

# Health Care Reform

## *Primer-Timelines-Compliance*

Ventura County Community College District  
March 28, 2013



# Today's Goals

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- ACA Primer – The Basics
- Cadillac Tax
- Strategic Timeline for VCCCD
- Questions
- Covered California – The California Exchange
- Employee Timeline – Employee Overload?
- Compliance for 2013 - 2014
- Commentary
- Questions

# Acronyms

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1. “ACA” – “PPACA” – “Obamacare”: Affordable Care Act, Patient Protection, Affordable Care Act (all the same thing)
2. “Assessable Payment”, “Shared Responsibility,” or “Pay or Play Penalty” is the tax under IRC§4980H (if no coverage offered, or unaffordable coverage or of a minimum value)
3. “FTE” : Full-Time Employee
4. “FPL”: Federal Poverty Level
5. “HI”: Household Income (very similar to Adjusted Gross Income as found on IRS Form 1040 but with a few add-ins)
6. “MEC”: Minimum Essential Coverage (typical employer coverage, individual coverage, Medicare, Medi-Cal, TRICARE)
7. “AV”: Actuarial Value is the percentage of expected medical costs that a health plan will cover

# Primer

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- The Four Principles of ACA
- Identifying ACA Full-Time Employees
- Predicting Employee Behavior in 2014
- Collective Bargaining Issues
- Health of the Workforce
- Cadillac Tax
- Structural Conflicts of Interest

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# Four Principles of the Affordable Care Act

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# Principle One

## The Individual Mandate

*“Every individual must have “Minimum Essential Coverage” (MEC) starting in 2014 or pay a tax”*

# Example

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- Employee's Household Income (similar to adjusted gross income) is \$50,000
- There are two adults and two children in the household
- If the employee and family members have no MEC, the tax for 2014 is:
  - Greater of \$95 per adult (\$47.50) per child or 1% of HI over the Filing threshold (\$19,000 in 2011)
  - Greater of \$285 or \$310 ( $.01 \times (\$50,000 - \$19,000)$ )
- In 2016, the penalty is the greater of \$695 per adult or 2.5% of HI over the Filing Threshold
  - Greater of \$2,085 or \$775 ( $.025 \times (\$50,000 - \$19,000)$ )

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## Principle Two

# Employer Shared Responsibility

*“An employer is responsible to provide “affordable” MEC with a “minimum value” to its ACA Full-Time Employees and children starting in 2014 or risk paying a tax”*



# ACA Definitions

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- **Affordable:** Lowest cost single-only coverage offered by the employer must cost the employee no more than 9.5% of his/her Household Income
- **Minimum Value:** The employee cost of a plan (all in) cannot be greater than 40% (aka actuarial value)

## Ex. – Employer with 100 FTEs (IRC 4980H(b))

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- Employer has 10 ACA FTE's (30 hours/week) who will be paying more than 9.5% of HI for lowest cost single-only coverage. They decline employer coverage and purchase coverage on the Exchange and receive government subsidies
- Result (simplified): Employer tax is \$30,000
  - 10 x \$3,000/employee who receives a subsidy

## Ex. – Employer with 100 FTEs (IRC 4980H(a))

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- Employer has 10 ACA FTE's (30 hours/week) who are not offered health coverage. One of the 10 receives a subsidy for purchasing Exchange coverage
- Result (simplified): Employer tax is \$140,000
  - Calculate \$2,000 x entire ACA FTE workforce (minus 30) regardless of coverage, cost of coverage or affordability
  - \$2,000 x 70 ACA FTE regardless of coverage
  - \$2,000 x 70 = \$140,000
  - Assessed Monthly (i.e. divide by 12)
- **New! Only need to offer coverage to 95% of FTEs**

# Illustrative Example – Not Actual

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- College A
  - 600 FTE's (40 hours/week) – 600 offered MEC
- College B
  - 275 FTE's (40 hours/week) – 275 offered MEC
- College C
  - 350 FTE's (40 hours/week) – 350 offered MEC
- Administrative Staff
  - 51 FTE's (40 hours/week) – 51 offered MEC

# Illustrative Example – Not Actual

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- College A
  - 610 FTE's (30 hours/week) x 95% = 579 FTE's
  - Offers coverage to 600 of 610 (98.4%)
- College B
  - 295 FTE's (30 hours/week) x 95% = 280 FTE's
  - Offers coverage to 275 of 295 (93%)
- College C
  - 355 FTE's (30 hours/week) x 95% = 337
  - Offers coverage to 350 of 355 (98.6%)
- Administrative Staff
  - 58 FTE's (30 hours/week) x 95% = 55 FTE's
  - Offers coverage to 51 of 58 (87.9%)

# Illustrative Example: Result

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- General Rule: Tax (Assessable Payment) = \$2,000 x FTE workforce (minus 30 FTE's)
- Allocate the 30 FTE's among all member employers
- College B = 6
- Administrative Staff = 1
- College B liability: \$578,000  $((295 - 6) \times \$2,000)$
- AS liability: \$114,000  $((58 - 1) \times \$2,000)$
- College A liability: \$0
- College C liability: \$0

# Testing for Compliance

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- Testing is conducted on a member by member basis (“member employer”) and not on the entire District basis
- Tax penalty applies to member employer and not to compliant members of the controlled group
- Only need be concerned about FTEs with HI below 4 times the Federal Poverty Level (2013 Family of Two = \$47,100)

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## Principle Three

# ACA Full-Time Employee

*“An ACA Full-Time Employee is an employee who works, on average, 30 hours per week or 130 hours in a month”*



# ACA FTE

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- Use actual hours worked for salaried employees or daily/weekly equivalents (e.g. One Day = 8 Hours)
- Equivalents must generally reflect actual hours earned
- Employees whose hours are not tracked (e.g. adjunct professors)
  - Use a reasonable method for crediting hours of service
  - It would not be reasonable to only take into account classroom time
    - Include class preparation time
    - Other time to perform duties

# ACA FTE

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- Definition is important because:
  - It identifies who should be covered
  - It is used to calculate the tax
- Requires monthly tracking unless the IRS Safe-Harbor is used: “Measurement Method Safe Harbor”
  - Look back 3, 6, 9 or 12 months
  - Count actual hours earned during that measurement period
  - Determine whether individual is FT or PT based on 30 hours of service earned per week (130 hours per month)
  - Result: For the future “stability period,” usually the plan year, employee is deemed to be PT or FTE regardless of hours earned.
- This is not about eligibility. It is about tax.

# Illustrative Example:

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- Facts:
  - Part-time teaching faculty (67%) provides:
    - 20.1 Hours: classroom teaching, preparation, grading
    - 3.35 Hours: office hours per week
    - 3.35 Hours: student support
    - Total: 26.8 hours of service per week
- Measurement Period: 1-May-13 to 30 Apr 14 (12 mos.)
- Administrative Period: 1-May-14 to 30 Jun 14 (2 mos.)
- Stability Period (Plan Year): 1-Jul-14 to 30-Jun-15

# Illustrative Example

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- For the period of May 1, 2013 to April 30, 2014, did this 67% teaching faculty member earn on average 30 hours of service per week?
- Special rules for educational institutions for periods of absence:
  - Exclude break periods; or
  - Credit hours of service for break periods
- Result: Employee was not a full-time employee during the measurement period

# Illustrative Example

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- Because the employee was not a full-time employee (30 hours per week) during the measurement period, he/she will be deemed to be a part-time employee for the stability period July 1, 2014 to Jun 30, 2015...
  - Whether or not a full-time employee
  - Could be a 100% member but still deemed PTE
  - How does this impact affordability?
- Result: If this employee's health coverage is unaffordable, and he/she opts out of employer coverage and purchases coverage on the Exchange, the employer will not be subject to a \$3,000 tax penalty

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## Principle Four

# Government Subsidies to Purchase Exchange Coverage

*“An ACA FTE whose employer does not provide ‘affordable coverage’ or coverage with a ‘minimum value’ may purchase coverage on the Exchange and receive a subsidy from the Federal Government which triggers the employer’s tax obligation.”*

# Example

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- Employee's Annual Salary = \$45,000
- Household Income = \$35,000
- Lowest cost **Single-Only** coverage = \$3,360
  - \$280/month
- Employer coverage is “unaffordable” = 9.6% HI
- Under ACA, employee will pay no more than 4.3% of HI for Exchange **Family Silver** Coverage - \$1,505 (\$125.42/month)
- Employer pays \$3,000 tax

# Affordability Safe-Harbors

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- Rather than trying to figure out an employee's Household Income
  - Use box 1 of IRS Form W-2.
  - Rate of Pay on the first day of the plan year
  - Federal Poverty Level
- Employee can still go to the Exchange and get a subsidy if real cost exceeds 9.5% of HI but employer will not pay a tax



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# Identifying ACA Full-Time Employees

# ACA FTE

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No penalty tax is imposed on employers who do not provide group medical coverage (i.e. MEC), or affordable coverage or coverage of a minimum value to:

- Part-Time Employees
- Independent Contractors
- Leased Employees
- Variable (Seasonal/Temporary) Employees (**New definition!**)
- Newly Hired ACA Full-Time Employees (**New definition!**) for a waiting period up to 90 days

# Part-Time Employees (<30 hrs/week)

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- What is the message from the government?
- How do PTEs fit in with workforce strategy?
  - Apple, Inc.
  - Wal-Mart Stores, Inc.
- IRS guidance on PTE waiting periods:
  - 1250 hours of service for eligibility
  - 90-day waiting period begins after the 1250 hours of service are completed

# ACA Full-Time Employee

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- FTE is a misleading definition
- FTE really means eligible for affordable group health coverage that provides minimum value
- ACA FTE does not impact:
  - Overtime
  - Cost of benefits as compared to a real FTE
  - Work rules
  - Other collective bargaining definitions
  - Other benefits which are not group health plans

# ACA FTE Month-to-Month

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- FTE status is a month-to-month determination
- A PTE who works overtime in a month could be an FTE for that month
- Tax on employers is calculated on a monthly basis ( $\$3,000/12 = \$250$ )
- Note: This is all about paying tax. There is no requirement to offer coverage or affordable coverage

# FTE – Safe Harbors

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## Ongoing FTE Measurement Method Safe Harbor”

- Look back 3, 6, 9 or 12 months
- Count actual hours earned during that measurement period
- Determine whether individual is FT or PT based on 30 hours of service earned per week (130 hours per month)
- Result: For the future “stability period,” usually the plan year, employee is deemed to be PT or FTE regardless of hours earned.

The Safe Harbor is not about eligibility it is about identifying employees who may trigger a tax liability for the employer

# FTE – Safe Harbors

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## New Variable Hour/New Seasonal Employee Safe Harbor

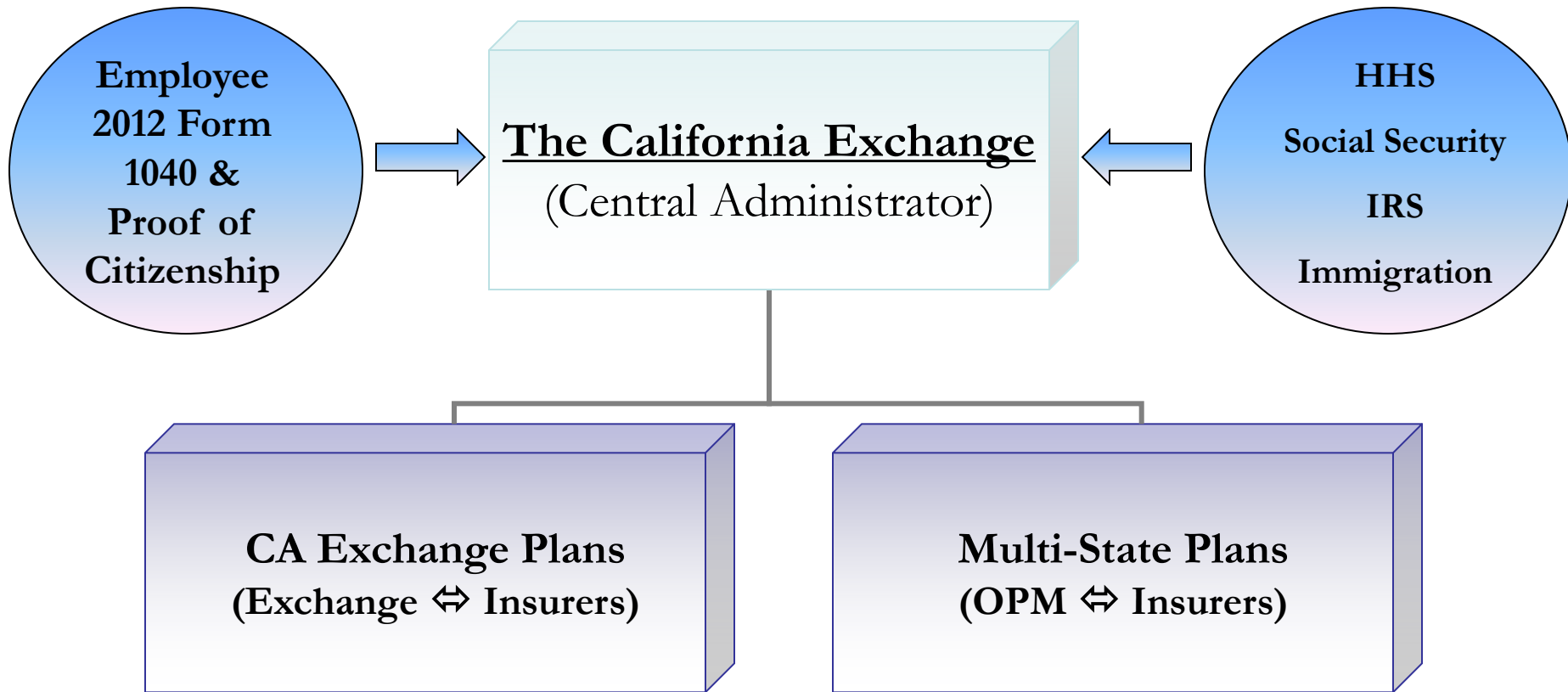
- May be used only if ongoing FTE safe harbor is used
- Only if it cannot be determined on the start date whether the employee is (i) reasonably expected to earn 30 hours of service per week, or (ii) whether the 30 hour schedule is of a limited duration, or (iii) the employee is a seasonal employee
- Initial Measurement Period of 3 to 12 months
- Administrative Period of up to 90 days
- Material change in employment status

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# Predicting Employee Behavior in 2014



# The Exchange Transaction



# Exchange Facts

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- Exchange Coverage:
  - Guaranteed Issue
  - No medical underwriting
  - Rates: 3:1 ratio based on age
  - Exchange goal is to have low cost coverage
- It has defined “plan” as consisting of Bronze, Silver, Gold and Platinum (“full metal tier”) levels of benefits including a catastrophic plan within a geographic region
- A health insurance carrier can bid up to three plans for each geographic location
  - RFPs are completed, contracts being negotiated
  - Plans selected early 2013
  - Pricing announced in March 2013

# Exchange Facts

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- Covered California (the “Exchange”) is a marketplace for health insurance. It will offer insurance in 19 regions in California:
- Bronze - 60% actuarial value
- Silver - 70% actuarial value
- Gold - 80% actuarial value
- Platinum - 90% actuarial value
- Catastrophic - Under age 30, no other coverage available

# Exchange Facts

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- Exchange is very concerned about:
  - Impact of adverse selection on it
  - Must be self-sustaining by January 1, 2015
  - Pricing
  - Offering too many choices in a region
- Marketing and outreach
  - 2013 Goal: 3 Billion ad impressions
  - 2014 Goal: 4 Billion ad impressions

# Employee Behavior

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- Will the availability of Exchange coverage impact employee behavior?
  - Availability of Subsidies
  - Cash-in-lieu
  - Less expensive
  - Better access to a variety of plans
  - More for the money
  - Working just for health benefits (e.g. near retirement or part-time) don't need GHP anymore

# Impact of Employee Behavior

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- Adverse Selection: A trend of younger, healthier employees going to the Exchange may undermine the financial integrity of a plan, leaving older unhealthier employees to pay higher premiums...and impact Cadillac Tax
- Cost Savings on Premiums: Subsidy-eligible employees purchase coverage on the Exchange
- Employer Tax: If FTE's a low range of salary schedule opt-out of employer coverage, purchase coverage on the Exchange and receive a government subsidy, a tax is imposed on the employer

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# Collective Bargaining Issues

# Represented Employees

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- Definition of FTE in collective bargaining agreements – is ACA FTE definition required?
- 2014 requires waiting periods for eligibility (regardless of FTE/PTE) of no more than 90 days
- ACA FTE's at lower end of salary schedule and PTE's may be better off economically on the Exchange
- Unions can be Exchange-trained “Assistors” to help members with decision to purchase on Exchange



# Represented Employees

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- Regular scheduled meetings:
  - ACA Education
  - Identification of ACA issues within CBA
  - Identification of workforce ACA issues
- Multi-year contracts, or contracts that get into details about plan designs, can limit the flexibility needed to respond to changing legislation
- All parties need to understand that with these complex issues, flexibility is in their best interest
- Examples of Triggers to Re-Open Negotiations
  - Part-Time faculty members deemed to be ACA FTEs
  - ACA mandate significantly increases health plan cost

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# Health of the Workforce

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- Three themes within Health Care Reform
  - Preventive Care Mandate for NGF Plans
  - Value-Based Insurance Designs
  - Wellness Rewards
- Preventive Care Mandate
  - You have paid for this, why not promote it?
- Value-Based Insurance Designs
  - Encourages certain employee behaviors
  - Should be part of negotiation process

# Health of the Workforce

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- Unhealthy workforce drives up plan cost
- The higher the cost of a plan, the more likely it is subject to the Cadillac Tax
- Health of a workforce can be measured by its productivity (absenteeism)
- VBID is not about saving money, its more about targeting behavior, using dollars more efficiently
- A healthy workforce is in everyone's best interest
- Commentary: Some wellness initiatives are not planned well

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# Cadillac Tax

# Cadillac Tax - 2018

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- 40% Excise tax on the aggregate cost of coverage that exceeds \$10,200 or \$27,500 (as adjusted between 2010 and 2018)
  - Early retiree threshold is \$11,850 and \$30,950
  - In 2019, the threshold is indexed to the CPI-U, plus one percentage point, then rounded to nearest \$50
  - In 2020, indexed to CPI-U and rounded

# Cadillac Tax

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- Aggregate the cost of major medical and Rx
- Exclude free-standing dental/vision
- Calculation is done by the employer who allocates the penalty among the insurance carriers and notifies them of the penalty amount
- Liability of carrier for fully-insured plans and plan sponsor for self-insured plans

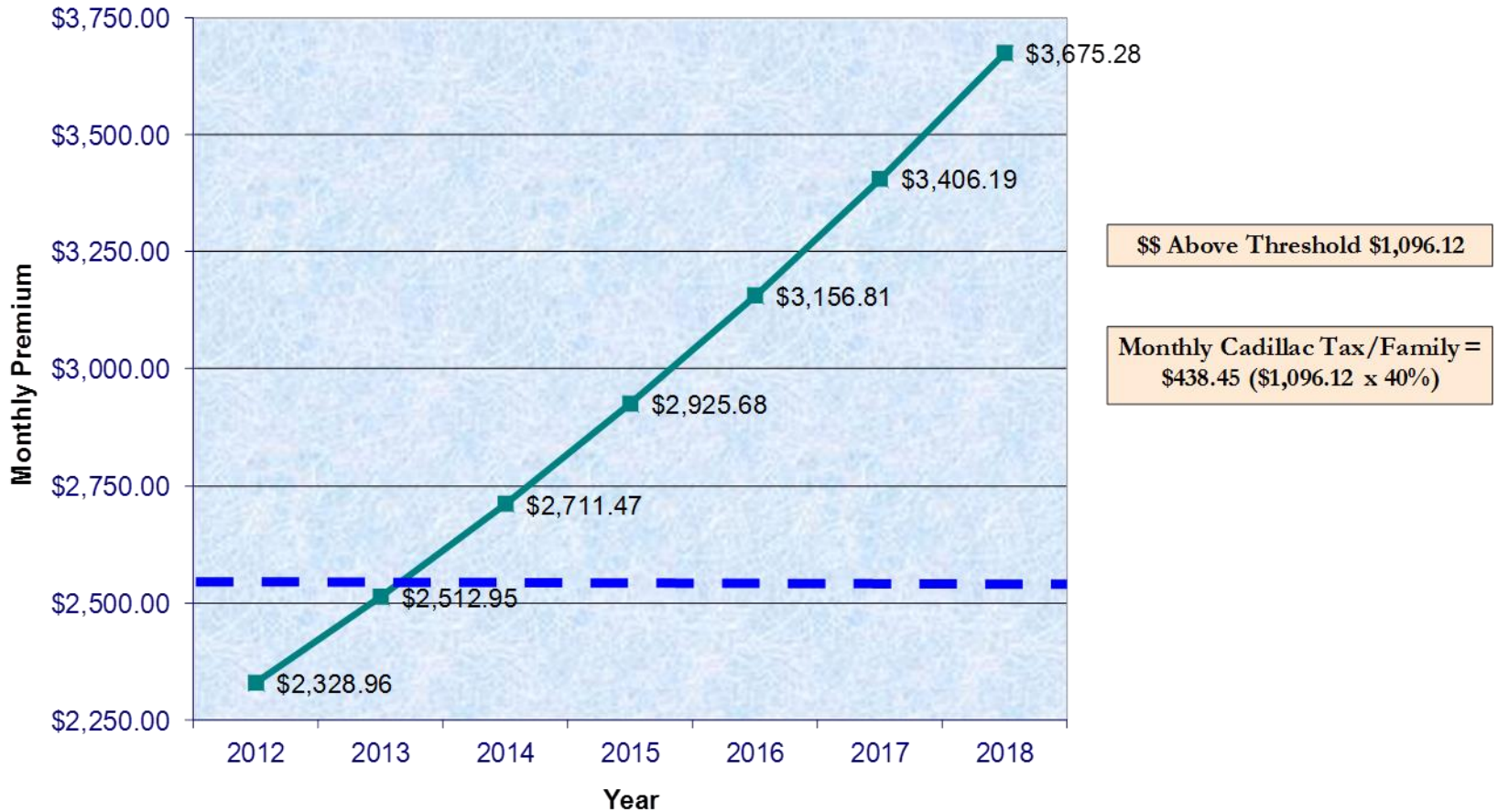
# Cadillac Tax – Example

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- Retired Member & Family – Under Age 65
- Coverage Value Anthem PPO = \$2,328.96
- 2018 Family Coverage Value Threshold = \$2,579.17, not adjusted for age and gender
- Excise Tax
  - **40% of the Coverage Value exceeding \$2,579.17**
  - **Per Family**
  - **Per Month**



## Monthly Premium Retired Member & Family Under 65 - 7.9% Annual Increase



# Cadillac Tax – Commentary

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- Employer calculates tax and informs insurance carrier of its liability
- Tax is regressive – tax allocated equally to retirees/employees with low incomes and those with high incomes
- Requires long-term planning
  - Be concerned about adverse selection if tax is allocated directly back to participants
  - Healthy workforce initiatives could lower plan costs over time

# Cadillac Tax – Commentary

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- For fully-insured plans, this tax is the liability of the insurance carrier. There is no requirement for carriers to allocate the excise tax back to the Cadillac Plan
  - Should the carriers allocate the excise tax to all other plans offered by the carrier within the state...and not back to you?
  - Is there an early opportunity to begin discussions with carriers now on this topic?
  - Regulations may address charge backs

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# Structural Conflicts of Interest

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- INBH – YNBH – Let's make a deal
- How do you encourage hard choices/decisions when those choices/decisions impact the decision-makers?
  - Make decisions neutral to them?
  - Other incentives

# Strategic Timeline

2012	2013	2014	2015 +
<ul style="list-style-type: none"> <li><input type="checkbox"/> ACA Education</li> <li><input type="checkbox"/> Review definition of Essential Health Benefits</li> <li><input type="checkbox"/> Review CBA for ACA impact</li> <li><input type="checkbox"/> Confirm grandfather status of each plan at expiration of CBA</li> <li><input type="checkbox"/> Perform workforce analysis to develop baseline impact</li> <li><input type="checkbox"/> Perform Cadillac Tax Analysis</li> <li><input type="checkbox"/> Develop 2013 workforce communication strategy</li> <li><input type="checkbox"/> Discuss Exchange opportunities for retirees</li> <li><input type="checkbox"/> Education on value-based healthcare and wellness</li> <li><input type="checkbox"/> Division of Labor to (i) Compliance; (ii) ACA FTE; (iii) Employee education/concerns</li> <li><input type="checkbox"/> Evaluate plan design alternatives for cost, efficiency, and HCR</li> <li><input type="checkbox"/> Evaluate impact of design changes on grandfathered status</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> \$2 million annual limit on Essential Health Benefits (PY 7/1/13)</li> <li><input type="checkbox"/> Develop benefits/workforce philosophy</li> <li><input type="checkbox"/> Identify ACA issues that would be the subject of bargaining</li> <li><input type="checkbox"/> Develop approach to tax subsidies for some employees</li> <li><input type="checkbox"/> Develop strategic approach to 2018 Cadillac Tax</li> <li><input type="checkbox"/> Design programs to promote a healthy workforce</li> <li><input type="checkbox"/> Identify Exchange opportunities and challenges</li> <li><input type="checkbox"/> Exchange open enrollment begins 10/1/13 – Right to change plans mid-year?</li> <li><input type="checkbox"/> Safe-Harbor Decisions – Tracking FTEs/Affordability</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> ACA Full-Time Employee rules become effective (Employer Mandate) (1/1/14)</li> <li><input type="checkbox"/> MEC Mandate becomes effective (1/1/14)</li> <li><input type="checkbox"/> Federal Subsidies available to employees (1/1/14)</li> <li><input type="checkbox"/> Reinsurance Program Fee (1/1/14)</li> <li><input type="checkbox"/> Coverage for all adult children regardless of other coverage (PY 7/1/14)</li> <li><input type="checkbox"/> No dollar limits on EHB (PY 7/1/14)</li> <li><input type="checkbox"/> 90-day waiting period (PY 7/1/14) Amendment</li> <li><input type="checkbox"/> Clinical Trial coverage (NGF)(PY 7/1/14)</li> <li><input type="checkbox"/> No Pre-ex regardless of age (PY 7/1/14)</li> <li><input type="checkbox"/> Determine how insurance carrier liability for Cadillac Tax will impact Cadillac Plan. Discuss with carrier</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Prepare for automatic enrollment of employees</li> <li><input type="checkbox"/> Address discrimination rules issued on insured executive medical plans</li> <li>• 2017</li> <li><input type="checkbox"/> Large employers may purchase coverage directly from Exchange</li> <li>• 2018:</li> <li><input type="checkbox"/> Cadillac Tax \$</li> </ul>

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# QUESTIONS?

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# TIMELINES



# Timeline: California Health Benefit Exchange to 2014

2012	2013	2014
<ul style="list-style-type: none"> <li>• <b>August:</b> Receives \$200 Million Federal grant to finish implementation</li> <li>• <b>September:</b> Marketing Plan approved               <ul style="list-style-type: none"> <li>– Branding</li> <li>– Media strategy</li> <li>– Outreach strategy</li> <li>– Budgeting</li> </ul> </li> <li>• <b>October:</b> Notice of Intent to Bid to Insurance Carriers</li> <li>• <b>October:</b> Prototype systems completed</li> <li>• <b>November:</b> Design of web portal completed</li> <li>• <b>December:</b> Design of enrollment system completed</li> <li>• <b>December:</b> Design of financial system completed</li> </ul>	<ul style="list-style-type: none"> <li>• <b>January:</b> Heavy mass marketing campaign begins</li> <li>• <b>January:</b> Health insurance carriers bids are due</li> <li>• <b>March:</b> Building of web portal completed</li> <li>• <b>May:</b> Building of enrollment system completed</li> <li>• <b>May:</b> Building of financial system completed</li> <li>• <b>June:</b> Exchange web portal “goes live”</li> <li>• <b>October:</b> Exchange enrollment system “goes live”</li> </ul>	<ul style="list-style-type: none"> <li>• <b>January:</b> Exchange financial system “goes live”</li> <li>• <b>April:</b> Retention marketing begins (“now that you have it, keep it”)</li> <li>• <b>July:</b> Reenrollment marketing begins for 2015</li> </ul>

# Employee Timeline – What employee sees

2012	2013	2014	2015 +
<ul style="list-style-type: none"> <li><input type="checkbox"/> SBC (PY 7/1/13)</li> <li><input type="checkbox"/> Uniform Glossary (PY 7/1/13)</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Mass marketing begins for California Exchange (1/1/13)</li> <li><input type="checkbox"/> Value of coverage reported on Form W-2 (1/31/13)</li> <li><input type="checkbox"/> Notice of Exchange (3/31/13)</li> <li><input type="checkbox"/> \$2,500 cap HFSA (PY 7/1/13)</li> <li><input type="checkbox"/> .9% Medicare payroll tax increase for high earners</li> <li><input type="checkbox"/> 3.8 % Medicare contribution tax on unearned income</li> <li><input type="checkbox"/> Open enrollment for California Exchange begins October 1</li> <li><input type="checkbox"/> AGI Threshold for medical expense deduction for those under age 65 increases to 10%</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Individual Mandate</li> <li><input type="checkbox"/> Exchange coverage effective Jan 1</li> <li><input type="checkbox"/> New Definition of FTE</li> <li><input type="checkbox"/> Premium subsidies for Exchange coverage available to employees at lower end of salary schedule</li> <li><input type="checkbox"/> Coverage for all adult children regardless of other coverage (PY 7/1/14)</li> <li><input type="checkbox"/> 90-day waiting period</li> <li><input type="checkbox"/> Clinical Trial coverage (NGF)(PY 7/1/14) Amendment</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Automatic Enrollment</li> <li><input type="checkbox"/> Employer reporting to IRS about employee coverage</li> <li><input type="checkbox"/> Tax penalties assessed on employees who did not have Minimum Essential Coverage in 2014</li> <li>• 2018:</li> <li><input type="checkbox"/> Cadillac Tax</li> </ul>

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# COMPLIANCE

# 2013 Checklist


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- Preventive Care for Women (NGF Plans)
  - Effective for Plan Year 7/1/13
  - Well women visits
  - Screening for gestational diabetes
  - Human papillomavirus testing
  - Counseling for STDs←
  - Counseling and Screening for HIV←
  - All FDA approved contraceptive methods except vasectomies←
  - Breastfeeding support and counseling
  - Screening and counseling for domestic violence
- Market these benefits – You have paid for it


# 2013 Checklist

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- ❑ Summary of Benefits and Coverage
  - ❑ Effective for open enrollment for 7/1/13 PY and mid-year enrollees for plan year beginning on 7/1/13
  - ❑ Applies to every group health plan (EAP SBC is questionable)
  - ❑ Provide to eligible employees and family members
  - ❑ Must be culturally and linguistically appropriate
  - ❑ Electronic delivery permitted but paper copy must be made available upon request and free of charge
  - ❑ Carve out plans present special challenges

 **This is only a summary.** If you want more detail about your coverage and costs, you can get the complete terms in the policy or plan document at [www.\[insert\]](#) or by calling 1-888-773-7214

Important Questions	Answers	Why this Matters:
What is the overall deductible?	\$0	See the chart starting on page 2 for your costs for services this plan covers.
Are there other deductibles for specific services?	No	You don't have to meet deductibles for specific services, but see the chart starting on page 2 for other costs for services this plan covers.
Is there an out-of-pocket limit on my expenses?	Yes. \$1000 AVH/ \$1500 Anthem	The out-of-pocket limit is the most you could pay during a coverage period (usually one year) for your share of the cost of covered services. This limit helps you plan for health care expenses.
What is not included in the out-of-pocket limit?	Copayments, deductibles, premiums, balance-billed charges, infertility and health care this plan doesn't cover.	Even though you pay these expenses, they don't count toward the out-of-pocket limit.
Is there an overall annual limit on what the plan pays?	No	The chart starting on page 2 describes any limits on what the plan will pay for specific covered services, such as office visits.
Does this plan use a network of providers?	Yes. See <a href="#">www.Anthem.com</a> or call 1-866-414-8953 for a list of participating providers.	If you use an in-network doctor or other health care provider, this plan will pay some or all of the costs of covered services. Be aware, your in-network doctor or hospital may use an out-of-network provider for some services. Plans use the term in-network, preferred, or participating for providers in their network. See the chart starting on page 2 for how this plan pays different kinds of providers.
Do I need a referral to see a specialist?	No. You don't need a referral to see a specialist.	This plan will pay some or all of the costs to see a specialist for covered services but only if you have the plan's permission before you see the specialist.
Are there services this plan doesn't cover?	Yes.	Some of the services this plan doesn't cover are listed on page 4. See your policy or plan document for additional information about excluded services.

 • **Co-payments** are fixed dollar amounts (for example, \$15) you pay for covered health care, usually when you receive services from a provider in the plan's network.  
 • **Co-insurance** is your share of the costs of a covered service, calculated as a percent of the allowed amount. OMB Control Numbers 1545-2229, 1210-0147, and 0938-1146

Questions: Call 1-888-[xxx-xxxx] or visit us at [www.\[insert\].com](#).  
 If you aren't clear about any of the bolded terms used in this form, see the Glossary. You can view the Glossary at [www.\[insert\]](#) or call 1-888-[xxx-xxxx] to request a copy.



## About these Coverage Examples:

These examples show how this plan might cover medical care in given situations. Use these examples to see, in general, how much financial protection a sample patient might get if they are covered under different plans.



### This is not a cost estimator.

Don't use these examples to estimate your actual costs under this plan. The actual care you receive will be different from these examples, and the cost of that care will also be different.

See the next page for important information about these examples.

### Having a baby

(normal delivery)

- Amount owed to providers: \$7,540
- Plan pays \$7,320
- Patient pays \$220

#### Sample care costs:

Hospital charges (mother)	\$2,700
Routine obstetric care	\$2,100
Hospital charges (baby)	\$900
Anesthesia	\$900
Laboratory tests	\$500
Prescriptions	\$200
Radiology	\$200
Vaccines, other preventive	\$40
<b>Total</b>	<b>\$7,540</b>

#### Patient pays:

Deductibles	\$0
Co-pays	\$20
Co-insurance	\$0
Limits or exclusions	\$200
<b>Total</b>	<b>\$220</b>

Note: These numbers assume the patient has given notice of her pregnancy to the plan. If you are pregnant and have not given notice of your pregnancy, your costs may be higher. For more information, please contact: Keenan at 1-888-414-8953.

### Managing type 2 diabetes

(routine maintenance of a well-controlled condition)

- Amount owed to providers: \$4,100
- Plan pays \$3,320
- Patient pays \$780

#### Sample care costs:

Prescriptions	\$1,500
Medical Equipment and Supplies	\$1,300
Office Visits and Procedures	\$730
Education	\$290
Laboratory tests	\$140
Vaccines, other preventive	\$140
<b>Total</b>	<b>\$4,100</b>

#### Patient pays:

Deductibles	\$0
Co-pays	\$700
Co-insurance	\$0
Limits or exclusions	\$80
<b>Total</b>	<b>\$780</b>

Note: These numbers assume the patient is participating in our diabetes wellness program. If you have diabetes and do not participate in the wellness program, your costs may be higher. For more information about the diabetes wellness program, please contact: Keenan at 1-888-414-8953.

Questions: Call 1-888-[xxx-xxxx] or visit us at [www.\[insert\].com](http://www.[insert].com).

If you aren't clear about any of the bolded terms used in this form, see the Glossary. You can view the Glossary at [www.\[insert\]](http://www.[insert]) or call 1-888-[xxx-xxxx] to request a copy.

# 2013 Checklist

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- ❑ Uniform Glossary
  - ❑ Same model document for everyone
  - ❑ Found at DOL and HHS websites
  - ❑ Employer may post on intranet but inform employees paper copy is available and free of charge
  - ❑ SBC should reference availability on intranet
- ❑ If plan is amended in a “material” way, 60 days notice in advance of the effective date must be provided to participants



# Glossary of Health Coverage and Medical Terms

- This glossary has many commonly used terms, but isn't a full list. These glossary terms and definitions are intended to be educational and may be different from the terms and definitions in your plan. Some of these terms also might not have exactly the same meaning when used in your policy or plan, and in any such case, the policy or plan governs. (See your Summary of Benefits and Coverage for information on how to get a copy of your policy or plan document.)
- **Bold blue** text indicates a term defined in this Glossary.
- See page 4 for an example showing how **deductibles**, **co-insurance** and **out-of-pocket limits** work together in a real life situation.

## Allowed Amount

Maximum amount on which payment is based for covered health care services. This may be called "eligible expense," "payment allowance" or "negotiated rate." If your **provider** charges more than the allowed amount, you may have to pay the difference. (See **Balance Billing**.)

## Appeal

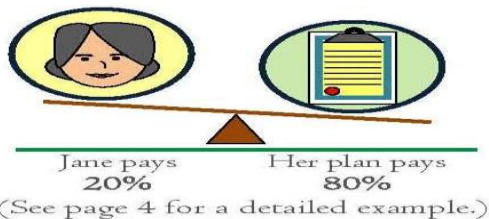
A request for your health insurer or **plan** to review a decision or a **grievance** again.

## Balance Billing

When a **provider** bills you for the difference between the provider's charge and the **allowed amount**. For example, if the provider's charge is \$100 and the allowed amount is \$70, the provider may bill you for the remaining \$30. A **preferred provider** may **not** balance bill you for covered services.

## Co-insurance

Your share of the costs of a covered health care service, calculated as a percent (for example, 20%) of the **allowed amount** for the service. You pay co-insurance **plus** any **deductibles** you owe. For example, if the **health insurance** or **plan's** allowed amount for an office visit is \$100 and you've met your deductible, your co-insurance payment of 20% would be \$20. The health insurance or plan pays the rest of the allowed amount.



## Complications of Pregnancy

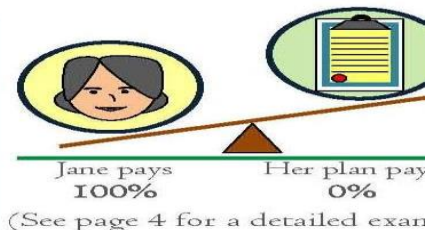
Conditions due to pregnancy, labor and delivery that require medical care to prevent serious harm to the health of the mother or the fetus. Morning sickness and a non-emergency caesarean section aren't complications of pregnancy.

## Co-payment

A fixed amount (for example, \$15) you pay for a covered health care service, usually when you receive the service. The amount can vary by the type of covered health care service.

## Deductible

The amount you owe for health care services your **health insurance** or **plan** covers before your health insurance or plan begins to pay. For example, if your deductible is \$1000, your plan won't pay anything until you've met your \$1000 deductible for covered health care services subject to the deductible. The deductible may not apply to all services.



## Durable Medical Equipment (DME)

Equipment and supplies ordered by a health care **provider** for everyday or extended use. Coverage for DME may include: oxygen equipment, wheelchairs, crutches or blood testing strips for diabetics.

## Emergency Medical Condition

An illness, injury, symptom or condition so serious that a reasonable person would seek care right away to avoid severe harm.

## Emergency Medical Transportation

Ambulance services for an **emergency medical condition**.

## Emergency Room Care

**Emergency services** you get in an emergency room.

## Emergency Services

Evaluation of an **emergency medical condition** and treatment to keep the condition from getting worse.

# 2013 Checklist

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- \$2 million dollar overall aggregate dollar limit on Essential Health Benefits
  - Effective for plan year July 1, 2013
  - Definition of Essential Health Benefits
  - Aggregate dollar limits – not visitation limits
  - Applies to large group health plans only in terms of the limit and not what benefits must be offered
  - Plan amendment required

# 2013 Checklist

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- ❑ \$2,500 salary reduction cap on HFSA's
  - ❑ Effective for plan year beginning on July 1, 2013
  - ❑ \$2,500 limit is applied on an employee-by-employee basis
  - ❑ Plan amendment required no later than December 31, 2014 if operated in compliance in 2013

# 2013 Checklist

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- ❑ Notice of Exchange
  - ❑ Deliver to employees on dated TBD in late summer
  - ❑ Anticipate a model notice for 2013
  - ❑ Informs employees of availability of health coverage on the Exchange
  - ❑ Advises of the potential for government subsidies and reduced cost-sharing for Exchange coverage
  - ❑ Advises of penalties for failure to have Minimum Essential Coverage
- ❑ Anticipate/address employee questions

# 2013 Checklist

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- ❑ Clinical Effectiveness Research Fee
  - ❑ \$1.00/covered life for 2012 Plan Year
  - ❑ \$2.00/covered life for each PY thereafter to 2019
  - ❑ Sponsor liability for self-insured plans
  - ❑ Carrier liability for fully-insured plans
  - ❑ Annual Tax Return and Payment
    - ❑ Use IRS Form 720
    - ❑ Payment due no later than July 31 for previous year
    - ❑ For 2012, payment is due no later than July 31, 2013
    - ❑ TPA is prohibited from submitting on behalf of sponsor
    - ❑ Discuss with TPA how to calculate “covered lives”

# 2013 Checklist

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- Additional .9% HI Tax on FICA wages (i.e. from 1.45 to 2.35) exceeding \$200,000
  - Without regard to marital status as claimed on W-4
  - Whether or not employee is ultimately liable for tax
  - Begins in pay period that wages exceed \$200,000
  - Includes nonqualified deferred compensation
- 3.8% Medicare contribution tax over a threshold on unearned income
  - Capital gains
  - Dividend income
  - Gain on sale of home above tax exclusion



# 2014 Checklist

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- Reinsurance Program Fee
  - \$63.00/covered life for 2014
  - Major Medical Plans
  - Early-retiree plans where Medicare is secondary
  - Determined on a calendar year basis
  - May aggregate multiple plans to be one “plan”
    - Self-funded medical with insured mental health
    - Fully-insured medical with self-insured Rx
  - Report sent to HHS by November 15, 2014
  - Payment due within 30 days of notice from HHS

# 2014 Checklist

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- Adult Children eligible for coverage regardless of eligibility for other coverage GF Plans
- No overall aggregate annual limits on Essential Health Benefits
- No preexisting condition exclusion regardless of age
- Clear definition of Essential Health Benefits
- Eligibility waiting periods limited to no more than 90 days
- NGF plans may not prohibit participation in clinical trials and must cover routine costs



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# EMPLOYEES

# 2013 HR Checklist Regarding Employees

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- Preparation: Anticipating Employee Concerns
  - Mass marketing campaign by California Exchange – Questions?
  - Value of coverage reported on IRS Form W-2 – Questions?
  - Notice of Exchange – Questions?
  - Collective bargaining considerations – Education/Schedule Planning
  - Individual Mandate – Questions?
  - Government subsidies for Exchange coverage – Questions?
  - Adverse selection - Planning
  - .9% Medicare Payroll Tax on High Earners - Communications
  - Open enrollment for the California Exchange – Requests for Plan info
  - New Definition of Full-Time Employee - Questions

# 2014 HR Checklist Regarding Employees

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- Preparation: Anticipating Employee Concerns
  - Is employer coverage Minimum Essential Coverage?
  - How much tax will I pay if I have no coverage?
  - Addressing employees who have elected Exchange coverage.
  - Collective bargaining considerations – Exchange opportunities
  - Use of Assistors by employees
  - Employees who may wish to go to the Exchange mid-year
  - Employees claiming that they were never advised of subsidy
  - Questions about an employee's full-time/part-time status
  - Questions about waiting periods
  - Questions about 2014 plan changes

# Closing Comments

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- Health Care Reform
  - Good Ideas; Poor Execution
- The California Exchange Will become very involved in the delivery of healthcare
- Three broad allocations of duties
  - Strategic Planning
  - Compliance
  - Employee Behavior - Communications

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# Questions?