

Health Reform Employer Impact Analysis

Benefit Comply, LLC

Health Reform Impact Analysis

- If health reform was in full effect today what would be the impact on my current plans?
- What would happen if I changed my plan design or employer contributions?
- What would be my expected costs if I do not offer employer sponsored health insurance to all my full time employees?

Health Reform Impact Analysis

- Measures financial impact to employer of various health reform provisions
 - Employer penalties
 - Full time eligibility requirements
 - Medicaid eligibility expansion and premium payment program
 - ~~Free choice vouchers~~
 - Compares financial impact of employer not offering qualifying coverage to full-time employees

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- Analysis Process
 - Input employer census data and plan information into system
 - System estimates household income based on employee compensation and census data
 - Already amended to consider penalty safe harbor
 - No employer penalty if cost of employer plan is less than 9.5% of employees wages
 - Effects of an alternative plan design, rates and/or contribution strategy can be modeled
 - Output is a MS Word report that you can use all, or just parts of...

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- Employer penalty #1 – Penalty for unaffordable coverage
 - If employer offers minimum essential coverage to all full- time employees
 - May still pay a penalty of \$250/mo (\$3000/yr) per employee who:
 - Has a household income < 400% federal poverty level
 - Employee contribution equals more than 9.5% of wage and household income
 - The individual purchases subsidized coverage on the exchange

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Full Time Employees

- ACA Full-time Employee Definition
 - Generally full time employee = 30 hrs per week
 - Employer must offer Minimum Essential Coverage to all full time employees or face possibility of paying penalty of \$2000 per year time all FTEs
- IRS Notice 2011-36 (request for comments)
 - Proposed new optional methods for determining full-time status
 - 130 hrs per month equivalent to 30 hrs per week
 - IRS considering allowing employers to use optional alternatives to determine full-time employee status

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Full Time Employees

- Full-time Employee Definition (cont.)
 - Measurement and stability periods
 - Employers will have a choice of look-back “measurement period” to use of between 3-12 months
 - Employer would have to work 130 hours in each month during measurement period to qualify as full-time
 - Proposed “stability period” would be minimum of 6 months but no shorter than measurement period
 - These alternatives have only been proposed
 - IRS taking comments until June 2012

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Minimum Essential Coverage

- Essential Health Benefits vs. Minimum Essential Coverage
 - Essential Health Benefits
 - Requirements which apply to individual or small group plans that must include coverage in a variety of categories
 - Minimum Essential Coverage (MEC)
 - Minimum actuarial values employer plan must offer to avoid penalty under ACA shared responsibility rules
 - Plan must cover 60% of the total costs incurred by participants
 - Equivalent to a “bronze plan” on an exchange

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Minimum Essential Coverage

- Kaiser study: model “bronze” plan total out of pocket = \$6,350
 - \$4,375 individual deductible with 80/20 coinsurance
 - \$3,475 individual deductible with 60/40 coinsurance
- Who will determine MEC
 - Will health insurance carriers determine actuarial value for fully insured plans?
 - Self-funded plans?
 - The TPA...the broker?

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- New employer safe harbor proposed
 - If cost of single coverage is less than 9.5% of employee’s wages, no employer penalty regardless of ee’s household income
 - Example: Single earner in household
 - W-2 income = \$26,000 and Household MAGI = \$17,000
 - Employee cost for single coverage = \$200 month (\$2400 year)
 - \$2400 = 14.1% of household income but only 9.2% of W-2 wages
 - Employee qualifies for subsidy but - no employer penalty

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Employer Penalty for Unaffordable Coverage

- Important – very few full-time employees eligible for an employer plan will qualify for subsidy
- Very low wage and/or high cost plan and/or low employer contribution

\$10/hr x 130 hours	\$1,300 mo.
	X 9.5%
Employee only cost	\$123.50
\$24,000 Salary	\$2,000 mo.
	X 9.5%
Employee only cost	\$190.00

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- Employer penalty #2
 - Employer does not offer qualifying coverage to employees
 - Penalty = \$166.67 per month (\$2000 per year)
 - Do not count first 30 employees
 - Penalty not tax deductible – Default assumes employer tax rate of 10% in this example
 - Will employer provide employees with additional income?
 - Assume some additional income will be expected by employees to make up for loss of benefits
 - This example assumes additional income equal to 75% of former employer contribution to plan

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- Medicaid Eligibility Expanded
 - Currently Medicaid eligibility varies by state
 - In 2014, Medicaid will be expanded nationwide to any individual with household income < 138% FPL

Household Size	138% FPL
1	\$15,028
2	\$20,300
3	\$25,571
4	\$30,843
5	\$36,115
6	\$41,386
7	\$46,658
8	\$51,929

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- The Medicaid premium payment program (HIPP)
 - States can pay a Medicaid eligible employee's contribution to an employer sponsored health plan
 - This may increase the number of Medicaid eligible employees enrolled in employer sponsored plans
 - Medicaid eligible employees may also drop off employer plan and choose to take Medicaid benefits only

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