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WI SHRM

An Actuarial Analysis of Health Care Reform

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Presenter

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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 cost-sharing 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.

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

The essential benefit package will provide a comprehensive set of benefits that include:

- **Ambulatory patient services (i.e. outpatient services)**
- **Emergency services**
- **Hospitalization**
- **Maternity and newborn care**
- **Mental health and substance use disorder services (including behavioral health treatment)**
- **Prescription drugs**
- **Rehabilitative services and devices**
- **Laboratory services**
- **Preventive and wellness services**
- **Chronic disease management**
- **Pediatric services (including oral and vision care)**

In addition, an essential benefit package must cover 60% of the actuarial value of the covered benefits and limit annual cost-sharing to the current law HSA limits ($6,050/individual and $12,100/family).

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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.

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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.

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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 tier 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.

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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

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Range of Employer Impacts in 2014

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

– 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.

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Range of Employer Impacts in 2014

- *Since the range of employer impacts is large, many employers are now having a customized study prepared, so they can assess the potential impact. They then work with their insurance advisor/consultant to develop a strategy to optimize the 2014 PPACA impact.*

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PPACAcalc Modeling Capabilities

- PPACAcalc projects employee migration, 2014 costs, and 2014 employee contributions beginning with 2012 actual data, and then applying PPACA provisions in the modeling logic, along with actuarial assumptions and tax effects, under multiple scenarios:
  - Scenario 1 – Employer keeps current plan designs
  - Scenario 2 – Employer terminates group medical plan
  - Scenario 3 – Employer only offers 60% actuarial value plan
- Migration projections consist of modeling how an employer's currently covered and non-covered workforce will enroll in 2014:
  - Enrolled employees: stay or migrate to the state exchange or Medicaid
  - Waiving employees: join the employer plan, purchase a state exchange plan, continue to waive, become ineligible or go to Medicaid
  - Currently ineligible employees: join the employer plan, purchase a state exchange plan, waive, remain ineligible or go to Medicaid

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PPACAcalc Modeling Capabilities (continued)

- PPACAcalc projects an employer's exposure to "Cadillac Plan" excise taxes in 2018:
  - Projections done on a plan design by plan design basis
  - Enables analysis on the specific source of an excise tax liability
- The results of the PPACAcalc analysis are employer-specific because current actual data is input, and several explicit assumptions can be adjusted to best fit your client or prospect.
- Data elements include:
  - Plan Design Count/Features
  - Premium Rates or Equivalents
  - Employee Contribution Rates
  - Salary, Status, and Work Hours
  - Rating Tier Count/Structure
  - Rate Effective Date
  - Average FSA, HSA, and HRA
  - Employee Level Census

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Case Study #1 – PPACA Impact Study

Verisight used its PPACAcalc actuarial application to assess the impact on the following employer group:

i. 500 total employees

ii. 374 employees enrolled in the company's group medical plan

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

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Executive Summary – Employer Costs

Employer Cost Summary

	Without PPACA		Scenarios with PPACA		
	2012 Baseline	2014 Baseline	Current Plan(s)	Plan Termination	60% Plan Value
Total Employees	500	500	500	500	500
Enrolled Employees	374	374	390	0	390
Projected Employer Costs	$2,968,000	$3,544,000	$3,661,000	$2,246,000	$3,100,000
2014 Projected Cost Change ($)		$576,000			
2014 Projected Cost Change (%)		19.4%			
2014 Projected v 2014 Baseline ($)			$117,000	$(1,298,000)	$(444,000)
2014 Projected v 2014 Baseline (%)			3.3%	-36.6%	-12.5%

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Executive Summary – Employee Costs

Employee Cost Summary

	Without PPACA		Scenarios with PPACA		
	2012 Baseline	2014 Baseline	Current Plan(s) [1]	Plan Termination	60% Plan Value [1]
2012 Enrolled Employees	374	374	360	0	360
Projected Employee Costs	$948,000	$1,132,000	$1,084,000	$3,510,000	$833,000
2014 Projected Cost Change ($)		$184,000			
2014 Projected Cost Change (%)		19.4%			
2014 Projected v 2014 Baseline ($)			$(48,000)	$2,378,000	$(299,000)
2014 Projected v 2014 Baseline (%)			-4.2%	210.1%	-26.4%

1 2012 Enrolled Employees who migrate to Medicaid or are not eligible for coverage due to working less than 30 hrs/wk: 14

Rates and Enrollment

2012 Premium/Funding Rates					
Rate Effective Date: Jan 1, 2012	Single	EE Plus Spouse	EE Plus Child	Family	Composite
PPOHSA	$412	$803	$758	$1,184	$872
HMOADV	$428	$825	$775	$1,218	$734
HMOI	$477	$930	$880	$1,353	$868
PPO	$615	$1,225	$1,172	$1,750	$1,045

2012 Employee Contribution Rates					
	Single	EE Plus Spouse	EE Plus Child	Family	Composite
PPOHSA	$72	$213	$208	$234	$177
HMOADV	$38	$135	$125	$168	$96
HMOI	$87	$240	$230	$303	$194
PPO	$225	$535	$522	$700	$416

Single Coverage In-Nework Plan Design Characteristics						
	Deductible	Coinsurance	Out-of-Pocket Max	HSA	HRA	Actuarial Value[1]
PPOHSA	$2,500	20%	$5,000	$600	N/A	75%
HMOADV	$0	0%	$1,500	N/A	N/A	95%
HMOI	$0	0%	$1,500	N/A	N/A	95%
PPO	$1,000	0%	$4,000	N/A	N/A	75%

1 The actuarial value represents the percentage of allowed medical charges (after network discounts) that are paid by the plan. The complement of the actuarial value is the percentage of allowed medical charges paid by plan members through cost sharing (deductible, coinsurance, copays, etc.). For illustration purposes, the plan benefit actuarial value(s) have been rounded to the nearest 5%.

Projected 2014 Enrollment Impact – Current Plan

Impact on Enrollment [3]

----2012 Actual Enrollment ----		--------2014 Projected Enrollment--------					
		Covered	Waived	Exchange	Not Eligible	Medicaid	Total
Covered	374	360	0	0	0	14	374
Waived	121	26[1]	91	0	0	4	121
Exchange	0	0	0	0	0	0	0
Not Eligible	5	4[2]	0	0	0	1	5
	500	390	91	0	0	19	500

1 Some employees waiving coverage are assumed to join the plan in 2014 due to the individual mandate. We assume that 50% of waiving employees (who are not eligible for Medicaid in 2014) whose household income is less than 400% of the federal poverty level will enroll in the plan. The other 50% of these employees are assumed to have coverage elsewhere. We assume that 0% of waiving employees earning more than 400% of the federal poverty level will enroll in the plan.

2 Employees who are not currently eligible and work more than 30 hours per week will become eligible for employer coverage in 2014. We assume that 100% 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 premiums of current in-force medical plans. Employee contributions are assumed to not be impacted by this adjustment.

Projected 2014 Employer Cost Impact – Current Plan

Impact on Employer Costs [4]

	Without PPACA[1]	--------With PPACA--------		
		Pre-Tax Cost [1]	Tax Adjustment[3]	Tax Adjusted Cost
Covered	$3,544,000	$3,371,000	$111,000	$3,482,000
Waived	$0	$242,000	$(87,000)	$155,000
Exchange Penalty [2]	N/A	$0	$0	$0
Not Eligible for Medical Coverage Pre-2014	$0	$38,000	$(14,000)	$24,000
Total	$3,544,000	$3,651,000	$10,000	$3,661,000
2014 Incremental Cost				$117,000
% Increase				3.3%

1 Assumes a composite medical trend of 9.3% for the period 2012 to 2014

2 The exchange penalty cost is $3,000 per applicable employee.

3 Assumes a marginal corporate tax rate of 35% for purposes of determining forfeited tax deductions. The employer will also have an additional FICA tax liability related to a portion of employee contributions that were previously sheltered from the FICA tax. Employer will also have exposure to PCORI and Transitional Reinsurance Assessment fees per covered member.

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.

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Projected 2014 Employer Cost Impact – Terminate Plan

Impact on Employer Costs

	Without PPACA[1]	With PPACA			
		Pre-Tax Cost	Salary Adjustment[3]	Tax Adjustment[4]	Tax Adjusted Cost
Covered	$3,544,000	$0	0.00	$1,306,000	$1,306,000
Waived	$0	$0	$0	$0	$0
Exchange Penalty[2]	N/A	$940,000	$0	$0	$940,000
Not Eligible for Medical Coverage Pre-2014	$0	$0	$0	$0	$0
Total	$3,544,000	$940,000	$0	$1,306,000	$2,246,000
2014 Incremental Cost					$(1,298,000)
% Increase					-36.6%

1 Assumes a composite medical trend of 9.3% for the period 2012 to 2014

2 Assumes Sample (Cost-Savings-Savings) pays an exchange penalty of $2,000 for all eligible employees, less the first thirty.

3 Assumes a salary adjustment is made for certain employees. The employer will share savings due to plan termination with employees based on their current income level (below or above 400% of federal poverty level). Employer savings are calculated on an employee basis as the gross cost of coverage reduced by employee contributions and employee share of exchange penalties. Employees earning below 400% of federal poverty level will receive a salary adjustment equal to 0% of the employer savings. Employees earning above 400% of federal poverty level will receive a salary adjustment equal to 0% of the employer savings.

4 Assumes a marginal corporate tax rate of 35% for purposes of determining forfeited tax deductions. The employer will also have an additional FICA tax liability related to a portion of employee contributions that were previously sheltered from the FICA tax.

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Projected 2014 Employee Cost Impact – Terminate Plan

Impact on Employee Costs[2]

	Without PPACA[1]	With PPACA			
		PreTax Cost[1,3]	Salary Adjustment[4]	Tax Adjustment[5]	Tax Adjusted Cost
Covered	$1,132,000	$3,218,000	$0	$292,000	$3,510,000
Waived	$0	$0	$0	$0	$0
Not Eligible for Medical Coverage Pre-2014	$0	$0	$0	$0	$0
Total	$1,132,000	$3,218,000	$0	$292,000	$3,510,000
2014 Incremental Cost					$2,378,000
% Increase					210.1%

1 Assumes a composite medical trend of 9.3% for the period 2012 to 2014

2 Assumes that the employee's household income is 150% of the employee's projected 2014 salary.

3 Assumes all employees of who currently elect coverage will purchase insurance on a state insurance exchange unless they are eligible for Medicaid in 2014. Employees are assumed to purchase a "Silver" level plan on the exchange, which has an actuarial value of 70%. The employee costs on the exchange vary by employee depending on their assumed household income.

4 Assumes a salary adjustment is made for certain employees. The employer will share savings due to plan termination with employees based on their current income level (below or above 400% of federal poverty level). Employer savings are calculated on an employee basis as the gross cost of coverage reduced by employee contributions and employee share of exchange penalties. Employees earning below 400% of federal poverty level will receive a salary adjustment equal to 0% of the employer savings. Employees earning above 400% of federal poverty level will receive a salary adjustment equal to 0% of the employer savings.

5 Assumes a marginal individual tax rate of 20% The employees are assumed to have an additional FICA tax liability related to the employee contributions that were previously sheltered from the FICA tax.

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Projected 2014 Enrollment Impact – 60% Actuarial Value

Impact on Enrollment[1,2,3]

2012 Actual Enrollment		2014 Projected Enrollment					
		Covered	Waived	Exchange	Not Eligible[4]	Medicaid	Total
Covered	374	360	0	0	0	14	374
Waived	121	26	91	0	0	4	121
Exchange	0	0	0	0	0	0	0
Not Eligible	5	4	0	0	0	1	5
	500	390	91	0	0	19	500

1 Assumes that the employee's household income is 150% of the employee's projected 2014 salary.

2 All employees who work less than 30 hours per week are assumed to be ineligible for the employer plan in 2014.

3 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. These adjusted plan designs are further reduced to a 60% actuarial value in this scenario. Employee contributions are then adjusted on a plan relative value basis to a 60% plan.

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Projected 2014 Employer Cost Impact – 60% Actuarial Value

Impact on Employer Costs [5]

	Without PPACA[1]	---With PPACA---		
		PreTax Cost 2,3	Tax Adjustment4	Tax Adjusted Cost
Covered	$3,544,000	$2,546,000	$417,000	$2,963,000
Waived	$0	$183,000	$(65,000)	$118,000
Exchange Penalty [2]	N/A	$0	$0	$0
Not Eligible for Medical Coverage Pre-2014	$0	$29,000	$(10,000)	$19,000
Total	$3,544,000	$2,758,000	$342,000	$3,100,000
2014 Incremental Cost				$(444,000)
% Increase				-12.5%

1 Assumes a composite medical trend of 9.3% for the period 2012 to 2014

2 The exchange penalty cost is $3,000 for each applicable employee.

3 The plan cost has been adjusted to reflect a change in plan design to a single plan with an actuarial value of 60%. Employee contributions have been reduced in a manner that holds the employer subsidy percentage constant.

4 Assumes a marginal corporate tax rate of 35% for purposes of determining forfeited tax deductions. The employer will also have an additional FICA tax liability and exposure to PCORI and Transitional Reinsurance Assessment fees per covered 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-force medical plans. Employee contributions are assumed to not be impacted by this adjustment.

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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

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Executive Summary – Employer Costs

Employer Cost Summary

	---Without PPACA---		---Scenarios with PPACA---		
	2012 Baseline	2014 Baseline	Current Plan(s)	Plan Termination	60% Plan Value
Total Employees	1,140	1,140	1,140	1,140	1,140
Enrolled Employees	340	340	443	0	843
Projected Employer Costs	$1,733,000	$2,038,000	$2,457,000	$3,017,000	$3,221,000
2014 Projected Cost Change ($)		$305,000			
2014 Projected Cost Change (%)		17.6%			
2014 Projected v 2014 Baseline ($)			$419,000	$979,000	$1,183,000
2014 Projected v 2014 Baseline (%)			20.6%	48.0%	57.0%

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Executive Summary – Employee Costs

Employee Cost Summary

	------Without PPACA------		--------------Scenarios with PPACA--------------		
	2012 Baseline	2014 Baseline	Current Plan(s) [1]	Plan Termination	60% Plan Value [1]
2012 Enrolled Employees	340	340	340	0	340
Projected Employee Costs	$1,142,000	$1,343,000	$1,314,000	$2,504,000	$1,013,000
2014 Projected Cost Change ($)		$201,000			
2014 Projected Cost Change (%)		17.6%			
2014 Projected v 2014 Baseline ($)			$(29,000)	$1,161,000	$(330,000)
2014 Projected v 2014 Baseline (%)			-2.2%	86.4%	-24.6%

1 2012 Enrolled Employees who migrate to Medicaid or are not eligible for coverage due to working less than 30 hrs/wk: 0

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Rates and Enrollment

2012 Premium/Funding Rates

Rate Effective Date: Mar 1, 2012	Single	EE Plus One	Family	Composite
Plan 1	$406	$835	$1,219	$637
Plan 2	$626	$1,314	$1,878	$855
Plan 3	$464	$974	$1,391	$711
Plan 4	$395	$817	$1,061	$518

2012 Employee Contribution Rates

	Single	EE Plus One	Family	Composite
Plan 1	$110	$385	$625	$257
Plan 2	$200	$575	$900	$327
Plan 3	$150	$425	$700	$289
Plan 4	$120	$395	$645	$211

Single Coverage In-Nework Plan Design Characteristics

	Deductible	Coinsurance	Out-of-Pocket Max	HSA	HRA	Actuarial Value [1]
Plan 1	$0	0%	$3,000	N/A	N/A	95%
Plan 2	$500	20%	$4,500	N/A	N/A	80%
Plan 3	$2,000	20%	$5,000	N/A	$1,000	80%
Plan 4	$0	0%	$3,000	N/A	N/A	95%

1 The actuarial value represents the percentage of allowed medical charges (after network discounts) that are paid by the plan. The complement of the actuarial value is the percentage of allowed medical charges paid by plan members through cost sharing (deductible, coinsurance, copays, etc.). For illustration purposes, the plan benefit actuarial value(s) have been rounded to the nearest 5%.

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Projected 2014 Enrollment Impact – Current Plan

Impact on Enrollment [3]

----2012 Actual Enrollment ----		------2014 Projected Enrollment------					
		Covered	Waived	Exchange	Not Eligible	Medicaid	Total
Covered	340	307	0	33	0	0	340
Waived	148	52[1]	91	5	0	0	148
Exchange	0	0	0	0	0	0	0
Not Eligible	652	84[2]	0	385	0	183	652
	1,140	443	91	423	0	183	1,140

1 Some employees waiving coverage are assumed to join the plan in 2014 due to the individual mandate. We assume that 50% of waiving employees (who are not eligible for Medicaid in 2014) whose household income is less than 400% of the federal poverty level will enroll in the plan. The other 50% of these employees are assumed to have coverage elsewhere. We assume that 0% of waiving employees earning more than 400% of the federal poverty level will enroll in the plan.

2 Employees who are not currently eligible and work more than 30 hours per week will become eligible for employer coverage in 2014. We assume that 100% 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 premiums of current in-force medical plans. Employee contributions are assumed to not be impacted by this adjustment.

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Projected 2014 Employer Cost Impact – Current Plan

Impact on Employer Costs [4]

	Without PPACA[1]	With PPACA		
		Pre-Tax Cost [1]	Tax Adjustment[3]	Tax Adjusted Cost
Covered	$2,038,000	$1,752,000	$153,000	$1,905,000
Waived	$0	$312,000	$(118,000)	$194,000
Exchange Penalty [2]	N/A	$0	$0	$0
Not Eligible for Medical Coverage Pre-2014	$0	$503,000	$(145,000)	$358,000
Total	$2,038,000	$2,567,000	$(110,000)	$2,457,000
2014 Incremental Cost				$419,000
% Increase				20.6%

1 Assumes a composite medical trend of 9.2% for the period 2012 to 2014

2 The exchange penalty cost is $3,000 per applicable employee.

3 Assumes a marginal corporate tax rate of 35% for purposes of determining forfeited tax deductions. The employer will also have an additional FICA tax liability related to a portion of employee contributions that were previously sheltered from the FICA tax. Employer will also have exposure to PCORI and Transitional Reinsurance Assessment fees per covered member.

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.

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Projected 2014 Employer Cost Impact – Terminate Plan

Impact on Employer Costs

	Without PPACA[1]	With PPACA			
		Pre-Tax Cost	Salary Adjustment[3]	Tax Adjustment[4]	Tax Adjusted Cost
Covered	$2,038,000	$0	53,000.00	$788,000	$841,000
Waived	$0	$0	$0	$0	$0
Exchange Penalty [2]	N/A	$2,176,000	$0	$0	$2,176,000
Not Eligible for Medical Coverage Pre-2014	$0	$0	$0	$0	$0
Total	$2,038,000	$2,176,000	$53,000	$788,000	$3,017,000
2014 Incremental Cost					$979,000
% Increase					48.0%

1 Assumes 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 Assumes a salary adjustment is made for certain employees. The employer will share savings due to plan termination with employees based on their current income level (below or above 400% of federal poverty level). Employer savings are calculated on an employee basis as the gross cost of coverage reduced by employee contributions and employee share of exchange penalties. Employees earning below 400% of federal poverty level will receive a salary adjustment equal to 60% of the employer savings. Employees earning above 400% of federal poverty level will receive a salary adjustment equal to 0% of the employer savings.

4 Assumes a marginal corporate tax rate of 35% for purposes of determining forfeited tax deductions. The employer will also have an additional FICA tax liability related to a portion of employee contributions that were previously sheltered from the FICA tax.

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Projected 2014 Employee Cost Impact – Terminate Plan

Impact on Employee Costs [2]

	Without PPACA[1]	With PPACA			
		PreTax Cost [1,3]	Salary Adjustment [4]	Tax Adjustment[5]	Tax Adjusted Cost
Covered	$1,343,000	$2,185,000	$(53,000)	$372,000	$2,504,000
Waived	$0	$0	$0	$0	$0
Not Eligible for Medical Coverage Pre-2014	$0	$0	$0	$0	$0
Total	$1,343,000	$2,185,000	$(53,000)	$372,000	$2,504,000
2014 Incremental Cost					$1,161,000
% Increase					86.4%

1 Assumes a composite medical trend of 9.2% for the period 2012 to 2014

2 Assumes that the employee's household income is 150% of the employee's projected 2014 salary.

3 Assumes all employees of who currently elect coverage will purchase insurance on a state insurance exchange unless they are eligible for Medicaid in 2014. Employees are assumed to purchase a "Silver" level plan on the exchange, which has an actuarial value of 70%. The employee costs on the exchange vary by employee depending on their assumed household income.

4 Assumes a salary adjustment is made for certain employees. The employer will share savings due to plan termination with employees based on their current income level (below or above 400% of federal poverty level). Employer savings are calculated on an employee basis as the gross cost of coverage reduced by employee contributions and employee share of exchange penalties. Employees earning below 400% of federal poverty level will receive a salary adjustment equal to 60% of the employer savings. Employees earning above 400% of federal poverty level will receive a salary adjustment equal to 0% of the employer savings.

5 Assumes a marginal individual tax rate of 20% The employees are assumed to have an additional FICA tax liability related to the employee contributions that were previously sheltered from the FICA tax.

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Projected 2014 Enrollment Impact – 60% Actuarial Value

Impact on Enrollment [1,2,3]

----2012 Actual Enrollment ----		---2014 Projected Enrollment---					
		Covered	Waived	Exchange	Not Eligible 4	Medicaid	Total
Covered	340	334	0	6	0	0	340
Waived	148	55	93	0	0	0	148
Exchange	0	0	0	0	0	0	0
Not Eligible	652	454	0	15	0	183	652
	1,140	843	93	21	0	183	1,140

1 Assumes that the employee's household income is 150% of the employee's projected 2014 salary.

2 All employees who work less than 30 hours per week are assumed to be ineligible for the employer plan in 2014.

3 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. These adjusted plan designs are further reduced to a 60% actuarial value in this scenario. Employee contributions are then adjusted on a plan relative value basis to a 60% plan.

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Projected 2014 Employer Cost Impact – 60% Actuarial Value

Impact on Employer Costs [5]

	Without PPACA[1]	---With PPACA---		
		ProTax Cost 2,3	Tax Adjustment4	Tax Adjusted Cost
Covered	$2,038,000	$1,457,000	$274,000	$1,731,000
Waived	$0	$240,000	$(89,000)	$151,000
Exchange Penalty [2]	N/A	$0	$0	$0
Not Eligible for Medical Coverage Pre-2014	$0	$2,003,000	$(664,000)	$1,339,000
Total	$2,038,000	$3,700,000	$(479,000)	$3,221,000
2014 Incremental Cost				$1,183,000
% Increase				57.0%

1 Assumes a composite medical trend of 9.2% for the period 2012 to 2014

2 The exchange penalty cost is $3,000 for each applicable employee.

3 The plan cost has been adjusted to reflect a change in plan design to a single plan with an actuarial value of 60%. Employee contributions have been reduced in a manner that holds the employer subsidy percentage constant.

4 Assumes a marginal corporate tax rate of 35% for purposes of determining forfeited tax deductions. The employer will also have an additional FICA tax liability and exposure to PCORI and Transitional Reinsurance Assessment fees per covered 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-force medical plans. Employee contributions are assumed to not be impacted by this adjustment.

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Sample Reports – 2014 and 2018 Financial Impact Analysis

PPACA Solutions

(www.verisightgroup.com/Home/Solutions/PPACASolutions.aspx)

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Additional Questions?

THANK YOU FOR ATTENDING!