



This Employer Webinar Series program is presented by
the National Association of Health Underwriters
in conjunction with United Benefit Advisors



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Introduction

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The Politics and Impact of PPACA on Employers

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The New Political Dynamics

- Changes to Congress
 - Factors to Consider:
 - Desire to repeal rather than fix
 - Need to off-set repeal changes with other spending cuts
- Election Results—Changes to States
 - New Governors will have a tremendous impact on PPACA implementation
 - Impact of Tea Party
 - Desire to wait on Supreme Court
 - Decision to do nothing

The Immediate Impact

- Dependents to Age 26
- Restrictions on Lifetime and Annual Limits
- Medical Loss Ratios
- Grandfathered plan issues
- Pre-existing conditions limitations for children
- Restrictions on OTC medications

Health Reform Requirements in 2014

PPACA in 2014 – Individual Mandate

- Requires all American citizens and legal residents to purchase qualified health insurance coverage.
- Legal challenges to the constitutionality of this requirement will take this case to the Supreme Court.
- In 2014, those without insurance will pay the greater of **\$95** or 1% off household income that exceeds personal exemption for that year.
- Starting in 2016, the penalties rise, to the greater of **\$695** or 2.5% of income. These penalties apply to EACH family member without coverage.

PPACA in 2014 – Individual Mandate

- Exemptions to individual mandate for:
 - financial hardship
 - religious objections (see for reference IRC Sec. 1402 (g)(1))
 - American Indians
 - those without coverage for less than three months
 - undocumented immigrants, incarcerated individuals
 - those for whom the lowest cost plan option exceeds 8% of an individual's income, and those with incomes below the tax filing threshold

PPACA in 2014

- Coverage must be offered on a guarantee issue basis in all markets and be guarantee renewable.
- Exclusions based on preexisting conditions would be prohibited in all markets.
- Redefines small group coverage as 1-100 employees.
- Rate differential for all groups in this category severely restricted.

PPACA in 2014

- Creates sliding-scale tax credits for non-Medicaid eligible individuals with incomes up to 400% of FPL to buy coverage through the exchange
- The requirement that the subsidies are only available through the exchange is significant
- It is a particular threat to employer plans due to other provisions that allow employees to opt out of employer sponsored coverage

Essential Benefits Defined in 2014

Section 1302(b) defines essential health benefits to include:

- Ambulatory patient services
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and Substance use disorder services
- Prescription drugs
- Rehabilitative and habilitative services and devices
- Preventive and wellness services and chronic disease management
- Pediatric services, including oral and vision care

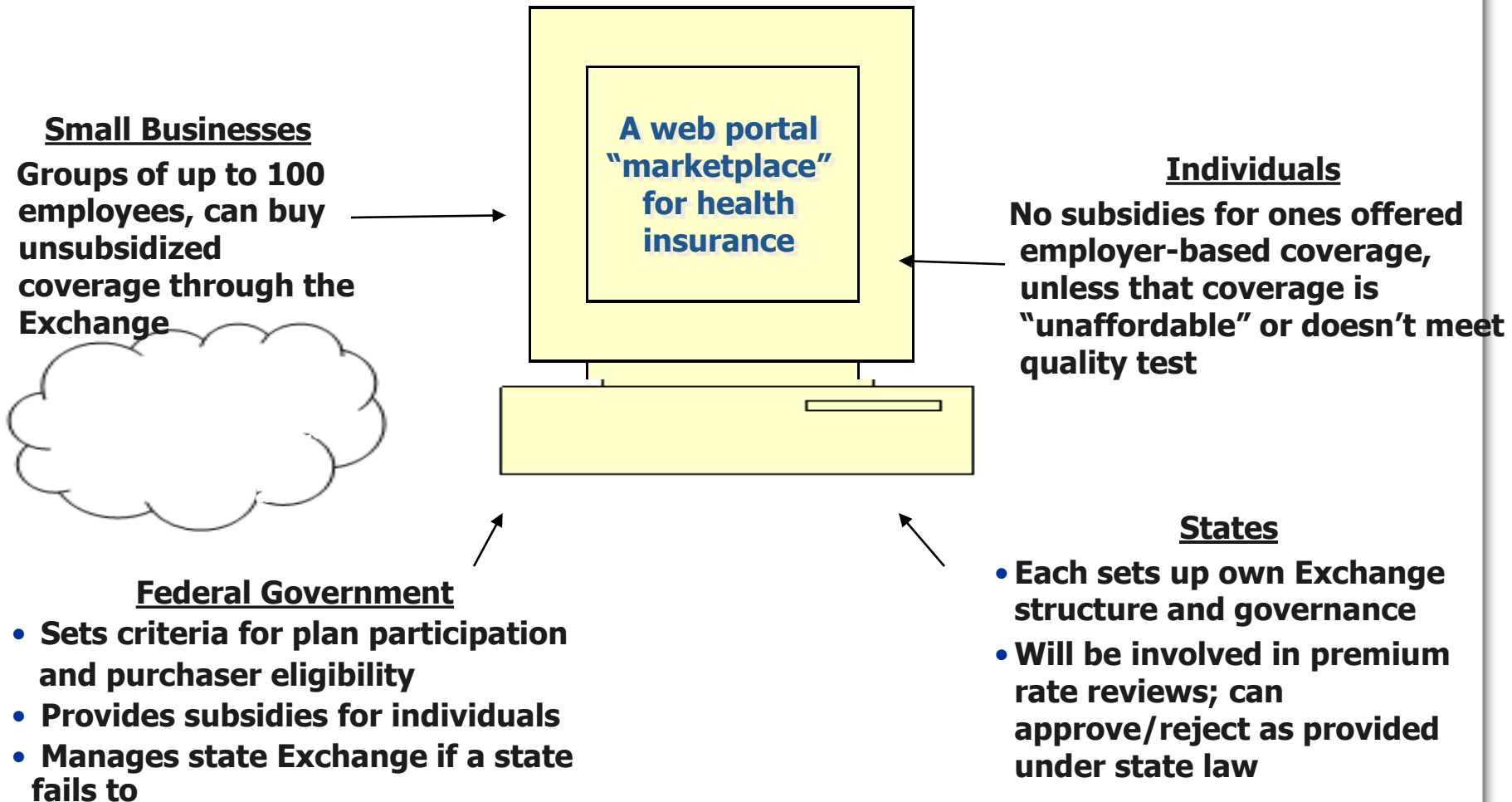
Health Insurance Exchanges



Health Insurance Exchanges

- The establishment of health insurance exchanges is one of the most significant and far-reaching aspects of the private health insurance reforms contained in the federal Patient Protection and Affordable Care Act (PPACA).
- Decisions state and federal policymakers will be making over the next few years regarding design will be critical.

Exchanges - 2014



Exchanges—Who Has Access

Purchaser	Types of Coverage		
	Individual Coverage	Group Coverage	Income-Eligible Subsidized Coverage
Individuals without access to employer coverage (U.S citizens and legal residents only)	X		X
Individuals whose employer coverage doesn't meet the affordability or quality tests	X		X
Individuals previously covered by the Pre-existing Condition Insurance Plan	X		X
Small employers and their employees		X	
Congress and Congressional Staff		X	
Individuals with employer-sponsored coverage who qualify for an employee free-choice voucher	X		

Groups With No Access & the Potentially Uninsured

Purchaser	No Exchange Access	Potentially Uninsured
Any size employer who wants to maintain a grandfathered plan	X	
Employer with more than 100 employees (by 2017 states could allow)	X	
Any size employer who wants to offer a self-funded product	X	
People of all income levels who have qualified group coverage that meets the affordability and quality tests		X
People eligible for Medicaid/S-CHIP but not enrolled	X	
People who choose to ignore the individual mandate/pay penalty		X
Individuals who are not U.S. Citizens or Legal Residents	X	X

Exchanges – Inside and Outside Markets

- Congress specifically provided that individual and group health insurance markets are to exist outside of the exchanges.
- The law specifies that “grandfathered” plans will continue to exist outside the exchange.
- Other plans are also permitted to exist outside of the exchange, and from experience in Massachusetts and Utah, some individuals and businesses will continue to purchase coverage there.

Employers and Exchanges

- Making sure exchanges provide a benefit for employers and do not in any way undermine the ability or willingness of employers to provide, is a top priority.
- Current exchange models in Utah and Massachusetts provide coverage options to the small-employer market but have struggled with enrollment.
- Although PPACA allows the state the option of expanding the exchange to serve as a potential coverage option for larger groups beginning January 1, 2017, this could result in unintended consequences.
 - The large employers that would be attracted to the exchange would be those with an older and sicker employee population that would benefit from the exchange's modified community rating structure.
 - This would increase the cost of coverage for other participants.

Questions Employers Are Asking

- Will the exchanges really save us money ?
- How will tax credits /subsidies or vouchers be administered and tracked back to employers?
- What is considered in determining “household” or family income to determine if coverage is “unaffordable” ?
- Exchanges are a somewhat new idea – and we are hearing problems with the Massachusetts exchange – what if they fail?
- Can we as a country afford all these new subsidies?

Employer Responsibilities



“Enid was finally ready to admit that compliance was a bit more complicated than she first thought.”



Employer Responsibilities

- Employer must count all full-time employees and part-time employees – on a full-time equivalent basis
 - in determining if they have 50 or more employees
 - Certain seasonal workers are not counted in determining if an employer has 50 workers
 - Full-time = 30 or more hours per week, determined on a monthly basis
 - **The definition of full-time employee is a major topic of discussion on Capitol Hill**
- Penalties assessed for “no coverage” or coverage that is not “affordable”

No Coverage

- If an employer fails to provide its *full-time* employees (and their dependents) the *opportunity to enroll* in “minimum essential coverage,” **and**
- One or more *full-time* employees enrolls for coverage in an exchange and qualifies for a premium tax credit or cost-sharing reduction, **then**
- Employer penalty = \$2,000 for each of its *full-time* employees in the workforce

Unaffordable Coverage

- If employer offers its *full-time* employees (and their dependents) the *opportunity to enroll* in minimum essential coverage, **and**
- One or more *full-time* employees enrolls for coverage in an exchange and qualifies for a premium tax credit or cost sharing reduction because
 - The employee's share of the premium exceed 9.5% of income, or
 - The actuarial value of the coverage was less than 60%, **then**
- Employer penalty = \$3,000 for each full-time employee who receives a tax credit or cost-sharing reduction

Will the Employer Pay A Penalty? *beginning in 2014*

Are you a large employer?

- at least 50 full-time equivalent workers
- including full-time [30+ hours per week] and part-time workers [prorated]
- excluding seasonal workers [up to 120 days per year]

yes

no

Are any of your full-time employees in an exchange plan and receiving a premium credit?

yes

no

Do you have more than 30 full-time employees?

yes

no

Do you provide health insurance?

yes

no

No penalty

Pay Monthly Penalty, lesser of:

$1/12 \times \$2,000 \times$
(Number of full-time employees - 30)

or

$1/12 \times \$3,000 \times$
(Number of full-time employees who receive credits for exchange coverage)

Pay Monthly Penalty

$1/12 \times \$2,000 \times$
(Number of full-time employees - 30)

Some Good News!

- The provision on free-choice vouchers was removed in the budget act agreement agreed to last week
- The requirement that businesses issue 1099's for vendor payments exceeding \$600 has been repealed.

Other Responsibilities

- Employers must automatically enroll “new *full-time* employees” in employer-sponsored coverage
 - Must provide adequate notice and opportunity to opt out
 - Applies to employers with “more than 200 full-time employees”
- Notice to current employees and new hires about exchange and subsidies
 - Existence of exchange, services and how to obtain assistance
 - Availability of subsidies if employer coverage is unaffordable or below minimum benefit level.

More Employer Responsibilities

- New rules are out relative to the reporting on W-2s the value of employer provided health insurance
- A new four-page summary of benefits must be provided to employees beginning in 2012
- Completion of form 5500 will become more complex
- New requirements on claims and appeals will be in place

More Employer Responsibilities

- Tracking and notification of number of months employees covered by minimum required coverage.
- A variety of new reporting requirements for self-funded plans must be provided to the government and employees.

Many Issues Still Undecided

- 105(h) non-discrimination rules have been delayed
- Continuing waivers on mini-med plans
- 4 page summary requirements on self-funded plans
- Effect of Accountable Care Organizations
- Specific process of auto-enrollment
- Viability of Class Act

Employer Decisions

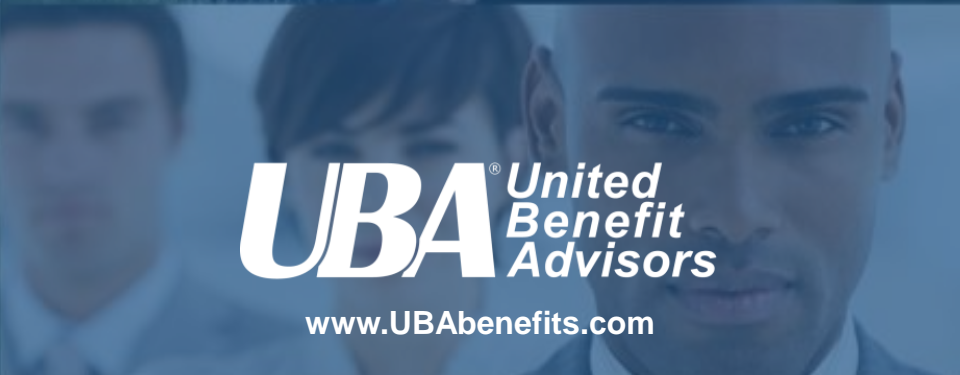
- Whether or if it is possible to maintain a grandfathered plan.
- How to budget for increased plan costs.
- What will the new compliance costs be?
- Can I afford to continue to offer coverage to employees?
- What are the implications if I drop coverage for employees?
- What is my communication strategy?



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