



ACA Impact & Provisions



The Stories Behind the Analysis

Presented by KPD

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Reform Strategic Discussion

- ⌘ Overview of 2014 Provisions, Mandates and Penalties
- ⌘ Employee: Competing Interests
- ⌘ Employer: Considerations and Cost Impact
- ⌘ ACA Strategic Discussion

2014 Provisions, Mandates & Penalties



How are employers impacted?

Enacted Provisions of The ACA

- ⌘ Non-Discrimination requirements coming for fully insured plans (management only plans will not allowed)
- ⌘ Preventive services covered in full
- ⌘ Women's health
- ⌘ No pre-existing condition limitation under age 19 (for all ages in 2014) and no lifetime plan maximum
- ⌘ Dependent children covered to age 26
- ⌘ FSA election limitation
- ⌘ W2 reporting on value of benefits (Employers over 250)
- ⌘ Exchange availability notification now delayed until the fall
- ⌘ Taxes for funding now starting

Eligibility Changes For All Employers

- Effective the 1st plan year in 2014
 - Could be impacted by Non-discrimination final rules for Mgmt Only plans
- 90 day waiting period limit
- 30 hours = full time employee
- Part time and seasonal employee handling has been clarified
- Note: This impacts pay and play scenarios!

Who do Penalties Apply To?

- ☞ Employers with 50 or more Full Time equivalent employees – in immediate preceding year
 - 2013 Transition relief allows for any 6 consecutive months to be used for determination of 50 or more for 2014 plan year
- ☞ How is the 50 Full Time Employee count determined
 - For determining 50 FTE count control group rules apply
 - Separate LLC's/Companies will be combined for total employee count
 - Employers can offer different benefits for different companies
 - For determining 50 FTE count total payroll hours are divided by 120
- ☞ Employer with more than 50 FTE's Pay of Play rules apply
- ☞ Employer with less than 50 FTE's have NO mandate
- ☞ All Individuals
 - Small tax penalty which increases annually for not obtaining coverage

Seasonal & Variable Employees

- ∞ For determination of 50+ Pay or Play status seasonal employees are included in the count except if:
 - FT employee count exceeds 50 for no more than 120 days or 4 calendar months (not required to be consecutive) during a calendar year

AND

- The employees in excess of 50 employed during that time period where seasonal employees
- ∞ Variable Employees = Part Time, non-seasonal employees
 - Can have an initial measurement period to determine if working 30 hours per week (3 to 12 months)
 - If so, must provide a “stability period” where coverage is provided regardless of hours worked for the same time frame as initial measurement period

Variable Employee Measurement for 2014 Plan Year

- ∞ Transition Relief for Variable employee “Stability” period measurement for 2014 plan year
 - Can be as long as 12 months but no shorter than 6 months
 - 90 day administration period can be used to enroll
 - Begins no later than July 1, 2013 and ends no early then 90 days prior to 1st plan year in 2014
 - Plans with 12 mth measurement are not required to begin the measurement by July 1, 2013

- ∞ New Hires after intial stability period for 2014 will most likely be set based on 12 month review and have different determination date until they are part of ongoing employees

The Penalties

☞ How much are they?

- \$2000 Annually per Full Time Employee (minus the first 30) if NO coverage offered by the employer
- \$3000 Annually per Full Time Employee who **receives** a subsidy if coverage is considered not “affordable” meaning:
 - The employee contribution is greater than 9.5% of W2 for single coverage
 - Or plan design does not provide a 60% actuarial level of benefit

☞ Penalties DO NOT apply if coverage is “affordable”

☞ Only apply once an employee accesses a subsidy

☞ Penalties are NOT tax deductible as a business expense

ACA Penalty Amount	\$2,000	\$3,000
Equivalent Expense	\$3,077	\$4,615
Monthly Expense	\$256	\$385

What does “Affordable” look Like?

☞ Employer \geq 50 FTE’s

- Qualifying coverage
 - Must meet 60% actuarial value
- Affordable coverage
 - Cost for single coverage cannot exceed 9.5% of employees W2 wages

☞ Employer $<$ 50 FTE’s

- None

☞ Individual

- Obtain qualified coverage
- 2014 Penalty 1% income or \$95
- 2015 Penalty 2% income or \$325
- 2016 Penalty 2.5% income or \$695

Maximum Affordable Contribution by Salary

State	Minimum Wage	Weekly Hours	
		30	40
OR	\$8.95	\$110.53	\$147.38
CA	\$8.00	\$98.80	\$131.73
NV	\$8.25	\$101.89	\$135.85
WA	\$9.19	\$113.50	\$151.33
Other	\$15.00	\$185.25	\$247.00

Current Employer Contributions:
???

Note: Individual penalty is “greater of”Constant redefinition is occurring

The Employee: Competing Interests



Exchanges and Subsidies

- ☞ Create a new an interesting market dynamic
- ☞ New plans will be available in the market
- ☞ Provides discounted costs for qualifying persons
- ☞ If employee provided “affordable” coverage they are ineligible for Subsidy, as are *all* family members
- ☞ Subsidies do pick favorites

How do subsidies pick favorites?

Federal Poverty Level (Lower 48)

Illustrative Exchange Rate (30 Year Old)

Single	Family of 4
\$11,170	\$23,050
\$384	\$1,086

Family Income	Multiple of FPL		% of Salary Contribution		Required Contribution		Subsidy Value		Plan Value	
	Single	Family	Single	Family	Single	Family	Single	Family	Single	Family
\$25,000	2.238	1.085	7.13%	2.00%	\$148.54	\$41.67	\$235.10	\$1,044.15	73%	94%
\$30,000	2.686	1.302	8.59%	2.00%	\$214.75	\$50.00	\$168.89	\$1,035.82	70%	94%
\$40,000	3.581	1.735	9.50%	5.08%	\$316.67	\$169.33	\$66.97	\$916.49	70%	85%
\$50,000	4.476	2.169	100.00%	6.89%	None	\$287.08	None	\$798.74	None	73%

The Employer



Considerations and Cost Impact

Employer Questions

- ⌘ How do I manage the competing interests of employees?
- ⌘ What is best financially?
- ⌘ What are our goals?
 - Provide benefits to attract the best talent
 - Drop coverage and pay penalties since exchange is available
- ⌘ How do we accomplish our goals?
 - Move to more Part Time employees
 - Aggressively manage our contributions to be “affordable”
 - Does the health of our workforce become a competitive advantage

ACA Cost Impact Strategy

☞ How do we deal with the Cost Impact?

- Absorb it, if so how do we make up the revenue
- Reduce Hours to below 30 for targeted positions
- Create Base and Buy Up plan strategy

☞ Are Penalties a bad thing?

- Increasing contributions brings in more revenue
- Penalties only apply to those who receive a subsidy

☞ Other Solutions?

ACA Employee Communication/Education

Employee Education

- Communicate what “affordable” premium share means in terms of subsidy eligibility
- Communicate what “affordable” means in terms of plan benefits
- Display your plan costs and benefit level to easily help employees determine if a subsidy through the Exchange is an option
- Educate on if employee provided “affordable” coverage then they and their family members are not subsidy eligible
- Display Individual penalty for not enrolling in 2014

Mediums for communication

Timeline for Communications

Thank You

Life is not about waiting for the storm to pass;

It's about learning how to dance in the rain

