“Complying with the ACA“
Practical Business Issues

Chris W. Durkin, RHU, REBC,
President
FBC Insurance, Benefits and Consulting
Objectives of PPACA

- Standardize Essential Health Benefits.
- Create Tax Subsidy to limit uninsured.
- Create State run Exchanges to facilitate enrollment and education.
- Encourage large employers to provide Health Benefits to FTE’s.
- Expand Medicaid.
Standardize Benefits

- Preventative care at no cost for non-grandfathered plans. Age 26 dependents.
- No annual or lifetime limits.
- Establishment of Metallic Plan Designs.
- Minimum Essential Benefits for all groups.
- Required Disclosure for Group Plans; SBC, Glossary, Patient Protections, Modification and Determination Notices.
Tax Subsidies for Insurance

- Currently applies to groups <50 but will move to <100 in 2016. Will vary by State.
- Subsidies available @ 100%- 400% of FPL.
- Subsidies paid directly to insurance company.
- Subsidies are between 2% and 9.5% of AGI.
- No Pre-Ex or Health questions 1-1-14.
- Medicaid Expansion required by PPACA.
Table 1. Maximum Out-of-Pocket Premium Payments Under PPACA, If Currently Implemented
for the 48 contiguous states and the District of Columbia

<table>
<thead>
<tr>
<th>Federal Poverty Line (FPL)</th>
<th>Maximum Premium as a % of Income (2014)</th>
<th>Maximum Annual Premium (current), by Family Size</th>
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### 48 Contiguous States and the District of Columbia

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<th>50%</th>
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<th>81%</th>
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<th>133%</th>
<th>175%</th>
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Arizona State Exchange

- Market Facilitator Design vs. Insurance Purchaser.
- Intention is to create a clearing house to educate and enroll in all programs; CHIP, Medicaid (AHCCCS), food stamps, health insurance.
- Stood up with Federal Grants, need to be self sufficient by 2016.
- Open to Insurers who provide at least Silver and Gold level of coverage.
- Website, Phone and Walk-In. Brokers welcome.
- Anticipate all present vendors to participate.
Small Employers Issues

- Employers with less than 50 FTE’s are not required to offer health benefits.
- You may choose to continue to offer benefits or move to a defined contribution.
- Paying a stipend will be treated as wages.
- Contributing to a SHOP program will be deductible.
- Employees of under 50 life groups will be able to buy insurance thru the Exchange.
Small Employer Issues

• Not required to offer coverage but it will still define work environment.
• Products in the Exchange will be more expensive than outside the Exchange in order to pay for the Exchange.
• Tax subsidies only in the Exchange!
• DC approach will reduce administrative burden on CEO/ CFO/HR team….sometimes the same person!
• Market adoption of the Exchange will move slower, the higher income level.
• Huge relief of No pre-ex, no underwriting.
• Absence of COBRA not so important post 1-1-14.
Small Employer Strategies

• Largely don’t exist. This segment of the market is highly reactive to year to year changes and not adoptive of 3-5 year plans.
• Path of least resistance will be followed according to price and convenience.
• Heavy reliance on outside counsel to arrive at decision.
• Will choose whatever combination of rates and benefits allows them to comply and continue the struggle.
Large Employer Issues

• Play or Pay Tax applies to Employers over 50 FTE’s.
• $2,000 per year per employee if you do not offer at all.
• $3,000 per year per employee if your plan is more than 9.5% of AGI and not at least Bronze level of coverage.
• Stratifying payroll cost by a % of income considered.
• Must offer Bronze level plan at no more than 9.5% of AGI for all 30hr.+ employees.
• Employers with coverage below Bronze level or limiting eligibility will need to revise business plans.
• W-2 reporting and Auto Enroll requirements.
• Summary of Benefits Covered & Uniform Glossary.
Plan Design Considerations

- Maximum deductibles: $2,000/$4,000.
- OOP maximums: limited to QHDHP levels.
- 60% minimum actuarial value.
- Wrap plans/HRAs may work.
- Self Funding Options will be available for 50-300 size groups.
Large Employer Problems

- Present plan designs may fall short of Minimum Benefit levels. Less true for larger employers.
- Costs will rise for increased benefits levels.
- Not all FTE’s are benefit eligible. Think Restaurants…
- Either move to <30 hours per week workforce to reduce benefit eligibility or pay increased costs of benefits.
- Reducing available hours will cause disruption in workforce and reduce productivity.
Large Employer Strategies

- Minimum Plan Designs must be met and will increase costs to Employers/Employees.
- Employer may choose to limit hours to 29 per week.
- Employer may choose to charge full 9.5% of AGI to discourage participation.
- Over time, costs of goods and services must rise to pay for increased coverage.
- After indexing, paying the tax penalties not a viable option.
Real Life Issues

• “I will just pay the tax” will not translate into your employees being covered. Employers will need to consider total compensation picture.
• Tax subsidy levels will not encourage mass enrollment. Some folks will enroll.
• Employers will rely on this fact and offer a plan at higher costs rather than pay a certain tax.
• Indexing of penalties will be a real deterrent to not offering a plan.
What do successful companies do?

- Determine and adopt strategies to avoid penalties for non-compliance.
- Make employee-consumers more responsible.
- Use CDHC options.
- Shop for vendors.
- Compare your plan and claims data to benchmarks.
- Address the root causes of claims costs.
- Provide wellness incentives.
- Communicate the value of benefit packages.
- Work with professionals who can help you.
Thank You

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