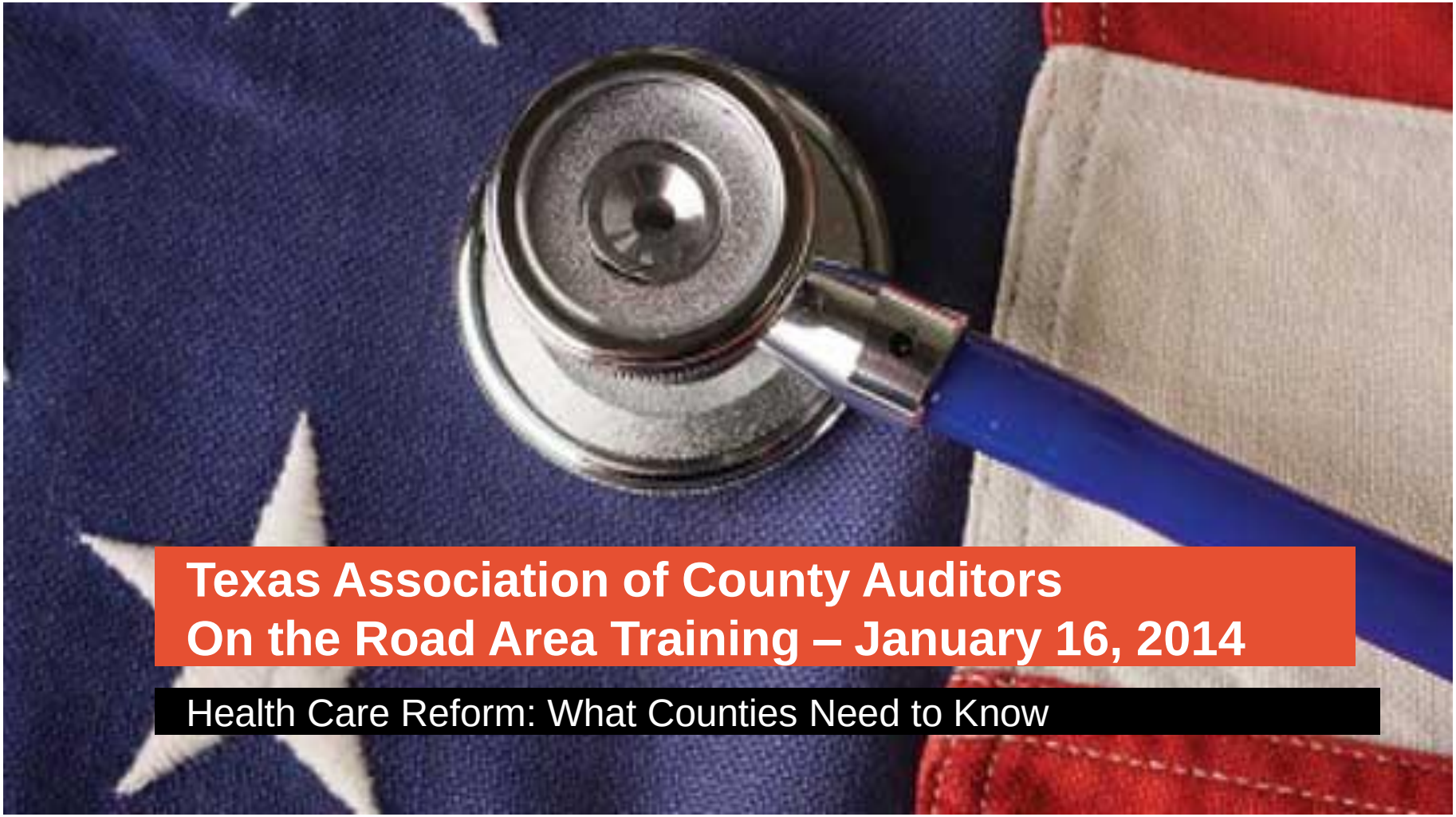

Texas Association of County Auditors
On the Road Area Training – January 16, 2014

Health Care Reform: What Counties Need to Know

Presented by: Texas Association of Counties

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Health care reform overview

Health Care Reform
(Affordable Care Act)

Employer
"Pay" or "Play"
Decision

Individual
Mandate

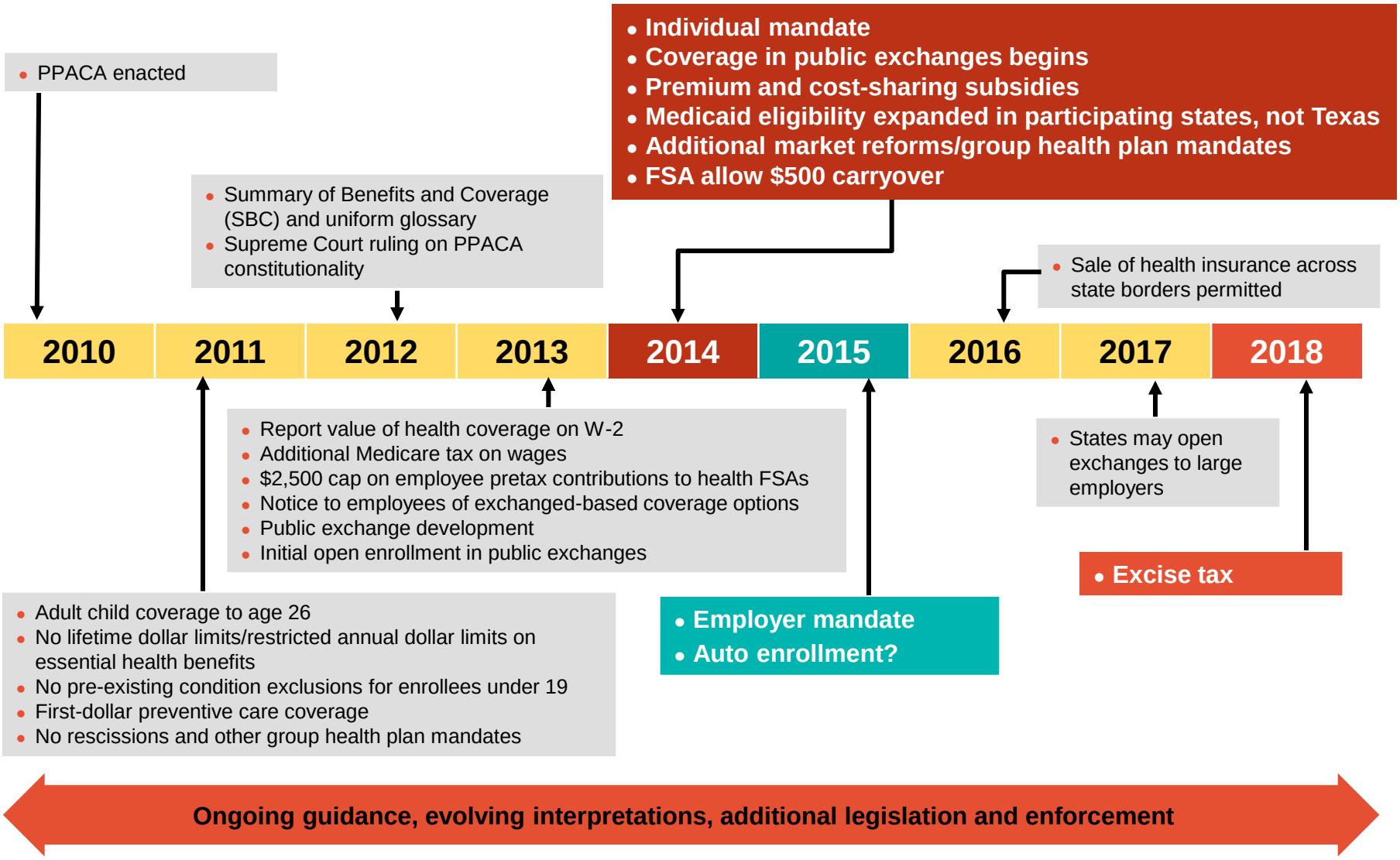
Public
Exchanges

Medicaid
Expansion

Federal
Subsidies

Part-time
vs.
Full-time

Health care reform: high-level timeline



Health care reform fees

	Self-Funded Plans
Transitional Reinsurance	• For the 2014 benefit year, the proposed national per capita contribution rate will be $63 per covered life per year. • Estimates for 2015 reduce rate by about 1/3 and 2016 by about ½ from 2014 estimates
Patient-Centered Outcomes Research (PCORI) Fee	• 2012: $1 per member per year • 2013: $2 per member per year • Amount indexed beginning 2014

Individual mandate

- All U.S. citizens and legal residents (with limited exceptions) will be required to maintain “minimum essential coverage” or pay a penalty

- Individuals can get coverage either from:
  - Employer-sponsored plan,
  - Spouse’s employer,
  - Parent’s employer (if you are under age 26),
  - A Health Insurance Marketplace (public exchange), or

  - Other coverage options that may be available, including an insurance plan outside the Health Insurance Marketplace or through government programs such as Medicare and Medicaid

Individual mandate

- Annual penalties for the individual vary depending on income and family status
  - 2014: Greater of $95 per adult or 1% of household income
  - 2015: Greater of $325 per adult or 2% of household income
  - 2016: Greater of $695 per adult or 2.5% of household income
- Some individuals may qualify for a federal subsidy if they buy insurance from the Health Insurance Marketplace

Health insurance marketplace

- New public insurance “marketplaces” for individuals and small-groups opened for enrollment in October 2013 and are available in each state

- Each state can elect to operate their own Marketplace, have the federal government run their Marketplace, or implement some combination of these alternatives

Health insurance marketplace

- Each Marketplace is expected to offer a different range of plan choices, each with its own set of benefits and cost

- All the plans available through the Health Insurance Marketplace will have:
  - Preventive care services covered at 100%
  - No lifetime limits or caps on the benefits received under the plan
  - Out-of-pocket costs capped at the limit for Qualified High Deductible Health Plans ($6,350 for single coverage in 2014)

Health insurance marketplace

- Assistance may be available to help individuals pay premiums and limit cost when they use benefits—called a federal subsidy
  - Eligibility for federal subsidies is based, in part, on a family's household income

Coverage options through employers and exchanges in 2014

Family Income greater than 400% of Poverty

Family may purchase *unsubsidized* coverage in Exchange

If employer coverage is available

Family may choose the employer plan or *unsubsidized* coverage in Exchange

Family Income less than 400% of Poverty

Family is potentially eligible for subsidy in Exchange

If employer coverage is available, but either inadequate (<60% benefit) or unaffordable (premiums >9.5%)

Family may choose the employer plan or subsidized coverage in Exchange

If employer coverage is available and adequate and premiums are affordable

Family may choose the employer plan or *unsubsidized* coverage in Exchange

Family Income less than Medicaid Level

Family is eligible for Medicaid

Family may also participate in Exchange

If employer coverage is available

Family may choose the employer plan or Medicaid

Estimated FPL for 2014

2014 FPL	Single Individual	Family of 4
100%	$11,576	$23,887
133%	$15,396	$31,770
400%	$46,302	$95,549

What PPACA provisions apply on schedule in 2014?

- The following 2014 PPACA employer provisions appear to be unaffected by the delay:
  - Exchange Notices – Employers must provide notices by Oct. 1, 2013, to employees that describe coverage available on the state exchange; DOL Technical Release 2013-02 provides model notices; there's no penalty for not distributing these notices, but employers should still provide this information

What PPACA provisions apply on schedule in 2014?

- Summary of Benefits Coverage (SBC) – Employers must provide all employees with an SBC that describes the health plan at enrollment; revised SBC template available for coverage beginning on or after Jan. 1, 2014
- Patient-Centered Outcomes Research Institute (PCORI) fees – Employers are required to pay the PCORI fee by July 31, 2013, effective for 2012, and reported on IRS Form 720

What PPACA provisions apply on schedule in 2014?

- Transitional Reinsurance Fee (TRF) – Employers who sponsor self-funded health plans are required to pay a transitional reinsurance fee for 2014, 2015, and 2016
- W-2 Reporting – Employers with 250+employees are required to report the value of employer-provided health insurance coverage on W-2s issued for 2013
- 90 Day Waiting Period – Employers are generally required to enroll eligible employees in the employer-sponsored health plan within 90 calendar days of their start date

What PPACA provisions apply on schedule in 2014?

- Comprehensive Out of Pocket Maximum – **Non-grandfathered** group health plans generally required to adopt a comprehensive and unified OOP maximum, tied to HDHP levels, with special 1-year transition for plans with multiple claim vendors; e.g., medical and Rx drug

- Wellness programs – Compliance with final regulations on wellness plans required for plan years beginning on or after Jan. 1, 2014

What employer tasks are deferred to 2015?

- Employers have an additional year before they must:
  - Determine whether they employ at least 50 full-time equivalent employees and are subject to the pay or play mandate ("applicable large employer")
  - Classify employees who work on average at least 30 hours/week (or 130 hours/month) as “full time” for health plan purposes

What employer tasks are deferred to 2015?

- Adopt measurement/stability periods rules to track hours for variable hour, part-time and seasonal employees

- Offer minimum essential coverage (MEC) to at least 95% of their “full time” employees and their dependents or risk paying a penalty
  - MEC is broadly defined, but includes most forms of insured or self-insured employer sponsored group health plan coverage

What employer tasks are deferred to 2015?

- Determine that the employee-only health plan coverage option meets the “affordability” standards of PPACA and is of minimum value (MV)

- Adapt payroll systems to comply with the employer data reporting requirements of health care reform (beginning with 2015 coverage reported in 2016)

Employer “pay” or “play” decision

- Effective 1/1/2015, large employers (over 50 full time equivalent employees) must offer “minimum essential coverage” to full-time employees and their children to age 26 or pay a penalty to the government.

- To avoid the penalty, the large employer will need to show that employee coverage under its plan provides minimum value and is affordable, as defined by the government.

Employer “pay” or “play” decision

- To provide minimum value, the plan must cover at least 60 percent of the total cost of covered care.

- To be affordable, the employee-only coverage under the lowest-cost plan cannot be more than 9.5% of an employee’s total household income.

Full-time, part-time, seasonal and variable hours

- The law requires that employers with over 50 full-time equivalent employees cover all employees who work 30 hours or more per week.

- Employers are not required to cover part-time workers (defined by the government as employees who work less than 30 hours per week).

Full-time, part-time, seasonal and variable hours

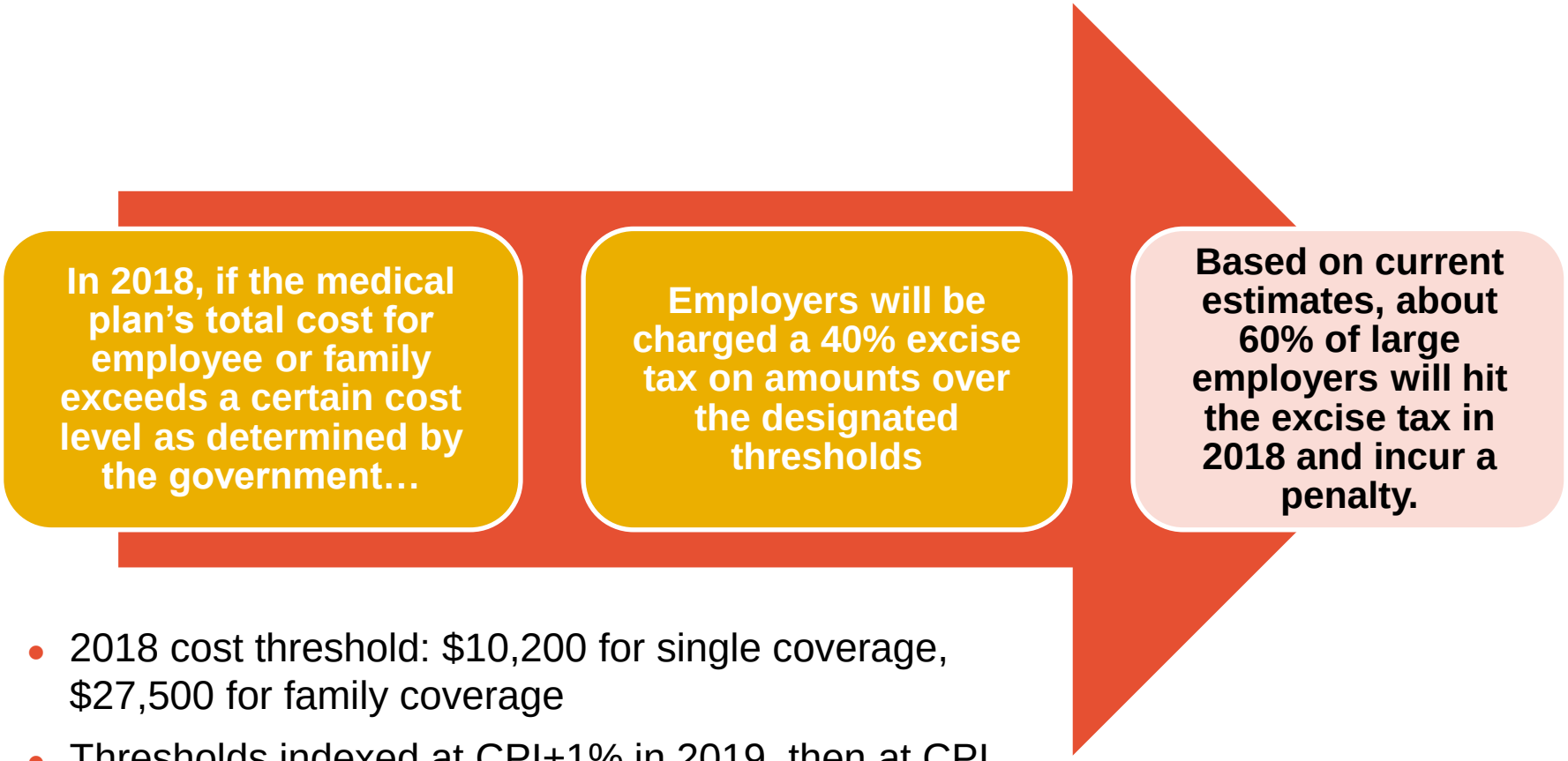
- There are specific guidelines for determining whether an employee who works seasonally or variable hours should be considered “full-time”
  - If an employer determines a specific individual should be classified as a full-time employee, he/she must be offered coverage

The employer pay-or-play mandate (2015)

Pay-or-Play Mandate Based on Plan Sponsorship	
No Employer Plan ("Pay")	**Employer Offers Coverage ("Play")**

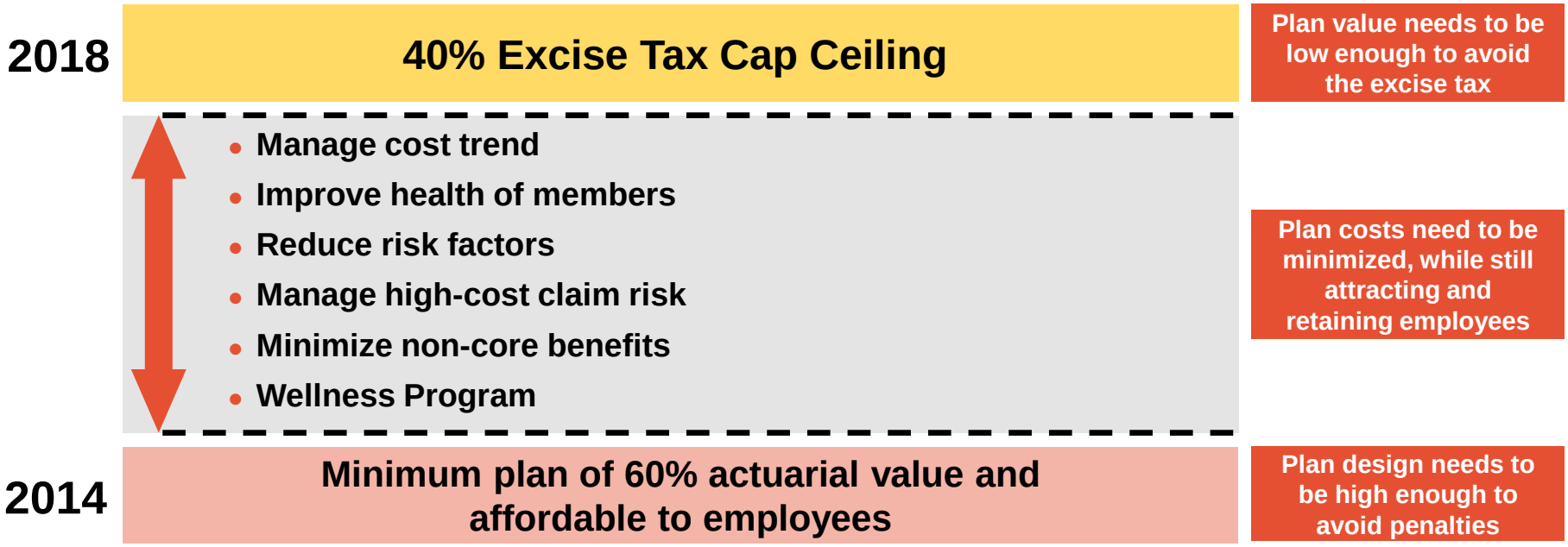
• $2,000 x all full-time employees (FTEs)
  ◦ Triggered if employer offers coverage to less than 95% of its FTEs and any employee receives subsidized coverage through Exchange
  ◦ Penalties nondeductible by employer
  ◦ FTE defined as an employee working 30 or more hours per week
	• Employer plan covers less than 60% of charges
	OR
	• Employee contributions for self-only coverage exceed 9.5% of household income
	AND
	• Employee household income between 133% and 400% of federal poverty level (FPL)
	THEN
	• **Pay lesser of**
	  ◦ $3,000 for each subsidized FTE that receives Exchange-based premium subsidies, or
	  ◦ $2,000 x all FTEs

The excise tax or “Cadillac tax” in 2018



- 2018 cost threshold: $10,200 for single coverage, $27,500 for family coverage
- Thresholds indexed at CPI+1% in 2019, then at CPI thereafter

Management of the excise tax or “Cadillac” tax requires a sustainable solution



Health care benefits continue to be highly valued

Health care benefits are an important driver — in the top 10 — of employee attraction, globally and in the U.S.*

88%	U.S. employers committed to offering health care programs to full-time employees in 2014 or after**
90%	U.S employers that say subsidized health care is an important part of their value proposition†
82%	U.S. employers that say improved health and productivity are important to the employee value proposition†
28%	U.S. employers believe exchanges will provide a viable alternative to employer-sponsored coverage in 2014 – 2015**

*Towers Watson, *2012 Global Workforce Study*.
**Towers Watson, *2012 Health Care Changes Ahead Survey*.
†*2013 Towers Watson/National Business Group on Health Employer Survey on the Value of Purchasing Health Care*.

Roadmap for strategic decision making

Compliance and Opportunity Assessment

- **Comply** with mandates and reporting
- **Quantify** impacts
- **Examine** opportunities
  - Mitigate cost trend
  - Optimize value
  - Consider accelerated exit for retirees
  - Positioning for 2014 and 2018

Redefining the Employer Role

- **Play or Pay**
  - Pay — and revisit total compensation package
  - Play, but with a differentiated view
    - Lowest wage workers
    - Dependent subsidization
- **Evaluate** benefit delivery model and effectiveness

Delayed Exit or Differentiated Play

- **Revisit** success or failure relative to Excise Tax thresholds
- **Re-evaluate** the play or pay decision
  - Delayed exit
  - Differentiated design/subsidy

Key health care reform considerations at-a-glance

Consideration	What It Is
1. PCORI Fee (2012)	Fee to fund Patient Centered Outcomes Research Institute. $2 per member per year in 2013, indexed thereafter
2. Legally Required Communications (2013)	Employers required to communicate public exchanges and subsidies to employees
3. Comprehensive Coverage Mandate (2014)	Out-of-pocket limits must include all deductibles, coinsurances and copayments and are capped at HDHP levels (transition rules apply)
4. Transitional Reinsurance Fee (2014 – 2016)	New fee on employer plans to help fund public exchange risks ($63 per covered person in 2014)
5. Individual Mandate (2014)	Citizens and legal residents must have minimum essential coverage or pay tax penalty; exemptions administered by Exchanges and IRS
6. Health Insurance Marketplaces and Low Wage Subsidies (2014)	Availability of guaranteed issue health coverage options with subsidies for low wage earners through state-based exchanges
7. Employer Shared Responsibility (2015)	Employers must decide to “play” or “pay” or find a combination approach
8. Determinations of Full-Time Employees (2015)	Full-time status must be determined for current employees before 1/1/2015, then for new hires and ongoing employees going forward for employer “play or pay” compliance
9. Automatic Enrollment in Health Plan (2015)	Employers must auto-enroll new hires in health plan — effective date deferred
10.Excise Tax (2018)	Tax levied on high cost “Cadillac” plans