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What employers need to know about the Affordable Care Act (Obamacare)

Presentation for:



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Looking Back

Dependent Coverage:

- “Children” covered to age 26.

Pre-Existing Condition Limits:

- Removed for Children under 19 for plans renewing after 9/23/10.
- Removed for all covered members in 2014.

Annual Limits on Essential Health Benefits:

- Allowable maximum has increased starting in 2010.
- Removed for all plans in 2014.

Summary of Benefits & Coverage (SBC):

- Required for all plans renewing after 9/23/12.



Coming in 2014



Shared Responsibility
Benefit and Eligibility Mandates
Federal Fees



Shared Responsibility



Overview

Individual Mandate:

January 1, 2014: Individuals must obtain health coverage under a plan that provides minimum essential coverage or face tax penalty unless:

- Coverage not affordable; or
- Removed for all covered members

Tax Penalty

- 2014: \$ 95
- 2015: \$325
- 2016: \$695



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Overview

About Exchanges:

Provide marketplace access

Provide plans with minimum essential coverage

Enrolled individuals avoid penalty

Employer Mandate: (Delayed until 1/1/2015)

Large employers subject to “Play or Pay” penalties if:

- Employee enrolls in Exchange
- Receives subsidy



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Employer “Play or Pay” Penalties

Apply to Large Employers (50+ FTEs)

FTE = full-time employees (30+ hours/week) plus full time equivalents (non-full-time employees up to 120 hrs/month).

Part A “No Offer” Penalty

If employer fails to offer “minimum essential coverage” to **(substantially all full-time)** employees and their dependents.

- \$2,000 per employee penalty (annually) if **any** full-time employee enrolls in Exchange and receives federal subsidy.
- Penalty based on total number of **full-time** employees (minus 30).



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Employer “Play or Pay” Penalties

Offer Coverage:

- Effective opportunity to enroll at least once during plan year.

Minimum essential coverage:

- Employer sponsored medical coverage that satisfies ACA coverage mandates.
- Not the same as essential health benefits.

Substantially all:

- 95% of full-time employees
- Potential penalty for 5% not offered coverage

Full-Time Employees:

- Average 30+ hour/week

Dependents

- Children under age 26
- Does not include spouses



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Employer “Play or Pay” Penalties

Part B “Unaffordable Coverage” Penalty:

If *minimum essential coverage* offered is either not **affordable** or does not meet **minimum value**.

- \$3,000 per employee penalty (annually) if any full-time employee enrolls in Exchange **and** receives federal subsidy.
- Penalty based on number of **full-time** employees who receive subsidy, capped at Part A penalty amount.

Affordable Coverage:

- Employee contribution (lowest cost **self-only** coverage that provides *minimum value*) cannot exceed 9.5% of household income.
- Safe Harbor methods - cannot exceed 9.5% of:
 - Employee’s W-2 earnings
 - Employee’s monthly salary
 - Federal poverty level



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Employer “Play or Pay” Penalties

Minimum Value:

Plan covers at least 60% of total costs of benefits offered.

Identifying and tracking *full-time* employees:

Must offer coverage for the month in which employee is *full-time*.

Difficult to administer plan month-to-month basis.

Safe-harbor method:

- Track actual hours worked and paid for all employees.
- Eligibility based on past hours worked vs. hours expected to work.
- Track hours of service over a **look back** period.



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Employer “Play or Pay” Penalties

Why does an Employer need to identify and track *full-time* employees?

Avoid penalties

Meet IRS reporting requirements in 2015:

- Annual reports
- Employee notices



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Employer “Play or Pay” Penalties

Next Steps:

Begin tracking hours/setting up 2014 measurement periods (“Voluntary compliance” is encouraged).

Amend plan eligibility provisions January 1, 2015.

Document methodology for determining *full-time* status.



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Employer “Play or Pay” Penalties

How can an Employer avoid penalties?

Offer coverage under a plan that:

- Provides *minimum essential coverage* to 95% of *full-time* employees;
- is *affordable*; and
- provides *minimum value*.

Offer of coverage is enough.

Employer only needs to offer **one** *affordable minimum value* plan option to avoid Part B penalties.



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Employer “Play or Pay” Penalties

How can an Employer avoid penalties?

Offer coverage to 100% of *full-time* employees to avoid potential Part B penalty.

No penalty if no *full-time* employees receive a subsidy in an Exchange.

Part A penalty much larger than Part B.



Notice of Exchange

Employers must issue Exchange notice to all employees that explains:

- Existence of Exchange
- Description of services
- Contact information

Employee may be eligible for subsidy if they enroll in the Exchange.

Complete employer and plan information must be made available.

Optional employer coverage section may be completed.



Notice of Exchange

Timing:

Beginning October 1, 2013: Employer must issue notice to new employees at time of hire.

No later than October 1, 2013: Employer must issue notice to current employees hired.

New Model COBRA Election Notice:

Includes information about other coverage options available through the Exchange.



Notice of Exchange

New Hampshire Exchange

New Hampshire has not established it's own exchange.

New Hampshire residents will purchase coverage through the federal exchange.

Anthem BCBS is the only carrier offering coverage through the New Hampshire Federal Exchange.

Anthem offers a “focused network” called Pathways which includes 16 acute care New Hampshire hospitals.



Benefit Mandates

Elimination of All Pre-existing Condition Exclusions.

Elimination of Overall Annual Limits on Essential Health Benefits.

Limitations on Annual Out of Pocket Expense

- Restricts out-of-pocket maximums
- Out of pocket limits must include all co-payments, co-insurance amounts and deductibles, except prescription co-payments.



Eligibility Mandates



Coverage For Dependent Children To Age 26:

Regardless of eligibility for other coverage.

Waiting Periods Limited to 90 Days:

Coverage for eligible employees (and dependents) must begin no later than 91 days from date of hire.

First day of month following 90 days – not ok.

Note: These are requirements for 2014, but there will be no penalty assessed if you do not meet these.



Federal Fees

Transitional Reinsurance Fee

2014 estimate: \$63 per **covered life** per year (\$5.25/month)

Applies to medical coverage.

HHS collects annually.

Funded (in part) by fees assessed on insurers and self-funded plans.

PCORI Fees

Due by July 31st of CY following last day of plan year.

Fee Amount

- First year 2013: \$1 per covered life (annually)
- Second year 2014: \$2 per covered life (annually)
- Third – seventh year: TBD

For HRA plans:

- Reported and paid by plan sponsor.



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Thank you for your interest



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