



Affordable Care Act (ACA)

- Background
 - Core of law is an attempt to reduce # of uninsured
 - Multiple approaches to expanding insurance coverage
 - Requires most in US to have health insurance
 - Creates state-based exchanges through which individuals can purchase coverage, with premium and cost sharing credits available for individuals/families with household income of 100% - 400% of federal poverty level
 - Requires large employers to offer coverage to all full-time employees or pay penalties
 - Delayed to 2015! More Later
 - Expands Medicaid to 138% of poverty level

Uninsured in the U.S.

- Family Work Status

Family Work Status	Percentage
1 or More Full-Time Workers	61%
No Workers	24%
Part-Time Workers	16%

SOURCE: KCMU/Urban Institute analysis of 2011 ASEC Supplement to the CPS.

Uninsured in the U.S.

- Uninsured rates vary dramatically by state

	2011 Adult Uninsured Rate
U.S. Average	18%
Texas	27%
California	22%
Alaska	20%
Washington	16%
Minnesota	11%
Massachusetts	5%

Uninsured in the U.S.

- Uninsured rates vary dramatically by income

Household	200% FPL	400% FPL
1	\$15,856	\$45,960
2	\$21,404	\$62,040
3	\$26,951	\$78,120
4	\$32,499	\$94,200
5	\$38,047	\$110,280
6	\$43,594	\$126,360

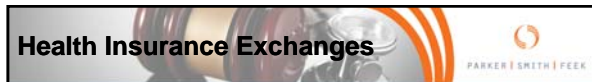
2019 Insurance Coverage

Category	Without HCR (Millions)	With HCR (Millions)
Employee-Sponsored Insurance	165.2	165.1
Exchange	0	30.6
Other FHI	28.7	11.4
Medicaid & CHIP	61.9	62.2
Uninsured	58.8	24.4

Source: Sisko A et al., "Health Spending Projections Through 2019: the Estimated Impact of Reform" *Health Affairs* 29, no. 10 (2010) (9 September 2010).




HEALTH INSURANCE EXCHANGE/MARKETPLACE

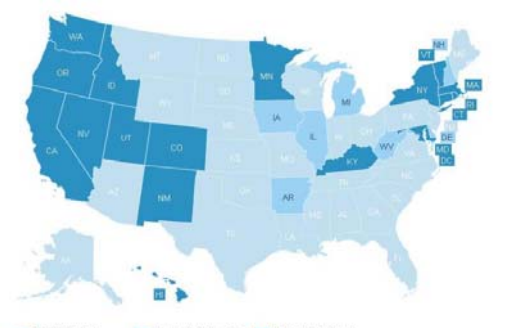


Health Insurance Exchanges

- Public Exchange (Marketplace)
 - A marketplace where carriers will sell individual and small group health insurance plans
 - Individual Health Insurance
 - Guarantee issue, no medical underwriting
 - Small Group Insurance
 - Small group program is called Small Business Health Options Program ("SHOP exchange")
 - Subsidy Administration
 - Public Exchanges will certify and administer ACA subsidies for low and middle income individuals purchasing individual health insurance through the Exchange



Health Insurance Exchanges



Legend:
Default to Federal Exchange
Planning for Partnership Exchange
Declared State-based Exchange

Health Insurance Exchanges

- SHOP and Small Group Insurance Rules
 - Group plans available to small employers
 - 2014 & 2015 small employer is <50
 - Beginning in 2016 small employer is <100 in all states
- Small Group Rating and Underwriting Rules
 - ACA small group reform rules apply to all small group plans both inside and outside the exchange
 - No medical underwriting or pre-ex limitations
 - Modified Community Rating
 - No rating based on claims experience
 - Age rate spread of no more than 3:1

EMPLOYER SHARED RESPONSIBILITY RULES

Shared Responsibility Rules

- Pay or Play Enforcement Delayed Until 2015
 - Large employers can continue most current plan and eligibility rules through 2014
 - For example – employer could continue to offer benefits only to those working 40+ hours
 - Employer reporting requirement also delayed
 - Originally scheduled to go into effect beginning January 2015 (for 2014 calendar year data)
 - Delayed until 2016 (for 2015 calendar year data)
 - Delay does not effect other employer ACA requirements

Employer Reporting


- 6055 Coverage Reporting
 - To assist the IRS in determining if individuals carry health insurance coverage for purposes of the individual mandate
 - Employers & health insurers must provide coverage details to the IRS, and a statement to each covered individual
 - For fully insured plans the health insurance carrier providing the coverage is responsible for the reporting.
 - Employers who sponsor self-funded plans will be responsible for the reporting, but TPA may assist
 - Information included in the 6055 reporting includes
 - The name, address, and SSN of the primary insured
 - The name, dates of coverage, and SSN of each individual covered under a policy
 - Whether health insurance coverage is a qualified health plan offered through an Exchange

Employer Reporting

- 6056 Employer Plan Reporting
 - All “applicable large employers” must report plan and employee information to the IRS and provide employees with a statement
 - Employer is responsible for the reporting whether the plan is fully insured or self-funded
 - Employer’s name, date, & EIN
 - Certification whether employer offers full-time EEs (and dependents) coverage
 - The number of full-time employees for each month
 - Name, address, & SSN of each full-time EE & the months EE was covered
 - The length of waiting period, months coverage was available, monthly premium for the lowest cost option, the actuarial value of the plan
 - IRS considering combined reporting for self-funded employers subject to both requirements


Shared Responsibility Rules

- 4980H(a) Penalty
 - Employer does not offer minimum essential coverage to all full-time employees and dependent children
 - Penalty = \$166.67/mo (\$2000/yr) times total number of full-time employees (not counting first 30)
 - 95% “margin of error” rule
- 4980H(b) Penalty
 - Employer offers coverage to all FT employees but coverage is unaffordable or not minimum value
 - Penalty \$250/mo (\$3000/yr) times number of employees who purchase individual coverage through an exchange and are certified to receive subsidies



Shared Responsibility Rules

- 4980(H)(b) Employer Penalty Safe Harbors
 - If employee cost for single coverage for low option plan meets one of these safe harbors, employer will not be liable for 4980(H)(b) penalty even if an employee qualifies for subsidized coverage
- Rate of Pay Safe Harbor – employee cost does not exceed 9.5% of a computed monthly rate of pay
 - Hourly rate of pay multiplied by 130 to determine a monthly "rate of pay"
 - \$10/hr rate of pay returns safe harbor contribution rate of \$123.50 (\$1300 x 9.5%)
- W-2 Safe Harbor - employee cost for self-only does not exceed 9.5% of employee's W-2 wages
- Federal Poverty Level Safe Harbor - Employee's cost for self-only coverage does not exceed 9.5% of the FPL for a single individual
 - 2013 monthly safe harbor contribution for self-only coverage would be anything less than \$90.96 in the lower 48 states




Shared Responsibility Rules

- 4980(H)(b) Bottom Line
 - Very few employees or their families who are eligible for a minimum value employer plan will qualify for subsidized individual coverage

\$24,000 Wages or Rate of Pay	\$2,000 mo.
	X 9.5%
Employee cost for single coverage must exceed	\$190.00 mo.

- As a result very few employers will face a 4980(H)(b) penalty
 - Unless they have a relatively high single contribution requirement and low income employees



2014 EMPLOYER ISSUES: WHAT HAS NOT BEEN DELAYED

2014 Employer Issues

- Cost Sharing Limitations - Cost sharing cannot exceed HSA/HDHP limits
 - Non-grandfathered plans first plan year in 2014
 - 2014 limits - \$6,350 for self-only, \$12,700 for family
- Waiting Period Rule
 - Waiting period of no more than 90 days for plan years beginning 01/01/2014 (Applies to grandfathered plans)
- Reinsurance Fee - Calendar years 2014 – 2016
 - Approximately \$60 per year per participant
 - Enrollment reported Dec. 2014 - payment due early 2015
 - Fully insured plans - Carriers will pay on behalf of employer's plan
 - Self-funded plans - TPAs "may" pay on behalf of employer
- COBRA
 - New DOL COBRA election notice language encourages COBRA QBs to explore coverage through the Exchange
- Individual Health Insurance & HRA Guidance Issued
 - Employers may not use an HRA to fund employee's purchase of individual health insurance
 - HRAs must be integrated with a group medical plan
 - "Integrated" = HRA is available only to employees who are also covered by a group health plan

FULL-TIME EMPLOYEES

Full-Time Employees

- Full-Time Employees
 - In general ACA defines full time as 30 hours of service per week
 - To avoid 4980(H) penalties employer must choose to measure eligibility on a monthly basis or opt for optional "measurement period" approach
 - Employers can choose a look-back "measurement period" of 3-12 months
- Optional IRS "Safe Harbor" Measurement Period Basics
 - 130 hours per month equivalent to 30 hours per week
 - Initial measurement period applies to new hire variable hour and seasonal employees (more later)
 - Standard measurement period applies to all employees in a category
 - Hourly vs. Salary
 - Union vs. non-Union
 - By state of residence
 - Employees with an average of 30 hours of service per week during measurement period must be treated as full time
 - This equals 1560 hours of service if using a 12-month measurement period

Full-Time Employees

- Counting Hours of Service
 - IRS has defined an hour of service
 - Each hour an employee is paid, or entitled to payment, for the performance of duties for the employer
 - Each hour for which an employee is paid, or entitled to payment, for vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty, or leave of absence
 - Special rules for counting hours of service
 - Employees not paid on an hourly basis
 - Averaging service for special unpaid leaves (FMLA & USERRA)
 - Breaks in Service
 - Employee returning to work after unpaid absence (including a termination) may need to be treated as a "continuing employee"
 - Employees of educational organizations

Full-Time Employees

- Measurement and Stability Period Observations
 - Employers with very few variable hour or seasonal employees may be better off staying with monthly eligibility determinations
 - Using shorter measurement periods
 - Very few employers will find it advantageous to run measurement periods shorter than 12 months
 - Using a 3-month measurement period would mean measuring existing employee hours of service every three months (4 times per year)
 - Employers using measurement period method beginning 1/1/2015
 - Employee hours of service beginning in November 2013 will matter!

THE INDIVIDUAL MANDATE & SUBSIDIES FOR INDIVIDUAL HEALTH INSURANCE THROUGH A PUBLIC EXCHANGE

Individual Mandate

- Health Insurance Requirement (The Individual Mandate)
- Amount of Tax
 - 2014 - \$95 per adult and \$47.50 per child (up to \$285 for a family) or 1.0% of income, whichever is greater
 - 2015 - \$325 per adult and \$162.50 per child (up to \$975 for a family) or 2.0% of income
 - 2016 and Beyond - \$695 per adult and \$347.50 per child (up to \$2,085 for a family) or 2.5% of income
- Maximum tax set at national average of bronze plan

Individual Mandate

- Exempt from tax
 - For 2014 only
 - Enrolled by March 31st 2014 - Even if coverage is not effective until May 1
 - Eligible for an employer plan with a non-calendar year plan year and not able to enroll until 2014 open enrollment
 - Ongoing exemptions
 - No coverage for three months or less
 - Qualified religious sect approved by HHS
 - Member of a health care sharing ministry
 - Unlawfully present in the U.S.
 - Incarcerated
 - No access to affordable coverage
 - If cost of coverage available exceeds 8% of individual's household income
 - For family members of employees eligible for employer-sponsored coverage affordability is based on the contribution required for the family member to participate

Subsidies

- ACA "Subsidies"
 - Available to individuals with household income 100% - 400% of Federal Poverty Level (FPL)
 - "Advancable" Premium Tax Credit
 - Qualified individuals will pay no more than a fixed maximum contribution depending on household income
 - Cost Sharing Reductions
 - Lower deductibles and out-of-pocket costs available to individuals with incomes less than 300% of FPL

	Lower 48 FPL	Alaska FPL	Lower 48 400%	Alaska 400%
1	\$11,490	\$14,350	\$45,960	\$57,400
2	15,510	19,380	\$62,040	\$77,520
3	19,530	24,410	\$78,120	\$97,640
4	23,550	29,440	\$94,200	\$117,760
5	27,570	34,470	\$110,280	\$137,880

Subsidies

- **Individuals Eligible for Employer Plan**
 - “Subsidies” are not available to individuals eligible for “affordable” employer-sponsored “minimum value” coverage
 - Affordable = Employee contribution for single (employee only) coverage is no more than 9.5% of household income
 - Affordability for family members
 - An employee’s family member qualification for subsidy is based on the employee’s contribution for employee only coverage
 - This approach will significantly limit the number of family members who will be eligible for subsidized coverage

Subsidies

- **Household income**
 - Modified adjusted gross income (MAGI) of individual, spouse and tax dependents in household
 - For most taxpayers MAGI is the same as Adjusted Gross Income (AGI)
 - Found on Line 4 on a Form 1040EZ, or Line 37 on a Form 1040
 - AGI modified by foreign earned income, earnings on tax free investments
 - The employer will never know employee’s household income
 - AGI includes “above the line” adjustments such as alimony payments, HSA contributions, self-employed business profits and losses, etc.

Subsidies

- **Subsidy Process**
 - Individuals must apply for health insurance coverage through a public (state or federal) Exchange
 - Exchange will collect income and employer coverage data and certify if individual is eligible for subsidy
 - Exchange must notify an employer if an employee is certified
 - Exchange will administer premium tax credits
 - Individual can choose to collect tax credit in advance on a monthly basis or collect when tax return is filed
 - Individual will pay only their portion of premium
 - Exchange will facilitate payment of tax credit to carrier
 - Tax credit will be “settled up” when individual files their tax return

Subsidies

- Employee Qualification for Subsidies
 - Bottom Line - Very few employees (or their family members) who are eligible for an employer plan will qualify for subsidized individual coverage through the Exchange!

\$24,000 Household Income	\$2,000 mo.
	X 9.5%
Employee contribution for single coverage must exceed	\$190.00 mo.

- This is what employers really need to communicate to employees!

Subsidized Coverage Examples

Assumes a Silver Base Plan with \$6,300/\$12,600 OOP

Example of Monthly Retail Cost	300% FPL Income	Maximum Premium	Federal Premium Assistance	Max OOP	
Age 30 family(4)	\$861	\$70,300	\$554	\$308	\$12,600
Age 30 single	\$318	\$34,500	\$273	\$45	\$6,300
Age 50 family(4)	\$1,436	\$70,300	\$554	\$882	\$12,600
Age 50 single	\$530	\$34,500	\$273	\$256	\$6,300

Kaiser Family Foundation Subsidy Calculator: <http://kff.org/interactive/subsidy-calculator>

Subsidized Coverage Examples


Assumes a Silver Base Plan with \$6,300/\$12,600 OOP

Example of Monthly Retail Cost	150% FPL Income	Maximum Premium	Federal Premium Assistance	Max OOP	
Age 30 family(4)	\$861	\$35,250	\$117	\$745	\$2,250
Age 30 single	\$318	\$34,500	\$273	\$45	\$6,300
Age 50 family(4)	\$1,436	\$70,300	\$554	\$882	\$12,600
Age 50 single	\$530	\$34,500	\$273	\$256	\$6,300

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WAITING FOR GUIDANCE



Waiting for Guidance

- Nondiscrimination Rules for Fully Insured Health Plans
- Automatic Enrollment for Employers with >200 Employees
- Cadillac Tax on High-Cost Health Plans
