Healthcare Reform

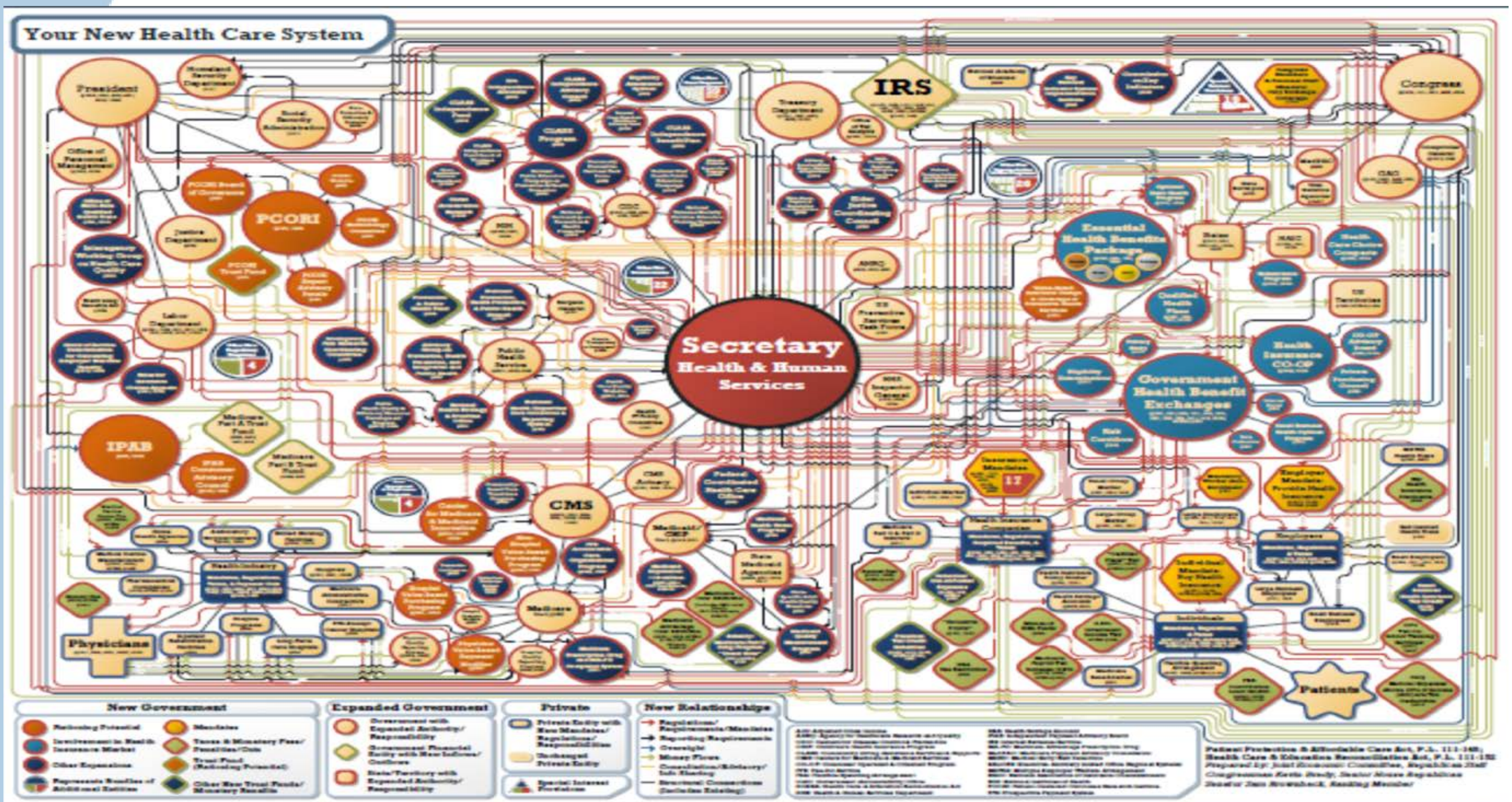
July 17, 2013

VIRGINIA BANKERS ASSOCIATION
Benefits Corporation

Agenda

- Current and Future Requirements for Employers
- Healthcare Reform Taxes and Fees
- Individual Mandate and Subsidies
- Employer “Pay or Play” Mandate
- Other Requirements
- Expanded Wellness Differentials
- Annual Reporting
- Recent Guidance and Clarification

Everything You Need to Know



Healthcare Reform Compliance Checklist

2012

- Medical Loss Ratio reporting and rebate issuance in August
- Expanded women's preventive services
- Summary of Benefits and Coverage (SBC) and 60-day advance notice of material modifications
- Value of health insurance reported on 2012 W-2

2013

- Healthcare spending account deferrals limited to $2,500
- Medicare payroll tax rate increases from 1.45% to 2.35% on wages over $200,000
- Provide written notice to employees addressing insurance exchanges, potential tax credit and cost-sharing subsidies

2014

- Individual mandate
- Insurance exchanges effective
- Pre-existing conditions prohibited
- 90-day limit on waiting periods
- Health Insurance Tax applied through 2018
- Transitional Reinsurance Tax through 2016
- Wellness premium differentials increase

2015 - 2018

- *Delayed to 1/1/15*: Employer Pay or Play Mandate
    - Tracking of full-time employees
    - Affordable coverage
    - Sufficiently valuable coverage
- Individual mandates increase
- Automatic enrollment requirements for employers with 200+ full-time employees delayed until after January 2014 (TBD)
- Excise "Cadillac Plan" tax on high cost plans in 2018

2013 Requirements for Employers

- Reporting the "value" or cost of health insurance is required for larger employers starting with the 2012 W-2, due out in January 2013.
  - ***Small employers are not required to report the cost of coverage in 2012 or future years until further guidance is provided.***

- Medicare payroll tax increases from 1.45% to 2.35% on wages over $200,000 ($250,000 for joint filers).

- Written notice describing 2014 insurance exchanges and potential tax credits; employers will be required to do so in late summer/early fall of 2013.

- Healthcare Spending Accounts deferrals limited to $2,500

Indirect Employer ACA Taxes and Fees

- Comparative Effectiveness Research Fee (aka PCORI fee) paid to fund patient-centered outcomes research: $2 per member per year; sunsets after 2019.

- Health Insurance Tax: Sales tax applied to insurance carriers' premium.

- Transitional Reinsurance Program: For plan years 2014-2016, fees charged to insurance carriers.

Individual Mandate in 2014

- In 2014, all adults must have health insurance for themselves and their children or pay a penalty to the government.

- Annual penalties:
  - **2014:** $95 per adult and $47.50 per child (up to $285 family maximum or 1% of family income, whichever is greater)
  - **2015:** $325 per adult and $162.50 per child (up to $975 family maximum or 2% of family income, whichever is greater)
  - **2016:** $695 per adult and $347.50 per child (up to $2,085 family maximum or 2.5% of family income, whichever is greater)

Proposed Individual Health Insurance Subsidies

- Premium Tax Credit Eligibility:
  - Families with incomes between 100% to 400% of federal poverty level who purchase coverage through a state-based health insurance exchange

Persons in Family	100% FPL	133% FPL	250% FPL	400% FPL
1	$11,490	$15,282	$28,725	$45,960
2	$15,510	$20,628	$38,775	$62,040
3	$19,530	$25,975	$48,825	$78,120
4	**$23,500**	**$31,322**	**$58,875**	**$94,200**
5	$27,570	$36,668	$68,925	$110,280
6	$31,590	$42,015	$78,975	$126,360
7	$35,610	$47,361	$89,025	$142,440
8	$39,630	$52,708	$99,075	$158,520

Household Income Level (% above FPL)	Maximum Premium as Percentage of Income
Less than 133%	2.0%
At least 133% but less than 150%	3.0% – 4.0%
At least 150% but less than 200%	4.0% – 6.3%
At least 200% but less than 250%	6.3% – 8.05%
At least 250% but less than 300%	8.05% – 9.5%
At least 300% but less than 400%	9.5%

2015 Employer “Pay or Play” Mandate

<table>
<tr><th>Employer Steps</th><th colspan="5">Penalty Flow Chart</th></tr>
<tr><td>1. Count full-time equivalent employees. Full-time defined as working 30 hours per week (130 hours per month). Part-time employees are counted on pro-rated basis.</td><td rowspan="3">Not a large employer: less than 50 full-time equivalent employees</td><td colspan="4">Large employer: 50 or more full-time equivalent employees</td></tr>
<tr><td>2. Does employer offers coverage.</td><td colspan="2"><u>Does Not Offer Coverage</u></td><td colspan="2"><u>Offers Coverage</u></td></tr>
<tr><td>3. Determine number of employees who participate in exchange and receive premium credit.</td><td>No full-time employees get credits for exchange coverage</td><td>1 or more full-time employees get credits for exchange coverage</td><td>No full-time employees get credits for exchange coverage</td><td>1 or more full-time employees get credits for exchange coverage*</td></tr>
<tr><td>4. Calculate potential penalty</td><td>No penalty</td><td>No penalty</td><td>Number of full-time employees minus 30 multiplied by $2,000

(Penalty is $0 if employer has 30 or fewer full-time employees)</td><td>No penalty</td><td>Lesser of:

Number of full-time employees minus 30, multiplied by $2,000.

Number of full-time employees who get credits for exchange coverage, multiplied by $3,000

(Penalty is $0 if employer has 30 or fewer full-time employees)</td></tr>
<tr><td></td><td colspan="5">*If employers offers coverage that is "affordable" and "sufficiently valuable" employees are not eligible for premium credits. Thus, employer would not be subject to penalties.</td></tr>
</table>

2015 Employer “Pay or Play” Mandate
(Employer Shared Responsibility)

Three important measurements:

- Eligibility for healthcare benefits – Employees working 30 hours per week or more (130 hours per month) must be offered coverage.
- Affordable coverage – Employee cost for self-only coverage is less than 9.5% of W-2 earnings.
- Sufficiently valuable coverage – At least 60% of mandated actuarial value of benefits (baseline comparison to be determined).

Other Notable Future Employer Requirements

- Maximum 90-day waiting period limit beginning on or after January 2014.

- Automatic enrollment requirements for employers with 200+ full-time employees delayed until after January 2014.

- Excise "Cadillac Plan" tax on high cost plans in 2018:
  - 40% non-deductible tax on excess over threshold measuring "value" of plans: $10,200 single, $27,500 family
  - Based on total cost of coverage; paid by employer
  - Excludes dental and vision coverages

Expanded Wellness Incentive Differentials

- Effective January 1, 2014, employers may reward employees up to 30% of health care coverage for outcomes-based programs and up to 50% for tobacco-cessation programs (currently 20% differential allowed).

- Must offer alternatives means to earn incentive (or avoid penalty) who do not meet criteria or cannot participate in program due to medical reasons.

- This limitation does not apply to incentives tied to participation-based programs.

Annual Reporting

- Annual employer reporting of employee coverage to the IRS for applicable large employers
- An applicable large employer is one that is subject to the ACA's employer shared responsibility provisions (a/k/a Play or Pay) and employed an average of at least 50 full-time employees (including full-time equivalent employees) on business days during the preceding calendar year

Guidance and Clarification on Healthcare Reform Regulations as of July 2013

- Delay of Pay or Play Mandate until 1/1/15 (announcement made July 2, 2013)

- Exchange consumers on honor system to report income for tax subsidy and verification of their eligibility in an employer sponsored plan (announcement made July 5, 2013)

- Insurance exchange guidance and model notices released by Department of Labor (DOL) on May 8, 2013.
  - Templates: www.dol.gov/ebsa/healthreform

- IRS released proposed regulations on May 3, 2013 and addresses the impact of employer-provided wellness programs in determining affordable coverage:
  - Requires employers to include any penalties that would be applied
  - Cannot include any wellness premium contribution reductions available under the wellness program when determining whether coverage is affordable (exception is tobacco usage)

- The IRS has released proposed regulations addressing large-group sufficient value rules. Approaches for determining minimum plan value:
  - MV calculator (HHS released this tool which allows an employer to enter data to determine whether plan provides minimum value)
  - Safe-harbor checklist (to be provided) or Actuarial certification
  - *All employer contributions for current plan year to an HSA or HRA are taken into account when determining sufficient value.*

QUESTIONS?

VIRGINIA BANKERS ASSOCIATION
Benefits Corporation