



Patient Protection and Affordable Care Act

Federal Reserve System PPACA Health Care Symposium

Mandates: Provisions Impacting Employers

by Mark Maselli

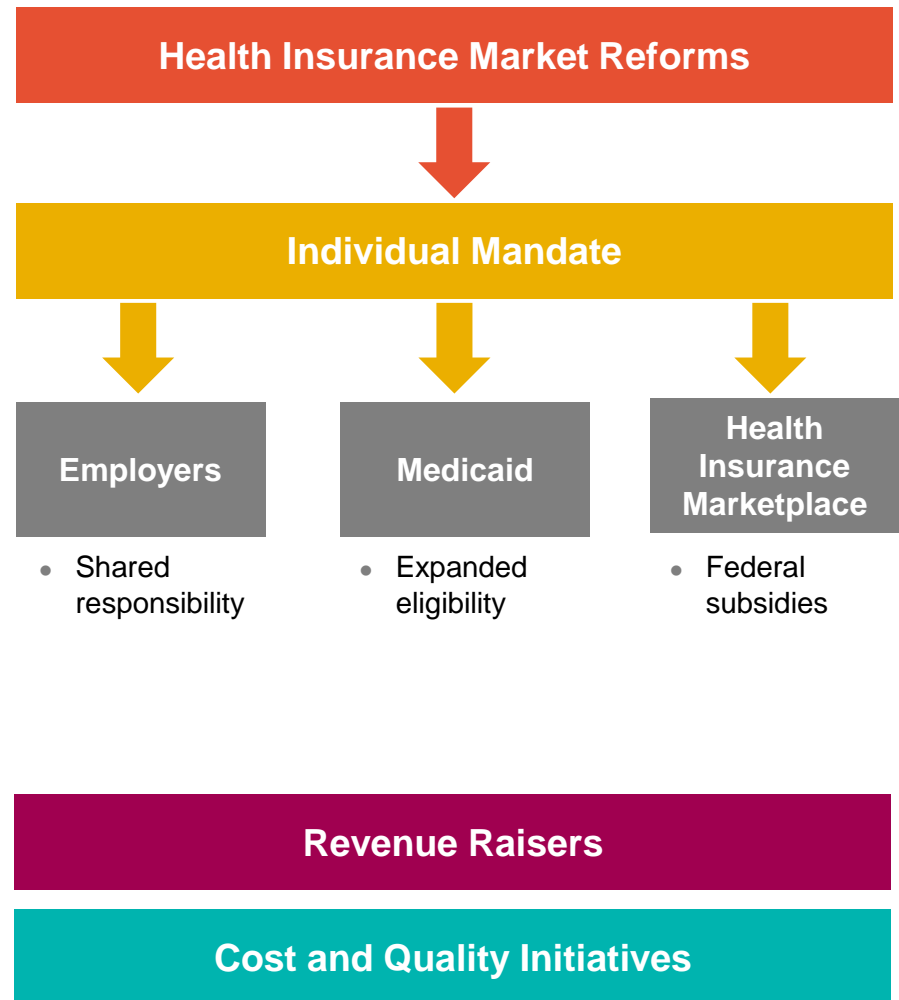
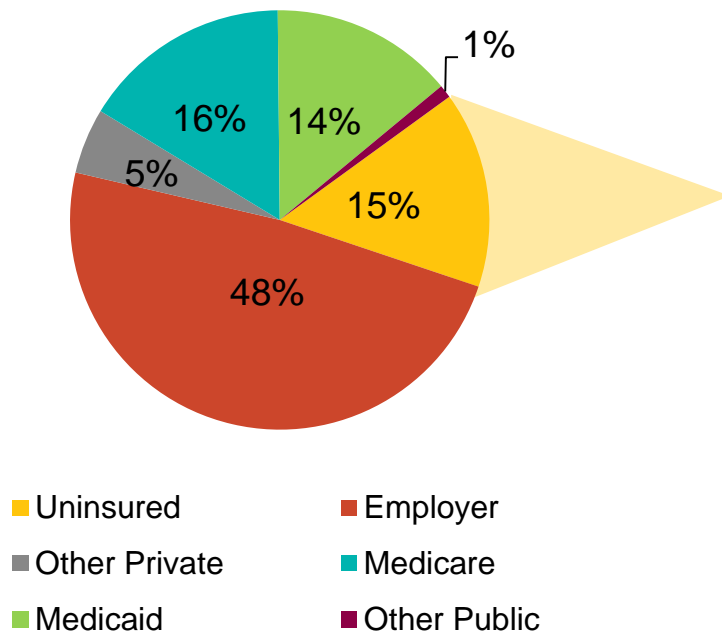
January 9, 2014

Today's discussion

- PPACA building blocks and timeline
- Key reform features
- Employer shared responsibility provision
- Excise tax on high-cost coverage
- Employer mandates

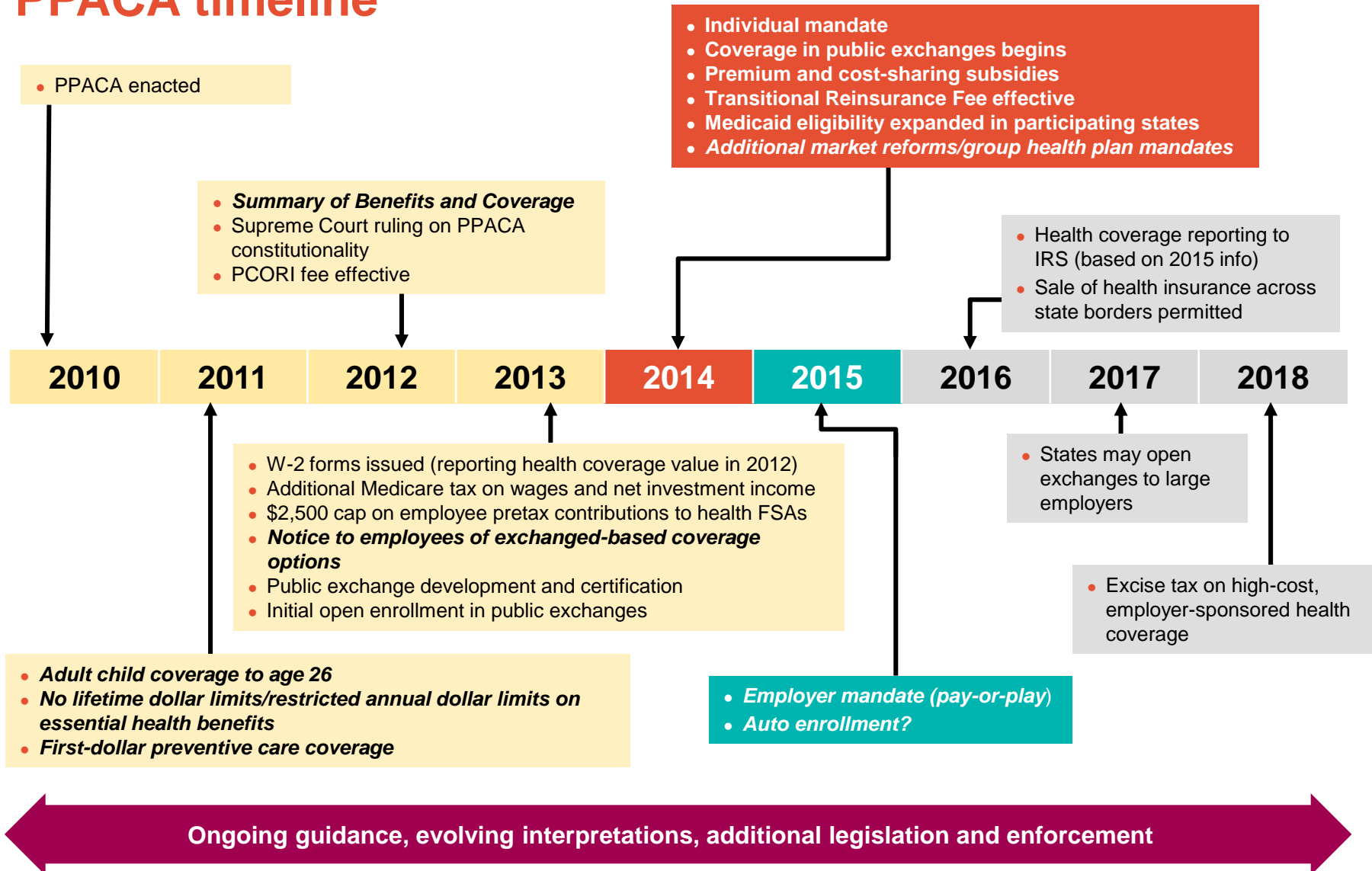
PPACA building blocks

Source of Medical Insurance
U.S. Population, 2012



Source: Kaiser Family Foundation: Health Insurance Coverage, U.S. Population, 2012; Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2012 and 2013 Current Population Survey (CPS: Annual Social and Economic Supplements).

PPACA timeline

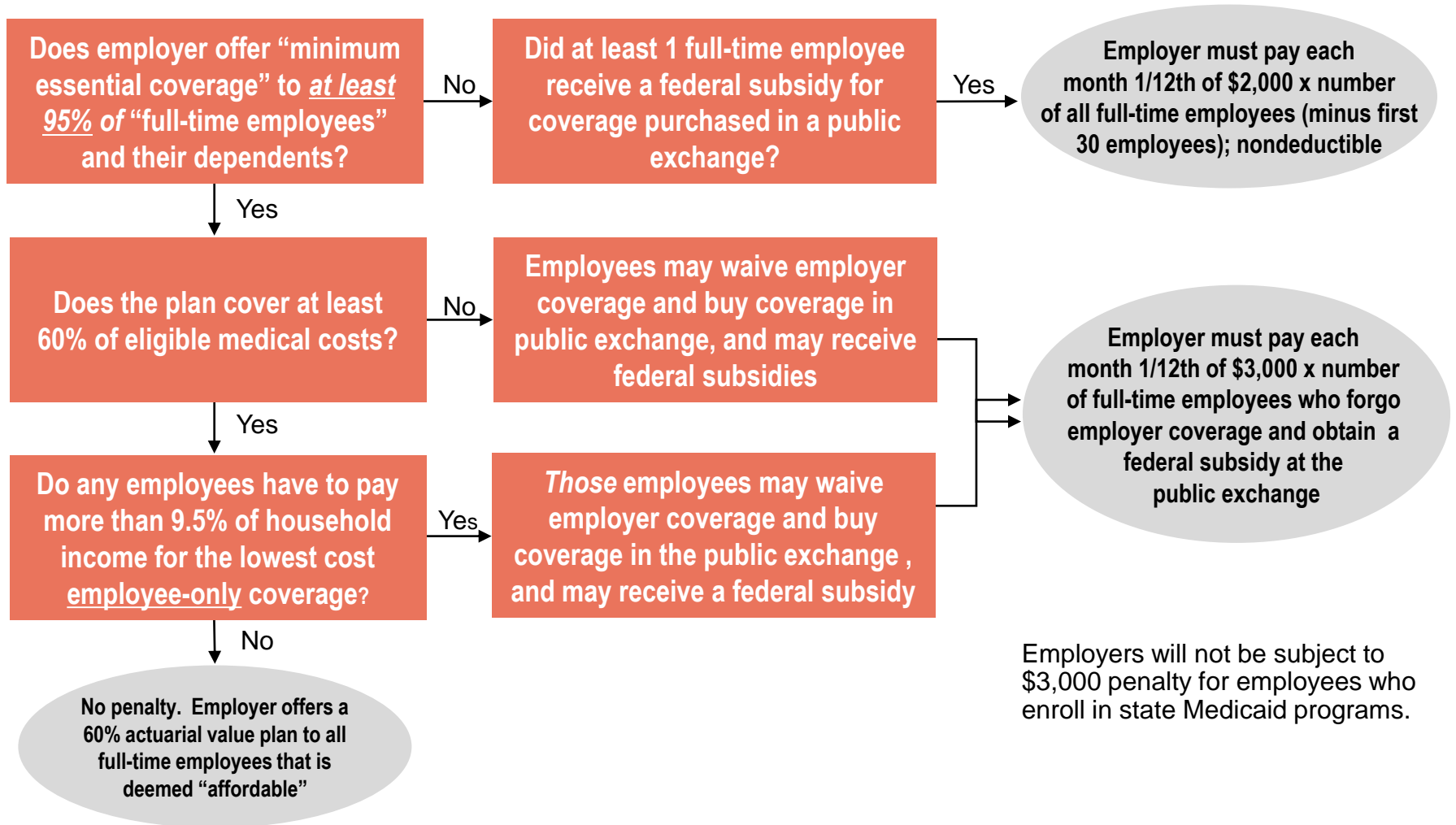


Three key reform features will influence employer benefit delivery in the next few years

Individual Mandate	Employer Mandate	Excise Tax
2014	2015	2018
<ul style="list-style-type: none"> • All U.S. citizens and legal residents are required to enroll in basic health coverage or pay penalty (limited exemptions) • Insurance market reforms eliminate pre-existing condition limitations and medical underwriting, which provides expanded access to individual insurance plans • States have opportunity to expand Medicaid to anyone under 133% of Federal Poverty Level (FPL) • Federal subsidies are available to individuals with income below 400% of FPL enrolling in private plans via public exchanges 	<ul style="list-style-type: none"> • Employers with more than 50 employees must either offer adequate and affordable coverage to all <i>full-time employees</i> (and their children), or pay significant penalties • Full-time is defined as working an average of 30 hours or more per week 	<ul style="list-style-type: none"> • 40% non-deductible tax paid by plan sponsor on any amount that plan costs exceed specified thresholds • Thresholds vary by single and family coverage • Based on total health plan cost, not just employer cost

Employer shared responsibility decision tree

Employers with < 50 full-time equivalent employees are not subject to the employer shared responsibility provision



Excise tax in 2018



Purpose	Expected Impact
<ul style="list-style-type: none">Revenue source to help pay for health care reform and, as a strategy to encourage less generous coverage and more cost-effective plan operation	<ul style="list-style-type: none">Initially projected to bring in \$137 billion over the next decade; that estimate has now been trimmed to about \$80 billion¹
Excise Tax	
<ul style="list-style-type: none">A 40% nondeductible tax on the cost of <i>employer-sponsored</i> health care coverage over a given thresholdIncludes medical (includes Rx, on-site medical clinics), self-funded dental, and vision costs, and HRA, HSA, and FSA contributions regardless if paid by the employer or the employee2018 thresholds:<ul style="list-style-type: none">\$10,200 employee only/\$27,500 family (higher amounts for high-risk industries and retiree-only plans)Adjustments for age, gender, high-risk populations, early retirees and cost growth greater than expectedIndexed by CPI+1% in 2019 — CPI thereafter	

1. CBO: *Cadillac Tax's Bark May Be Worse Than Its Bite*, <http://www.kaiserhealthnews.org/daily-reports/2013/may/17/cadillac-tax.aspx?referrer=search>

Excise tax example

How will the excise tax impact employer-sponsored high-cost health coverage in 2018?

Illustrative

Illustration: 2018 Family Coverage

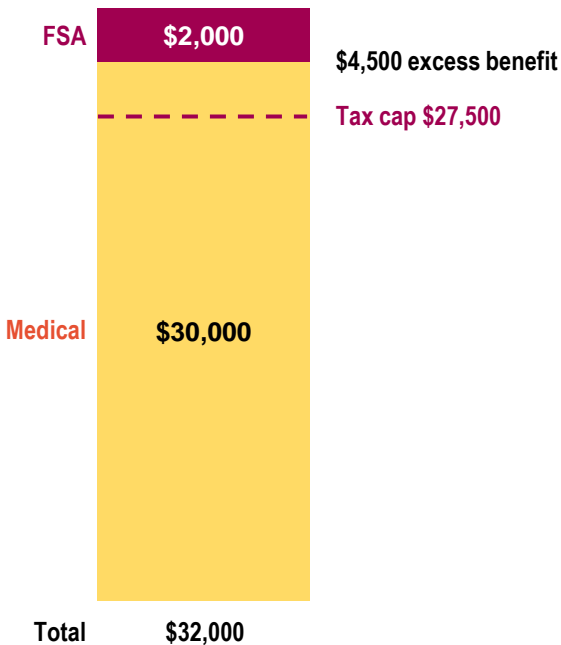
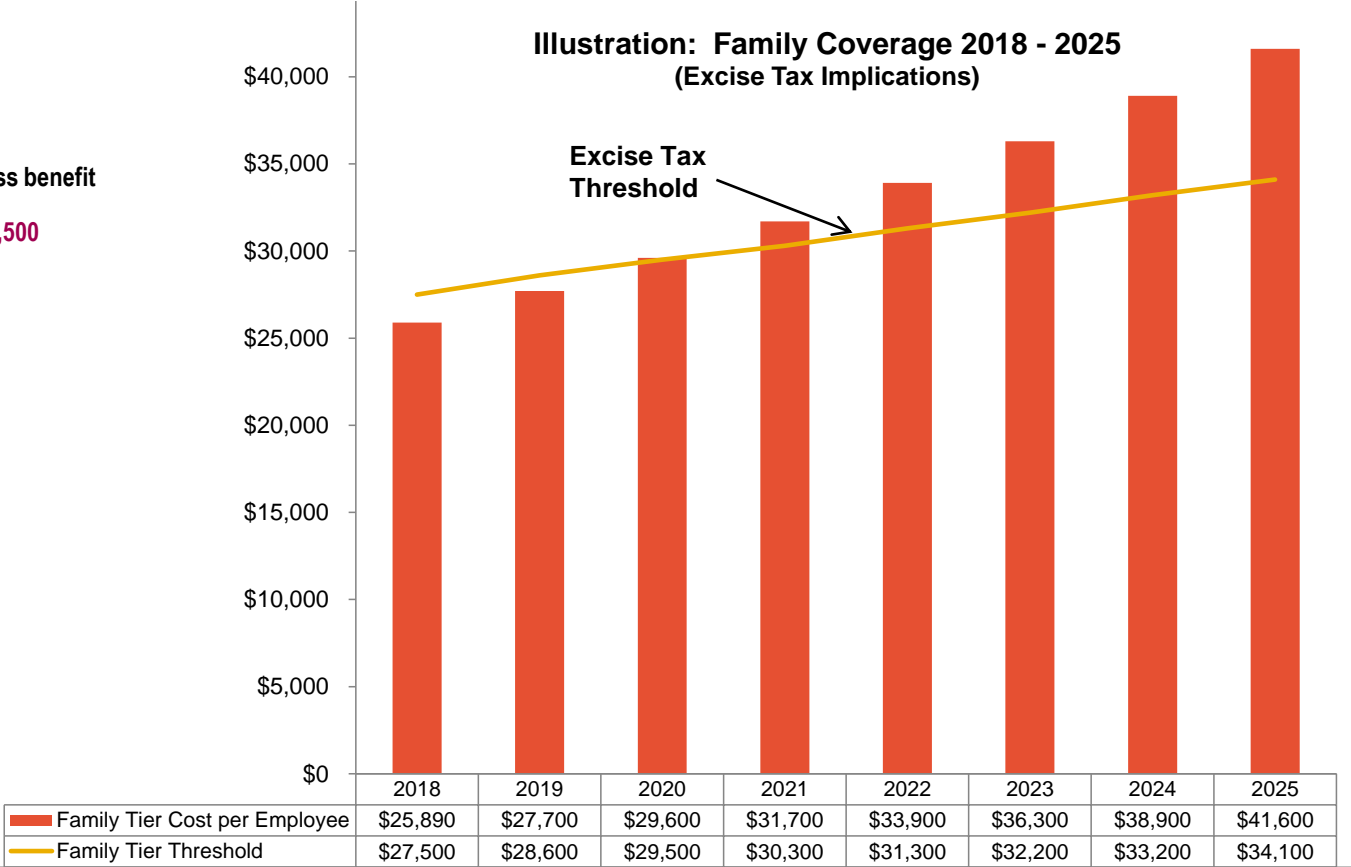
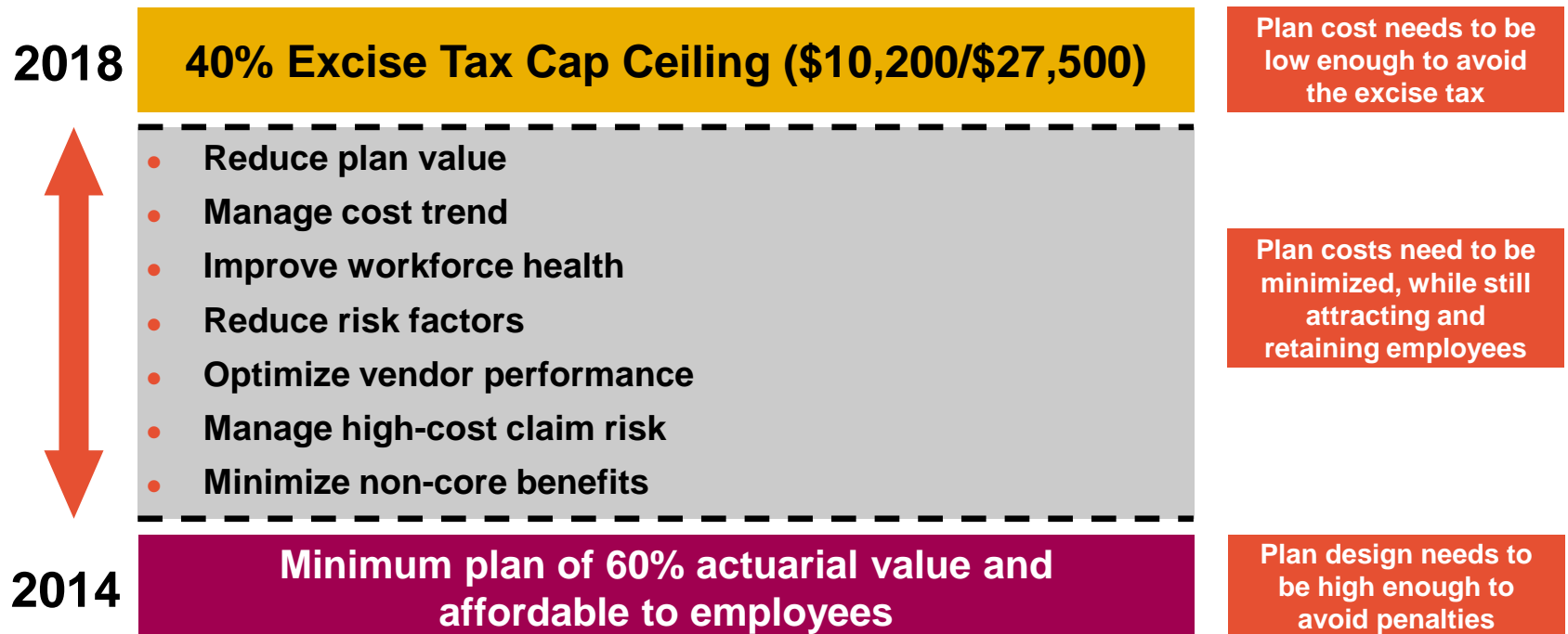


Illustration: Family Coverage 2018 - 2025
(Excise Tax Implications)



Corridor between shared responsibility floor and excise tax ceiling



List of employer mandates

- No lifetime or annual dollar limits
- Prohibition on rescissions
- Coverage of preventive health services with no employee cost sharing
- Extension of dependent coverage until age 26
- Prohibition of preexisting condition exclusion or other discrimination based on health status
- Transparency in coverage disclosures
- New internal and external claim and appeal requirements
- Patient protections (primary care providers, emergency room coverage, OB/GYN care)
- Mandatory Summary of Benefits and Coverage
- W-2 reporting of aggregate value of employees' health care coverage
- Distribution of notice about public exchanges to employees
- Employer "play-or-pay" mandate
- Automatic enrollment of employees in employer health plan
- Comprehensive health insurance coverage (limit on out-of-pocket expenses)
- Prohibition on excessive waiting periods
- Coverage for individuals participating in approved clinical trials

Mandates already enacted have had an impact on coverage and employer cost

Year(s)	Provision/Description	Estimated Annual Cost Impact*	
2011+	Preventive Services covered at 100%	0.0% – 0.75%	\$0 - \$750K
	Removal of annual and lifetime limits	0.0% – 1.0%	\$0 - \$1M
	Coverage of dependent children to age 26	0.0% - 1.5%	\$0 - \$1.5M
2012 to 2019	Patient Centered Outcomes Research Institute (PCORI Fee) Annual fee of \$1 per plan participant (2012); \$2 indexed in 2013 through 2019	<0.1%	2012: \$20K 2013: \$40K
2014 to 2016	Transitional Reinsurance Fee Fee to fund temporary reinsurance program at state level to stabilize premiums in the new exchanges to offset the potential expense of high-cost enrollees. \$63 per member per year for 2014, decreasing for 2015 and 2016 respectively	2014: ~1.3% 2015: ~0.9% 2016: ~0.5%	2014: \$1.3M 2015: \$0.9M 2016: \$0.5M
2014+	Health Insurer Fee New fee on health insurers; likely passed on to employers and other payers through higher premiums. Does not apply for self-insured health care program	1.5% – 3.0%	\$150 - \$300K for fully-insured dental; no impact for self-insured medical
	Reduction in employee opt-outs due to individual mandate The individual health coverage mandate with increasing tax penalties for noncompliance could drive current medical plan waivers (i.e., opt-outs) to enroll in employer-sponsored coverage	0.0% – 5.0%	\$0 - \$5M
	Integrated Out-of-Pocket Maximum required for medical and Rx	0.0% – 1.0%	\$0 - \$1M
2018+	Excise Tax Nondeductible 40% excise tax on high cost plans; excise tax applies to excess coverage value above threshold of \$10,200 for single coverage; \$27,500 for family	<i>Varies with design, employee profile and by year</i>	<i>TBD</i>

*Dollar estimate based on 10,000 employee group and \$100 million gross health care cost