Healthcare Reform

July 17, 2013
Agenda

• Current and Future Requirements for Employers
• Healthcare Reform Taxes and Fees
• Individual Mandate and Subsidies
• Employer “Pay or Play” Mandate
• Other Requirements
• Expanded Wellness Differentials
• Annual Reporting
• Recent Guidance and Clarification
Everything You Need to Know
Healthcare Reform Compliance Checklist

2012
- Medical Loss Ratio reporting and rebate issuance in August
- Expanded women’s preventive services
- Summary of Benefits and Coverage (SBC) and 60-day advance notice of material modifications
- Value of health insurance reported on 2012 W-2

2013
- Healthcare spending account deferrals limited to $2,500
- Medicare payroll tax rate increases from 1.45% to 2.35% on wages over $200,000
- Provide written notice to employees addressing insurance exchanges, potential tax credit and cost-sharing subsidies

2014
- Individual mandate
- Insurance exchanges effective
- Pre-existing conditions prohibited
- 90-day limit on waiting periods
- Health Insurance Tax applied through 2018
- Transitional Reinsurance Tax through 2016
- Wellness premium differentials increase

2015 - 2018
- Delayed to 1/1/15: Employer Pay or Play Mandate
  - Tracking of full-time employees
  - Affordable coverage
  - Sufficiently valuable coverage
- Individual mandates increase
- Automatic enrollment requirements for employers with 200+ full-time employees delayed until after January 2014 (TBD)
- Excise “Cadillac Plan” tax on high cost plans in 2018
2013 Requirements for Employers

- Reporting the “value” or cost of health insurance is required for larger employers starting with the 2012 W-2, due out in January 2013.
  - *Small employers are not required to report the cost of coverage in 2012 or future years until further guidance is provided.*

- Medicare payroll tax increases from 1.45% to 2.35% on wages over $200,000 ($250,000 for joint filers).

- Written notice describing 2014 insurance exchanges and potential tax credits; employers will be required to do so in late summer/early fall of 2013.

- Healthcare Spending Accounts deferrals limited to $2,500
Indirect Employer ACA Taxes and Fees

• Comparative Effectiveness Research Fee (aka PCORI fee) paid to fund patient-centered outcomes research: $2 per member per year; sunsets after 2019.

• Health Insurance Tax: Sales tax applied to insurance carriers’ premium.

• Transitional Reinsurance Program: For plan years 2014-2016, fees charged to insurance carriers.
Individual Mandate in 2014

• In 2014, all adults must have health insurance for themselves and their children or pay a penalty to the government.

• Annual penalties:
  – **2014**: $95 per adult and $47.50 per child (up to $285 family maximum or 1% of family income, whichever is greater)
  – **2015**: $325 per adult and $162.50 per child (up to $975 family maximum or 2% of family income, whichever is greater)
  – **2016**: $695 per adult and $347.50 per child (up to $2,085 family maximum or 2.5% of family income, whichever is greater)
Proposed Individual Health Insurance Subsidies

• Premium Tax Credit Eligibility:
  – Families with incomes between 100% to 400% of federal poverty level who purchase coverage through a state-based health insurance exchange

<table>
<thead>
<tr>
<th>Persons in Family</th>
<th>100% FPL</th>
<th>133% FPL</th>
<th>250% FPL</th>
<th>400% FPL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$11,490</td>
<td>$15,282</td>
<td>$28,725</td>
<td>$45,960</td>
</tr>
<tr>
<td>2</td>
<td>$15,510</td>
<td>$20,628</td>
<td>$38,775</td>
<td>$62,040</td>
</tr>
<tr>
<td>3</td>
<td>$19,530</td>
<td>$25,975</td>
<td>$48,825</td>
<td>$78,120</td>
</tr>
<tr>
<td>4</td>
<td>$23,500</td>
<td>$31,322</td>
<td>$58,875</td>
<td>$94,200</td>
</tr>
<tr>
<td>5</td>
<td>$27,570</td>
<td>$36,668</td>
<td>$68,925</td>
<td>$110,280</td>
</tr>
<tr>
<td>6</td>
<td>$31,590</td>
<td>$42,015</td>
<td>$78,975</td>
<td>$126,360</td>
</tr>
<tr>
<td>7</td>
<td>$35,610</td>
<td>$47,361</td>
<td>$89,025</td>
<td>$142,440</td>
</tr>
<tr>
<td>8</td>
<td>$39,630</td>
<td>$52,708</td>
<td>$99,075</td>
<td>$158,520</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Household Income Level (% above FPL)</th>
<th>Maximum Premium as Percentage of Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 133%</td>
<td>2.0%</td>
</tr>
<tr>
<td>At least 133% but less than 150%</td>
<td>3.0% – 4.0%</td>
</tr>
<tr>
<td>At least 150% but less than 200%</td>
<td>4.0% – 6.3%</td>
</tr>
<tr>
<td>At least 200% but less than 250%</td>
<td>6.3% – 8.05%</td>
</tr>
<tr>
<td>At least 250% but less than 300%</td>
<td>8.05% – 9.5%</td>
</tr>
<tr>
<td>At least 300% but less than 400%</td>
<td>9.5%</td>
</tr>
</tbody>
</table>
## 2015 Employer “Pay or Play” Mandate

### Employer Steps

1. Count full-time equivalent employees. Full-time defined as working 30 hours per week (130 hours per month). Part-time employees are counted on pro-rated basis.
2. Does employer offers coverage.
3. Determine number of employees who participate in exchange and receive premium credit.
4. Calculate potential penalty.

### Penalty Flow Chart

<table>
<thead>
<tr>
<th>Large employer: 50 or more full-time equivalent employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doesn't offer coverage</td>
</tr>
<tr>
<td>------------------------</td>
</tr>
<tr>
<td>No penalty</td>
</tr>
<tr>
<td>1 or more full-time employees get credits for exchange coverage</td>
</tr>
<tr>
<td>Lesser of:</td>
</tr>
<tr>
<td>Number of full-time employees minus 30, multiplied by $2,000.</td>
</tr>
<tr>
<td>(Penalty is $0 if employer has 30 or fewer full-time employees)</td>
</tr>
</tbody>
</table>

*If employer offers coverage that is "affordable" and "sufficiently valuable" employees are not eligible for premium credits. Thus, employer would not be subject to penalties.
2015 Employer “Pay or Play” Mandate
(Employer Shared Responsibility)

Three important measurements:

• Eligibility for healthcare benefits – Employees working 30 hours per week or more (130 hours per month) must be offered coverage.

• Affordable coverage – Employee cost for self-only coverage is less than 9.5% of W-2 earnings.

• Sufficiently valuable coverage – At least 60% of mandated actuarial value of benefits (baseline comparison to be determined).
Other Notable Future Employer Requirements

• Maximum 90-day waiting period limit beginning on or after January 2014.

• Automatic enrollment requirements for employers with 200+ full-time employees delayed until after January 2014.

• Excise “Cadillac Plan” tax on high cost plans in 2018:
  – 40% non-deductible tax on excess over threshold measuring “value” of plans: $10,200 single, $27,500 family
  – Based on total cost of coverage; paid by employer
  – Excludes dental and vision coverages
Expanded Wellness Incentive Differentials

• Effective January 1, 2014, employers may reward employees up to 30% of health care coverage for outcomes-based programs and up to 50% for tobacco-cessation programs (currently 20% differential allowed).

• Must offer alternatives means to earn incentive (or avoid penalty) who do not meet criteria or cannot participate in program due to medical reasons.

• This limitation does not apply to incentives tied to participation-based programs.
Annual Reporting

- Annual employer reporting of employee coverage to the IRS for applicable large employers

- An applicable large employer is one that is subject to the ACA’s employer shared responsibility provisions (a/k/a Play or Pay) and employed an average of at least 50 full-time employees (including full-time equivalent employees) on business days during the preceding calendar year.
Guidance and Clarification on Healthcare Reform Regulations as of July 2013

• Delay of Pay or Play Mandate until 1/1/15 (announcement made July 2, 2013)

• Exchange consumers on honor system to report income for tax subsidy and verification of their eligibility in an employer sponsored plan (announcement made July 5, 2013)

• Insurance exchange guidance and model notices released by Department of Labor (DOL) on May 8, 2013.
  - Templates: [www.dol.gov/ebsa/healthreform](http://www.dol.gov/ebsa/healthreform)

• IRS released proposed regulations on May 3, 2013 and addresses the impact of employer-provided wellness programs in determining affordable coverage:
  - Requires employers to include any penalties that would be applied
  - Cannot include any wellness premium contribution reductions available under the wellness program when determining whether coverage is affordable (exception is tobacco usage)

• The IRS has released proposed regulations addressing large-group sufficient value rules. Approaches for determining minimum plan value:
  - MV calculator (HHS released this tool which allows an employer to enter data to determine whether plan provides minimum value)
  - Safe-harbor checklist (to be provided) or Actuarial certification
  - All employer contributions for current plan year to an HSA or HRA are taken into account when determining sufficient value.
QUESTIONS?