Impact of the Affordable Care Act (ACA): What Does It Mean to You and Your Clients?

Think your clients are too small for ACA?

Only 26% of business owners surveyed feel very confident that they understand their responsibilities regarding compliance with the ACA.

62% of small business owners admit to not understanding the Affordable Care Act (ACA) is actually law.

42% admit to not understanding what's required of them.

62% of Americans do not understand that the Affordable Care Act (ACA) is actually law.

Health Care Reform

Health Care Reform is a transformative event - it will fundamentally change the way healthcare is paid for, delivered and consumed in the U.S. over the next 20 to 30 years, and it will affect:

- Every employer
- Every person residing in the U.S.
- Every healthcare provider
- Every Pharmacy Benefits Management provider and every pharmaceutical company
- Every medical device manufacturer

Compliance Calendar Checklist: Important dates, past, present and future—Action Item Reminders

1. Initial MLR Reporting (for CY2011) and Rebate issuance in August
2. Women’s Preventive Services expanded (plans renewing on or after 8/1/2012)*
3. Summary of Benefits and Coverage (SBC) and 60-day advance notice of material modifications (plans renewing on or after 9/23/12)
4. W-2 reporting of aggregate cost of employer-sponsored coverage on 2012 W-2
5. FSA contributions limited to $2,500
6. Medicare payroll tax rate increase for high income earners
7. Notice to inform employees of Exchange provided by employer (late summer / fall of 2013)
8. Employer “Play or Pay” penalties start
9. Individual Mandates to purchase insurance or pay a penalty
10. Federal and State Insurance Exchanges, including Individual subsidies
11. Guaranteed issue/availability*
12. Pre-existing conditions prohibited
14. Essential Health Benefits (EHB) Coverage standardized for small group plans*
15. No Annual dollar limits on Essential Health Benefits (EHB) in any year
16. Wellness Incentives
17. Deductible caps of $2k/$4k for small group plans*
18. HDHP OOP Max for all non-GF plans*
19. Exchanges may be open to all employers in 2017

* Certain exceptions may exist for grandfathered plans

Guest Speakers

John Hodson
True Benefit
President

Steve Guarino
True Benefit
Senior Vice President

Janine LaMorte
ADP TotalSource
Vice President, Channel Sales
Reform in the Press

**The Wall Street Journal**

Obamacare Scare: Double-Digit Premium Hikes*

*Bloomberg Businessweek*

Forbes

**State Decisions For Creating the Health Insurance Marketplace, as of April 23, 2013**

Only an estimated $40-$50 million available to hire nonprofit groups to work directly with consumers in the states with Federally-run marketplaces vs. California which has $50 million for “in-person” help for consumers this year and next and another $200 million for outreach and education

**ACA Affects Employers of all Sizes**

ACA Impacts Insurer Premium Taxes & Fees by ~4%

<table>
<thead>
<tr>
<th>Provision</th>
<th>Description</th>
<th>Effective Date</th>
<th>Fee</th>
<th>Who’s Impacted?</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCORI Fee</td>
<td>Will be used to help fund clinical outcomes effectiveness research</td>
<td>10/1/2012 (Temporary, through 2018)</td>
<td>$1 PMPY in Year 1, $2 PMPY in Year 2</td>
<td>Fully Insured and Self Funded, Group / Individual segments</td>
</tr>
<tr>
<td>Health Insurer Fee</td>
<td>Charged to all insurers, based on market share, to fund health insurance exchange subsidies</td>
<td>1/1/2014 (Permanent Fee)</td>
<td>Industry target of $8B in 2014, increasing to $14.3B in 2018, and each year thereafter at the rate of premium growth</td>
<td>Fully Insured; Group / Individual segments</td>
</tr>
<tr>
<td>Reinsurance Fee</td>
<td>Transitional fees to stabilize individual market (e.g. high-risk pool)</td>
<td>1/1/2014 (Temporary, through 2016)</td>
<td>Industry target of $25B through 2016.</td>
<td>Fully Insured and Self Funded, Group segment</td>
</tr>
<tr>
<td>Excise Tax on High Value Plan</td>
<td>Imposes an excise tax on insurers and employers who offer rich benefit coverage</td>
<td>1/1/2018 (Permanent Tax)</td>
<td>Plans that cost more than $10,200 (single) or $27,500 (family) are subject to a 40% excise tax on the amount above the limits, indexed by cost of living in subsequent years</td>
<td>Fully Insured and Self Funded; Group segment</td>
</tr>
</tbody>
</table>

Changes for Small Groups in the Open Market Starting January 2014

All health plans must guarantee issue policies to all applicants, regardless of health status or other factors.

Small group is moving to 1-100 in 2016.

Essential Health Benefits (EHB) – small group employers are required to provide Essential Health Benefits.

Metallic Plans – Platinum, Gold, Silver & Bronze

- **Deductible Caps**:
  - May not exceed $2,000 (self-only) or $4,000 (family)
  - Out of Pocket Max:
  - 2013 Apply $6,350 (self), or $12,700 (family)

Tracking Towards Excise Tax in 2018

Healthcare inflation can push costs above 2018 limits, triggering 40% excise tax.
Employer “Play or Pay” Mandate

The play-or-pay mandate requires employers of 50 full-time employees or more to offer quality, affordable health insurance coverage to full-time employees, those working on average at least 30 hours per week, and their families.

Example: Acme, Inc. & their new hire, John


John Smith is hired on September 1, 2013. His Initial Measurement Period will run from September through February. During the Initial Measurement Period, John did not work an average of at least 30 hours per week. So, he wouldn’t be benefit eligible from October through the end of the year.

At the beginning of August, John begins working 31 hours per week. If he is deemed Full-time during the Initial Measurement Period, he is deemed Full-time for the Initial Stability Period (April through September 2014).

If John was deemed Full-time during the Initial Measurement Period and worked for at least 90 days during the Initial Stability Period, he would be eligible for Open Enrollment offerings.

Employer Play or Pay Mandate: Control Group Defined

- All counting done on a “controlled group” basis
- EIN is irrelevant
- Controlled group exists if the businesses have one of the following relationships:
  - Parent-subsidiary
  - “Normal” rule is 80% ownership
  - Brother-sister
  - Same five or fewer owners own collectively or individually 80% or more with effective control of 50% or more
  - Combination of the above
- Also, “affiliated service groups”

Safe Harbor for Variable Hour Employees

- IRS proposed an optional “safe harbor” for employers to measure if a variable hour employee meets the definition of full-time status
- A Variable Employee is an employee if, based on the facts and circumstances at the employee’s start date, the employer cannot determine whether the employee is reasonably expected to be employed on average at least 30 hours per week because the employee’s hours are variable or uncertain.

Example: Acme, Inc. & their new hire, John

John Smith is hired on September 1, 2013. His Initial Measurement Period will run from September through February. During the Initial Measurement Period, John did not work an average of at least 30 hours per week. So, he wouldn’t be benefit eligible from October through the end of the year.

But it’s Voluntary….Right??

The “safe harbor” is optional and its purpose is to protect the employer but consider the impact if you elect not to use it.

- Limit COBRA events: without the Safe Harbor employees can move on & off benefits throughout the year as their hours fluctuate between < or > 30 hours.
  - Employers will be responsible for ongoing Open Enrollment activities and COBRA administration.
- 95% Rule - employers must offer coverage to “substantially all” of their full-time employees to avoid penalty. We’ll discuss more on this topic later...
  - Opens Employers up to penalties for discrimination and non-compliance.
**Employer Shared Responsibility – Key Terms**

- **Large Employer**: An Employer that has 50 or more employees including Full-Time Equivalents during the preceding calendar year.
- **Full Time Employee**: A Full Time Employee is one who is credited with service equal to at least 30 hours a week or 130 hours per month.
- **Minimum Value**: Employers must provide a health plan with at least 60% Minimum Value. This is the health plan’s Actuarial Value, meaning that it pays at least 60% of the total cost that the plan would cover. Example: the “Bronze” metal plan.
- **Affordable Coverage**: The employer’s contribution for health coverage is not more than 9.5% of their annual household income.
- **Waiting Period**: The ACA requires that employers offering coverage may not impose a waiting period that exceeds 90 days for a full-time employee.

**How To Calculate if Your Clients Are a Large Employer**

Large Employers are defined as those that employ an average of 50 or more employees on a seasonality or monthly basis over the past 12 months. To determine this, include all employees in the preceding calendar year. The number of employees must be averaged over the 12 months to determine the average.

Large Employer Yearly Calculation

\[
\text{Large Employer} = \frac{\text{Full Time Employees} + \text{Full-Time Equivalents}}{12}
\]

Full-Time Employee Calculation

\[
\text{Full Time Employees} = \frac{\text{Full Time Employees}}{12}
\]

Full-Time Equivalent Employee Calculation

\[
\text{Full-Time Equivalents} = \text{Full Time Employees} \times \frac{130}{30}
\]

**Affordability Safe Harbors**

The IRS Proposed Regulations issued in January, 2013 contain three affordability safe harbor alternatives for determining whether coverage offered is “affordable” for purposes of the Shared Responsibility provisions:

- Form W-2
- Rate of pay
- Federal poverty line

**What Are The Employer Penalties?**

Employer Penalty Applies if Any FT Employee of a Large Employer Receives Subsidized Coverage through an Exchange

*New! Jan 2 proposed regulations include a new 95% Rule for purposes of determining applicable penalty is provided*

Employer provides affordable coverage when the premium for the single coverage under the employer’s lowest cost Minimum Value plan does not exceed 9.5% of household income (however, employer will not be penalized if an Affordability Safe Harbor is met).

**Potential ACA Litigation Issues**

- DOL, IRS and HHS audits will increase
- Already seeing audits of grandfathered status by DOL under the Act
- DOL efforts focus on increasing employer compliance rather than assessing penalties in early years
- Participant lawsuits may follow as participants seek to enforce benefit mandates

**Health Care Trends & Impact of ACA in Florida and the U.S.**

HR Payroll, Benefits
### Florida: Federally Facilitated Marketplace

<table>
<thead>
<tr>
<th>Florida Individual Exchange Carriers</th>
<th>Total Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aetna</td>
<td>7</td>
</tr>
<tr>
<td>Ambetter from Sunshine Health</td>
<td>9</td>
</tr>
<tr>
<td>Cigna Health and Life Insurance Company</td>
<td>11</td>
</tr>
<tr>
<td>CoventryOne</td>
<td>10</td>
</tr>
<tr>
<td>Florida Blue (BlueCross BlueShield FL)</td>
<td>53</td>
</tr>
<tr>
<td>Florida Blue HMO (a BlueCross BlueShield FL company)</td>
<td>24</td>
</tr>
<tr>
<td>Florida Health Care Plans</td>
<td>80</td>
</tr>
<tr>
<td>Health First Insurance, Inc.</td>
<td>9</td>
</tr>
<tr>
<td>Humana Medical Plan, Inc.</td>
<td>12</td>
</tr>
<tr>
<td>Molina Marketplace</td>
<td>3</td>
</tr>
<tr>
<td>Preferred Medical Plan</td>
<td>5</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Florida Exchange SHOP Carriers</th>
<th>Total Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida Blue (BlueCross BlueShield FL)</td>
<td>2</td>
</tr>
<tr>
<td>Florida Blue HMO (a BlueCross BlueShield FL company)</td>
<td>2</td>
</tr>
<tr>
<td>Florida Health Care Plans</td>
<td>36</td>
</tr>
<tr>
<td>Health First Health Plans, Inc.</td>
<td>16</td>
</tr>
<tr>
<td>Health First Insurance, Inc.</td>
<td>7</td>
</tr>
</tbody>
</table>

#### Cumulative Increases in Health Insurance Premiums: 1999-2012

#### Florida Market Snapshot

**Wide Swings in Premium due to ACA**
- Small Group Increases Most Volatile
- Large Group Age Based Rating Change
- Large Group Increases 25% to 35%

**ACA Fees, Taxes and Plan Changes: 3.8% to 10%**
- Continued Uncertainty through 2014/15

### 2014 Expected Increases by Market

**Estimated Pricing Impacts due to Reform**

#### Florida: Federally Facilitated Marketplace

#### ACA Medical Loss Ratio Requirements

- **Small Group:**
  - 80¢ Benefits
  - 20¢ Administrative costs

- **Large Group:**
  - 85¢ Benefits
  - 15¢ Administrative costs
Help Your Clients Compete in the Wake of ACA and Increased Regulations

Workforce Optimization
- An integrated approach to helping clients achieve their business goals.
- Through a combination of technology and HR expertise, help your clients improve productivity aimed at increasing their customer satisfaction while minimizing your operational costs.

ACA Requires Workforce Optimization
- Innovative payroll platforms with ACA features including:
  - ACA Dashboard
  - Health Care Tax Credit
  - HR Help Desk – phone and email support
- Automated system allows easy access to the look-back period to determine exactly ACA liability
- Yields greater accuracy, lower cost and enhanced productivity while increasing compliance
- Automates calculation of Full Time Employees vs Part time employees for ACA

Co-Employment
- A PEO is a relationship in which a company selects a provider to become their dedicated HR management and benefits administration partner to deliver a broad range of HR services through a “co-employment” model.
- The clients, as employers, continue to have direct control over the day-to-day activities of their business, while the PEO becomes an additional employer of record for purposes of human resources administration.
- This model allows the client of the PEO to gain more focus, control, and performance from their organization.

Optimizing Your Clients’ Workforce in the Wake of Increased Regulations
- The right PEO can help you and your clients
  - With health insurance decisions in 2013, 2014 and beyond
  - Maintain compliance and avoid tax penalties with the Employer Shared Responsibility provisions and other employer mandates
  - Optimize company spend via a strategic approach
  - Attract and retain the best talent via a robust benefits package
  - Give them access to strategic consultation with a dedicated HR Business Partner to guide their business through HR, payroll and ACA-related compliance
  - Provide them with an integrated HRMS driven by a powerful combination of HR, payroll and compliance to help manage their workforce

Traditional Employer Model
- Employer manages multiple vendor relationships
- Time and labor intensive for the employer
- Clients resources from core activities
- Significant exposure to liability
RF1 Joyce, can you replace EAP ESC with Health
Regina Felix, 9/17/2013
Did You Know?

Small businesses that use PEOs have an employment growth rate that is nearly 10 percent higher than small businesses that don’t use PEO.

PEOs are able to provide a broad array of HR services at a lower cost, saving their small business clients at least 21 percent on HR administration.

*September 2013: Professional Employer Organizations: Fueling Small Business Growth released by the National Association of Professional Employer Organizations (NAPEO).

Thank You

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Health Care Reform
Thank You