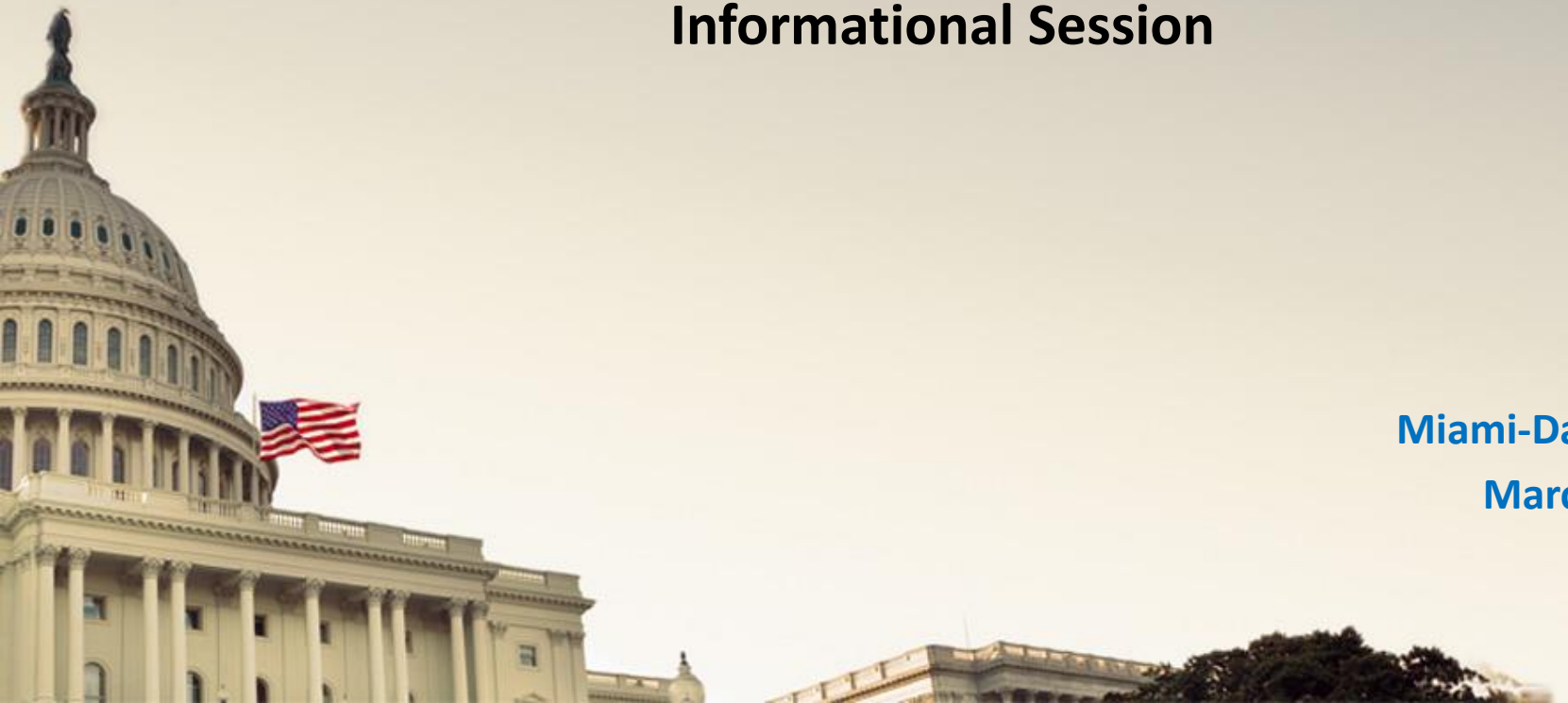



Gallagher Benefit Services, Inc.
thinking ahead

Affordable Care Act (ACA) Informational Session



Miami-Dade County

March 11, 2014




Overview of Legislation

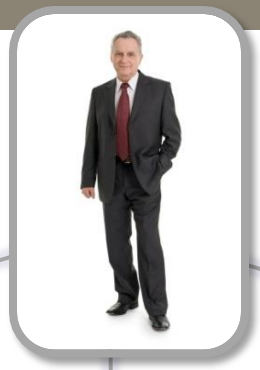
- Affordable Care Act signed March 23, 2010
  - Legislation was over 2,400 Pages
  - Regulations (as of September of 2013) over 10,500 pages

- Ten Sections of ACA. Employers really focus on two of the Sections.
  - **Title I: Quality, Affordable Health Care for All Americans**
    - Individual Mandate Tax
    - Employer Penalties
    - Plan Design Mandates
    - Reporting and Disclosure Requirements
  - **Title IX: Revenue Provisions**
    - Cadillac Tax
    - W-2 Reporting

Note: The other eight sections not being addressed today have less direct impact to employers that sponsor group health plans and relate more to the healthcare market, delivery and quality.

Individual Mandate



Minimum Essential Coverage

OR

Tax

OR

Exception

Premium Assistance

For example:
- Below federal income tax filing threshold
- Uninsured for short coverage gaps of less than 3 months
- Received hardship waiver from Secretary
- Residing outside of US
- Members of Indian tribe




Minimum Essential Coverage

- A medical plan provides “minimum essential coverage” if it covers certain “essential health benefits” and the plan pays at least 60% of the average costs of individual’s medical expenses under the plan.

- Example:
  - Assume an average employee has claims of $5,000 of medical expenses during the year that are eligible under the plan. The plan must pay, on average, at least $3,000 of the $5,000 and that average employee is responsible for the other $2,000 (in the form of premiums, deductibles, copayments, etc.). Since the plan pays at least 60% of eligible medical expenses on average, the plan meets the “minimum essential coverage” requirement.

- Note: The County’s plans offer “essential health benefits” and exceed the 60% minimum (the POS and High HMO are both at 91.6% and the Low HMO is at 87.4%) therefore employees could avoid the Individual Mandate tax if enrolled.

- Who at the County might be subject to Individual Mandate Tax?
  - Employees who opt-out of County coverage
  - “Full-time” employees who are not eligible for benefits
  - Family members of employees who are not enrolled in County coverage


Individual Mandate Tax


Penalty amount is the greater of*:

Year	Annual Flat Dollar Amount** (max of 300% for family)		% of Household Income
• 2014	• $95	OR	• 1.0
• 2015	• $325		• 2.0
• 2016	• $695		• 2.5
• After 2016	• $695, indexed for inflation in $50 increments		• 2.5

*Capped at the national average of the annual cost of a bronze level health insurance plan, for the family size, offered through the Marketplace.
**Halved for dependents under age 18 (but do not halve when determining 300% cap on dollar amount for those NOT insured by taxpayer)




What's a Public Marketplace/Exchange?

- A Federal or State agency created to facilitate purchase of health insurance through "qualified health plans" (QHPs) by individuals and small employers

- Marketplace expected to:
  - Certify, recertify and decertify QHPs eligible to offer coverage
  - Assign quality and price ratings to each QHP and provide standardized consumer information
  - Operate internet website and toll free hotline for individuals and small businesses to get information
  - Process exemptions for individuals/hardship
  - Establish a "Navigator" program to help consumers make choices about options and accessing health insurance through Marketplace

Public Marketplaces/Exchanges - 2014




Individuals

Small Employers (under 100 employees)

CHOICE POOL

- Bronze Plan → 60% → Minimum Essential Coverage
- Silver Plan → 70%
- Gold Plan → 80%
- Platinum Plan → 90%

87.4% = County's Low HMO

91.6% = County's High HMO and POS

Notes:

•Large employers may enroll in Private Exchanges. Federal/State Marketplaces may be available to Large Employers starting in 2017.

•Catastrophic plans are available to individuals under 30 years old and to those not otherwise subject to Individual Mandate penalty.




Florida Marketplace

- Florida defaulted to the Federal Marketplace administered by the Department of Health and Human Services
- Each Florida County is its own Marketplace (67 Counties)
- Miami-Dade County has 9 insurers participating with 169 plan options available
- Benefit-eligible County employees can enroll in a Marketplace plan but will not qualify for financial assistance to purchase Marketplace coverage because the County's plans are affordable and offer minimum essential coverage




What if a County Employee goes to the Public Marketplace?

- Monthly Cost for Individual Age 50 for a Platinum HMO Plan can range from:
  - $497.54 - $635.15
- Only 2 insurers offer Platinum-level plan options
- If a benefit-eligible County employee goes to the Public Marketplace, that employee:
  - Would not be eligible for Premium Tax Credits to help them purchase a Public Marketplace plan because the County's plan is affordable
  - Would have to pay 100% of the cost of the Public Marketplace plan (i.e., they'd lose the amount contributed by the County towards health insurance)
    - If an Employee remains on the County plan, there is $0 cost to a single employee for the High HMO




Private Exchanges

- Employers may utilize Private Exchanges
- Design varies by Private Exchange
  - Insurers
  - Insurance products (medical, dental, voluntary, etc.)
  - Funding methodology (fully insured; self-funded)
- How it works
  - Employer selects carrier(s) and plan(s)
  - Employer sets budget (i.e., how much they will contribute)
  - Employee makes insurance choices based on needs
  - Employee is responsible for difference between employer contribution and cost of selected plan


Overview
Employer Penalties/Fees





Employer Shared Responsibility Penalties

- Employer either: (a) Discontinues group medical insurance altogether; or (b) fails to offer group medical to at least 70%* of its full-time employees
  - Excise tax = $2,000 per year x full-time employees (minus 80**)
  - Example:
    - ABC Employer has 10,030 full-time employees and does not offer group medical coverage to its employees in 2015
    - ABC Employer owes an excise tax = $20 Million (10,000 x $2,000) for 2015

*70% increases to 95% in 2016 and later years.

** 80 decreases to 30 in 2016 and later years.




Employer Shared Responsibility Penalties

- Employer continues to offer group medical coverage to at least 70%* of its full-time employees in 2015 but the coverage is either:
  - Unaffordable: meaning the cost for employee-only coverage for the employer's least expensive plan option is greater than 9.5% of that employees wages OR
  - Does not meet minimum value requirements OR
  - Is not offered an employee that is considered "full-time" by the PPACA

- ABC Employer could be subject to:
  - $3,000 excise tax per year per each full-time employee who goes to Public Marketplace and qualifies for financial assistance, but only if ABC Employer's medical plan is either:
    - Unaffordable to that employee OR
    - Doesn't meet the minimum value requirements OR
    - Is not offered to that full-time employee

* 70% increases to 95% in 2016 and later years.




“Full-Time” Employees

- Penalties are based on “Full-Time” employees for purposes of Employer Shared Responsibility Penalties
- **For this purpose, “Full-Time” is defined as an employee who works on average 30 or more hours per week**
- There’s a difference between “full time” as defined by employer policies and “full time” as defined for purposes of PPACA application
- Employers must monitor how many hours certain employees work over a 12-month “measurement period” to determine whether such employees are “Full-Time” for purposes of these penalties




Excise Tax on High-Cost Health Coverage ("Cadillac Tax")

- In 2018, the County will owe a 40% excise tax if the aggregate value of the County's health insurance coverage for an employee exceeds a threshold amount
  - Threshold is $10,200 single; $27,500 family
  - Increased threshold for non-Medicare eligible early retirees receiving employer-sponsored retiree coverage. Also for high-risk professionals (including law enforcement, fire protection, etc.)
  - Based on current per employee per year cost and 8% trend per year, Cadillac Tax in 2018 could be:

Plan	Tier	Threshold	Forecasted Cost	Difference	Potential Tax
High HMO	Single	$10,200	$10,509	$309	$1,379,000
	Family	$27,500	$23,701	-$3,799	0
POS	Single	$10,200	$20,318	$10,118	$22,782,000
	Family	$27,500	$39,256	$11,756	$2,069,000

Example: In 2018, single employee enrolls in POS at cost described above. County would owe an excise tax = $4,047.20 for that employee as follows: ($20,318 - $10,200 = $10,118 x 40% = $4,047.20)




Patient-Centered Outcomes Research Institute Fee

- The Institute is to help patients, clinicians, purchasers and policymakers in making informed decisions by advancing clinical effectiveness research.

- Payable by the employer sponsoring a self-funded plan or the insurer of a fully insured plan.

Plan Year	Fee (Per Member Per Year)	Payable by
2012	$1	July 31, 2013
2013	$2	July 31, 2014
2014 – 2018	TBD	July 31 of following year




Transitional Reinsurance Program Fee

- Each state to create a reinsurance program for high-risk individuals by January 1, 2014 to last for 3 years
  - Program will make reinsurance payments to health insurance issuers that cover high-risk individuals in the individual market for any plan year beginning in the 3-year period
  - Assessed against "contributing entities" (health insurance issuers and employers of self-funded group health plans
  - Target revenue collection: $12B for 2014; $8B for 2015; and $5B for 2017.

Year	Fee (Per Member Per Year)	Payable by*
2014	$63	January 14, 2015
2015	$44	January 14, 2016
2016	$26 (estimated)	January 14, 2017

* Approximation. The due date is 30 days after contributing entity receives notification from HHS.




Summary of Penalties/Fees

Penalty/Fee	Amount	Years Owed
Failure to offer coverage to at least 70%/95% of full-time employees	$2,000 per year per each full-time employee (minus 80/30)	2015 and beyond
Failure to offer affordable, minimum coverage to certain employees	$3,000 per year for each full-time employee for whom such coverage is not offered	2015 and beyond
Cadillac Tax	40% of Excess of Plan Value over Threshold	2018 and beyond
Transitional Reinsurance Program Fee	$63 per member per year (PMPY) for 2014; $44 for 2015; estimated $26 for 2016	2014 - 2016
Patient-Centered Outcomes Research Fee	$1 PMPY for 2012; $2 PMPY for 2013; TBD for 2014 - 2018	2012 - 2018


Mandated Plan Design Changes



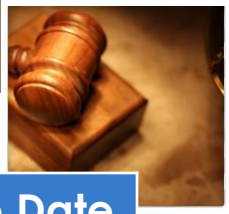
Plan Design Mandates Not Requiring Plan Changes


Mandate	Effective Date
Aggregate lifetime limit elimination	January 1, 2011
Aggregate annual limit elimination	January 1, 2011
Pre-existing Condition Exclusion Elimination for under 19	January 1, 2011
Direct access to Obstetrician/Gynecologist	January 1, 2013
Ability to designate Primary Care Physicians	January 1, 2013
Similar treatment for in and out of network emergency room*	January 1, 2013
Pre-existing Condition Exclusion Elimination for any age	January 1, 2014

The County already provided the above benefits prior to PPACA mandated effective date

*This required one reduction in the High HMO copay (from $50 to $25) for non-network emergency room visits



Plan Design Changes Due to Mandates

Mandate	Change Effective Date
Dependent children can stay on plan without conditions through year they attain 26	January 1, 2011
External review for denied appeals	January 1, 2011
Coverage of certain preventive services with no cost-sharing	January 1, 2013
Emergency room non-network copay reduced	January 1, 2013
Out-of-Pocket Maximums cannot exceed certain dollar limits	January 1, 2014
Waiting period reduction from 90 days to 60 days	January 1, 2014
Autism coverage elimination of annual and lifetime limits	January 1, 2014
Durable medical equipment elimination of annual limit	January 1, 2014
Coverage of routine patient costs for certain approved clinical trials	January 1, 2014


Reporting and Disclosure Requirements



Overview of Notice and Reporting Requirements


Type of Notice	Requirement	Comply starting:
W-2 Reporting	Employers must include aggregate value of group health insurance (using COBRA rates) on employee's W-2 (include employer plus employee cost)	2012 W-2
Uniform coverage explanation	Employers must distribute at initial and annual enrollment summary of covered benefits, exclusions and cost-sharing, examples and glossary	First open enrollment on/after September 23, 2012
Employer Reporting requirements	Would require certification to Treasury that: offer coverage to full-time employees; waiting period; number of full-time employees during each month; name, address and TIN of full-time employee and month(s) covered.	January 2016
Marketplace Notice	On hire, employers must notify employees of: existence of Marketplace; and availability of financial assistance to purchase Marketplace plans.	October 1, 2013
Automatic enrollment notices	For employers with 200 or more full-time employees – advance notice that new employees will be automatically enrolled in a particular plan option with ability to opt out /change option.	Effective as directed in yet-to-be-issued regulations
Reporting on Wellness	Employers to report wellness initiatives to Secretary of Treasury and notify Secretary and enrollees annually whether programs meet certain minimums.	Secretary to develop requirements within 2 years