Penalties for individuals

2014:
Greater of $95 or 1% of taxable income

2015:
Greater of $325 or 2% of taxable income

2016:
Greater of $695 or 2.5% of taxable income

2017 and beyond:
Annual adjustments
Subsidies for individuals

For exchange plans only

- To be eligible, individuals must:
  - Have incomes between 133% and 400% of federal poverty level (FPL)
  - Not have access to minimum essential coverage through their employer or have access to coverage, but it is not affordable

- Premium credits – for any level plan

- Cost-sharing subsidies – Silver Plan only

Income ranges for 133% to 400% FPL

- Individual:
  - $14,856 to $44,680

- Family of four:
  - $30,656 to $92,200

Based on 2012 guidelines for the 48 contiguous states and D.C.
The big picture for individuals

Americans not covered under a government plan will have three 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 – Purchaser may be eligible for subsidy
   - The off-exchange market
3. **Go uninsured** *(will pay penalty unless they qualify for an individual exemption)*
Penalties for employers

50 or more full-time employees

- Employer doesn’t provide minimum coverage to full-time employees (FTEs)
- $2,000 x total number of FTEs (minus first 30 FTEs)

Employer provides coverage, but it is not “affordable”

- Lesser of $2,000 x total FTEs
  - or -
- $3,000 x number of employees receiving tax credit
Subsidies for employers

25 or fewer employees + average wages less than $50,000

- Available on the exchange only
- Only for **first two years they offer coverage** though an exchange
- Credit up to 50% of employer cost
- Credits decrease on a sliding scale as group size and employee wages increase
**Actuarial Value** = \( \frac{\text{Total Expected Payments by Health Plans for EHBs}}{\text{Total Costs of EHBs for the Standard Population}} \)

All will include **Essential Health Benefits**

- **Platinum**: 90% actuarial value
- **Gold**: 80% actuarial value
- **Silver**: 70% actuarial value
- **Bronze**: 60% actuarial value

Plus catastrophic plan offering for individuals younger than 30/ financial hardship
Health plan requirements continued

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Inside exchange</th>
<th>Outside exchange – Fully insured Small Group and Individual</th>
<th>Outside exchange – Fully insured Large Group and self-insured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Include essential health benefits</td>
<td>✔</td>
<td>✔</td>
<td>✗</td>
</tr>
<tr>
<td>Provide 60% actuarial value minimum</td>
<td>✔</td>
<td>✔</td>
<td>✗</td>
</tr>
<tr>
<td>Adhere to deductible and out-of-pocket maximum limits</td>
<td>✔</td>
<td>✔</td>
<td>✗</td>
</tr>
<tr>
<td>Comply with “metal levels” – benefit tiers with specified actuarial values</td>
<td>✔</td>
<td>✔</td>
<td>✗</td>
</tr>
<tr>
<td>Be certified by the exchange through which the plan is offered</td>
<td>✔</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* The health care reform law does not require carriers to offer plans with at least a 60% actuarial value, nor does it require employers to provide health coverage. However, it imposes penalties on 50+ employers that do not provide minimum coverage.
## Taxes and fees

<table>
<thead>
<tr>
<th>Tax/Fee</th>
<th>Effective Date</th>
<th>Responsible Party</th>
<th>Annual Tax/Fee Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Plan fees for comparative effectiveness research</strong></td>
<td>Plan/policy years that end after 9/30/2012 and begin before 10/1/2019</td>
<td>Issuers of fully insured plans, Sponsors/administrators of self-insured plans</td>
<td>$1 or $2 a year per person (adjusted annually for inflation), based on average number of covered lives</td>
</tr>
<tr>
<td><strong>Tax on high earners and unearned income</strong></td>
<td>Tax years beginning 1/1/2013 and later</td>
<td>Individual taxpayers</td>
<td>0.9% Medicare surtax on wages in excess of $200,000 single / $250,000 married couples, 3.8% tax on unearned income for taxpayers with modified adjusted gross income in excess of $200,000 single / $250,000 married couples</td>
</tr>
<tr>
<td><strong>Insurer fees</strong></td>
<td>Tax years beginning 1/1/2014 and later</td>
<td>Issuers of fully insured plans</td>
<td>Based on net health insurance premiums written in the preceding calendar year as a percentage of all health insurance premiums written in the preceding calendar year</td>
</tr>
<tr>
<td><strong>Reinsurance assessments</strong></td>
<td>Plan/policy years beginning in the 3-year period starting 1/1/2014</td>
<td>Issuers of fully insured plans, Sponsors/administrators of self-insured plans</td>
<td>TBD – may be based on percentage of revenue of each issuer and total costs of providing benefits to enrollees in self-insured plans or on a specified amount per enrollee</td>
</tr>
<tr>
<td><strong>High-cost insurance tax</strong></td>
<td>Tax years beginning 1/1/2018 and later</td>
<td>Issuers of fully insured plans, Sponsors/administrators of self-insured plans</td>
<td>Annual excise tax of 40% on health plan costs that exceed “Cadillac” plan thresholds</td>
</tr>
</tbody>
</table>
Underwriting changes

For Small Group and Individual markets:

- Guaranteed issue
- No health status rating
  Also known as modified community rating
- 3:1 age rating bands
The big picture for large groups

Employers who have 50 or more employees will have at least three health insurance options in 2014:

- **Offer health insurance** – either fully insured or 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 dependent coverage
The big picture for small groups

Employers who have 49 or fewer 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 don’t exist

3. Stop offering coverage and let employees buy through the Individual market
   - Other options may exist, such as defined contribution, adjusting contribution levels by employee, etc.
Exchange functions

- Consumer assistance
- Financial management
- Plan management
- Enrollment
- Eligibility
## Exchange models

<table>
<thead>
<tr>
<th>Facilitator</th>
<th>Active purchaser</th>
<th>No model</th>
</tr>
</thead>
</table>
| • Any carrier meeting minimum federal and state requirements may participate | • The state solicits bids  
• The state directly negotiates prices and benefits | • Federal fallback exchange |
| • Carriers compete in an open market | | |
Exchange timeline

March 23
Health care law enacted

August
HHS started issuing planning grants to states

Dec. 14
Deadline for states to submit state exchange applications

Jan. 1
Exchange coverage begins


July 11
HHS issued first set of proposed rules

Jan. 1
HHS determines whether state exchange will be ready by October

Feb. 14
Deadline for states to submit federal partnership model.

Target date for exchanges to be financially self-sufficient

Oct. 1
Open Enrollment begins

State option to expand exchange eligibility to larger groups
Producer role

Each exchange will decide how producers will be involved

Potential producer activities *may include*:

- Helping people enroll in QHPs
- Assisting people with their applications for credits and subsidies
- Working with individuals and small group employers looking for coverage on the exchanges

- HHS will provide more guidance on the producer role, including how states will oversee licensing of producers
How we’re preparing

Product development

- **Providing** plan information for healthcare.gov tool (may serve as foundation for exchange)
- **Updating** plan designs to comply with pre-2014 benefit requirements
- **Developing** and maintaining plan designs that meet the post-2014 benefit requirements
How we’re preparing

Public policy

• Federal level:
  • Evaluating guidance
  • Providing comments on guidance

• State level:
  • Advocating for exchange rules that maintain choice and don’t disrupt the existing marketplace
How we’re preparing

Strategy and local leadership

- Assess opportunities and priorities
- Pull from knowledge of local market dynamics
- Identify potential impacts to employers, brokers and agents, costs and the overall market
The bottom line

Exchanges won’t replace the private health insurance market.

They’re simply another channel for qualified individuals and groups to obtain coverage.
Questions?
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