



Arthur J. Gallagher & Co.
BUSINESS WITHOUT BARRIERS™

Healthcare Reform Strategies for Small Employers

ALTA WEBINAR 12.10.2015



Presented by

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TODAY'S TOPICS



American Land
Title Association
Protect your property rights

- Employers with less than 50 employees
- Offering Insurance
- Funding the Purchase
- Pricing to employees



Healthcare Reform – March 2010

- Play or pay for employers & individuals
- Eligibility and cost rules
- Insurance Reform
 - Elimination of pre-existing
 - Guaranteed insurability
 - No medical underwriting
 - Mandated benefits
 - Community pricing structures
- Subsidies if “affordable” coverage not available
- Expanded Wellness coverage and incentives
- Accountable Care Organizations (ACO)

The magic number is 50 employees

- Mandates (penalties)
- Community rates
- Access to State/Federal Exchanges (SHOP)
- Reporting of participation (self-insured)
- Reporting of Eligibility
- Tax Credits (under 25)



Employee counts – they count

- Mandates (penalties)
 - **No penalties < 50**
- Community rates
 - **Required <50 unless “grandmothered” (renewals after 10/1/16)**
- Access to State/Federal Exchanges (SHOP)
 - **Eligible <50**
- Reporting of participation
 - **Insurance Carrier unless Self-Insured**
- Reporting of Eligibility
 - **Not required <50**
- Tax Credits
 - **<25 and < \$50,000 average payroll**

How many employees do we have?

- A. Full Time Employee = Employee working 30+ hours/week more than 120 days/year
- B. Part-time employees are those who worked on average less than 30 hours per week, but more than 120 days per year.
- C. Add up part-time hours per week and divide by 30
- D. Add A + C = TOTAL FTE

Full-time Equivalent (FTE) Employee Calculator

[https://www.healthcare.gov/shop-calculators-fte/#Social responsibility](https://www.healthcare.gov/shop-calculators-fte/#Social%20responsibility)



Who is included?

- All full-time employees of a group with common ownership, or a part of a controlled group.
 - **Title agencies affiliated with Real Estate Agencies**
- Employees under a common group in other states – even if you're enrolling in separate state SHOPs



Who not to include?

- Owners of a sole proprietorship
- Partners
- Shareholders owning more than 2% of an S corporation
- Family members
- Seasonal employees working 120 days or less in a year
- Independent contractors (form 1099 workers)
- COBRA and retired enrollees

Small Business Tax Credit

- Maximum for tax years 2010 to 2013
 - 35% of premiums paid for small for profit business employer
- Maximum for tax years 2014 or later
 - 50% of premiums paid for small business employers
 - must purchase through the Small Business Health Options Program (SHOP) Marketplace.
 - The credit will be available to eligible employers for only two consecutive tax years
- No tax? credit back, then forward
- Can file an amended return to claim

To Insure or not to insure?

- Why do we offer health Insurance/employee benefits?
 - Attract and retain quality employees
 - Social responsibility
 - Government mandates
 - Individual
 - Employer





If you do not offer insurance

- Employees subject to individual mandate
- Can purchase individual policies
- Pay with after-tax dollars
- Anytime direct from agent – no subsidy, same policies and premiums
- Specific times through Exchange – possible subsidy

Individual Plans (on or off Exchange)

“Metal Plans”

- Platinum – covers 90% of medical for a population
- Gold – covers 80% of medical for a population
- Silver – covers 70% of medical for a population
- Bronze – covers 60% of medical for a population

Rating factors

- | | |
|--------------------------|------------|
| • Adults by age | Health |
| • Number of Children <21 | Gender |
| • Tobacco use | Occupation |
| • Location | |

Silver Plan Examples

	Plan A	Plan B
Deductible	\$2,000	\$1,000
Coinsurance	80%	70%
Out-of-Pocket	\$5,000	\$6,350
Office Visit	\$20	\$40 copay
Urgent Care	\$50 copay	\$75 copay
Emergency	\$100 copay	\$200 copay
Prescription	Pharmacy: \$10/\$25/\$40 Mail Order \$10/\$25/\$120	

Hidden Differences

- Network = which hospitals, physicians, etc.
- Accessibility = prior authorization, referrals, etc.
- Formulary = which prescriptions at each level
 - May not cover drugs off formulary

Healthcare Reform provisions are based on Network Benefits



Subsidies

- Based on a percentage of Federal Poverty Wage Base
- Subsidizes healthcare to limit total spending to a percentage of total family Adjusted Gross Income
- Adjusted for number of family members
- Based on Silver Plans

Net Cost after Subsidy

Family Members

Annual Family Income	1	2	3	4	5
	\$25,000	\$142	\$92	\$42	\$42
	\$40,000	\$317	\$273	\$212	\$160
	\$65,000	No Subsidy	No Subsidy	\$515	\$471
	\$80,000	No Subsidy	No Subsidy	No Subsidy	\$633

Medicaid

\$120

\$403

\$607

Subsidies Calculator

[http://kff.org/interactive/subsidy-calculator/#state=8&...](#)
[Health Insurance Marketpl...](#)

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[Health Reform](#)
[Health Insurance Marketplace Calculator](#)

Health Insurance Marketplace Calculator

Financial Help for Health Insurance Coverage through Marketplaces

[ABOUT THIS TOOL](#) [+](#)

Enter Information About Your Household

1. Select a State	US Average ?	6. Number of adults (21 to 64) enrolling in Marketplace coverage	1 Adult ?
2. Enter income as	2015 Dollars ?	Age? 42 ? Uses Tobacco? No ?	
3. Enter your yearly household income (dollars)	25000 ?	7. Number of children (20 and younger) enrolling in Marketplace coverage	1 Child ?
4. Is coverage available from your or your spouse's job?	No ?	How many children use tobacco?	0 ?
5. Number of people in family	2 ?		

[Clear](#)
[Submit](#)



Subsidies Calculator

<http://kff.org/interactive/subsidy-calculator/>

If you offer insurance

If Plan Meets Minimum Essential Coverage

- Employees participate in plan and pay with pre-tax dollars
- Employees meet individual mandate

If Plan is “Affordable”

- Can purchase coverage elsewhere but no subsidy

If Plan is **NOT** “Affordable”

- Can purchase coverage elsewhere and receive subsidy
- Employer should provide notice to employee

What is “affordable”?

- Employee Only Coverage less than 9.66% of Adjusted Gross Family Income
 - Includes all household members
- You may wish to make coverage unaffordable so employee can qualify for subsidy
- How do you know?
- You can make it unaffordable only for lower income employees



Using “affordability” as a tool

- Assume Employee with two children, no spouse
- Employer charges 25% of premium
- Monthly Plan cost = \$550 Single (EE cost = \$137.50)
\$1,200 Employee and Child(ren)
(Employee cost = \$300)
- Employee Earns \$30,000/yr.
- 9.5% = \$237.50/mo.
- Raise contribution to 45% - now “unaffordable”
- Employee purchases subsidized coverage for \$102/mo. after-tax
- Employee stops contributing \$300/mo. pre-tax
- Employer saves \$900/mo.

Caution:

- Plans may have participation requirements
 - Usually 70-75%
- Plans may have minimum cost sharing requirements
 - Employer must pay 50% of Single
- Higher contributions may affect other employees
 - Non-discrimination provision in PPACA not enforced for fully-insured plans (subject to change)
 - Can charge different premiums by class (subject to change)
 - Can adjust compensation

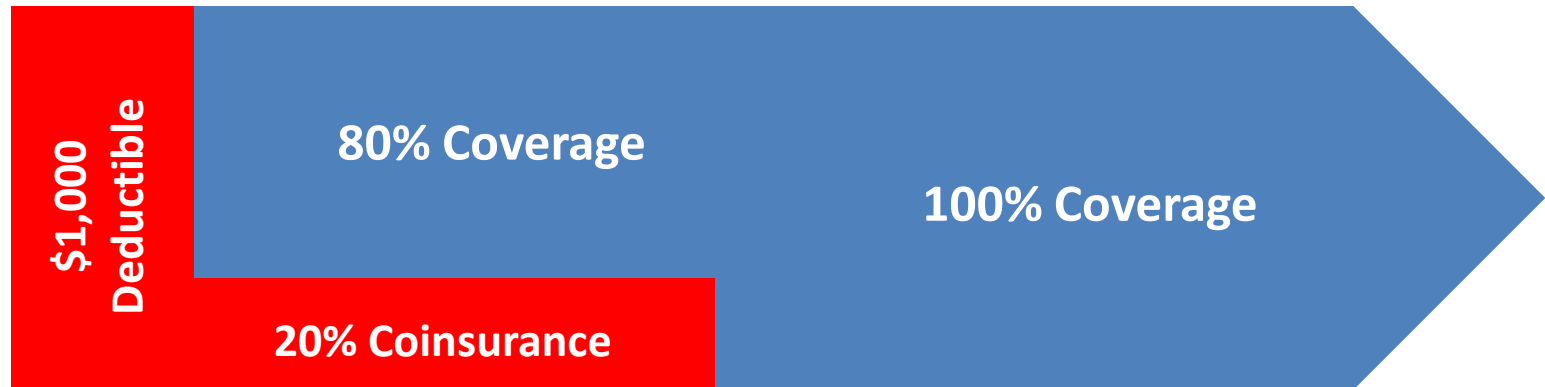
If you do offer Insurance

Health Plan Designs

- Traditional
- High Deductible
 - With Health Care Savings Account (HSA)
 - With Health Care Reimbursement Account (HRA)
- Self-Insured
- Preferred Risk Pools

Traditional

 Employee Responsibility



Copays:

Office Visit

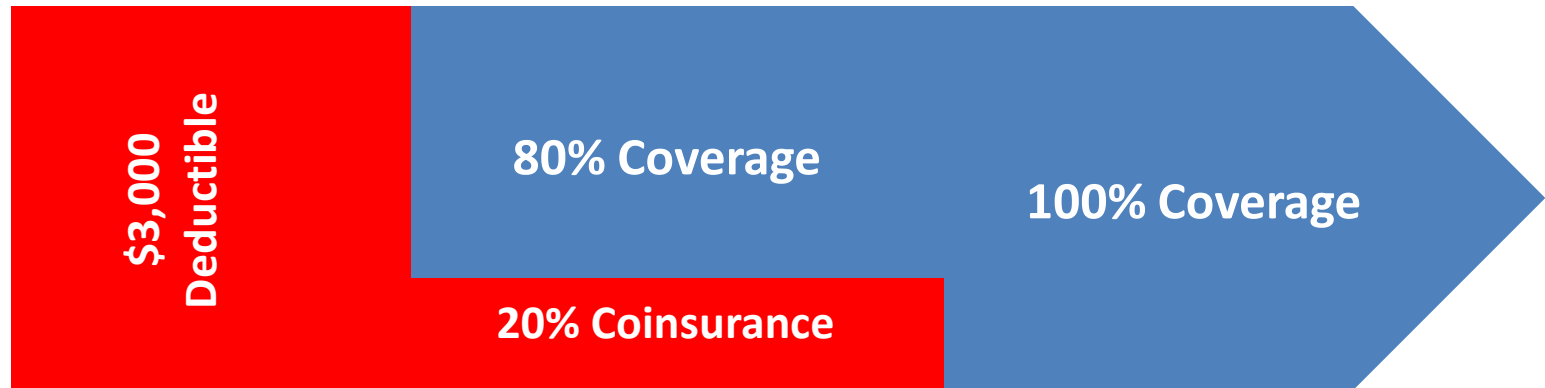
Urgent/Emergency Care

Prescriptions



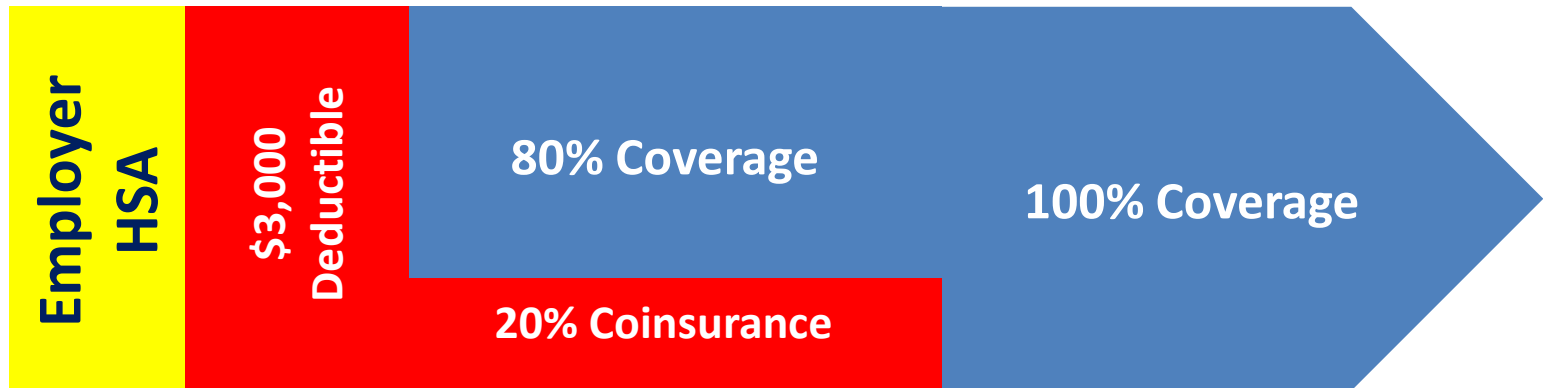


High Deductible Health Plan



**No Copays or first dollar coverage except
100% Wellness**

High Deductible Health Plan with Healthcare Savings Account (HSA)

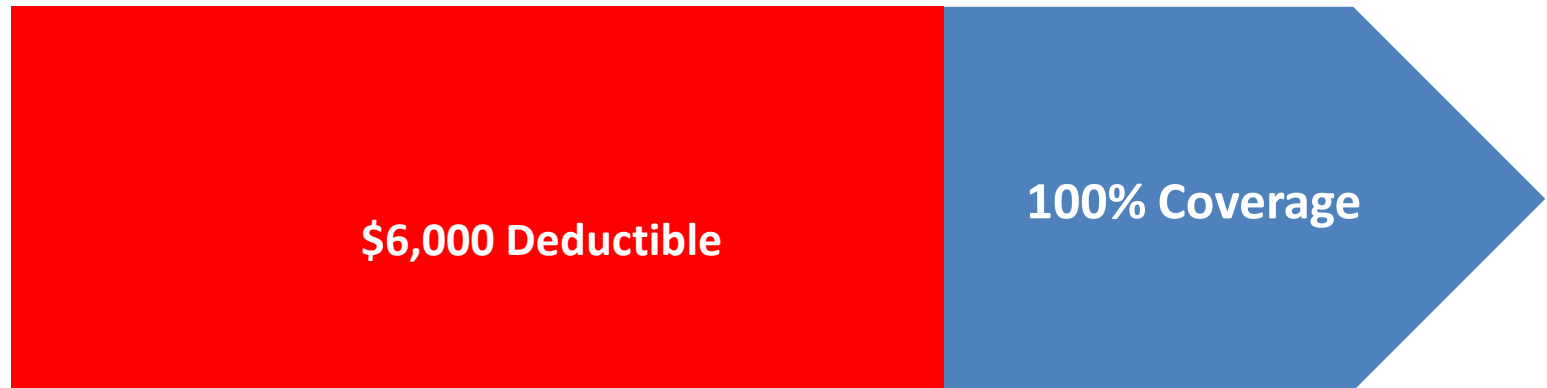


No Copays
100% Wellness

HSA Rules

- Employer contributions must be non-discriminatory
- Funds belong to employee
- Employee may contribute additional
 - 2016 maximums (ER & EE)
 - \$3,350 single/\$6,650 family
 - \$1,000 additional age 55+
- No tax on contributions or qualified distributions
- Employee can only have HDHP coverage:
Min \$1,300 deductible, \$6,450 Max OOP

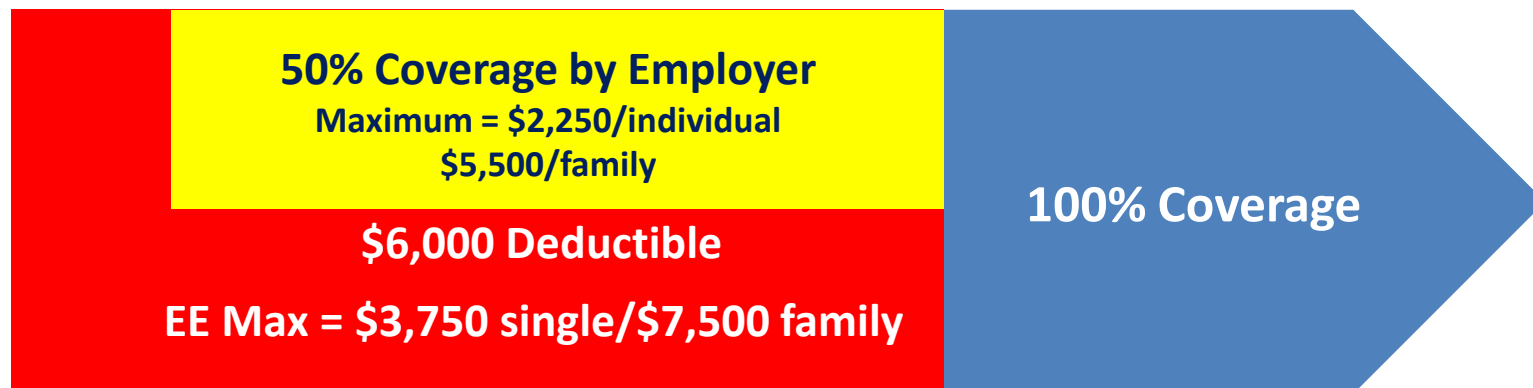
High Deductible Health Plan



No Copays
100% Wellness



High Deductible Health Plan with Healthcare Reimbursement Account (HRA)



No Copays
100% Wellness

Keep it Simple – Reimburse from EOB's – Schedule Reimbursements

HRA Adoption

Employer funds benefits not paid by employer sponsored group health plan

- Informal, communicated to all by letter or flyer describing benefit
- Eligible if participant in company sponsored group insurance plan
- For employers with 20+
 - Subject to Medicare Secondary Payer rules
 - COBRA Eligible

HRA Rules

- IRS Code Section 105
 - IRS Publication 969
- Benefits cannot discriminate in favor of highly compensated
- Can exclude highly compensated
 - Increase compensation
 - Use HSA

HRA Benefits

Sample:

- Employer will reimburse 50% of expenses over \$500 per participant (or over \$1,000 per family) for amounts credited to deductible by company group health plan.
- Payments will be based on amounts applied to deductible by company group health insurer per amounts shown on insurance company Explanation of Benefits
- Payments will be made quarterly or whenever amount due to employee exceeds \$250



HRA Sample Documentation

COVERAGE INFORMATION

Costs	\$347.00	\$221.04	\$125.96
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Deductions

Your Coinsurance Amount

25.17

Total Deductions

-\$25.17

Total Benefits Approved

\$100.79

Amount You May Owe Provider

\$25.17

Total covered benefits approved for this claim: \$100.79 to [REDACTED]
FROM PANY on 09-11-15.

Information About Out-Of-Pocket Expenses

Patient: [REDACTED]

Benefit Period: 01-01-15 Through 12-31-15

On date this patient has met \$2,252.18 of her/his \$4,100.00 Out-of-pocket Expense.

Information About Out-Of-Pocket Expenses

Benefit Period: 01-01-15 Through 12-31-15

A Division of Health Care Service Corporation, A Mutual Legal Reserve Company, An Independent Licensee of the Blue Cross and Blue Shield Association.

(turn over)

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Traditional Plan

\$1,000 calendar year deductible

80/20% next \$10,000

\$3,000 Single Out-of-Pocket maximum

\$6,000 Family Out-of-Pocket maximum

\$30 Office Visit

\$10/\$25 Rx card

10 employees @ \$500/mo.

10 families @ \$1,500/mo.

Total annual premium = \$240,000



Alternate - High Deductible Plan

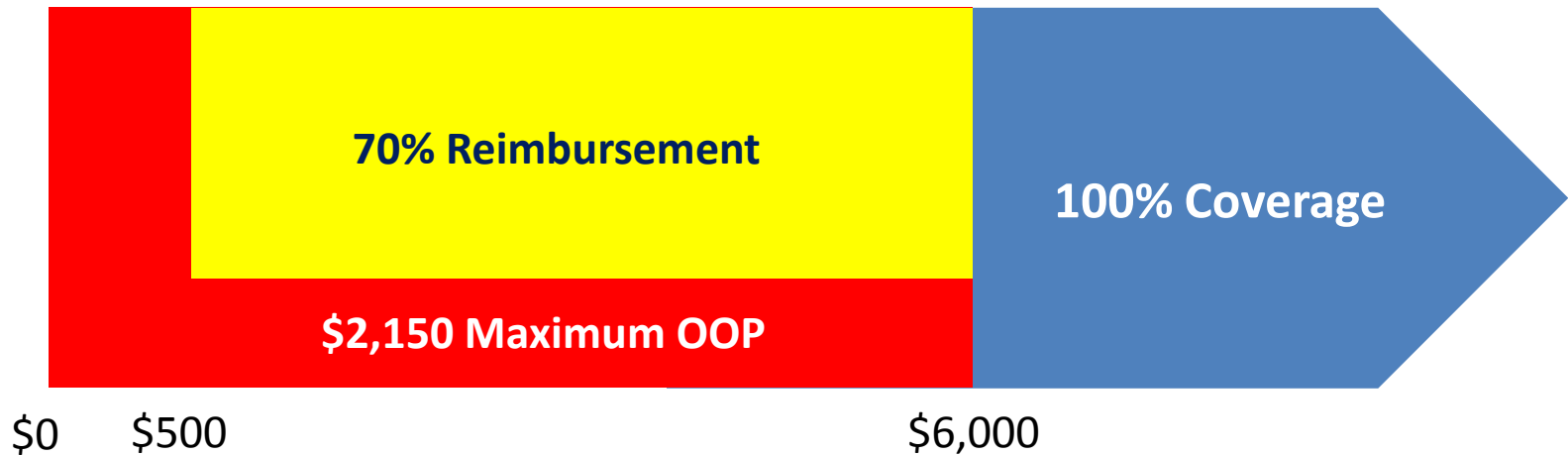
\$6,000 Deductible

2X Family = \$12,000

100% thereafter

Annual Premium \$168,000

High Deductible Health Plan with HRA



Wellness at 100% - Family maximum OOP = \$4,300



Claims Distribution per year

How many people have . . .

- No claims 15%
- Claims under \$500? 30%
- Claims under \$1,000? 45%
- Claims under \$2,500? 67%
- Claims under \$5,000? 81%
- **Claims over \$10,000? 9%**
- **90% of all claims 10%**

High Deductible Plan with HRA

\$6,000 Deductible

Employer reimburses 70% = \$3,850

Employee Out-of-Pocket = \$2,150 (\$4,300 Family)

Employer exposure

10 @ \$3,850 + 10 @ \$7,700 = \$115,500

Expected reimbursements = \$32,340 (28%)

HDHP plan premium = \$168,000 (70%)

Plus expected reimbursements of \$32,340 = \$200,340

Breakeven reimbursements = \$72,000 or 62% of maximum
to equal \$240,000

Plan Comparison

Traditional Plan
\$240,000

HDHP Plan with HRA
Projected Cost = \$200,340
Maximum Liability is $\$168,000 + \$115,500 = \$283,500$

HDHP Plan with HSA
Employer deposits \$1,078 Single and \$2,156 Family
Total cost = \$203,280

HSA vs. HRA

	HSA	HRA
Rewards Healthy	X	
Corresponds to Claims		X
Short Term Cash Flow Issues	X	x
Allows Employee to add Pre-Tax contributions	X	
Predictable Cost	X	
No reporting	X	X
No Discrimination Testing	X	
Privacy issues		X
Insurer may ask about Employer Participation in Claims	x	X

Self Insurance

- Avoids Exchange or Community Rating with generally high premiums except groups with high claimants
- Strips insurance down to transparent components
 - Administrative cost
 - High claim risk sharing
 - Specific Stop Loss
 - Aggregate Stop Loss
 - Claims
- Third Party Administrator

Fixed cost

Self Insurance – Third Party Administrator (TPA)

- Generally available for 25+ employees
- Specific Stop Loss \$10,000+ per insured
- Aggregate Stop Loss at 115%+ of expected claims
- Terminal liability (?)
- Fixed costs 30 – 50% of fully-insured plan
- Fixed plus claims generally 75 – 110% of fully-insured plan

Self Insurance

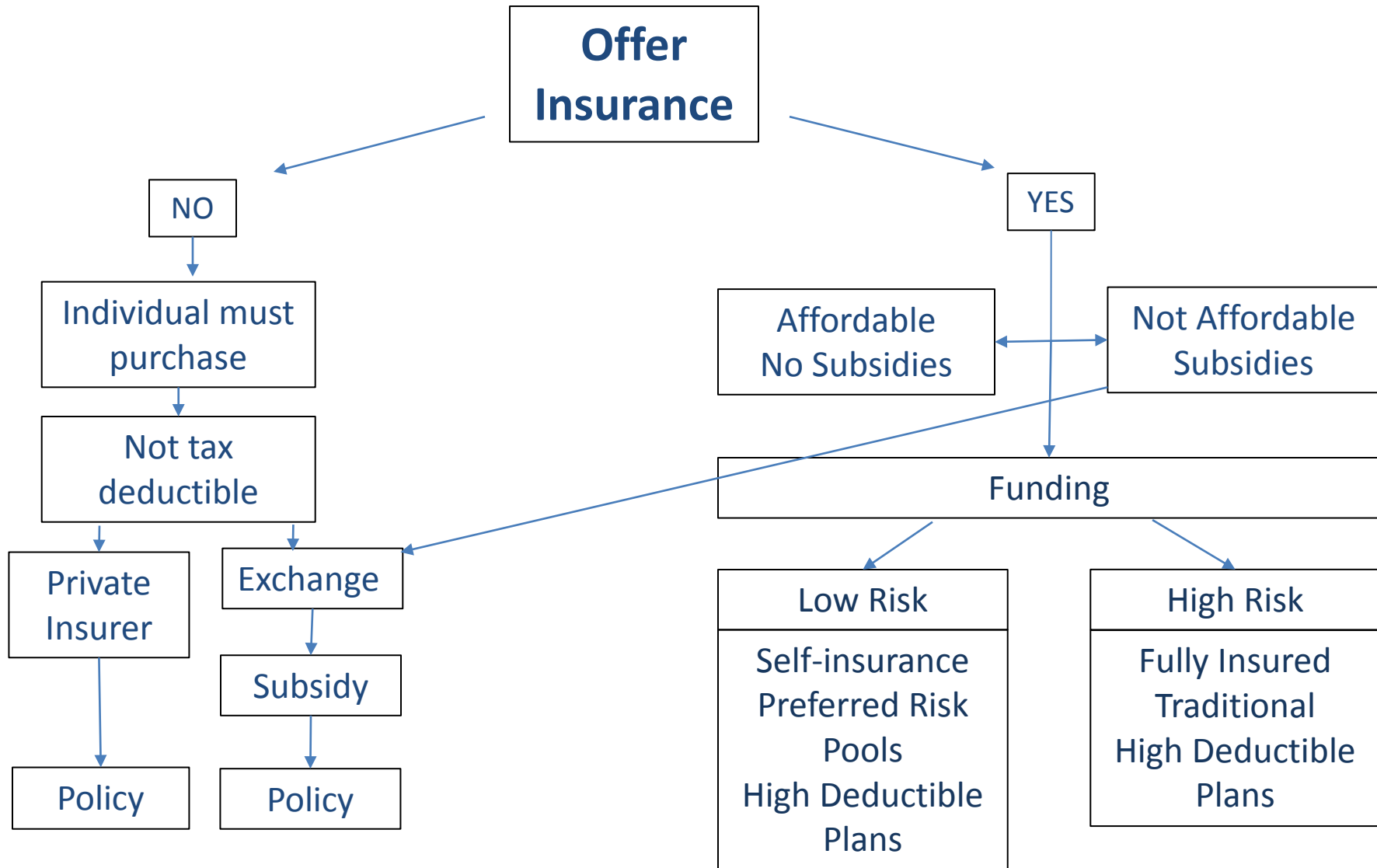
Important to use quality organizations

- When does the Specific Stop Loss reimburse?
 - Immediate assumption
 - After claim review
 - At year end
- Does Aggregate Stop Loss include monthly accumulation?
- Does Stop Loss cover all benefits in plan?



Preferred Risk Pools – many names

- Looks like an insured plan
- Self-Insured trusts
- Avoids Exchange or Community Rating
- Savings of 5-35% vs. insured plans
- All employees complete health questionnaires
- Only written for healthy groups
- Variety of features
 - Available 10+ Enrolled
 - Maximum cost (premium equivalents)
 - Includes terminal liability
 - Potential refund for lower than expected claims



Help if you need it through ALTA:

Website for individuals and groups 2-20

Medical Individual and Group

Exchanges open to 2/15/16

All other benefits available all year

Life, Disability & Dental

Website for groups 20+

Preferred Risk Pools

ALTA Association Guaranteed Savings and Premium Stabilization
for Life, Dental, Disability

