The Affordable Care Act's Top 10 Points for CEO's

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PPACA (Patient Protection and Affordable Care Act) #1

The Biggest Challenge for Companies moving forward will remain finding and training the right skilled workforce/talent.

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PPACA #2

Employee benefits and especially health insurance offerings will become even more important as a differentiator among employee job offers for candidates after PPACA.

PPACA #3

Costs for Health Insurance will be Higher Due to:

- New Taxes (fully insured plans pay 3.5% - 4.5% in combined taxes through premium rates in 2014)
- No Risk Underwriting
- Community Rating (Every employee has their own rate based on age)
- Squeezing of Age Bands (younger groups will pay more)
- All plans mapped to a compliant plan, unless they qualify for Transitional Policy
- Additional benefits added, including pediatric dental and vision. Copays included in out of pocket max
- Maximum out of pocket limits of $6,350 employee and $12,700 family
- Any plan that mandates employees pay more than established out of pocket limits for any of the essential benefits, will not be compliant according to our benefit attorney's opinion.

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PPACA #4

Previous points in PPACA #3 will expand to groups of up to 100 employees beginning January 2016.

Transitional Policy

- **Allows group to keep current plan design and rating methodology**
- **Important for groups over 50 in 2015**
- **CMS offered extension option to states/insurers**
  - **The plan selected at the 2015 renewal will be the only non ACA plan that groups can keep for 2016 and possibly 2017**
  - **Any plan changes will require group move into an ACA plan**
- **This creates 3 fully insured risk pools in 2016 for the 1-100 Market:**
  - **1-100 Small Group Metallic ACA Plans rated under PPACA rules**
  - **1-50 Small Group Transitional Policy rated under Small Group Reform Rules**
  - **51-100 Large Group Transitional Policy rated under Large Group Underwriting Rules**

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PPACA # 5

Currently, health plans allow discrimination by class until 2017 but eventually will be prohibited.

PPACA # 6

"Pay or Play" calculations for employee groups NOT currently providing coverage will be imperative. This is so the 2015/2016 employer fee requirement (when not providing coverage) can be compared to the cost of offering a low cost plan that meets the requirements of the law. In most cases it will be <u>less costly </u>to create a compliant plan to offer, rather than accept the penalty on all full time employees.

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PPACA # 7

Paying the $2,000 per employee fee may look like a lower cost option to employers with more than 50 employees. (i.e. large employer slide attached) However, the following additional impacts need to be considered:

a) There still is NO health insurance for the employee - they will have to go buy it through the Exchange.

b) All premiums paid through Exchange will be after tax dollars.
   - (nondeductible to employee)

c) $2,000 penalty fee is nondeductible to the company.

d) Key management at higher incomes will not qualify for a subsidy and again, they must pay with after tax dollars.

e) Fee will inevitably be increasing over time.

f) Only those individuals with incomes at 250% or less of federal poverty level will receive a premium tax subsidy that is significant to help pay for coverage through the EXCHANGE.

g) Must Consider the impact of what this action does to a company in continuing to recruit skilled workers.

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What is an "Applicable Large Employer"?

Number of Full-Time* Employees + **Total Part-time** Hours / 120** =

Total Full-Time Equivalent Employees (FTEs)

* *Full-time employees are defined as those who work at least 30 hours per week*

** *Part-time exempts seasonal employees (employed fewer than 120 days)*

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Example

Meets Requirements of a Large Employer

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A Group has:

- 35 full-time employees that work 30+ hours
- 20 part-time employees who all work 24 hours per week (96 hours per month, per employee)

These part-time employees' hours would be treated as equivalent to 16 full-time employees:

20 employees x 96 hours/120 = 1,920/120 = **16 FTEs**

35 Full-time + 16 Full-time equivalents = **51 FTEs**

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Premium Amount and Tax Credit for Family of Four

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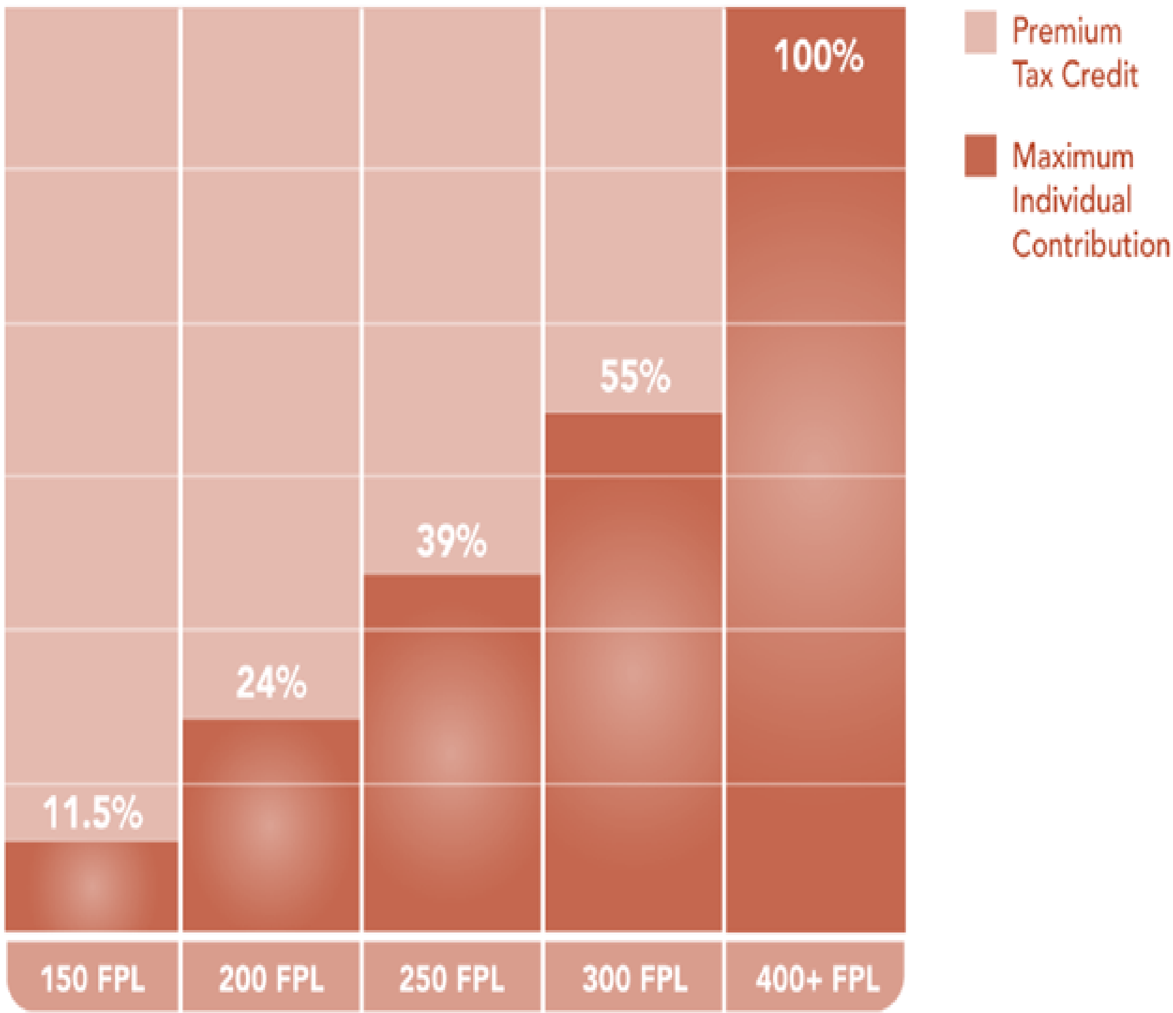

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2013 Poverty Guidelines

# of persons in household	100% FPL	150% FPL	200% FPL	250% FPL	300% FPL	400% FPL
1	$11,490	$17,235	$22,980	$28,725	$34,470	$45,960
2	$15,510	$23,265	$31,020	$38,775	$46,530	$62,040
3	$19,530	$29,295	$39,060	$48,825	$59,590	$78,120
4	$23,550	$35,325	$47,100	$58,875	$70,650	$94,200

Source: Federal Register, January 2013

PPACA # 8

2015 – Groups over 100 Employees
2016 – Groups over 50 Employees

The plan must be "Affordable" in order to keep the company shielded from exposure to a separate $3,000 penalty per employee if the employee goes to the exchange and gets a subsidy!

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PPACA # 8 Continued: Definition of "affordable"

2015 – Groups over 100 Employees

2016 – Groups over 50 Employees

Plan can only require contributions by company for employee <u>only</u> coverage. Plan cannot cost employees more than an amount equal to 9.5% of lowest full time employee monthly wage for employee only coverage.

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PPACA # 9

It will only be necessary for a company to offer coverage to employee and children (not spouse).

If company has low paid workers and makes no contribution to spouse coverage, it may be a strategy to stop offering coverage to spouses. This way, spouses could go to exchange and perhaps qualify for a subsidy.

(This only works for groups with 50 employees and over)

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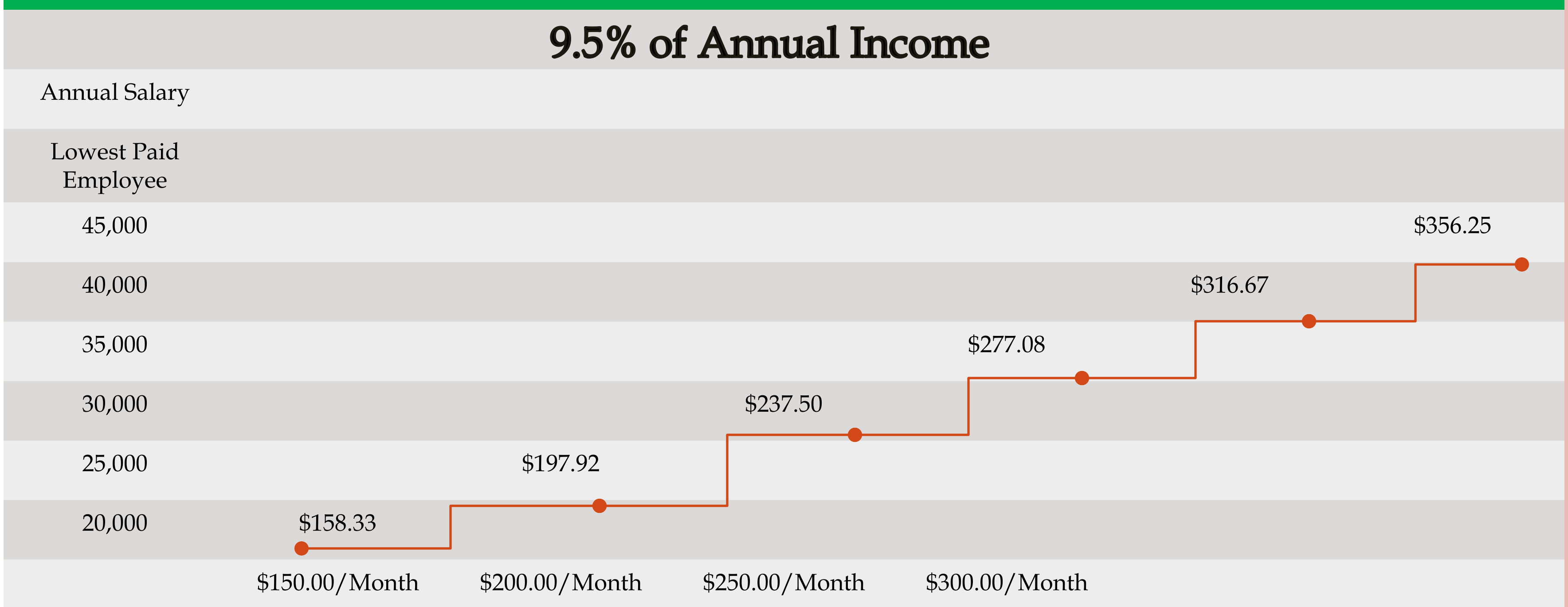
Affordability Test Chart (for groups over 50 employees)

- Assumes employer offers group health plan that meets minimum benefit (2K Deductible) + minimum value requirements) .
- (This alleviates exposure to 2K penalty as employers will not be eligible for Exchange Plans)
- In order to be considered "Affordable" plan cannot cost lowest paid full time worker more than 9.5% of annual salary (See reference chart below) (Penalty for non-affordability requires 3K per employer per year.

What is 9.5 % of Monthly Salary?



PPACA # 10

If company provides a plan that meets essential benefits and affordability test, employees and any dependents offered coverage through employer group <u>will not be eligible</u> for subsidies through exchange.

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Thank You

If you have any questions, please ask.

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