Health Care Reform: Employer Perspective

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In this presentation, we’ll cover:

- Upcoming Reforms and Exchange timeline
- NYS Implementation Update and Timeline
- Evolution of a Retail Market
- Implications for Employers
- Employer Readiness
Upcoming Reforms and Exchange Overview
# Reforms 2013 and 2014

<table>
<thead>
<tr>
<th>Insurers</th>
<th>Consumers</th>
<th>Employers</th>
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</thead>
<tbody>
<tr>
<td>- Exchanges</td>
<td>- FSA reduction in contribution</td>
<td>- Exchanges (small group)</td>
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<tr>
<td>- Essential health benefits</td>
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<td>- Essential health benefits (small group)</td>
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<tr>
<td>- Additional benefit changes</td>
<td>- Tax credits /cost sharing subsidies</td>
<td>- Employer penalties (large group)</td>
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<td>- Increased consumer protections</td>
<td>- Individual mandate</td>
<td>- Minimum essential coverage (large group)</td>
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<td>- Operating rules</td>
<td>- Increased consumer protections</td>
<td>- Additional benefit changes</td>
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<td>- Excise tax</td>
<td>- Additional benefit changes</td>
<td>- W-2 reporting</td>
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Health Care Exchanges are effective January 1, 2014

- Health care market places – think Expedia

- Individuals and small groups can purchase coverage
  - Individuals can purchase subsidized coverage if they meet the criteria

- State administered

- Health Plans who meet qualifying requirements may offer products on the exchange
How Exchanges Work

American Health Benefit Exchange

Small Business Health Options Program (SHOP) Exchange

Purchaser
- Individuals
- Small groups

Tax Credit/Subsidy
- Members below 400% FPL
- Employers below 25 EEs

Product Levels
- Platinum
- Gold
- Silver
- Bronze
- Catastrophic

Carriers
- Carrier A
- Carrier B
- Carrier C
- Carrier D
- Carrier E
- Carrier F

Member Selects

Employer Selects

Member Selects

Member Selects

Excellus
NYS Exchange Implementation

- Executive order passed in April to establish NYS Exchange
- Letter of intent to establish a state based exchange submitted on 7/9/12
- Multiple development grants already received
- Exchange vendor selected
- Multiple studies underway to guide major state decisions
- Regional Advisory groups and technical workgroups meeting regularly
Employer Penalties and Subsidies
## Large employer Penalties

<table>
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<tr>
<th>Coverage Not Offered</th>
<th>Penalty if coverage requirements not met</th>
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<tbody>
<tr>
<td>$2,000 per full time employee, first 30 employees are exempt</td>
<td>$3,000 for each full time employee purchasing subsidized exchange coverage</td>
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<td></td>
<td>Capped at $2,000 per full time employee (first 30 exempt)</td>
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</tbody>
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- Large employer defined as >50 full time equivalents
- Affordability requirement = premium contribution of <9.5% of employee income
- Benefit coverage requirement = at least one plan offered to all employees that is 60% actuarial value or greater
Small Group Tax Credit will increase

- Must purchase coverage from Exchange to be eligible in 2014
- Credit increases to 50%
- Eligibility requirements remain the same
  - <25 employees
  - Average salary of <$50,000
  - At least 50% employer contribution to premium
- Sunsets in 2016
Employers are faced with choices on if and how to offer coverage

- Small groups (<25) are eligible for tax credits to subsidize offering coverage
- Small groups (<50) can purchase from an insurance exchange or in the outside market
- Large groups (>50) will pay penalties if they do not offer coverage or if the coverage offered does not meet affordability and benefit level criteria
- Employers must provide coverage and cost information to HHS for all employees
Evolution of a Retail Market
Evolution of Retail Market

- **Employers**
  - Reduced incentive to offer? Must weigh costs and benefits.
  - Perceived justifiable alternative for employees

- **Individuals**
  - Influx of previously/newly uninsured buying direct
  - Affordability (in theory) increased through subsidies
  - Directly making cost and coverage decisions
Timing of Shift to Retail

- **Multiple years vs. “big bang” in 2014**
  - 5-10 years for a true market shift to occur
  - Employers do not opt out today with no penalty

- **Exchanges need to deliver on promise**
  - **Affordability, choice, ease of use**
  - Stabilization of exchanges will take several years

- **Most surveys show majority of employers will take a wait and see approach**
Implications for Employers
Implications for Employers

- Large employers must make “play or pay” decisions
- Small employers must decide if and where to purchase coverage
- Must understand qualified coverage requirements and whether they meet them
- Must collect and report data and information that you may not currently have
Large Employer Play or Pay Considerations

- Attracting and retaining talent
- Tax subsidization of employer based insurance
- Employee subsidy eligibility / financial impact
- Exchange affordability and early year stability
- Collective bargaining agreements
Competitive Labor Market Considerations

- Overall compensation implications to dropping coverage
  - Need to pay employees what they are worth
  - Reduction in benefits without corresponding increase in salary = paying below value

- Worker expectation of benefit coverage

- Only low paid workers benefit from subsidies

- PPACA non-discrimination rules prevent offering to higher wage workers
Dropping Coverage May Not Always Be Cheaper

With a $10,000 annual premium, 25% paid by employee, employers must factor in

- Cost of penalty + $2,000
- Loss of pre-tax treatment + $1,077
- Increased salary compensation to offset loss of benefit + $3,750
- Tax gross up on increased compensation $1,607

Original Employer premium cost (tax free) $7,500
Cost of Exit $8,434
Employer Readiness
Employer Readiness – Large groups

- Health care costs on W-2s in 2013 – groups filing >250 W-2s (all group 2014)
- Ensure essential benefits (if offered) meet criteria by 2014
- Evaluate affordability and benefit levels
  - At least one existing benefit plan must be at 60% actuarial value by 2014
  - Employee contribution must be below 9.5% of gross income by 2014
- Groups of 51-100 shift to community rating in 2016 – can purchase through exchange
Employer Readiness - Large groups

- Delayed provisions
  - Non-discrimination – not clear when new rules will be released
  - Auto enrollment for groups >200- delayed until 2015 or later
Employer Readiness All Groups

- No waiting periods greater than 90 days – 2014
- No pre-existing condition exclusions for adults – 2014
- Remove dollar annual limits – 2014
- Coverage for clinical trials – 2014
Thank You