Health Care Reform

- U.S. Supreme Court ruling is the final decision on constitutionality of individual mandate and Medicaid expansion

- Health Care Reform is continuing to evolve; there is daily speculation on forthcoming guidance and how various provisions will be implemented following the U.S. Supreme Court’s ruling.

- The ultimate fate of Health Care Reform will depend on the results of the next political election

- Given the current Senate structure and the President’s veto power, it is highly unlikely that the Health Care Reform Act (HRCA) will be repealed until the next election
Until the next election, it is expected that the House will continue to attempt to slow down the implementation of the HCRA primarily through limiting funding needed for implementation.

- The Obama Administration has requested an additional $1 billion so that the IRS can implement the law.

- H.R. 6020 has been introduced in the House and prohibits the IRS from receiving money from HHS to implement HCRA.

- HHS gave the IRS $20 million in 2010, $168 million in 2011 and plans on giving $322 million to the IRS in 2012.
More legal challenges on the way

- 23 lawsuits in various federal district courts challenging the preventive care mandate to provide free contraception, and sterilization procedures for plans sponsored by religious institutions such as schools and hospitals.

- *Coons v. Geithner* challenges creation of Independent Payment Advisory Board.

- *Physicians Owned Hospitals of America v. Sebilius* challenges limitations on physician owned hospitals to obtain Medicare Certification and receive Medicare payments.

- Potential challenge on whether the HCRA allows health insurance premium tax credits for federally run exchanges in states that choose not to set-up exchanges.
House Ways and Means Committee to hold hearings this week discussing the “tax ramifications” of the U.S. Supreme Court ruling. The Ways and Means Committee is the tax-writing committee of the U.S. House of Representatives.

House passed legislation on June 7, 2012 to repeal tax on medical device manufacturers and reinstate tax free reimbursements of over-the-counter medications and drugs under Code Section 213.

House introduced a bill on July 5, 2012 to repeal Health Care Reform.
Where Do We Go From Here?

- The U.S. Supreme Court Ruling
- Health Care Reform Timeline
- Healthcare Coverage in 2014
THE U.S. SUPREME COURT RULING
Supreme Court was asked to determine whether:

- The individual mandate is a tax and review is prohibited under the Anti-Injunction Act until it is assessed and challenged.

- The individual mandate and Medicaid expansion are constitutional exercises of Congress’s power under the Commerce Clause, Tax and Spend Clause, and/or Necessary and Proper Clause; and

- Severability of the remainder of the HCRA if the individual mandate is unconstitutional.
Supreme Court held:

- The Anti-Injunction Act does not prevent review by a court to determine whether the individual mandate is constitutional before it is assessed and challenged.

- Congress has the authority under the constitution to enact the individual mandate under the Tax and Spend Clause; and

- The Medicaid expansion is a constitutional exercise of Congress’s power to tax and spend; however, Congress may not withdraw existing Medicaid funding for states that refuse to offer the expanded Medicaid coverage.
Implications:

- Ruling closed the door to a later challenge of the HCRA on these issues.
- Medicaid ruling will result in anomalies in comprehensive coverage for low income and uninsured.
- Medicaid decision may result in increased employer penalties if more low income employees receive subsidies and coverage through the exchanges.
2012 – New patient-centered outcomes research fee:

- $1 per average life for plan years ending between October 1, 2012 and September 30, 2013; and
- $2 per covered life for plan years ending between October 1, 2013 and September 30, 2014
- Applies to all self-funded group health plans including retiree-only plans, except:
  - plans providing only HIPAA excepted benefits such as stand-alone dental and vision
  - employee assistance plans, wellness plans and disease management plans that do not provide significant medical benefits
- Fee paid by filing annual return on or before the July 31st following the plan year for which fees are being paid
- “Average Lives” are the number of covered persons and there are several ways to calculate, such as using number of participants covered as reported on Form 5500
2012 – Form W-2

♦ Must report total cost of employer-sponsored health care in Box 12 on calendar year 2012
  Form W-2 distributed in January 2013

♦ Total cost includes amounts paid by both the employer and employee:
  ➤ Several methods to determine including COBRA cost minus 2%

♦ Not required to include health coverage:
  ➤ Provided through a multiemployer plan;
  ➤ Health reimbursement arrangements;
  ➤ Stand-alone dental and vision benefits; and
  ➤ Employee assistance and wellness programs, but only if the employer does not charge employees a premium to elect COBRA
Non-grandfathered plans are required to provide the following services in the first plan year that begins on or after August 1, 2012:

- Well-women visits
- Gestational diabetes screening
- HPV DNA testing
- STI Counseling
- HIV screening and counseling
- Access to all FDA-approved contraceptive methods, sterilization procedures and patient education and counseling (does not include drugs that induce abortion)
- Breastfeeding support, supplies and counseling
- Domestic violence screening
2012 – Summary of Benefits Coverage (SBC)

- Four page, double-sided document describing the covered benefits, cost sharing provisions, coverage limitations and exceptions
- Must conform to specific distribution, formatting and content requirements
- Must be provided in a culturally and linguistically appropriate manner
- Applies to both self-funded and insured group health plans regardless of grandfathered status
Separate SBC for each benefit package

SBC not required for stand alone dental and vision benefits, certain health FSAs, HRAs and retiree only plans

Group Health Plans must provide the SBC:
- During initial enrollment and annual enrollment
- HIPAA special enrollment
- Upon request
- Following a material modification
Provide SBC during the first open enrollment period beginning on or after September 23, 2012

For new hires and HIPAA special enrollments, must provide SBC beginning on first plan year on or after September 23, 2012
Penalties for Failure to Provide SBC

- Up to $1,000 for each willful failure to distribute an SBC to a participant or beneficiary
- $100 excise tax per day per individual for each day of noncompliance

However, the DOL has stated that during the first year, good faith compliance with the rules will likely not be penalized
Model Templates

- SBC Model Template
  www.dol.gov/ebsa/pdf/correctedsbctemplate.pdf

- SBC Completed Model Template
  www.dol.gov/ebsa/pdf/CorrectedSampleCompletedSBC.pdf

- Instructions for Completing the SBC

- Sample Language
  www.dol.gov/ebsa/pdf/SBCYesAnswers.pdf
  www.dol.gov/ebsa/pdf/SBCNoAnswers.pdf

- Guide for Coverage Example Calculations
  http://cciio.cms.gov/resources/other/index.html

- Uniform Glossary
State notification to the HHS regarding whether the state will operate a Health Benefit Exchange

Health FSA contributions limited to $2,500 per plan year

Increase Medicare Part A tax for highly paid individuals

Notice to employees of Health Benefit Exchanges in 2014
Health Coverage in 2014
If PPACA stands after the November 2012 elections, for the first time in US history, employees will have the option to elect health coverage through a national health plan beginning in 2014.

For the first time in decades, employers will be re-evaluating the long-term and increasingly expensive practice of offering employer-sponsored health plans.

In deciding whether to continue offering health benefits in 2014, it will be important to understand the impact of Health Care Reform on both the individual employee and the employer.
Do any of the following apply?

- You are part of a religion opposed to acceptance of benefits from a health insurance policy
- You are an undocumented immigrant
- You are incarcerated
- You are a member of an Indian tribe
- Your family income is below the threshold requiring you to file a tax return ($9,500 for an individual, $19,000 for married filing jointly in 2011)
- You have to pay more than 8% of your income for employer health insurance or the lowest cost Bronze plan, after taking into account any employer contributions or tax credits

There is no penalty for being without health insurance
Were you insured for the whole year through a combination of any of the following sources?

- Medicare
- Medicaid or the Children’s Health Insurance Program
- TRICARE (for service members, retirees, and their families)
- The veteran’s health program
- Peace Corps volunteers’ health plan
- A plan offered by an employer, including grandfathered health plans
- Insurance bought on your own that is at least at the Bronze level

The requirement to have health insurance is satisfied and no penalty is assessed if the answer is **Yes**.

If the answer is **No**, further action is required.

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2014 – Individual Requirement to Have Coverage
2014 – Individual Requirement to Have Coverage

No

There is a penalty for being without health insurance

2014
Annual penalty is $95 per adult and $47.50 per child (up to $285 for a family) or 1.0% of family income, whichever is greater

2015
Annual penalty is $325 per adult and $162.50 per child (up to $975 for a family) or 2.0% of family income, whichever is greater

2016
Annual penalty is $695 per adult and $347.50 per child (up to $2,085 for a family) or 2.5% of family income, whichever is greater
2014 – Individual Requirement to Have Coverage

- Penalties will be pro-rated by the number of months without coverage.
- There is no penalty for a single gap in coverage of less than 3 months in a year.
- The penalty cannot be greater than the national average premium for Bronze level coverage in an Exchange.
- After 2016, the penalty amounts are increased annually by the cost of living.
- For many employees, the penalty will be far less than the cost of coverage.
Key Question

Will employees elect to go into the Exchanges or stay in their employer plan (if offered)?
The actuarial value is the percentage of covered health care costs expected to be paid by the plan for a broad population.

<table>
<thead>
<tr>
<th>Exchange Plan</th>
<th>Actuarial Value</th>
<th>Consequent Individual Cost Sharing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bronze</td>
<td>60% of costs</td>
<td>40% of costs</td>
</tr>
<tr>
<td>Silver</td>
<td>70% of costs</td>
<td>30% of costs</td>
</tr>
<tr>
<td>Gold</td>
<td>80% of costs</td>
<td>20% of costs</td>
</tr>
<tr>
<td>Platinum</td>
<td>90% of costs</td>
<td>10% of costs</td>
</tr>
</tbody>
</table>

Out-of-pocket cost-sharing is restricted – the limit that applies to health savings account-qualified health plans ($6,050 per individual/$12,100 per family in 2012) applies.
# 2014 – Exchange Plans – Plan Designs

Kaiser Family Foundation (KFF) –
Illustrative Plan Designs Based on Actuarial Values

<table>
<thead>
<tr>
<th>Exchange Plan</th>
<th>Actuarial Value</th>
<th>Annual Deductible</th>
<th>Patient Coinsurance</th>
<th>Out-of-Pocket Limit*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bronze 1</td>
<td>60% of costs</td>
<td>Single - $4,375</td>
<td>20%</td>
<td>Single - $6,350</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Family - $8,750</td>
<td></td>
<td>Family - $12,700</td>
</tr>
<tr>
<td>Bronze 2</td>
<td>60% of costs</td>
<td>Single - $3,475</td>
<td>40%</td>
<td>Single - $6,350</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Family - $6,950</td>
<td></td>
<td>Family - $12,700</td>
</tr>
<tr>
<td>Silver 1</td>
<td>70% of costs</td>
<td>Single - $2,050</td>
<td>20%</td>
<td>Single - $6,350</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Family - $4,100</td>
<td></td>
<td>Family - $12,700</td>
</tr>
<tr>
<td>Silver 2</td>
<td>70% of costs</td>
<td>Single - $650</td>
<td>40%</td>
<td>Single - $6,350</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Family - $1,300</td>
<td></td>
<td>Family - $12,700</td>
</tr>
</tbody>
</table>

* Estimated 2014 out-of-pocket limit for health savings account-qualified health plans

Exchange plan designs do not take into account potential cost-of-coverage subsidies.
<table>
<thead>
<tr>
<th>Employer Plan</th>
<th>Annual Deductible</th>
<th>Patient Coinsurance</th>
<th>Co-Pays</th>
<th>Out-of-Pocket Limit</th>
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</thead>
<tbody>
<tr>
<td>Kaiser</td>
<td>Single - $505 Family - $1,121</td>
<td>20%</td>
<td>PCP – $23 Spec. – $32</td>
<td>Single - $2,250 Family - $5,000</td>
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<tr>
<td>Hay Group</td>
<td>Single - $300 Family - $1,000</td>
<td>20%</td>
<td>PCP – $20 Spec. – $20</td>
<td>Single - $1,750 Family - $4,000</td>
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<tr>
<td>Mercer</td>
<td>Single - $420 Family - $1,000</td>
<td>20%</td>
<td>PCP – $20 Spec. – $35</td>
<td>Single - $2,000 Family – N/A</td>
</tr>
</tbody>
</table>

Typical employer-sponsored PPO plans have an actuarial value of 80% – 90%.

Survey results for mid to large size employers.
Premiums for health insurance bought through Exchanges will vary by age, location and possibly tobacco status.

The Congressional Budget Office (CBO) estimates that the national average annual premium for Bronze coverage in an Exchange in 2016 will be $4,500 - $5,000 for an individual and $12,000 - $12,500 for a family.

Annual cost-sharing (out-of-pocket expenses) within the plan will be restricted to the HSA limits ($6,050 individual/$12,100 family in 2012).

Based on these numbers, without subsidies, the annual cost (premium plus cost-sharing) for a Bronze level plan could be approximately $11,000 for individuals and $25,000 for families that incur significant health expenses.
Tax credits and cost-sharing subsidies will be available to eligible individuals.

Two types of credits/subsidies will be available to those with household incomes at or below 400% of the federal poverty level:

- Subsidies to help reduce the level of cost-sharing — out-of-pocket expenses when an individual utilizes the health plan; and
- Subsidies to help reduce the individual/family premiums — the monthly amount that an individual pays to participate in a plan.
### 2012 Poverty Guidelines – 48 Contiguous States*

<table>
<thead>
<tr>
<th>FAMILY SIZE</th>
<th>HOUSEHOLD INCOME</th>
<th>100%</th>
<th>150%</th>
<th>200%</th>
<th>300%</th>
<th>400%</th>
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<tbody>
<tr>
<td>1</td>
<td></td>
<td>$11,170</td>
<td>$16,755</td>
<td>$22,340</td>
<td>$33,510</td>
<td>$44,680</td>
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<tr>
<td>2</td>
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<td>$15,130</td>
<td>$22,695</td>
<td>$30,260</td>
<td>$45,390</td>
<td>$60,520</td>
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<tr>
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<td>$19,090</td>
<td>$28,635</td>
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<td>$76,360</td>
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<tr>
<td>4</td>
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<td>$23,050</td>
<td>$34,575</td>
<td>$46,100</td>
<td>$69,150</td>
<td>$92,200</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>$27,010</td>
<td>$40,515</td>
<td>$54,020</td>
<td>$81,030</td>
<td>$108,040</td>
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<td>6</td>
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<td>$30,970</td>
<td>$46,455</td>
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<td>7</td>
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<td>$34,930</td>
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<td>$104,790</td>
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<tr>
<td>8</td>
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<td>$38,890</td>
<td>$58,335</td>
<td>$77,780</td>
<td>$116,670</td>
<td>$155,560</td>
</tr>
</tbody>
</table>

*Alaska and Hawaii have separate schedules with higher household income numbers
**Silver Plan**  
**Single Coverage, Age 30**

<table>
<thead>
<tr>
<th>Household Income as % of Federal Poverty Level</th>
<th>100%</th>
<th>150%</th>
<th>200%</th>
<th>300%</th>
<th>400%</th>
<th>425%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Household Income</td>
<td>$11,170</td>
<td>$16,755</td>
<td>$22,340</td>
<td>$33,510</td>
<td>$44,680</td>
<td>$47,473</td>
</tr>
<tr>
<td>Total Premium</td>
<td>Medicaid*</td>
<td>$3,440</td>
<td>$3,440</td>
<td>$3,440</td>
<td>$3,440</td>
<td>$3,440</td>
</tr>
<tr>
<td>Subsidy</td>
<td>Medicaid*</td>
<td>$2,750</td>
<td>$1,990</td>
<td>$161</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Premium to Individual</td>
<td>$0</td>
<td>$690</td>
<td>$1,450</td>
<td>$3,279</td>
<td>$3,440</td>
<td>$3,440</td>
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<tr>
<td>Individual Premium as % of Total Premium</td>
<td>0%</td>
<td>20%</td>
<td>42%</td>
<td>95%</td>
<td>100%</td>
<td>100%</td>
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<tr>
<td>Premium as % of Household Income</td>
<td>0.0%</td>
<td>4.1%</td>
<td>6.5%</td>
<td>9.8%</td>
<td>7.7%</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

KFF estimates based on CBO estimates of average premiums for 2016 adjusted to 2014

*Dependent on state Medicaid expansion*
### Example of Premium Subsidies in the Exchange

**Silver Plan**  
**Single Coverage, Age 50**

<table>
<thead>
<tr>
<th>Household Income as % of Federal Poverty Level</th>
<th>100%</th>
<th>150%</th>
<th>200%</th>
<th>300%</th>
<th>400%</th>
<th>425%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Household Income</td>
<td>$11,170</td>
<td>$16,755</td>
<td>$22,340</td>
<td>$33,510</td>
<td>$44,680</td>
<td>$47,473</td>
</tr>
<tr>
<td>Total Premium</td>
<td>Medicaid*</td>
<td>$6,978</td>
<td>$6,978</td>
<td>$6,978</td>
<td>$6,978</td>
<td>$6,978</td>
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<tr>
<td>Subsidy</td>
<td>Medicaid*</td>
<td>$6,288</td>
<td>$5,528</td>
<td>$3,699</td>
<td>$2,606</td>
<td>$0</td>
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<tr>
<td>Premium to Individual</td>
<td>$0</td>
<td>$690</td>
<td>$1,450</td>
<td>$3,279</td>
<td>$4,372</td>
<td>$6,978</td>
</tr>
<tr>
<td>Individual Premium as % of Total Premium</td>
<td>0%</td>
<td>10%</td>
<td>21%</td>
<td>47%</td>
<td>63%</td>
<td>100%</td>
</tr>
<tr>
<td>Premium as % of Household Income</td>
<td>0.0%</td>
<td>4.1%</td>
<td>6.5%</td>
<td>9.8%</td>
<td>9.8%</td>
<td>14.7%</td>
</tr>
</tbody>
</table>

KFF estimates based on CBO estimates of average premiums for 2016 adjusted to 2014

*Dependent on state Medicaid expansion
Example of Premium Subsidies in the Exchange

### Silver Plan
Family Coverage – Family of 4, Age 30

<table>
<thead>
<tr>
<th>Household Income as % of Federal Poverty Level</th>
<th>100%</th>
<th>150%</th>
<th>200%</th>
<th>300%</th>
<th>400%</th>
<th>425%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Household Income</td>
<td>$23,050</td>
<td>$34,575</td>
<td>$46,100</td>
<td>$69,150</td>
<td>$92,200</td>
<td>$97,963</td>
</tr>
<tr>
<td>Subsidy</td>
<td>Medicaid*</td>
<td>$8,703</td>
<td>$7,156</td>
<td>$3,432</td>
<td>$1,207</td>
<td>$0</td>
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<tr>
<td>Premium to Family</td>
<td>$0</td>
<td>$1,405</td>
<td>$2,952</td>
<td>$6,676</td>
<td>$8,901</td>
<td>$10,108</td>
</tr>
<tr>
<td>Family Premium as % of Total Premium</td>
<td>0%</td>
<td>14%</td>
<td>29%</td>
<td>66%</td>
<td>88%</td>
<td>100%</td>
</tr>
<tr>
<td>Premium as % of Household Income</td>
<td>0%</td>
<td>4.1%</td>
<td>6.4%</td>
<td>9.7%</td>
<td>9.7%</td>
<td>10.3%</td>
</tr>
</tbody>
</table>

KFF estimates based on CBO estimates of average premiums for 2016 adjusted to 2014.

*Dependent on state Medicaid expansion
## Example of Premium Subsidies in the Exchange

### Silver Plan

**Family Coverage – Family of 4, Age 50**

<table>
<thead>
<tr>
<th>Household Income as % of Federal Poverty Level</th>
<th>100%</th>
<th>150%</th>
<th>200%</th>
<th>300%</th>
<th>400%</th>
<th>425%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Household Income</strong></td>
<td>$23,050</td>
<td>$34,575</td>
<td>$46,100</td>
<td>$69,150</td>
<td>$92,200</td>
<td>$97,963</td>
</tr>
<tr>
<td><strong>Total Premium</strong></td>
<td>Medicaid*</td>
<td>$16,858</td>
<td>$16,858</td>
<td>$16,858</td>
<td>$16,858</td>
<td>$16,858</td>
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<tr>
<td><strong>Subsidy</strong></td>
<td>Medicaid*</td>
<td>$15,452</td>
<td>$13,906</td>
<td>$10,182</td>
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<td>$0</td>
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<tr>
<td><strong>Premium to Family</strong></td>
<td>$0</td>
<td>$1,405</td>
<td>$2,952</td>
<td>$6,676</td>
<td>$8,901</td>
<td>$16,858</td>
</tr>
<tr>
<td><strong>Family Premium as % of Total Premium</strong></td>
<td>0%</td>
<td>8%</td>
<td>18%</td>
<td>40%</td>
<td>53%</td>
<td>100%</td>
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<tr>
<td><strong>Premium as % of Household Income</strong></td>
<td>0%</td>
<td>4.1%</td>
<td>6.4%</td>
<td>9.7%</td>
<td>9.7%</td>
<td>17.2%</td>
</tr>
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KFF estimates based on CBO estimates of average premiums for 2016 adjusted to 2014.

*Dependent on state Medicaid expansion*
### 2014 – Premium Costs

Industry Surveys of Employer-Sponsored Health Plans  
2011 Benefit Plans

<table>
<thead>
<tr>
<th>PPO Plans</th>
<th>Annual Employee Premium</th>
<th>Survey</th>
<th>Single</th>
<th>Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser</td>
<td></td>
<td></td>
<td>$1,080</td>
<td>$3,924</td>
</tr>
<tr>
<td>Hay Group</td>
<td></td>
<td></td>
<td>$1,188</td>
<td>$4,380</td>
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<tr>
<td>Mercer</td>
<td></td>
<td></td>
<td>$1,284</td>
<td>$4,404</td>
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</tbody>
</table>

Silver Plan in Exchange  
Age 50

<table>
<thead>
<tr>
<th>PPO Plans</th>
<th>Annual Employee Premium</th>
<th>FPL</th>
<th>Single</th>
<th>Family of 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>150%</td>
<td>$690</td>
<td>$1,405</td>
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<td></td>
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<td>200%</td>
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<td>250%</td>
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<td>$4,714</td>
</tr>
<tr>
<td></td>
<td></td>
<td>300%</td>
<td>$3,279</td>
<td>$6,676</td>
</tr>
<tr>
<td></td>
<td></td>
<td>400%</td>
<td>$4,372</td>
<td>$8,901</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt;400%</td>
<td>$6,798</td>
<td>$16,858</td>
</tr>
</tbody>
</table>
### 2014 – Exchange Plans – Plan Designs and Cost

#### Exchange vs. Employer-Sponsored Plans

<table>
<thead>
<tr>
<th>PLAN DESIGN</th>
<th>COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Deductible</td>
<td>Premium 50 Yr Old 200% FPL</td>
</tr>
<tr>
<td>Patient Coins.</td>
<td></td>
</tr>
<tr>
<td>Co-Pays</td>
<td></td>
</tr>
<tr>
<td>Out-of-Pocket Limit</td>
<td></td>
</tr>
</tbody>
</table>

#### 2011 Surveys of Employer-Sponsored Plans

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Annual Deductible</th>
<th>Patient Coins</th>
<th>Co-Pays</th>
<th>Out-of-Pocket Limit</th>
<th>Premium 50 Yr Old 200% FPL</th>
<th>Premium 50 Yr Old &gt;400% FPL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>≈$400</td>
<td>20%</td>
<td>$23 - $32</td>
<td>≈$2,000</td>
<td>≈$1,180</td>
<td>≈$1,180</td>
</tr>
<tr>
<td>Family</td>
<td>≈$1,060</td>
<td>20%</td>
<td>$23 - $32</td>
<td>≈$4,500</td>
<td>≈$4,200</td>
<td>≈$4,200</td>
</tr>
</tbody>
</table>

#### 2014 Exchange Plans – Silver 1

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Annual Deductible</th>
<th>Patient Coins</th>
<th>Co-Pays</th>
<th>Out-of-Pocket Limit</th>
<th>Premium 50 Yr Old 200% FPL</th>
<th>Premium 50 Yr Old &gt;400% FPL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>$2,050</td>
<td>20%</td>
<td>N/A</td>
<td>$6,350</td>
<td>$1,450</td>
<td>$6,798</td>
</tr>
<tr>
<td>Family</td>
<td>$4,100</td>
<td>20%</td>
<td>N/A</td>
<td>$12,700</td>
<td>$2,952</td>
<td>$16,858</td>
</tr>
</tbody>
</table>

Exchange plan design does not take into account potential cost-of-coverage subsidies.
Offer Coverage

If your plan is considered unaffordable, and at least one employee is receiving a tax credit or subsidy and is participating in an Exchange, you pay a fee of the lesser of $3,000 for each employee receiving a tax credit or subsidy or $2,000 for each full-time employee, excluding the first 30 employees.

Your plan will be considered unaffordable if the employee premium exceeds 9.5% of the employee’s household income.

Tax credits and cost-sharing subsidies will be available to eligible individuals. Premium subsidies will be available to families with incomes up to 400% of the federal poverty level to purchase insurance through the Exchanges. Cost-sharing subsidies will be available to those with incomes up to 400% of the poverty level.
Will your organization have to pay a penalty?

1. Are there employees who are eligible for subsidies due to an annual income of less than 400% of the Federal Poverty Level?

2. Is your plan considered unaffordable for those employees who are eligible for subsidies?

For an employee earning $40,000 per year, the cost of your coverage could be up to 9.5% of income or $3,800 annually/$317 monthly before the coverage is considered unaffordable.
Potential penalty for most employers – if an employee who is eligible for the premium or cost-sharing subsidy enrolls in an Exchange

Penalty = Lesser of

(Total No. of Employees – 30) \times \boxed{2,000}

OR

No. of Employees for Whom Coverage is Considered Unaffordable \times \boxed{3,000}
Do Not Offer Health Coverage

Fee of $2,000 per full-time employee, excluding the first 30 employees, if:
at least one full-time employee enrolls in coverage in an Exchange and receives a
premium tax credit or cost-sharing subsidy.

Tax credits and cost-sharing subsidies will be available to eligible individuals. **Premium subsidies** will be available to families with incomes below 400% of the federal poverty level to purchase insurance through the Exchanges. **Cost-sharing subsidies** will be available to those with incomes up to 400% of the poverty level.
Potential for significant savings to employer

Employees will have to buy coverage on the Exchange with or without a subsidy

Expectation from employees will be that compensation and/or other benefits will be increased

Compensation and benefit comparisons will become more important than ever in job decisions

Competitive stance for attracting and retaining employees will be key in decision not to offer coverage – Who goes first in your industry or geographic area?
### Simplified Example

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Cost</td>
<td>$9,288,000</td>
<td>$10,031,000</td>
<td>$10,835,000</td>
</tr>
<tr>
<td>No. of FTEs</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Cost/FTE</td>
<td>$9,288</td>
<td>$10,031</td>
<td>$10,835</td>
</tr>
<tr>
<td>Trend</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
</tr>
</tbody>
</table>

| 2014 Costs       | $10,835,000   |
| Penalty          | $1,940,000    |
| Gross Savings    | $8,895,000    |
| Loss of Tax Deduction | $3,380,100 |
| Net Savings      | $5,514,900    |
| Savings/FTE      | $5,515        |
Do Not Offer Coverage in 2014

- Will the savings be shared with your employees?
- If the savings are shared, how will this be accomplished?
  - Increase pay – savings returned to employees in the form of higher pay will be taxable to the employee and to the employer (FICA/FUTA)
  - Offer additional benefits
    - Higher 401(k) match
    - More ancillary benefits – both voluntary benefit carriers and traditional carriers are developing gap plans that don’t qualify as a health plan and are designed to fill in where Exchange plans require significant cost-sharing
    - Offer an access-only health plan for which employees pay 100% of the cost
If the savings are shared, how will this be accomplished? (continued)

- Offer a defined contribution H&W plan – Give employees a certain amount of money with which they can purchase an Exchange plan, purchase other employer-provided benefits, or take as cash (cash will be taxable)

- Fund an HRA from which employees can pay for Exchange premiums, an employer-provided access-only plan, and/or out-of-pocket health expenses
  - Allows for tax deduction for employer (FICA/FUTA)
  - No legal maximum on employer contribution
  - No pre-funding – only fund what employee actually submits for reimbursement
  - Can, but do not have to, allow funds to carry over from year to year
  - May be some compliance concerns
If the savings are shared, how will this be accomplished? (continued)

- Fund an HSA from which employees can pay for out-of-pocket expenses
  - Allows for tax deduction for employer
  - Annual maximum allowable contributions – $3,100 individual and $6,250 family in 2012
  - Only employees with high deductible health plans are eligible for HSAs – must track plan employee is in to determine HSA eligibility
  - Must fully fund plan each year – money becomes employees’
  - Employees can carry over contributions from year to year
Next Steps

- Determine financial and employee relations goals for the health plan
- Review benchmarking for competitive stance on plans
- If currently grandfathered, determine if employee relations and financial goals can be maintained under grandfathered status – alternative plan design scenarios, projected costs, and potential employee contributions
- Determine grandfathered status for 2013
- Begin laying out options for 2014 – prepare management for the tough decisions ahead
- Caveat everything with the potential for political and legal changes