

# *A New Era of Healthcare for The Society of Commercial Arboriculture*

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# Today's agenda

- How did we get here?
- What has happened since “Obamacare” was passed?
- The Individual Mandate
- The State Exchanges (Individual & SHOP) – “Covered CA”
- The Employer “Play or Pay” Mandate
- What are Employer requirements for 2014-2016?
- Recent guidance & regulations
- Wellness Reforms
- Employer Compliance Strategies & Action items

# *How Did We Get Here?*



*A look Back*



# *How Did We Get there?*

## *The Sad Truth*

- Premiums jumping 15-20% year (97% since 2000)
- High Hospital /MDs Fees - 18% of US Economy
- Longevity/Morbidity stats show USA falling behind
- Average cost of care @ 10,000 yr ( 2x other countries)
- Individual Insurance applicants denied coverage due to Pre-Existing conditions
- Individual policies being retro-cancelled due to claims
- Insurance competition lacking in many states
- 15% of US Population not covered ( 5,000,000 in CA alone)
- High Cost Emergency Rooms used for basic care
- 2/3 of Small employer's do not offer Group medical coverage
- Medical bills are highest cause of Bankruptcy

# *What has happened since The Affordable Care Act was passed*



*A look Back*



# *What 's Happened since ACA was Passed*

## *The Good*

- Preventive and Prenatal care now paid @100%
- Dependent Children now covered till age 26
- Unlimited Life time and Annual Maximums in all Policies
- Caps on Deductibles and Out of Pocket limits
- Insurance Company Maximum Loss Ratio Rules Apply
- Expansion of Medicare policies and RX Coverage
- Creation of Government Purchasing Exchanges
- No Pre Existing Condition clauses allowed
- Small Employer and Individual Tax Credits (Subsidies)

# What 's Happened since 2010?

## The Bad

- New multi page Summary of Benefits & Coverage to be produced at Employer & Carrier expense
- Increase of Medicare Taxes of .9%
- Unearned Income Tax of 3.8% for High earners  
(200,000 Individual / 250,000 Family)
- Form W-2 reporting requirement for larger employers with 250 + W2s issues
- Delay of Employer Mandate inconsistent with Individual Mandate
- \$2,500 limit on Flexible spending accounts
- Expensive Monthly Reporting by Employers on all Employees & their eligible dependants

# *What 's Happened since 2010?*

## *The Unusual*

- Original Budget @ 1 Trillion \$; now 3 Trillion
- HHS has expanded 2700 pages to 300,000 pages
- ACA enforced by DOL, HHS, IRS, INS, Others
- Insurance & Medical Industry Taxes @ 5 Billion \$ Yr
- 20,000 + new Government agents hired
- Supreme Court upheld the Individual Mandate
- Recent temporary Government Shutdown over Obamacare



# *Individual Mandate*



***Impact of Reform & Employer  
Actions on Individuals***



# Individual Mandate

## Individual Mandate starts in 2014

- Requires EVERYONE to have health coverage or pay a penalty
  - Fines (assessed as “taxes”) for failure to purchase at greater of:
    - \$95 (285.00 family) or 1.0% of adjusted income in 2014
    - \$325 (975.00 family) or 2.0% of adjusted income in 2015
    - \$695 ( 2085 family) or 2.5% of adjusted income in 2016
    - Children fines = 50% of Adult fines

Not applicable if eligible for Medicare, Medi-Cal ( 138% of FPL) or under a Group plan via current./former Employer,

approx 15000 yr

# Individual Mandate

## Individual mandate starts in 2014

- Annual election for exchange ([www.CoveredCA.com](http://www.CoveredCA.com))
- **State Exchanges open 10/1/13 for 1/1/14 Effective dates**
- Travelocity style of search engine to purchase health insurance
- Uses the 4 Metal plans – Platinum, Gold, Silver, Bronze
- Potential of a subsidy for low wage earners – under 400% of FPL
- Individual subject to penalty unless he shows evidence of coverage for at least nine (9) months of the year
  - Generous grace periods for Exchange premium payment
- Employee can still waive proper employer coverage, but...
  - No Subsidy credits for employee or family if "affordable" coverage offered by employer

# *SMALL EMPLOYER “SHOP” EXCHANGE*



*Impact of Reform & Employer  
Actions on Individuals*



# *Small Employers ( under 50 FTEs)*

- New SHOP Exchange for Small Business opens 11/1/13
- No Mandate to Participate if under 50 FTEs in single/controlled group
- However
- If have under 25 employees,
- and...
- Average Salaries are under 50,000 yr ( excluding owners)
- And
- Employers pays at least 50% of the single premium,
- then...
- Employer is eligible for :
- Tax Credits of up to 50% of Employer paid premium,
- plus...
- May be eligible for Wellness incentives credits

# *Employer Mandate*

*( A Closer Look )*



*What it means to your  
organization*



# Employer Mandate: A closer look

**Employer's with over 50 "FTE" employees must offer coverage to full-time workers and children (*but not spouse*)**

- Coverage must be "affordable" for the employee
- The \$2000 Penalty may seem to be lower than the cost of coverage....However....
  - *Non Tax Deductibility is a factor*
  - *(Eg : a \$2000 fine = \$3500 in tax deductible business expense)*
  - *Financial & non-financial factors affect the decision*
  - *Benefits are to help in Attraction and Retention of employees*
  - *Congress may revisit & increase original penalties*
- If employer complies by offering an affordable minimum plan an employee can waive – with no penalty to the employer

# *ER Mandate: “Substantially All”*

**Employer’s with over 100 FTE (2015) or 50 FTEs (2016) employees must offer coverage to “substantially all” full-time employees:**

- 5% margin of error allowed
- For FTEs – count all part time hours and divide by 30
- 30 hours = 1 Full Time Equivalent (FTE)
  
- Variable Employees - Look back rules from 90 – 365 days
- Tracking Measurement periods of Variable Employees
  
- ER deemed to have offered coverage to “substantially all” if:
  - Coverage is offered to **95%** of full-time employees and their dependents (or, **if greater, five employees**)



# Affordability Safe Harbors

## IRS: New Affordability Safe Harbors:

1. Employer bases contribution for employee-only coverage on no more than 9.5% of wages expected in Box 1 of Form W2
2. Rate of Pay : Employer uses worker's hourly wage rate. Uses monthly salary for other workers;

### 3. Federal Poverty Level

Employee cost for single coverage cannot exceed 9.5% of the federal poverty level for a single individual - **\$11,670**

# *Employer Health Reform Requirements for 2014- 2016*



*A look ahead*



# Major Plan Changes

- No Pre-Existing condition exclusions apply for anyone
- 10 Minimum Essential Benefits Coverage Required
- Pharmacy, Maternity, Pediatric Dental, Clinical Trials, Emergency Room, Behavior Health
- Minimum Benefit Values : ie. Bronze =60%; Silver = 70% etc
- Lower Waiting Periods for new hires – up to 90 days ( 60 days in CA):
- Law prevents assessing employee contributions for single coverage in excess of 9.5% of “Household” income
- Fines ( taxes ) apply for failure to Purchase Insurance

# Reporting Requirements

**Each Employer must Report Monthly on health coverage status of each eligible employee/dependent:**

- Name / Address / SSN
- All covered individuals ( ie. family members)
- Detail of coverage + other data
- Describe individual's coverage (or not) and premiums for feds
- Due in January 2015 (for coverage provided in 2014)

## **ERISA laws being Enforced**

- Affects all size Employers
- WRAP documents required for Benefit plans
- DOL Audits on the rise

# *New Taxes and Fees*

- Comparative Effectiveness Research fees will be assessed (\$1 per covered life for first year)
  - Generally paid using IRS Form 720 starting in July 2013
  - Carrier doing for insured plans
  - Fees collected for Plan Years 2012 through 2018
- Reinsurance fees announced for 2014
  - \$63 per covered life regardless of plan funding
  - Carrier doing for insured plans
  - Three year program
- Health Insurance Premium Fee (Insured plans only) – 2%  
(which is on top of the current 2% Premium tax fee)

# *Employer Pay or Play Penalties*

*2015- Applies to Employers with 100+ Full Time Equivalents*

*2016- Applies to Employers with 50-99 Full time Equivalents*

**\$2000** Non Tax Deductible Penalties (less first 30 emps) if:

- Fail to offer proper level of health coverage
- Fail to offer proper coverage considered “affordable”
- Fail to offer proper coverage to proper people at proper time

**\$3000** Non Tax Deductible Penalty if above not met and employee goes to the Exchange and gets a subsidy

*More later*

# *Planning for future concerns*

## **Automatic enrollment of new employees in a group health plan**

- Applies to organizations with 200+ employees
- Effective date TBD - except that it will be delayed until 2016

## **“Cadillac Tax” on high-cost health plans**

- Effective 2018
- 40% excise tax on employers offering plan too rich
- Generally, plans with a value over \$10,200 single and \$27,500 family
- Some group health plans are already at these valuation thresholds
- Government estimates 60% of plans will pay tax soon after effective date

# *WELLNESS REFORM*





# Wellness Facts

- **Wellness Programs return on average a 3:1 Return**
- **“Health” claims are about \$1500 yr lower for Wellness participants than non wellness participants**
- **Lost productivity costs are 2 x higher than Medical/RX costs**
- **Big Gains for Employers with effective wellness programs:**
  - 47% lower attrition
  - 20% more revenue
  - 16% more Market value
  - 50% more shareholder returns
  - 50% reduction in job related injuries

# Wellness Opportunity for 2014- 2016

## Law increases wellness incentives from to 30% of total premium (employer and employee shares)

- 30% of the total premium can be shifted to participants:
  - who don't participate in screening,
  - who fail biometric screening and who either
    - » don't engage in the wellness program or
    - » fail to improve their health via the program
- New guidance enables 50% cost shift for tobacco use
- Separate from the 9.5% affordability rule, so you can layer over the lowest employee premium for basic plan
- Can also be imposed on family members
- Wellness regulations / HIPAA nondiscrimination continue to apply

# *Compliance Strategies*



*How you can/must prepare  
for upcoming changes*

# Top 12 Employer Strategies

1. Start counting hours to determine size ( 50 or 100) or more FTEs.
2. Beware of the controlled group rules
3. Watch hours of employees - - 30 hours week / 130 hours month
4. If using Variable hour (non-FT ) employees, determine measurement periods ( 90 days to 12 months)
5. Leverage wellness initiative /disincentives to lower claims with healthy behaviors
6. Measure employee premiums for your plan based on estimated W-2 earnings ( ie. 9.5% rule)

# Top 12 Employer Strategies ( Con't)

7. Offer a basic plan that is affordable alongside a buy-up option for executives, managers, etc.
8. Consider partial self-insurance so as to lower costs (esp taxes)
9. Avoid 2018 Cadillac tax by gradually cutting plan value's now
10. Use a flat dollar defined contribution approach for medical plans and employee pay all voluntary Benefits for non medical – plans such as Group Life, Disability, Dental, Vision
11. Consider if / how no spousal coverage, tax credits, & Exchange options will impact plan
12. Watch out for Dept of Labor Audits. Set up ERISA Wraps<sup>1</sup>

# Questions & Thank You!



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