



**INSURANCE • BENEFITS • CONSULTING**

**“Complying with the ACA“**  
**Practical Business Issues**

**Chris W. Durkin, RHU, REBC,**  
**President**  
**FBC Insurance, Benefits and Consulting**

# Objectives of PPACA

- Standardize Essential Health Benefits.
- Create Tax Subsidy to limit uninsured.
- Create State run Exchanges to facilitate enrollment and education.
- Encourage large employers to provide Health Benefits to FTE's.
- Expand Medicaid.



# Standardize Benefits

- Preventative care at no cost for non-grandfathered plans. Age 26 dependents.
- No annual or lifetime limits.
- Establishment of Metallic Plan Designs.
- Minimum Essential Benefits for all groups.
- Required Disclosure for Group Plans; SBC, Glossary, Patient Protections, Modification and Determination Notices.



# Tax Subsidies for Insurance

- Currently applies to groups <50 but will move to <100 in 2016. Will vary by State.
- Subsidies available @ 100%- 400% of FPL.
- Subsidies paid directly to insurance company.
- Subsidies are between 2% and 9.5% of AGI.
- No Pre-Ex or Health questions 1-1-14.
- Medicaid Expansion required by PPACA.



**Table I. Maximum Out-of-Pocket Premium Payments  
Under PPACA, If Currently Implemented**

for the 48 contiguous states and the District of Columbia

Federal Poverty Line (FPL)	Maximum Premium as a % of Income (2014)	Maximum Annual Premium (current), by Family Size			
		1	2	3	4
100%	2.0%	\$217	\$291	\$366	\$441
133.00%	2.0%	\$288	\$388	\$487	\$587
133.01%	3.0%	\$487	\$656	\$824	\$992
150%	4.0%	\$650	\$874	\$1,099	\$1,323
200%	6.3%	\$1,365	\$1,836	\$2,307	\$2,778
250%	8.05%	\$2,180	\$2,932	\$3,685	\$4,438
300%	9.5%	\$3,087	\$4,152	\$5,218	\$6,284
350%	9.5%	\$3,601	\$4,845	\$6,088	\$7,332
400%	9.5%	\$4,115	\$5,537	\$6,958	\$8,379

**Source:** CRS computation based on "Annual Update of the HHS Poverty Guidelines," 74 *Federal Register* 4200, January 23, 2009, <http://aspe.hhs.gov/poverty/09fedreg.pdf>, and PPACA, for the second least expensive silver plan available to eligible individuals. If individuals choose more expensive plans, they would be responsible for additional premiums.



## 48 Contiguous States and the District of Columbia

Family Size	% Gross Yearly Income									
	25%	50%	75%	81%	100%	133%	175%	200%	250%	300%
1	\$2,793	\$5,585	\$8,378	\$9,048	\$11,170	\$14,856	\$19,548	\$22,340	\$27,925	\$33,510
2	\$3,783	\$7,565	\$11,348	\$12,255	\$15,130	\$20,123	\$26,478	\$30,260	\$37,825	\$45,390
3	\$4,773	\$9,545	\$14,318	\$15,463	\$19,090	\$25,390	\$33,408	\$38,180	\$47,725	\$57,270
4	\$5,763	\$11,525	\$17,288	\$18,671	\$23,050	\$30,657	\$40,338	\$46,100	\$57,625	\$69,150
5	\$6,753	\$13,505	\$20,258	\$21,878	\$27,010	\$35,923	\$47,268	\$54,020	\$67,525	\$81,030
6	\$7,743	\$15,485	\$23,228	\$25,086	\$30,970	\$41,190	\$54,198	\$61,940	\$77,425	\$92,910
7	\$8,733	\$17,465	\$26,198	\$28,293	\$34,930	\$46,457	\$61,128	\$69,860	\$87,325	\$104,790
8	\$9,723	\$19,445	\$29,168	\$31,501	\$38,890	\$51,724	\$68,058	\$77,780	\$97,225	\$116,670

Family Size	% Gross Monthly Income									
	25%	50%	75%	81%	100%	133%	175%	200%	250%	300%
1	\$233	\$465	\$698	\$754	\$931	\$1,238	\$1,629	\$1,862	\$2,327	\$2,793
2	\$315	\$630	\$946	\$1,021	\$1,261	\$1,677	\$2,206	\$2,522	\$3,152	\$3,783
3	\$398	\$795	\$1,193	\$1,289	\$1,591	\$2,116	\$2,784	\$3,182	\$3,977	\$4,773
4	\$480	\$960	\$1,441	\$1,556	\$1,921	\$2,555	\$3,361	\$3,842	\$4,802	\$5,763
5	\$563	\$1,125	\$1,688	\$1,823	\$2,251	\$2,994	\$3,939	\$4,502	\$5,627	\$6,753
6	\$645	\$1,290	\$1,936	\$2,090	\$2,581	\$3,433	\$4,516	\$5,162	\$6,452	\$7,743
7	\$728	\$1,455	\$2,183	\$2,358	\$2,911	\$3,871	\$5,094	\$5,822	\$7,277	\$8,733
8	\$810	\$1,620	\$2,431	\$2,625	\$3,241	\$4,310	\$5,671	\$6,482	\$8,102	\$9,723



# Arizona State Exchange

- Market Facilitator Design vs. Insurance Purchaser.
- Intention is to create a clearing house to educate and enroll in all programs; CHIP, Medicaid (AHCCCS), food stamps, health insurance.
- Stood up with Federal Grants, need to be self sufficient by 2016.
- Open to Insurers who provide at least Silver and Gold level of coverage.
- Website, Phone and Walk-In. Brokers welcome.
- Anticipate all present vendors to participate.



# Small Employers Issues

- Employers with less than 50 FTE's are not required to offer health benefits.
- You may choose to continue to offer benefits or move to a defined contribution.
- Paying a stipend will be treated as wages.
- Contributing to a SHOP program will be deductible.
- Employees of under 50 life groups will be able to buy insurance thru the Exchange.





# Small Employer Issues

- Not required to offer coverage but it will still define work environment.
- Products in the Exchange will be more expensive than outside the Exchange in order to pay for the Exchange.
- Tax subsidies only in the Exchange!
- DC approach will reduce administrative burden on CEO/CFO/HR team....sometimes the same person!
- Market adoption of the Exchange will move slower, the higher income level.
- Huge relief of No pre-ex, no underwriting.
- Absence of COBRA not so important post 1-1-14.



# Small Employer Strategies

- ....Largely don't exist. This segment of the market is highly reactive to year to year changes and not adoptive of 3-5 year plans.
- Path of least resistance will be followed according to price and convenience.
- Heavy reliance on outside counsel to arrive at decision.
- Will choose whatever combination of rates and benefits allows them to comply and continue the struggle.



# Large Employer Issues

- Play or Pay Tax applies to Employers over 50 FTE's.
- \$2,000 per year per employee if you do not offer at all.
- \$3,000 per year per employee if your plan is more than 9.5% of AGI and not at least Bronze level of coverage.
- Stratifying payroll cost by a % of income considered.
- Must offer Bronze level plan at no more than 9.5% of AGI for all 30hr.+ employees.
- Employers with coverage below Bronze level or limiting eligibility will need to revise business plans.
- W-2 reporting and Auto Enroll requirements.
- Summary of Benefits Covered & Uniform Glossary.



# Plan Design Considerations

- Minimum Essential Coverage (2014).
- Maximum deductibles: \$2,000/\$4,000.
- OOP maximums: limited to QHDHP levels.
- 60% minimum actuarial value.
- Wrap plans/HRAs may work.
- Self Funding Options will be available for 50-300 size groups.



# Large Employer Problems

- Present plan designs may fall short of Minimum Benefit levels. Less true for larger employers.
- Costs will rise for increased benefits levels.
- Not all FTE's are benefit eligible. Think Restaurants...
- Either move to <30 hours per week workforce to reduce benefit eligibility or pay increased costs of benefits.
- Reducing available hours will cause disruption in workforce and reduce productivity.



# Large Employer Strategies

- Minimum Plan Designs must be met and will increase costs to Employers/Employees.
- Employer may choose to limit hours to 29 per week.
- Employer may choose to charge full 9.5% of AGI to discourage participation.
- Over time, costs of goods and services must rise to pay for increased coverage.
- After indexing, paying the tax penalties not a viable option.



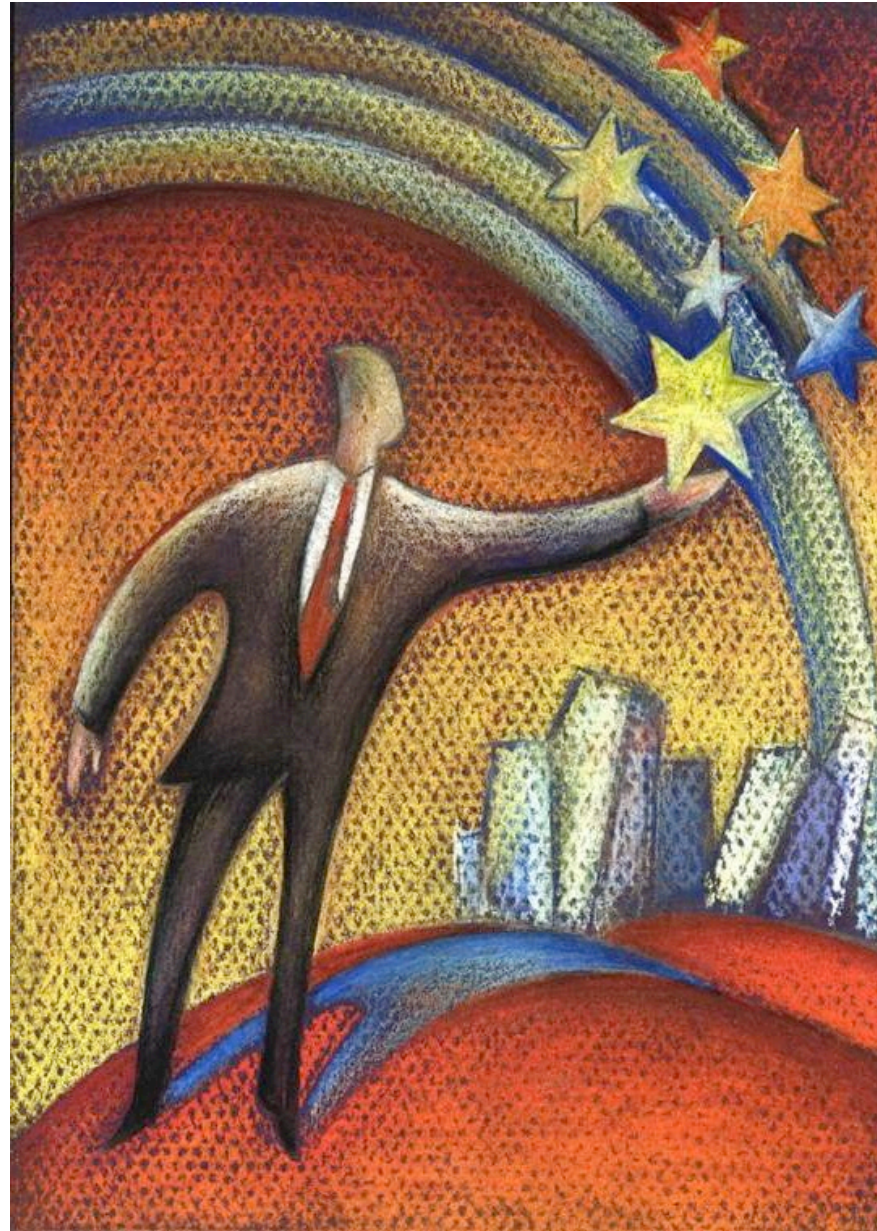
# Real Life Issues

- **“I will just pay the tax”** will not translate into your employees being covered. Employers will need to consider total compensation picture.
- Tax subsidy levels will not encourage mass enrollment. Some folks will enroll.
- Employers will rely on this fact and offer a plan at higher costs rather than pay a certain tax.
- Indexing of penalties will be a real deterrent to not offering a plan.



## What do successful companies do?

- Determine and adopt strategies to avoid penalties for non-compliance.
- Make employee-consumers more responsible.
- Use CDHC options.
- Shop for vendors.
- Compare your plan and claims data to benchmarks.
- Address the root causes of claims costs.
- Provide wellness incentives.
- Communicate the value of benefit packages.
- Work with professionals who can help you.





# Thank You

- Chris W. Durkin, RHU, REBC
  - President
- FBC Insurance, Benefits and Consulting
  - [cwd@fbcserv.com](mailto:cwd@fbcserv.com)
  - [www.fbcserv.com](http://www.fbcserv.com)
  - 1-800-776-4243





INSURANCE • BENEFITS • CONSULTING