

Health Care Reform Overview

The Greater Tompkins County Municipal Health
Insurance Consortium
September 9, 2013

Excellus 

Before We Begin.... Some Key Points

- The employer group market will remain largely in tact for 2014
- There is a lot of information....it can be overwhelming
- The legislation and regulations are complex and lack clarity
- Focus on the basic requirements and continue to monitor throughout 2013/2014 and beyond

Agenda

- Health Care Reform (HCR) overview
- The individual mandate
- What are the impacts to large employer groups?
- High level information on the exchanges
- Taxes and penalties
- HCR delays and updates - What it means to you...

Health Care Reform Legislation

- HCR legislation was signed into law in March 2010
- Main purpose is to cover the uninsured in the US
- HCR requires market reform (i.e. Exchanges)
- New taxes, penalties and fees
- Some provisions were effective immediately
 - Dependents to age 26, elimination of waiting periods for dependents to 19 and elimination of lifetime maximums
- Major reforms in 2014
- July 2013 delay announcement

1/1/2014 Individual Mandate

**U.S.
Citizens**



**Must Have
Health Insurance**



OR



**Employer Sponsored
Coverage**

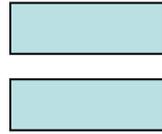
**Medicaid
Family Health Plus
Child Health Plus**

**Medicare
Medicare Advantage
Plans**

**Direct coverage
through insurance
companies or
Exchanges**

**Pay a Tax Penalty
Up to 3 people per Household**





Tax Penalty
when filing income tax

Tax Penalty Amt Per Person	2014	2015	2016	2017
Flat amount	\$95	\$395	\$695	\$695 + adjustment for inflation
or				
% of income (whichever is greater)	1%	2%	2.5%	2.5%

Amount is prorated based on the number of months with no coverage

Three Categories for Employer Impacts

Plan Design
Coverage
(Essential
Benefits)

Employer
Coverage
Eligibility
Requirements

Employer
Contribution
level
Reporting and
Tax

2013 Benefit and Coverage Changes

Change	Who It Impacts	When
Women's Preventive Services Covered in Full	<ul style="list-style-type: none"> All insured groups, small and large, benefits added upon renewal Self-funded 	Began upon renewals in August 2012.
Summary Benefit and Coverage (SBCs) required for employees	All employers	September 2012 Make sure SBCs are incorporated into open enrollment materials and new employee materials
FSA contribution limited to \$2,500	Any groups that offer a FSA 125 account	Required to cap at \$2,500 1/1/13 Must update employer plan documentation by 12/31/14

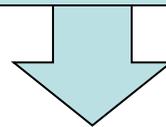
Large Employer Penalties

- **BREAKING News July 2013 HCR Delay:**
- The Administration announced it will provide an additional year before the ACA mandatory employer and insurer reporting requirements begin.
- This effectively gives employers an additional year to implement affordable coverage before they will be at risk of incurring penalties.

Rules for Employers with >50 Employees Under HCR

First: Verify the Size of Your Group Based on New Equivalency Formula

Employer Shared Responsibility Rules apply to groups with >50 employees



Rule #1*

Must offer coverage to full-time employees or may pay a penalty

Rule #2

Must offer minimum coverage or may pay a penalty



Rule #3

Must offer affordable coverage or may pay a penalty

*Rule applies that 95% of full-time employees must have coverage per draft regs released 12/28/12.

Rule 1 - Full Time Employees Must Have Coverage

- HCR mandated full time = anyone who works an average of 30 hours a week or more
- A “Look Back” Period will apply to review any employee, regardless of status to verify actual # of hours worked
- If anyone not offered coverage due to part-time status actually worked 30 hours or more a week, will need to offer them coverage

Penalty if Coverage is NOT Offered

Penalty Delayed until 1/1/2015

Penalty if coverage not offered

- **\$2,000 per full time employee, first 30 employees are exempt**

- For employees that are non full-time status, penalties do not apply if they work greater than 30 hours per week as long as the process for look back period is in place.
- Remember that the penalty is only effective if one employee goes to the exchange and receives a tax credit

Rule 2 - Must Offer Minimum Coverage

- Defined as offering at least one plan to employees that covers 60% of the cost
- HHS releasing minimum value calculator to determine if plans meet this standard
- Calculator has been released – EHP assessing plan portfolio – most of our products already meet this requirement

Rule 3 - Must Offer Affordable Coverage

- IRS Safe Harbor Rule, initial rule stated household income
- Employee premium contribution for lowest single policy <9.5% of employee income
 - Box 1 employees W-2

Employee Wages	<9.5% annually	<9.5% monthly
\$20,000/year	\$1,900/year	\$158.00/mos.
\$30,000/year	\$2,850/year	\$238.00/mos.
\$40,000/year	\$3,800/year	\$317.00/mos.
\$50,000/year	\$4,750/year	\$396.00/mos.

Penalty if Coverage Offered but Does Not Meet Minimum & Affordable Coverage

Penalty Delayed until 1/1/2015

Penalty if coverage requirements not met

- **\$3,000 for each full time employee purchasing subsidized exchange coverage**
- OR
- **Capped at \$2000 per full time employee (first 30 exempt)**

- Remember that the penalty is only effective if one employee goes to the exchange and receives a tax credit

In 2015, employer penalties can apply in two different situations:

In 2015, employer penalties can apply in two different situations:

1. Where a large employer does not offer health coverage to at least 95% of its full-time employees and their dependents; and
2. Where a large employer does offer coverage, but it is unaffordable or does not provide minimum value (MV)

In both cases, an employer will only be subject to a penalty if a full-time employee enrolls in individual coverage through an Exchange and receives a premium tax credit.

NOTE: Employers only need to offer one product that is affordable and meets MV to avoid penalties, even if other plans offered that do not meet affordability or does not meet MV

Example of “Look Back”

Example of Measurement period:

Step 1.

Period of time that will be used to calculate how many hours variable hour employees actually worked.

Employer chooses timeframe from 3-12 months.

1/1/14-9/30/14

Example of Administrative period:

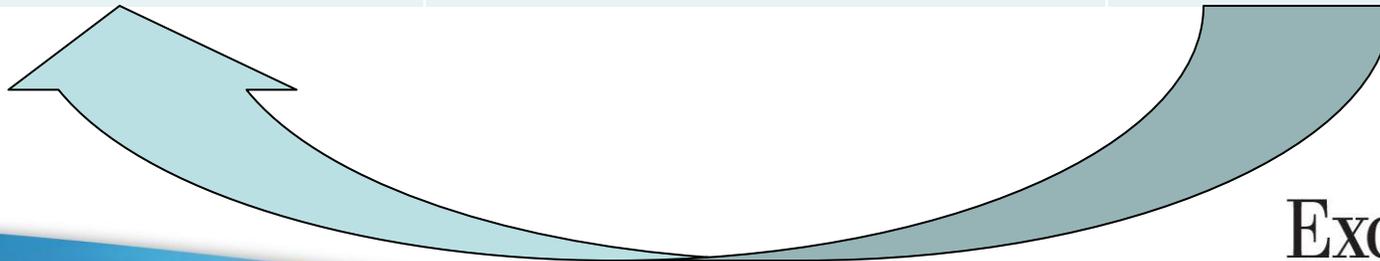
Period of time provided for employer to calculate the # of hours worked during **Step 1** and offer coverage and enroll employees that worked more than 30 hours per week

10/1/14-12/31/14

Example of Stability Period:

Period of time employees must be offered coverage; it has to be at least six continuous months or the same time period as **Step 1** (but not shorter than step 1) Employees must be offered coverage regardless of the number of hours they will work in the stability period.

1/1/15-9/30/15



Notice to Employees

- The notice must be provided in writing, either by mail or electronically, to **all employees**, even if they are not eligible for health insurance coverage under your plan.
- **When is it due?**
- **Current employees:** No later than October 1, 2013
- **New employees:** Beginning October 1, 2013
- Until new guidance is issued, employers will have 14 days to provide the notice to new employees
- <http://www.dol.gov/ebsa/pdf/FLSAwithplans.pdf>

http://www.dol.gov/ebsa/pdf/FLSAwithplans.pdf - Windows Internet Explorer

http://www.dol.gov/ebsa/pdf/FLSAwithplans.pdf

File Edit Go To Favorites Help

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Tools Sign Comment

1 / 3 95.3%



New Health Insurance Marketplace Coverage Options and Your Health Coverage

Form Approved
OMB No. 1210-0149
(expires 11-30-2013)

PART A: General Information

When key parts of the health care law take effect in 2014, there will be a new way to buy health insurance: the Health Insurance Marketplace. To assist you as you evaluate options for you and your family, this notice provides some basic information about the new Marketplace and employment-based health coverage offered by your employer.

What is the Health Insurance Marketplace?

The Marketplace is designed to help you find health insurance that meets your needs and fits your budget. The Marketplace offers "one-stop shopping" to find and compare private health insurance options. You may also be eligible for a new kind of tax credit that lowers your monthly premium right away. Open enrollment for health insurance coverage through the Marketplace begins in October 2013 for coverage starting as early as January 1, 2014.

Can I Save Money on my Health Insurance Premiums in the Marketplace?

You may qualify to save money and lower your monthly premium, but only if your employer does not offer coverage, or offers coverage that doesn't meet certain standards. The savings on your premium that you're eligible for depends on your household income.

Does Employer Health Coverage Affect Eligibility for Premium Savings through the Marketplace?

Done Unknown Zone | Protected Mode: Off

ACA Employer Notice

- Notice must be sent to all employees regardless of their eligibility for health insurance coverage through the employer.
- The notice can be sent out in paper form or electronically to employees.
- New employees hired after the initial notice is released still need to be notified.
- The notice is not intended to be an annual notice to employees.

Product Changes to be Compliant

- Essential Benefits
- Out Of Pocket Maximus (OOPM) Maximum limits \$6,350/\$12,700 (Classic Blue Plans will have an umbrella for OOPM)
- Deductibles, coinsurance, copayments including RX copayments must count toward the OOP (safe-harbor for RX copayments until 2015 with outside PBM's)
- PPO Plans In & Out of Network cost shares will be separate (\$6,350/\$12,700 In-Network and \$6,350/\$12,700 Out of Network)

What is an Exchange?

- Health Insurance Exchanges, also known as health insurance marketplaces, provide people a place to research, compare and purchase health plans
- Most commonly an online marketplace – think Expedia
- Exchanges have four primary roles

Establish web portal
for shopping and
enrollment

Manage eligibility
and assistance for
those applying for
coverage

Approve health
insurance plans for
participation

Assist in outreach
and education to
consumers

NY State of Health Web Site Live

The screenshot shows a web browser window displaying the NY State of Health website. The address bar shows the URL <http://nystateofhealth.ny.gov/>. The browser's menu bar includes File, Edit, View, Favorites, Tools, and Help. The website header features the logo for "nystateofhealth" with the tagline "The Official Health Plan Marketplace" and a search bar. A navigation menu contains links for HOME, WHAT IS AN EXCHANGE?, INFO FOR YOU, NEWS & EVENTS, and RESOURCES. The main content area displays a featured article titled "New York State of Health: The Official Health Plan Marketplace" with a sub-headline "It's your place to shop, compare and enroll in a low-cost quality plan that's right for you. And it's the only place you can receive financial assistance based on your income, to lower your costs even more." and a "Read More" link. The background image of the article shows a woman smiling in a bakery. The browser's status bar at the bottom shows the URL <http://nystateofhealth.ny.gov/news> and a zoom level of 100%.

Health Care Exchanges Open For Enrollment October 1, 2013



NY State of Health



Open
10/1/2013
For
1/1/14 Coverage
Effective Date

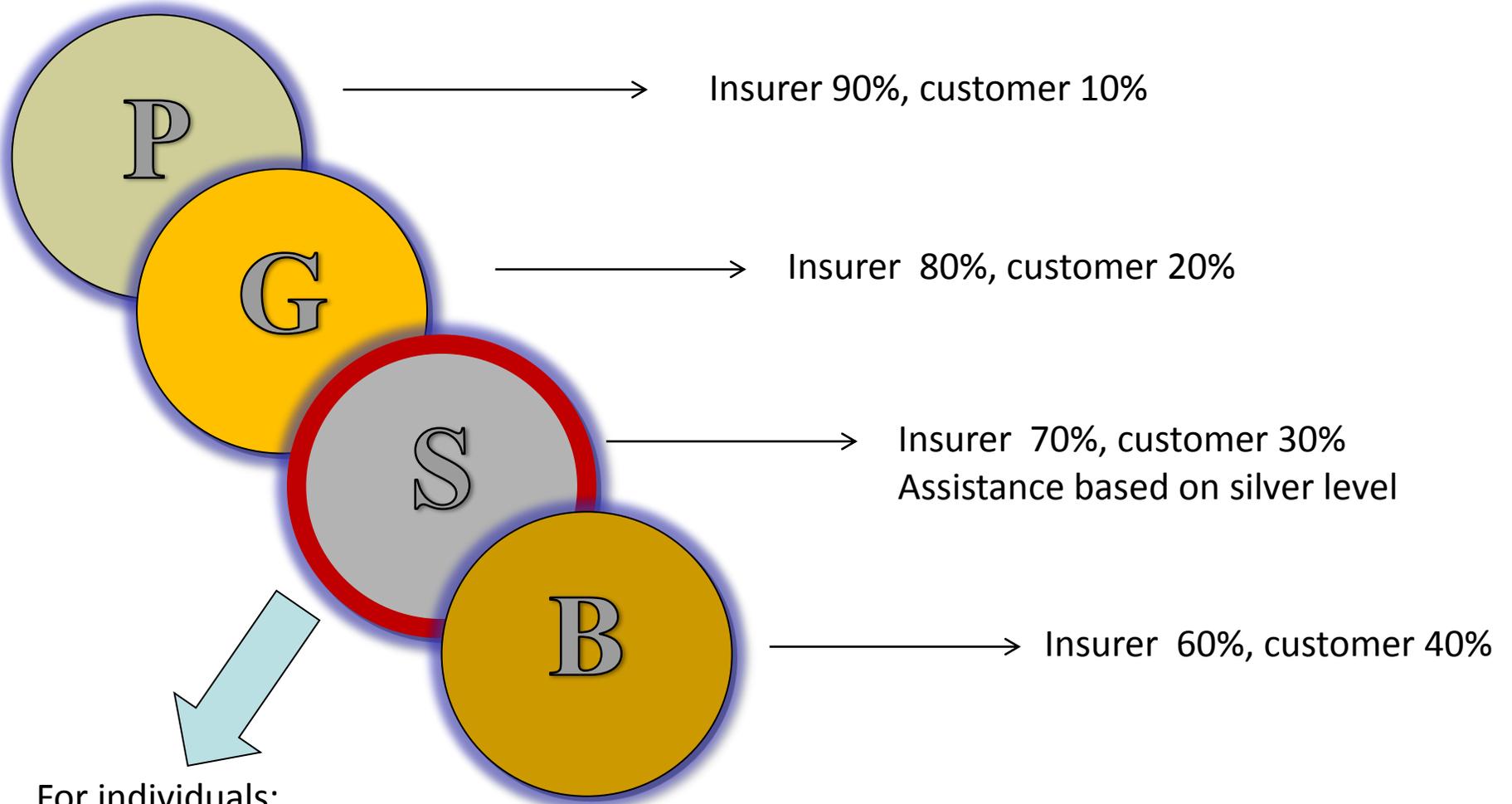


Individuals



Small Businesses

Actuarial Values for Exchange Health Insurance Products



For individuals:
% of premium required to pay is
based on second lowest silver
plan

How Exchanges Work

American Health Benefit Exchange

Small Business Health Options Program (SHOP) Exchange

Purchaser

Individuals

Small groups

**Tax Credit/
Subsidy**

Members below 400% FPL

Employers below 25 EEs

Product Levels

Platinum **Gold** Silver Bronze Catastrophic

Platinum **Gold** Silver Bronze

Member Selects

Employer Selects

Carriers

Carrier A Carrier B Carrier C Carrier D

Carrier A Carrier B Carrier E Carrier F

Member Selects

Member Selects

Health Care Reform Taxes

	Paid by	Amount	Due
<p>Patient-Centered Outcomes Research Tax</p>	<ul style="list-style-type: none"> • Insurer for insured groups • Employer/Plan Sponsor for self-funded • Stand alone HRAs considered separate plan and must be paid by employer/plan sponsor • FSA considered a separate plan only if they are not considered an excepted benefit under HIPAA 	<ul style="list-style-type: none"> • \$1 per covered life for policy and plan years ending between 10/1/11 and 09/30/12 • \$2 for policy and plan years that end between 10/1/12 and 09/30/13 • \$ to be determined for policy and plan years ending after October 1, 2013, based on the projected health care inflation rate 	<p>First payment due 7/31/2013 for plans.</p> <p>Payment due each year on 7/31 through 2020.</p>
<p>Transitional Reinsurance Program Fee</p>	<ul style="list-style-type: none"> • Insurer for insured groups • Employer/Plan Sponsor for self-funded 	<p>Fee for 2014 is \$5.25 per enrollee per month</p> <p>Applicable from 2014-2016.</p> <p>Beginning 11/15/2014, report the number of enrollees to HHS. HHS will notify total amount due for payment</p>	<p>December 15th of the applicable plan year, or 30 days after notification from HHS (whichever later)</p> <p>The first payment is due December 15, 2014</p> <p>The final payment is due December 15, 2016</p>

Health Care Reform Taxes

	Paid by	Amount	Due
Health Insurance Excise Tax	<ul style="list-style-type: none"> • Health Insurance providers • Self-funded plans are exempt 	<p>The amount of the tax is determined by the percent of the health plan's market share, based on net premiums, reported to the IRS.</p> <p>Total Amount of Annual Tax, to be divided among insurers 2014: \$8 billion 2015: \$11.3 billion 2016: \$11.3 billion Continues with no expected end date</p>	Annually, by September 30 of the applicable year
Cadillac Tax	<ul style="list-style-type: none"> • Employer/plan sponsor for self-funded plans • Insurer for fully insured groups • Applies if premiums exceed \$10,200 individual, \$27,500 annually • Thresholds may be adjusted upward before tax takes effect 	<p>40% on annual value of costs that exceed the threshold</p> <p>More details to be available with future guidance.</p>	2018

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