



*Health Care Reform and Financial
Impact Discussion*

*Indiana Council of Community
Mental Health Centers*

April 26, 2013



Developing a Plan for Health Care Reform

Understand-Analyze-Determine-Align



Understand
the
Landscape



Analyze
Financial
Impact



Determine
Company &
Employee
Impact



Align with
Business
Strategy

Tools & Resources Needed for All

Health Care Reform - Understand



Understand
the
Landscape

- Are you considered a large or small employer?
- What does Employer Shared Responsibility mean?
- What is the Individual Mandate?
- What is different between a public & private exchange?
- How will state's decision to expand Medicaid impact your organization?



What is a "Large Employer"?

- A "**large employer**" is an employer with 50 or more full-time employees (including full-time equivalents)
- Large employer status determined based on average number of employees in previous calendar year
- Common ownership rules (control group and affiliated company rules) apply

Employer Shared Responsibility

- An employer is **not** required to provide coverage, but a **large employer** will face a tax penalty beginning January 1, 2014, if it:
 - fails to provide **minimum essential coverage** to at least 95% of its **full-time employees** and their dependent children (up to age 26), or
 - provides **minimum essential coverage** to at least 95% of its **full-time employees** and their dependent children (up to age 26) but such coverage is either **not affordable** or does not provide **minimum value**

2014 Employer Penalties

Healthcare Reform Coverage Tier			Employer Coverage Mandate	
FPL Range	Employer Plan Contribution % of HHI	Tier Description	Coverage Not Offered	Non-Qualified Coverage
0% to 138%	Not Applicable	Medicaid Eligible	\$2,000 Penalty Per FTE	No Penalty
139% to 400%	>9.5% of HHI	Unaffordable Coverage	\$2,000 Penalty Per FTE	\$3,000 Penalty for Each FTE Receiving Premium Subsidy
	<9.5% of HHI	Affordable Coverage/ <60% Actuarial Value	\$2,000 Penalty Per FTE	\$3,000 Penalty for Each FTE Receiving Premium Subsidy
	<9.5% of HHI	Affordable Coverage/ >60% Actuarial Value	\$2,000 Penalty Per FTE	No Penalty
400%+	Not Applicable	Not Eligible for Subsidy	\$2,000 Penalty Per FTE	No Penalty

1. In non-Medicaid expansion states, subsidy penalties apply down to 100% FPL
2. Small employers (<50) exempted from all penalties
3. Penalty and contribution %'s will be indexed annually

Individual Mandate

- General rule that individuals must either secure "minimum essential coverage" or pay a tax penalty
- Tax penalty
 - Taxpayer pays for him/herself and for tax dependents.
 - No penalty if gap in coverage is less than 3 months

Individual Penalties

- Annual penalty is the **greater of** a flat dollar amount per individual or a percentage of the individual's taxable income.
 - The flat dollar amount or a % of taxable income per individual
 - 2014: \$95 or 1%
 - 2015: \$325 or 2%
 - 2016: \$695 or 2.5%
 - After 2016, it is indexed to inflation. The flat dollar penalty is capped at 300% of the flat dollar amount.
 - Penalty is half for dependents under the age 18.

Public / Private Exchange Comparison

Public Exchange

- Individuals /
- Small Business *(delayed)*
- Carrier based QHP
- State / Federal Administration
- Federal Premium & Cost Sharing Subsidies

Private Exchange

- Employer Sponsored
- Defined Contribution
- Insurance Carriers or Third Parties
- Fully Insured or Self - Funded
- No Federal Subsidies

Public Exchange Overview

- PPACA mandates establishment of state based health benefit Exchanges
- States have three options to comply
 - State Managed Exchange – 19 states declared
 - Federal Partnership – 7 states declared
 - Federal Based Exchange – 25 states declared (including IN)
- Premium and Cost sharing credits available to individuals with household income between 100-400 of federal poverty level (FPL)

Exchange Subsidies

Household Income Distribution

Household Size	100%	138%	250%	400%
1	\$11,490	\$15,856	\$28,725	\$45,960
2	\$15,510	\$21,404	\$38,775	\$62,040
4	\$23,550	\$32,499	\$58,875	\$94,200

- Eligibility for premium subsidy is based on Modified Adjusted House Hold Income
- HHI must be between 100 – 400% FPL to qualify for subsidy
- Subsidies range from 2 – 9.5% of HHI

Employer HCR Provisions - Actuarial Value

Metallic Tiers – Sample Plan Designs

	Plan	Deductible	Coinsurance	Out-of-Pocket Maximum	Actuarial Value
Platinum	1	\$250	80%	\$1,000	90%
	2	\$500	90%	\$1,000	90%
	3	\$750	100%	\$750	90%
Gold	4	\$1,500	80%	\$2,000	80%
	5	\$1,500	90%	\$2,500	80%
	6	\$2,000	100%	\$2,000	80%
Silver	7	\$2,500	80%	\$4,500	70%
	8	\$2,750	90%	\$5,500	70%
	9	\$3,500	100%	\$3,500	70%
Bronze	10	\$5,000	80%	\$6,400	60%
	11	\$5,500	90%	\$6,400	60%
	12	\$6,350	100%	\$6,350	60%

Based on Federal Minimum Value Calculator released February 2013.

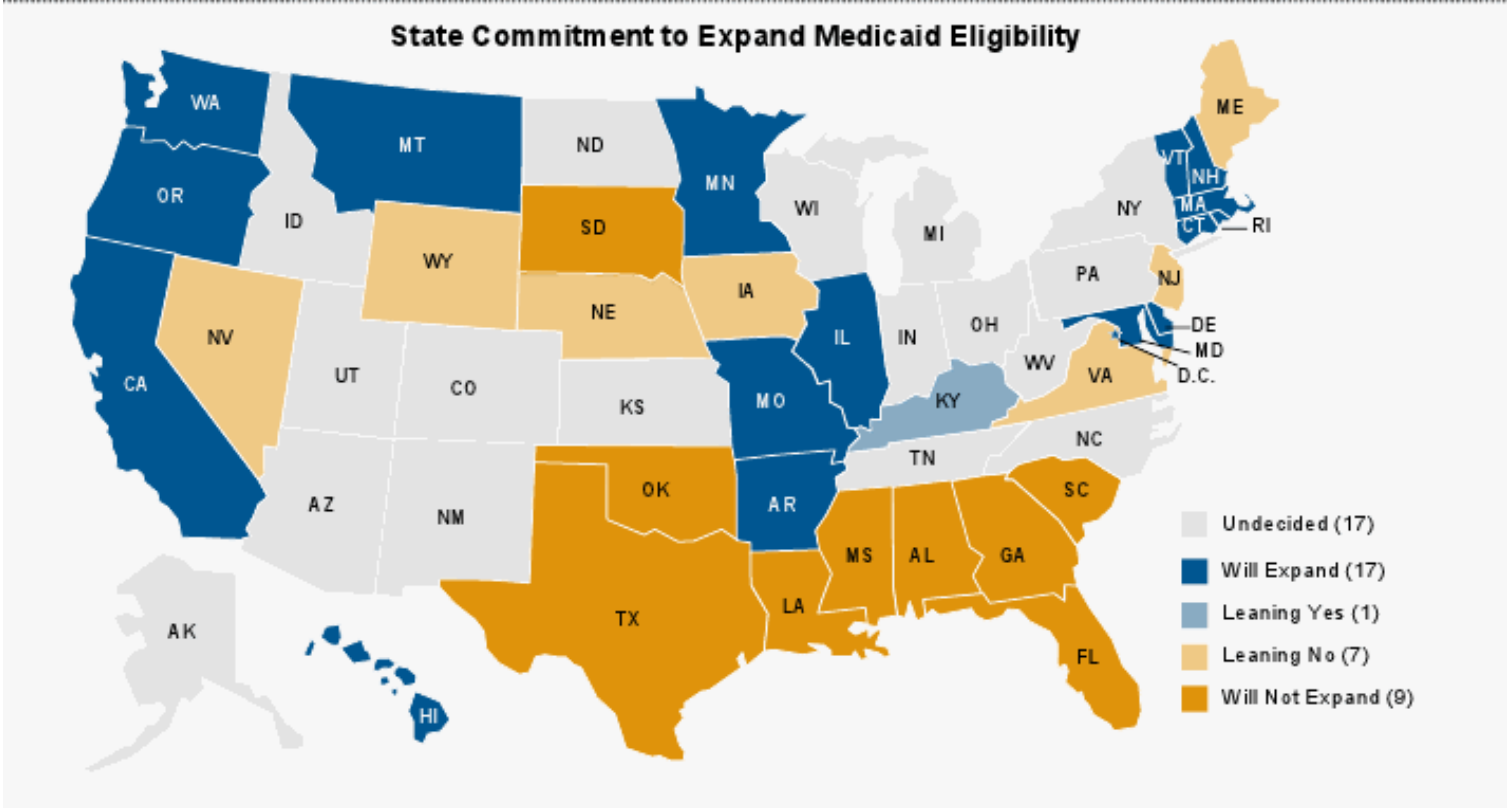
Medicaid Expansion

Impact of Supreme Court Ruling

- States cannot be required to expand Medicaid programs whose HHI is less than 138% of FPL in order to continue to receive Medicaid funds for current programs
- Medicaid eligible employees are not eligible for subsidies, eliminating employers exposure to penalties

Medicaid Expansion States

To Date, 17 States Plan to Expand Medicaid Eligibility, 9 Will Not Expand, and the Remainder Are Undecided



Health Care Reform - Analyze



Analyze
Financial
Impact

- What are your options?
- Have you done the math?
- What is the estimated household income distribution?
- What is the potential impact of the health plan's in and out-migration...specifically due to HCR?
- What are the tax implications of your decision?
- With HCR, what is the future viability of your health plan?

Small Employer Impact

Pre – Reform

Premium Rating: Purpose is to match rate (premium) to the risk and minimize *Adverse Selection*

Can rate by:

- Demographics (age/**gender**) (6:1)
- Family composition
- Area
- Tobacco use
- **Group size**
- **Industry**
- **Health underwriting or Experience rating**

Post – Reform

Premium Rating: Marketplace moves to adjusted community rating

Can rate by:

- Area
- Age (3:1)
- Family status
- Smoking status (1.5:1)
- **(No Health Underwriting)**

Large Employer Impact

Pre – Reform

Employer Choice without penalty

- Whether to offer coverage to employees
- Definition of employee and dependent eligibility
- Determination of benefit waiting period
- Benefit Plan Design
- Employee premium contributions

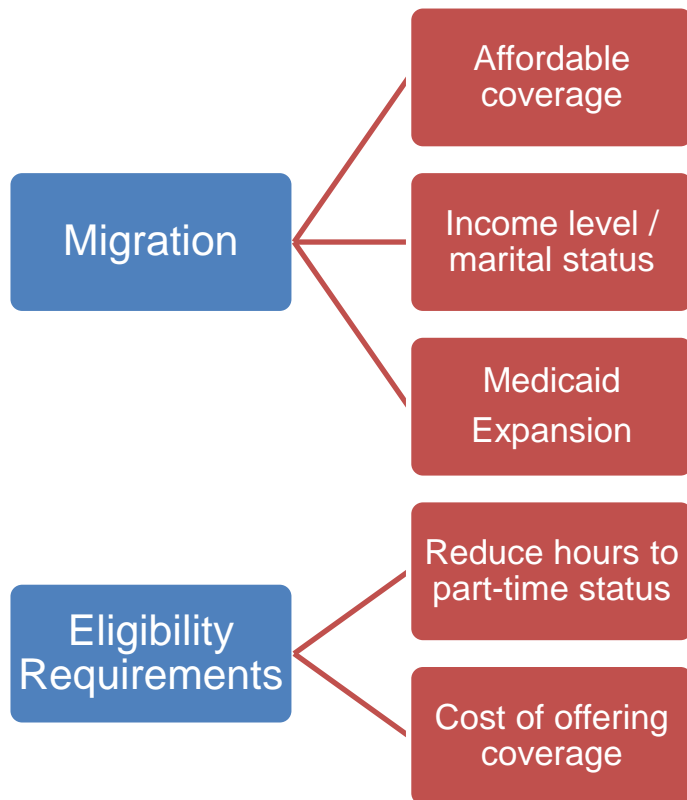
Post – Reform

If Shared Responsibility Rules are not met employer penalties may apply

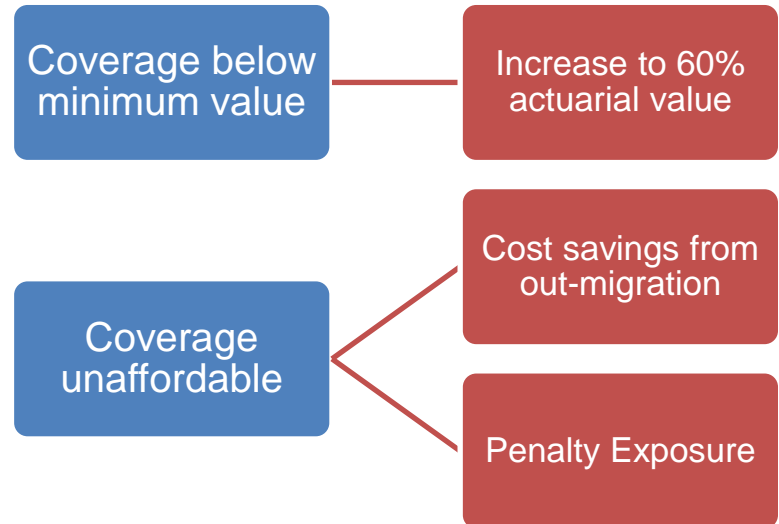
- Offer coverage to at least 95% of Full Time Employees – 30 hrs
- Affordable Coverage
- 60% Actuarial Value
- 90 day Waiting Period
- Safe Harbor Measurement / Stability period for Variable Hour Employees
- Dependent Coverage

Employer HCR Cost Drivers

Participation Risk Considerations



Compliance Risk Considerations



Employer HCR Cost Drivers

Financial Assessments

Miscellaneous

Fees & Taxes

Transitional
Reinsurance Fees

Health Insurer
Assessment

2018 Excise Taxes

Additional Costs

Benefit Mandates

Administration
Costs

Pent up demand
for services

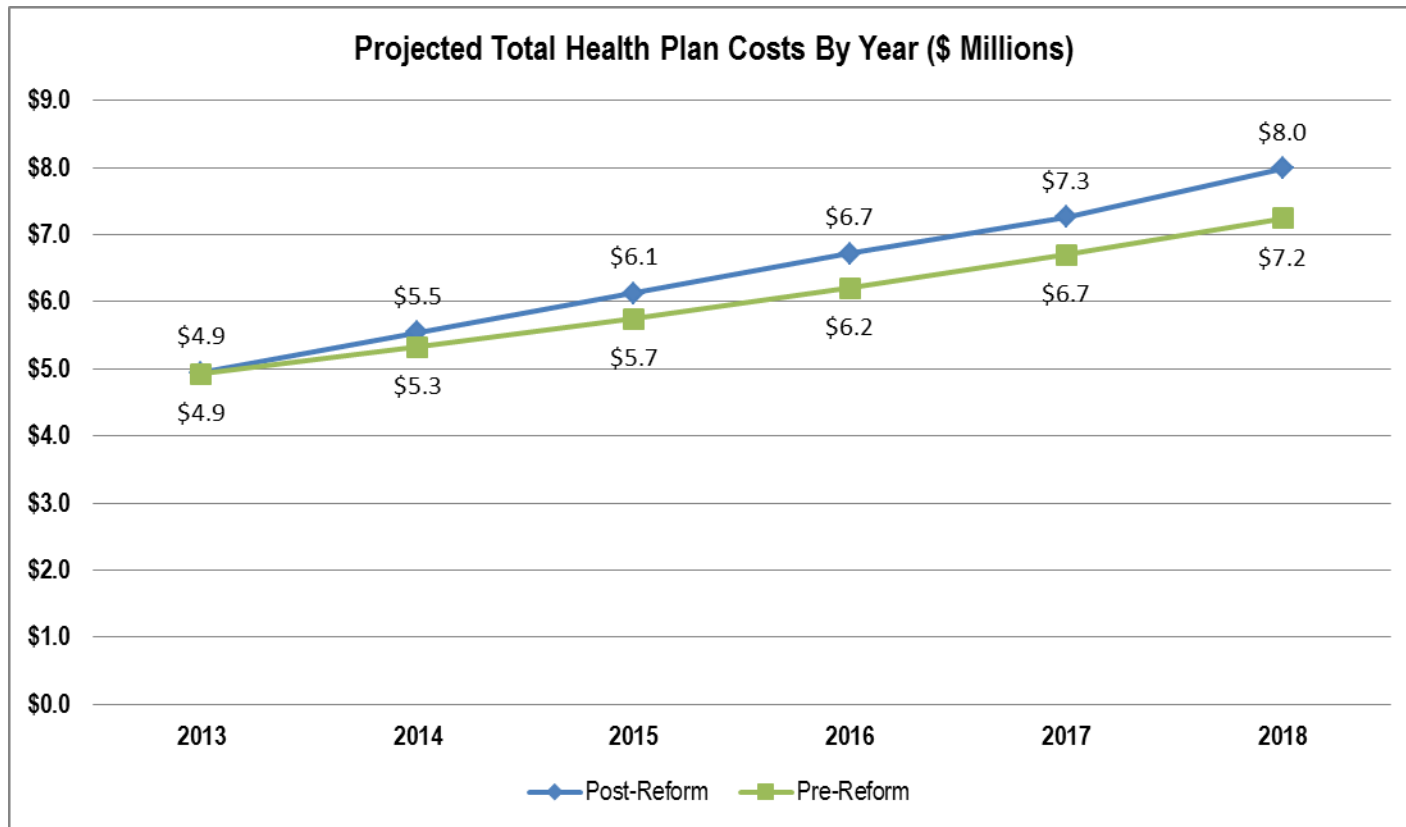
Provider Cost
Shifting

Community Rating

Employer Summary

- Tax Exempt Employer
- Health Care Reform Financial Risk Factors
 - In-Migration Participation
 - Employer Penalties
 - Fees & Taxes
 - Risk for Excise tax in 2018
- Opportunities
 - Optimize Exchange Subsidy Eligibility
 - Alternative Plan Design(s)
 - Modify Contributions
 - Communication & Wellness Initiatives

Health Care Reform Impact Projection

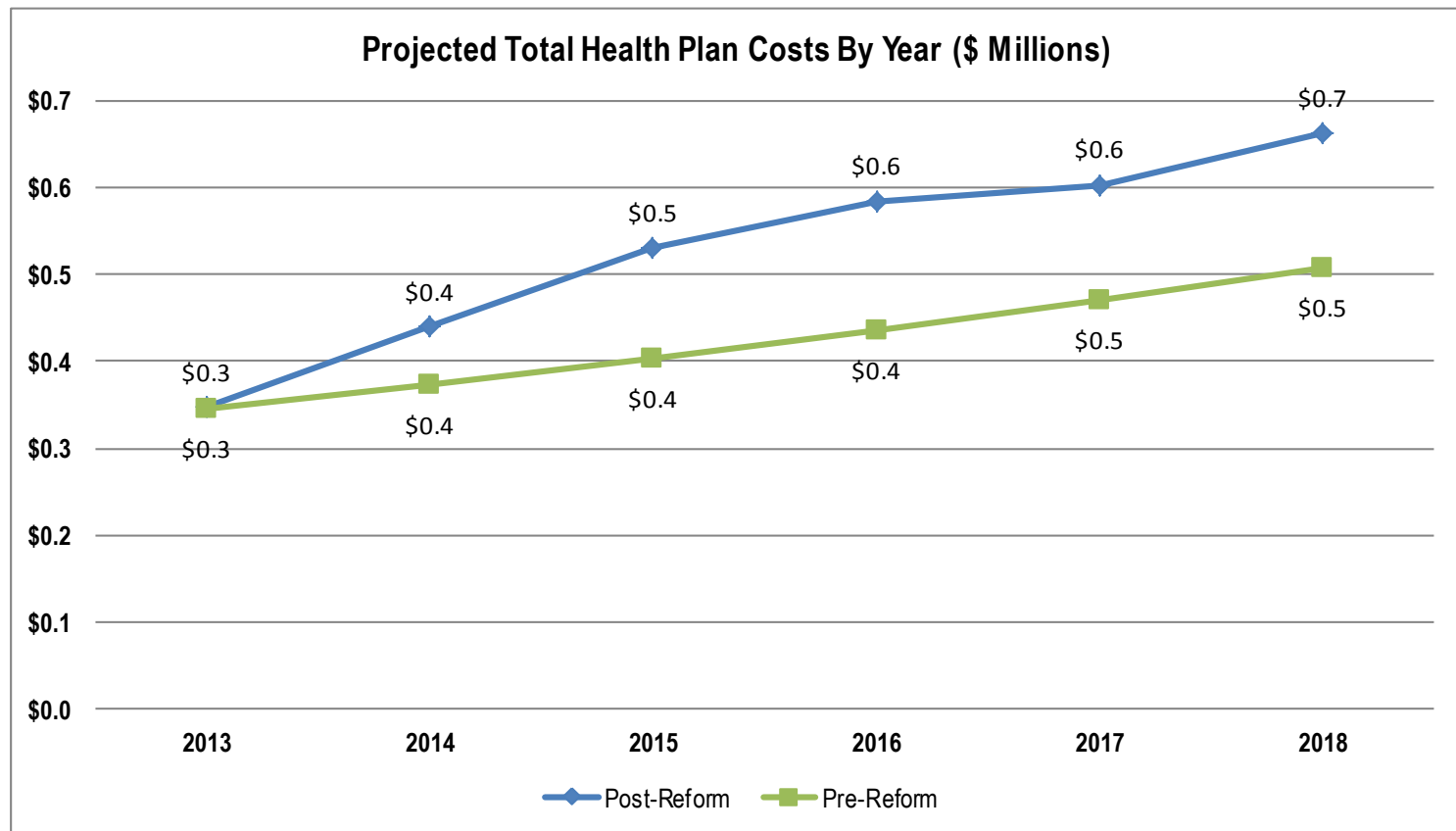


Employer Summary

- Mid Size Manufacturing Company
- Health Care Reform Financial Risk Factors
 - Fees & Taxes
 - In-Migration Participation
 - Employer Penalties
 - Risk for Excise tax in 2018
- Opportunities
 - Alternative Plan Designs
 - Modify Contributions
 - Communication & Wellness Initiatives

Health Care Reform Impact Projection

Figure 1
Projected Total Health Plan Costs (Employee and Employer)
CY 2013 – CY 2018
With and Without Healthcare Reform



Health Care Reform - Determine

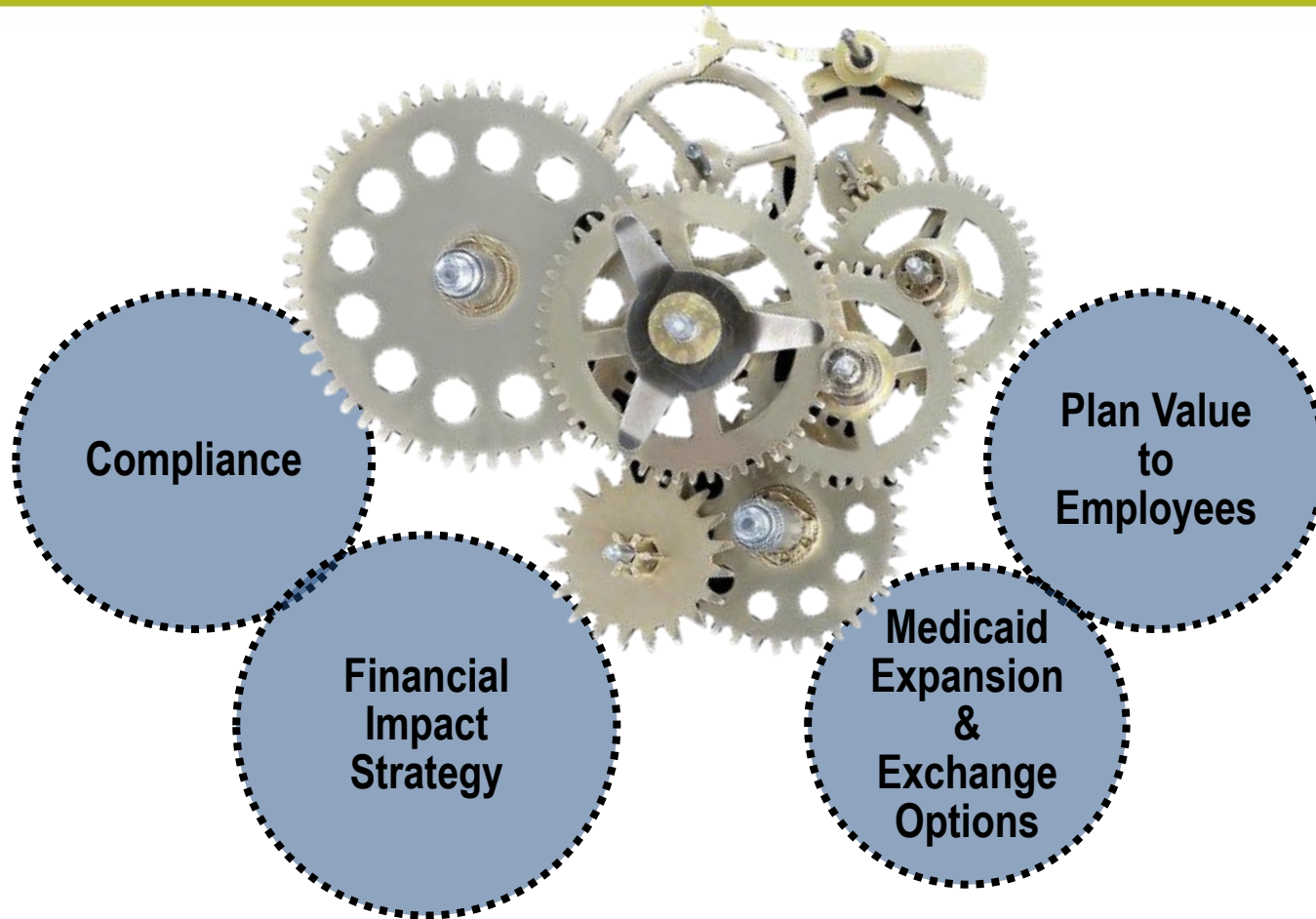


Determine
Company &
Employee
Impact

- What is the competitive landscape within your market or industry?
- How is your health plan positioned to recruit and retain talent?
- How will you communicate decisions to your employees?
- How does your Business Philosophy support Total Rewards/Benefits Offerings?
- Do you have executive support?



PPACA Moving & Inter-related Parts



Health Care Reform - Align

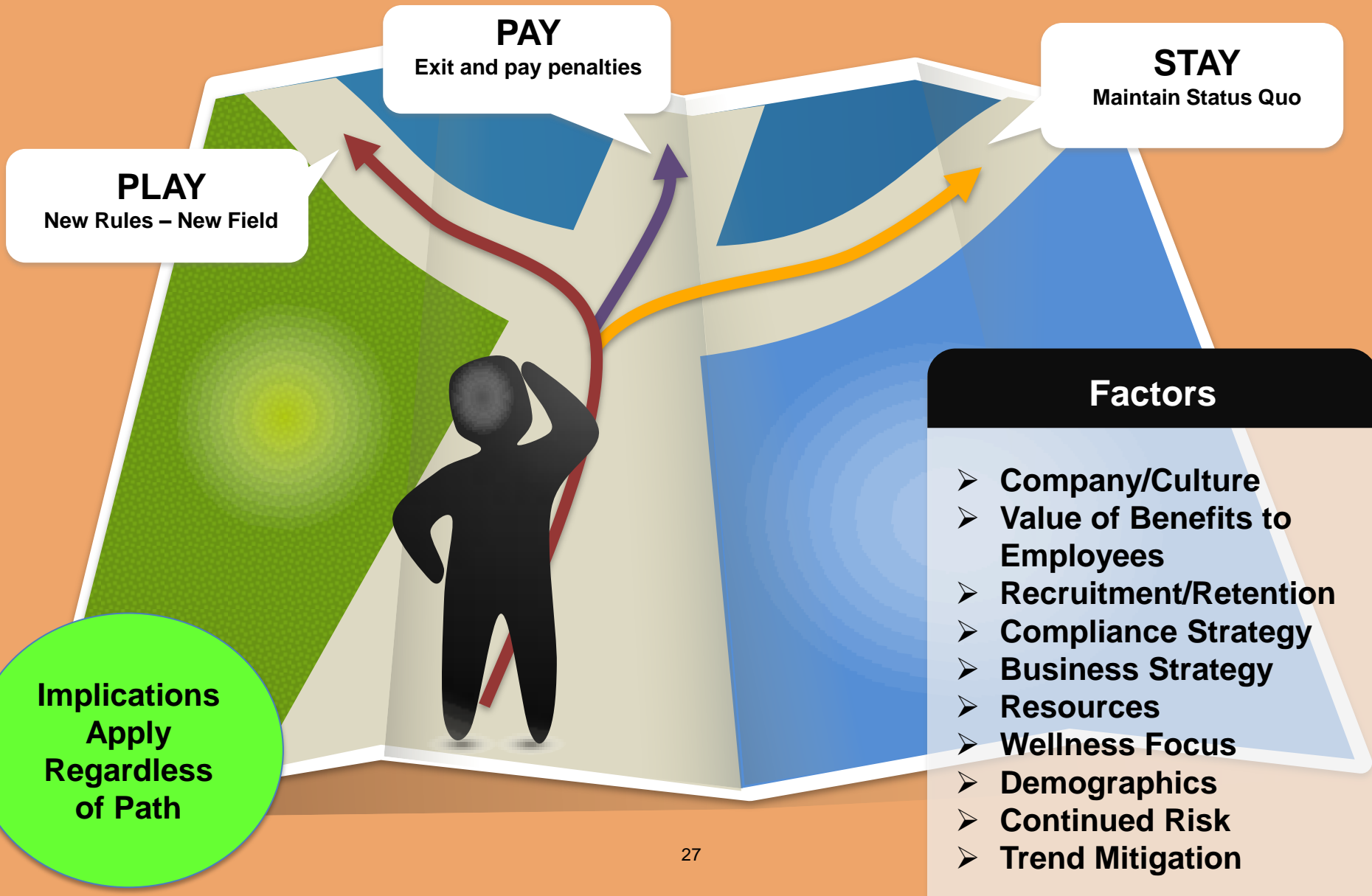


Align with
Business
Strategy

- What is your current healthcare strategy?
- Does your healthcare strategy align with business goals?
- With the economic fluctuations, potential changes in legislation and internal & external cost pressures, how will you align with your business strategy?



What Path Will You Choose?



Final Thoughts

Understand & Prepare Now

- Change is upon us and requires immediate attention
- Preparation for 2014 and beyond demands the need to understand the financial costs, administrative burden and impact to employees
- Develop a strategy to minimize risk and maximize opportunity

Regulatory Uncertainty

- Treatment of Wellness Discounts
- Non-Discrimination Testing (Section 2716)
- Implementation Schedule

Employee Communication – Even Greater Need