11,670)
Individual coverage	Individual determination at the end of the calendar year	Individual determination; $7.48 hourly rate or greater will support larger affordable employee contribution than FPL	$92 per month

* Calculations based on the 2014 FPL = $11,670.

"Offering Employer" Assessment (cont.)
Affordable Contributions – Alternative Approach

Is this different in Medicaid expansion states?

- The safe harbors are the same in all states.
- As a practical matter, in Medicaid expansion states, it appears that setting the lowest-cost, minimum value self-only contribution at 138% of the FPL will allow employer to avoid penalties for unaffordable coverage.

This is not a safe harbor!

Employee contributions using alternate approach				
	With Medicaid expansion (not a safe harbor)		Without Medicaid expansion (safe harbor)	
	138% of Federal Poverty Level	Employee contribution for employer to avoid assessment	100% of Federal Poverty Level	Employee contribution for employer to avoid assessment
Individual coverage	$16,105 per year	$127 per month	$11,670 per year	$92 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%. Calculations based on the 2014 federal poverty level.

"Offering Employer" Assessment (cont.)

Don't forget about those FTEs to whom you don't offer coverage.

3. Does the health plan offered to FTEs satisfy standards for both:
(1) **affordability** (employee-only contribution for plan ≤ 9.5% of an employer affordability safe harbor or employee's household income), and (2) **minimum value** (60%)?

Yes → **4. Do you have any FTEs to whom you do not offer a health plan?**

No → You will not be subject to a shared responsibility assessment.

No / **Yes** →

You will pay the lesser of:

$3,120 x FTEs receiving tax-subsidized benefits for exchange coverage

or

$2,080 x (total # FTEs – 80 (or 30) FTEs)

$3,120

Offering
Employer (b) Assessment