Health Care Reform
Affordable Care Act/Covered California

Community College Update
March, 2014

By:
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Senior Vice President

Keenan & Associates
Today's Goals

- ACA Primer – The Basics
- Covered California – The California Exchange
- Employee Behavior
- Timelines
- Commentary
- Questions
Acronyms

1. “ACA” – “PPACA” – “Obamacare”: Affordable Care Act, Patient Protection and Affordable Care Act and President’s Obama’s Health Care Plan (All the same thing)

2. “Assessable Payment”, “Shared Responsibility,” or “Pay or Play Penalty” is the tax under IRC§4980H (if no coverage offered, or unaffordable coverage or of a minimum value)

3. “FTE” : Full-Time Employee

4. “FPL”: Federal Poverty Level ($11,670 annual income currently)

5. “HI”: Household Income (very similar to Adjusted Gross Income as found on IRS Form 1040 but with a few add-ins)

5. “MEC”: Minimum Essential Coverage (typical employer coverage, individual coverage, Medicare, Medi-Cal, TRICARE)
Four Principles of the Affordable Care Act
Principle One

The Individual Mandate

“Every individual must have "Minimum Essential Coverage" (MEC) starting in 2014 or pay a tax.”
Example

- Employee’s Household Income (similar to adjusted gross income) is $50,000
- There are two adults and two children in the household
- If the employee and family members have no MEC, the tax for 2014 is:
  - Greater of $95 per adult ($47.50) per child or 1% of HI over the Filing threshold ($19,000 in 2011)
  - Greater of $285 or $310 (.01 x ($50,000 - $19,000))
- In 2016, the penalty is the greater of $695 per adult or 2.5% of HI over the Filing Threshold
  - Greater of $2,085 or $775 (.025 x ($50,000 - $19,000))
Principle Two
Employer Shared Responsibility

"An employer is responsible to provide "affordable" MEC with a "minimum value" to its ACA Full-Time Employees and children starting in 2015 for large employers (deferred from 2014) or risk paying a tax"
ACA Definitions

• Affordable: Lowest cost single-only coverage offered by the employer must cost the employee no more than 9.5% of his/her Household Income

• Minimum Value: The employee cost of a plan (all in) cannot be greater than 40% (aka actuarial value)

• ACA Full-time Employee: 30 hours/week
Principle Three
ACA Full-Time Employee

"An ACA Full-Time Employee is an employee who works, on average, 30 hours per week or 130 hours in a month"
ACA FTE

- Definition is important because:
  - It identifies who should be covered
  - It is used to calculate the employer tax
- Requires monthly tracking unless the IRS Safe-Harbor is used: “Measurement Method Safe Harbor”
  - Look back 3, 6, 9 or 12 months
  - Count actual hours earned during that measurement period
  - Determine whether individual is FT or PT based on 30 hours of service earned per week (130 hours per month)
  - Result: For the future “stability period,” usually the plan year, employee is deemed to be PT or FTE regardless of hours earned.

- This is not about eligibility. It is about tax.
Principle Four
Government Subsidies to Purchase Exchange Coverage

"An ACA FTE whose employer does not provide ‘affordable coverage’ or coverage with a ‘minimum value’ may purchase coverage on the Exchange and receive a subsidy from the Federal Government which triggers the employer’s tax obligation.”
Failure to Offer Coverage

1. To 70% (95% in 2016) of ACA FTE Workforce
   - $2,000 x (ACA FTE Workforce – 30)
   - Example: 1,000 ACA FTE Workforce with 900 eligible for coverage (90%)
   - Penalty: $2,000 x 970 = $1,940,000 annually in 2016

2. To 30% (5% in 2016) or less of ACA FTE Workforce if unaffordable
   - $3,000 x each ineligible FTE who purchases coverage on Exchange and receives a Federal Subsidy
ACA FTE

No penalty tax is imposed on employers who do not provide group medical coverage (i.e. MEC), or affordable coverage or coverage of a minimum value to:

- Part-Time Employees
- Independent Contractors
- Leased Employees
- Variable (Seasonal/Temporary) Employees
- Newly Hired ACA Full-Time Employees for a waiting period up to 90 days
Part-Time Employees (<30 hrs/week)

- What is the message from the government?
- How do PTEs fit in with workforce strategy?
  - Apple, WalMart, etc.
- IRS guidance on PTE waiting periods:
  - 1250 hours of service for eligibility
  - 90-day waiting period begins after the 1250 hours of service are completed
- IRS guidance on Adjunct Faculty
  - Determination of hours worked must be “Reasonable”
  - “Safe Harbor” is 2.25 x scheduled teaching time + additional required duty time
  - Student Workers: Excludes hours worked under Federal Work-Study Program
ACA FTE Month-to-Month

- FTE status is a month-to-month determination
- A PTE who works overtime in a month could be an FTE for that month
- Tax on employers is calculated on a monthly basis ($3,000/12 = $250)
- Note: This is all about paying tax. There is no requirement to offer coverage or affordable coverage
Covered California

Health Insurance Exchange
Exchange Facts – “Covered California”

- Exchange Coverage:
  - Guaranteed Issue
  - No medical underwriting
  - Rates: 3:1 ratio based on age
  - Rates can vary by geographical location and smoking status
  - Exchange goal is to have low cost coverage

- It has defined “plan” as consisting of Bronze, Silver, Gold and Platinum (“full metal tier”) levels of benefits including a catastrophic plan within a geographic region

- A health insurance carrier can bid up to three plans for each geographic location
  - Plan open for enrollment 10-1-2013 to 4-1-2014, then October 1st annually thereafter
Exchange Facts

- Covered California (the “Exchange”) is a marketplace for health insurance. It will offer insurance in 19 regions in California:

<table>
<thead>
<tr>
<th>Plan</th>
<th>Actuarial Value</th>
<th>Percent Enrollees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silver</td>
<td>70%</td>
<td>62% (includes cost-sharing assistance)</td>
</tr>
<tr>
<td>Gold</td>
<td>80%</td>
<td>7%</td>
</tr>
<tr>
<td>Platinum</td>
<td>90%</td>
<td>7%</td>
</tr>
<tr>
<td>Catastrophic</td>
<td>Under age 30</td>
<td>1%</td>
</tr>
</tbody>
</table>
## Benefit Summary

<table>
<thead>
<tr>
<th>KEY BENEFITS</th>
<th>BRONZE 60</th>
<th>SILVER 70</th>
<th>GOLD 80</th>
<th>PLATINUM 90</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Deductible</td>
<td>$5,000 for medical &amp; drugs</td>
<td>$2,000 medical</td>
<td>No deductible</td>
<td>No deductible</td>
</tr>
<tr>
<td>Family Deductible</td>
<td>$10,000</td>
<td>$4,000</td>
<td>No deductible</td>
<td>No deductible</td>
</tr>
<tr>
<td>Preventative Care copay</td>
<td>No Cost at least 1 yearly visit</td>
<td>No Cost at least 1 yearly visit</td>
<td>No Cost at least 1 yearly visit</td>
<td>No Cost at least 1 yearly visit</td>
</tr>
<tr>
<td>Deductible does not apply</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary Care Visit copay</td>
<td>$60</td>
<td>$45</td>
<td>$30</td>
<td>$20</td>
</tr>
<tr>
<td>Specialty Care Visit copay</td>
<td>$70</td>
<td>$65</td>
<td>$50</td>
<td>$40</td>
</tr>
<tr>
<td>Urgent Care Visit copay</td>
<td>$120</td>
<td>$90</td>
<td>$60</td>
<td>$40</td>
</tr>
<tr>
<td>Generic Medication copay</td>
<td>$19</td>
<td>$19</td>
<td>$19</td>
<td>$5</td>
</tr>
<tr>
<td>Lab Testing copay</td>
<td>30%</td>
<td>$45</td>
<td>$30</td>
<td>$20</td>
</tr>
<tr>
<td>X-Ray copay</td>
<td>30%</td>
<td>$65</td>
<td>$50</td>
<td>$40</td>
</tr>
<tr>
<td>Emergency Room copay</td>
<td>$300</td>
<td>$250</td>
<td>$250</td>
<td>$150</td>
</tr>
<tr>
<td>Hospital Stay</td>
<td>30%</td>
<td>20%</td>
<td>HMO - $600/day</td>
<td>HMO - $250/day</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>PPO - 20%</td>
<td>PPO - 10%</td>
</tr>
<tr>
<td>Maximum Out-of-Pocket</td>
<td>$6,350 single (x2 family)</td>
<td>$6,350 single (x2 family)</td>
<td>$6,350 single (x2 family)</td>
<td>$4,000 single (x2 family)</td>
</tr>
</tbody>
</table>
# Exchange Facts

Covered California Enrollment Summary (through 1-31-2014)

<table>
<thead>
<tr>
<th>Medi-Cal</th>
<th>Eligible Applicants</th>
<th>877,000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Transitioned</td>
<td>652,000</td>
</tr>
<tr>
<td></td>
<td>New Enrollees</td>
<td>730,449</td>
</tr>
<tr>
<td>Covered California</td>
<td>New Enrollees</td>
<td>728,410</td>
</tr>
<tr>
<td></td>
<td># Subsidized</td>
<td>626,210 (86%)</td>
</tr>
<tr>
<td></td>
<td># Age 18 - 34</td>
<td>188,871 (26%)</td>
</tr>
<tr>
<td></td>
<td># Choosing Silver Plan</td>
<td>451,074 (62%)</td>
</tr>
<tr>
<td>Major Carriers Chosen</td>
<td>% of total</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Anthem Blue Cross</td>
<td>31%</td>
</tr>
<tr>
<td></td>
<td>Blue Shield</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>Kaiser</td>
<td>18%</td>
</tr>
<tr>
<td></td>
<td>Health Net</td>
<td>14%</td>
</tr>
<tr>
<td></td>
<td>All others</td>
<td>7%</td>
</tr>
</tbody>
</table>
Exchange Facts

Covered California offers two types of Financial Assistance:

- Premium Subsidy, up to 400% of Federal Poverty Level (FPL)  
  (up to 138% of FPL to qualify for Medi-Cal)

- Cost – Sharing Aid, which applies to Silver Plan only
  - Example: Family of four with an income of 150% of FPL (=\$17,505) the out of pocket maximum is reduced from \$12,700 to \$4,500.

- Premium Subsidies and Cost-Sharing Aid are reduced as income increases
Exchange Facts

For example:

- 28 year old male, $25,000/yr salary, No children
- Silver plan premium (without subsidy) $250
- Estimated monthly tax credit (subsidy) $106
  Silver plan monthly premium due $144

For example:

- Family of five, $85,000/yr combined
  (Adults age 55 & 52)
- Silver plan premium (without subsidy) $1,400
- Estimated monthly tax credit (subsidy) $727
  Silver plan monthly premium due $673
Exchange Facts

- Exchange is very concerned about:
  - Impact of adverse selection
  - Must be self-sustaining by January 1, 2015
  - Pricing
  - Offering too many choices in a region
  - Marketing and outreach
  - 2013 Goal: 3 Billion ad impressions
  - 2014 Goal: 4 Billion ad impressions

Website: www.coveredca.com
Employee Behavior

- Will the availability of Exchange coverage impact employee behavior?
  - Availability of Subsidies
  - Cash-in-lieu
  - Less expensive
  - Better access to a variety of plans
  - More for the money
  - Working just for health benefits (e.g. near retirement or part-time) don’t need GHP anymore
### Employee Timeline – What employee sees

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015 +</th>
</tr>
</thead>
</table>
| - SBC (PY 7/1/13)  
- Uniform Glossary (PY 7/1/13) | - Mass marketing begins for California Exchange (1/1/13)  
- Value of coverage reported on Form W-2 (1/31/13)  
- Notice of Exchange (3/31/13)  
- $2,500 cap HFSA (PY 7/1/13)  
- .9% Medicare payroll tax increase for high earners  
- 3.8% Medicare contribution tax on unearned income  
- Open enrollment for California Exchange begins October 1  
- AGI Threshold for medical expense deduction for those under age 65 increases to 10% | - Individual Mandate  
- Exchange coverage effective Jan 1  
- New Definition of FTE  
- Premium subsidies for Exchange coverage available to employees at lower end of salary schedule  
- Coverage for all adult children regardless of other coverage (PY 7/1/14)  
- 90-day waiting period  
- Clinical Trial coverage (NGF)(PY 7/1/14) Amendment | - Automatic Enrollment  
- Employer reporting to IRS about employee coverage  
- Tax penalties assessed on employees who did not have Minimum Essential Coverage in 2014  
  - 2018:  
  - Cadillac Tax |
2014 HR Checklist Regarding Employees

☐ Preparation: Anticipating Employee Concerns
  ☐ Mass marketing campaign by California Exchange
  ☐ Value of coverage reported on IRS Form W-2
  ☐ Notice of Exchange
  ☐ Collective bargaining considerations – Education/Schedule Planning
  ☐ Individual Mandate
  ☐ Government subsidies for Exchange coverage
  ☐ Adverse selection - Planning
  ☐ .9% Medicare Payroll Tax on High Earners - Communications
  ☐ Open enrollment for the California Exchange – Requests for Plan info
Covered California Resources

Many Paths to Enroll in Covered California:

www.coveredca.com  (1 800 300-1506)

www.coveredca.com/shopandcompare/

www.coveredca.com/enrollment-assistance/

www.keenandirect.com  (1 855 6-Keenan)
Covered California
Key Deadlines and Dates

<table>
<thead>
<tr>
<th>Last day to submit payment for March 1 coverage</th>
<th>February 25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last day to choose a plan for coverage that begins April 1</td>
<td>March 15</td>
</tr>
<tr>
<td>Last day to submit payment for April 1 coverage</td>
<td>March 26</td>
</tr>
</tbody>
</table>
Keenan Direct

Access to all major CA carriers

1-855-6-Keenan (533626)

www.keenandirect.com
Closing Comments

- Health Care Reform
  - Good Ideas; Poor Execution; Uncertain Results Nationally
- The California Exchange will become very involved in the delivery of healthcare
- Three broad allocations of employer duties:
  - Strategic Planning
  - Compliance
  - Employee Behavior - Communications
Questions?

Thank you!
Getting Californians Covered

Covered California’s mission is to improve health care in our state by increasing the number of Californians with health insurance, improving the quality of health care for all of us, reducing health care costs and ensuring that California’s diverse population has fair and equal access to quality health care.

Beginning in October 2013, legal residents of California will be able to get health coverage through a new, easy-to-use marketplace called Covered California. Covered California will offer health insurance plans, which cannot be canceled or denied, at an affordable price. Californians can shop for the plans online or see if they are eligible for Medi-Cal, and Covered California will provide in-person and phone assistance for those who need it.

Improvements to Health Insurance Plans

As part of the federal health care law, the Patient Protection and Affordable Care Act (Affordable Care Act), all newly sold health insurance plans must meet certain requirements. They must cover essential health benefits such as doctor visits, hospital stays, emergency care, maternity care, children’s care and prescriptions.

Health insurance plans will be much easier to compare. There will be four basic levels of coverage: Platinum, Gold, Silver and Bronze. This will make it easier to compare plans in the same category or across categories. As your coverage increases, so does your monthly premium payment, but your costs are lower when you receive medical care. You can choose to pay a higher monthly premium so that when you need medical care, you pay less. Or you can choose to pay a lower monthly premium, which means that when you need medical care, you pay more. You have the choice. You could also qualify for Medi-Cal, a free program.

The New Marketplace

In the marketplace, health insurance companies will compete for your business. Covered California opens for enrollment Oct. 1, 2013, for coverage beginning Jan. 1, 2014.

When you visit Covered California’s marketplace, you will be able to make apples-to-apples comparisons among different health insurance plans and choose the plan that best meets your needs and those of your family.

Covered California is the only place where you can access assistance in paying your insurance premium, offered by the federal government to reduce the cost of health insurance. If you qualify for premium assistance, this money will reduce what you pay for your insurance.

Covered California will make it simple for you and millions of other Californians to purchase affordable health insurance or apply for free coverage through Medi-Cal.
Affordable Health Coverage

Many people know they need health insurance but are concerned about the price. To make sure health coverage is affordable, Covered California will help people find out whether they qualify for federal financial assistance that will reduce their costs. They can also find out if they qualify for Medi-Cal.

There are three financial assistance programs to help ensure everyone can afford health care. These programs are available to individuals and families who make a certain amount of money and do not have affordable health insurance which covers certain benefits, from an employer or another government program.

1. **Premium assistance** helps reduce the cost of your insurance premium, which is the amount you pay to buy health insurance, usually each month.

2. **Cost-sharing assistance** reduces the amount of health care expenses an individual or family has to pay when getting care. These expenses include copayments, coinsurance and deductibles incurred when, for example, you visit your doctor.

3. **Medi-Cal** is a free health insurance program for those who qualify, including people with disabilities and those with annual incomes of $15,856 or less for a single individual and $32,499 or less for a family of four.

### How Financial Assistance Works

In the chart below, you can see how different people qualify for assistance to pay for health insurance or qualify for Medi-Cal. These are examples only; you may fall into a different category.

<table>
<thead>
<tr>
<th>Number of People in the Household</th>
<th>If Your Income* Is LESS THAN</th>
<th>If Your Income* Is BETWEEN</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$15,857</td>
<td>$15,857 - $45,960</td>
</tr>
<tr>
<td>2</td>
<td>$21,404</td>
<td>$21,404 - $62,040</td>
</tr>
<tr>
<td>3</td>
<td>$26,952</td>
<td>$26,952 - $78,120</td>
</tr>
<tr>
<td>4</td>
<td>$32,500</td>
<td>$32,500 - $94,200</td>
</tr>
<tr>
<td>5</td>
<td>$38,047</td>
<td>$38,047 - $110,280</td>
</tr>
</tbody>
</table>

You may qualify for: Medi-Cal Premium assistance through Covered California

*Income levels are based on the year 2013.

When you visit Covered California’s marketplace, you will be able to make apples-to-apples comparisons among different health insurance plans and choose the plan that best meets your needs and those of your family.
Penalties if You Do Not Have Insurance

The federal Affordable Care Act also requires most adults to have public or private health insurance by January 2014 or face a financial penalty. The fine increases over three years. In 2014, the fine will be 1 percent of yearly income or $95 per person, whichever is greater. For adults with children, the fine for lack of coverage for the child is $47.50. By 2016, the fine will be 2.5 percent of income or $695 per person, whichever is greater. The fine will be assessed based on the number of months without coverage.

To make sure you are covered in 2014, you must get health insurance before March 31, 2014, or you must wait until the next open-enrollment period begins, in October 2014, for coverage in 2015. You can always find out if you’re eligible for Medi-Cal. For health insurance plans offered by Covered California, you must enroll during open enrollment unless you have a life-changing event, in which case you would qualify for special enrollment. (Examples include the loss of a job, the death of a spouse or the birth of a child.) Medi-Cal enrollment is available year-round.

Choosing health insurance is an important decision, and Covered California is here to help. Part of our mission is to reach out to your community by partnering with people at the local level. We are training local people in your community right now to help you learn about the new options for health insurance. There will be plenty of opportunities for you to get help in person, by phone or online.

If You Need Coverage Before 2014

If you do not currently have health insurance, you do not have to wait until Covered California opens to get covered.

You may be able to purchase private insurance for yourself by contacting a health insurance company directly or working with an agent. You may be eligible right now for health coverage under Medi-Cal. For more information on enrolling in the Medi-Cal program, you can contact your local county social services office.

If you have not yet turned 26 years old, and your parents have health insurance, you can be added to your parents’ plan. If you are 65 or older or have certain disabilities, you can receive coverage under Medicare.

On Oct. 1, 2013, Covered California will open its marketplace to provide Californians the option of purchasing affordable health insurance. For many, this will be their first opportunity to obtain coverage for themselves and their families. We believe more covered Californians is the key to ensuring the health and well-being of our state.

For more information, visit www.CoveredCA.com or call (800) 300-1506.

If Your Income Changes

Californians without insurance can shop through Covered California for coverage, regardless of income. Your income level helps determine whether you qualify for Medi-Cal or any financial assistance to help pay for your coverage. If your income changes over the year, your assistance level will be adjusted. You are responsible for making sure Covered California is aware of the income change so that you do not have to pay the difference at tax time.

If you have Medi-Cal coverage, and your income increases to more than $15,856 a year for an individual or $32,496 for a family of four, you would no longer qualify for this no-cost insurance plan. However, through Covered California, you could find affordable coverage and assistance to help pay the premiums.
Why wait? We can serve your health insurance needs today at no cost to you!

You don’t have to spend an hour or more on hold. Keenan & Associates provides direct access to health plans for individuals, families and small employer groups including plans available through Covered California. Initial enrollment continues through March 31, 2014. We make your search to find the right coverage quick and convenient!

- Toll-free, personalized service at 1-855-6-Keenan (1-855-653-3626) Monday through Friday, 8 am-6 pm. Speak with a Keenan representative to explore the plans and products available in the Individual market to meet your needs.

- On-line information and enrollment at www.KeenanDirect.com - 24 hours a day Use the cost calculator to determine subsidy eligibility, get a quote for plan options and check out provider networks.

- Access all of the major carriers and learn more about the Covered California Exchange subsidies, and plans available in and out of the Exchange.

Keenan & Associates already serves more than 250,000 Californians for their health care coverage. www.KeenanDirect.com can help navigate the new marketplace and identify individual, family and small employer group health care solutions. With a phone call or click of a mouse, get help today!