



*Health Care Reform and Financial  
Impact Discussion*

*Indiana Council of Community  
Mental Health Centers*

February 14, 2013

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# 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

- How familiar are you with HCR?
- Are you aware of how the employer mandates are established?
- What is affordable coverage?
- What are the insurance exchange options?
- What are the premium subsidies, employer taxes and penalties and how they might impact your organization?
- How will state's decision to expand Medicaid impact your position?



# Understand the Landscape

## *2013 Impact*

- 2,500 FSA contribution cap (plan years on or after Jan. 1, 2013)
- Patient Centered Outcomes Research Institute (PCORI) fees (July 2013)
- Employer Exchanges Notification (March 2013) **DELAYED**
- Increased Medicare Tax (\$200K individual / \$250K couples)
- Initial enrollment period for Exchanges begin (Oct 2013)

# Understand the Landscape

## *2014 Impact*

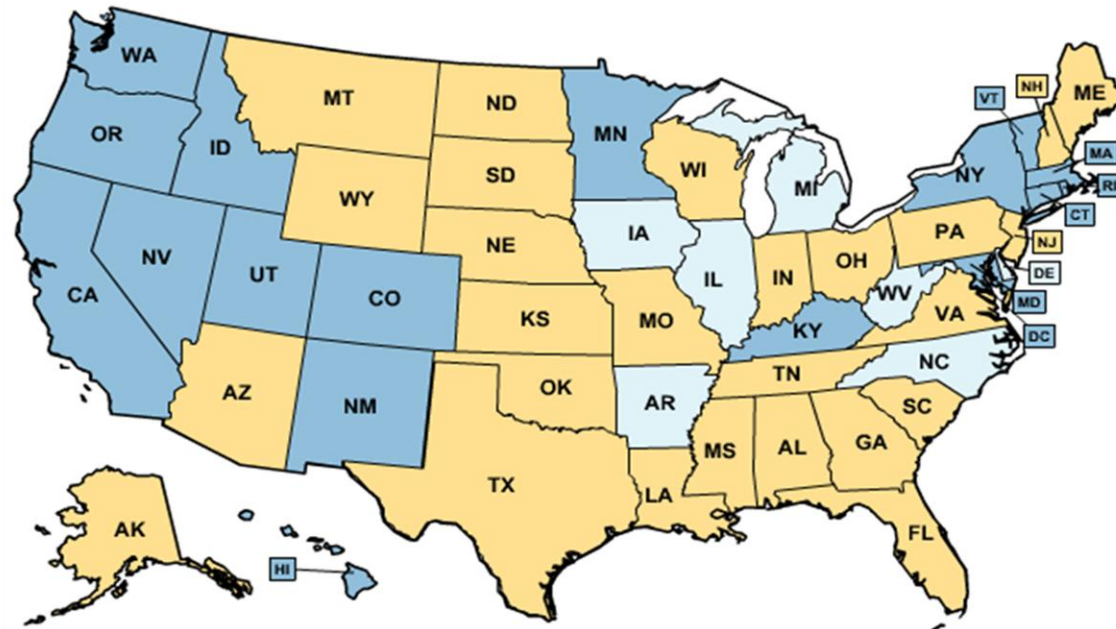
- Health Insurance Exchange
- Individual Mandate
  - ESI
  - Exchange Coverage
  - No coverage – pay the penalty
- Employer Mandate / Shared Responsibility
  - Employers with 50 or more FTE's
  - Average 30 service hours per week
  - Minimum Actuarial Value
  - Affordable
- Medicaid Expansion

# 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)

# Public State Exchanges

State Decisions For Creating Health Insurance Exchanges in 2014, as of February 8, 2013



Default to Federal Exchange

Declared State-based Exchange

Planning for Partnership Exchange

# Public / Private Exchange Comparison

## Public Exchange

- Individuals
- Small Businesses (SHOP)
- 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



# 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	\$1,000	80%	\$2,000	80%
	5	\$1,500	90%	\$2,500	80%
	6	\$2,000	100%	\$2,000	80%
Silver*	7	\$1,500	80%	\$4,500	70%
	8	\$2,000	90%	\$5,500	70%
	9	\$3,000	100%	\$3,000	70%
Bronze*	10	\$3,500	80%	\$6,000	60%
	11	\$4,000	90%	\$6,000	60%
	12	\$4,500	100%	\$4,500	60%

Based on Federal Actuarial Calculator released November 2012. Guidance indicated calculations for bronze and silver plan designs are preliminary.

# 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 Household Income
- HHI must be between 100 – 400% FPL to qualify for subsidy

# Premium Subsidy Overview

Income Level (% above FPL)	Maximum Premium as a % of HHI
Up to 138%	2%
138 – 150%	3 - 4%
150 – 200%	4 – 6.3%
<b>200 – 250%</b>	<b>6.3 – 8.05%</b>
250 – 300%	8.05 – 9.5%
300 – 400%	9.5%

- Premium cost of the second lowest “Sliver” based Exchange benefit offering
- Subsidy not available to Medicaid Eligible
- Greatest subsidies for HHI below 250% FPL

# Employer Mandate

## 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

# 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.

# Employer Perspective

- Employee are not eligible for Federal Premium Subsidy if:
  - Minimum benefit plan of 60% actuarial value
  - Coverage is considered affordable
- One of Three IRS Safe Harbors for “Affordability”

FPL	Employee Yearly w-2 Income	Monthly Income	Hourly Wage	Maximum monthly premiums (9.5%)
100%	\$11,490	\$958	\$7.37	\$90.01
138%	\$15,856	\$1,321	\$10.16	\$125.50
250%	\$28,725	\$2,394	\$18.42	\$227.43
400%	\$58,875	\$4,906	\$37.74	\$466.07

Based employee working 130 hours per month

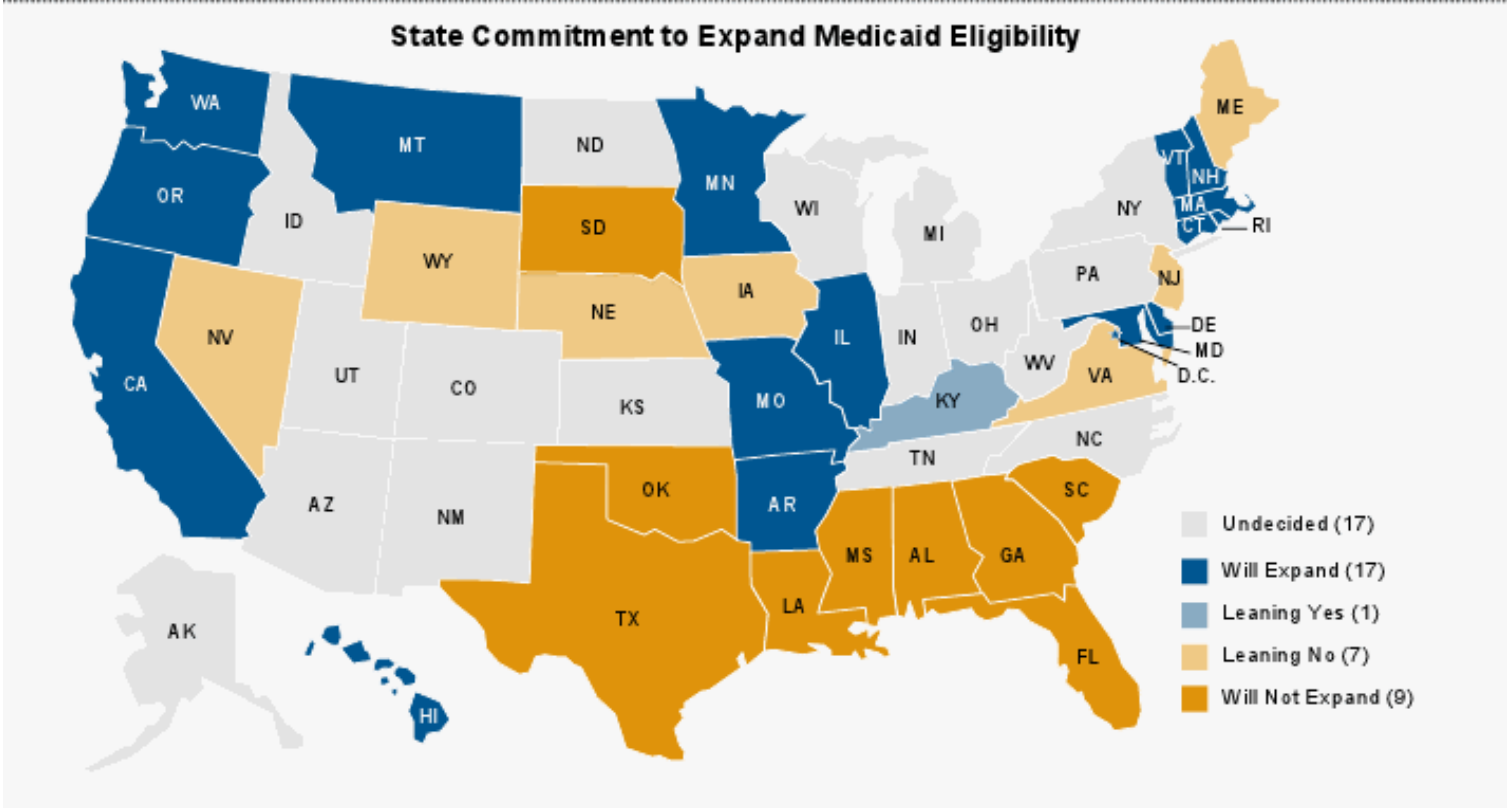
# Medicaid Expansion

## 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?

# Analyze the Impact

## *Factors That Impact Plan Costs*

### Participation Impact

- Individual Mandate
- Auto-Enrollment
- Other Employer Plan Termination
- Adverse selection

### Fees and Taxes

- Health Insurer Assessment
- Transitional Reinsurance Program
- Excise tax on high cost plans (2018+)

### Premium Trend Escalation

- Pent-up demand for services in 2014
- Provider cost shifting increase
- Health insurer cost shift

# Large Group Case Study 1

## *Situation Considerations*

- Tax Exempt Employer subject to the employer mandate in 2014
- Existing benefit plan meets actuarial value requirements
- A portion of the employees have unaffordable coverage
- Employer is at greatest financial risk for:
  - In Migration
  - Penalties
  - HCR fees & Taxes
- Due to the variable hour population, this employer will also incur additional administrative expenses not illustrated in this analysis

# Large Group

## *Case Study 2 – Overview*

- Professional Services firm subject to the employer mandate in 2014
- Benefits and / or penalties will apply to a population 1097% greater than the number of employees currently eligible for coverage
- It is expected that the employers cost will increase more than 500% in 2014 as a result of Health Care Reform
- In-migration and adverse selection are the greatest cost factors contributing to 80% of the overall projected costs
- Due to the variable hour population, this employer will also incur additional administrative expenses not illustrated in this analysis

# Health Care Reform - Determine

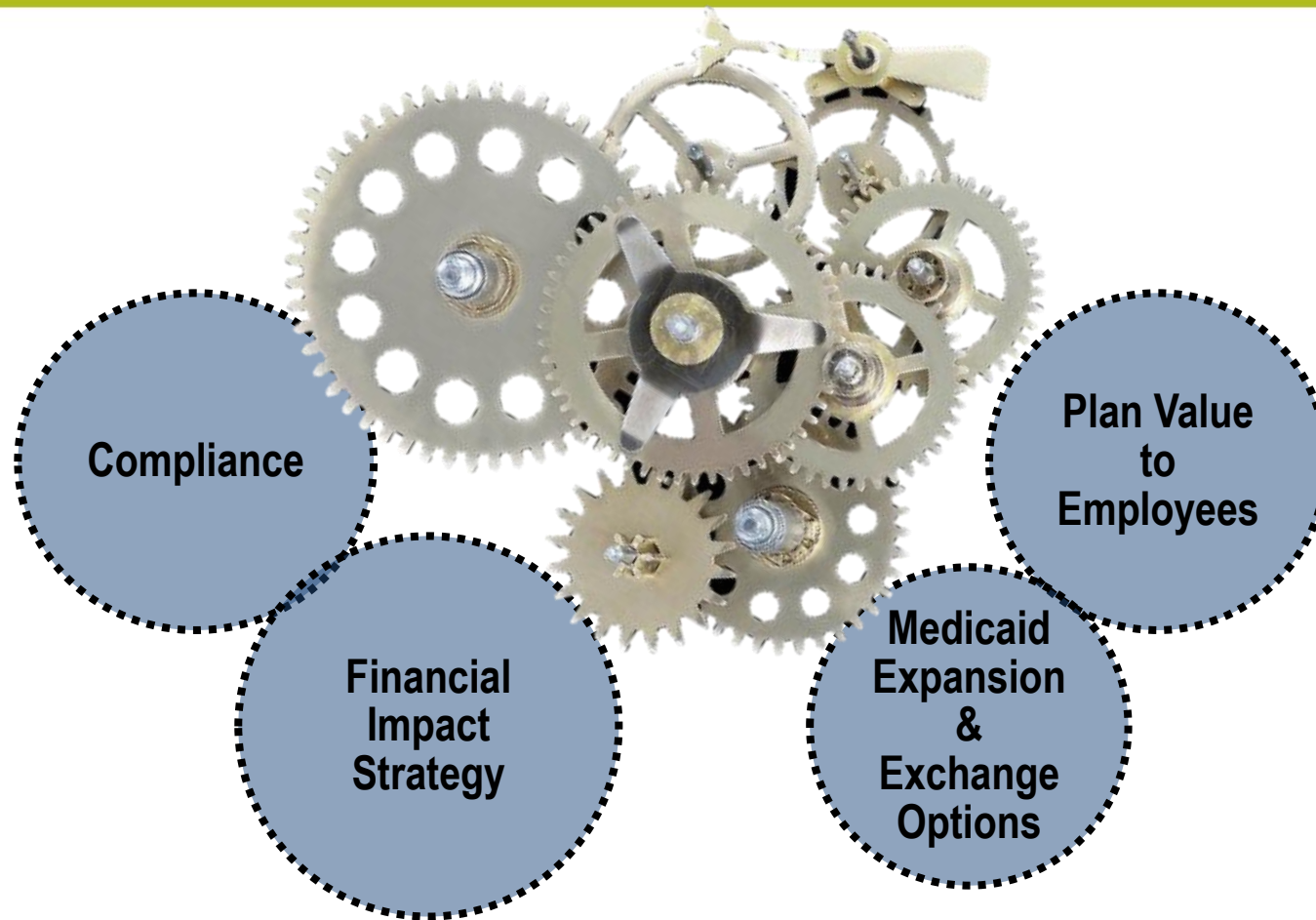


Determine  
Company &  
Employee  
Impact

- 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

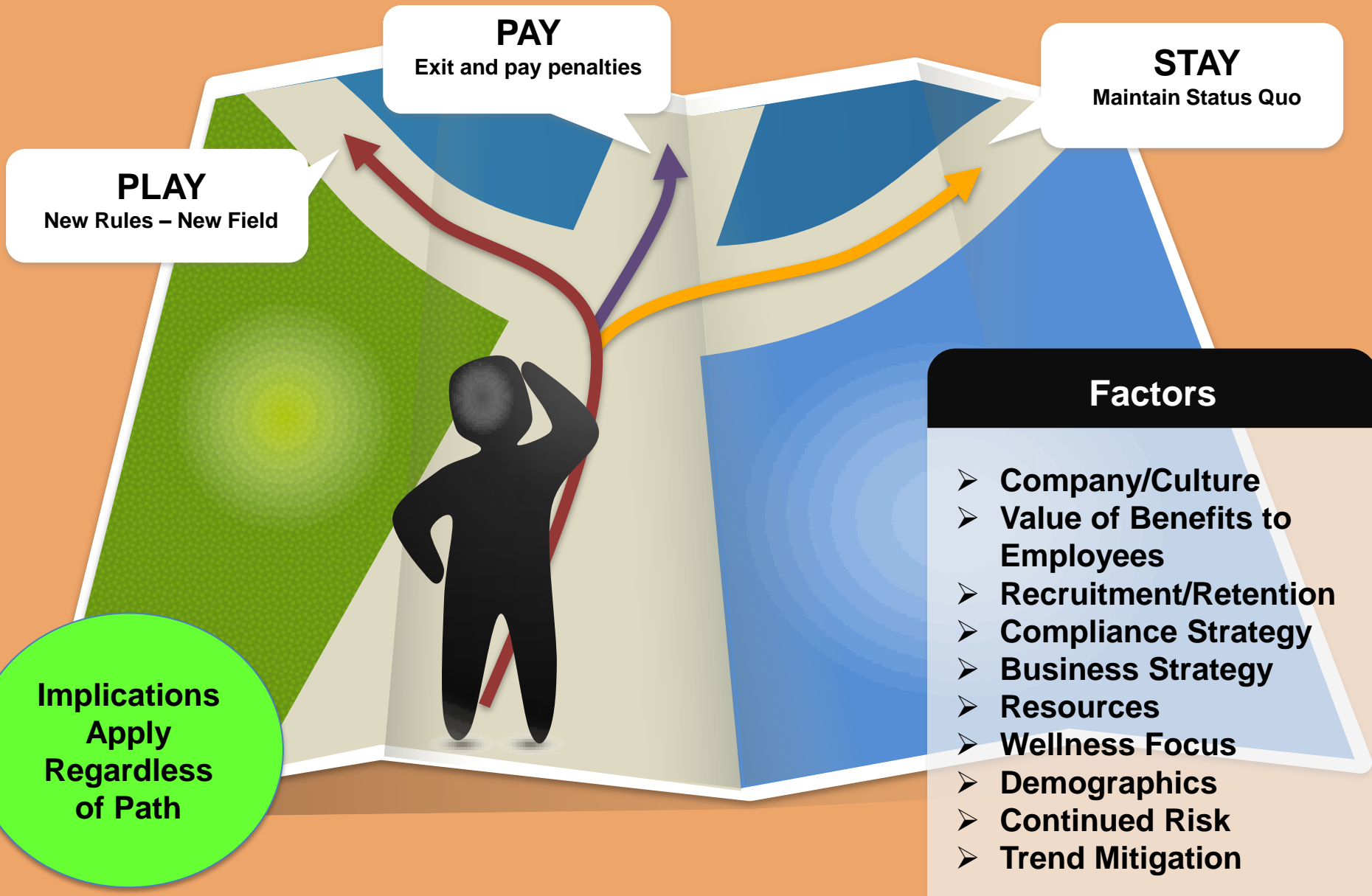


Align with  
Business  
Strategy

- 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**