ACA: Are You Ready?

Bolton & Company
April 2013

Peter Marathas
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Agenda

• Initial Observations
• Recent Developments
• Compliance Calendar Checklist: Important dates, past, present and future—Action Item Reminders
• Individual Mandates & Subsidies—What They Are and Why Employers Should Care
• Exchanges: What Are The States Doing & Not Doing
• The 90 Day Enrollment Rule
• Employer Shared Responsibility Requirements—A/K/A 2014’s Play or Pay Mandates
• Taxes—The Hidden Costs of “Health Care Reform”—What Will It Cost You?
Initial Observations
Initial Observations

- Costs **Will** Increase
  - Direct Cost$
  - Indirect Cost$
  - Unknown Cost$

Premium Increases
Taxes
Penalties
Administrative Costs
Unrestrained Agency Action
Recent Developments
### Compliance Calendar Checklist: Important dates, past, present and future—Action Item Reminders

#### 2012
- Initial MLR Reporting (for CY2011) and Rebate issuance in August
- Women's Preventive Services expanded (plans renewing on or after 8/1/2012)
- Summary of Benefits and Coverage (SBC) and 60-day advance notice of material modifications (plans renewing on or after 9/23/12)
- W-2 reporting of aggregate value of employer-sponsored coverage on 2012 W-2

#### 2013
- FSA contributions limited to $2,500
- Medicare payroll tax rate increase for high income earners
- Notice to inform employees of Exchange provided by employer (late summer / fall of 2013)
- Non-Discrimination Rules

#### 2014
- Employer "Play or Pay" Mandate
- Individual Mandate to purchase insurance or pay a penalty
- Federal and State Insurance Exchanges, including Individual subsidies
- Guaranteed issue: Pre-existing conditions prohibited
- Essential Health Benefits (EHB) Coverage standardized for small group plans
- No Annual dollar limits on Essential Health Benefits (EHB) in any plan
- Coverage for clinical trials
- 90-day limit on Waiting Periods
- Employer annual reporting of employee coverage
- Annual Insurer industry fee for fully-insured plans through 2018
- Reinsurer Fees through 2016
- Wellness Incentives
- Deductible caps of $2k/$4k for small group plans
- HDHP OOP Max for all non-gf plans

#### 2015-18
- Individual Mandates Increased penalties start
- Exchanges to all employers by 2017
- Cadillac Tax (2018)
Individual Mandate

• Beginning in 2014, all individuals must maintain health insurance for themselves and their dependents, with some exceptions
• Required to maintain “minimum essential coverage,” which includes
  • employer coverage
  • individual coverage
  • grandfathered plans, and
  • federal programs such as Medicare and Medicaid
Individual Mandate

- Penalty for not maintaining coverage is the greater of a flat-dollar penalty or a % of income penalty
- Flat-dollar penalty is halved for children under 18
- Flat-dollar penalty is capped at 3x the per-adult rate
- % of income penalty capped at the national average for Bronze Exchange coverage for the individual and dependents
  - % of income penalty designed to affect higher wage earners

<table>
<thead>
<tr>
<th></th>
<th>Per Adult</th>
<th>Per Child (&lt;age 18)</th>
<th>Family Max</th>
<th>OR % of income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$95</td>
<td>$47.50</td>
<td>$285</td>
<td>1%</td>
</tr>
<tr>
<td>2015</td>
<td>$325</td>
<td>$162.50</td>
<td>$975</td>
<td>2%</td>
</tr>
<tr>
<td>2016</td>
<td>$695</td>
<td>$347.50</td>
<td>$2,085</td>
<td>2.5%</td>
</tr>
</tbody>
</table>
The premium assistance tax credit is based on:

- The premium cost of the second-lowest-cost silver Exchange plan, and
- The household income level of the individual:

<table>
<thead>
<tr>
<th>Household Income Level (% above FPL)</th>
<th>Maximum Premium as Percentage of Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 133%</td>
<td>2.0%</td>
</tr>
<tr>
<td>At least 133% but less than 150%</td>
<td>3.0% – 4.0%</td>
</tr>
<tr>
<td>At least 150% but less than 200%</td>
<td>4.0% – 6.3%</td>
</tr>
<tr>
<td>At least 200% but less than 250%</td>
<td>6.3% – 8.05%</td>
</tr>
<tr>
<td>At least 250% but less than 300%</td>
<td>8.05% – 9.5%</td>
</tr>
<tr>
<td>At least 300% but less than 400%</td>
<td>9.5%</td>
</tr>
</tbody>
</table>
## Federal Poverty Guidelines

### 2013 FEDERAL POVERTY GUIDELINES

<table>
<thead>
<tr>
<th>Persons in Family</th>
<th>100% FPL</th>
<th>133% FPL</th>
<th>250% FPL</th>
<th>400% FPL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$11,490</td>
<td>$15,282</td>
<td>$28,725</td>
<td>$45,960</td>
</tr>
<tr>
<td>2</td>
<td>$15,510</td>
<td>$20,628</td>
<td>$38,775</td>
<td>$62,040</td>
</tr>
<tr>
<td>3</td>
<td>$19,530</td>
<td>$25,975</td>
<td>$48,825</td>
<td>$78,120</td>
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<tr>
<td>4</td>
<td>$23,550</td>
<td>$31,322</td>
<td>$58,875</td>
<td>$94,200</td>
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<tr>
<td>5</td>
<td>$27,570</td>
<td>$36,668</td>
<td>$68,925</td>
<td>$110,280</td>
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<tr>
<td>6</td>
<td>$31,590</td>
<td>$42,015</td>
<td>$78,975</td>
<td>$126,360</td>
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<tr>
<td>7</td>
<td>$35,610</td>
<td>$47,361</td>
<td>$89,025</td>
<td>$142,440</td>
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<tr>
<td>8</td>
<td>$39,630</td>
<td>$52,708</td>
<td>$99,075</td>
<td>$158,520</td>
</tr>
</tbody>
</table>
How Exchanges Work

- Not Insurance
- Exchanges will give individuals and small businesses a new way to purchase health coverage
- Access: Individuals and Small Businesses can go online and select their own plan, at the level they want
- Small businesses: 100 or fewer employees (states may reduce the limit to 50 or fewer employees until 2016)
- States can open Exchanges to larger employers beginning in 2017
Exchanges

- Must offer EHB
- Four Levels of Coverage:
  - Bronze (60%)
  - Silver (70%)
  - Gold (80%)
  - Platinum (90%)
- And: a catastrophic plan for individuals under 30
- Insurers may offer separate health plan products outside of an Exchange, but they are prohibited from offering rates for those health plan products that are lower than those offered within the Exchange
Exchange Progress as of March 28, 2013

*Kaiser Family Foundation
90 Day Enrollment Requirement

- Effective first day of plan year on or after January 1, 2014
- Guidance Released August 31, 2012 is effective through 2014
- **90 days** means **90 days** from the first day they are eligible
  - E.g., coverage may be effective at midnight on the 91\(^{st}\) day
- If employees can elect within 90 days but fail to elect within 90 days it is not a violation
- Employer may use a reasonable period to determine eligibility if (a) period is not designed to avoid the 90 day period, (b) individual becomes eligible within 90 days of being assessed eligible or, if earlier, within 13 months of start date (plus the days to the first day of the next calendar month if the employee's start date is the middle of the month)
Play or Pay Requirement—Overview

Play or Pay
- Applies to **Applicable Large Employers**
  - Employers with 50 or more **Full-Time Equivalents (FTE)**
- Penalty if coverage is **not offered** or coverage is offered but "**Unaffordable**" **and** a **Full-Time Employee** Receives A Subsidy in an Exchange

ALE & Insurance Not Offered OR Is Unaffordable  
Full-Time Employee Obtains Insurance in an Exchange  
That Is Subsidized  
Penalty

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Play or Pay Requirements

**Effective Date**

- Effective for months starting after December 31, 2013
- Non-calendar year plans in place on December 27, 2012: Play or Pay effective for plan years beginning on or after January 1, 2014
  - Plan must have been offered to at least one third of employees (full-time and part-time) at the most recent open enrollment period prior to December 27, 2012 **or**
  - Cover at least 25% of employees as of as of the end of its most recent open enrollment period (or any date between October 31—December 27, 2012), **and**
  - Employer must offer affordable coverage that provides minimum value to full-time employees starting with the 2014 plan year
**What Is An "Applicable Large Employer"

- An employer is an ALE for a calendar year if: employed average of at least 50 FTE's during preceding calendar year
  - Full-time equivalent employees (e.g., part-time employees) are counted only for purposes of determining ALE status
  - Full-time equivalent employees are **NOT** counted for penalty purposes

- To determine ALE status, count the employer's full-time employees (using a 30 hour per week standard) plus the result of dividing the hours of service (up to 120) of employees who are not full-time employees by 120 for each month
What Is An "Applicable Large Employer"

- **Special Rule for Seasonal Employees:**
  - Back out from calculation "seasonal employees" employed *no more than* 120 days during the preceding calendar year
  - For these purposes, four calendar months may be treated as the equivalent of 120 days (not required to be consecutive)
  - Until further guidance is issued, an employer may use a reasonable, good faith interpretation of existing Department of Labor guidance on the definition of seasonal employees
What Is An "Applicable Large Employer"

- All counting done on a "controlled group" basis
- EIN is irrelevant

EIN: 02-0000001
EIN: 02-0000002
EIN: 02-0000003
Play or Pay Requirements

Employers who do not provide minimum essential coverage

• Employers who do not provide health coverage to at least 95% of all full-time employees (and their children under age 26) are subject to a penalty

  • If at least one full-time employee (30+hrs/wk or 130+ hrs/mo) receives a subsidy to purchase Exchange coverage for himself or herself, the employer is subject to an annual penalty of $2,000 × all full-time employees (reduced by 30)

  • Penalty is assessed monthly ($167.67 per full-time employee per month)
Play or Pay Requirements

Employers who provide "unaffordable" coverage

- Coverage is "affordable" if
  1. The employee's cost for single coverage does not exceed 9.5% of household income (or Box 1 W-2 wages or another safe harbor), and
  2. The plan provides "minimum value" (it has at least a 60% actuarial value)

- If 95% of FTEs offered coverage, 5% can trigger affordability penalty

- Annual penalty is $3,000 for each full-time employee who receives a subsidy for Exchange coverage (not to exceed the "no coverage" penalty)
  - Penalty is assessed monthly ($250 per subsidy-receiving full-time employee per month)
Play or Pay Requirements

<table>
<thead>
<tr>
<th></th>
<th>Plan A</th>
<th>Plan B</th>
<th>Plan C</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE only</td>
<td>$50</td>
<td>$100</td>
<td>$150</td>
</tr>
<tr>
<td>EE + SP</td>
<td>$250</td>
<td>$350</td>
<td>$450</td>
</tr>
<tr>
<td>EE + CH</td>
<td>$300</td>
<td>$400</td>
<td>$500</td>
</tr>
<tr>
<td>EE + SP/CH</td>
<td>$500</td>
<td>$600</td>
<td>$850</td>
</tr>
</tbody>
</table>

“Affordability” is based on lowest cost EE only deduction

Employee may enroll in any plan as long as at least one is “affordable”
Play or Pay Requirements

Other Rules

Affordability Safe Harbors

• W–2 Safe Harbor
  – Affordable if required contribution for self-only coverage (excluding COBRA) does not exceed 9.5% of W–2 wages (Box 1)
  – Determined after calendar year, on an employee-by-employee basis
  – Contribution must remain consistent (amount or %) during the year
    – But employer may require a contribution that is based on a consistent percentage of W–2 wages and subject to a dollar limit specified by the employer (e.g., contribution may be set 9.5% of wages up to $100)
  – Prorated for partial periods of coverage
Play or Pay Requirements

Other Rules

• Rate of Pay Safe Harbor:
  – Affordable if required monthly contribution does not exceed 9.5% of an amount equal to 130 hours multiplied by the employee's hourly rate of pay
  – For salaried employees, monthly salary is used instead of 130 multiplied by the hourly rate of pay

• Federal Poverty Line Safe Harbor:
  – Affordable if required monthly contribution does not exceed 9.5% of a monthly amount determined as the Federal poverty line (FPL) for a single individual for the applicable calendar year, divided by 12
  – FPL is the FPL for the state in which employee is employed
Play or Pay Requirements

Annual Open Enrollment Requirement

• To avoid a potential penalty, an employer must provide employees with an effective opportunity to enroll (or decline coverage) at least once each plan year

• An employer cannot render an employee ineligible for a premium tax credit by requiring the employee to enroll in unaffordable coverage

• An employee’s failure to make a timely premium payment may result in termination of coverage without the employer becoming liable for an affordability penalty
Play or Pay Requirements—Who Is A Full-Time Employee?

**Hours of Service Rules**

- Hours of service include **PAID**: vacation, holiday, illness, incapacity, layoff, jury duty, military duty or leave of absence.

- Hours worked outside US disregarded if not US source income.

- If not full-time and actual hours not tracked, employer must:
  - Use actual hours of service and hours for which payment is made or due, or
  - Use equivalency method
    - 8 hours of service per day if employee works at least one hour, or
    - 40 hours of service per week if employee works at least 1 hour per week
  - Method must generally reflect actual hours worked.
Play or Pay—Who Is A Full-Time Employee?

Optional Look-Back Measurement Method

• Optional method for determining full-time status
• Key Terms:
  – "Measurement Period" (a/ka/ “Look Back Period”)
  – “Stability Period”
  – “Administrative Period”
# Examples of Various Look-Back Periods

## 3 Month Look Back

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov</td>
<td>Dec</td>
<td>Jan</td>
</tr>
<tr>
<td>ND</td>
<td>D</td>
<td>J</td>
</tr>
<tr>
<td>Not Applicable</td>
<td>Look-Back</td>
<td>Admin</td>
</tr>
<tr>
<td>Look-Back</td>
<td>Admin</td>
<td>Stability Period</td>
</tr>
<tr>
<td>Look-Back</td>
<td>Admin</td>
<td>Stability Period</td>
</tr>
</tbody>
</table>

## 6 Month Look Back

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov</td>
<td>Dec</td>
<td>Jan</td>
</tr>
<tr>
<td>ND</td>
<td>D</td>
<td>J</td>
</tr>
<tr>
<td>Not Applicable</td>
<td>Look-Back</td>
<td>Admin</td>
</tr>
<tr>
<td>Look-Back</td>
<td>Admin</td>
<td>Stability Period</td>
</tr>
<tr>
<td>Look-Back</td>
<td>Admin</td>
<td>Stability Period</td>
</tr>
</tbody>
</table>

## 12 Month Look Back

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov</td>
<td>Dec</td>
<td>Jan</td>
</tr>
<tr>
<td>ND</td>
<td>D</td>
<td>J</td>
</tr>
<tr>
<td>Look-Back</td>
<td>Admin</td>
<td>Stability Period</td>
</tr>
<tr>
<td>Admin</td>
<td>Stability Period</td>
<td></td>
</tr>
</tbody>
</table>
Key PPACA Taxes & Fees

Patient-Centered Outcomes Research Institute Fee (2012-2019)

• Effective for plan years ending after September 30, 2012 and before October 1, 2019
  • $2 fee per member per year
    – Paid by insurers if insured plan
    – Paid by plan sponsor if self-funded plan
  • Fee reduced to $1 for plan years ending before October 1, 2013
  • For plan years beginning after September 30, 2014, fee increases based on national health expenditures
  • Fee supposed to sunset after 2019
  • Does not apply to HIPAA-excepted benefits
Key PPACA Taxes & Fees

Medicare Taxes (2013)

- **Increase** to the 1.45% Medicare tax by 0.9% for wages in excess of $200,000 ($250,000 if filing jointly)
  - FICA: 6.2% Social Security tax on wages up to $113,700, plus Medicare tax of 1.45% on all wages

- **New** Medicare tax on unearned income
  - FICA taxes include a new 3.8% tax on the lesser of
    1. net investment income, and
    2. the excess of AGI over $200,000 ($250,000 if filing jointly)
  - Generally no employer withholding for the 3.8% tax
Key PPACA Taxes & Fees

Health Insurance Tax (2014)

- Starting in 2014, PPACA imposes a health insurance tax (HIT) on the fully-insured market (includes medical, dental and vision)
- $8 billion in 2014, $11.3 billion in 2015-2016, $13.9 billion in 2017, and $14.3 billion in 2018
- HIT obligation is divided among insurers according to a formula based on each insurer's net premiums.
- Businesses that drop coverage or switch from fully-insured to self-insured—increase HIT obligation to those remaining fully-insured
- A cascading tax: premiums will increase to pay HIT; New tax assessed on increased premiums
Key PPACA Taxes & Fees

Temporary Reinsurance Fee (2014-2016 calendar years)

- Intended to stabilize premiums in the individual markets
- Assessment on carriers and self-funded plans
- Fee estimated to be $5.25 PMPM ($63 PMPY) in 2014.
- Generally applies to all group health plans – no exceptions for non-ERISA plans (e.g., governmental or church plans)
- Applies on a per-member basis
- Does not apply to HIPAA-excepted benefits, post-65 retiree plans, “integrated” HRAs
- Additional employer recordkeeping and cost requirements
Key PPACA Taxes & Fees

Cadillac Tax (2018)

- 40% nondeductible tax on excess over threshold
  - $10,200 Single, $27,500 Family
  - Multiemployer plans always use family threshold
  - Based on total cost of coverage (employer plus employee)
- Tax is paid by insurer or administrator, not by participant
- Increased by $1,650 Single, $3,450 Family:
  - For retirees age 55 or older and not eligible for Medicare, or
  - If majority of employees covered by the plan are engaged in a high-risk profession (listed in statute)
- Excludes dental and vision; includes HRAs, HSAs, and FSAs
ACA: Are You Ready

Bolton & Company

April, 2013

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TODAY’S DISCUSSION

1. Political and provision landscape
2. State developments and emerging issues
3. Business strategies for success
KEY DATES AND MILESTONES

2010 & 2011

• No lifetime dollar limits
• Phasing out of annual dollar limits
• 100% preventive care
• Dependent coverage to age 26
• Doctor choice
• No pre-existing conditions (under age 19)
• Health Savings Account (HSA) distribution tax penalty
• Grandfathering
• Over-the-counter drugs and HSAs/HRAs/FSAs
• Eliminating Medicare Part D coverage “Donut Hole”
• Medical Loss Ratio (MLR) takes effect
KEY DATES AND MILESTONES

2010 & 2011

• Quality of care reporting rules published
• Summary of Benefits and Coverage
• Comparative Effectiveness Research Fee
• MLR reporting and rebates
• Preventive Care/Women’s Health
• Reducing paperwork and admin costs
• W-2 reporting begins
• Flexible Spending Account limits
• Additional Medicare taxes
• Employee Exchange notice

2012 & 2013
# 2013 Provisions with Employer Impact

<table>
<thead>
<tr>
<th>Provision</th>
<th>Description</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional .9 and 3.8% Medicare Taxes</td>
<td>Additional 0.9% Medicare tax for individuals making $200,000+ or married couples $250,000+. An additional 3.8% tax applies to the lesser of: net investment income or an adjusted gross income exceeding $200,000 for individual or $250,000 for married/joint income.</td>
<td>Effective 1/1/13</td>
</tr>
<tr>
<td>Flexible Spending Account (FSA) Limits</td>
<td>Employees are limited to $2,500/year. Two employed spouses: $2,500 x 2</td>
<td>Plan years beginning on or after 1/1/13</td>
</tr>
<tr>
<td>W-2 reporting</td>
<td>Value of health care coverage is provided on each employee’s W-2</td>
<td>Employers must include beginning with 2012 Form W-2s</td>
</tr>
<tr>
<td>Employee Exchange notice</td>
<td>Employers will need send employees a notice about the Exchanges. We haven’t received any guidance or a sample notice yet.</td>
<td>Delayed to late summer/fall</td>
</tr>
</tbody>
</table>
KEY DATES AND MILESTONES

2010 & 2011

2012 & 2013

2014

New Marketplace
- Exchanges
- Individual mandate
- Employer mandate
- Essential health benefits
- Guaranteed issue
- New taxes and fees
- Pre-existing conditions (*all ages*)
## NEW FEES AND TAXES FOR EMPLOYERS AND INSURERS

<table>
<thead>
<tr>
<th>Comparative Effectiveness Research Fee</th>
<th>Health Insurance Industry Fee</th>
<th>Reinsurance Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overview</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Annual fee on insured and self-insured plans beginning on/after 10/2/11</td>
<td>• Annual fee on all insured plans</td>
<td>• Annual per capita fee on insured and self-insured plans</td>
</tr>
<tr>
<td>• HRA/FSA nuances</td>
<td>• <strong>Includes</strong> Dental/Vision</td>
<td>• Excludes Dental/Vision</td>
</tr>
<tr>
<td>• FI: Cigna pays, built into premium rates</td>
<td>• <strong>Excludes</strong> ASO and stop-loss</td>
<td>• FI: Full amount built into rates for 1/1/14+; partial load in 2013</td>
</tr>
<tr>
<td>• ASO: Client must calculate and pay own fee</td>
<td>• Full amount built into rates for plans 1/1/14+</td>
<td>• ASO: Client is liable. Client chooses if they submit payment or have TPA submit it on their behalf</td>
</tr>
<tr>
<td><strong>Effective</strong></td>
<td><strong>2014</strong></td>
<td><strong>2014-2016</strong></td>
</tr>
<tr>
<td>• Plan years beginning on or after 10/2/2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• First payable for many plans 7/31/13</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cost Impact</strong></td>
<td><strong>2014</strong></td>
<td></td>
</tr>
<tr>
<td>• Annual fee of $1, then $2 indexed, per participant until 2019</td>
<td>• 2 - 2.5% of premium in 2014</td>
<td>• $60 - $90 PMPY in 2014</td>
</tr>
<tr>
<td></td>
<td>• Increasing to 3 - 4% in future years</td>
<td>• $40 - $60 PMPY in 2015</td>
</tr>
<tr>
<td></td>
<td>• <strong>NOT</strong> tax-deductible</td>
<td>• $25 - $35 PMPY in 2016</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• IS tax-deductible</td>
</tr>
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# NEW FEES AND TAXES FOR EMPLOYERS

## Elimination of the Medicare Part D Employer Subsidy for Rx

<table>
<thead>
<tr>
<th>Overview</th>
<th>• Eliminates deduction for Medicare Part D employer subsidy for retiree prescription drug coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Penalties:</td>
<td>• Fines employers with 50+ full-time equivalent employees who do not provide affordable (costs less than 9.5% of employee’s W-2 wages), “minimum value” (covers 60%+ of costs) coverage</td>
</tr>
<tr>
<td>• No coverage: $2,000 per FTE (minus first 30)</td>
<td></td>
</tr>
<tr>
<td>• Not affordable and/or not minimum value: Lesser of $3,000 per FTE receiving tax credit or $2,000 per FTE (minus first 30)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Effective</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Impact</td>
<td>• Varies by employer</td>
</tr>
</tbody>
</table>

| 2014 | • Depends if employer needs to adjust plan to be compliant or is penalized |

| 2018 | • Actual impact TBD based on final regulatory guidance |

## “Cadillac” Tax

| • Imposes an additional excise tax on plans with generous coverage levels |
| • A 40% excise tax on high cost health plans that exceed $10,200 for individual and $27,500 for family coverage |
EMPLOYER MANDATE EFFECTIVE 1/1/14

Employers with 50 or more full-time employees/equivalents must offer medical coverage that is “affordable” and provides “minimum value” to their full-time employees and their dependent children up to age 26 or be subject to penalties.

Coverage is “affordable” if employee contributions are less than 9.5% of:
- Employee’s W-2 wages
- Employee’s monthly wages (hourly rate x 130 hours per month), OR
- Federal Poverty Level for a single individual

A plan must pay 60% of the costs of covered health services to be considered as providing “minimum value.”

Employer-sponsored plans that begin on a date other than January 1 will not face penalties if they comply upon the first day of their 2014 plan year.
EMPLOYER PENALTIES
For those with 50 or more full-time employees

Do you offer coverage to 95% of full-time ee’s?

- **YES**
  - Does the plan provide “minimum value”? (60%+ of total allowed costs) \(^{(1)}\)
    - **YES**
      - Is the coverage affordable? (<=9.5% of Income)
        - **YES**
          - No penalty
        - **NO**
          - Lesser of $3,000 per FTE receiving tax credit or $2,000 per FTE (minus first 30)
    - **NO**
      - $2,000 per FTE (minus first 30)
        - Only applies if one full-time employee receives federal premium assistance for exchange coverage.

- **NO**
  - $2,000 per FTE (minus first 30)
    - Only applies if one full-time employee receives federal premium assistance for exchange coverage.
TODAY’S DISCUSSION

1. Political and provision landscape

2. State developments and emerging issues

3. Business strategies for success
EXCHANGES: DEFINITION AND TIMELINE

- By 2014, states are required to establish health insurance exchanges
- Individual and small employer
- State, partnership or federal options
- Federal subsidies for those at 100% - 400% of federal poverty level

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
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<tbody>
<tr>
<td>1/1/13</td>
<td>Exchange Certification</td>
<td>10/1/13 – 3/31/14 Initial open enrollment</td>
<td>1/1/15 Exchanges financially self-sufficient</td>
<td>1/1/16 Small employer size raises to 100</td>
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<tr>
<td>2/15/13</td>
<td>State requests for Federal Partnership Exchange Delayed – late summer/fall Employee Exchange notice</td>
<td>1/1/14 Open to individuals and small employers</td>
<td></td>
<td>1/1/17 May open to large employers</td>
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</tbody>
</table>

• By 2014, states are required to establish health insurance exchanges
• Individual and small employer
• State, partnership or federal options
• Federal subsidies for those at 100% - 400% of federal poverty level
ESSENTIAL HEALTH BENEFITS – WHAT WE KNOW

- Effective for plans beginning on or after 1/1/14
- Each state determines EHBs by selecting a benchmark plan
- HHS Bulletin in Dec. 2011; awaiting further guidance

ESSENTIAL HEALTH BENEFITS – 10 BASIC CATEGORIES

- Ambulatory patient services
- Emergency services
- Hospitalization
- Mental health and substance abuse disorders/behavioral health treatment
- Maternity and newborn care
- Prescription drugs
- Rehabilitative and habilitative services/devices
- Laboratory services
- Preventive and wellness services and chronic disease management
- Pediatric services, including oral and vision care
TODAY’S DISCUSSION

1. Political and provision landscape
2. State developments and emerging issues
3. Business strategies for success
### MARKETPLACE EVOLUTION - EXISTING AND EMERGING MODELS

**Private Exchanges And New Market Models**

<table>
<thead>
<tr>
<th>LOW</th>
<th>Employer Engagement and Control</th>
<th>HIGH</th>
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</thead>
<tbody>
<tr>
<td><strong>Public exchanges 2014+</strong></td>
<td>Individual plans and small group plans (&lt;50)</td>
<td><strong>Private multi-carrier exchange</strong></td>
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<td><strong>Private multi-carrier exchange</strong></td>
<td>Individual plans</td>
<td><strong>Private multi-carrier exchange</strong></td>
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<td><strong>Private proprietary exchanges</strong></td>
<td>Group plans</td>
<td><strong>Traditional model ER sponsored benefits</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Group plans (Range of plans, CDHP and incentives)</td>
</tr>
</tbody>
</table>

What goals are driving your benefits strategy?
CONSIDER THE OPTIONS

Involvement with benefits, health and productivity

- Stay the course
- Opt Out

Involvement with financing

- Full throttle on health, wellness and productivity
- Defined contribution approach
A Whole New World In The Delivery System

2013 and Beyond

- ACO and ACO-like arrangements
- Consolidation of Providers
- Shortage of Primary Care Docs
- Decline of the Independents
- Joint Ventures
- New Risk Arrangements
- Integrated Systems Thrive
Managing Cost Control & Business Strategy Changes Due To Affordable Care Act
April 10, 2013
Healthcare Reform Compliance

What are large employer groups looking to solve with technology?
Healthcare Reform Requirements

*Enrollment System Implications*

**Summary of Benefits Coverage**

- Employers who sponsor group health plans are required to provide each employee an SBC
- The SBC may be distributed in paper format or electronic. If it is electronically delivered, current ERISA rules on electronic disclosure apply.

**Technology**

- Make SBC’s available in the enrollment process tailored to the employees benefit eligibility
Healthcare Reform Requirements

Enrollment System Implications

W2 Reporting

- Beginning with the Form W-2 issued in January 2013 (i.e., the Form W-2 issued for the 2012 calendar year), employers must report to employees the cost of their employer-sponsored group health plan coverage.

Technology Solution

- Provide a standardized file feed with the appropriate employer paid amounts per benefit, per individual. Accumulated in payroll to support the end-of-year requirement.
Healthcare Reform Requirements

*Enrollment System Implications*

**Automatic Enrollment**

- Employer groups with over 200 full time employees must auto enroll new full time employees into one of the employers health benefits plans starting January 2014

**Technology Solution**

- Auto enrollment utilities that enroll new hires into default plans once their grace period has expired.
- Flexibility to determine the plan based on eligibility.
Innovation

How are large employer groups innovating to control costs?
Common Objectives for Large Employers

- Better communication/educational tools to drive plan steerage
- Efficiently offer more choices that better fit employee needs
- Deliver superior technology that engages employees and enhances overall benefit strategy
- Develop strategy for taking advantage of mobile technology
- Shift focus towards health and wellness
- Control Costs/Mitigate Risk - Health data analytics
Communication

*Increased Needs for Effective Communication*

- Changing options for health insurance consumers
- More complex options for health insurance consumers
- Convergence of employer-sponsored and individually purchased insurance
- End result: greater need for timely, effective communication
Communicating Through Technology

*Education*

- Providing the right content at the right time with consolidated workflows
- Enable users to learn at their own pace
- Benefit education portals that are targeted by employee eligibility groups
- Point of decision education around complex healthcare terms
- Educating employees on the benefits of consumer driven health plans
- Utilizing effective communication strategies
  - Video
  - Avitars
  - Interactive decision support
Communicating With Video

- YouTube videos receive more than 3 billion views per day
- 48 hours of video is uploaded to YouTube every minute
- Video results appear in about 70% of the top 100 listings, the type of content most often displayed in universal or blended search results (Marketingweek)
YOUR NEEDS

Next, we'll ask a handful of questions to get a sense of your health needs and personal priorities. This info will help us narrow down your options and find that best match for coverage!

Which statement best describes you?

- I tend to take charge in most things I do.
- I like to have input and know what's happening, but I don't always need to be in charge.
- I tend to go with the flow.
Manage Dependent Verification

- Statistics show that the average dependent can cost an organization anywhere from $3,000 to $5,000 in annual claims, and it isn't unusual to find as much as 5% to 15% of a dependent population ineligible for coverage. (*Employee Benefit News*)
Wellness Programs

*Driving down cost by facilitating healthy populations*

- Driving employee participation in Wellness programs
- Personal health assessments
- Incentivizing employees to maintain a healthier lifestyle
- Ability to drive incentives to programs with automated technology
- Creating online tools and programs accessible from the internet
Data Analytics & Integration

- Claims
- Member Eligibility
- PBM/Rx
- HRA/Biometrics
- Fixed Costs
- Benchmark Data
- On-Site Clinic
- Case Management
- Workers Comp

DATA WAREHOUSE

Secure website

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Employer Benefits Lifecycle

- **Data Integration:** Claims, Eligibility, Enrollment
- **Analyze & Understand**
- **Plan Design, Carrier Selection**
- **Implementation & Administration**
- **Monitor Utilization & Cost Trends**
- **Open Enrollment Planning & Communication**
- **Ongoing Employee Maintenance & Communication**
Defined Contribution Model

- Create a retail environment for employees
- Risk transfer and control costs
- Create a transparent employer health benefit contribution
- Display employer contribution and employee cost as monetary value or percentage
- Employees have greater flexibility to tailor benefit/contribution trade off
Emerging Exchange Technology
Staying Ahead of Emerging Benefit Trends

Private Exchanges for Large Employers

Business Purpose

- Gain control of benefits costs
- Broader benefit choice for employees
- Retail shopping for employees
- All Benefits – One Place
- Benefit communication and education

Products

- Multi-Carrier - Core and voluntary benefits
Staying Ahead of Emerging Benefit Trends

Private Exchanges for Large Employers

Funding Model

• Defined Contribution

Multi-Purse

• HSA and HRA funding accounts
• Payroll deduction
• CC / ACH
Managing Cost Control & Business Strategy Changes Due To Affordable Care Act

April 10, 2013