Health Care Reform Presentation
Presented by:

Key Parts of PPACA

Intended to increase number of Americans with health coverage

- “Encouragement” for employers to offer coverage.
- Penalties for individuals without coverage.
- Market reforms to improve access.
- Expanded Medicaid eligibility.

Employer Obligations

Employers are not required to offer medical coverage, but a penalty applies to employers with 50 or more employees who do not offer "minimum essential" coverage, or who offer coverage but the coverage does not provide "minimum value" or is not "affordable"

Employer Obligations (continued)

Step 1: Is the employer large enough for penalties to apply?

- Count full-time and full-time equivalent employees.
  - Full-time is an average of 30 hours/week
  - Part-time employees count pro-rata
- Employers under common control must be combined. (Companies with common ownership).

Employer Obligations (continued)

- If total employee count is <u>less than 50</u>, the employer does not have to offer any coverage and won't have to pay a penalty if it doesn't.
- If you know your company has >50 employees, no counting is needed.

Employer Obligations (continued)

Step 2:

- If have 50 or more full-time and full-time equivalent employees and don't offer basic ("minimum essential") medical to at least 95% of full-time employees (and dependent children to age 26), **owe $166.67/month ($2,000/year) for each full-time employee.**
  - Exclude 30 employees from penalty.

Employer Obligations (continued)

Example: ABC Manufacturing Co. does not offer medical coverage to its employees. Acme has 100 full-time and 20 part-time employees in January. Acme's penalty for January is:

100 - 30 employees = 70 countable employees.

$2,000/ 12 months = 166.67/month

70 x 166.67 = $11,666.90/ month penalty

Employer Obligations (continued)

Step 3:

- If the employer with more than 50 full time employees decides to offer a benefit, is it "affordable" and does it provide "minimum value"?
  - If not, a penalty of $3,000/ year ($250/month) is due for each full-time employee who receives a premium subsidy
  - If the "no offer" penalty is smaller, pay that instead

Employer Obligations (continued)

- For penalty purposes, coverage is not "affordable" if the employee's cost for single coverage is more than 9.5% of his pay.
  - Employers may choose between several methods of determining if the employee's cost is more than 9.5% of his pay
    - W-2 (Box 1) income
    - Pay at beginning of year
    - Federal Poverty Level

Employer Obligations (continued)

- Coverage provides "minimum value" if its actuarial value is at least 60%.
  - Taking deductibles, coinsurance and co-pays - but not premiums - into account, plan will pay 60% (or more) of expected covered charges.
- Employer owes the penalty only if the employee obtains a premium subsidy

Employer Obligations (continued)

Example: ABC Manufacturing Co. has 100 employees. It offers coverage that is minimum value but not affordable. 9 employees decline Smith's coverage and 5 receive premium subsidies. Smith owes:

$3,000/12 mo. = $250/ month x 5 =

$1,250 per month penalty.

Premium Subsidies

- **Those with household incomes of 100 - 400% of FPL are eligible for premium subsidies**
  - For 2012, FPL is:
    - Single - $11,170 per year
    - Family of 4 - $23,050 per year
- **Actually a tax credit can get in advance.**

Premium Subsidies (con)

- **Can only get subsidy if buy coverage through a public exchange.**

- **Subsidy is based on the cost of the second least expensive silver plan in the exchange.**

Premium Subsidies (con)

Subsidy amount declines as income increases:

Income Level	Premium as a Percent of Income
Up to 133% FPL	2% of income
133-150% FPL	3 – 4% of income
150-200% FPL	4 – 6.3% of income
200-250% FPL	6.3 – 8.05% of income
250-300% FPL	8.05 – 9.5% of income
300-400% FPL	9.5% of income

Premium Subsidies (cont.)

Example:

- Cost of 2nd least expensive silver plan is $500 per month.
- A earns $1,396.25/mo., which is 150% of FPL so he must spend 4% of pay
- $1,396.25 x .04 = $55.85
- A pays $55.85 and government pays $444.15

Premium Subsidies (cont.)

Except that, if employer *offers* the person affordable, minimum value coverage, <u>he/ she is not eligible for the subsidy</u> – even if the person declines that coverage

Exchanges

Intended to make it easier for individuals and small employers to get health coverage

- Exchanges are somewhat like Expedia/Travelocity
  - Able to compare cost and coverage of multiple plans (SBCs)
  - Will not provide actual insurance

Exchanges (continued)

Exchanges duties include:

- Providing website, navigators and other enrollment assistance to individuals
- Determining eligibility for premium subsidies
- Certifying and overseeing qualified plans (may accept all interested or negotiate terms)

Exchanges (continued)

Each state has own exchange

- If state doesn't create exchange, federal government will run one for them (FFE)
  - Partnership also possible
  - Year by year decision
  - For 2014, 19 state-run exchanges, 7 partnership exchanges and 25 federally-run exchanges

Exchanges (continued)

- All US citizens and non-citizens lawfully here may purchase from exchange (even if have access to employer-provided coverage, Medicare)
- Likely use exchange in state of residence if purchasing individual coverage

Exchanges (continued)

2 types of exchanges:

- For individuals

- For small businesses
  - Small means <100 employees unless state chooses to use 50 as cut-off.

Exchanges/Small Groups

Qualified plans (and individual and small group outside the exchange) must:

1. Provide essential health benefits.
2. Provide coverage at metal level.
3. Limit cost-sharing.
4. Implement market reforms.

Exchanges/Small Groups (con)

- Essential health benefits
  - Ambulatory/outpatient, emergency, hospitalization, maternity and newborn, mental health and substance abuse, prescription drugs, rehabilitative and <u>habiltative</u>, lab, preventive/wellness/ chronic disease management, pediatric, including oral and vision

Exchanges/Small Group (con)

- Limit cost-sharing
  - $2,000/4,000 maximum deductible
  - Same max OOP as HSA
- New restrictions to ease access to coverage
  - No pre-ex
  - Guaranteed access and renewal
  - Limits on rating (3:1 age, family size, geography)

Exchanges/Small Group (con)

To reduce anti-selection, may only enroll during annual open enrollment or with a special enrollment event

- In fall, for 1/1 effective date
- HIPAA special enrollment, plus loss of access to affordable, minimum value coverage
  - **Likely 60 days**

Individual Obligation

Penalty is:

- Greater of:
  - – $95 or 1% of income in 2014
  - – $325 or 2% of income in 2015
  - – $695 or 2.5% of income in 2016
  - – Dollar amount is indexed for 2017 and later (% remains at 2.5%)
- Family maximum penalty of 3x individual

Other 2014 Obligations

Plan changes:

- No annual limits on essential health benefits
- No pre-existing condition limitations for anyone
- Eligibility waiting periods cannot exceed 90 days

Upcoming Employer Obligations

2013:

- Increased FICA withholding on employees earning $200,000+
  - Additional 0.9% on employee’s share only
- Notice of exchange availability
  - Few details yet
  - March 1, 2013 effective date may be delayed

Upcoming Employer Obligations

2013:

- Patient Centered Research Fee
  - Generally, $1 per covered life for 2012 and $2 per covered life (indexed) for next 6 years
  - First payment for most due July 31, 2013
  - Insurer files and pays for insured plans; employer files and pays for self-funded plans

Upcoming Employer Obligations

2014:

- Transitional Reinsurance Fee
  - Due for 2014 – 2016
  - Expected annual fee for 2014 is $63/covered person
  - Fee will reduce in 2015 and 2016
  - First report likely due November 2014
  - Insurer files/pays for insured plans; employer files/pays for self-funded plans

2018 Obligation

Cadillac tax

- 2018 effective date
- 40% non-deductible excise tax if plan too generous.
  - Total cost exceeds $10,200 for single coverage and $27,500 for family

Key Differences in Markets

In general, law applies to everyone, including government, non-profits, church plans, unionized

Employer Strategies

Strategies include:

- Maintain current program (e.g., if need for retention, recruitment)
- Reduce benefits to minimum value
- Restructure contribution levels
  - –Base contribution on pay?

Employer Strategies (continued)

Discontinue coverage and rely on the exchanges

- Will that cause employees to demand additional, less tax-advantaged compensation?
- Would this strategy still be viable if the penalty amount increased?

Questions?