

Health Reform: A Guide for Employers

Getting your business ready

NEW FOR 2013 2nd edition

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Straightforward answers that tell you how to get ready for health reform implementation and protect you and your employees now – and in the future.



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The Patient Protection and Affordable Care Act (PPACA) was signed into law on March 23, 2010, and was amended by the Health Care and Education Reconciliation Act on March 30, 2012. The “Affordable Care Act (ACA)” is used to refer to the final, amended version of the law. The health reform legislation enacted significant changes in how Americans will purchase and utilize health insurance and health care for the next decade. This legislation will affect everyone – individuals and businesses – and has significant impact on how all of us manage our health, our finances, and our businesses.

The Word & Brown Companies have been providing health insurance products to consumers and businesses for nearly 30 years. Our experience and expertise provide us with the unique perspective and ability to determine effective ways to continue to provide individuals and businesses with the best healthcare products at the best price.

While some effects of health reform have already been felt by both small and large employers, 2013 and beyond will see major changes to the way many businesses shop for health insurance. With new options and hundreds of new regulations, business owners – now more than ever – must carefully consider which health benefits options will best serve their employees and their businesses.

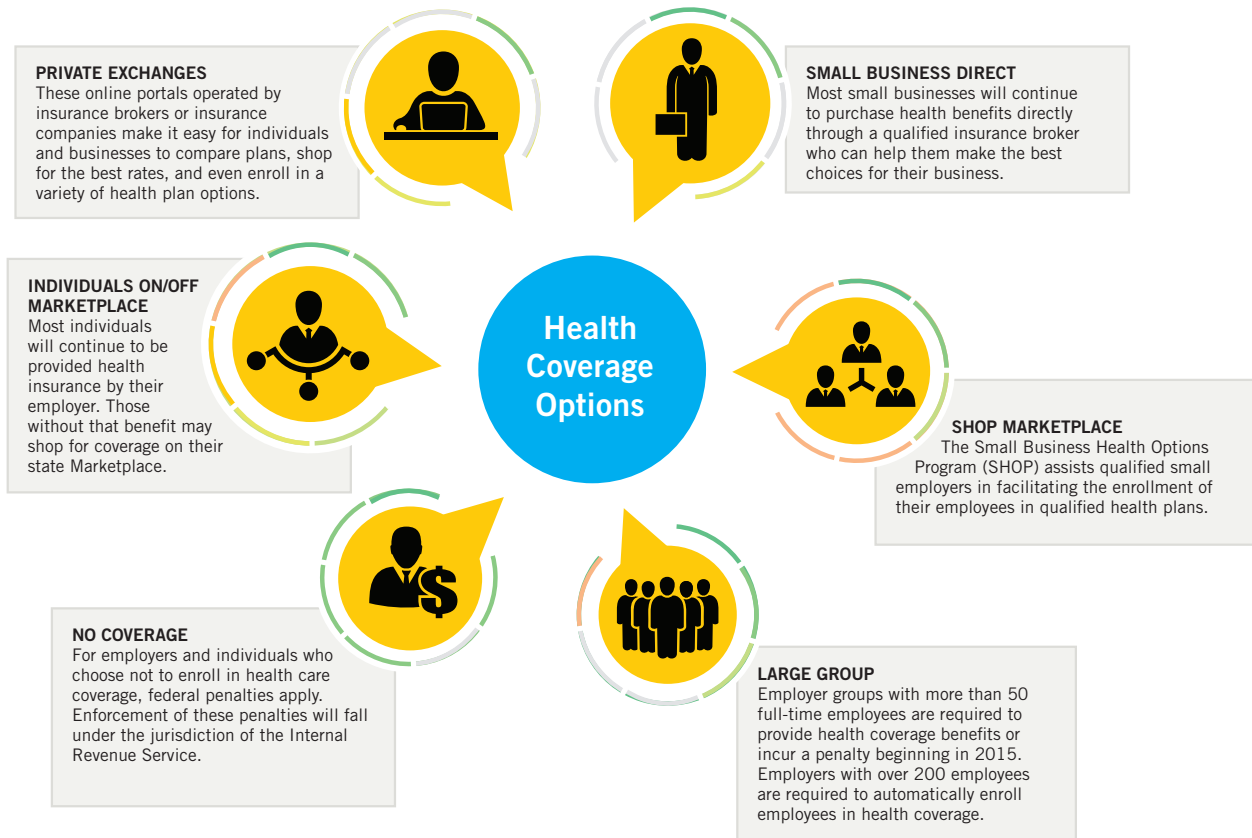
In this guide you’ll find some basic questions and answers that will help you understand what you can – and need to – do to get ready for health reform. We’ve included a simple time line of what happens next, along with the *10 Things Every Business Should Do to Get Ready for Health Reform*.

Keep in mind the ACA is complex and many of the specifics are still being worked out and revised. Some critical elements of the law are still awaiting procedural guidelines from various government agencies before they can be fully implemented.

We recommend you contact a licensed health insurance broker to make sure your business is properly prepared, and to answer specific questions regarding changes to your benefits, how to select the best health plan for your business, and new plan options that can keep your employees – and your business – healthy and strong.



Q What are the new coverage options for health insurance?



Q Will I pay less for my health insurance coverage – or more?



The issue of cost is one of the most controversial aspects of the ACA. Supporters of health reform say requiring businesses and individuals to purchase insurance will drive down costs and make insurance more affordable for everyone. Opponents say insurance offered through federal and state Marketplaces will be much more expensive than the average person can afford and requiring businesses to provide health coverage will force them to decrease staff to offset the cost of insurance.

Health Insurance Marketplaces are intended to encourage more competition to help bring down rates. As businesses and individuals enter the insurance-buying pool, the addition of new customers should help lower premiums for everyone. But some experts are concerned the insurance pool will be overwhelmed with buyers who are sicker and consume more services, which causes rates to rise.

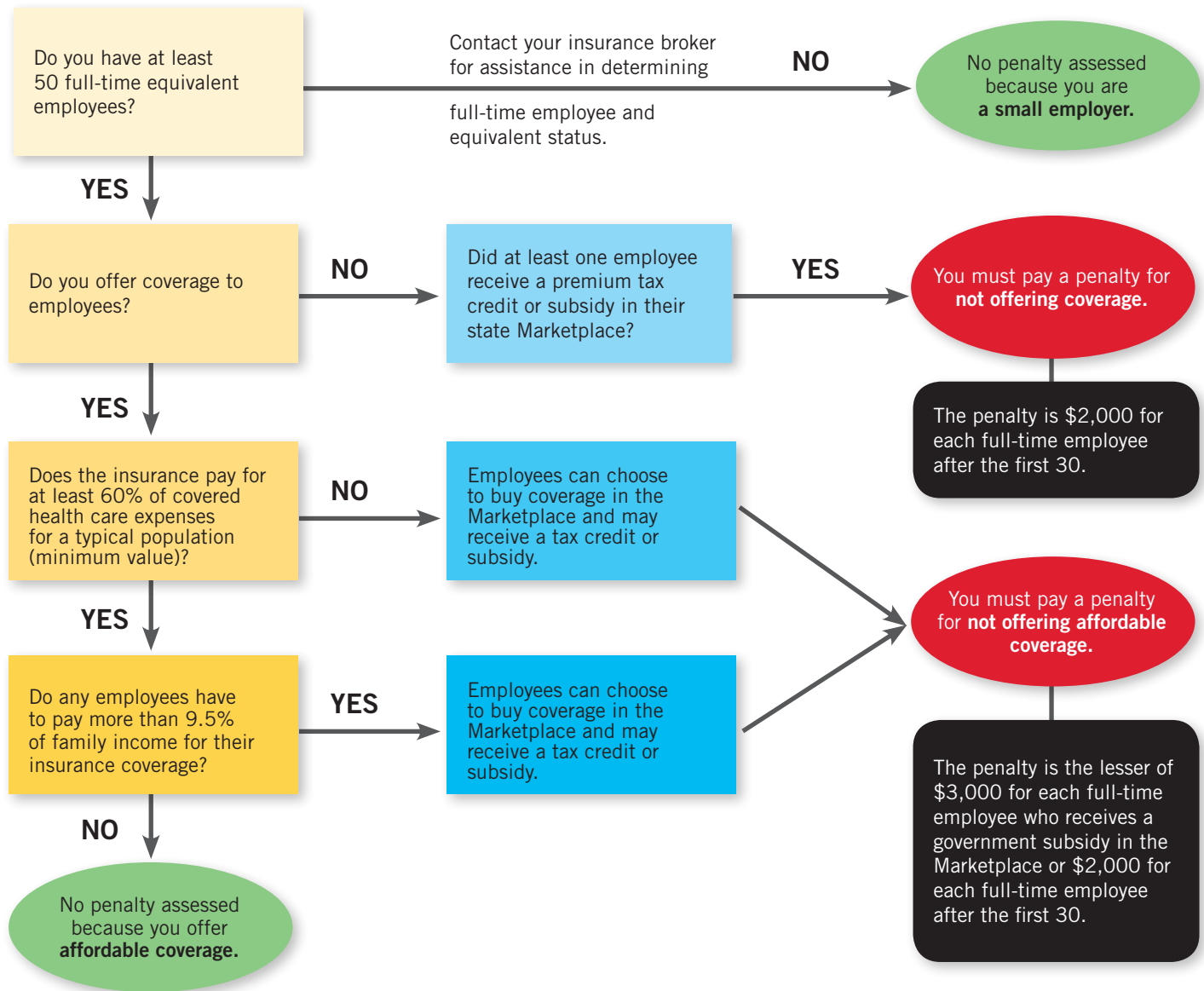
In the meantime, to help offset the cost of insurance, you should determine if you are eligible for the **Small Business Health Care Tax Credit** (see page 8). Contact your insurance broker to review the benefits you have in place and evaluate your options for coverage. Your broker can help you find ways to lower your premiums through fixed contribution plans and more.



Q Am I required to provide my employees with health insurance?

Beginning in 2015, employers may be subject to hefty penalties if they fail to offer coverage to full-time employees and their dependents or offer coverage that does not meet affordability or minimum value standards, **and** at least one full-time employee receives a premium tax credit through the Health Insurance Marketplace. This is referred to as the **employer mandate** or **Play or Pay**.

The chart below can help you determine if you will be subject to penalties under the ACA beginning in 2015.



Q Do individuals have to buy insurance?

Starting in 2014, the ACA requires all U.S. citizens and legal residents to have an approved plan that meets Essential Health Benefits (EHB) requirements.

If you aren't covered through your employer and don't purchase coverage on your own, you will have to pay a yearly fine. The fine increases every year through 2016. In 2017 and beyond, the penalty will be increased annually by a cost-of-living adjustment.

The chart below provides the fees assessed for individuals and families who do not maintain a minimum level of health insurance coverage.

INDIVIDUAL MANDATE PENALTY

THE GREATER OF . . .				
YEAR	ADULT	CHILD UNDER 18	FAMILY	INCOME PERCENTAGE
2014	\$95	\$47.50	max \$285	OR 1% of income over the tax filing threshold
2015	\$325	\$162.50	max \$975	OR 2% of income over the tax filing threshold
2016	\$695	\$347.50	max \$2085	OR 2.5% of income over the tax filing threshold

Q Where can individuals find good rates on health insurance?

A licensed insurance broker is a great way to find the best rates for health insurance. Many brokers have online quoting right on their websites, so you (or your employees and dependents) can just enter some basic information and get an instant quote and comparison of available plans.

When comparing plans, be careful about buying a no-frills plan from a company you don't recognize – you may be in for a shock at what is left out of the coverage when it comes time to use it. An insurance broker can make sure a plan fits your needs and gives you coverage that will protect your health and your family.

You can also compare plans using services like **HealthCompare.com** for individual and family insurance or **Joppel.com** for Medicare-approved plans; both offer plan comparisons and enrollment assistance online and over the phone.

Keep in mind, some insurers offer coverage directly to consumers, while others write policies exclusively through authorized brokers. It's important to pick the option that works for you and your loved ones.

ONLINE RESOURCES FOR INDIVIDUAL AND FAMILIES

Health Care Coverage through the Marketplace

www.healthcare.gov


Health Coverage and Your Taxes

www.IRS.gov/aca

Consumer Assistance for Employees

www.Askebsa.dol.gov





Q Will I be required to buy my insurance from the Health Insurance Marketplace?

No. The requirement is everyone has to have health insurance – the ACA doesn't dictate where you must purchase it. The Health Insurance Marketplace is simply a new place to buy insurance that will be available to individuals and small businesses.

The Marketplace has two divisions: 1) Individual and 2) Small Business Health Options Program (SHOP). In fact, for small employers the SHOP Marketplace will allow you to offer health benefits to permanent, full-time employees, while temporary or part-time employees can purchase health insurance on their own via the individual Marketplace.

You can continue to utilize your licensed health insurance broker to make sure you're getting the best benefits for your employees and to help you find the best rates.

Q How does the Health Insurance Marketplace work?

Health Insurance Marketplaces (formerly referred to as Exchanges) are where individuals and, in some states, businesses with 100 or fewer employees, can shop for insurance beginning in 2014. The Marketplace allows individuals and small businesses to join together and get better prices and more choices in health insurance – similar to what large companies can negotiate for their employees. Marketplaces are being established on a state-by-state basis and are operated either by the state alone, a state and federal partnership, or solely by the federal government, depending on the choice made by each state. In the Marketplace, individuals will also be able to see if they qualify for a government subsidy to help pay for their insurance or enroll in a non-subsidized plan when they don't. As part of the ACA, Marketplaces are scheduled to begin enrollment in October of 2013 for 2014 coverage. States have the flexibility to make the group size maximum 50 for 2014-2015 then increase to 100 in 2016.

Q What is the difference between a Public Marketplace and a Private Exchange?

Private health exchanges – operated by insurance brokers or insurance companies – give employers another way to shop for a variety of medical plans as well as supplemental insurance products like disability, dental, and vision plans. These online portals make it easy to compare plans, shop for the best rates, and even enroll.

Private exchanges let employers provide workers with money to purchase health insurance coverage. Under a “defined contribution” plan, employers give each eligible employee a fixed amount for either individual or family coverage. Employees can add their own

salary-deferred contribution if they choose and select among differently priced plans from competing health insurers. Employees can evaluate factors such as premium price, deductibles, and provider networks.

Private exchanges often include benefit support services such as assistance from brokers to help with administrative tasks like enrollment and renewal.

Private health exchanges also make it easy for businesses to expand employee benefits and offer additional health coverage not included in most major medical plans like dental coverage, vision

exams, chiropractic services, and even life insurance, in a one-stop shop without a lot of administrative work.

Using a private exchange means employers no longer manage plan design or relationships with insurers, which are all handled by the exchange.

Private exchanges provide an ACA-compliant alternative to state Marketplaces and allow employers to contribute to employee coverage and avoid penalties, while expanding choice for their employees.





ONLINE RESOURCES FOR EMPLOYERS

Health Insurance Information

www.healthcare.gov

Tax Benefits and Responsibilities

www.IRS.gov/aca

Small Business Resources

www.SBA.gov/healthcare

Legal Guidance - Labor Provisions

www.DOL.gov/ebsa/healthreform

US Govt. Business Portal

www.Business.USA.gov

Q Can I get tax credits for providing insurance to my employees?

YES! If you're a small business or tax-exempt organization that provides health insurance coverage to your employees, you may qualify for the **Small Business Health Care Tax Credit**, where you can claim up to 35% of health insurance premiums (25% for tax-exempt organizations). Use the IRS worksheet on the right to help you see if you qualify. Beginning in 2014, these tax credits will increase to 50% (25% for tax-exempt organizations) and are only available to qualifying employers who purchase coverage through their state or federal Marketplace.

ARE YOUR AVERAGE EMPLOYEE WAGES LESS THAN \$50,000 (from step 2)? YES NO

DO YOU PAY AT LEAST HALF OF THE INSURANCE PREMIUM FOR YOUR EMPLOYEES AT THE SINGLE (EMPLOYEE ONLY) COVERAGE RATE? YES NO

If you said "YES" to both of the above you may be able to claim the **SMALL BUSINESS HEALTH CARE TAX CREDIT**. Visit <http://www.irs.gov/uac/Small-Business-Health-Care-Tax-Credit-for-Small-Employers> for more details.

IRS TAX CREDIT WORKSHEET

STEP 1

DETERMINE THE TOTAL NUMBER OF YOUR EMPLOYEES

(not counting owners or family members)

_____ full-time employees
(number of employees who work at least 40 hours per week)

+ _____ add the number of full-time equivalent of part-time employees (calculate the number of full-time equivalents by dividing the total annual hours of part-time employees by 2080.)

= _____ total employees

If your total employees is less than 25 go to step 2

STEP 2

CALCULATE THE AVERAGE ANNUAL WAGES OF EMPLOYEES

(not counting owners or family members)

_____ total annual wages you pay to employees

÷ _____ divided by the number of employees from STEP 1
(total wages ÷ number of employees)

= _____ average employee wages

Please note: Beginning in 2014, these tax credits are available only through state Small Business Health Options Program (SHOP) Marketplaces.

Q I've heard of "metal plans" now being offered to all individuals and small groups. Can you tell me more about these plans?

Insurance carriers will now offer plans that fit within four levels of coverage, which are being called "metal" plans: **Platinum**, **Gold**, **Silver**, and **Bronze**. An insurance company doesn't have to offer plans in all four levels, but does have to offer at least one Silver and one Gold plan.

While each plan must cover the same *scope* of benefits, the *value* of these benefits will vary. For example Bronze plans will offer the least generous coverage, while Platinum plans will have more coverage with lower deductibles, lower copayments, etc. As a result, Platinum plan premiums will be the highest, with Bronze plan premiums the lowest.

Some individuals will also be able to purchase "catastrophic" plans that cover essential benefits but have high deductibles. Only young adults (under age 30) and individuals who've been exempted from the individual mandate because there's no available affordable coverage will be able to purchase catastrophic plans.

METAL TIER COVERAGE

PLAN LEVEL	INSURANCE COVERS	YOU PAY
Platinum	90%	10%
Gold	80%	20%
Silver	70%	30%
Bronze	60%	40%
Catastrophic	Available only to individuals under age 30 and others who are exempted from the individual mandate.	

Q What are Essential Health Benefits?

Under the ACA, beginning in 2014, individual and small group health plans must cover the 10 categories of care at right, known as Essential Health Benefits – often referred to as EHB. Insurance policies must cover these benefits in order to be certified and offered in the Health Insurance Marketplace, and all Medicaid state plans must cover these services by 2014.



ESSENTIAL HEALTH BENEFITS

Each individual and small group health plan must provide coverage for a set of minimum **Essential Health Benefits** that will include items and services in the following ten categories:

- Outpatient services
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and substance use disorder services
- Prescription drugs
- Rehabilitative and habilitative services and devices
- Laboratory services
- Preventive and wellness services and chronic disease management
- Pediatric services, including oral and vision care

Q What are some of the benefits of the Affordable Care Act on health care?

- Improving quality
- Lowering costs
- Broadening access
- Enacting new consumer protections



In addition, the ACA has provided additional health benefits for women, expanded coverage for young adults up to age 26, a strengthening of Medicare services for seniors, and limits on premium increases.

2010	2011	2012	2013	2014	2015	2016	2017+
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- High Risk Pool program
- Expanded coverage for dependents
- No pre-existing conditions for children
- No lifetime or annual limits
- Tax credits for small employers
- Reinsurance for employers with retirees

- Health premium regulation
- New restrictions on HSA, FSA, and MSA fund use

- Quality of care reporting
- Accountable Care Organizations

- Medicare tax increase
- Open enrollment for Health Insurance Marketplaces
- W-2 reporting requirement for employers with 250+ employees

- Metal classification of health plans
- No pre-existing condition exclusions for adults
- Essential benefits required for small group and individual plans
- Subsidies for individuals and small businesses
- Maximum 90-day waiting period for group plans (60-day in California)
- Wellness incentives
- Limits on copayments and deductibles
- Individuals required to have health insurance

- Employer mandate
- Large employer auto enrollment
- Bans on all annual limits

- Cadillac tax

Important ACA Provisions Coming in 2014

Guaranteed Issue and Rating Changes

Prohibits health plans from denying coverage or setting rates based on health conditions.

Individual Mandate

Fines for individuals and families who don't carry health insurance covering Essential Health Benefits.

Tax Credits and Subsidies

Provides assistance for low- and middle-income individuals to purchase health coverage in the Marketplace.

Pre-Existing Condition Limitation Ban

No one may be denied coverage or charged more based on a pre-existing health condition.

Marketplace Coverage Begins

Plans purchased in the Marketplace become effective.

10 Things Every Business Should Do to Get Ready for Health Reform

1 Consult a knowledgeable insurance professional

A licensed health insurance broker, serving as your consultant, can be valuable to you in understanding the facts of health reform.

2 Determine your group size

Use group size calculators (available from your insurance broker) to determine your employer size based on state and federal health reform laws, so you know which regulations apply to your business.

3 Set up good record-keeping

You will need documentation on the number of employees you employ both part-time and full-time in order to justify your group size classification and avoid penalties. You will also need to submit documentation in order to qualify for health care tax credits.

4 Distribute Summary of Benefits and Coverage to your employees

If you provide your employees with health insurance, you should distribute the SBC documents at renewal or when you change to a new plan or carrier. There are special rules and templates you must use if you want to provide these electronically or post them on your company's website. Your insurance broker can tell you where to find these documents.

5 Understand how to calculate full-time employees

Beginning in 2014, full-time employees are defined as those who average 30 hours per week/130 hours per month. If your Employee Handbook does not match this definition, you should revise it by January 1, 2014.

6 Provide employees with Notice of Coverage Options

If your company falls under the Fair Labor Standards Act (FLSA), you must distribute to all current full-time and part-time employees the FLSA Section 18 Notice of Coverage Options by October 1, 2013. New hires must also receive this notice beginning October 1, 2013 or within 14 days of hire date. For help in determining if you are FLSA governed or for copies of a model notice, contact your insurance broker.

7 Ask your agent if you can renew your health plan early

Small employer insurance rates are expected to rise in 2014. Ask your agent if your current insurance carrier is offering an early renewal program, which would lock in your rates and give you more time to make the right decision for your business.

8 Determine if you are eligible for the Health Care Tax Credit

The Small Employer Health Care Tax Credit can provide from 25% to 50% in tax credits for qualified small businesses that provide health insurance to their employees. Beginning in 2014, these tax credits are only available in the state Health Insurance Marketplace.

9 Find out if you must distribute a Medical Loss Ratio Rebate

If your health insurance plan carrier did not spend at least 80% of small group premiums on health care last year (85% for large groups), your employees are eligible to receive a rebate. You should receive a rebate check and are responsible for distributing those rebates to eligible employees. Ask your insurance broker for assistance with determining rebate amounts.

10 Report health benefits on W-2s

Beginning in 2014, businesses that issued 250 or more W-2s in 2013 must begin to report the aggregate value of health benefits provided to each employee including medical, dental, and vision coverage on W-2s.

The information contained in this guide is not intended as specific legal, medical, financial, or other advice. Every attempt has been made to ensure the accuracy of the information contained herein, according to general information currently available to the public regarding health reform legislation. This information is subject to change based on changes in the law or administration of the law.

The Word & Brown General Agency® and The Word & Brown Companies suggest employers consult a licensed insurance broker and tax professional to understand the requirements under the law specific to their business' individual circumstances and conditions.

This guide has been provided courtesy of the Word & Brown General Agency® a division of The Word & Brown Companies



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