



Health Care Reform: The New Broker-Employer Partnership



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How do Brokers/Agents help their clients with the **increased Cost \$\$\$ of health care?**

Topics we need to address:

- What will Employee Benefits Programs look like in 2014?
- How will Health Care Reform (The Affordable Care Act-ACA) affect each client's unique situation?
- How to determine if the business should offer group or individual benefits?
- What specific strategies need to be implemented to insure that our clients have a successful renewal season?

Employer Concerns for 2014

Insurance premiums will **increase** for some
and **decrease** for others

Pushing premiums up (for many)

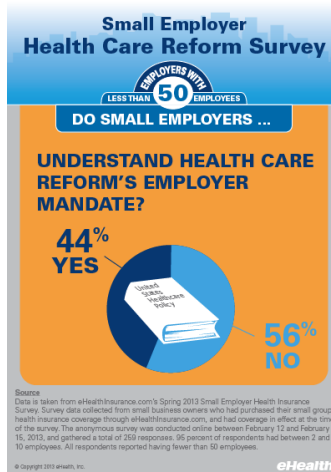
- New taxes and fees
- Cost of mandated benefits
- Loss of discounts (age and health status)
- Minimum Coverage

Pushing premiums down (for some)

- Subsidies
- Small Employer Tax Credit
- Elimination of surcharges

***Other Costs: Hospitals, Doctors, (RX) Pharmaceutical Companies, Medicare, Medicaid, Electronic Records, etc. will push up the cost of implementing ACA!**

The NEW Role of the Benefits Broker: EDUCATING Clients on Health Care Reform



Employer Concerns for 2014

- Full time employees - 30 hour minimum
- Waiting period for coverage- 90 consecutive days of employment
- How does ACA apply to “controlled groups”? i.e. common ownership of 2 or more corporations.
- How will the new underwriting/rating effect the health premiums?

Rating in 2014

- Rates may not vary based on health factors. Rates may vary only by ...
 1. age (3 ages bands with no more that a 3:1 ratio across rating bands, established by the Secretary of HHS; (may go to 5 ages with a 5:1 ratio).
 2. Tobacco use (by no more than a 1.5:1 ratio);
 3. Self-only or family enrollment, and
 4. rating area (as specified by the state)
- Rating base on health status, medical condition, medical history, genetic information and evidence of insurability are all strictly prohibited.

Unintended Consequences/ Negative Effects of New Rating

- Will Employers make employees who use tobacco products pay more towards their health premiums?
- Will Employers require their employees to participate in “Wellness Programs”- smoking cessation, health risk assessments, health coaching for chronic conditions, etc.?
- No height/weight rating factor-will this lead to increased medical claims/costs?

*WSJ Article “Shape Up or Pay Up: Firms Put in New Health Penalties”

*Orlando Sentinel RTD “Penalizing workers for unhealthy habits”

Unintended Consequences/ Negative Effects of New Rating (continued)

- Employers reducing # hours employees work per week to < 30 hours (“29ers’)* or # of FTE so they won’t have to offer coverage
- Employers laying off or not hiring employees to keep their “FTEs” to < 50 (“49ers’)*so they will be subject to penalties

*WSJ Article Feb.23-24, 2013 “ObamaCare and the “29ers”

The NEW Broker/Employer Partnership

As Benefits Consultants, we will work with our clients to

- Identify the cost of offering “a minimum qualifying coverage” to “deemed” full-time employees (FTEs) to avoid penalties;
- To determine what plans- one or more- and at what level coverage- should be offered; i.e. a bare bones-minimum qualifying coverage and/or a traditional more comprehensive coverage;

To determine if the plans offered would qualify for penalty avoidance, offering must – cover **minimum essential benefits, provide **minimum value** and be **affordable** (John M Peterson, Kaufman & Canoles, P.C.)*

What will Employers do Now?

In the future, will employees and employers be able to better evaluate what health care means to them? Will this mean....

- Fewer Employer-sponsored plans?
- Higher pay due to lack of insurance?
- More costly health premiums?

“What Obamacare Means for Your Business”

<http://www.entrepreneur.com>

Small Businesses and The Affordable Care Act (ACA):

- “On average, **small businesses** (2-50 employees) **pay about 18% more than large firms** for the same health insurance policy. And small businesses lack the purchasing power that large employers have. The healthcare law tax credits and soon- the ability to shop for insurance in the new Healthcare Insurance Marketplace- will help close this gap.”

www.healthcare.gov

Managing the Small Group Renewal Issues to address:

- To offer plan(s) in or outside of the Small Business Option Plan (SHOP) exchanges
- Exchange Options - SHOP has been delayed, but there are private and public options that exist
- Group vs. Individual Coverage Options
- Defined Contribution Funding Strategies vs. Traditional Methods
- Consequences to Employer if employee purchases coverage through the public option
- Determining whether your employer group qualifies for the small business healthcare tax credit

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Strategies businesses are considering in 2013 to delay implementing ACA in 2014:

- Health Carriers offering early renewals for fully insured groups 6/1, 7/1 etc. then renewing 12/1/2013 to 11/30/2014
- 2014 regs will then be delayed until 12/1/2014
- Offer self- funded plans that do NOT require/include the 10 essential benefits; would reduce both the cost and level of coverage;
- Some health carriers are offering self funded “hybrid” plans for groups with <50 employees

*Although benefits & rates can be preserved and extended in to 2014, penalties for the Employer Mandate will still take effect either 1/1/2014 or possibly the first day of 2014 fiscal plan year. (Kaufman & Canoles)

The NEW Broker/Employer Partnership

A NEW Team of Integrated Service Providers will work in conjunction with the ER, Accountant/CPA, Employment Law Attorney to determine what the *NEW Employee Benefits Program* will look and act like for 2014

Benefits Broker*, HR Consultant, Third Party Administrator (TPA) for- HSA, HRA, FSA, COBRA, section 125 POP, Payroll provider...

- Employer-sponsored Insurance Coverage
- Employer chooses a fixed dollar amount for benefits
 - Cafeteria Plan=Tax-Free Benefit & CHOICE
 - Compliance docs & Testing Required

Funding Strategies



- Offering vs. Removing Coverage
- Group vs. Individual Policies
- Traditional Roll-out vs. Defined Contribution
- Status Quo vs. Enhanced Options
- Packaged Benefits vs. Do It Yourself (DYI)

What is a Defined Contribution Plan?

- Employers define a contribution amount
- EEs choose the coverage that is best for them and/or their family
- All ER and EE dollars are tax free
- Underlying Health plan can be group or individual


Funding Strategies

Employer-Sponsored vs. Individual

<p>Traditional Methods Defined Contribution Cafeteria Plan Fixed dollar amount <i>Single Carrier offering 5 – 10 Plans</i> Voluntary Benefits offered Dental, vision, other FSA, DCA, PRA SHOP and Private Exchanges</p>	<p>Traditional Methods Defined Contributions Cafeteria Plan Fixed Dollar Amount <i>Multi-Carrier offering 5+ Plans</i> Voluntary Benefits offered: Dental, Vision, other FSA,DCA,PRA Public, SHOP and Private Exchanges</p>
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Cafeteria Plans- Group Benefits Example

Benefit Result to the Employee?

- Employer tax-Free Contributions- \$15,000
 - Employee Pre-Tax Contributions- \$3,800
- \$18,800 Bucket in Tax Free Benefit = Medical-\$10,000
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Dental-\$1,200
Vision-\$100
FSA Medical-\$2,500
FSA Dependent Care-\$5000
Cash Opt –Out-\$0

*Other Benefit Choices: Life, Short or Long Term Disability, Supplemental-Accident, Cancer, etc. Wellness Program, Legal Shield, etc.

Cafeteria Plan-Individual Benefits

- Multiple carriers and plan designs
- Group rules don't apply
- EE owns policy, not ER
- Available outside of an exchange
- Allows access to subsidies available on individual exchanges – although ER or EE tax free dollars cannot be used for EES portion of subsidized coverage

Cafeteria Plan Example

Employer commits to \$15K per EE

Benefits Al La Carte Menu:

- | | | |
|------------------------|---|-------------------|
| • Medical-\$9,000 |  | DCA: \$5,000 |
| • Dental -\$1,000 | | ER: \$2,000 |
| • Vision -\$500 | | EE: \$3,000 |
| • FSA Medical- \$2,500 | | Cash Opt-out: \$0 |

***ER receives add'l \$229 in FICA savings per EE**

- Other benefits choices: Supplemental-life, disability, accident, Wellness Program, Legal Shield, Pet Insurance, etc.

What do Employers Need to do NOW?

- Talk with their “Strategic Partners”:
Benefits Broker, Accountant/CPA, Employment Law Attorney to know what the 2014 regs are and how they apply to their business and their employees
- Focus on strategies that will enable choice, flexibility & financial stability
- Emphasize revenue growth opportunities



*This power point presentation is for information purposes only.
Guidance and interpretations relating to these matters will continue to be
released by HHS on a regular basis.*

*Any questions and for more information, please contact:
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Thank You!



Sources & Resources for Additional Information: Articles & Website References

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