

# Employer Compliance and Reporting

## Navigating the Complexities of Health Care Reform



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Health Reform & Your Business  
Moses Lake, Washington  
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# The Patient Protection and Affordable Care Act...

- Is the law of the land today
- Applies to all businesses in the US, including governments
- Requires almost all individuals to obtain health insurance coverage or pay a penalty
- Establishes health insurance exchanges (state or federal)
- Employers with 50+ FTE employees may have to pay a penalty if they don't offer full-time employees affordable, minimum level health insurance after **1/1/2015**
- Implementation details continue to be outlined through the issuance of new regulations, guidance, and FAQ documents from IRS, HHS, DOL

# Variables Effecting Costs for Employers

- **State where business is operated & employee resides**
  - State vs. Federal Exchange
  - Medicaid Expansion
- **Employer premium deductibility vs. non-deductible penalty**
- **Offer vs. don't offer health insurance today**
- **Number of Full-time employees**
- **% of FT employees who enroll vs. don't enroll in employer coverage**
- **Wages of workers**
- **Employer contribution, if any, toward employee premiums**

# 2012 :

## W-2 Disclosure of Health Coverage Cost

- IRS delayed W-2 disclosure employer-provided health benefits costs for 2011 [IRC Sec. 6051(a)]
  - Includes medical insurance, dental and vision plans(unless separate plans), and self-insured arrangements
  - No reporting for employee salary-reduction FSAs or employer HSA or Archer MSA funding
  - Include family coverage amount, if applicable
- Reporting begins for most employers for 2012 expenses

# 2012: W-2 Disclosure of Health Coverage Cost

- W-2 reporting of health care costs applies to W-2s issued for 2012 benefits.
- Small Employers –fewer than 250 W-2s in 2011
  - Disclosure is optional for 2012 and until further guidance is issued, at least until January 2014.

## Additional Resources

- Interim implementation guidance: IRS Notices 2011-28: <http://www.irs.gov/pub/irs-drop/n-11-28.pdf> ; updated Notice 2012 – 9: <http://www.irs.gov/pub/irs-drop/n-12-09.pdf>
- 2011 W-2 form: <http://www.irs.gov/pub/irs-pdf/fw2.pdf>

# Additional Health Plan Fees/Taxes

## Comparative Effectiveness Research Plan Fee (2012)

- Effective for plan years beginning on or after 10/1/2012
- Requires health insurance and self-insured plans(employer) to pay a per participant fee
- **Fee**
  - Year 1: \$1/participant
  - Year 2: \$2/participant
  - Due by 7/31/2013
  - 2014: Inflation adjusted rate
  - 9/30/2019: Phased out

## Transitional Reinsurance Fee (2014)

- Third Party Administrators pay on behalf of the Plan
  - Remit annual contributions to support reinsurance payments to issuers
    - ◇ \$63 per covered employee and their dependents in 2014
    - ◇ Phases out: \$42 in 2015; \$26 in 2016
    - ◇ First quarterly payment due 1/15/14

**Filed on Form 720**

# Health Plan Fees/Taxes

## Health Insurance Industry Tax (HIT) (2014)

- Fee assessed on fully-insured health plans in the individual and small group market
- Tax is a fixed dollar amount assessed based upon insurer's net premiums
  - Non-profits only pay the tax on 50% of net premiums
  - Plans receiving > 80% of revenues from public programs for the poor, elderly & disable are exempt from the tax

## Cadillac Plan Tax (2018)

- 40% excise tax assessed on health insurer or plan administrator offering "high-cost" health coverage
  - "High cost" = annual premium
    - ◇ > \$10,200 single coverage
    - ◇ > \$27,500 family coverage
- Tax would be on premiums above the thresholds
- Goal is to generate revenue to help pay for coverage for the uninsured and to make the most expensive plans less attractive.

# Eligibility for Health Insurance Exchange Notice

Employers to notify employees upon effective date and/or date of hire:

- Information about the existence of state/federal exchange, services offered and how to contact
- Employee may be eligible for assistance to purchase insurance via the Exchange
- Employee loses eligibility for employer contribution to health benefits if purchases insurance via the Exchange

**Effective Date:** For current employees, employers must issue notices prior to October 1, 2013. For employees hired after this date, the notice must be provided upon hire.



# Eligibility for Health Insurance Exchange Notice (cont).

- Notice of coverage options must be provided to each employee, regardless of plan enrollment status (if applicable) or of part-time/full-time status
- Department of Labor has model notice language available on its website
  - Employers who offer a health plan:  
<http://www.dol.gov/ebsa/pdf/FLSAwithplans.pdf>
  - Employers who do not offer a health plan:  
<http://www.dol.gov/ebsa/pdf/FLSAwithoutplans.pdf>

# ACA Deductible & OOP Limits 2014 & Beyond

Limits	Individual Coverage	Family Coverage
Deductible (Small group)	\$2,000	\$4,000
Maximum Out of Pocket (all)	\$6,350 (2014)	\$12,700 (2014)

- **Deductible limits for small group market**

- 2010 average deductible for small group = \$2,814 (AHIP issue brief, August 2012)

- Could result in higher premium costs for small groups to compensate for lower deductibles.

- **Limits on out of pocket(OOP)maximums in 2014 tied to limits established for Health Savings Accounts/High Deductible Health Plans.**

- Both limits will be indexed forward by the percentage increase in average per capita premiums.

# 90 –Day Waiting Period: Newly Hired, Full-Time Employees

- Beginning January 1, 2014, an employer's waiting period for insurance generally cannot exceed 90 days
  - IRS Notice 2012-59 provided guidance on 90-day waiting limitation (Public Health Service Act § 2708)
- Newly Hired, Full-Time Employees.
  - If employee is reasonably expected to be full-time, then must be eligible to enroll within 90 days of start date
    - ◇ Not permitted to wait until the 1<sup>st</sup> of the month after 90 days
    - ◇ May require employers to allow mid-month enrollment or participate well before 90 days have passed

# 90-Day Waiting Period & Variable Hour Employees

- Allows an employer to take a reasonable period of time to determine whether the employee meets plan's eligibility requirements
  - can include a measurement period of up to 12 months
  - can include an administrative period up to 90 days
- Coverage must be effective no later than 13 months from employee's start date
  - ◇ coverage must be effective no later than 13 months from employee's start date
  - ◇ if employee's start date is not the first day of a calendar month, will include remaining time until the first day of the next calendar month

# 2014: Individual Mandate

- **Individual mandate to obtain health coverage:** Beginning in 2014, most individuals must obtain a minimum-level of health insurance coverage or pay a penalty
- **Minimum essential coverage includes:**
  - Medicare, Medicaid, TRICARE
  - Insurance purchased through an Exchange, or the individual market
  - Employer-sponsored coverage that is affordable & provides minimum value
  - Grandfathered plans (group plan in effect on 3/23/2010)
- **Penalties for failure to obtain coverage:**
  - In 2014: greater of \$95 or 1.0% of income
  - In 2015: greater of \$325 or 2.0% of income
  - In 2016: greater of \$695 or 2.5% of income
  - Penalty is capped at three times the per person amount for a family
  - Assessed penalty for dependents is half the individual rate

**Hardship exemption**  
Premium cost for  
lowest cost plan > 8%  
of Household Income

# 2014: Government assistance to help some individuals obtain coverage

- **Medicaid expansion:** Expands eligibility to individuals and families up to 133 % of the federal poverty level (FPL) or Modified Adjusted Gross Income(MAGI) of 138% of FPL
  - If cost effective, states can opt to subsidize employer-sponsored premiums for this group
- **Premium tax credit assistance:** Individuals and families with household income of 100 - 400 % FPL may be eligible for sliding-scale assistance to help pay premiums
- **Cost sharing assistance:** Those earning between 100-250% FPL are also eligible for out-of-pocket reductions to help with cost sharing (e.g., maximum out-of-pocket, deductibles, co-payments)

**138% FPL**  
Individual =  
\$15,856  
Family of 4 =  
\$32,499

**400% FPL:**  
Individual=  
\$45,960  
Family of 4=  
\$94,200

# Cost Sharing Subsidies

Federal government will pay insurers to reduce the cost sharing for individuals:

- Enrolled in a silver-level plan through an Exchange and
- Whose household income is between 100-250% FPL

Household income as % of FPL	Cost sharing Reduction
100-200% FPL	Two-thirds
200-250% FPL	50%

Reductions don't apply to benefits not included in the federal definition of "essential health benefits"

# Defining small and large employers

*The definition of “large employer” varies depending upon the section of the law one is referring to:*

## For Employer Penalties:

50 or more full-time employees plus full-time equivalents.

FT employee: avg. 30 or more hours of service per week

FT equivalents = Hours worked in a month by all PT employees divided by 120

## Eligibility for Premium Tax Credits:

25 or fewer employees earning < an avg. of \$50,000

## Eligibility for the SHOP:

- Fewer than 50 OR
- Fewer than 100

**Employer who must auto-enroll: 200 + employees**



# Implications for Small Employers



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# SHOP and Small Group Insurance Rules

- Small group markets beginning in 2014
  - In almost all states, there will continue to be small group plans offered by carriers outside the state or federal exchange
- Small group insurance reforms
  - ACA small group reform rules apply to all small group plans both inside and outside the exchange
    - No medical underwriting
    - No pre-ex limitations
    - Carrier must accept any group
  - **Modified Community Rating**
    - No rating based on claims experience
    - Age rate spread of no more than 3:1
    - Smoker rate spread of no more than 1.5:1

# Tax Credit for Small Employer Health Premiums

Eligible small employer:

	Full Credit	Upper Limit
# of FTEs	$\leq 10$	25
Avg. annual payroll per FTE	$\leq \$25,000$	\$50,000

Employer contributes  $\geq 50\%$  of employee premium

*This will only benefit the smallest employers*

• Use Form 8941 to calculate credit: <http://www.irs.gov/pub/irs-pdf/f8941.pdf>

Credit amount included either : 1) as part of the general business credit on your income tax return; or 2) if tax-exempt organization, on line 44f of the [Form 990-T](#) (must be filed to claim credit)

# Tax Credit for Small Employer Health Premiums

Tax credit for % of employer-provided health insurance premiums (IRC Sec. 45R)

Tax Years	Taxable Entity Credit	Exempt 501(c) Credit
2010-2013	35%	25%
2014-2015	50%	35%
Offset	Income tax	Payroll tax

## Eligible insurance product to qualify for credit:

- In 2010 – 13 tax years: Any health insurance purchased from a licensed insurer (*defined benefit*)
- In 2014 – 15 tax years: Employer must purchase coverage via the Exchange. (*defined contribution*)

# Tax Credit for Small Employer Health Premiums

## Phase-out for 501(c) Exempt Employer (2010-2013)

<u>FTEs</u>	<u>Avg. Wage/FTE</u>			
	<u>\$25K</u>	<u>\$30K</u>	<u>\$40K</u>	<u>\$50K</u>
< 10	25%	20%	10%	0%
15	17%	12%	2%	-
20	8%	3%	-	-
25	-	-	-	-

# Small Employer Tax Credit

- **Prior Year Credit Can Still be Claimed:** Eligible small employers that forgot to claim the credit this year on their tax return, can still obtain the credit if they file an amended return.
- **Credit can be applied to other years:** Small employers who did not owe tax during the year, can carry the credit back or forward to other tax years.
- **Can claim credit + business expense deduction:** Small businesses can still claim a business expense deduction for the premiums in excess of the credit (because health insurance premium payments exceed the total credit).

**Sequestration:**  
As of March 1, 2013, the refundable portion of the credit was reduced by 8.7 percent. This reduction is in effect until Sept. 30, 2013 or intervening Congressional action, at which time the sequestration rate is subject to change.

# Health Insurance Premium Tax Credit

**Eligibility:** Household Income between 100- 400% FPL and NOT eligible for minimum essential coverage

**Credit calculation** = Premium cost for benchmark plan (second lowest silver plan) – taxpayer’s applicable percentage

Household Income as a % of Federal Poverty Line (FPL)	Initial Percentage	Final percentage
Less than 133% FPL	2.0%	2.0%
133 - 150% FPL	3.0%	4.0%
150 – 200 % FPL	4.0%	6.3%
200- 250% FPL	6.3%	8.05%
250 – 300 % FPL	8.05%	9.5%
300 – 400% FPL	9.5%	9.5%

# Example:

## *Calculating Premium Assistance Tax Credit*

### Inputs

- Benchmark premium = \$5,200
- Household Income (MAGI) = \$27,225  
(250% FPL/individual)
- Applicable % = 8.05%

**Premium Assistance Tax  
Credit Calculation=**  
 $\$5,200 - \$2,192 = \$3,008$

- If actual Tax Credit > Advanced Payment, taxpayer receives **income tax refund.**
- If Advanced Payment > Credit, then must re-pay
  - Repayment is capped for those earning < 400%FPL



# The Changing Marketplace

Family Income	What Is Affordable	Washington 40 Year Old Family of Size			
		One	Two	Three	Four
\$15,000	\$118.75	Medicaid	Medicaid	Medicaid	Medicaid
\$20,000	\$158.33	\$83.17	\$33.33	\$33.33	Medicaid
\$25,000	\$197.92	\$141.67	\$91.88	\$41.67	\$41.67
\$30,000	\$237.50	\$206.50	\$146.75	\$101.50	\$50.00
\$35,000	\$277.08	\$277.08	\$206.50	\$152.25	\$110.54
\$40,000	\$316.67	\$292.00	\$272.33	\$212.00	\$160.00
\$45,000	\$356.25	\$292.00	\$340.88	\$271.88	\$216.00
\$50,000	\$395.83	\$292.00	\$395.83	\$337.92	\$275.83
\$55,000	\$435.42	\$292.00	\$435.42	\$405.63	\$336.88
\$60,000	\$475.00	\$292.00	\$475.00	\$475.00	\$404.00

Medicaid	94%	85%	73%	70%	No Subsidy
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# Strategies for Small Employers

- Understand your options inside the SHOP
- Take advantage of employer premium tax credits, when available
- Evaluate value of employer premium tax credit via Exchange vs. any discounts or premium costs for small group products outside the Exchange.
- Move to a defined contribution strategy
- Consider what you can afford to offer vs. what is available to employees in the Exchange

# Implications for Large Employers

Pay or Play

Variable Hour Employees



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# 2015: Potential Large Employer Penalties

Law does NOT require employers to offer health insurance

- Large employers subject to one of two “**shared responsibility**” penalties if any FT employee receives Exchange subsidies

–For employers that own multiple companies, the 50 + employees is determined by control group or affiliated service group

For “minimum essential coverage”, see IRS Notice 2012-31 at: <http://www.irs.gov/pub/irs-drop/n-12-31.pdf>

**Large employer** = 50 or more full-time employee + FTEs

**FT employee** = avg. 30 or more hours of service per week

**FT equivalents** = Hours worked in a month by all PT employees divided by 120

# Employer “shared responsibility” penalties

Penalty only assessed if a FT employee receives Exchange subsidies.  
Employees ineligible for subsidies if employer coverage affordable

## No Insurance Coverage Penalty

Amount = \$2000 x each full-time employee  
(after first 30 employees)

## Unaffordable Employer Coverage Penalty If employer fails to offer coverage that is:

1. **Minimum essential coverage** and minimum 60% actuarial value offered to employees and their children under age 26.
2. **Affordable** = Employee premium cost for single coverage < 9.5% of household income.

Amount = \$3000 x # of FT employees who receive exchange subsidies

“**Affordable**” = the employee premium contribution for single coverage is **less than** 9.5% of their MAGI household income, or one of three employer safe harbor options exist. (e.g., W-2 wages)

**Maximum penalty** = no insurance penalty

**Inflationary adjustments** to penalties begin in 2015

Employer pays **no penalty for Medicaid** eligible employees

# Employer “shared responsibility” penalties delayed until 2015

- What does delay mean for large employers?
  - Do not need to offer full-time employees and their dependent children minimum essential and affordable coverage in 2014
  - No penalties if coverage offered is “unaffordable” in 2014
  - No penalties if coverage offered does not meet minimum essential requirements in 2014
  - No penalties if employer offers no coverage
  - Do not have to file an information return with IRS in 2014
    - ◇ Further guidance from IRS on information return is expected to be issued summer 2014

# Employers still need to:

- Supply all employees (part-time and full-time) with notice about the availability of the Health Insurance Exchanges by October 1, 2013
- Provide Summary of Benefits and Coverage when making certain changes to plans offered
- Ensure employee waiting period for enrollment in employer-sponsored insurance does not exceed 90 calendar days starting in 2014

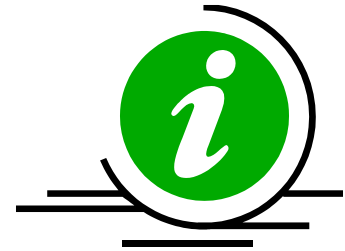
# What does the July 2013 Employer penalty delay mean for individuals and employees?

- In 2014, individuals will still need to obtain minimum essential coverage or pay a penalty (individual mandate)
- Health Insurance Exchanges are still scheduled to open for enrollment October 1, 2013
- Individuals who earn between 100-400% of FPL and do not have access to affordable coverage through an employer may still be eligible for Exchange subsidies (tax credits and/or cost sharing assistance)
- Insurers cannot deny coverage to individuals for pre-existing condition



# 2015: Other Employer Requirements

- Beginning in 2015, “large” employers (50 or more FT employees + FTEs) will be required to submit an information return to the IRS, including at least the following:
  - Names of FT employees on the health plan
  - Employer contribution levels to employee coverage
  - Plan waiting period length
  - Whether employer-sponsored plan meets “minimum essential coverage” requirements
- **Large Employers to auto-enroll:** Employers with 200+ FT employees will be required to auto-enroll employees into their employer-sponsored health plan
  - Employees can opt out
  - Won’t be effective until U.S. Dept. of Labor issues rules. No sooner than 2015.



# Strategies for 2014 and beyond



# Case Studies

	Case Study#1	Case Study #2	Case Study #3
Facility type	Non-profit SNF	For-profit CCRC	SNF + AL
Size	85 beds	180 Bed SNF	77 Bed SNF
# of employees	79 FT employees	1922 FT employees	284 FT Employees
Employer contribution to single coverage (% of total)	\$7,632/year (85%)	\$4,030/year (81%)	\$5,090/year (66%)
Currently waived employees	34% (or 27 FT employees)	31.3% (or 603 FT employees)	57.7% (or 164 FT employees)
# of Medicaid eligible	0 FT employees	10.7% (206 FT employees)	6% (17 FT employees)
# of Exchange subsidy eligible	26% of FT employees (21 of 79 FT employees), many would pay <u>less</u> in the Exchange vs. ESI	3.1% of full-time employees (59 FT employees), many would pay <u>less</u> in the Exchange vs. ESI	74.3% of full-time employees (211 FT employees), most would pay <u>less</u> in the Exchange vs. ESI
Impact of ACA	Estimated to pay 11% <u>less</u>	Estimated to pay 25% <b>more</b>	Estimated to pay 12.7% <b>more</b>
Cost drivers		<ol style="list-style-type: none"> <li>1. Number of waived employees that will now enroll in ESI</li> <li>2. Few subsidy eligible employees (many of whom currently waive ESI) because FT employee contribution is affordable for most so most employees would enroll in ESI</li> </ol>	The increased cost is the result of the fact that as a for-profit they benefit from the deductibility of health insurance premiums today but because of the high number of employees who would be eligible to receive subsidies in the Exchange, the company would incur \$508K in penalties that are not deductible.

# Penalty Strategy Components

- **Defining Full- time employees**
  - Optional Look-back measurement period
  - Capping hours to reduce #s of FT employees
  - Impact of waived on bottom line
- **Employee wage level**
  - Implications of Over/under 400% FPL
- **Minimum Value & Affordability**
  - Where is best place to spend benefit dollars (e.g., premiums, HRA/HSA contributions, etc.)
  - Employer contribution level: Is it advantageous to make coverage less affordable?
- **State decisions about Medicaid Expansion & Exchanges**

# Identifying full-time employees: 2013 & beyond

- Employee engaged in average of 30 “hours of service” per week or 130 hours in a month.
  - Uses common law definition of employee
    - Does not include: leased employees, sole proprietors, partners in partnership, 2% S-corp shareholder
  - **Hours of service** = hours worked and hours paid but for which no work was performed (e.g., PTO, FMLA, Deployment leaves, disability, etc.)
  - **Salaried workers** use actual hours, or 8 hours/day or 40 hours per week standard.
  - Special rules for employees of **educational institutions**
  - **Seasonal workers**: If 120 days or fewer; or 4 calendar months of work, then excluded from calculation of large employer

# Safe harbors: Full-time employee

IRS Notice 2012-58 and Dec. 2012 IRS/HHS proposed regulations explain a method employers may use to determine full-time status for ongoing employees, new employees expected to work full-time, and variable hour and seasonal workers.



Measurement period: 3 – 12 months (employer determined)

Administrative period(Optional): Up to 90 days for employee eligibility for coverage determinations, notification and enrollment of employees

Stability period: The greater of 6 months or the duration of the standard measurement period

# Rehires or Unpaid Leaves of Absence

- **If no hours of service for > 26 weeks = New Employee Status**
- **If no hours for < 26 weeks = Continuing Employee Status**
  - Prior measurement and stability periods apply when employee returns to work
  - If considered FT for the stability period that includes the absence, then employer must resume the employee's health plan coverage on the first day that the employee is credited with an hour of service or as soon as administratively practicable.
  - If 12 month measurement period used by employer, employee may not meet the threshold for full-time status due to 0 hours accrued during absence

# Rule of Parity & Special Leaves

- Option for employers when employees absent less than 26 weeks to consider employee a new hire
  - If the period with 0 hours of service is:
    - at least 4 weeks long AND
    - is longer than the employee's employment period immediately before the absence.
- **Special Unpaid Leaves**
  - Include: FMLA, jury duty or USERRA (*Uniformed Services Employment and Reemployment Rights Act*)
  - The special unpaid leave period is excluded from the measurement period



# Defining which employees are full time

## Strategies

- Select measurement and corresponding stability period to capture fewest number of full-time employees.
- **Limit employee hours** of service to less than 30 hours/week or 130 hours per month.
- If not offering ESI, **limit full-time status to 30** or fewer employees across businesses

## • Why is this important?

- Employers must offer full-time employees and their children under age 26 health insurance coverage or pay a penalty.
- Penalties are assessed for full-time employees only
- Current FT employees who waive coverage may enroll in ESI in 2014 adding bottom line, non-penalty costs to employers.
- Now is the time to make strategic decisions to limit penalty risk

# “Minimum Value” Plan

- Law requires “large” employer to offer at least one plan with a minimum 60% actuarial value
  - Desired by employees in order to meet individual mandate = New Benefit Floor
  - Premiums for this level plan should be lower than higher actuarial value plans
- IRS to Make Actuarial Value calculators available to employers and plans
- Actuarial Value looks at a variety of components: deductibles, co-payments, co-insurance, as well as employer contributions to HRAs and HSAs.

**60% Actuarial Value** means: on average the plan pays for 60 % of the costs for covered benefits and enrollees, on average, pay the remaining 40 percent through cost-sharing such as deductibles, copayments and coinsurance.

# Employee Wage Level Matters

# Three Employer Affordability Safe Harbors:

## W-2 Safe Harbor *IRS Notice 2012-58*

Form W-2 Safe Harbor: If employee's premium cost for self-only coverage is less than 9.5% of their W-2 wages for the employer, the health insurance is considered affordable AND

- The employer will not pay a penalty for that employee
- The employee may still be eligible for premium tax credits in the Exchange based upon Modified Adjusted Gross Income of Household.
- Employer is not subject to penalty if employee receives tax credit but later employer-sponsored insurance is determined to be affordable.
- Affordability for related individuals: Employers don't need to make coverage affordable for dependents (e.g. family coverage, Employee+1)

# Affordability Safe Harbors: W-2 (continued)

- Using total amount of wages = Box 1 of Form W-2
  - Box 1 does not include employee elective deferrals
- Can include wages paid to employees by a third party that are reported on the W-2 and reflecting the 3<sup>rd</sup> party EIN
- Determined at the end of calendar year on per employee basis using the year's W-2 reportable (e.g. compare 2014 premium cost to 2014 Box 1 W-2 wages)
- Could be used prospectively to set employee contribution level to < 9.5% of wages

*IRS Notice 2012-58 December 2012 proposed regulations*

# Affordability Safe Harbors: FPL

## *December 2012 proposed regulations*

- Coverage considered affordable for calendar month if employee's required contribution for lowest-cost self-only coverage that provides minimum value under plan does not exceed 9.5% of Federal Poverty Level (FPL)
  - Determined by calculating FPL for single individual (where individual is employed) for applicable calendar year
  - Divided by 12

**2013 FPL for single person = \$11,490**

**9.5% of \$11,490 = \$1091.55/year or \$90.96/month**

# Affordability Safe Harbors: Rate of Pay

## *December 2012 proposed regulations*

Coverage considered affordable for calendar month if employee's required contribution for month for lowest cost, self-only coverage provides minimum value does not exceed 9.5% of a Rate of Pay Safe Harbor Amount

- Rate of Pay Safe Harbor Amount = 130 hours multiplied by employee's hourly rate of pay as of the first day of the coverage period (generally first day of plan year)
  - Salaried employees use monthly salary instead of hourly rate of pay
  - Available as long as employer does not reduce hourly rate of pay or monthly wages during calendar year

# Implications of State Decisions for Employers

## Medicaid Expansion State



## No Medicaid Expansion State





# Tools for a Changing Marketplace



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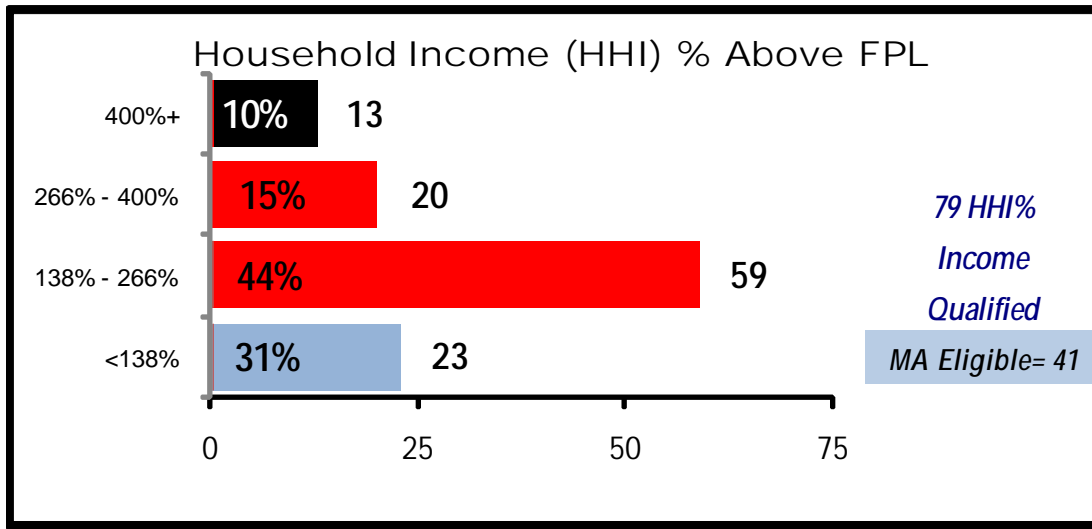
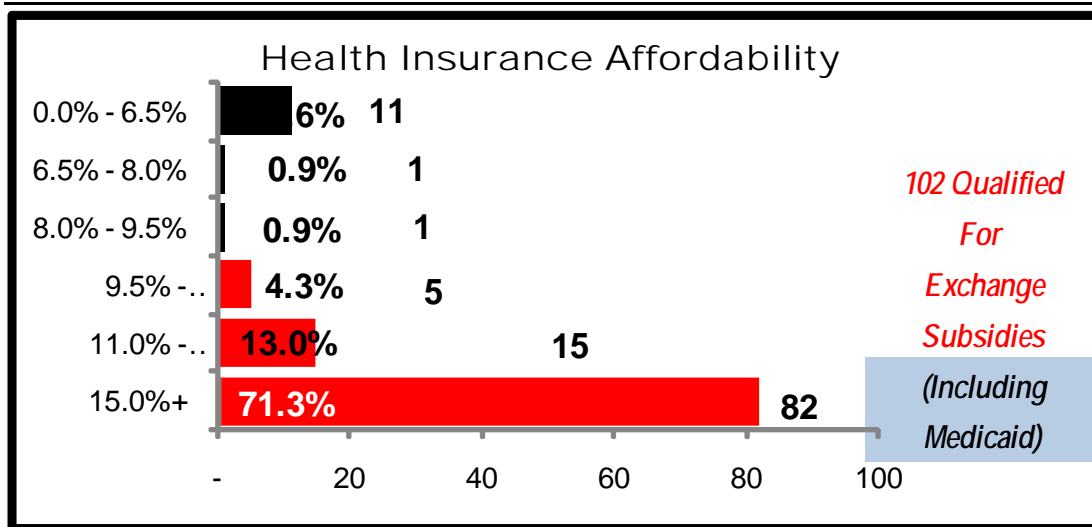
CLIFTONLARSONALLEN  
HEALTH INSURANCE &  
PENALTY (HIP) CALCULATOR

# Employer Health Insurance & Penalty (HIP) Costs

Impact of Employer Health Insurance Reforms			
Full-Time Employees	115	<i>(20 Insured / 95 Waived)</i>	
Total Staffed	382	<i>(6 PT Insured/261 PT No ESI)</i>	
2014 PPACA FTEs	252		
HEALTH REFORM KEY DRIVERS			
Today's Single Coverage Employer Premium Cost			
Average Single Employer Cost	\$ 2,400		
Employer Contribution %	39%		
Medicaid Eligible Employees			
Total FT Medicaid Enrollees	23		
Employer Estimated Cost Savings	\$ 6	<i>(\$000s)</i>	
Employer Unaffordable Coverage Penalty			
Subsidy Eligible Full-Time Employees	79		
Subsidy (\$3,000)	\$ 3		
<b>Estimated Subsidy Penalty</b>	<b>\$ 237</b>	<i>(\$000s)</i>	
% Total Full-Time Employees	68.7%		
Employer No ESI Insurance Penalty			
Total Full-Time Employees	115		
Less: 30 Employees	(30)		
Adjusted Full-Time Employees	85		
No Insurance Penalty (\$2,000)	\$ 2		
<b>Estimated Subsidy Penalty</b>	<b>\$ 170</b>	<i>(\$000s)</i>	
2014 Pre Reform Projected HC Costs	\$ 48	<i>(\$000s)</i>	
Estimated Net Cost	\$ (122)	<i>(\$000s)</i>	

HEALTH REFORM SUBSIDIES IMPACT ON HEALTH COSTS			
Sample Organization (\$000s)	Today's Cost	2014 Offer Coverage	2014 Drop/ Don't Offer
Baseline Premium Cost	\$ 62	\$ 62	\$ 62
2012-2014 Premium Increase (9.0% / Yr)	-	12	12
Pre-Reform Projected Premium Cost	62	74	74
Tax Adjusted Premium Costs	40	48	48
<b>PLUS: Additional Reform Impact</b>			
Previously Waived FT Employees	-	211	-
Penalty: Subsidy Eligibles & ESI	-	170	-
Health Reform Increased Cost	-	381	-
<b>LESS: Previous Premium Liabilities</b>			
Medicaid Employee ESI	-	(6)	-
Subsidy Eligible FT Employees ESI	-	(225)	-
Health Reform Decreased Cost	-	(231)	-
No Minimal Essential Coverage			
Less: 2014 Inflation Adjusted HC Cost	-	-	(74)
Plus: Subsidy Eligible Penalty	-	-	170
Health Reform No ESI Cost	-	-	96
Post Reform HC Costs	\$ 62	\$ 224	170
HC Cost Change to 2014 Projected		\$ 150	\$ 96
% HC Cost Change to 2014 Projected		203%	130%
Tax Adjusted HC Costs	\$ 40	\$ 205	170

# Employee Exchange Subsidy Eligibility Factors



Exchange Subsidy Eligibility =

Affordability +  
133-400% of FPL

In 2014, employer pays penalty when a FT employee is eligible for Exchange Subsidy.

# Average Premium Cost Per Employee Perspective

# Health Insurance and Penalty (HIP) Calculator



HEALTH CARE REFORM

HOW MUCH MORE WILL HEALTH REFORM COST MY BUSINESS?

Find Out

2011 2012 2013 2014

The graphic features a pill-shaped icon with 'HEALTH CARE' in green and 'REFORM' in blue. Below it is a large question mark on a grey background. At the bottom, four vertical bars represent the years 2011, 2012, 2013, and 2014. The 2011 and 2013 bars are yellow, while the 2012 and 2014 bars are grey.

[www.cliftonlarsonallen.com/HIP](http://www.cliftonlarsonallen.com/HIP)

# Where to Start

- Understand your reporting requirements and due dates
- Calculate and document full-time employees and equivalents
- If clearly under 50 FT employees and FTEs, evaluate SHOP defined contribution option vs. existing small group market coverage for 2014 and beyond or free standing defined contribution model separate from SHOP
- If around 50 FTEs, consider strategies and penalty implications
- If clearly over 50 FTEs, calculate financial impact including penalties
- Have at least one employee/consultant responsible for understanding what Washington and the federal government are deciding as implementation nears

# Questions?



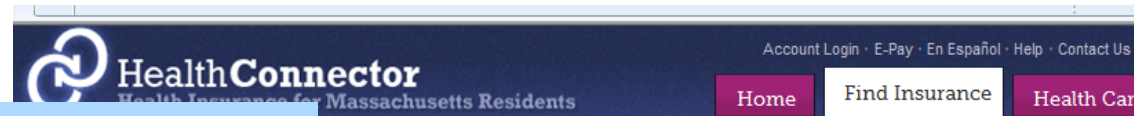
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612-376-4843

## Thank you!

**For more information on health reform, go to:**  
[www.CLAConnect.com/healthreform](http://www.CLAConnect.com/healthreform)



# 2014: Health Insurance Exchanges



## What is an exchange?

A marketplace for individuals and small businesses to shop for insurance.

- Offer a choice of health plans
- Standardize health plan options
- Consumers compare plans based upon price
- Intended to provide a more competitive market
- Provides consumers with a neutral party to assist with plan enrollment, information and eligibility determination for any subsidies

Information about yourself to start shopping for health insurance.

\* REQUIRED INFORMATION

### Your Information

Residential ZIP Code \*

Type of Coverage \*  Self only  
 Self + spouse  
 Self +  dependent child/children  
 Family (self, spouse + dependent child/children)

Your Date of Birth \*   
(month / day / year)

Spouse Date of Birth   
(month / day / year)

Coverage to Begin \*  May 1, 2013

# Health Insurance Exchanges

## Two Channels: Who can participate?

- **Employers**

- **2014:** small employers (state choice: 50 or fewer, or 100 or fewer FTEs) can offer an Exchange plan as their employer health plan

- **2016:** Available to all employers with 100 or fewer FTEs.

- **2017:** states can opt to allow **large employers** to participate

- **Individuals:** Includes self-employed or unemployed individuals (2014)

- Each state must either establish a health insurance exchange , participate in a federal partnership exchange or a federally-facilitated exchange for its state's residents.

# 2014: Exchange Plans

## Types of exchange plans to be offered by insurers

- **Bronze** = 60% actuarial value
- **Silver** = 70% actuarial value
- **Gold** = 80% actuarial value
- **Platinum** = 90% actuarial value
- **Catastrophic plan**
  - Only available to individuals < 30 years old, or those exempted from the individual mandate due to unaffordability or hardship.
  - Plan must cover: “minimum essential benefits” & a minimum of three primary care visits per year

**All exchange “metal” plans must cover essential health benefits, limit cost-sharing and have a specified actuarial value**