

Affordable Care Act Issues and Impact

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Presentation Outline



- Affordable Care Act (ACA) – broad strokes
- Practical issues facing employers and health plan administrators
- ACA Impact

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What Does the ACA Do?



- Aims to extend access to health insurance coverage to all citizens
- Imposes mandates and reporting requirements on insurers and employers sponsoring health benefits
- Expands Medicaid eligibility (optional)
- Expands certain Medicare benefits
- Creates new virtual marketplaces to buy coverage (the Exchanges)

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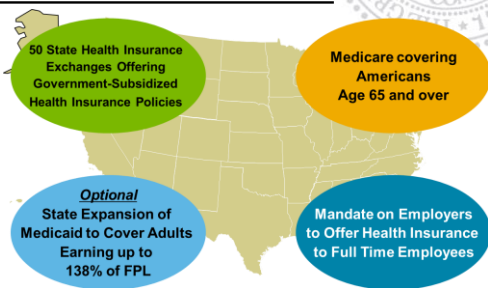


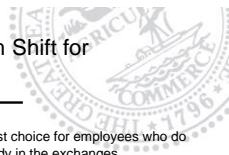
Big Picture of the ACA- All Goes Together

- Individual mandate
- Employer pay or play
- Tax credits for small employers
- Insurance market regulation
- Insurance exchanges
- Premium subsidies
- Medicaid expansion



Avenues to Access Health Care in 2014





Health Care Reform—Paradigm Shift for Employers and Employees

- Employer Plan**
 - If offered, generally the best choice for employees who do not receive a federal subsidy in the exchanges
 - Insurance plan familiar to most employees
- State/federal Exchanges**
 - Employees with low family incomes may receive better benefits at a lower cost in a state exchange
 - These individuals can only receive federal subsidies if employer does not offer an affordable plan
- Medicaid**
 - May be available to more employees in states that choose to expand Medicaid coverage
 - Enrollees receive nearly full coverage, although provider access is limited
- Opt-Out Self Insure**
 - Employees may opt-out for many reasons including a spouse with a better/cheaper plan, TriCare coverage, or simply not wanting to own health insurance



Plan Compliance Requirements

- Employer mandate to provide affordable minimum essential health coverage
- Preexisting conditions exclusions prohibited
- No annual dollar limits on essential health benefits
- Limit of 90-day waiting period for coverage
- Increased cap on rewards for participation in wellness program
- Cost-sharing limits for all group health plans, not just HDHPs/HSA (deductibles and OOP maximum)
- Transitional reinsurance fee



Employer Mandate (a.k.a. Shared Responsibility)

- Requires **large** employers to offer **affordable health coverage** that provides **minimum actuarial value** and **minimum essential coverage** to at least 95% of their **full-time employees** and their eligible dependents
- What's a "large" employer
- What is "affordable coverage?"
- What is "minimum actuarial value?"
- What is "minimum essential coverage?"
- Who is a "full-time employee"?



Health Care Reform Impact – Contractor and Part-Time Workers

- Individuals have a responsibility to maintain minimal essential coverage or pay a penalty that is generally based on taxable income
- Use of any employee for an average of 30 hours a week or more could cause the employer to incur the expense of providing health insurance or being assessed an IRS penalty
- Need to know how many contractors and PT employees are considered FT employees under IRS guidelines; ensure proper procedures for managing contractors



Key Administrative Employer Requirements

- W-2 reporting
- Summary of Benefits and Coverage (SBC)
- Employer Exchange-related notices
- Employee protection
- Reporting to IRS starting in 2015
- Automatic enrollment (not yet issued)



Health Insurance Marketplace

- The Marketplace aims to offer "one-stop shopping" to find and compare private health insurance options
- Initial open enrollment for health insurance coverage through the Marketplace October 1, 2013 through March 31, 2014
- Thereafter, there will be an annual enrollment period from October 15 through December 7
- In Tennessee individuals will use the Healthcare.gov website to apply for coverage, compare plans and enroll

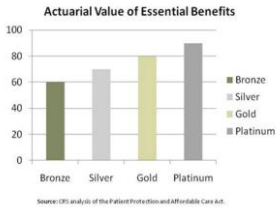


Core Functions of the Marketplace

- Regulated internet marketplace
- Consumer assistance
- Plan management
- Eligibility
- Enrollment
- Financial management



Metal Levels



Example:

- A plan with an actuarial value of 70% (referred to as a "silver" plan)
- For a standard population, the plan will pay 70% of their health care expenses, while the enrollees will pay 30% through a combination of deductibles, copays, & coinsurance

Overview of Individual Mandate

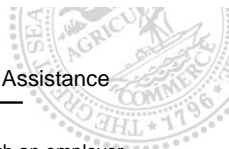
Requires individuals to maintain "minimum essential coverage" for themselves and their dependents each month or pay a penalty

Year	Penalty (greater of)
2014	\$95/adult (capped at \$285 per family) or 1% of taxable income
2015	\$325/adult (capped at \$975) or 2% of taxable income
2016	\$695/adult (capped at \$2,085) or 2.5% of taxable income
2017 & Beyond	\$695(indexed for COLA)/adult or 2.5% of taxable income

Individual Coverage - Premium Assistance

Individuals must:

- Not be eligible for coverage through an employer-sponsored plan
- Not be in Medicare, Medicaid, CHIP, TRICARE, the VA or any other coverage named by HHS
- Be a resident of the state where the Exchange is established
- Not be incarcerated at the time of enrollment
- Be a citizen or legally documented immigrant
- Have household income between 100% and 400% of the FPL
- Not be claimed as a dependent on anyone's tax return





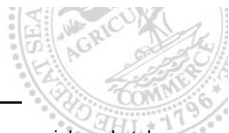
Retirees

- Exchanges will not offer Medicare supplemental plans but early retirees can purchase coverage on the Exchanges
- Age rating limitations may make Exchange coverage more attractive compared to current options in the individual market
- Employer shared responsibility penalty is not triggered if retirees obtain premium assistance tax credits in the Exchanges
- Retirees may decline retiree coverage from their employers and still qualify for a tax credit in an Exchange



Overview of Mandates – Insurance Companies

- Premium tax (~1.5% - 3.5%)
- Comparative effectiveness fees and reinsurance fees
- Same rate to individuals as through the Exchange, if it offers coverage inside and outside the Exchange
- No pre-existing conditions exclusions
- Rates based on coverage tier, geography, age, tobacco use
- Range of rates from youngest to oldest cannot exceed a factor of 3
- Guarantee policy renewal



So What's Different?

Coverage still operates through a commercial marketplace (with exception of Medicaid) BUT...

- New and more stringent requirements
- Federal government is a player in every state
- Large employer's traditional role in providing "hire to grave" health benefits is changing
- Employers may need to make significant changes to health plan eligibility and or workforce composition



Impact to Plan Sponsors

- Understand the requirements
- Monitor the environment
- Evaluate your organization
- Review workforce composition
- Know the cost
- Evaluate the options



What Will Employers do in the Long Term?

- No complete exit from funding – employers can either sponsor benefits directly or fund the system through some form of 'fine', aka, a tax
- Defined contribution only controls costs if the annual increase of the employer share is tied to CPI vs. health care inflation
- Argument that employers will exit is less likely than it sounds
- Even with exchanges health care increases will be borne by employers



Key Indicators to Monitor

- How quickly will the exchanges become highly functional?
- How will the public accept insurance exchanges?
- What will the government do with the penalties?
- How big an impact with the 2018 "Cadillac tax" have?
- Will health care cost increases slow down?
- What happens to the economy and labor markets?
- What will "the competition" do?



Future Implications

More employers will adopt a total compensation perspective:

- How do benefits "fit" within the employer's vision of the ideal culture?
- What is the responsibility to provide and/or subsidize health insurance benefits?
- What role to health benefits play in attracting and retaining talent?
- How are benefits perceived by employees?

Questions?