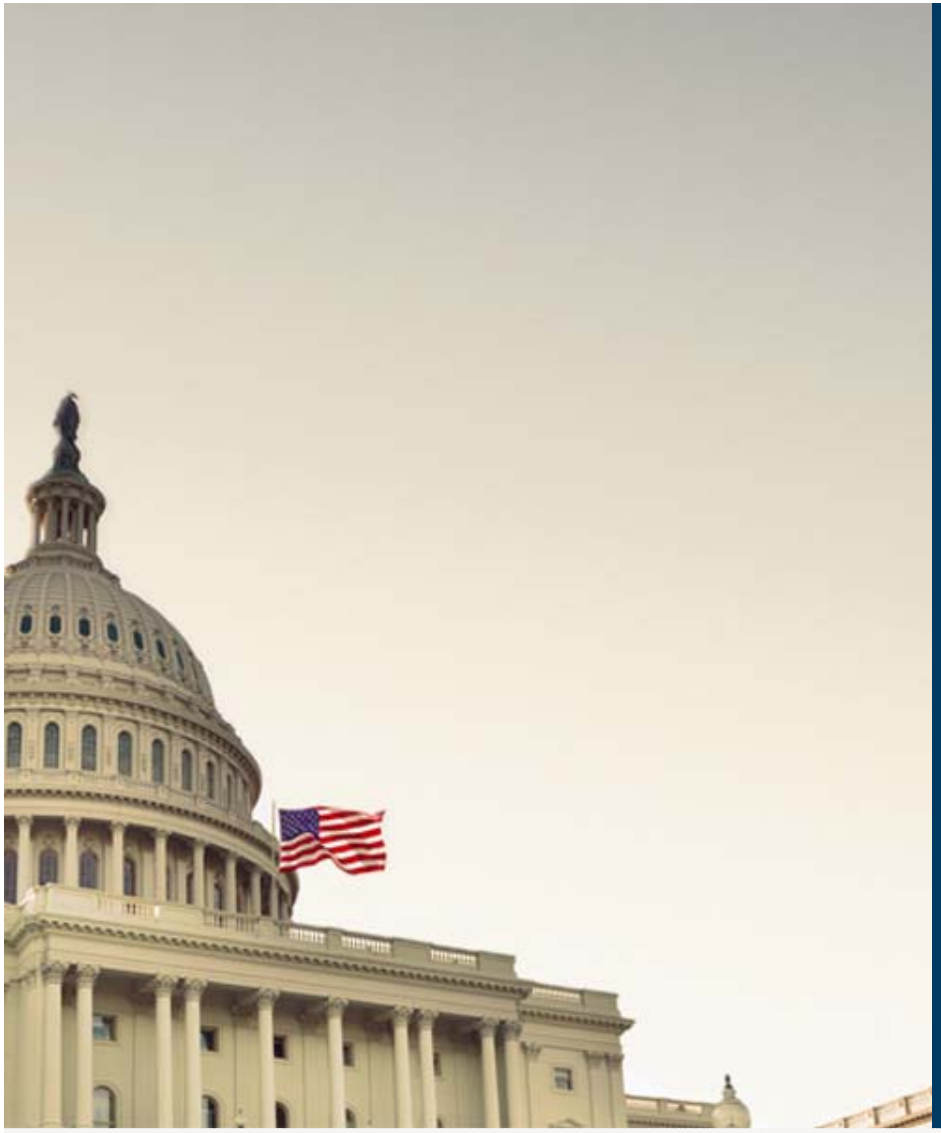

Health Care Reform: Health Plans Overview

Daryl Russell

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Agenda

- Which plans must comply?
- Timeline
- 2012-2013
- 2014 and beyond
- Next Steps/Strategy
- Questions

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Which Plans Must Comply?

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Plans Subject to Health Care Reform

- Health care reform's health plan rules generally apply to **group health plan** coverage
- Exceptions
  - Excepted benefits
  - Retiree-only plans
  - Group health plans covering fewer than 2 employees
- Excepted Benefits
  - Accident or disability income coverage
  - Separate dental and vision plans
  - Liability insurance
  - Some FSAs

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Grandfathered Plans

- **Grandfathered plan:** group health plan or health insurance coverage in which an individual was enrolled on March 23, 2010
- Certain health care reform provisions don't apply to grandfathered plans, even if coverage is later renewed
- A plan can lose grandfathered status by making too many changes to benefits or costs
  - Plans will have to analyze status and changes at each renewal

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Which Rules Don't Apply to Grandfathered Plans?

- Patient Protections
- Nondiscrimination rules for fully-insured plans
- New appeals process
- Quality of care reporting
- Insurance premium restrictions
- Guaranteed issue and renewal of coverage
- Nondiscrimination based on health status/in health care
- Comprehensive health insurance coverage
- Limits on cost-sharing
- Coverage for clinical trials

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Timeline

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Timeline

2010	
•Health plans that provide dependent coverage must make coverage available for dependents up to age 26	•Rescissions are prohibited in most cases; plan coverage may not be retroactively cancelled without prior notice to the enrollee
•Uninsured individuals with pre-existing conditions can obtain health insurance through a high-risk health insurance pool program	•Fully insured group health plans must satisfy nondiscrimination rules regarding participation and benefit eligibility (Note: delayed for regulations)
•HHS established a website for residents of any state to identify affordable health insurance coverage options in their state (www.healthcare.gov)	Plans and issuers must adopt an improved internal claims and appeals process and comply with external review requirements (some rules were delayed until plan years beginning on or after Jan. 1, 2012)
•Early retiree reinsurance program provides reimbursement for a portion of the cost of providing health coverage for early retirees. Program was available for claims incurred before Jan. 1, 2012	•First phase of the small business health care tax credit .
•Lifetime dollar limits on essential health benefits are prohibited. Annual dollar limits are restricted until 2014 when all annual dollar limits on essential health benefits are prohibited	•Rebates for the Medicare Part D "donut hole" sent to eligible enrollees
•Pre-existing condition exclusions are eliminated for children under age 19	
•Non-grandfathered health plans must cover certain preventive care services without cost-sharing	

Timeline

2011	2012
•Medical loss ratio (MLR) rules apply to how health insurers spend their premium dollars (consumer rebates must be paid by Aug. 1 each year starting in 2012)	•Plans must provide summary of benefits and coverage starting with the open enrollment period beginning on or after Sept. 23, 2012. For other enrollments, it must be provided starting with the plan year beginning on or after Sept. 23, 2012
•Employers must report health coverage costs on Form W-2 (optional for 2011; mandatory for later years, except small employers do not need to comply until further guidance issued)	•For plan years beginning on or after Aug. 1, 2012, plans and issuers must cover additional preventive care services for women without cost-sharing. Exceptions to contraceptive coverage apply to religious employers
•OTC medicine and drugs are "qualified medical expenses" for HSAs, FSAs and HRAs only if they are prescribed (insulin is an exception)	•For plan years ending on or after Oct. 1, 2012, issuers and self-insured health plans must pay comparative effectiveness research fees.
•Simple cafeteria plan provides small businesses with an easier way to sponsor a cafeteria plan	
•Medicare Part D drug discounts start to be phased in for beneficiaries in the "donut hole" until the coverage gap is filled in 2020	
•Penalty taxes increase on withdrawals from HSAs (prior to age 65) and Archer MSAs that are not used for qualified medical expenses	
•Free annual wellness visit for Medicare beneficiaries and elimination of cost sharing for preventive care services	

Timeline

2013
•Improvements on HIPAA's electronic transaction rules start to be phased in
•Salary reduction contributions to FSAs are limited to $2,500
•Medicare Part D subsidy deduction eliminated
•Income threshold for claiming itemized deduction for medical expenses increased
•Medicare hospital insurance tax rate for high wage workers increased
•Medical device excise tax established
•By March 1, 2013, employers must provide a notice to employees regarding the insurance exchanges. On Jan. 24, 2013, the DOL announced that employers will not be held to the March 1, 2013 deadline. They will not have to comply until final regulations are issued and a final effective date is specified.
•By Dec. 31, 2013, employers must certify compliance with certain HIPAA electronic transactions

Timeline

2014	2015-2018
•Individuals must obtain health insurance coverage or pay a penalty (some exemptions apply)	Health insurance provider fee imposed in 2015 and increased annually
•Employers with 50 or more employees must offer coverage to their employees (that is affordable and provides minimum value) or pay a penalty	High-cost plan excise tax established in 2018
•Health insurance exchanges to be established	
•Health insurance companies will not be able to discriminate against individuals based on health status	
•Individual health care tax credits available for certain individuals	
•Second phase of small business tax credit	
•Insured plans in the small group and individual market must provide comprehensive benefits coverage (does not apply to grandfathered plans)	
•No limits on annual dollar value of essential health benefits	
•Pre-existing condition exclusions prohibited for adults	
•Health plans cannot impose waiting periods longer than 90 days	
•Reforms related to the allocation of insurance risk through reinsurance, risk corridors and risk adjustment become effective	
•Non-grandfathered health plans will be subject to cost-sharing limits	

CE LLC morrow.

Key Reforms Currently in Place

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Key Provisions Already Effective

- Small employer tax credit
- Dependent coverage up to age 26
- No lifetime limits/restrictions on annual limits
- No rescissions
- No pre-existing condition exclusions for children
- No cost-sharing for preventive care services (non-GF plans)
- Appeals process changes (non-GF plans)
- No reimbursement for OTC medicine or drugs (without a prescription)
- Medical loss ratio rules

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Important 2012-2013 Compliance Requirements

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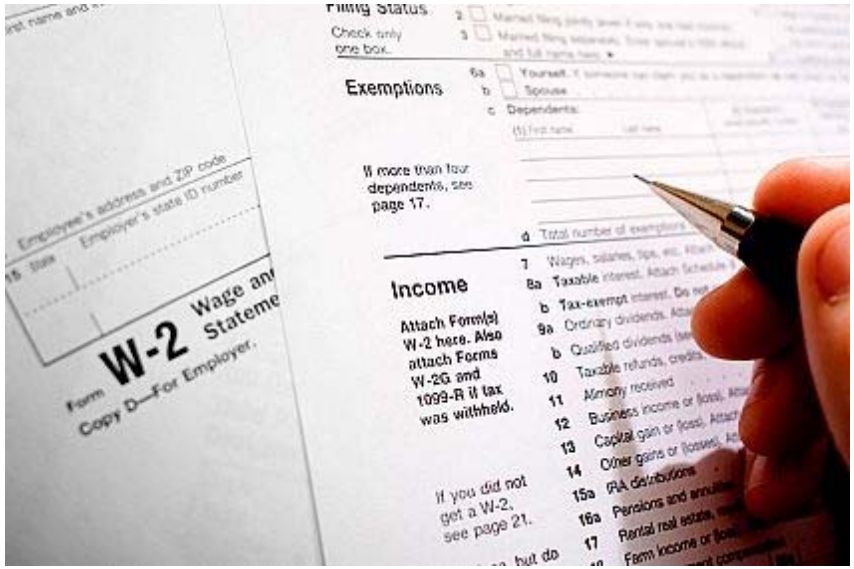
W-2 Reporting



- Employers must report aggregate cost of group health plan coverage on each employee's Form W-2
- Does not change the tax rules for health coverage – coverage is still **not taxable**

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Effective Date for W-2 Reporting

- Reporting optional for all employers in 2011
- **Mandatory for 2012 tax year** (W-2 Forms provided in January 2013)
- For **small employers** (filed fewer than 250 W-2 Forms last year), reporting requirement is delayed until further guidance issued
- Covered employers need to be compiling data

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Reporting

- Report coverage under employer-sponsored group health plans
  - Does not include excepted benefits/plans that don't provide health coverage
- Aggregate cost must be reported
  - Include both employer- and employee- paid portions
  - Determined under rules similar for determining "applicable premium" under COBRA
- Not required for:
  - Employees who terminate during the year and request a W-2 before the end of the year
  - Employees who would not otherwise receive a W-2

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Summary of Benefits and Coverage

- Simple and concise explanation of benefits
  - Applies to GF and non-GF plans
- Model template and guidance available
  - Instructions
  - Sample language
  - Uniform glossary of terms
- Final guidance specifies compliance deadlines
  - Original deadline was March 23, 2012

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SBC Compliance Deadlines

- Issuers to health plans: **Sept. 23, 2012**
- Health plans to enrollees:
  - Open enrollment: 1st day of the **1st open enrollment** period that begins **on or after Sept. 23, 2012** or
  - Other enrollment: 1st day of the **1st plan year** that begins **on or after Sept. 23, 2012**
- Special rules specify when SBC must be provided
- No duplication required: if issuer provides to enrollees, plan doesn't have to

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Providing the SBC to Health Plans

- Issuers must provide SBC to health plans:
  - Upon application
  - Before the first day of coverage (if there have been changes to the SBC)
  - When a policy is renewed or reissued
  - Upon request

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Providing the SBC to Enrollees

- Plans must provide SBC to enrollees:
  - For each benefit package offered or which they are eligible
  - Annually at renewal (or 30 days before new plan year if automatic renewal)
  - With enrollment application materials (if no written enrollment materials, when the participant is first eligible to enroll)
  - Before the first day of coverage (if there have been changes to the SBC)
  - To special enrollees within SPD timeframe
  - Upon request

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60-Day Notice Rule

- Material modifications **not in connection with renewal** must be described in a summary of material modifications (SMM) or an updated SBC
- Material modification:
  - Enhancement of covered benefits or services
  - Material reduction in covered benefits or services
  - More stringent requirements for receipt of benefits
- Must be provided at least **60 days BEFORE** modification becomes effective

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Preventive Care for Women

- New guidelines for preventive care for women on Aug. 1, 2011
- Must provide coverage for women's preventive health services without any cost-sharing
  - Applies to non-GF plans
  - No deductible, copayment or coinsurance
- Effective for plan years beginning on or after **Aug. 1, 2012**

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Covered Health Services

- Well-women visits
- Gestational diabetes screening
- HPV DNA testing
- Sexually transmitted infection counseling
- HIV screening and counseling
- Breastfeeding support, supplies and counseling
- Domestic violence screening and counseling
- **Contraceptives and contraceptive counseling**

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Increased Medicare Tax

- Medicare tax rate to increase for high-earners
  - 0.9 percent increase (from 1.45 percent to 2.35 percent)
- High-earner threshold
  - Single: $200,000
  - Married : $250,000
- Employer responsibilities
  - Withhold additional amounts from wages in excess of $200,000
  - No requirement to match additional tax
  - No requirement to notify employees

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Health FSA Limits

- Current limits
  - No limit on salary reductions
  - Many employers impose limit
- Beginning in 2013, limit is **$2500/year**
  - Limit is indexed for CPI for later years

- Applies to plan years beginning on or after 1/1/13
  - This is a change from initial effective date
- Does not apply to dependent care FSAs

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Notice of Exchange

- Employers must notify new and current employees of exchange information
  - Original deadline was March 1, 2013, but this has been delayed pending more guidance from the DOL
- Notice must include information about 2014 changes:
  - Existence of health benefit exchange and services provided
  - Potential eligibility for subsidy under exchange if employer's share of benefit cost is less than 60 percent
  - Risk of losing employer contribution if employee buys coverage through an exchange
- Model Notice Provided

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2014 Reforms

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Individual Mandate

- Jan. 1, 2014: Individuals must enroll in coverage or pay a penalty
- Penalty amount: Greater of $ amount or a % of income
  - 2014 = $95 or 1%
  - 2015 = $325 or 2%
  - 2016 = $695 or 2.5%
- Family penalty capped at 300% of the adult flat dollar penalty or "bronze" level premium

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Health Insurance Exchanges

- Health insurance exchanges will be established in each state (by the state or the federal government)
- Individuals and small employers can purchase coverage through an exchange (Qualified Health Plans)
  - In 2017, states can allow employers of any size to purchase coverage through exchange
- Individuals can be eligible for tax credits
  - Limits on income and government program eligibility
  - Employer plan is unaffordable or not of minimum value

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Employer Responsibility

- Large employers subject to "Pay or Play" rule
  - Offer coverage that meets minimum essential and affordability requirements
  - **Offer coverage to employees who work 30 hours or more per week**
- Applies to employers with 50 or more full-time equivalent employees in prior calendar year
  - FT employee: employed for an average of at least 30 hours of service per week
  - FT equivalents need to be calculated
- Penalties apply if:
  - Employer does not provide Minimum essential and affordable coverage to all FT employees and any FT employee gets subsidized coverage through exchange OR
  - Employer does provide coverage and any FT employee still gets subsidized coverage through exchange

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Employer Responsibility – Determining Large Employer Status

- Employer must employ on average at least 50 full-time employees, including full-time equivalents (FTEs) on business days during the preceding calendar year
- Applies to employers with 50 or more full-time equivalent employees in prior calendar year
  - Full Time = 30 or more hours of service each week or 130 hours per month
- FTE's =
  - Calculate the aggregate number of hours of service (but not more than 120 for any employee) for all employees who were not employed on average at least 30 hours of service per week for that month
  - Dividing the total hours of service determined above by 120
- Transition rules apply – see BI Health Care Reform Legislative Brief *Large Employers Subject to "Pay or Play" Penalty*
- If determined you have 50 or more Full time employees including FTE's you are subject to ACA's pay or play rules.

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Minimum Essential and Affordability Requirements

- **Minimum Essential Plans**: Employer or health plan must pay at least 60% of the total allowed cost of benefits.

- The IRS has proposed three ways of determining that an employer meets the minimum value requirement.

1. **Minimum Value (MV) Calculator:** allows sponsors or self-funded health plans to input cost-sharing features such as deductibles, co-insurance, and out-of-pocket maximums.
2. **HHS or IRS established "safe-harbor checklists":** Each checklist would describe the cost-sharing attributes applicable to four core categories of benefits.
3. **Certification of minimum value** by American Academy of Actuaries.

It is not required that you offer Essential Health Benefits, but cost-sharing on any Essential Health Benefits is taken into account in the Minimum Value calculations.

Minimum Essential and Affordability Requirements

- Affordability
  - The employee's share of the self-only premium for the employer's lowest-cost plan that provides minimum value cannot exceed 9.5% of the employee's household income.
  - If it does, the employee may be eligible for a premium tax credit to purchase Exchange coverage. (For employees to be eligible for this, they must have a household income between 100 and 400% of the federal poverty level.) Note – no tax penalty for employees enrolled in Medicaid.

- IRS Safe Harbor
  - Allows employers to calculate affordability based on the employee's current W-2 wages as opposed to household income, since household income is likely not known or available.

Calculating the Amount of the Penalty

- Penalty only applies to full-time employees when the employee draws a premium tax credit through the Exchange.

If the employer does not offer coverage, and the employee draws a premium tax credit:	If the employer offers coverage that does not meet the definition of "affordable minimum essential," and the employee draws a tax credit:
The penalty is: • $2,000 x (number of full-time employees – 30)	The penalty is the lesser of: • $3,000 x total number of employees drawing tax credit, or • $2,000 x (number of full-time employees – 30)

Safe Harbors

- Employer penalties: who is a full-time employee?
  - Ongoing employees
  - New full-time employees
  - New seasonal and variable hour employees
- Affordability safe harbors
  - Three different safe harbors for determining affordability – W-2 income, rate of pay and federal poverty line
- Waiting periods
  - Cannot exceed 90 days
  - No penalty for employees in waiting period
- Employers can rely on safe harbors through 2014

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The "Safe Harbor" Method to Determine Eligible Employees

Term	Length	Definition	Notes
Standard measurement period	3-12 months (chosen by employer)	Time period during which an ongoing employee's hours are averaged to determine full- or part- time status	Ongoing employees are those who have been employed for at least one measurement period
Administrative period	Up to 90 days	Interval after the measurement period during which the employer can analyze an employee's hours and, if full-time, enroll eligible employee in the benefits plan	Optional, although employees must not be subjected to a waiting period longer than 90 days.
Stability period	At least six months, and no shorter than the measurement period	Period during which the employer provides benefits to eligible employees as determined during the measurement period	Employee's hours may change during this period, but the "full- or part-time" determination doesn't change until the period ends
As long as the above requirements are met, measurement or stability periods can have different start dates, end dates or lengths for collectively bargained and non-collectively bargained employees, salaried and hourly employees, employees of different entities and employees located in different states.			

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Fees & Assessments

- **Health Insurer Tax Fee**
  - New sales tax on health insurers
  - 2014 tax amount = $8 billion
  - 2018 tax amount increases to $14.3 billion
  - Tax increased based on premium trend thereafter

- **Reinsurance Fee**
  - Applies to all insurers and self-insured group health plans
  - Fees will fund reinsurance program 2014-2016 to stabilize premiums in individual insurance market
  - Proposed annual fee is $63 per enrollee in plan

Fees & Assessments, Cont.

- **Comparative Effectiveness Research Fee (PCORI)**
  - Applies to insurers and self-insured for policies or plan years after 9/30/12 thru 10/1/19.
  - Funds research on effectiveness of medical treatments and prescription drugs
    - FY2013 $1 per covered life
    - FY2014 $2 per covered life
    - FY2015 on – indexed

- **Tax on "High Value Plans" ("Cadillac" Plans)**
  - Beginning in 2018
  - 40% excise tax imposed on insurer & self-insured on total annual value of employer-sponsored coverage that exceeds $10,200/single, $27,500/family (value includes employer/employee contributions).

Reporting Requirements

Employer reporting on value of health coverage	Employer requirement to inform employees of coverage options	Reporting of employer offer of minimum essential coverage
Employers who issue at least 250 W2 forms annually	Employers subject to Fair Labor Standards Act	Large Employers (50+)
IRS	Distributed to Employees	IRS
Effective: 1/31/2013	*Effective: 3/1/2013	Effective: 1/31/2015

Employer Reporting

- Employers will have to report certain information about health coverage to the government and individuals
- Applies to:
  - "Applicable large employers" – generally, employers with at least 50 full-time equivalent employees
- Applies to coverage offered after Jan. 1, 2014
- First returns to be filed in 2015

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Information Required

- Employer identifying information
- Whether employer offers health coverage to FT employees and dependents
- Number of FT employees for each month
- Length of any waiting period
- Monthly premium for lowest-cost option in each enrollment category
- Employer's share of cost of benefits
- Names and contact info of employees and months covered by employer's health plan

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More 2014 Changes

- **No pre-existing condition exclusions or limitations**
- Wellness program changes - maximum reward increases to 30%
- Limits on out-of-pocket expenses and cost-sharing
- **No waiting periods over 90 days**
- Coverage of clinical trial participation
- Guaranteed issue and renewal
- No annual limits on essential health benefits
- Insurance premium rating restrictions

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Future Compliance Deadlines

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2018 – Cadillac Plan Tax

- 40 percent excise tax on high-cost health plans
- Based on value of employer-provided health coverage over certain limits
  - $10,200 for single coverage
  - $27,500 for family coverage
- To be paid by coverage providers
  - Fully insured plans = health insurer
  - HSA/Archer MSA = employer
  - Self-insured plans/FSAs = plan administrator
- More guidance expected

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Nondiscrimination Rules Coming for Fully-Insured Plans

- Will apply to non-grandfathered plans
- Discriminating in favor of highly-compensated employees (HCEs) will be prohibited
  - Eligibility test
  - Benefits test
- HCEs
  - 5 highest paid officers
  - More than 10% shareholder
  - Highest paid 25% of all employees
- Effective date delayed for regulations

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Automatic Enrollment Rules

- Will apply to large employers that offer health benefits
  - Applies to GF and non-GF plans
  - Large employer = more than 200 employees
- Must automatically enroll new employees and re-enroll current participants
- Adequate notice and opt-out option required
- DOL:
  - Regulations will not be ready to take effect by 2014
  - Employers not required to comply until regulations issued **and** applicable

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Strategy

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Next Steps for Employers

- **Determine whether you are a large employer**
  - More than 50 FT and FTE's.
- **Determine eligible employees**
  - Those employees who work 30 hours or more per week.
- **Assess impact of health care reform provisions on workforce**
  - How does my employee value proposition change if I as an employer do not provide coverage?
- **Assess your current benefit designs**
  - Does your plan meet the affordability mandate?
- **Project impact of employer penalties and taxes (play vs. pay)**
  - Employer could save money by NOT providing coverage to full-time employees and paying the penalty.
- **Prepare for complying with tax and other reporting requirements.**

Other Considerations

- Exchanges and premium tax credits may make individual coverage more affordable for a firm's employees
- Recruitment and retention may be more difficult if employers don't offer coverage
- ACA includes several provisions to help employers establish or continue wellness programs:
  - In 2014, employers are allowed to apply up to a 30 percent premium contribution differential (HHS may raise this to 50%)
  - In 2014, $200 million over a 5 year period will be available for wellness grants for employers with fewer than 100 employees that work 25 hours or more per week.

BlueCross BlueShield Association

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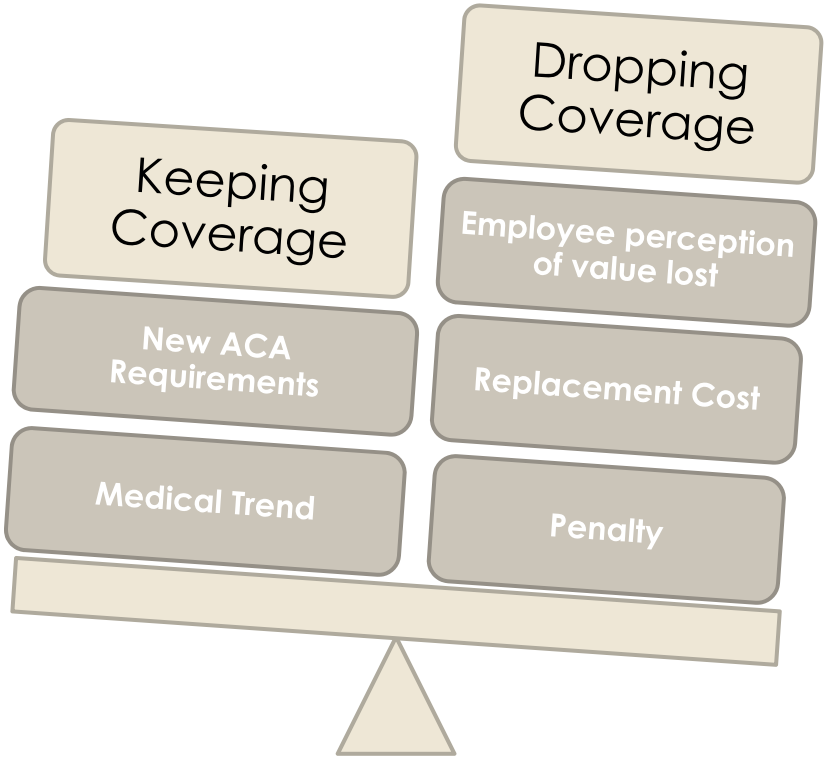
Employer Considerations



BlueCross BlueShield Association

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Challenges to the Transportation Industry

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Industry Challenges

- Wages
- Determining Employer Size
- Part –Time Employees
- Determining Employee Eligibility
- Impact on Budgets
- Reductions in Hours
- Increase in the Number of FT Employees
- Communication about the Marketplace

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Resources to Meet New Challenges

- Human Capital Management vs. Payroll Services
  - **Infinisource** has developed a single source solution to manage your workforce.
- Human Resources Consultant/ Compliance Partner
  - **SESCO Management Consultants** provides full service human resource and employee relations consulting for clients in all 50 states.
- Online Resources
  - The **My Wave Portal** allows you click + connect + communicate

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iSolved – Making Compliance Easy

Since 1986, Infinisource has been recognized as an expert in enabling employers to comply with employment and tax regulations. In our 26+ years in business, we've never had a single client lose a lawsuit in court, fail a Dept. of Labor audit or fail an IRS audit.

Typical Scenario

With the ever-changing regulatory landscape, it's difficult for employers to run a business that fully complies with all employment and tax law

Point in time compliance

Most systems help employers achieve compliance at a point in time, but require additional products and upgrades to ensure ongoing compliance

Infinisource Scenario

Between our compliance expertise and cloud-based technology, Infinsource will give Bankers clients total peace of mind that your business complies today and in the future

100% compliance

- No additional products needed
- No upgrades or downloads

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iSolved – Making Health Care Reform Easy

How we help you SOLVE your Health Care Reform/ACA requirements:

- ✓ **Solve** your reporting requirements to HHS, DOL and IRS
- ✓ **Solve** the problem of managing Full-Time (FT) employees hours of service
- ✓ **Solve** the challenge of managing the maximum 90-day waiting period
- ✓ **Solve** the Affordability issue by making the data reportable
- ✓ **Solve** the issue for controlled groups who need to manage multiple FEINs

Requirements are effective January 2014. Tracking of Full Time employees begins in 2013= NOW!

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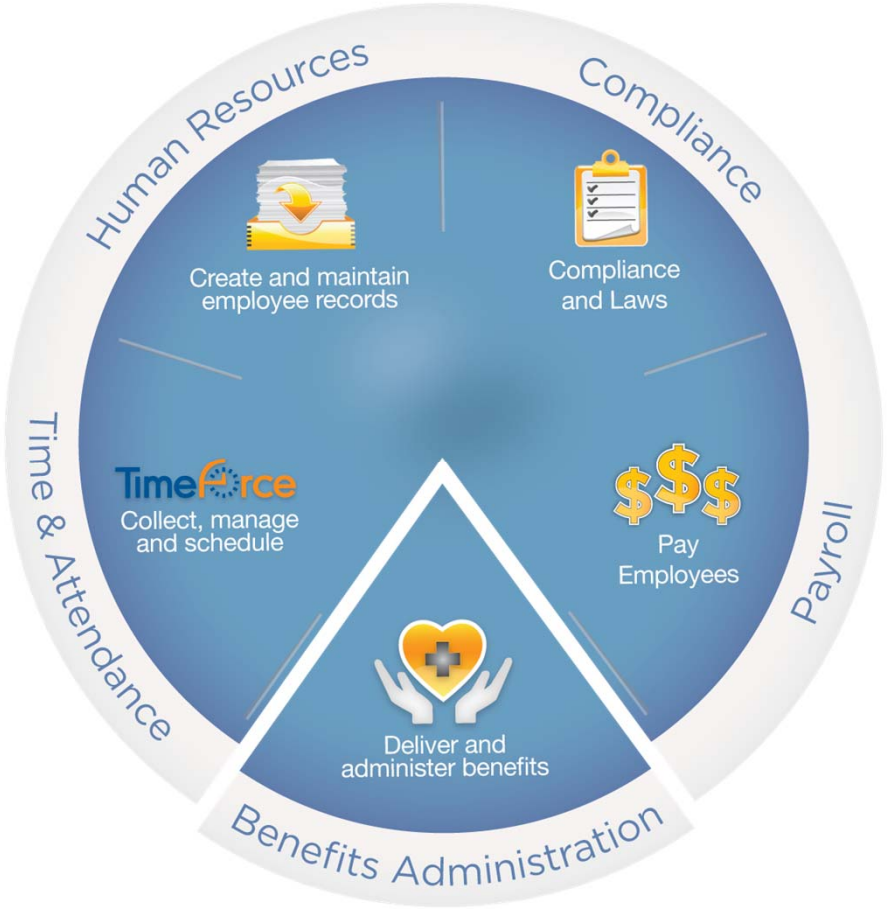
The 5 Benefits "Must Haves"



Benefits Administration

- Seamless reporting to vendors
- Single database, reduces human error
- Enables employer's compliance for the ACA
- Cafeteria plans, FSAs, HRAs, Transit and HSAs, if you choose
- Compliant plan documents and nondiscrimination testing

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- Build convenience into managing your everyday work tasks
- Collaborate with our agency online
- Timely news, information and resources
- Connect with 325,000 peers in your industry

MyWave® PORTAL

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