

PATIENT PROTECTION AND AFFORDABLE CARE ACT

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South Carolina

The materials presented today are provided for informational purposes only and do not constitute legal advice or legal opinions. The information herein contains summaries of various portions of legislation addressing health care reform and may be subject to change without notice. The information is not a substitute for professional advice from your lawyers or other advisors.

This information is current as of 3/6/13 and is subject to change at any time without notice.

Who is affected by the Affordable Care Act (ACA)?

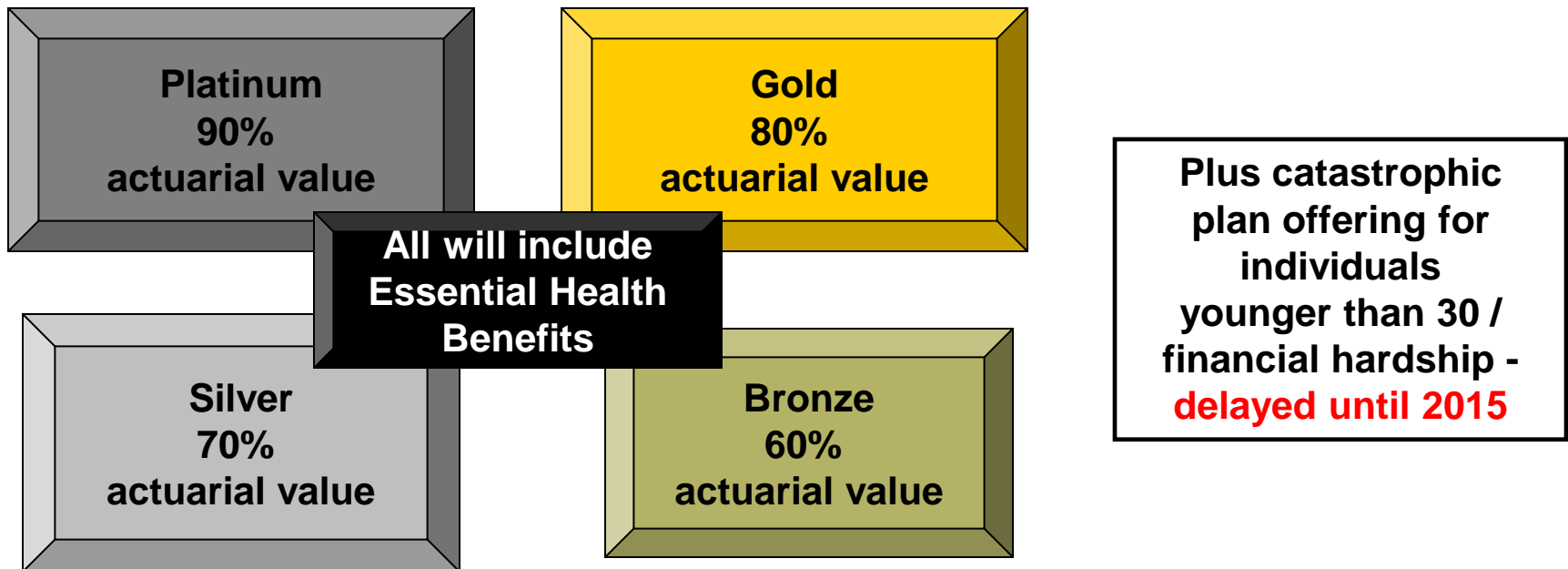
- Small group employers
 - 2-50 thru 2015
 - 1-100 beginning in 2016
- Large group employers
- Individuals ages 0 thru 64

Exchanges 101 - Types of Exchanges

- **3 types – State run, Partnership (State/Feds), Federal Facilitated Exchange**
 - An on-line insurance marketplace that becomes the focal point for eligibility, enrollment and subsidies for individual insurance products
 - People do not have to go thru exchange
 - Subsidies available only thru this exchange
 - Carriers must submit products for approval annually
 - Required to be running on 10/1/2013 for 1/1/2014 effective dates of coverage
 - Waiting on final regulations
- **FFE –Small Business Health Options Program (SHOP)**
 - Essentially, the FFE for small businesses (2-50; becomes 2-100 in 2016)
 - Temporary small business tax credit available here
 - Annual product review, as per above
 - Waiting on final regulations

Benefits

Health plan requirements: Product tiers



Actuarial Value =** $\frac{\text{Total Expected Payments by Health Plans for EHBs}}{\text{Total Costs of EHBs for the Standard Population}}$

** How the "metals" are defined

Benefits

Essential Health Benefits

1. Ambulatory patient services
2. Emergency services
3. Hospitalization
4. Maternity and newborn care
5. Mental health and substance abuse disorder services, including behavioral health services
6. Prescription drugs
7. Rehabilitative /habilitative services and devices
8. Laboratory services
9. Preventive and wellness services and chronic disease management
10. Pediatric services, including oral and vision care



Options for Individuals

Your major options are:

Americans not covered under a government plan will have three major options for health insurance in 2014:

1. Get coverage through their **employer** if available.
2. Buy an **individual** market plan through either:
 - The individual market exchange – purchase may be eligible for subsidy and cost sharing reductions
 - The off-exchange market
3. **Go uninsured** (will pay penalty unless they qualify for an individual exemption)

Individual subsidies (tax credits)

- Available to qualified individuals thru the exchange
- Income between 100-400% FPL
 - Amount varies based on the percentage & age
- Paid directly to insurer monthly
- Those covered under an employer plan that meets affordability/minimum value are ineligible to purchase thru exchange and receive a subsidy

Penalties

An individual may be subject to a penalty if.....

Year	Child	Adult	Max per Family	or greater of:
2014	\$47.50	\$95	\$285	1% of annual income
2015	\$47.50	\$325	\$975	2% of annual income
2016	\$347.50	\$695	\$2,085	2.5% of annual income

- Adjusted for cost of living after 2016
- Penalty prorated by number of months without coverage; assessed annually
- No penalty for a single gap in coverage of less than 3 months
- Penalty cannot exceed average premium for Bronze exchange coverage

Options for Small Employers (2-50)

Your major options are:

Employers who have 2-50 employees will have at least three health insurance options in 2014:

1. Offer a fully insured plan through either:

- A SHOP exchange – Employer may be eligible for a temporary two-year tax credit to offset part of the employer premium contribution
- The off-exchange market

2. Offer an ASO plan, if allowed by state law, where essential health benefits and metal level requirements do not exist

3. Stop offering coverage and let employees buy through the Individual market.

Note that there is no penalty for small employers who choose to not offer group coverage

Options for Large Employers (51+)

Your major options are:

Employers who have 51 or more employees will have at least three health insurance options for 2014:

- **Offer health insurance** – either fully insured ASO – that meets the minimum coverage definition (no essential health benefit or metal level requirements) and is affordable
- **Offer some level of coverage** that does not meet minimum requirements and pay the employer penalty
- **Stop offering coverage**, let employees buy through the Individual market and pay the employer penalty

Note: The employer mandate does NOT:

- Require employers to contribute to the premium (though not doing so would likely make the plan not affordable, putting the employer at risk for penalties)
- Require employers to offer spousal coverage

Employer Mandate

What is a large employer?

- At least 50 full-time employees or a combination of equivalent full and part-time employees
- Measured over the preceding calendar year
- Full-time employee defined as 30 hours or more per week
- Part-time employees included on a pro rata basis (total monthly hours/120)



Penalties

An employer may be subject to a penalty if.....

- It is a large employer (50 or more FTEs - Full Time Equivalent)
- Does not provide minimum essential coverage or a plan meeting 60% of average health care expenses (minimum essential value calculator to be issued soon by Feds)
- Does not provide affordable coverage, meaning employee's share of self only premium exceeds 9.5% of annual income
- At least one employee receives a federal subsidy through a public exchange



Penalties

Penalties for employers with 50 or more FT Equivalent employees

Employer doesn't provide coverage to their employees

- $\$2,000 \times$ total number of FT employees (minus first 30 FT employees)*

* Paid with after tax dollars

Employer provides coverage, but it is not “affordable” and does not meet the minimum essential coverage

- Lesser of $\$2,000 \times$ total FTEs*

-or-

- $\$3,000 \times$ number of employees receiving tax credit*

14



South Carolina

Additional Fees/Taxes with ACA

- **PCORI Fees** - \$1 pmpy (2012), \$2 pmpy (2013), \$2+ inflation 2014-2019
- **Risk adjustment** - 2014 and after, \$1 pmpy for NGF Ind & SG FI – on and off exchange
- **Reinsurance** – 2014 – 2016, \$5.25 pmpm in all market segments
- **Insurer Fee** – for 2014, ~ 2.3% of premium
- **Exchange Fee** – for 2014, proposed at 3.5% of premium
- **“Cadillac Tax”** – in 2018, 40% tax on excess benefit plans



ACA Pricing Impact

- Most severe adjustment for individual products
 - Guarantee issue impact
 - Added benefits – EHBs, maternity, etc...
- Less severe on groups
- Uni-gender rating
- Rate compression from 7:1 to 3:1
- New fees and taxes



ACA Resources

- The Kaiser Family Foundation – www.kff.org
– includes financial calculators for subsidies, penalties
- The Center for Consumer Information and Insurance Oversight (CCIIO) – www.cciio.cms.gov
- Department of Labor – www.dol.gov
- Internal Revenue Service – www.irs.gov
- Department of Health and Human Services – www.healthcare.gov





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