Employer's Forum
ACA Update – 5-18-16

Presenter

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Agenda

- Employer ACA Updates
  - Cadillac Tax
  - Employer Reporting Requirements
- New HHS Rule – Protecting Transgender Rights
- U.S. House of Representatives vs. Burwell
- 2016 Public Marketplace Open Enrollment Results and Future Outlook

Cadillac Tax - Delayed

- 40% excise tax on high cost group health coverage
- Congressional Budget Office expects that the tax will raise $91 billion over a decade
- Projected to hit 47% of plans by 2022 (Kaiser Family Foundation)
- Although originally intended to take effect in 2013, the Cadillac Tax was immediately delayed until 2018 following the ACA's enactment
- The new 2016 Federal Budget (signed December 18, 2015) further delays implementation of this tax until for an additional two years, until 2020
- There is some indication this this additional delay will lead to the eventual repeal of the Cadillac Tax provision altogether.
- However, while several bills (some bipartisan) have been introduced into Congress to repeal this tax, President Obama has indicated that he will veto legislation repealing any ACA provision

ACA Reporting Deadlines- Delayed

On Dec. 28, 2015, the Internal Revenue Service (IRS) issued Notice 2016-4 to delay the due dates for filing and furnishing forms under Section 6055 and 6056.

- The due date for furnishing forms to individuals has been extended from Feb. 1, 2016, to **March 31, 2016**.
- The due date for filing forms with the IRS has been extended from Feb. 29, 2016, to **May 31, 2016** (or, from March 31, 2016, to **June 30, 2016**, if filing electronically).

IMPORTANT DATES:

- March 31, 2016
  - Deadline for furnishing Forms 1095-B and 1095-C to individuals
- May 31, 2016
  - Deadline for filing Forms 1094-B, 1095-B, 1094-C and 1095-C with the IRS
- June 30, 2016
  - Deadline for electronically filing Forms 1094-B, 1095-B, 1094-C and 1095-C

ACA Reporting

How is the first year of ACA reporting going for employers?

- Depends upon who you ask…
- Employers with mostly full-time, benefits eligible employee populations with little complexity had little to no trouble
- Employers with large part-time, variable hour employee populations with more complexity had a tougher time
- Additionally, there were mixed reviews on the various third party reporting entities
    - More and more reporting solutions/entities are emerging and we expect employers to be evaluating these services in the next 90-120 days for reporting in 2017

New HHS Rule – Protecting Transgender Rights

May 13,2016:

- The Obama administration said that federally funded insurers and medical providers cannot discriminate against patients who are gay, lesbian or transgender, though it stopped short of specifying whether the rule will force insurers and federal health care programs to pick up the tab for specific medical procedures – like gender transition surgery.
- The final rule came from the Department of Health and Human Services
- A portion of the law under the ACA, called Section 1557, already protects discrimination based on race, color, national origin, disability and age.
  - The latest rules add discrimination based on pregnancy, gender identity and sex stereotyping.
- The rule allows for people who are gay, lesbian or transgender to file civil rights complaints if they believe that they have been treated unfairly by medical providers or insurers, though it doesn't specify whether not covering specific treatments or procedures would qualify as discrimination.
- The rule, which takes effect in 60 days, applies specifically to health care providers that are receiving federal funding, such as through programs like Medicare or Medicaid.

http://www.usnews.com/news/articles/2016-05-13/obamacare-bans-discrimination-against-transgender-patients

ACA Subsidies Illegal?

- U.S. House of Representatives v. Burwell, 14-cv-1967, U.S. District Court, District of Columbia (Washington).
- May 12, 2016: A federal judge sided with the House of Representatives (GOP Controlled) in a major lawsuit challenging executive branch overreach, ruling that the Obama administration has been making illegal payments to health insurance companies participating in the Affordable Care Act (ACA) exchanges.
- U.S. District Court Judge Rosemary Collyer found that Congress never appropriated the billions of taxpayer dollars that the administration has delivered to insurers through the ACA's cost sharing reduction (CSR) program.
  - Not to be confused with the *Premium Tax Credits* which helps low income individuals with subsidized premium payments
    - That part of the law has permanent funding under the law and is unaffected by the ruling
  - The CSR payments are additional subsidies for people with income below 250% of the FPL.
    - These payments effectively make plans more generous by reducing deductibles, cost-sharing amounts, and out-of-pocket limits.
    - In technical terms, the CSR payments increase the actuarial value of plans—the approximate percentage of an average person's health care expenses that the plan covers

ACA Subsidies Illegal?

- How much is being spent on CSR payments?
  - 2014: $2.8 billion
  - 2015: projected to be $4 billion
  - 10 year projection - $175 billion
- Fallout?
  - The Obama Administration is blaming Republicans for using the court system to resolve political disputes
  - The Justice Department is reviewing the ruling and is determining whether to appeal
  - Could negatively impact some of the poorest ACA exchange participants
  - It may give insurers pause about their future participation in the exchanges

National Marketplace Enrollment Data

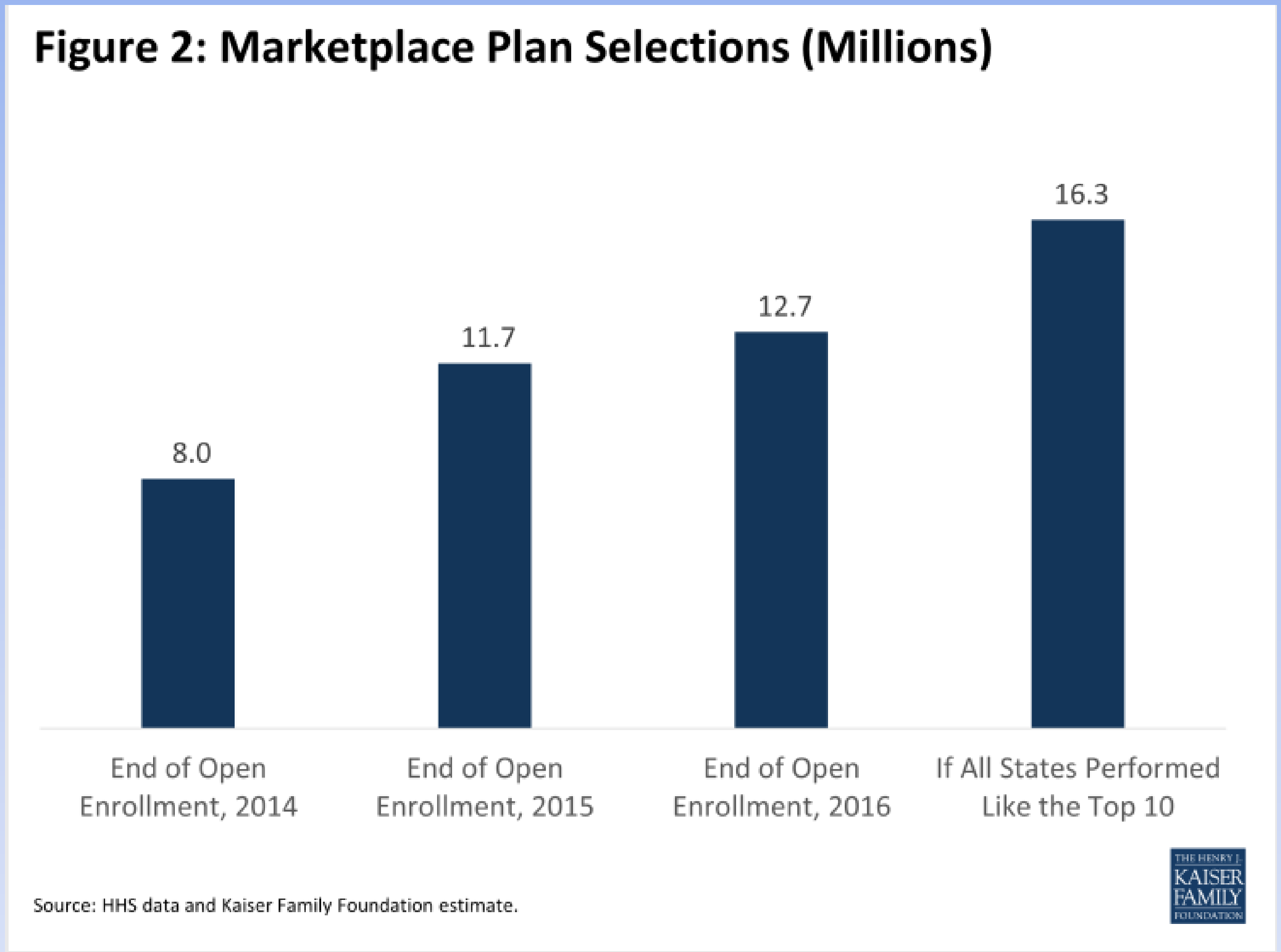


Figure 2: Marketplace Plan Selections (Millions)

2016 Indiana Enrollment Data

- Indiana is one of thirty-four states that currently use the Federally Facilitated Marketplace

- 196,242 Hoosiers enrolled into a 2016 health insurance plan through the Health Insurance Marketplace

- Indiana is ranked 21st in the nation for total enrollment

- About 34% were new to the marketplace and about 81% received a subsidy

- 46,953 were determined to be eligible for Medicaid/CHIP

Source: Department of HHS ASPE Issue Brief: Health Insurance Marketplaces 2015 Open Enrollment Period: March Enrollment Report– March 10, 2015

National Marketplace Enrollment Data

TABLE 1: Health Insurance Marketplace Monthly Premium Changes for 2015–2016 in HealthCare.gov States

	2015 Average Monthly Premium	2016 Average Monthly Premium	Increase in Average Monthly Premium	
			Dollars	% Change
Full monthly premium among all plan selections	$356	$386	$30	8%
Net monthly premium among plan selections with premium tax credits	$102	$106	$4	4%

Notes: Information is for enrollees in the 37 states that used the HealthCare.gov platform for 2015 and in the 38 states that used the HealthCare.gov platform for 2016. 2015 enrollees are those who selected plans during the second Open Enrollment Period. 2016 enrollees include those who had an active Marketplace plan selection as of 2/1/2016 but exclude those whose plans were terminated prior to that date.

National Marketplace Enrollment Data

TABLE 4: Reduction in Average Monthly Premiums from Advance Premium Tax Credits

State	Total Number of Individuals with 2016 Plan Selections	Percent of Plan Selections with APTC	Average Monthly Premiums among Consumers with Advance Premium Tax Credits (APTC)			
			Average Monthly Premium before APTC	Average Monthly APTC	Average Monthly Premium after APTC	Average Percent Reduction in Premium after APTC
HealthCare.gov Total (38 States)	*9,625,982*	*85%*	*$396*	*$290*	*$106*	*73%*
Alabama	195,055	89%	$410	$308	$102	75%
Alaska	23,029	86%	$863	$737	$126	85%
Arizona	203,066	74%	$324	$204	$120	63%
Arkansas	73,648	87%	$409	$286	$122	70%
Delaware	28,256	82%	$477	$328	$150	69%
Florida	1,742,819	91%	$386	$302	$84	78%
Georgia	587,845	86%	$385	$287	$98	75%
Hawaii	14,564	81%	$389	$270	$118	70%
Illinois	388,179	75%	$385	$233	$152	61%
Indiana	196,242	81%	$415	$259	$156	63%
Iowa	55,089	85%	$425	$303	$122	71%
Kansas	101,555	82%	$352	$246	$106	70%

Source: HHS ASPE Issue Brief – 04-16-16

National Marketplace Enrollment Data

TABLE 2: Premium Savings from Switching Plans between 2015 and 2016 Coverage Years

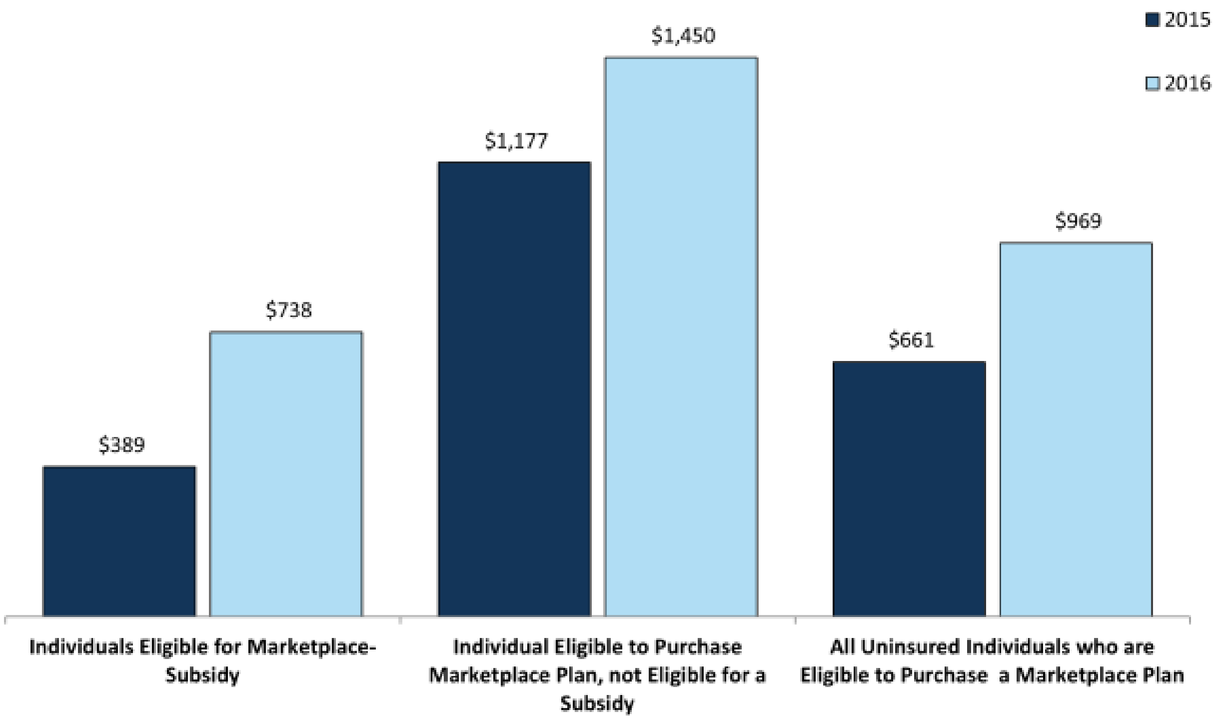
State	Percent of Re-enrollees Who Chose a New Plan for 2016	Average Monthly Premium Savings of Switchers	Average Annual Premium Savings of Switchers
HealthCare.gov Total (37 States)	*43%*	*$42*	*$502*
Alabama	43%	$42	$504
Alaska	36%	$71	$852
Arizona	73%	$41	$492
Arkansas	22%	$20	$240
Delaware	30%	$39	$468
Florida	38%	$34	$408
Georgia	44%	$48	$576
Illinois	53%	$53	$636
Indiana	42%	$64	$768
Iowa	31%	$49	$588
Kansas	63%	$51	$612
Louisiana	39%	$38	$456
Maine	19%	$15	$180
Michigan	36%	$45	$540
Mississippi	35%	$40	$480
Missouri	41%	$31	$372
Montana	31%	$38	$456

Source: HHS ASPE Issue Brief – 04-16-16

National Marketplace Enrollment Data

Figure 2

Among Uninsured Individuals, the Average Household Shared Responsibility Penalty, 2015-2016



NOTE: Includes individuals who have a household penalty of zero dollars.

SOURCE: Kaiser Family Foundation Analysis of the Current Population Survey, 2015.

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Figure 2: Among Uninsured Individuals, the Average Household Shared Responsibility Penalty, 2015-2016

National Marketplace Outlook? - Uncertain

The Buzz

UnitedHealthcare to exit most Obamacare exchanges

by Paul R. La Monica @lamonicabuzz

Forbes / Healthcare, Fiscal, And Tax

OCT 29, 2015 @ 07:15 AM 16,272 VIEWS

Why Obamacare Co-Ops Are Failing At A Rate Of Nearly 50%

Here's One Reason Why Obamacare Premiums Could Spike Next Year

by Sy Mukherjee APRIL 1, 2016, 12:52 PM EDT

pwc

Payers navigate the 3Rs as they prepare 2017 premiums

2017 Public Marketplace Rate Hike?

- Insurers must navigate "the 3 Rs" :
  - Original intent was that these programs were to be "shock absorbers" for the newly reformed individual health insurance market

  - **Risk Adjustment –** Only permanent program
    - Insurers with lower-risk enrollees pay into a fund that transfers payments to health plans with higher-risk enrollees.
    - The program uses risk scores to help calculate how much money plans will pay or receive
    - Critics have said that smaller start-up insurers (who generally have better risk scores) were making payments to larger, more established competitors
    - CMS has tweaked the formula for 2017

  - **Risk Corridors** – Ends at the end of 2016
    - Designed to shield insurers from extreme gains or losses
    - Program collects a percentage of health plan profits and distributes the funds to plans that lose money
    - Program has faced significant funding shortfalls
    - Plans that booked losses requested $2.9 billion while more successful plans paid just $362 million into the program
    - As a result, payers only received 12.6% of requested payments

2017 Public Marketplace Rate Hike?

- **Reinsurance** – Ends at the end of 2016
  - Seeks to protect health plans in the individual market (on and off exchange) from members with high dollar claims
  - It is paid through a per member per month contribution
  - It was the one program that ran a surplus in 2014 - $1.7 billion

Industry Ramifications:

- Expect premium increases for 2017 due to end of reinsurance and risk corridor payments

- Watch for the marketplace to start stabilizing in 2018 and beyond

PWC Health Research Institute Regulatory Spotlight – April 2016

Thank You

Questions?

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