



### **Presenter**

Brian S. Blalock, ASA, MAAA, FCA Managing Director and Actuary <u>brian.blalock@verisightgroup.com</u> 312-488-6715

Training and Discussio

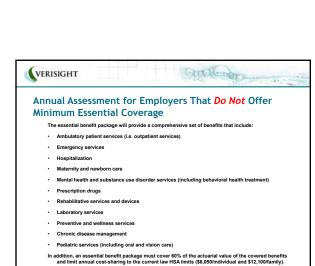
VERISIGHT

# Annual Assessment for Employers That *Do Not* Offer Minimum Essential Coverage

- Employer groups that employ an average of at least 50 full-time employees (work more than an average of 30 hours per week on a monthly basis) during the prior calendar year are required to offer minimum essential coverage OR pay a financial penalty.
- The penalty is an annual non-deductible federal tax assessment for any month in which any full-time employee is enrolled in a qualified health plan and receives the federal premium tax credit or costsharing reduction.
- The assessment is equal to \$2,000 annually, which is indexed to inflation, times the number of full time employees. The assessment excludes the first 30 employees. The assessment is calculated on a monthly basis.

Training and Discussion

_		





# Annual Assessment for Employers That *Do* Offer Minimum Essential Coverage

- Employer groups that employ an average of at least 50 full-time employees (work more than an average of 30 hours per week, on a monthly basis) during the prior calendar year and offer minimum essential coverage are required to pay a annual non-deductible federal tax assessment for any month in which any full-time employee is enrolled in a qualified health plan and receives some form of federal subsidy for insurance purchased on the state exchanges.
- Part time employees, on a full time equivalent basis, are considered when making the determination of whether an employer has 50 employees.
- The annual assessment is equal to the lesser of the following: (1) \$3,000 per employee receiving a subsidy to purchase insurance on a state exchange OR (2) \$2,000 per employee, excluding the first 30 employees The assessment is calculated on a monthly basis.

Training and Discussion

.



# Concept of Affordability as Defined by PPACA

- PPACA mandates that employers offer coverage that is affordable in order for them to avoid penalties. The law's concept of affordability is based on the cost of employer coverage in comparison to each individual employee's household income rather than salary.
- Employers typically do not know the household income of their employees. This created uncertainty as employers had no way to know their exposure to penalties in 2014.
- On August 12, 2011, the IRS announced that it will develop rules that make it easier for employers to determine affordability. The rules will establish a safe harbor in which coverage would be considered affordable so long as the premium contribution for single coverage did not exceed 9.5% of employees' W-2 wages.

Training and Discussio

-	
-	
-	



### Concept of Affordability as Defined by PPACA

- Our current interpretation of this announcement is that the IRS is stating that employers will not be assessed a penalty regardless of the level of their employee contribution rates for any coverage fier other than single. I don't anticipate that this would change employee eligibility for a subsidized benefit at the state exchanges in 2014, which would be based on actual employee contributions and household income.
- Employers could "push" non-single employees off their plan and onto the state exchange without penalty by setting employee contribution rates that are high enough to exceed 9.5% of household income.

Totales and Discount

7



# Levers that affect the Impact of PPACA on their Organization

The 2014 impact of PPACA for each employer group will be a function of a number of key variables:

- Availability of a employer sponsored group medical plan and its eligibility provisions
- · Benefit richness
- · Level of employee contributions
- · Household income of employees
- · Average family size
- · Federal poverty levels
- · Changes to the law (if any) that occur between now and 2014

Training and Discussion

- 1

### VERISIGHT

### Range of Employer Impacts in 2014

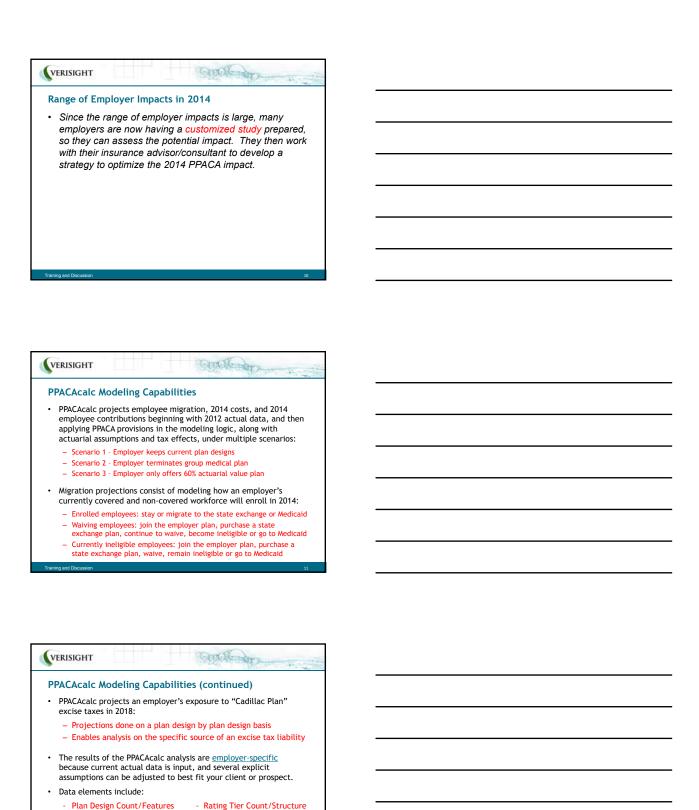
The impact on an individual employer group can vary significantly depending on different employer characteristics:

CHOK- DIE

- Employers with many employees who are currently waiving coverage due to high cost and/or have many employees who are currently ineligible for employee benefits have the potential for sharply higher costs in 2014
- Employers with employee populations where substantially all of their employees are currently covered in the group medical plan with low average household incomes have the potential to have *lower* costs in 2014 with the proper employee contribution strategy.
- Some employers will have a minimal impact in 2014 because they currently cover substantially all of their employees and it is likely they will continue to cover them in 2014.

Training and Discussion

-	



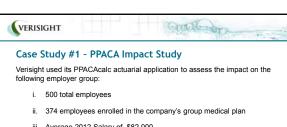
- Premium Rates or Equivalents

**Employee Contribution Rates** 

Salary, Status, and Work Hours - Employee Level Census

- Rate Effective Date

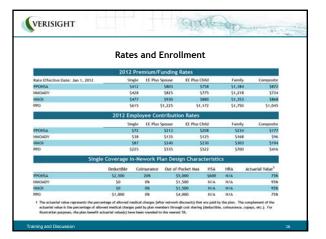
- Average FSA, HSA, and HRA



- iii. Average 2012 Salary of \$82,000
- iv. 33% of employees are estimated to have a household income that is less than 400% of the federal poverty level (FPL). 2012 FPL levels are \$11,170 for a single person and \$23,050 for a family of four.
- v. Employer offers eligible employees 4 medical plan designs.
- vi. Employees pay 13% to 40% of total plan costs through employee payroll contributions



Exect	ıtive Sumı	mary - Ł	mployee (	Costs	
	Emplo	yee Cost Sum	mary		
1	Without F	PACA	So	enarios with PPAC	A
	2012 Baseline	2014 Baseline	Current Plants)	Plan Termination	60% Plan Value
2012 Enrolled Employees	374	374	360	0	360
Projected Employee Costs	5948,000	\$1,132,000	\$1,084,000	\$3,510,000	\$833,000
2014 Projected Cost Change (5)		\$184,000	8		
2014 Projected Cost Change (%)		19.4%			
2014 Projected v 2014 Baseline (5)			\$(48,000)	\$2,378,000	5(299,000)
2014 Projected v 2014 Baseline (%)			-4.2%	210.1%	-26.45





### Projected 2014 Enrollment Impact - Current Plan

GHOL MI

Grat Do

2012 Actual E	nrollment			2014 Project	ted Enrollment-					
A CONTRACTOR OF THE PARTY OF TH	reconstruction .	Covered	Waived	Exchange	Not Eligible	Medicaid	Total			
Covered	374	360	0	0	0	14	374			
Waivod	121	261	91	0	0	4	121			
Exchango	0	0	0	0	0	0	0			
Not Eligible	5	42	0	0	0	1	5			

- 1 some emptoyees warring coverage are assumed to join the plan in 2014 and to the intrivious mandate, we stume that SNA of warring employees only an intelligent of the foreign property with control and intelligent and intelligent of the foreign property will certain in the flash. The other SNA of the employees are assumed to have coverage elsewhere. We assume that US of warring employees earning more than 400% of the federal proverty level will excell in the plant.
- 2 Engloyees who are not currently etigible and work more than 30 hours per week will become etigible for employee coverage in 2014. We assume that 50% of these employees will join the employer plan or obtain subsidized coverage through the state exchange (if applicable) in 2014 unless they are eligible for Medicaid in 2014.
- 3 Assumes that the projected 2014 employer premiums are adjusted by a multiplicative factor of 1.0 relative to the premium of current in-force medical plans. Employee contributions are assumed to not be impacted by this adjustment.

17



## Projected 2014 Employer Cost Impact - Current Plan

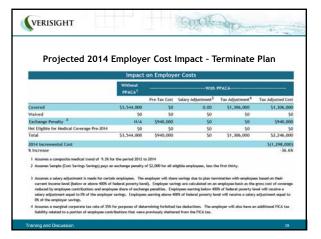
	impact on Employer Costs							
	Without PPACA		With PPACA					
		Pre-Tax Cost 1	Tax Adjustment <sup>3</sup>	Tax Adjusted Cost				
Covered	53,544,000	53,371,000	5111,000	53,482,000				
Waived	50	5242,000	\$(87,000)	5155,000				
Exchange Penalty 2	H/A	50	50	50				
Hot Eligible for Medical Coverage Pre-2014	\$0	\$38,000	\$(14,000)	\$24,000				
Total	\$3,544,000	\$3,651,000	\$10,000	53,661,000				

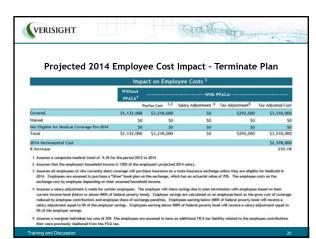
1 Assesses a comparity medical based of 5 35 for the period 3017 to 2014

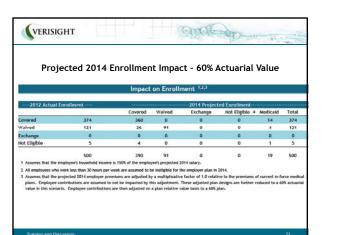
- 2 The exchange penalty cost is \$3,000 per applicable employee.
- Assumes a neighbol corporate tax size of 335 for purposes of determining forfeited tax deductions. The employer will also have an additional PEA tax liability polated to a portion of employee contributions that were previously shallowed from the PEA tax. Employer will also have exposure to PEOBI and Transcribed Relationsess Assumests the part convent employer.
- 4. Assumes that the projected 2014 employer premiums are adjusted by a multiplicative factor of 1.0 relative to the premiums of current in-force medical plans. Employee contributions are assumed to not be impacted by this adjustment.

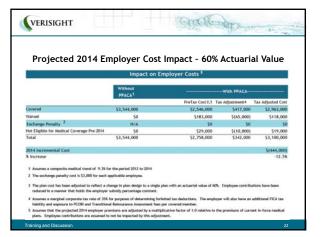
Training and Discussion

-	
•	

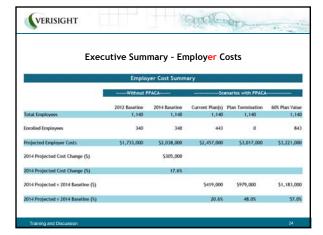








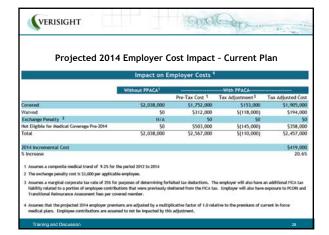
# Case Study #2 - PPACA Impact Study Verisight used its PPACAcalc actuarial application to assess the impact on the following employer group: i. 1,140 total employees ii. 340 employees enrolled in the company's group medical plan iii. Average 2012 Salary of \$36,000 iv. 81% of employees are estimated to have a household income that is less than 400% of the federal poverty level (FPL). 2012 FPL levels are \$11,170 for a single person and \$23,050 for a family of four. v. Employer offers eligible employees 4 medical plan designs. vi. Employees pay 38% to 41% of total plan costs through employee payroll contributions



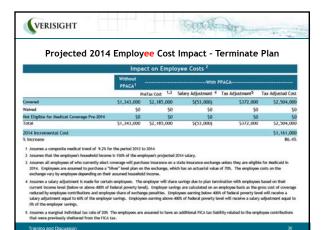


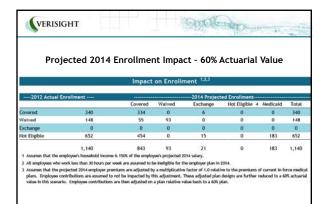
VERISIGHT			Spel	-	0-	45.00
	Rate	s and E	nrollment		PI better 1	
	2012	Premium/F	unding Rates			
Rate Effective Date: Mar 1, 2012	Sir	ngle	EE Plus C	EE Plus One		ly Composite
Plan 1	5	406	51	5835		19 5637
Plan 2	\$626		51,3	51,314		78 5855
Plan 3	5464		5974		51,39	1 5711
Plan 4	5	395	ŞI	817	\$1,06	51 5518
-	2012 Er	nployee Con	tribution Rates			
	Sie	ngle	EE Plus C	One -	Famil	ly Composite
Plan 1	5	110	5	385	562	5 5257
Plan 2		200	55	575	590	00 5327
Plan 3	5	150	\$425		570	00 5289
Plan 4	5	120	5	395	564	5 5211
Single	e Coverage I	n-Nework Pl	an Design Charac	teristi	cs	
	Deductible	Coinsurance	Out-of-Pocket Max	HSA	HRA	Actuarial Value <sup>®</sup>
Plan 1	50	0%	\$3,000	H/A	H/A	951
Plan 2	\$500	20%	\$4,500	H/A	N/A	801
Plan 3	52,000	20%	55,000	H/A	\$1,000	801
Plan 4	50	0%	53,000	H/A	N/A	951

VERISIO	ERISIGHT								
P	rojected 20	14 Enroll	ment Ir	npact - C	urrent P	lan			
		Impact	on Enrolli	ment <sup>3</sup>					
2012 Actual E	nrollment			2014 Project	ted Enrollment-				
		Covered	Waived	Exchange	Not Eligible	Medicaid	Total		
overed	340	307	0	33	0	0	340		
Valved	148	521	91	5	0	0	148		
xchange	0	0	0	0	0	0	0		
lot Eligible	652	842	0	385	0	183	652		
	1,140	443	91	423	0	183	1,140		
are not eligible for	alving covorage are assumo Modicaid in 2014) whose ho mod to have covorage else	usehold income is less	than 400% of the	federal poverty leve	ol will enroll in the p	kan. The other	50% of thes		
	not currently eligible and v oyees will join the employe d in 2014.								
	rojected 2014 employer pro			e factor of 1.0 relati	ive to the premiums	of current in-fo	arce medica		



# Grade VERISIGHT Projected 2014 Employer Cost Impact - Terminate Plan Impact on Employer Costs 53,000.00 5788,000 \$841,000 H/A 52,176,000 52,176,000 \$0 \$0 \$2,038,000 \$2,176,000 5788,000 \$3,017,000 5979,000 48.0% mes a composite medical trend of 9.2% for the period 2012 to 2014 2 Assumes Sample 1# pays an exchange penalty of \$2,000 for all eligible employees, less the first thirty. 3 documen a solary adjustment in made for certain employees. The employer will share savings due to plan termination with employees based on their current income level (below or above 4000 of federial powerty level). Employer savings are calculated on an employee basis as the gross cost of common excluded by employees contributions and exceptions beared as feature generality. Employees saving below 4000 of federial powerty level will receive a salary adjustment expail to 00 of the employee savings, Employees certain glove 4000 of federial powerty level will receive a salary adjustment expail to 00 of the employee savings, the propose certain glove 4000 of federial powerty level will receive a salary adjustment expail to one of the employee savings. 4 dissumes a manipful corporate saving saving savings and experience of the employee will also have an additional FICA tax ballety related to a portion of employee certain function that were previously philaterized from the FICA tax.





4 Assumes a marginal corporate tax rate of 25% for purposes of determining forfeited tax deductions. The employer will also have an additional liability and exposure to PCOR and Transitional Reinfarance Assuments for per convent member.
5 Assumes that the projected 2014 employer premiums are adjusted by a multiplicative factor of 1.0 relative to the premiums of current in forciples. Employee contributions are assumed to not be impacted by this adjustment.



