



Affordable Care Act (ACA)
Where Are We and Where Are We Headed

Locey & Cahill, LLC Presentation to:
Greater Tompkins County Municipal
Health Insurance Consortium
May 23, 2013

Affordable Care Act Basics

- ❖ Signed into Law on March 23, 2010
- ❖ Voluminous Document
- ❖ Mostly Interim (not Final) Regulations Issued
- ❖ Supreme Court Ruling
 - ❖ Individual Mandate Constitutional
 - ❖ All ACA Rules Remain in Effect
 - ❖ Medicaid Expansion Now Voluntary

Grandfather Status

- ❖ Protects Plans from Some Mandates
- ❖ Hinders Employer's Ability to Negotiate Change
- ❖ Loss of Grandfather Status:
 - ❖ Increase Deductibles and/or OOP Limits
 - ❖ Increase Co-Payments, Including Rx Co-Payments
 - ❖ Increase Co-Insurance Percentage
 - ❖ Increase Employee Contributions
- ❖ Most School Districts and BOCES No Longer Qualify for Grandfather Status

ACA Key Mandated Benefits

- ❖ Dependent Coverage to Age 26
 - ❖ Natural Born Child / Adopted Child
 - ❖ Regardless of Marital Status
 - ❖ Regardless of Financial Dependency
 - ❖ Regardless of Residency
 - ❖ Can be Employed with Health Insurance
 - ❖ If Grandfathered, Provision Effective 2014

ACA Key Mandated Benefits

2010 Changes (09-23-2010)

- ❖ No Pre-Existing Conditions
- ❖ Plan Appeal Processes
- ❖ No Lifetime Limits on EHB
 - ❖ No Annual Limits on EHB (2014)
- ❖ Preventive Care – No Cost Sharing
- ❖ Women's Preventive Health Services
 - ❖ Including Birth Control/Contraceptives (08/01/2012)
- ❖ EHB = Essential Health Benefits

ACA Key Mandated Benefits

2011 Changes

- ❖ Minimum Medical Loss Ratios
 - ❖ Clinical Services/Quality Costs = > 85% of Premium
- ❖ OTC Meds No Longer Eligible for FSA/HSA

2012 Changes

- ❖ Summary of Benefits and Coverage
- ❖ Annual Fees on Pharmaceutical Industry
- ❖ Patient-Centered Outcomes Research Trust Fund
 - ❖ \$1.00/Life (2012/2013) \$2.00/Life (2013/2014)

ACA Key Mandated Benefits

2013 Changes

- ❖ Medical Expense Deduction 7.5% to 10.0%
- ❖ FSA Limits = \$2,500 per year
- ❖ Medicare Part A Tax Increase 1.45% to 2.35%
 - ❖ Individuals > \$200,000 and Families >\$250,000
- ❖ Medical Device Tax = 2.3% Excise Tax
- ❖ W-2 Reporting of Aggregate Cost of Coverage
 - ❖ Small Employers are Exempt (<250 W-2's)

ACA Key Mandated Benefits

2014 Changes

- ❖ Individual Mandate to Purchase Insurance
- ❖ Health Insurance Exchanges
- ❖ Premium and Cost Sharing Subsidies
- ❖ Guaranteed Availability of Insurance
- ❖ Essential Health Benefits Package Created
- ❖ Employer Requirement to Offer Coverage
- ❖ Wellness Rewards (30% to 50% of Premium)
- ❖ Fees on Health Insurance Sector

ACA Key Mandated Benefits (Employer Requirement to Offer Coverage)

❖ Step 1 – What Employers are Affected:

- ❖ **All Employers who have at least 50 full-time equivalent employees are subject to this mandate. This includes employers with a combination of full-time and part-time employees who equal 50 full-time employee equivalents.**
 - ❖ **Full-Time Employees are defined as working 30 hours per week for 120 days on average during a year. There is a “look back” period allowed of not less than 3 months and not more than 12 months as a “measurement period.”**
 - ❖ **If you have part-time employees, you have to divide your total part-time hours by 120 to determine the full-time employee equivalent of this segment of your population.**
- ❖ **If you have less than 50 full-time equivalent employees you are exempt from this mandate.**

ACA Key Mandated Benefits (Employer Requirement to Offer Coverage)

❖ **Step 2 – Do You Offer Coverage to Your Workers?:**

❖ **If Yes, Mandate Applies and the Process Continues.**

❖ **If No, Employer may be Subject to Penalties as Follows:**

❖ **If you have at least one employee receive a premium tax credit or cost sharing subsidy in an Exchange you must pay the penalty.**

❖ **Penalty = \$2,000 per year times the number of full-time employees minus 30 and this penalty increases each year after 2014 by the growth in health insurance premiums.**

ACA Key Mandated Benefits (Employer Requirement to Offer Coverage)

❖ **Step 3 – Do You Offer Affordable Coverage?:**

- ❖ **Affordable Coverage = Insurance >60% of Covered Health Care Expenses for a Typical Population.**
- ❖ **If Yes, Mandate Applies and the Process Continues.**
- ❖ **If No, Employer may be Subject to Penalties as Follows:**
 - ❖ **Employees may purchase coverage in a Health Insurance Exchange and receive a premium tax credit. To receive a premium tax credit family income must be less than 400% of the Federal Poverty Level.**
 - ❖ **Penalty = \$3,000 annually for each full-time employee receiving a premium tax credit up to \$2,000 per year times the number of full-time employees minus 30 and this penalty increases each year after 2014 by the growth in health insurance premiums.**

ACA Key Mandated Benefits (Employer Requirement to Offer Coverage)

- ❖ **Step 4 – Do any Employees Pay >9.5% of Their Income for Your Coverage?:**
 - ❖ **If No, Employer Meets Standard = No Penalties.**
 - ❖ **If Yes, Employer may be Subject to Penalties as Follows:**
 - ❖ **Employees may purchase coverage in a Health Insurance Exchange and receive a premium tax credit. To receive a premium tax credit family income must be less than 400% of the Federal Poverty Level.**
 - ❖ **Penalty = \$3,000 annually for each full-time employee receiving a premium tax credit up to \$2,000 per year times the number of full-time employees minus 30 and this penalty increases each year after 2014 by the growth in health insurance premiums.**

ACA Key Mandated Benefits (Employer Requirement to Offer Coverage)

United States Department of Health & Human Services 2013 Poverty Guidelines for the 48 Contiguous States and the District of Columbia	
Persons in Family/Household	Poverty Guideline
1	\$11,490
2	15,510
3	19,530
4	23,550
5	27,570
6	31,590
7	35,610
8	39,630
For families/households with more than 8 persons, add \$4,020 for each additional person.	

ACA Key Mandated Benefits (Wellness Rewards)

❖ **Participatory Wellness Programs**

- ❖ A Wellness Program that either does not require an individual to meet a standard related to a health factor in order to obtain a reward or that does not offer a reward at all.

❖ **Health-Contingent Wellness Programs**

- ❖ These types of Wellness Programs require an individual to attain or maintain a certain health outcome in order to obtain a reward (such as not smoking, attaining certain results on biometric screenings, or meeting targets for exercise).

ACA Key Mandated Benefits (Wellness Rewards)

❖ Health-Contingent Wellness Program Requirements:

- The total reward for such wellness programs offered by a plan sponsor does not exceed 30%* of the total cost of coverage under the plan.
- The program is reasonably designed to promote health or prevent disease. For this purpose, it must have a reasonable chance of improving health or preventing disease, not be overly burdensome, not be a subterfuge for discriminating based on a health factor, and not be highly suspect in method.
- The program gives eligible individuals an opportunity to qualify for the reward at least once per year.
- The reward is available to all similarly situated individuals. For this purpose, a reasonable alternative standard (or waiver of the otherwise applicable standard) must be made available to any individual for whom it is unreasonably difficult due to a medical condition to satisfy the otherwise applicable standard during that period (or for whom it is medically inadvisable to attempt to satisfy the otherwise applicable standard).
- In all plan materials describing the terms of the program, the availability of a reasonable alternative standard (or the possibility of waiver of the otherwise applicable standard) is disclosed.

**Reward could be as much as 50% if determined to be appropriate to reduce tobacco use.* 15

ACA Key Mandated Benefits

Federal Health Insurance Premium Tax (2014)

- Beginning in 2014, the legislation will impose an annual fee which is based on each health insurance company's share of the total market, adjusted for size and corporate structure. This tax which applies to all insured health insurance plans will be one of the major funding sources for the ACA. The current estimates on the effect of this tax on insured plans is approximately 2.75% of paid claims beginning in 2014.

Temporary Reinsurance Program Tax (2014)

- Creates a temporary reinsurance program to collect payments from health insurers to provide payments to plans, both inside and outside the exchanges, that incur high claims costs from enrollees. The current estimates of the effect of this tax on all plans is approximately \$5.75 per contract per month.

Estimated Total Impact = 3.0% to 4.0% Increase in Premiums

ACA Key Mandated Benefits

2018 Changes

- ❖ Tax on High-Cost Insurance “Cadillac Tax”
 - ❖ Individual Coverage = \$10,200
 - ❖ Family Coverage = \$27,500
 - ❖ Excise Tax = 40% of Each Dollar Over Limit
 - ❖ Applies to Aggregate Expenses of Employer-Sponsored Health Insurance Plans.

Town of Ithaca Plan (\$10 PPO w/ \$5/\$20/\$35 - \$10/\$40/\$70 Rx Plan)

<i>Fiscal Year</i>	<i>Monthly Premium</i>		<i>Annual Premium</i>		<i>Total Cost</i>	<i>Excise Tax</i>
	<i>Individual</i>	<i>Family</i>	<i>Individual</i>	<i>Family</i>		
<i>2013</i>	\$688.00	\$1,489.59	\$8,256.00	\$17,875.08	\$1,199,148.48	n/a
<i>2014</i>	\$749.92	\$1,623.65	\$8,999.04	\$19,483.84	\$1,307,071.84	n/a
<i>2015</i>	\$817.41	\$1,769.78	\$9,808.95	\$21,237.38	\$1,424,708.31	n/a
<i>2016</i>	\$890.98	\$1,929.06	\$10,691.76	\$23,148.75	\$1,552,932.06	n/a
<i>2017</i>	\$971.17	\$2,102.68	\$11,654.02	\$25,232.13	\$1,692,695.94	n/a
<i>2018</i>	\$1,058.57	\$2,291.92	\$12,702.88	\$27,503.03	\$1,845,038.58	<i>\$24,095.43</i>
<i>2019</i>	\$1,153.84	\$2,498.19	\$13,846.14	\$29,978.30	\$2,011,092.05	<i>\$90,516.82</i>

Assumptions:

1. 9% Annual Premium Increase

2. Census Individual = 24 Family = 56

3. Threshold = \$10,200 Individuals and \$27,500 Families

[Affordable Care Act Q&A]





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