Healthcare Reform…Now What?
December 2013

Presented by Michelle Montoya, MLR, SPHR
Today’s Discussion Topics

- Insurance carrier mandates
- Individual mandates
- The exchanges
- Employer mandates
- Employee communication
- Required reporting
The Goals of this New Law

- Guaranteed Availability of Coverage
- Guaranteed Renewability of Coverage
- Fair Health Insurance Premiums
Insurance Carrier Mandates - All

• Coverage for Adult Children

• Patient’s Bill of Rights
  ▪ Elimination of pre-existing condition exclusions
  ▪ No lifetime limits on “essential benefits”
  ▪ No rescission of coverage
  ▪ No cost sharing for preventative healthcare
  ▪ Limits on preauthorization and cost-sharing for emergency services
  ▪ Choice of any available participating primary care provider, pediatrician or OB/BYN without referral
  ▪ New internal appeals processes for carriers and self-insured
Insurance Carrier Mandates - All

- No cost sharing for Preventative Care for Women
- Uniform Summary of Benefits & Coverage (SBC)
- MLR Rebates
CA’s AB 1083 - All

• Pre-existing Condition Exclusions
• Eligibility – Cannot be based on health status
• Guarantee Issue & Renewability
• Marketing of Plans – Must be available in all service areas
• Waiting Period – Up to 60 calendar days
Insurance Carrier Mandates – Individual & Small Group

- Insurance Rate Review
- Essential Health Benefits Coverage
- Insurance Premium Restrictions
New Underwriting Guidelines – Individual & Small Group

• Age
  ▪ Older people cannot be charged more than 3x the rate of the younger people (21 to 63)

• Family Size
  ▪ New rates will be based on the age of each family member

• Geographic Area
  ▪ Carriers allowed to charge more for those who live where medical cost are higher

• Tobacco Use
  ▪ Up to 50% more in premiums
  ▪ Not in CA, though
Individual Responsibility

- All those “lawfully present” in the US must enroll in acceptable coverage or pay a tax
  - Traditional Employer Plan
  - Individual Plan
  - Government Plan (Medi-cal, Medi-care)
  - State Exchange
Subsidies

• Expansion of Medi-Cal to cover Californians making up to 138% of the Federal Poverty Level (FPL)
  ▪ $15,856 for an individual
  ▪ $32,499 for a family of four

• Sliding scale subsidies based on income for individuals and families earning up to 400% of the FPL
  ▪ $94,200 for a family of four
  ▪ Tax credits that can be advanced and applied toward cover in an Exchange
The California Picture

- 5.3 million’ish uninsured
- 1.4 million newly eligible for Medi-cal
- 2.6 million would qualify for subsidies
- Enrollment numbers not clear, so far…
Covered California

- [www.coveredca.com](http://www.coveredca.com)
  - Individual coverage cost calculator
  - Apply for Medi-Cal
  - Plan comparison information
  - Multiple languages

- Open Enrollment began October 1st

- All plans must fall within one of four levels

- Small Business Health Options Program (SHOP)
### Covered California – 2014 Standard Benefits for Individuals

<table>
<thead>
<tr>
<th>Key Benefits</th>
<th>Bronze</th>
<th>Silver</th>
<th>Gold</th>
<th>Platinum</th>
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</thead>
<tbody>
<tr>
<td>Benefits In Blue are Subject to Deductibles</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deductible</td>
<td>$5,000 Med &amp; Rx</td>
<td>$2,000 Med</td>
<td>None</td>
<td>None</td>
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<tr>
<td>Preventative Care</td>
<td>No Cost</td>
<td>No Cost</td>
<td>No Cost</td>
<td>No Cost</td>
</tr>
<tr>
<td>Primary Care Visit</td>
<td>$60 – 3 visits</td>
<td>$45</td>
<td>$30</td>
<td>$20</td>
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<tr>
<td>Specialty Care Visit</td>
<td>$70</td>
<td>$65</td>
<td>$50</td>
<td>$40</td>
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<tr>
<td>Generic Medication</td>
<td>$19</td>
<td>$19</td>
<td>$19</td>
<td>$5</td>
</tr>
<tr>
<td>Lab Testing</td>
<td>30%</td>
<td>$45</td>
<td>$30</td>
<td>$20</td>
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<tr>
<td>Emergency Room</td>
<td>$300</td>
<td>$250</td>
<td>$250</td>
<td>$150</td>
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<tr>
<td>High cost services</td>
<td>30%</td>
<td>20%</td>
<td>20%</td>
<td>10%</td>
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<tr>
<td>Single Out-of-Pocket Max</td>
<td>$6,350</td>
<td>$6,350</td>
<td>$6,350</td>
<td>$4,000</td>
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<tr>
<td>Family Out-of-Pocket Max</td>
<td>$12,700</td>
<td>$12,700</td>
<td>$12,700</td>
<td>$8,000</td>
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</table>
Cost of Coverage – Individual Market

• Data from 17 states that have released rates

• Competition seems to be working

• Coverage less expensive than expected
  ▪ $270 for midrange policy for 21-year old
  ▪ $330 for midrange policy for 40-year old
  ▪ $615 for midrange policy for 60-year old
**Covered California – Single Person Silver – Eligible for Subsidy**

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>Consumer Portion</strong></td>
<td>$19 – $57</td>
<td>$57 – $121</td>
<td>$121 – $193</td>
<td>$193 – $364</td>
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<tr>
<td><strong>Benefits In Blue are Subject to a Deductible</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Deductible</strong></td>
<td>None</td>
<td>$500</td>
<td>$1,500 Med</td>
<td>$2,000 Med</td>
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<tr>
<td><strong>Preventative Care</strong></td>
<td>No Cost</td>
<td>No Cost</td>
<td>No Cost</td>
<td>No Cost for 1</td>
</tr>
<tr>
<td><strong>Primary Care Visit</strong></td>
<td>$3</td>
<td>$15</td>
<td>$40</td>
<td>$45</td>
</tr>
<tr>
<td><strong>Specialty Care Visit</strong></td>
<td>$5</td>
<td>$20</td>
<td>$50</td>
<td>$65</td>
</tr>
<tr>
<td><strong>Lab Testing</strong></td>
<td>$3</td>
<td>$15</td>
<td>$40</td>
<td>$45</td>
</tr>
<tr>
<td><strong>Generic Medication</strong></td>
<td>$3</td>
<td>$5</td>
<td>$19</td>
<td>$19</td>
</tr>
<tr>
<td><strong>Emergency Room</strong></td>
<td>$25</td>
<td>$75</td>
<td>$250</td>
<td>$250</td>
</tr>
<tr>
<td><strong>High cost services</strong></td>
<td>10%</td>
<td>15%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Single Out-of-Pocket Max</strong></td>
<td>$2,250</td>
<td>$2,250</td>
<td>$5,200</td>
<td>$6,350</td>
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<tr>
<td><strong>Family Out-of-Pocket Max</strong></td>
<td>$4,500</td>
<td>$4,500</td>
<td>$10,400</td>
<td>$12,700</td>
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</tbody>
</table>
Helping You Get Covered
Shop. Apply. Save.

INSTANT QUOTE

- Medical Insurance
- Dental Insurance
- Life Insurance
- Medicare Supplement
## Paying the Tax

<table>
<thead>
<tr>
<th>Year</th>
<th>Per Adult</th>
<th>Per Child</th>
<th>Family Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$95</td>
<td>$47.50</td>
<td>$285 or 1% of Family Income*</td>
</tr>
<tr>
<td>2015</td>
<td>$325</td>
<td>$162.50</td>
<td>$975 or 2% of Family Income*</td>
</tr>
<tr>
<td>2016</td>
<td>$695</td>
<td>$347.50</td>
<td>$2,085 or 2.5% of Family Income*</td>
</tr>
</tbody>
</table>

*Whichever is greater

- The penalty is pro-rated by the number of months without coverage, though a single gap in coverage of less than three months in a year is allowed...or an employee enrolls in a employer plan that has a non-calendar plan year.

- Exemptions to mandatory coverage requirement apply if the premium for an employee’s employer-provided health coverage is more than 8% of the employee’s modified household income.
Notice Requirements

• W-2 reporting
  • Required now of employers filing 250+ W-2s the previous year

• Exchange Notices
  • Required of all employers as of Oct 1, 2013

• IRS Reporting
  • Required of all large employers in February 2016 about data beginning January 2015
Employee Questions

- Do I get a subsidy?
- Can I get coverage through the exchange?
- Are my dependents covered through the exchange?
- Am I eligible for Medi-cal or Medicaid?
- Do I have a choice between the exchange and my work plan?
- Can I use my subsidy to pay for my work plan?
Employer Mandate

• Large employers must offer all full-time employees and their dependents the opportunity to enroll in a qualifying medical plan

• The plan must meet a standard of Minimum Essential Coverage and Affordability
Large Employer Status

• 50 or more full-time equivalent employees

• Seasonal and leased employees excluded

• Controlled group counted as one employer

• Reasonable expectation standard
Reporting Delay

- Information reporting will be optional for 2014 and no penalties will be applied for failure to comply with these requirements for 2014; and

- No employer shared responsibility payments will be assessed for 2014.

- However, both the information reporting and the employer pay or play requirements will be fully effective for 2015.
Effective Date

• January 1, 2014 2015

• Transitional relief for employers on fiscal year plans
  ▪ Plan has to have been in place on 12/27/12;
  ▪ Must have been offered to at least 1/3 of your employees; or
  ▪ 1/4 of your employees are on the plan; and
  ▪ All full-time eligible employees are offered qualifying affordable coverage as of the first day of the 2014 plan year
Minimum Value

- The plan covers at least 60% of covered expenses for a typical population
- Vast majority of employer plans already meet this standard
- Federal MV Calculator in place
Minimum Value Safe Harbor

- A plan with a $3,500 integrated medical and drug deductible, 80 percent plan cost sharing and a $6,000 maximum out-of-pocket limit for employee cost-sharing

- A plan with a $4,500 integrated medical and drug deductible, 70 percent plan cost sharing, a $6,400 maximum out-of-pocket limit and a $500 employer contribution to an HSA
Affordability

• A plan offered to all full-time employees and dependents, where the employee portion of the self-only premium does not exceed 9.5% of the wages reported in Box 1 of the employee's Form W-2

• Calculations also allowed using 130 hour and Federal Poverty Level standards
Eligibility – Full time employees

- 30 or more hours paid hours per week
- Reasonable calculation method for those whose hours are not tracked
- Waiting period no longer than 90 60 calendar days
Eligibility - Variable Hour Employees

- Safe Harbor

- Employers can use a Measurement Period of 3 to 12 months

- Administrative Period up to 90 days

- Stability Period must equal measurement period, but no less than 6 months
Penalties Faced

• If you fail to offer your full-time employees (and dependents) the opportunity to enroll:
  ▪ $2,000 per employee, for every full-time employee in the company, after subtracting 30

• If your coverage is not affordable (employee cost greater than 9.5% of employee income)
  ▪ $3,000 for each employee that receives a tax credit on the exchange
## Taxes and Fees

<table>
<thead>
<tr>
<th>Reform Fees</th>
<th>Description</th>
<th>Fee Amount</th>
<th>Fee Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Patient-Centered Outcomes Research Institute (PCORI)</strong></td>
<td>Fees are for evidence-based medicine and clinical research for seven years.</td>
<td>-$1 per member per year in FY 2013. $2 for FY 2014 - Indexed thereafter</td>
<td>Fees paid in July of each year. Fully insured and self-funded plans.</td>
</tr>
<tr>
<td><strong>Transitional Reinsurance Program</strong></td>
<td>Created to help stabilize premiums in the individual market during the first three years of Exchange operation.</td>
<td>2014: ~$63/member/year 2015: ~$42/member/year 2016: ~$26/member/year - Includes COBRA Members Tax deductible</td>
<td>Fees paid to HHS in November of each year. Applies to fully insured and self-funded plans.</td>
</tr>
<tr>
<td><strong>Insurer Fee</strong></td>
<td>Fee on earned premiums in the individual, small and large group markets to fund premium subsidies and Medicaid expansion.</td>
<td>2014: $8 billion (2.3%) 2015: $11.3 billion (3.52%) 2016: $11.3 billion (3.25%) and increasing thereafter based on premium growth. - Tax not deductible</td>
<td>Paid by carrier on fully insured plans only.</td>
</tr>
</tbody>
</table>
FSAs, HRAs & HSAs

- HSAs virtually unchanged
- $2,500 limit on FSAs
- Standalone HRAs do not meet ACA requirements
- PRA tax-free status in question
- Future guidance to come
Grandfathered Plans in 2014

- 60-day maximum waiting period does apply
- No lifetime limits on coverage
- No rescissions for unintentional mistakes on applications
- Coverage to young adults up to age 26
- No pre-existing coverage exclusions
Regulations Not Finalized

• Nondiscrimination Rules
  - Non-GF group health plans will have to satisfy nondiscrimination rules regarding eligibility and benefits

• Automatic Enrollment
  - Employers with more than 200 employees must automatically enroll all new full-time in their medical insurance plan unless the employee “Opt out.”
Putting Together a Strategy

• Eligibility
  ▪ Waiting Period for Regular Employees
  ▪ Variable Employee Classification
  ▪ Potential Auto Enrollment for 200+ Groups

• Employer Contribution
  ▪ Affordability
  ▪ Carrier Participation Requirements
  ▪ Discrimination Issues

• Overall Compensation Package
Putting Together a Strategy

• Plan Design
  ▪ Minimum Essential Benefits
  ▪ Base Plan Option
  ▪ Self-Insurance
  ▪ Private Exchange

• Communication Resources

• Administrative Systems

• Budget
  ▪ Trend (8 to 12%), Taxes & Fees (5%)
Small Group – Have to do now?

• Send Exchange Notice to all employees

• Decide if you want to early renew

• Consider communication and benefit policy changes in light of market changes
Large Group – Have to do now?

- Send Exchange Notice to all employees
- If you have the early renewal option, decide if appropriate for you to do so
- Evaluate the need for communication and benefit policy changes in light of mandates discussed and market changes
- Implement strategic plan to ensure compliance for January 1, 2015
Informational Sources

- MyFilice – [www.myfilice.com](http://www.myfilice.com)
- Covered California – [www.coveredca.com](http://www.coveredca.com)
- Kaiser Foundation - [www.kff.org/](http://www.kff.org/)
- Health Affairs - [www.healthaffairs.org](http://www.healthaffairs.org)
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Individual Insurance: www.filice.us/michelle
ABOUT FILICE

Founded in 1989, Filice Insurance was the first consultancy in Northern California to offer a full suite of employee benefits and business insurance services. Our industry leadership continues today. We leverage the latest market research and product offerings to craft insurance and benefits programs that help our clients achieve their long-term strategic goals.

Our team will listen to you. Our holistic approach to Benefits Consulting starts with an understanding of your employees culture, includes competitor benchmarking and market analysis and continues through plan compliance and modeling, contract negotiations, employee communication and ongoing plan management. Through our targeted analysis, design and implementation, we identify solutions that employees embrace and value, and employers are proud to communicate. Whether your plan is fully or self-insured, our solutions are designed to be sustainable over the long-term and supportive of your company culture.