

# HEALTHCARE REFORM CONCISE / FINALIZED REGULATIONS

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REVISED (due to NEW Treasury department ruling) July, 2013



## 5 Basic Bullet Points For ALL Employers with over 50 FT EE's That MUST Be Met At Renewal in 2014, (NO FINES IN 2014)

- Waiting period for ALL eligible employees cannot exceed 90 days. **Still applies at 2014 renewal.**
- Coverage must be credible per HHS guidelines, deductible cannot exceed \$2000 per employee, \$4000 per family. Partial self funded plans are **excluded** from this ruling. **Still applies at 2014 renewal.**
- Employee (only) Health coverage contributions cannot exceed 9.5% of their annual salary. **Still applies at 2014 renewal.**
- Out of Pocket maximums: including deductibles, Dr. and prescription co-pays and coinsurance **CANNOT** exceed \$6400 per employee, \$12,800 per family yearly, indexed yearly for inflation. **Still applies at 2014 renewal.**
- Must offer Credible health coverage to ALL employees who work 30 hours or more, employers are allowed to look back 12 months. **NOW delayed until 1-1-2015**

# Details on Individual Mandate, still applies 1-1-2014

- Each “applicable individual” who does not have or purchase “minimum essential coverage” for self and dependents for each month must pay a tax. The annual employee fine in 2014 is \$95.00, can ONLY be deducted from a tax refund, if employee is receiving one.
  - Calculated monthly but paid annually with individual’s tax return.
  - No liens or criminal penalties, but IRS can offset against refund.
- “Applicable individual” is defined as anyone residing in the US.
  - Exceptions: Not lawfully present in US, incarcerated, religious groups, Native Americans.
- Where do people get coverage?
  - Through employment, government plan or purchasing a qualified individual policy or in an Exchange Market? Exchanges now delayed till January 1, 2015. Government tax subsidies may apply.

## 2014: More on the Individual Mandate, still effective 1-1-2014

- HCR Tax on Individuals without insurance is very low in 2014 and 2015: \$95 (individual) and \$350 (family) per year (can only be collected by IRS if the individual has a tax refund coming).
- 2016: 2.5% of household income, maximum of \$695 per person
- Monthly tax = 1/12 of annual ( $\$695/12 = \$57.92$ ).
- Family maximum = 3 x regular penalty (\$2,085 in 2016).
- Limits on cost for child coverage:  $\frac{1}{2}$  of regular penalty.
- Tax / Fine amount will increase in future years.
- No tax imposed on certain individuals - even though subject to individual mandate.
  - Low income, “hardship,” less than 3-month gap in coverage, Native American tribes

# Other Provisions Effective in 2014

- Employer certification to HHS regarding whether group health plan provides “minimum essential coverage” Beal Benefits will handle this for you. **Delayed until 1-1-2015**
- Guaranteed availability and renewability of insured group health plans.
- 90 day limit on waiting periods.
- Elimination of preexisting condition exclusions (regardless of age).
- Complete Elimination of benefit plan annual dollar limits
- Increase in permitted wellness incentives from 20% to 30%.
- \$1 Annual Picor tax per employee and dependents insured. This will be a new form 720 from IRS, for groups with renewal dates of November 2012, December 2012 or January 2013, tax is due July 31st 2013, for all other renewal dates tax is due July 31st 2014.

# 2014: Employer Shared Responsibility, now delayed till 1-1-2015

- Large Employers
  - Large = 50 or more full-time employees or “full-time employee equivalents”
  - “Employer Shared Responsibility” provisions, AKA “Play or Pay” provisions
  - Requires large Employers to provide health coverage for all full-time employees (30 hours per week) or pay a penalty
- Small Employers (less than 50 full-time employees) need NOT provide health insurance but may qualify for the Small Employer Tax Subsidies.

# Large Employer Penalty for **Non** – Compliance, now delayed until 1-1-2015

- **Penalty tax (is NOT deductible by employer) applies to a large Employer (50 or more full time employees if:**
  - Any full-time employee ( $\geq 30$  hours per week) buys health insurance through an Exchange and gets a tax credit or cost-sharing reduction, **AND**
  - The employer:

<b>Fails to offer</b> health coverage to all FT EEs	\$2,000 penalty per EE (minus first 30 EEs)
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<b>OR Offers “unaffordable”</b> coverage	\$3,000 penalty per EE who gets subsidy
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<b>OR Offers “inadequate”</b> coverage	\$3,000 penalty per EE who gets subsidy
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# NO Employer Penalty Can be Imposed if:

- Employer offers creditable (shown in this presentation) coverage (within 90 days) to all employees who are regularly scheduled to work at least 30 hours per week; Employers can use the recent Treasury Ruling and look back 12 months to determine every employees over 30 hours eligibility. **(delayed till 1-1-2015)**
- The coverage pays at least 60% of the actuarial value of benefits under the plan, and plan offered meets the creditable coverage guidelines shown in this presentation. **(still applies at 2014 renewal)**
- No employee is required to pay more than 9.5% of the employee's W-2 annual income for self only coverage. **(still applies at 2014 renewal)** NO ER FINE Even if an employee forgoes employer-provided coverage and buys Exchange coverage and gets a government subsidy.



# No ER Penalty in 2015 can be Imposed if Maximum Cost for Self Only Coverage < 9.5% of W-2 Income

“Unaffordable” means an EE’s cost for self only coverage is > 9.5% of annual compensation.

Hourly Rate	Hours per Week	Annual Comp	9.5% of Comp	Max Monthly EE Cost for EE Only Coverage
\$7.25	30	\$11,310	\$1,074.45	\$89.54
\$8	30	\$12,480	\$1,185.60	\$98.8
\$10	30	\$15,600	\$1,300.00	\$123.50
\$15	30	\$23,400	\$1,950.00	\$185.25
\$20	30	\$31,200	\$2964.00	\$247.00

# Factual (20 Year Experience) Hourly Benefit Enrollment Statistics

- Beal Benefits has offered hourly health benefits for 3200 locations in U.S., about 150,000 hourly employees for over 20+ years.
- P.F. Changs, McCormick and Schmicks, Morton's, Panera Bread, Denny's, Taco Bell, Popeye's, Fridays, Dell Taco, Chili's, Pizza Hut, Hurricane Wings, Wildflower Bread, Mastros's, Macayo's, Panera Bread, are just a few of Beal Benefits long term restaurant customers. In 20 + years the hourly average enrollment rate is 6%.
- When you apply the latest Treasury dept. ruling (12 month look back rule) coupled with a 85% or greater hourly turnover rate, **the actual increased hourly enrollment under Health Care Reform is very minimal, about 6 employees per 100 full time eligible.** Beal Benefits can provide a HCR calculator to assist, in determining your financial exposure to the increased hourly enrollment under Health Care Reform.



# Still to Come, Final Regulations Pending.

- Quality of Care Reporting?
- Nondiscrimination regulations for insured plans?
- For large Employers (200+ employees), automatic enrollment of new employees in a group health plan was going to be effective in 2014, but is now delayed (date unknown, but at least 2016)
- Cadillac Tax 2018: 40% excise tax on high-value Employer group health plans (\$10,200 individual / \$27,500 family)