The Affordable Care Act

The Hidden Costs of Reform Tour

Plan Now – Pay Later

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The ACA

Start Here

- The Goal of the ACA – Expand Access to Coverage for Estimated 46 Million Uninsured Americans
- The Act is About Expanding Access
- Shifting Cost – Providing Subsidies and Tax Credits
- No Real Discussion on Controlling or Reforming Healthcare Costs
- Everybody's Covered = Everybody's Happy!!!

The Solution

Getting Coverage for the 46 Million

- Cover Children to Age 26
- Individual Mandate (2014)
- Expansion of Medicaid (PA No for Now)
- 30 Hours/Week = Full-Time = Eligible for Benefits
- Require Employers with 50+ FTEs to "Pay or Play"
- No Pre-Existing Condition Denials 2014
- Develop State and Federal Exchanges
  - Individual and Small Group coverage (<50 PA)

Assumptions

Individual Mandate - You Will Buy Coverage

- Drive Young, Healthy, Uninsured into the Market
- Add Millions of Good Risk into the Pool
- The Pool (Exchanges) Will Offer Coverage at Cost Not Available in Today's Commercial Market
- Penalty for No Coverage = Greater of $95 or 1% of Your AGI in 2014
- No Pre-Ex 2014……I Will Wait Until I Need Coverage and then Buy In
- Impact of the ACA Rate Ratio = Big $$$ for the Young

Expanding Access Hinges on 4 Key Concepts

1. Expand Eligibility for Medicaid Nationwide – Cover More Americans Under the Program
2. Require All Americans To Carry Health Coverage
3. Force Some Employers to Provide Coverage to Employees Not Covered Today
4. Create Subsidies and Tax Credits for Those Not Covered Under #1and #3 To Buy Coverage Through Healthcare Exchanges

ACA – The Tax Bill

- ACA Contains 20 New or Increased Tax Provisions
- HSA Withdrawals 10% to 20% ($1.4 billion)
- Surtax on Investment Income ($123 billion)
- Medical Device Manufacturer Tax 2.3% ($20 billion)
- FSA Max of $2,500 ($15.2 billion)
- Medical Deduction 7.5% to 10% AGI ($15 billion)
- Hike In Medicare Payroll Tax ($86 billion)
- Pay or Play Penalties - $2,000 or $3,000
- Individual Mandate Excise Tax

PCORI FEE

- PCORI – all plans
- $1.00 per covered member annually
- Example: 100 employees but 278 covered members
- 2014 Fee = $278 July 31, 2013 (Form 720)
- HRA = potential additional $278 – July 31, 2013
- Moves to $2.00 in 2014 (or $4.00 for some HRAs)
- How do you count?
  - Actual count method
  - Snap Shot method
  - Form 5500 (if applicable)

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Transitional Reinsurance Program Fee

- Tax on Health Insurers and Self-Insured Plans
  - Fully-Insured: Passed on to Employer Plans by Carrier
  - Self-Insured: Accessed Against Your Plan
  - **$5.25 per covered member per month or $63 per covered member per year**
- Example: 100 employees but 278 covered members
- 278 x 63 = $17,514 (intended for 2014)*
  - Fully Insured: Added To Renewal – May Vary by Carrier
  - Self-Insured: You Pay The Feds

* In Some Cases This Tax Is Already Being Pro-Rated Into June 2013 Renewals.

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Annual Fee for Health Insurance Providers

- Applies to Insurance Carriers – Fully Insured Plans
- Tax on a % of The Insurance Carrier's Revenues
- Nationally – Estimated 1.9% to 2.5% Added to Fully-Insured Group Renewal (on top of other renewal factors)
- Regionally - Estimated 2% to 3% Added to Fully-Insured Group Renewal (on top of other renewal factors)
- Long Term Estimates – This Fee Will Add Estimated 2.8% to 3.7% to Annual Renewals Over Next Several Years….

* In Some Cases This Tax Is Already Being Pro-Rated Into June 2013 Renewals.

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The Scary Math

- Sticker Shock Is on the Way
- The Taxes, Assumptions, and Implementation of the ACA = Increased $$$$
- Combined with No-Pre Ex, Market Changes and Rate Ratios = Bigger $$$
- **Impact Bigger to Fully-Insured Plans**
- Regionally – April & May 2013 Renewals - Seeing Significant (30+%) Increases
- **Industry Rumors Are Projecting That Many 2014 Renewals May See 40+% Increase**
- **2015 Could Be Worse**

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Impact < 50 Employees

- Definitely Less Than 50 Employees
- No Requirement to Provide Group Health Benefits
- Pay or Play Penalties Do Not Apply
- Renewal Increases Will Be Significant
- Market Options Based on Your Group Size
- 2014 Federal Shop Exchanges
- 2014 Individuals Purchase Coverage Through Federal Exchange

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The Tweeners < 50 or 50 + It's In The Math!

- Calculating Your FT (Full Times) and FTE's (Full-Time Equivalent Employees) – An Example:

- **30** Full-Time Working **40 Hours**/Week (FT 2013)
- **10** Part-Time Working **30 Hours** / Week (FT 2014)
- **40** Full-Time for 2014 – Pay or Play

- **Now Add 60 Part-Timers = 35 FTEs**

- You Have **75 FTEs** for 50+ Large Employer Rule
- But Pay or Play Penalties Only Apply to **40 FT for 2014**

Large Group 50+ Employees Pay or Play

Determine Initial Penalty Liability (**70 FT Employees**)

- If You **Do Not** Provide Coverage
  - $2,000 Penalty Per FT Employee
  - But Exclude First 30 Then Apply Penalty
  - **40 X $2,000 = $80,000** Annually (indexed)

- If You Do **Provide** Coverage But It Is **Unaffordable**
  - $3,000 Per Employee That Receives Federal Subsidy to Buy Coverage Through Marketplace
  - 20 Employees Eligible for Subsidy
  - **20 x $3,000 = $60,000** Annually (indexed)

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The 30 Hour FT Dilemma

- 2014 – ACA Uses 30 Hours A Week to Define Eligibility for Group Health Benefits
- Impact Varies By Each Employer & Industry
- For Many – Little or No Impact
  - Today Benefits Limited to Full-Time Staff (40 hours)
  - Have few if any PT employees working 30 hours
- For Others – Could Be Significant Impact
  - Today Benefits Limited to Full-Time Staff (40 hours)
  - But Have Significant Number of Employees at 30 hours

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Strategic Considerations

- If Large Employer 50+
- Do You **Continue to Provide Coverage** Close to Current Benefits and Cost-Share Levels
- Do You **Drop Coverage, Pay Penalty, Keep Savings** and Let Employees Shop Through Federal & Private Exchanges (More Employees Eligible for Subsidy – Significant $$$ Shift to Employees)
- Do You **Drop Coverage, Pay Penalty, Increase Wages** and Let Employees Shop Through Federal & Private Exchanges (Fewer Employees Eligible for Subsidy – Significant $$$ Shift to Employees)

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Elements of Sticker Shock!

- No-Pre Ex in 2014
- No Health Underwriting in 2014
- Medical and Rx Utilization Keep Increasing
- Insurance Carrier Trend Factors Increasing
- Impact of ACA Provisions and Taxes
- Adding 30+ Hour Employees to Your Coverage
- Shift from a 5:1 Ratings Ratio to 3:1 Ratings Ratio 2014
  - Biggest cost increases in will be to the younger individuals in both the group and small group market
- Estimated Annual impact of Fees/Taxes:
  - Individual Cost Increase $180 ; Family - $640

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Changes in Regional Insurance Market

- Products to be Re-Introduced:
  - Platinum: 90% /10%
  - Gold: 80% / 20%
  - Silver: 70% / 30%
  - Bronze: 60% / 40%
- Current Central PA Medical Insurance Level of Benefits Benchmark is 88% Actuarial Value
- New Benchmark Will be Against the Federal Exchange - 70%

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Small Group Impact 2 to 24 versus 25 to 50

- Small Group Impact 2 To 24 Versus 25 To 50
- Movement To New Types Of Self-funded Financial Arrangements Down To Groups Of 25
- Benchmark Your Plan Against The Federal Exchange (70%- Silver Plan)
- Change From ER Contribution From % Of Premium To % Of Employees Salary (Box 1- W2)

The New Math

Sample Comparison of % of Carrier Premium vs. % of Annual Salary

EE Monthly Contribution	Annual Contribution	Annual W-2 Income	FT or PT (30 hours rule)	Eligible for Benefits in 2014?	EE Monthly Carrier Premium Rate	% of Carrier Premium	Current % of Earnings
$95	$1,140	$30,000	FT	Yes	$375	25%	**3.80%**
$125	$1,500	$30,000	FT	Yes	$375	33%	**5.00%**
$175	$2,100	$30,000	FT	Yes	$375	47%	**7.00%**
$237	$2,844	$30,000	FT	Yes	$375	63%	**9.48%**

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Small Group Impact 2 to 50

- Growth of Consortium Solutions
- Acceptance of Private Health Marketplace Model for Groups of 10+
- Consolidation of Insurance Carriers
- Significant Change in Premium Rates for the 2-50 Market That Remain Fully-Insured
- **3:1 and 5:1 from Lowest to Highest Premium Rating for Each Enrollment Tier and for Tobacco and Non-Tobacco Users**

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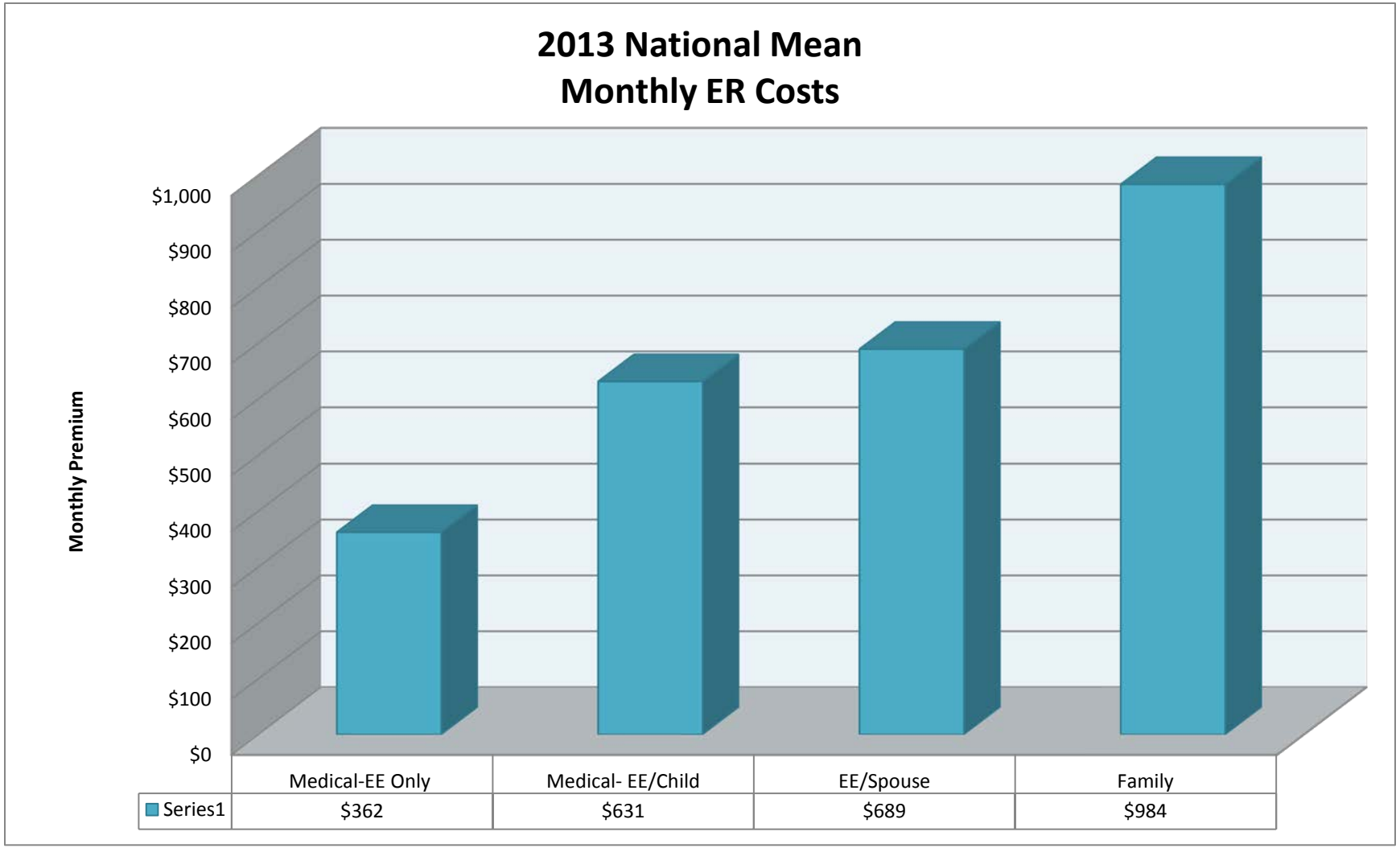
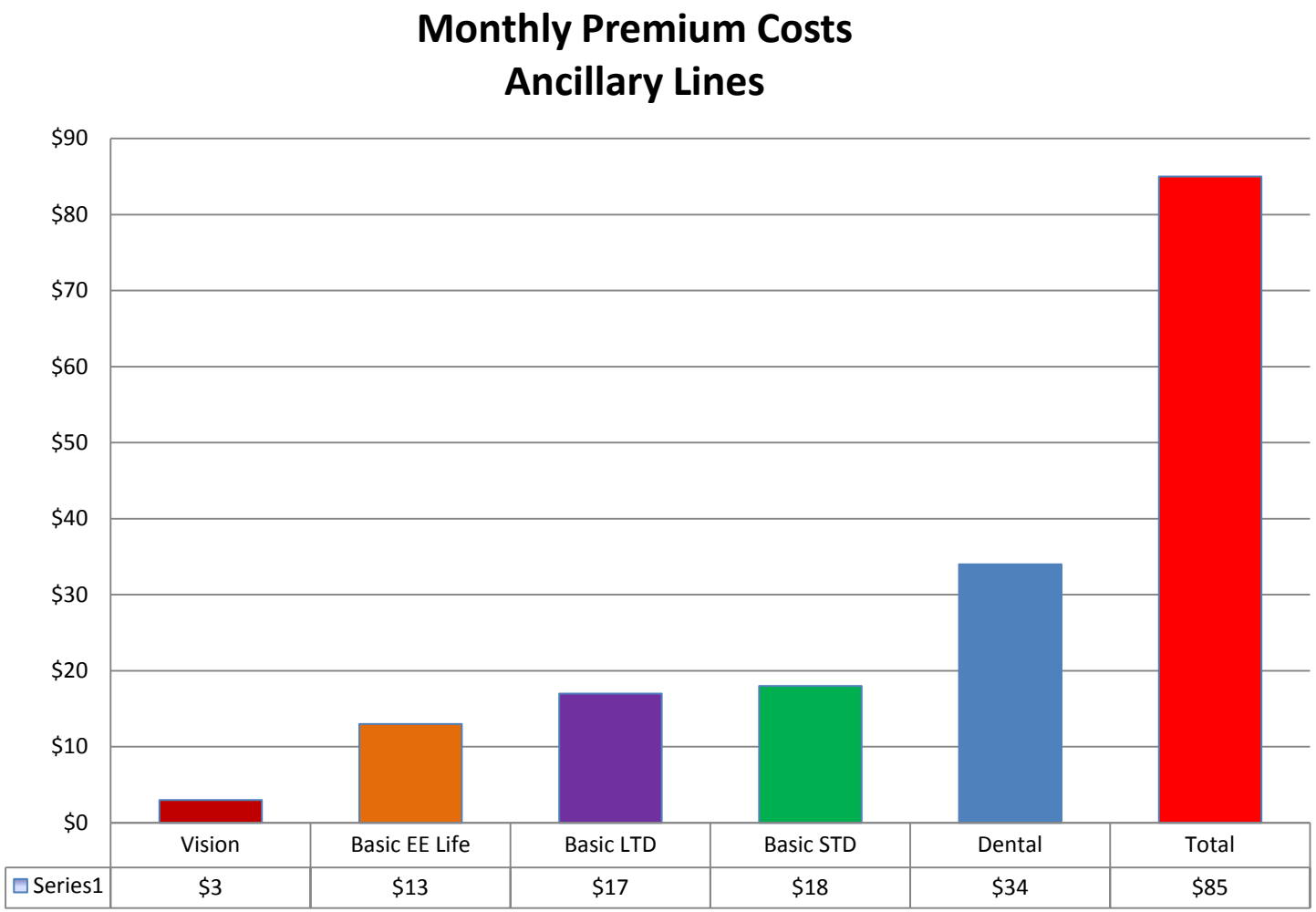
Options for Employers

- Defined Contribution Model
- Alternatives to Offering a Fully-Insured Program
- Private Marketplace - Health Insurance Marketplace Components
  - Choice of several health insurance, dental, vision, life, disability, voluntary and TPA options
  - Advice and recommendation on what health insurance options best fit your needs
  - Automated billing/enrollment system for the chosen health insurance and benefits plan

Defined Contribution Monthly Costs - Medical



Defined Contribution Monthly Costs - Ancillary



Pay or Play

- Additional Factors By the Numbers
- Employees May Be Eligible for Premium Credits Between 100% and 400% of FPL
- Penalty Applies if Self-Only Coverage Exceeds 9.5% of Employee's Income (Safe Harbor Rule)
- Penalty Applies if Employer Pays Less than 60% of Plan Costs - You Must Account for All of These
- Plan Must Provide/Cover Minimum Benefit Requirements

Tax Credits – Function of Total Family Income

2012 Federal Poverty Level

48 Contiguous States and the District of Columbia

2012 Annual Income Levels						
Family Size	100%	133%	138%	200%	300%	400%
1	$11,170	$14,856	$15,415	$22,340	$33,510	$44,680
2	$15,130	$20,123	$20,879	$30,260	$45,390	$60,520
3	$19,090	$25,390	$26,344	$38,180	$57,270	$76,360
4	$23,050	$30,657	$31,809	$46,100	$69,150	$92,200
5	$27,010	$35,923	$37,274	$54,020	$81,030	$108,040
6	$30,097	$40,029	$41,534	$60,194	$90,291	$120,388
7	$34,930	$46,457	$48,203	$69,860	$104,790	$139,720
8	$38,890	$51,724	$53,668	$77,780	$116,670	$155,560

Strategic Solutions

- Plan Early – Impact of ACA in 2014 Will Be Affected By What You Are Doing in 2013
- What Will Your Workforce Look Like – 2014 & Beyond
- Plan Early – Will You Pay or Play – Regardless of Size
  - Small Group: maintain or drop coverage = no penalty
  - Large Group: maintain or drop coverage = penalties apply
- In the End – You Will Have to Decide!
- Executive: Provide or Drop Group Coverage?
- HR Leadership: How to Fund Your Plan and Set Cost Sharing
- Employees: How Will You Educate Employees About Change

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Benefits of Private Marketplace

- A Private Health Marketplace In Conjunction With A Defined Contribution Model Is The True Middle Ground Between The Status Quo And The Public Solution
- Number Of Plan Options Is Significantly Increased With A Wide Range Of Choice
- Options For Employees + Certainty Of Cost
- Transparency Of Health Care Spend Gives An Employee A Budget To Work With And Take Ownership
- Portability

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Benefits of Private Exchange

- Integration With Defined Contribution Plans
- Total Automated Enrollment, Billing And Payment System For Core, Ancillary, Voluntary Programs
- "Soft- Landing" For All Employees
- Industry Experts Project That By 2016, Nearly 80% Of Employers With 30-300 Employees Will Automate Their HR, Benefits And Payroll Processes With Integrated Technology Systems. Today Only 10% Of These Employers Rely On Integrated Technology Systems To Perform These Functions.

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MURRAY SECURUS - Your ACA Partner

- Benefits Consulting Team – Provides High Level Strategic Planning Now Ahead of 2014
- Consider Self-Funded / Consortium Solutions
- Defined Contribution Plan Partner
- Murray Securus Actuarial Pay or Play Modeling
- Murray Securus Private Healthcare Exchange with On-Line Total Enrollment, Billing and Reporting System
- Total Employee Education Campaign Integrates ACA Compliance, Plan Design, Defined Contribution and Wellness Plan Communications – It Is All Connected.

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Thank You!

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