

# What Does Health Care Reform Really Mean to You?

September 23, 2013

# Agenda

- ◎ 2014
  - › Individual Mandate
    - Subsidies & Penalties
  - › Employer Mandate
    - Penalties
  - › 2014 Market Reforms



Sen. McConnell Press @McConnellPress

13 Mar

McConnell talking about the 20,000 pages of #Obamacare regulations -- the #RedTapeTower [pic.twitter.com/jhZoywmyN](https://pic.twitter.com/jhZoywmyN)

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# Individual Mandate

# Individual Mandate

- ◉ Starting in 2014, the individual shared responsibility provision calls for each individual to:
  - › have minimum essential health coverage (known as minimum essential coverage) for each month,
  - › OR qualify for an exemption,
  - › OR make a payment when filing his or her federal income tax return.
- ◉ The provision applies to individuals of all ages, including children.
  - › The adult or married couple who can claim a child or another individual as a dependent for federal income tax purposes is responsible for making the payment if the dependent does not have coverage or an exemption.

# Minimum Essential Coverage

- Minimum essential coverage includes at a minimum all of the following:
  - > Employer-sponsored coverage (including COBRA coverage and retiree coverage)
  - > Coverage purchased in the individual market
  - > Medicare coverage (including Medicare Advantage)
  - > Medicaid coverage
  - > Children's Health Insurance Program (CHIP) coverage
  - > Certain types of Veterans health coverage
  - > TRICARE
- Minimum essential coverage does not include specialized coverage, such as coverage only for vision care or dental care, workers' compensation, disability policies, or coverage only for a specific disease or condition.

# Statutory Exemptions

What are the statutory exemptions from the requirement to obtain minimum essential coverage?

- › **Religious conscience:** You are a member of a religious sect that is recognized as conscientiously opposed to accepting any insurance benefits. The Social Security Administration administers the process for recognizing these sects according to the criteria in the law.
- › **Health care sharing ministry:** You are a member of a recognized health care sharing ministry.
- › **Indian tribes:** You are a member of a federally recognized Indian tribe.
- › **No filing requirement:** Your household income is below the minimum threshold for filing a tax return.
- › **Short coverage gap:** You went without coverage for less than three consecutive months.
- › **Hardship:** A Health Insurance Marketplace has certified that you have suffered a hardship that makes you unable to obtain coverage.
- › **Unaffordable coverage options:** You can't afford coverage because the minimum amount you must pay for the premiums is more than eight percent of your household income.
- › **Incarceration**
- › **Not lawfully present:** You are neither a U.S. citizen, a U.S. national, nor an alien lawfully present in the U.S.

# Tax Penalty

- The monthly penalty amount for a month is equal to 1/12 of the greater of the following amounts: (1) the flat dollar amount or (2) the percentage of income.
- The penalty levels by year are:
  - > 2014 - \$95 or 1%
  - > 2015 - \$325 or 2%
  - > 2016 - \$695 or 2.5%
- The penalty will be ½ for any uncovered, non-exempt individual that is not yet 18.



# Tax Filing & Collection

- ⦿ You will not have to account for coverage or exemptions or to make any payments until you file your 2014 federal income tax return in 2015.
- ⦿ Insurers will be required to provide everyone that they cover each year with information that will help them demonstrate they had coverage.
- ⦿ The law prohibits the IRS from using liens or levies to collect any payment you owe related to the individual responsibility provision, if you, your spouse or a dependent included on your tax return does not have minimum essential coverage.

# Premium Tax Credit

- **Eligibility**

- › Household income must be between 100% and 400% of the federal poverty level.
  - › Covered individuals must be enrolled in a “qualified health plan” through an Affordable Insurance Exchange.
  - › Covered individuals must be legally present in the United States and not incarcerated.
  - › Covered individuals must not be eligible for other qualifying coverage, such as Medicare, Medicaid, or affordable employer-sponsored coverage.
- 
- *The credit is advanceable, with advance payments made directly to the insurance company on the family's behalf.*
  - Kaiser has an online tool to calculate premium subsidies.


# Subsidy Levels

Income Level	Premium as a Percent of Income
Up to 133% FPL	2% of income
133-150% FPL	3 – 4% of income
150-200% FPL	4 – 6.3% of income
200-250% FPL	6.3 – 8.05% of income
250-300% FPL	8.05 – 9.5% of income
300-400% FPL	9.5% of income

# Health Reform Subsidy Calculator

Premium Assistance for Coverage in Exchanges

Share   

About this Tool 

## Enter Information About Individual Circumstances

1. Enter income as

2. Enter annual income (Dollars)

3. Enter age of policyholder (19-64)

4. Enter family type

5. Is employer coverage available?

6. Enter regional cost factor

Clear

Submit

## Additional resources

[Click here for tables showing results by income and age >>](#)

[Click here for a list of frequently asked questions about the calculator >>](#)

[A summary of the health reform law is available here >>](#)

## Results

Note: Subsidies are only available for people purchasing coverage on their own in the Exchange (not through an employer). All individuals and families with incomes at or below 133% of the federal poverty level will be eligible for Medicaid. Others with higher incomes may also be eligible, depending on rules that vary by state.

Projected income in 2014 **\$35,000**  
304% of poverty

Unsubsidized health insurance premium in 2014 adjusted for age **\$3,391**  
(Based on an age factor relative to a 40 year-old of 0.75)

Maximum % of income the person/family has to pay for the premium if eligible for a subsidy **9.50%**

Actual person/family required premium payment **\$3,325**  
(which equals 9.50% of income and covers 98% of the overall premium)

Government tax credit **\$66**  
(which covers 2% of the overall premium)

# Individual Coverage Subsidies

- PPACA's premium tax credit (subsidies) only are available to qualified individuals purchasing coverage through health insurance exchanges after January 1, 2014.
- Individuals with family incomes between 100-400% of the federal poverty level are eligible for a premium tax credit.
  - › Individuals with family incomes at or below 250% of the FPL also qualify for reduced cost-sharing.
- Individuals and their dependents who have been offered coverage through an employer that meets an affordability and minimum value test **are not eligible to get a subsidy.**
- The premium subsidy will come in the form of a refundable and advanceable tax credit paid directly to the individual's insurer.
- The amount of the refundable premium tax credit received is based on the premium for the second lowest cost qualified health plan in the exchange (the silver plan) and in the rating area where the individual is eligible to purchase coverage.

# **Employer Mandate & Requirements**

# Employee Notifications

- ◉ By October 1<sup>st</sup>, 2013, employers must send notification to employees explaining:
  - > state health insurance exchanges
  - > whether the employer's plan meets minimum coverage requirements
  - > how to access information regarding premium subsidies
- ◉ Templates will be provided

# Employer Shared Responsibility Provision

- Large employers may be subject to an excise tax if at least one full-time employee whose household income is between 100% and 400% of FPL receives a premium tax credit for Exchange coverage **and** either
  - › They do not offer coverage OR
  - › Coverage is offered but it not affordable or does not meet minimum value



# Pay or Play Delay

- ◉ Transitional relief is provided for 2014 delaying:
  - › Insurer Reporting Requirements
  - › Employer Reporting Requirements
  - › Employer Penalties
- ◉ This relief does not affect the Individual mandate, Individual subsidies or any other provisions of the law.
- ◉ Further guidance will be issued.

# Determination of Large Employer Status

1. Count the number of full-time employees who work on average 30 hours per week per month.
2. Calculate the number of full-time equivalent employees by aggregating the number of hours worked by non-full-time employees and dividing by 120.
3. Add the number of full-time employees and full-time equivalents calculated in steps (1) and (2) for each of the 12 months in the preceding calendar year.
4. Add the monthly totals and divide by 12. If the average exceeds 50 full-time equivalents, determine whether the seasonal employee exception applies.

# Controlled Groups

- The determination of large employer status is made based on the Internal Revenue Code's controlled group rules under IRC §§414(b), (c), (m), or (o).
  - › Example: of a large employer comprised of a parent corporation and 10 wholly owned subsidiary corporations that, on a controlled group basis, have 50 or more full-time equivalent employees and, therefore each corporation, regardless of the number of its employees, is treated as a large employer subject to the mandate
  - › However tax penalties are applied separately for each corporation. Each large employer member is liable for its own tax penalties under and is not liable for the tax penalties of any other large employer member in the controlled group comprising the large employer.

# Affordability Standard

- ◎ **Affordability general rule.** Employee's share of the self-only premium for the employer's lowest-cost plan that provides minimum value cannot exceed 9.5% of household income or the employee may be eligible for a premium tax credit to purchase Exchange coverage.

# Affordability Safe Harbors

- **Form W-2 safe harbor.** Employee premium share does not exceed 9.5% of the amount required to be reported in Box 1 of Form W-2.
- **Rate of pay safe harbor.** Employee premium share does not exceed 9.5% of the 130 hours per month times the hourly rate of pay (either each employee's individual rate of pay or the lowest rate of pay paid by a large employer that is a single entity or a large employer member).
- **Federal poverty line safe harbor.** Employee premium share does not exceed 9.5% of the Federal poverty line for one person.

# Does Group Coverage Meet the Affordability Test?

Federal Poverty Limit - FPL	2013 FPL	Hourly Rate (40 hr week)	W2 Wage	Employee Share of Single Premiums per Mo @ 9.5% income Standard
150%	\$17,235	\$8.28/hr	9.5%	\$136/mo
200%	\$22,980	\$11.04/hr	9.5%	\$181/mo
300%	\$34,470	\$16.57/hr	9.5%	\$272/mo
400%	\$45,960	\$22.09/hr	9.5%	\$363/mo
400% family of 4	\$94,200	\$45.28/hr	9.5%	\$745/mo

# Tax Penalties – Delayed Until 2015

## **Penalty for *no coverage* - IRC §4980H(a)**

- ▶ If a large employer does not offer coverage to their full-time employees and their dependents, employers face a penalty of:
  - ▶ \$2,000 x the total number of full-time employees (FTE) if at least one FTE is receiving a premium assistance tax credit

## **Penalty for *unaffordable coverage* - IRC §4980H(b)**

- ▶ If a large employer offers coverage to their full-time employees and their dependents but the coverage is unaffordable to certain employees or does not provide minimum value, employers face a penalty of:
  - ▶ The lesser of \$3,000 x the number of FTEs receiving a premium assistance tax credit or \$2,000 x the total number of FTEs

Employers who do not offer coverage may subtract the first 30 workers when calculating their liability for tax penalties under IRC §4980H(a). Penalties under 4980H(b) are capped not to exceed an employer's potential penalties under §4980H(a).

# Other Counting Considerations

- ◉ Common Law Employees
- ◉ Affiliated/Controlled Groups
- ◉ Seasonal Employees
- ◉ Measurement & Stability Periods



# **2014 Market Reforms & Other Employer Concerns**

# Market Reforms

- ◎ **Guaranteed Issue**
- ◎ **No Pre-Existing Conditions**
- ◎ **Modified Community Rating**
- ◎ **Expansion of Medicaid**
- ◎ **Essential Health Benefits Package**

# Essential Health Benefits

- › Ambulatory patient services
- › Emergency services
- › Hospitalization
- › Maternity and newborn care
- › Mental health and substance use disorder services, including behavioral health treatment
- › Prescription drugs
- › Rehabilitative and habilitative services and devices
- › Laboratory services
- › Preventive services and wellness services and chronic disease management
- › Pediatric services including oral and vision care

# Employer Concerns

- ◎ **Wait periods:** Prohibits plans from including wait periods longer than 90 days before enrolling eligible employees into employer coverage.
- ◎ **Summary of Benefits & Coverage**
- ◎ **Rescission of Coverage**
- ◎ **CER Fees**
- ◎ **Small Business Tax Credits**

# 3 SIMPLE STEPS

If you are a small employer (business or tax-exempt) that provides health insurance coverage to your employees, determine if you may qualify for the **Small Business Health Care Tax Credit** by following these three simple steps:

**1**

**Determine the total number of your employees (not counting owners or family members):**

Full-time employees: \_\_\_\_\_  
(enter the number of employees who work at least 40 hours per week)

+

Full-time equivalent of part-time employees: \_\_\_\_\_  
(Calculate the number of full-time equivalents by dividing the total annual hours of part-time employees by 2080.)

=  total employees

If the total number of employees is fewer than 25 **GO TO STEP 2**

**2**

**Calculate the average annual wages of employees (not counting owners or family members):**

Take the total annual wages paid to employees: \_\_\_\_\_

÷

Divide it by the number of employees from STEP 1: \_\_\_\_\_  
(total wages ÷ number of employees)

=  average wages

If the result is less than \$50,000, **AND**

**3**

**You pay at least half of the insurance premiums for your employees at the single (employee-only) coverage rate, then**

**» you may be able to claim the Small Business Health Care Tax Credit.**  
Find out more information at **IRS.gov**



# Employer Concerns

- ◎ **W-2 Reporting:** Employers with more than 250 W-2s have to report the aggregate cost of employer-sponsored health benefits
- ◎ **Auto-enrollment:** Employers with at least 200 employees must auto-enroll full-time employees into coverage if no election is made. Implementation delayed until regulations are issued.

# Summary of Insurer Taxes & Fees

Tax or Fee	Start Date	Details.
<b>Health Insurer Fee</b>	<b>2014</b>	Insured Plans Only. Designed to offset the cost of premium subsidies and tax credits.
<b>Transitional Reinsurance Contribution Program</b>	<b>2014</b>	Insured & Self-Insured Plans. Used to fund state non-profit reinsurance entities to help finance the cost of high-risk individuals in the individual market.
<b>Patient-Centered Outcomes Research Fee (CERs)</b>	<b>2012</b>	Insured & Self-Insured Plans. Used to fund clinical outcomes effectiveness research.
<b>High-Value Plan Tax</b>	<b>2018</b>	Insured & Self-Insured Plans. Fee assessed on high-premium health plans.

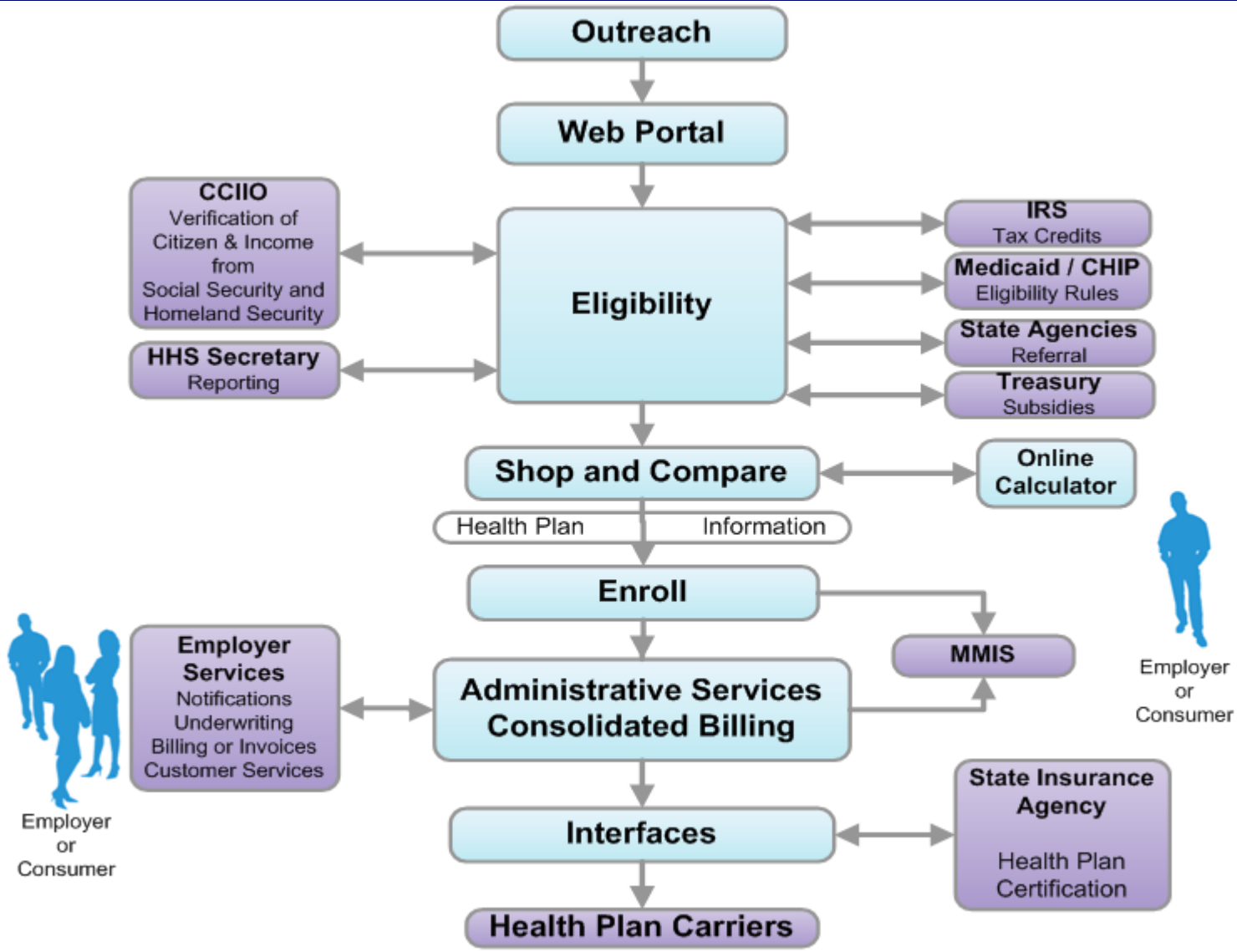
# Health Insurance Marketplace Updates



# Marketplace Timeline

## Timeline

- Spring 2013 - HUB testing and consumer application complete.
- Summer 2013 - Call center live.
- October 2013 - Open enrollment Begins.
- January 2014 - Health plan coverage begins.
- March 2014 - Open enrollment ends



# Employer communications with employees, Exchanges and the IRS

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## Step 1

- ▶ Employer provides employees with information about coverage and availability of Exchanges

## Step 2

- ▶ Employee provides Exchange with information to determine eligibility for the premium tax credit

## Step 3

- ▶ Exchange verifies information and makes preliminary eligibility determination regarding the premium tax credit

## Step 4

- ▶ Exchange notifies employer that employee may receive a premium tax credit
- ▶ Employer has right to appeal Exchange's determination of employee's eligibility

## Step 5

- ▶ Employer files information with IRS and employee
- ▶ Employee files personal return

## Step 6

- ▶ Assessment of employer tax penalties
- ▶ Employer has right to appeal tax liability to IRS