



ACA Update

Presented by:

Chad Morris, Senior Benefits Consultant

Gregory & Appel



Agenda

- ✓ Introduction
- ✓ Individual Mandate
- ✓ Public Exchanges/Marketplace Open Enrollment Results
- ✓ Employer Shared Responsibilities
- ✓ Employer Strategies

Introduction

Chad Morris

- Senior Benefits Consultant
- PPACA Certified through the National Association of Health Underwriters (NAHU)
- Partner with medium to large-sized employers
- Clients in: Higher Education, Public Entity, Manufacturing, Staffing
- Currently serve on the Wellness Council of Indiana Advisory Board



Individual Mandate - Review

- The **Individual Mandate** is a provision of the federal health law that requires you, your children and anyone else that you claim as a dependent on your taxes to have health insurance in 2014 or pay a penalty.
 - That coverage can be supplied through your job, public programs such as Medicare or Medicaid, or an individual policy that you purchase.
 - Guaranteed issued coverage will be available through state or federally facilitated online health insurance marketplaces, also known as exchanges and many Americans will qualify for advanceable tax credits to help pay for coverage
 - The penalty for 2014 is up to \$95 per adult and \$47.50 per child, or 1 percent of family income, **whichever is greater**.
 - The fine, however, increases over time and in 2016 will be as much as \$695 per adult and \$347 per child (up to \$2,085 for a family) or 2.5 percent of family income, whichever is greater.
 - The amount you owe will be pro-rated to reflect the number of months you were without coverage.
 - No penalty if gap in coverage is less than 3 months

Eligibility for Tax Credits - Review

- Who is eligible for a premium tax credit on the public marketplace?
 - Individuals that are not eligible for Medicaid, Medicare or an *affordable* employer-sponsored plan that meets *minimum value*
 - Individuals whose income falls under 400% of the FPL

2013 Poverty Guidelines - used to determine affordability for 2014									
Percent of Poverty Guideline						Range for subsidy			
Family Size	100%	150%	175%	200%	250%	100%	138%	400%	
1	\$11,490	\$17,235	\$20,108	\$22,980	\$28,725	\$11,490	\$15,856	\$45,960	
2	\$15,510	\$23,265	\$27,143	\$31,020	\$38,775	\$15,510	\$21,404	\$62,040	
3	\$19,530	\$29,295	\$34,178	\$39,060	\$48,825	\$19,530	\$26,951	\$78,120	
4	\$23,550	\$35,325	\$41,213	\$47,100	\$58,875	\$23,550	\$32,499	\$94,200	
5	\$27,570	\$41,355	\$48,248	\$55,140	\$68,925	\$27,570	\$38,047	\$110,280	
6	\$31,590	\$47,385	\$55,283	\$63,180	\$78,975	\$31,590	\$43,594	\$126,360	
7	\$35,610	\$53,415	\$62,318	\$71,220	\$89,025	\$35,610	\$49,142	\$142,440	
8	\$39,630	\$59,445	\$69,353	\$79,260	\$99,075	\$39,630	\$54,689	\$158,520	

Public Marketplace Benefit Levels - Review

- Bronze:** 60% Actuarial Value
 - Silver:** 70% Actuarial Value
 - Gold:** 80% Actuarial Value
 - Platinum:** 90% Actuarial Value
 - Young Invincible Policy:** For Individuals under age 30
- *IMPORTANT: These plans may have more restrictive networks than a typical employer plan**

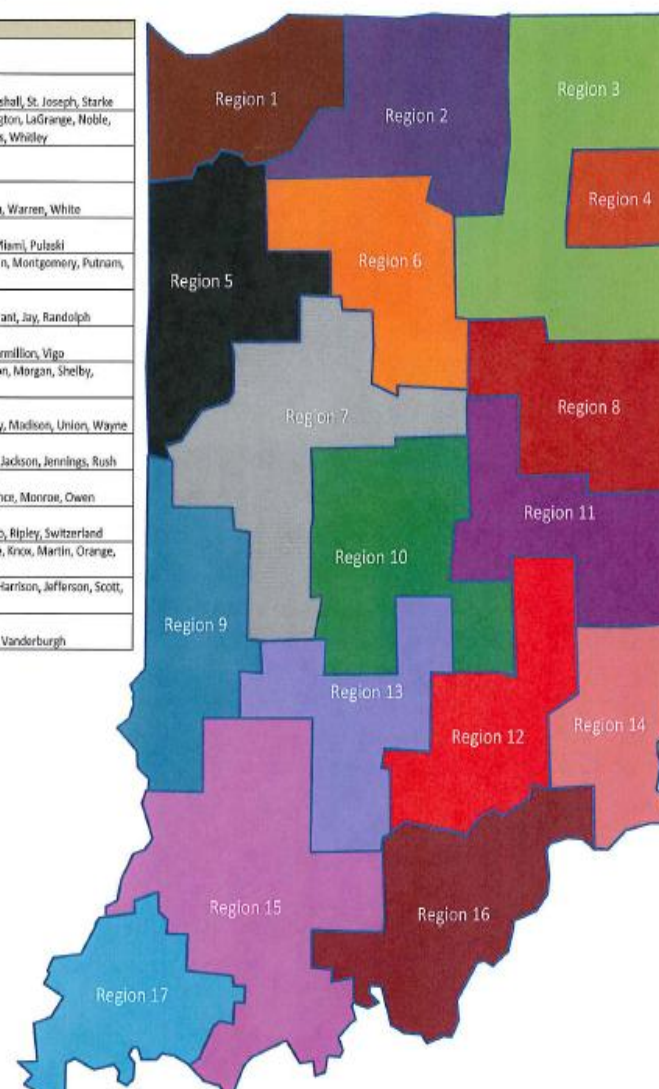
Indiana: Who will be offering plans?

Indiana's marketplace will be run by the federal government (not the state) and is divided into 17 Regions

On Individual Exchange	Products Available
MD Wise	All Except 14
Coordinated Care	2,3 and 4
PHP	1-8, 10 and 11
Anthem	All Regions

Geographic Rating Areas in Indiana

Region	Counties
1	Lake, LaPorte, Porter
2	Elkhart, Kosciusko, Marshall, St. Joseph, Starke
3	Adams, DeKalb, Huntington, LaGrange, Noble, Steuben, Wabash, Wells, Whitley
4	Allen
5	Benton, Jasper, Newton, Warren, White
6	Cass, Fulton, Howard, Miami, Pulaski
7	Carroll, Clinton, Fountain, Montgomery, Putnam, Tippecanoe, Tipton
8	Blackford, Delaware, Grant, Jay, Randolph
9	Clay, Parke, Sullivan, Vermillion, Vigo
10	Boone, Hamilton, Marion, Morgan, Shelby, Hendricks
11	Fayette, Hancock, Henry, Madison, Union, Wayne
12	Bartholomew, Decatur, Jackson, Jennings, Rush
13	Brown, Johnson, Lawrence, Monroe, Owen
14	Dearborn, Franklin, Ohio, Ripley, Switzerland
15	Davies, Dubois, Greene, Knox, Martin, Orange, Perry, Pike, Spencer
16	Clark, Crawford, Floyd, Harrison, Jefferson, Scott, Washington
17	Gibson, Posey, Warrick, Vanderburgh



Marketplace Enrollment Periods

2014

- Open Enrollment period was from October 1st, 2013 through March 31st, 2014

- **Special Enrollment Period (SEP):** Available after March 31st for those who experience a qualifying event or for those that have experienced system issues with Healthcare.gov



2015

- Open Enrollment period will be from November 15th, 2014 through January 15th, 2015

Health Insurance Marketplace


HealthCare.gov [Learn](#) [Get Insurance](#) [Log in](#) [Español](#)

[Individuals & Families](#) [Small Businesses](#) [All Topics](#) [Search](#) **SEARCH**


WELCOME TO THE MARKETPLACE: Find health coverage that meets your needs and budget.

Enroll by January 15 for coverage starting February 1.


Open enrollment ends March 31.



SEE PLANS
BEFORE I APPLY



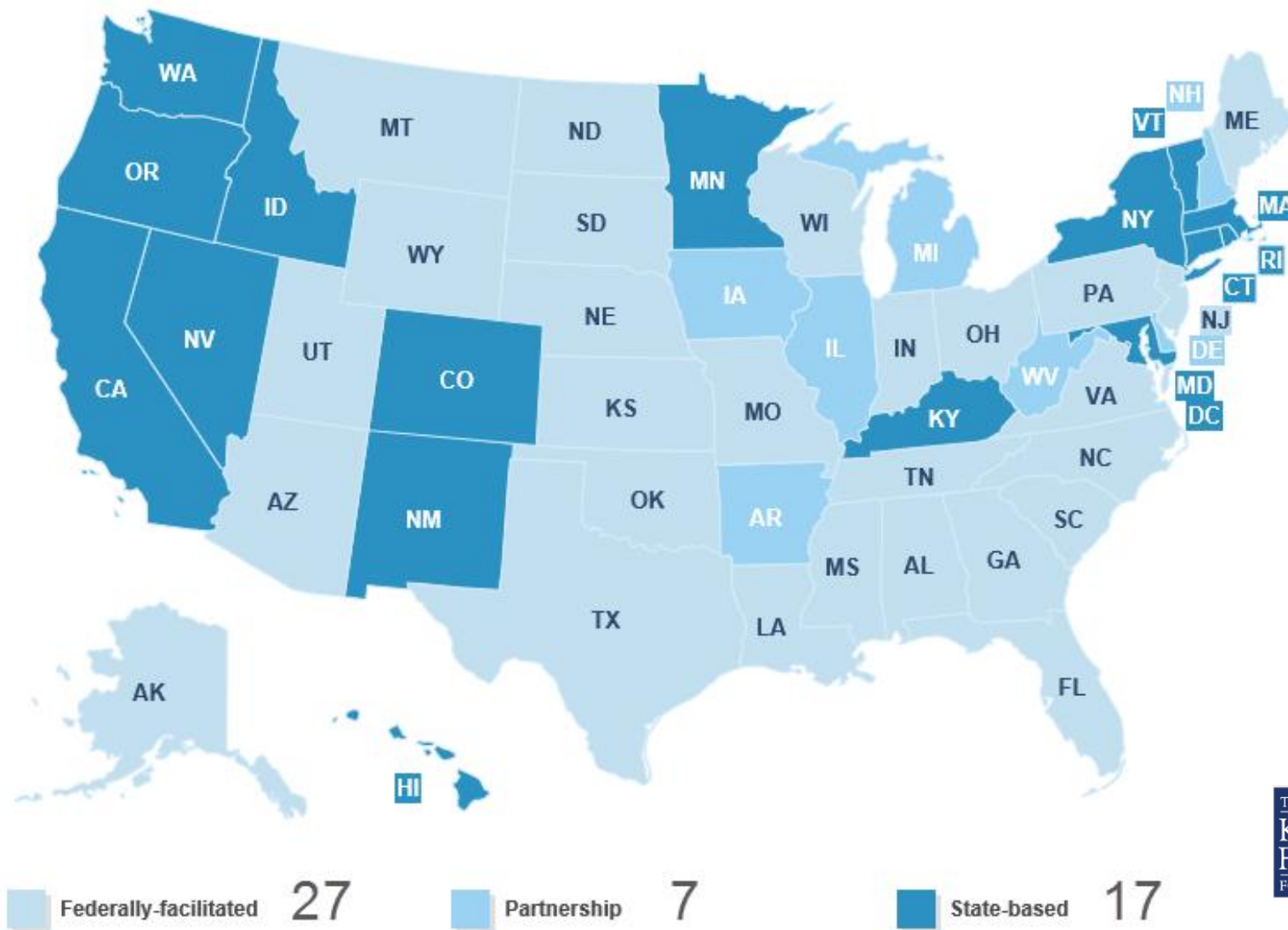
APPLY NOW
FOR HEALTH
COVERAGE



USE YOUR
NEW COVERAGE

[See if you can get lower costs](#) [1-page guide to getting coverage](#) [Find local help](#) [Call 1-800-318-2596 for information](#) [Verify enrollment & pay premiums](#)

Marketplace Map – State vs. Federal Marketplaces



National Enrollment Numbers

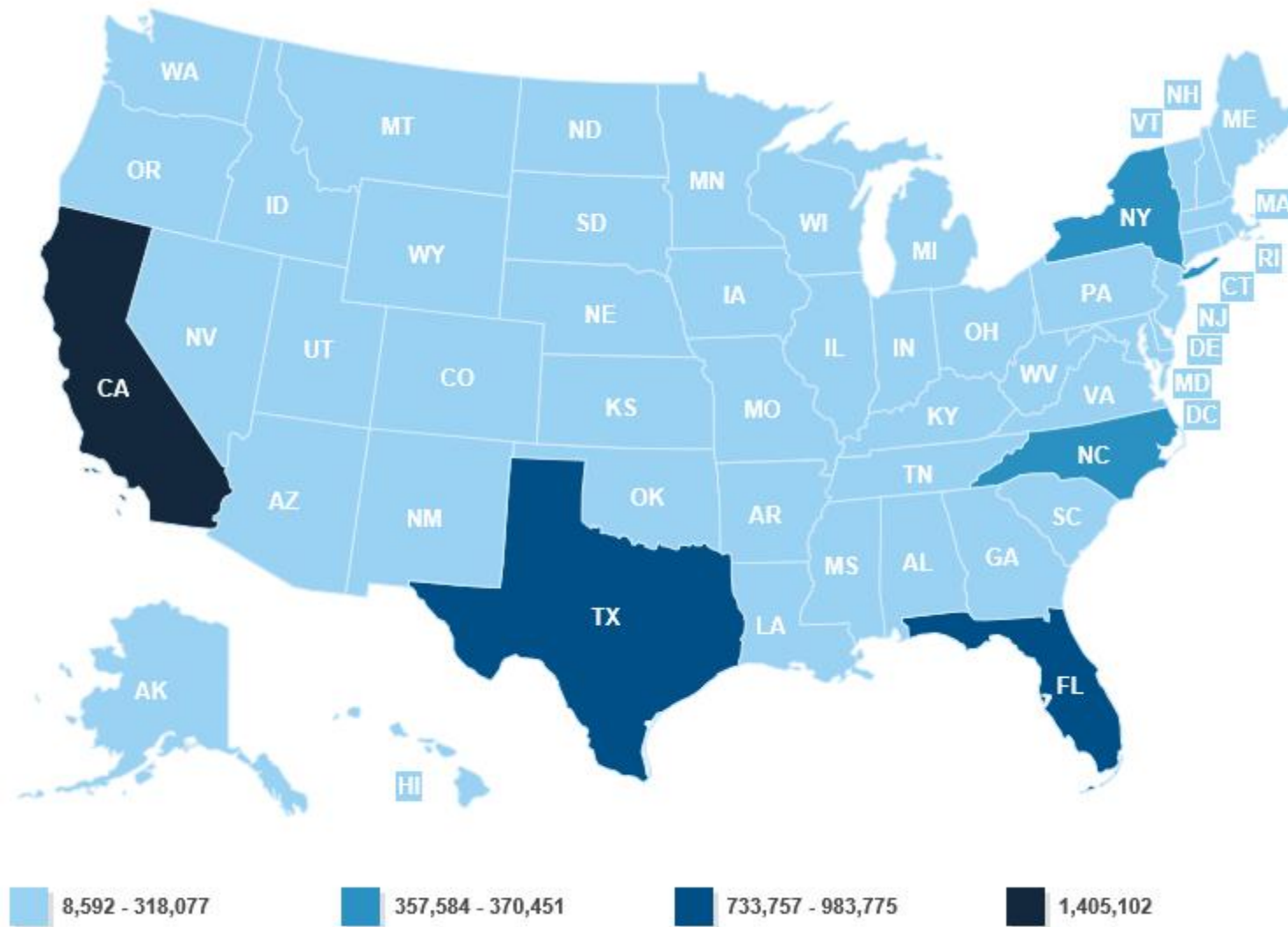
- Over 8 million Americans have selected a plan through the public health insurance marketplace during the initial open enrollment period of October 1st, 2013 to March 31st, 2014 (includes SEP activity through April 19th, 2014)
- 2.2 million (28%) were young adults between the ages of 18 and 34
- The majority (65%) selected a *Silver Level Plan* while only 20% selected the *Bronze Level Plan*
- 85% have selected a plan with financial assistance
- It is *estimated* that about 6.7 million people have qualified for a total of about \$18 billion in annual premium subsidies, or an average of about \$2,752 per person*



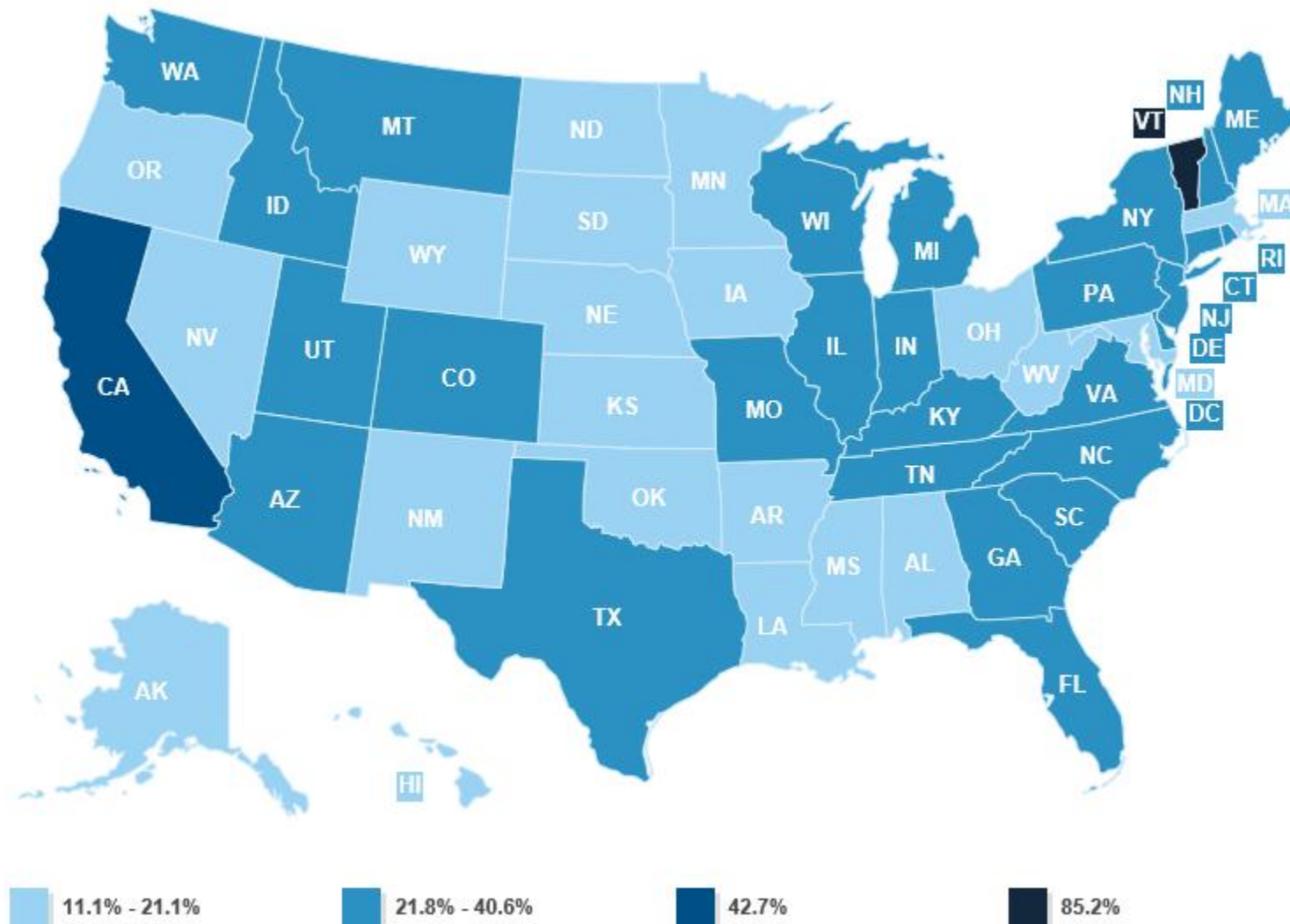
*Excludes three state-based exchanges: Maryland, Massachusetts & Minnesota

Source: Department of Health and Human Services ASPE Issue Brief: *Health Insurance Marketplace: Summary Enrollment Report for the Initial Open Enrollment Period – May 2014*

National Enrollment through April 19th, 2014



Marketplace Enrollment as a Share of the Potential Marketplace Population (As of April 19th, 2014)



Struggling State Exchanges

POLITICO *Pro*

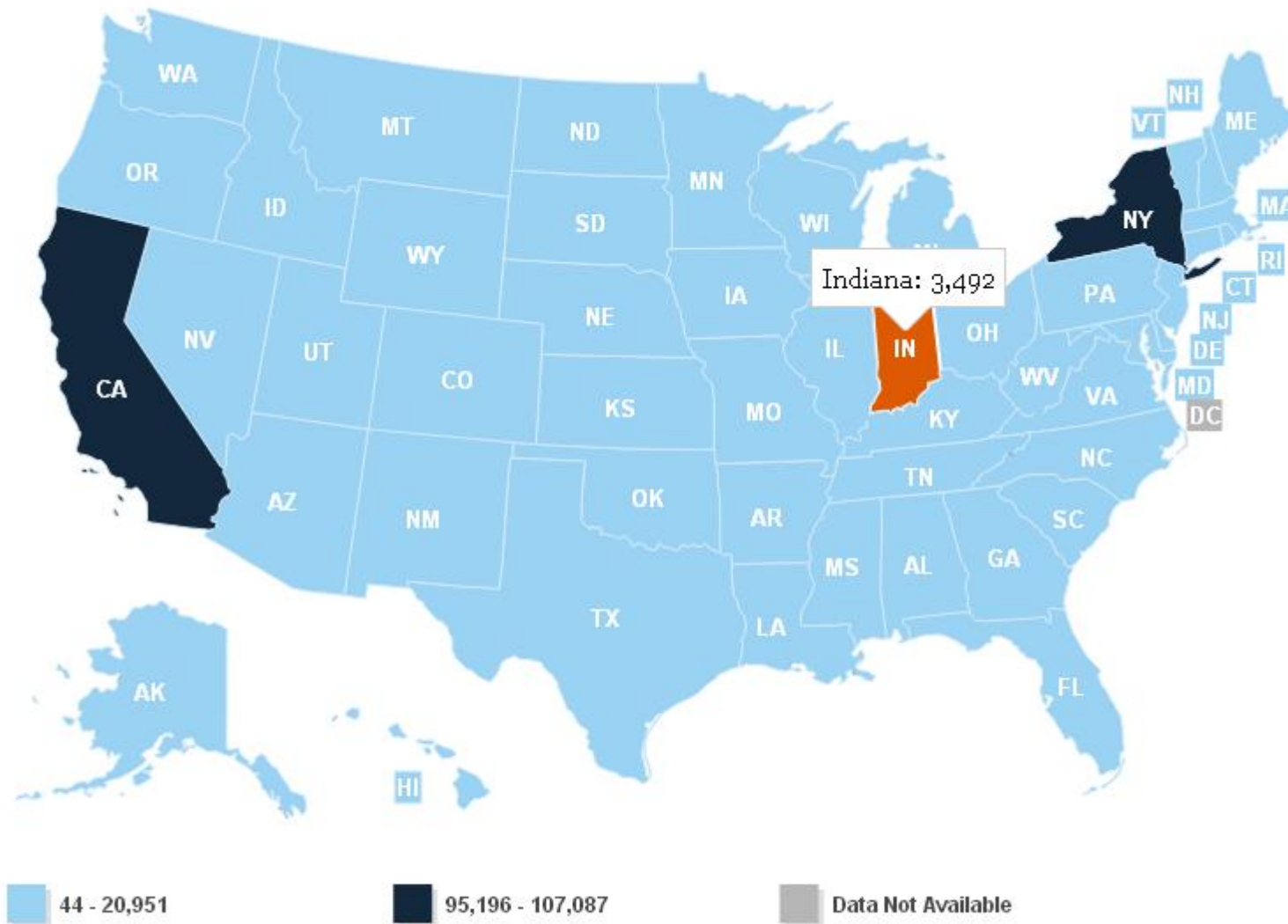
Learn more >

\$474M for 4 failed Obamacare exchanges

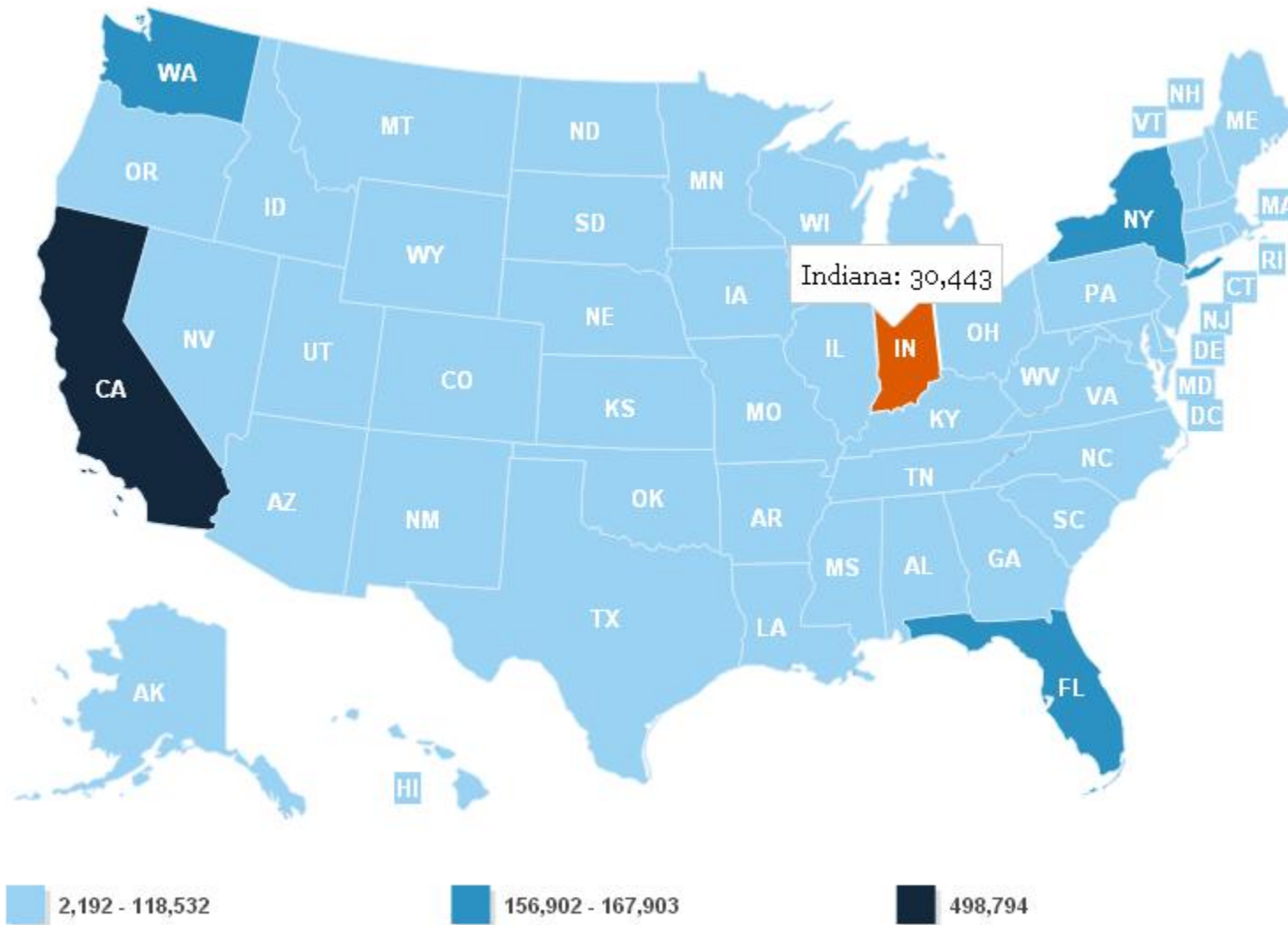
Nearly half a billion dollars in federal money has been spent developing four state Obamacare exchanges that are now in shambles — and the final price tag for salvaging them may go sharply higher.

Each of the states — Massachusetts, Oregon, Nevada and Maryland — embraced Obamacare, and each underperformed. All have come under scathing criticism and now face months of uncertainty as they rush to rebuild their systems or transition to the federal exchange.

Indiana Enrollment Through November 2013



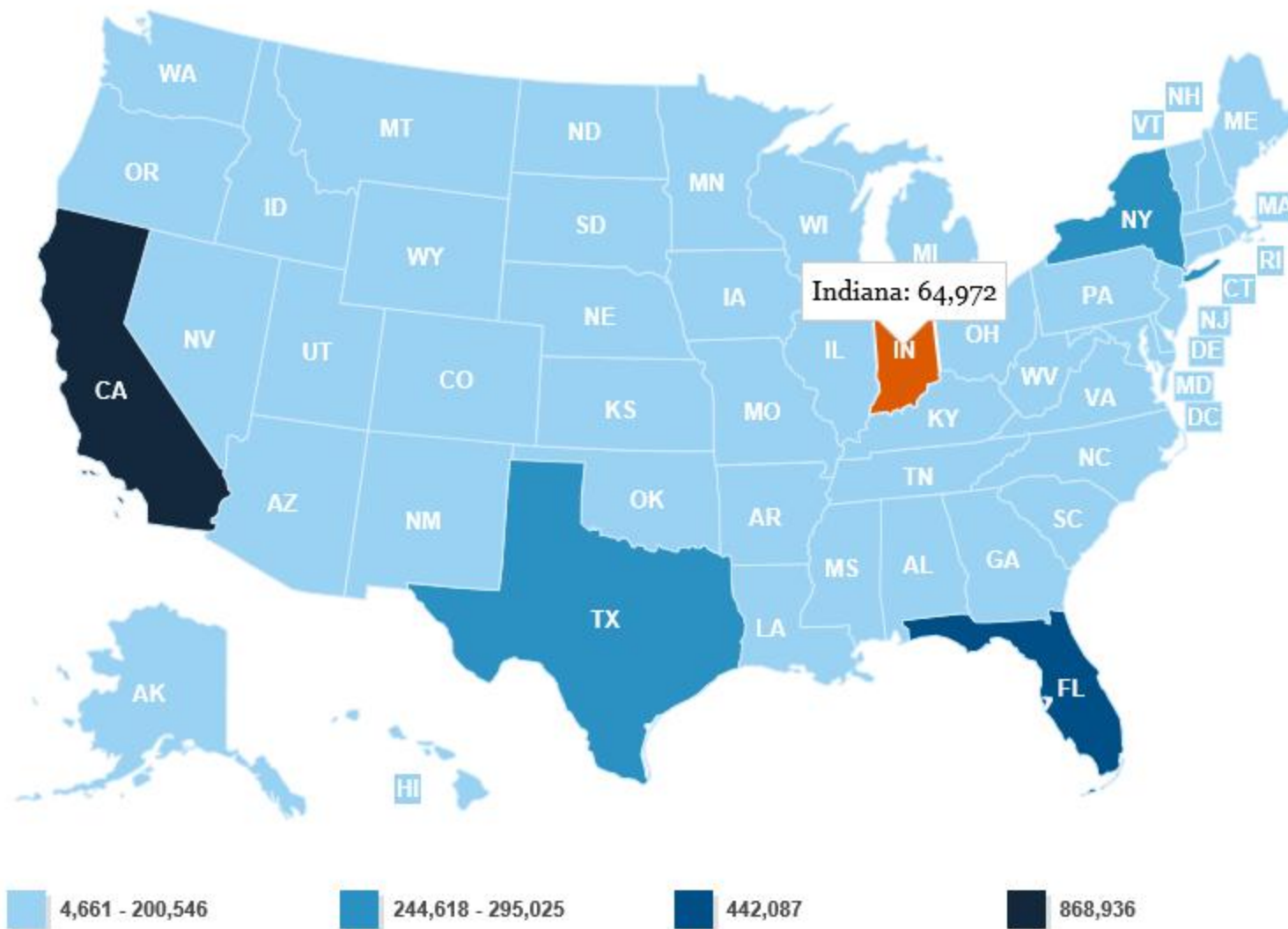
Indiana Enrollment Through December 2013



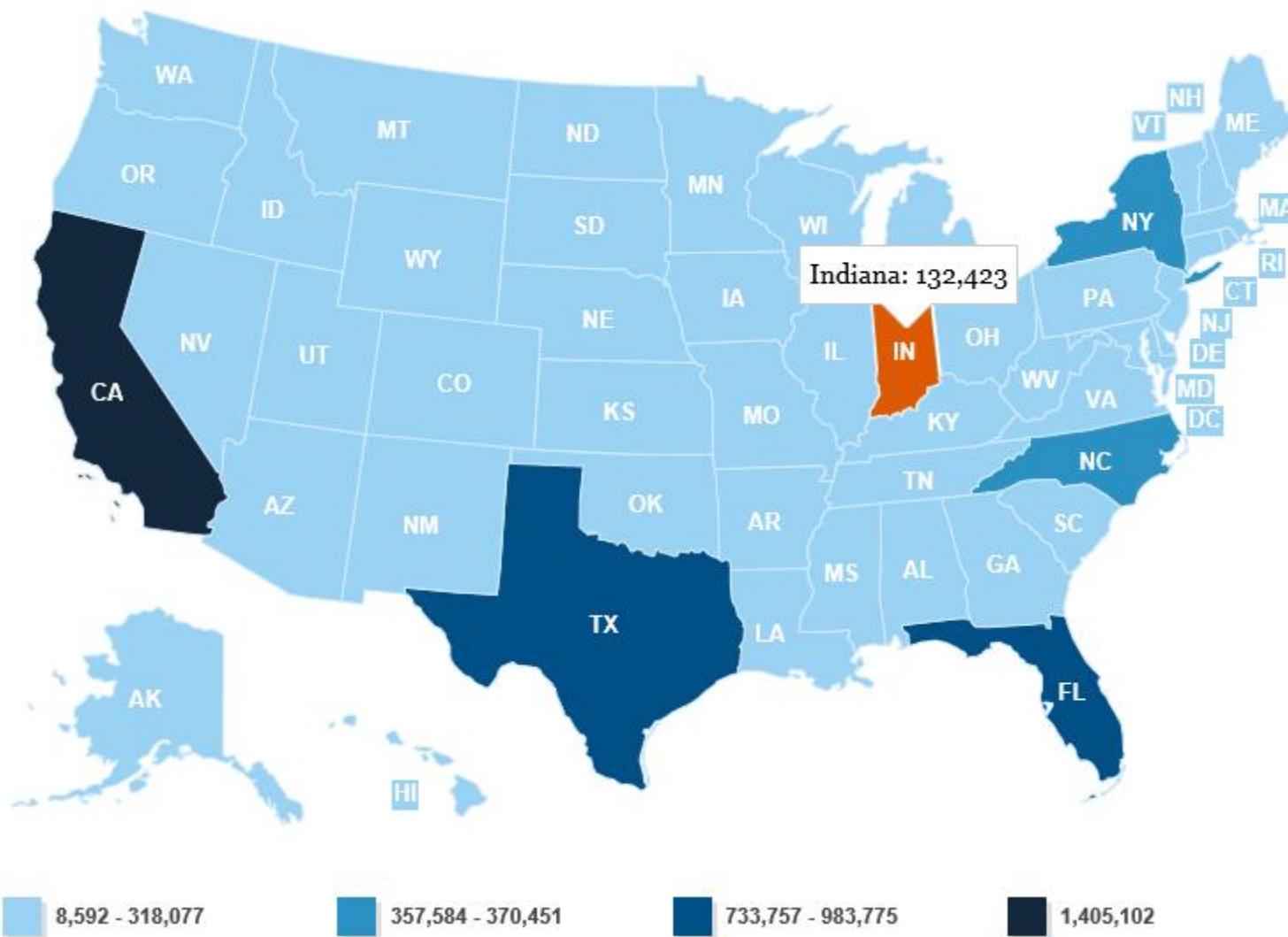
Marketplace Map – Indiana Enrollment Through January 2014



Indiana Enrollment Through February 2014



Indiana Enrollment as of April 19th, 2014

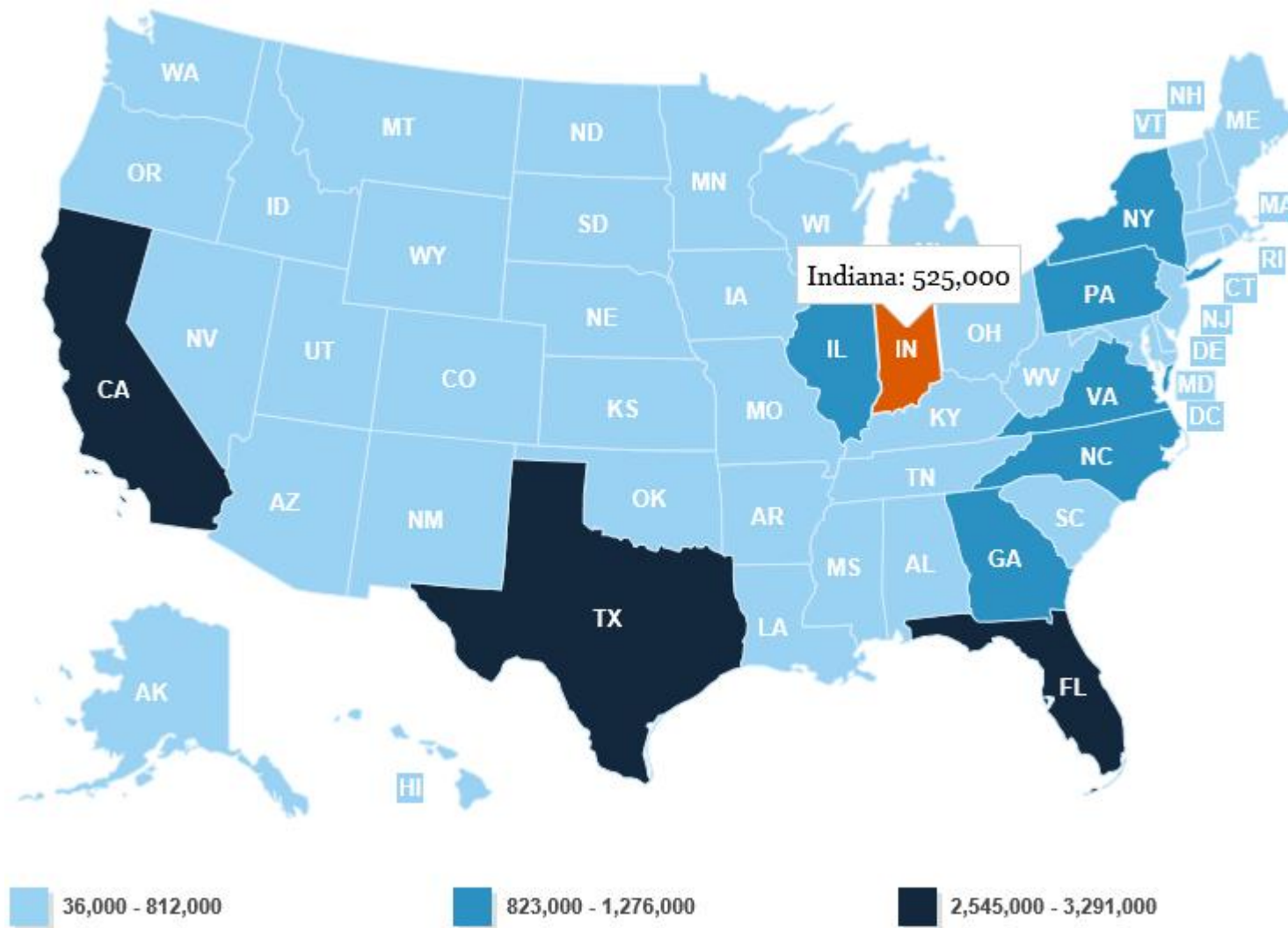


Indiana Enrollment Numbers

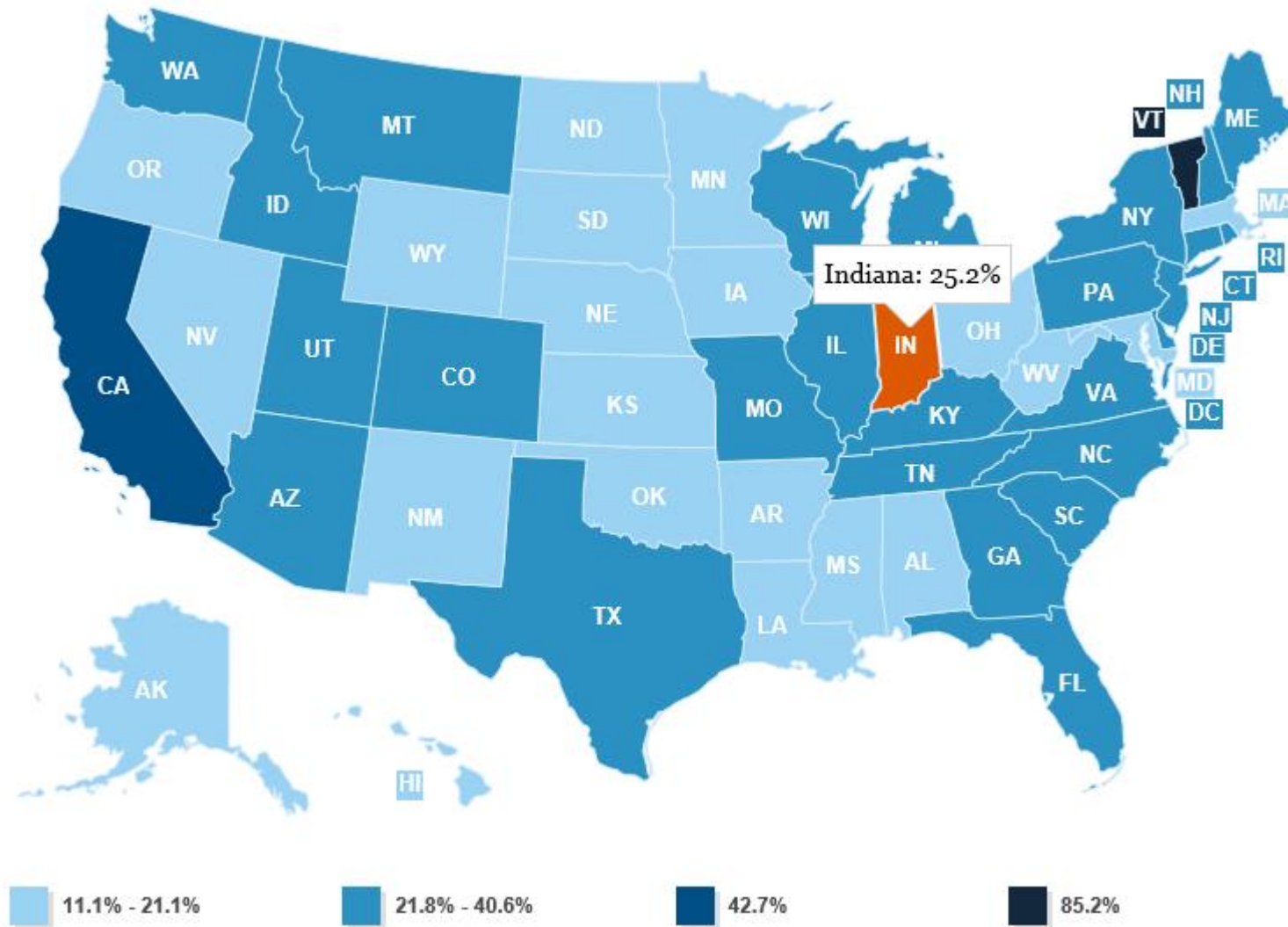
- **132,423** Hoosiers have selected a plan through the public health insurance marketplace during the initial open enrollment period of October 1st, 2013 to March 31st, 2014 (includes SEP activity through April 19th, 2014)
- Indiana is in the Top 20 in the nation for enrollment at #17
- It is *estimated* that about 117,761 Hoosiers have qualified for a total of about \$443 million in annual premium subsidies, or an average of about \$3,759 per person
- Much like the rest of the nation, Indiana enrollment numbers started slow... but rallied with a big enrollment month in March



Indiana Estimated Number of Potential Marketplace Enrollees (As of April 19th, 2014)



Indiana Percent of Potential Marketplace Population Enrolled (As of April 19th, 2014)



ACA Mandates – Recap

- Employer Mandate

- Effective date is January 1st, 2015
- Employers cannot be assessed a penalty for not providing health insurance in 2014



- SHOP Marketplace

- Online enrollment though www.healthcare.gov is delayed until November, 2014
- For 2014, employers that wish to enroll employees in SHOP coverage must do so through “direct enrollment” with an agent, broker or insurer offering a certified SHOP plan.
- Available for employers with 50 or fewer employees



- Individual Mandate

- All Americans must have health insurance effective 01/01/14
- Open Enrollment in the public exchanges started on 10/01/13 and end on 03/31/14



Final Employer Mandate Rules

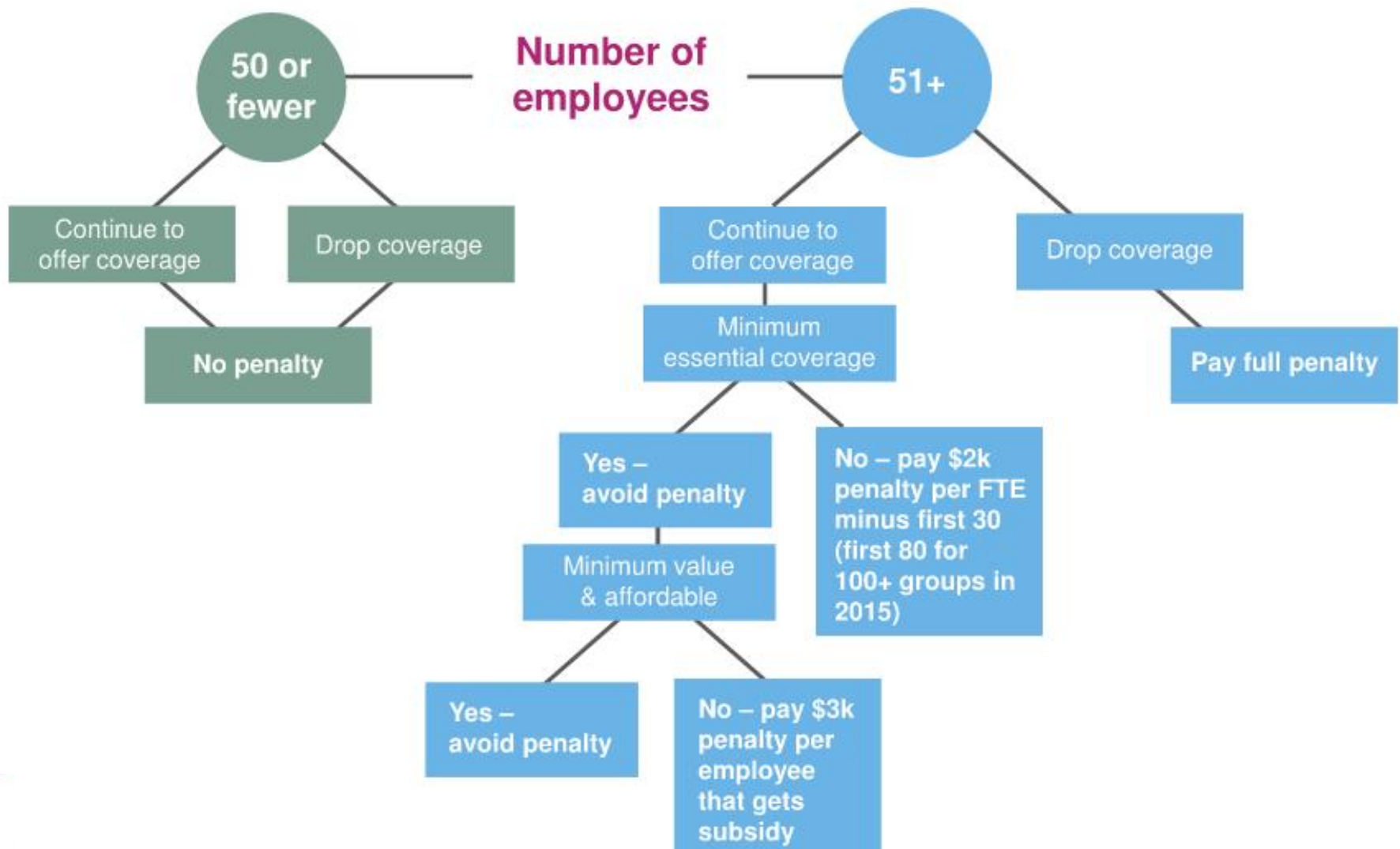
- Feb. 10, 2014, the Federal Department of Treasury released the final rules on compliance with the employer shared responsibility requirements under the ACA
 - <https://s3.amazonaws.com/public-inspection.federalregister.gov/2014-03082.pdf>
- The rules generally take effect on Jan. 1, 2015
- The Dept. of Treasury web site for more guidance on rules and determining employer eligibility
 - <http://www.ire.gov/uac/Newsroom/Questions-and-Answers-on-Employer-Shared-Responsibility-Provisions-Under-the-Affordable-Care-Act>

So, What's New?

- The final rules provide a number of important changes from those that were originally proposed
- They also provide a great deal of transition relief for employers of all sizes that are subject to the mandate



Employer Mandate - Refresher



Updated Transition Relief

- **Delay for Medium-Sized Businesses**
 - Applicable large employers that have fewer than 100 full-time employees (50-99) will have an additional year, until 2016, to comply with the pay or pay rules
 - Transitional relief for 2015 only, allows the employer when calculating the penalty, to reduce the benefit eligible population by 80 employees instead of 30.
 - That means a potential 1st year penalty reduction of \$100,000!

Additional Transition Relief Available

- **Full-Time Eligibility Determination**
 - Employers can determine whether they had 100 full-time equivalent employees in the previous year by look at a reference period of at least six consecutive months (even with respect to the stability period) in 2014, as opposed to a full year.

Additional Transition Relief Available

- **Non-Calendar Year Plans**

- Employers with plan years that do not start on January 1 will be able to begin compliance with the employer mandate at the start of their plan years in 2015 rather than on January 1st, 2015
- CAUTION: Please confirm with your legal representative to ensure you are eligible for this transition relief

Additional Transition Relief Available

- **Dependent Coverage**

- Spouses do not need to be offered coverage
- Dependent children were originally proposed to include natural born children, adopted children, stepchildren, and foster children until age 26
 - Final regs did not include *stepchildren* and *foster children*
 - Final regs provide that a child is eligible to remain covered until the end of the month in which that child turns age 26
- Additional transitional relief for the 2015 plan year states that **dependent children** are not required to be covered, **if historically not covered, and the employer is working to amend the plan to offer dependent child coverage in 2016**

Additional Transition Relief Available

- **Adjustment of the 95% Rule**
 - To avoid a payment for failing to offer health coverage in 2015, applicable large employers will need to offer coverage to 70% (as opposed to 95%) of their full-time employees.
 - In 2016 and beyond, this number goes back up to 95%

New Clarification

- **Volunteers**
 - Hours contributed by bona fide volunteers for a government or tax exempt entity, such as volunteer fire fighters and emergency responders, will not cause them to be considered full-time employees

New Clarification

- **Educational Employees**

- Teachers and other educational employees will not be treated as part-time for the year simply because their school is closed or operating on a limited schedule in the summer

- **Adjunct Faculty**

- Until further guidance is issued, employers may use a crediting methodology crediting an adjunct faculty member with 2 ¼ hours of service per week for each hour of teaching or classroom time

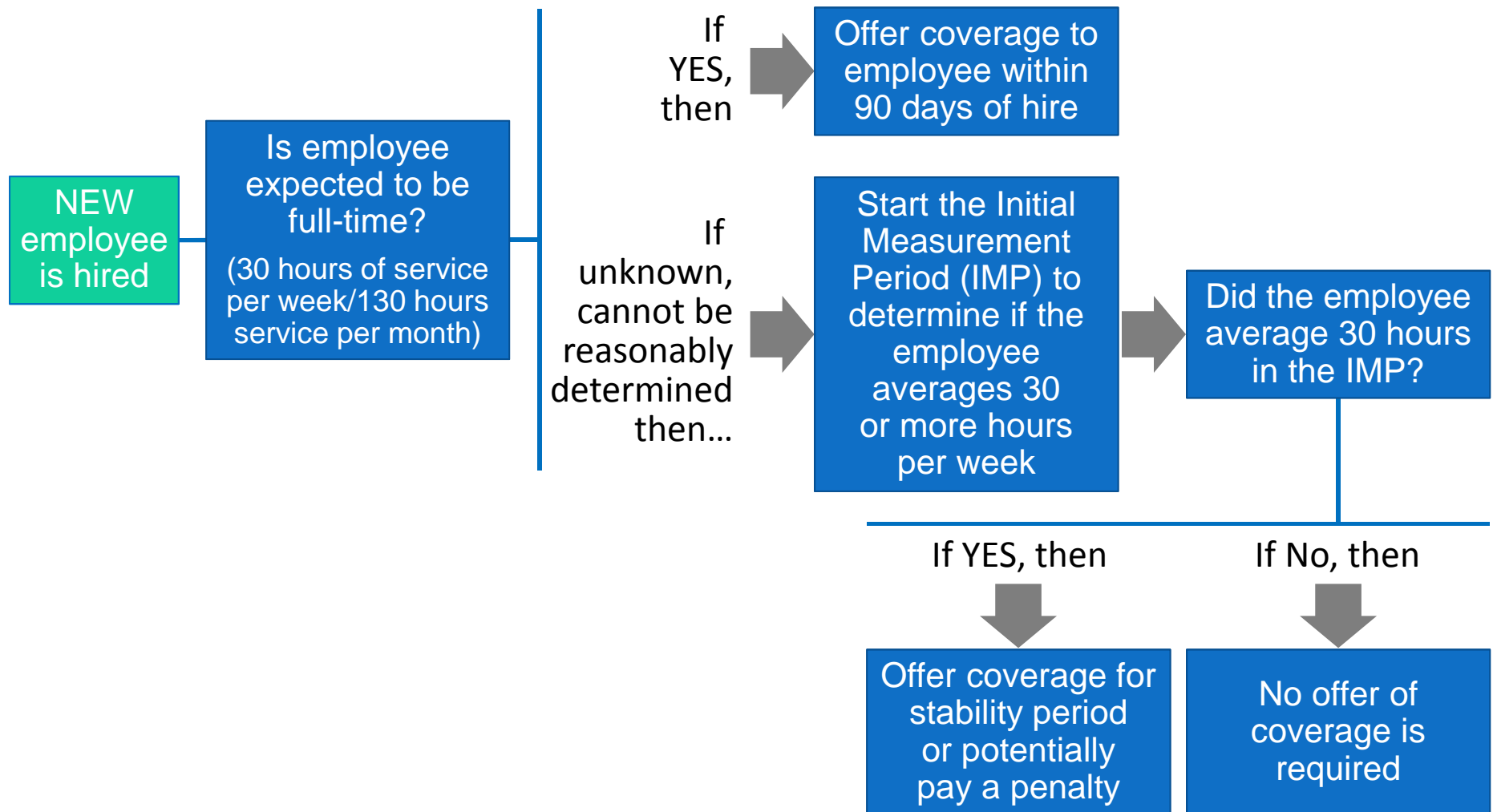
New Clarification

- **Student Work-Study Programs**
 - Service performed by students under federal or state-sponsored work-study programs will not be counted in determining whether they are full-time employees
- **Seasonal Employees**
 - Those in positions for which their customary annual employment is six months or less generally will not be considered full-time employees

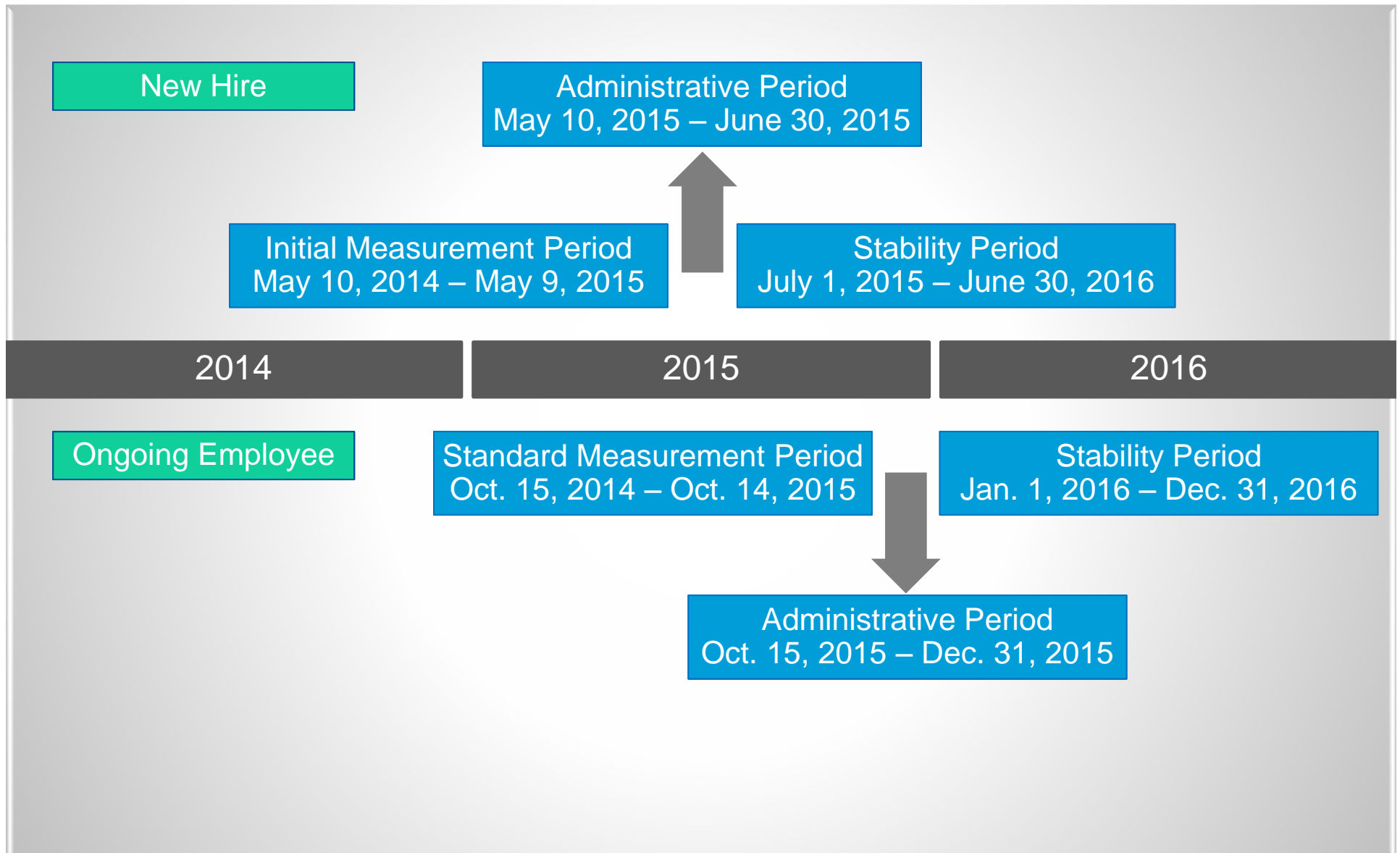
Determining Full-Time Employee Status

- **Generally, an employee who was employed on average at least 30 hours of service per week or 130 hours of service per month is considered full-time**
- When calculating hours of service, the following rules apply:
 - The common law definition of employee is used.
 - All hours of service an employee performs for members of the controlled group are counted.
 - Each hour for which an employee is paid, or entitled to payment, for performance of duties for the employer is counted including vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence
- Hours of service generally do not include hours of service worked outside of the U.S.
- There is specific guidance for commission employees, adjunct faculty, airline pilots and similar positions, and employers must use reasonable methods for counting hours in these unusual cases until further guidance is issued.

Full-Time Status Determination



Example: Variable Hour Employee



Rehires and Continuing Employees

- An employee who resumes service to an employer after a period during which the employee has no hours of service can be treated as a new employee only if the employee did not have an hour of service for a period:
 - Of at least 13-consecutive weeks for non-educational employers only (was 26-weeks); or
 - A shorter period of at least four weeks that exceeds the number of weeks of the employee's prior period of employment with the employer (parity rule)

Employer Reporting Responsibilities

- Large Employers
 - Reporting – IRC 6055
 - Who was covered under the employer plan
 - Insurance company does this for fully-insured plans
 - Plan sponsor for self-funded plans
 - Part of data collection by IRS is to know who is complying with the individual mandate, and has minimum essential coverage

Employer Reporting Responsibilities

- Large Employers
 - Reporting – IRC 6056
 - Documenting whether employer plan had Essential Coverage / Minimum Value / Affordability
 - This is voluntary in 2014, but will be mandatory for 2015

Employer Tax Responsibilities

- All size employers with coverage
 - PCORI Fee = \$2.00 per covered belly button
 - Transitional Reinsurance Fee = \$63 per covered belly button
 - Reduces in 2015 and beyond
 - Cadillac Tax
 - Effective 1/1/2018 – assessed to employers with “high cost” health plans
 - Tax is equal to 40% of “excess benefit”
 - The amount of annual coverage that costs more than \$10,200 for single and \$27,500 for family coverage (limits will be adjusted for inflation)
 - Tax paid by the insurance company if fully-insured (but most likely direct billed back to the employer); and plan sponsor for self-funded plans

“Under the Radar”- New HIPAA ACA Wellness Rules

- New changes start for plan years beginning on or after January 1, 2014.

Table 1: Wellness program categories defined by the ACA

Participatory (Non Health-Contingent)	Activity-based Health-Contingent	Outcome-based Health-Contingent
Definition		
No reward or requirement to meet standard related to a health factor	Perform or complete an activity related to a health factor but not required to attain a specific health outcome	Must attain or maintain a specific health outcome
Examples		
<ol style="list-style-type: none"> 1. Reimbursement of fitness center membership fees 2. Health screening program that does not base any reward on test outcomes 3. Attending free monthly health webinar 	<ol style="list-style-type: none"> 1. Walking, diet or exercise program 2. Meeting a certain step count on a pedometer 	<ol style="list-style-type: none"> 1. Having or attaining a result within normal ranges in a biometric screening 2. Being a non-smoker

New HIPAA ACA Wellness Rules

- Key requirements of wellness programs under ACA:

Participatory (Non Health-Contingent)	Activity-based Health-Contingent	Outcome-based Health-Contingent
Participation in the program must be available to all similarly situated individuals	<ol style="list-style-type: none">1. Annual Qualification: Opportunity to qualify at least once per year2. Amount or Reward/Penalty: Total reward not to exceed 30% of the total cost of coverage under the plan (50% if tobacco use is included)3. Reasonable Design: Program designed to promote health and/or prevent disease4. Availability for Similarly Situated Individuals and Reasonable Alternative Standard: The program must be available uniformly to all similarly situated individuals. Reasonable alternative standard (or waiver) is required to earn the reward5. Notice of Availability of Reasonable Alternative Standard: All plan materials describing program terms must disclose the availability of the reasonable alternative standard (or waiver)	

New HIPAA ACA Wellness Rules

- If individuals can earn an incentive for meeting a health-contingent standard, you must provide a “reasonable alternative standard” for the individual to meet.

Table 2: Reasonable Alternative Standard Requirements

Activity-based Health-Contingent	Outcome-based Health-Contingent
<ul style="list-style-type: none">• Must be given a reasonable alternative standard if unreasonably difficult due to medical condition or medically inadvisable to satisfy standard• Verification (ex. Physician’s note) may be requested	<ul style="list-style-type: none">• Any individual (regardless of physician’s note) who doesn’t meet initial standard must be given a reasonable alternative• If alternative standard is outcome-based, the standard cannot be a different level of the same measurement without allowing for additional time
<ul style="list-style-type: none">• Reward for reasonable alternative standard must be equal to reward for original standard• Reasonable alternative standard is not required to be available prior to individual requesting it; may be provided to entire class of similar individuals, or may be determined on case-by-case basis; must not require individual to sustain additional cost, and must be made readily available; must include a reasonable time commitment; must meet standards provided by individual’s personal physician if applicable (or be waived); and must fulfill requirements as if the standard were an original standard	

Top Employer Concerns & Initiatives

- Cost Containment

- Steering More Employees to Consumer Driven Plans
- Population Health Management (Disease Management & Wellness)
- Transparency Tools (Castlight Health, Health Care Blue Book)
- On-Site Health Clinics
- Thoroughly Evaluating the Pharmacy Contract
- Dependent Eligibility Audit

- Looking to the Future

- Building a Written, Benefits-Specific Strategic Plan
- Defined Contribution Model Through Private Exchanges
- Reference-Based Benefits
- Narrow Network Alternatives
- Drop Employer-Sponsored Coverage and Pay the Penalty?

- ACA Compliance

ACA Compliance

Several Options Available for ACA Compliance:

- Payroll/HRIS Vendors
- Independent Technology Companies
- Broker-Driven Tools
- Attorneys/CPAs

Needs include:

- Large Employer Calculation
- Full-Time Eligibility Tracking through Measurement/Look-Back Period Reporting
- Minimum Value/Affordability Testing
- IRS 6055/6056 Reporting



New Ways of Looking at Risk

The emergence of the Health Insurance Marketplace and the growing interest in Private Exchange technology will fundamentally transform how COBRA coverage is utilized



- Many COBRA participants will be eligible for federal subsidies on the public marketplace
- This creates a “win-win scenario”
 - Employee has access to much more affordable coverage
 - Employer off-loads unnecessary risk off the health plan
- HHS announced that a Special Enrollment Period is now open for COBRA participants and ends July 1st

Emergence of Private Exchanges

Individual Private Exchanges

- Ideal for employers who do not offer employer-sponsored coverage or are considering dropping employer-sponsored coverage
- Ideal for employer's part-time, retiree and/or COBRA population

Group Private Exchanges

- Ideal for employers wanting to move to a defined contribution model and therefore “fixing” their annual health care budget
- Ideal for employers wanting to streamline and automate the enrollment process
- Ideal for employees desiring more choice

Thank You

Questions?

Chad Morris
cmorris@gregoryappel.com
317-686-6422

