

# Health Care Reform

Greg Kenworthy & Abe Leis



# How did we get here?

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- Approximately 47 million non elderly Americans were uninsured in 2012 (Kaiser Family Foundation)
  - Age 19 to 29 is the age group with the highest rate of uninsured of any group in the US
  - Approximately 25 million more are underinsured
- Total health care spending this past year was estimated at about \$3 trillion – about the same amount spent on Housing!

# Individuals

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- Individual mandate to maintain minimum essential coverage beginning in 2014.
  - Penalty if you don't have coverage:

Year	Penalty	% of Income*
2014	\$95	1%
2015	\$325	2%
2016	\$695**	2.5%
* In lieu of the flat penalty if greater		
** Indexed to inflation thereafter		

- In 2016 a family is capped at \$2,085 or 2.5% of household income, whichever is larger

# Individuals

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- Premium Assistance Refundable Tax Credit if you purchase through the Exchange
  - 2% for those at 133% of Fed Poverty Level; up to
  - 9.5% for those at 400% of Fed Poverty Level
- Out of pocket exchange subsidies
- Effective January 1, 2014

# What are the Health Insurance Exchanges

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- Marketplace for individuals and businesses to go to purchase health insurance
  - Cannot purchase health insurance through the exchanges if offered affordable health insurance through your employer.
  - Multiple Companies
  - Multiple plans
    - Platinum
    - Gold
    - Silver
    - Bronze
    - Catastrophic

# Exchange Premium Factors

The following table displays the key determinants of an employees exchange premium by household size and income level as compared to the federal poverty guidelines:

HH Size	100%	133%	200%	300%	400%
2013 Poverty Level					
1	11,490	15,282	22,980	34,470	45,960
2	15,510	20,628	31,020	46,530	62,040
3	19,530	25,975	39,060	58,590	78,120
4	23,550	31,322	47,100	70,650	94,200
5	27,570	36,668	55,140	82,710	110,280
Employee Exchange Premiums as a Percentage of Income					
Minimum %	Medicaid	2.00%	3.00%	6.30%	9.50%
Maximum %	Medicaid	2.00%	6.30%	9.50%	9.50%

# Individuals

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- Increase in Medicare payroll taxes (2013 & on)
  - Increase of .9% on top of the 1.45% for wages or 2.9% for self-employed income in excess of:
    - \$250,000 for joint return filers;
    - \$125,000 married filing separate
    - \$200,000 for single filers
  - Employer Responsibilities
    - Start withholding additional .9% starts at wages of \$200,000 regardless of being married or second job.

# Individuals

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- New 3.8% tax on Net Investment Income (2013 & on)
  - The excess of “modified adjusted gross income” over the threshold amounts
    - \$200,000 for single filers
    - \$250,000 for married joint filers
  - Certain trusts and estates are also subject to this new tax



# Individuals

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- 40% excise tax on “Cadillac” health plans (\$10,000 for individual, \$27,500 for family)(2015 - 2018)
- 10% tax on indoor tanning services (2010)
- Health Savings Accounts penalty – going from 10% - 15% to a 20% penalty (2011)
- Limitation on Flexible Savings Accounts – capped at \$2,500 (2013)
- Medical Itemized deductions modified (2013)
  - Current: 7.5% of AGI
  - Changes to: 10% of AGI

# Employers – Key Numbers

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50 & 30

Full Time Equivalent Employees

Hours per Week

# Large vs Small Employer

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- Large Employer = 50 Full-Time Equivalent Employees
- Small Employer = Less than 50 Full-Time Equivalent Employees – Not required to provide health insurance
- Steps:
  - Calculate your Full-Time Employees (average 30 hrs/week or 130 hours per month)
  - Calculate your (part-time and seasonal) FTEs (add up total hours and divide by 120)
  - Add the two numbers in steps 1 & 2
  - Add up the 12 monthly numbers in 3 and divide by 12
  - If less than 50, not applicable large employer
  - If more than 50, greater than 120 days?

# Part-Time and Seasonal Employees

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- Part-time employees: those working fewer than 30 hours a week for the year
  - Included in calculating whether an employee has over 50 full-time equivalents
  - Not included in penalties (don't have to offer health insurance)
- Seasonal Employees: as designated by the DOL
  - Included in calculating penalties in the months applicable
  - Excluded if: seasonal employees caused employer to have >50 full-time equivalents for equal or less than 120 days

# Large Employer – NO Insurance

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- Employers NOT offering health insurance
  - A penalty of \$2,000 per year/per full-time employee
  - Exempts the first 30 full-time employees from computation
    - Example: 100 full-time employees and one goes to an Exchange and utilizes a credit
    - $\text{Penalty} = (100 - 30) \times \$166.67 = \$11,667/\text{month}$ 
      - \$140,000 annually
      - Triggered on all full-time employees if one full-time employee goes to the exchange and receives a subsidy

# Large Employer – Offers Insurance

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- Potential penalty if employer OFFERS health insurance
  - A penalty of \$3,000 per year/per FT employee who goes to the exchange and receives an exchange subsidy
  - Subsidy eligibility based on unaffordable or inadequate insurance
    - Unaffordable = Employee insurance premiums exceeding 9.5% of HHI
    - Inadequate = Insurance policy less than 60% of actuarial value
  - Capped by the amount of penalty for not offering insurance coverage (in aggregate, not per employee)

# Large Employer – Offers Insurance

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- Affordability safe harbor
  - Employer must offer minimal essential coverage
  - Employee portion of self-only premium for the lowest cost coverage that provides minimum value must not exceed 9.5% of the employee's wages
    - Wages equal Box 1 on Form W-2
    - “Rate of Pay” – rate of pay at beginning of year multiplied by 130 hours. This becomes base amount for 9.5% affordability calculation.
    - Federal poverty line (FPL) – self only coverage < 9.5% of FPL for a single individual.

# Large Employer – Offers Insurance

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- Employer must offer coverage to at least 95% of all full-time employees and their dependents
  - Help protect against errors that could occur in identifying full-time employees;
  - Coverage must be offered to dependents – only required to pay premium towards single plan (can't exceed 9.5% test);
    - Dependents
      - Children up to age 26
      - Spouse not defined as a dependent



# Large Employer – Offers Insurance

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- Hours of service include not only hours worked but also hours for which an employee is paid or entitled to payment even when no work is performed.

Including:

- Vacation, holiday, illness, incapacity, layoff, jury duty, military duty or leave of absence.
- Service outside of the U.S. is generally not counted.

# Large Employer – Offers Insurance

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- Hourly (easy to figure out)
- Non Hourly
  - Actual hours worked
  - Days worked equivalency
  - Weeks worked equivalency
  - You cannot intentionally use a method to lower their actual hours (3 ten hour days using days worked would be an example)

# Employers

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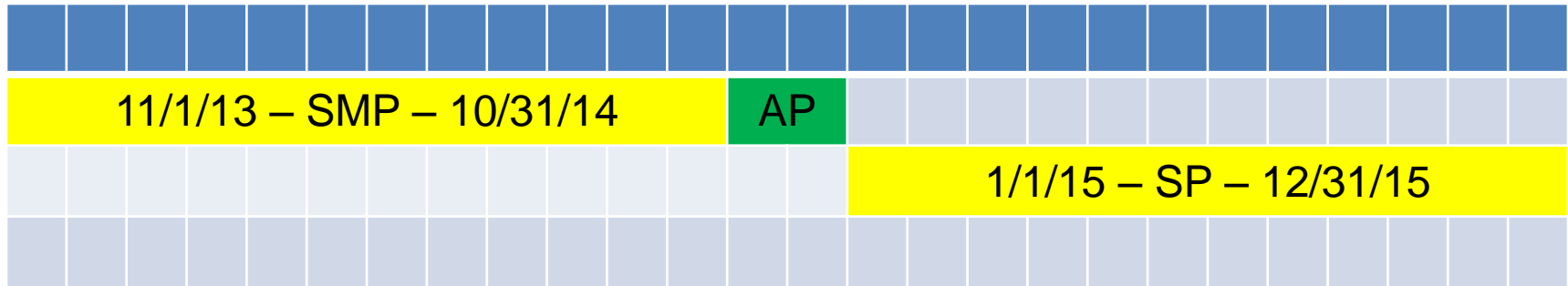
- Sample information to track
  - Do you need to offer health insurance?
    - More than 50 FTE employees
    - Monthly basis
  - If you are required to offer health insurance.
    - Hours worked per employee
      - Determines whether you need to offer health insurance to that employee or not
      - Monthly basis during measurement period
      - A lot of software doesn't do this already
    - Is the insurance affordable?
      - 9.5% of wages
    - Tracking is done on a monthly basis during the measurement period (3-12 months)

# Employers – Measurement Periods

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- Determinations for whether health insurance needs to be offered to an employee is done on a weekly basis for the duration of the “Measurement Period.”
- Measurement Period – period of not fewer than three or more than 12 months, chosen by the employer, as the measurement period that can be looked back to in order to determine the full (30 hours average per week) or part-time status of an employee.
- Stability Period – period following the measurement period. (where you offer health insurance to the qualified individuals)

# Employers – Measurement Periods



- SMP: Standard Measurement Period
- AP: Administrative Period
- SP: Stability Period

# Controlled Groups

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- Employer
  - Affiliated service group
    - Has direct or indirect ownership interest and
    - Performs services for service organization or
    - Works with other organizations in rendering services to third parties
  - Controlled group
    - Parent – subsidiary chains
    - Brother-sister controlled group
    - Combined group of the above

# Additional Fees

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- PCORI (Patient Centered Outcomes Research Institute) (Oct 1, 2012 – Oct 1, 2019) Fee based on the average number of covered lives under the plan on a per month basis
  - \$1 per person first year, \$2 in subsequent years
- Transitional Reinsurance Fee (2014-2016) Fee on insurers and self funded plans. In place to create a fund for insurance companies to offset the cost of covering people in the individual market
  - \$63 per covered life in 2014
  - Decreases slowly through 2016
- Health Insurance Industry Fee
- Notice to all employees due Oct 1, 2013 for employers with \$500,000 or more in revenue regardless of whether the employer offers health insurance or not.

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Questions?