

2014 ACA Updates for Small Employer Groups

South Dakota Association of School Business Officials
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Small or Large Employer?

Benefit Plan and Underwriting

- Mandates **WHAT** you offer
- Based on the number of total employees (State Definition)

Pay-Or-Play Mandate for Large Employers

- Mandates **WHO** you offer to and **HOW MUCH** it costs
- Based on current employees (FT's and FTE's – Federal Definition)

Impact on Large Employers

- Large employers do not have to offer essential health benefits
- Large employers do not have to offer metal level plans
- Large employers do not have to follow rating reform rules (i.e. per member rating)
- Large employers are able to continue to experience variety and flexibility of plans offered today
- However, in 2015 and 2016 they must offer “affordable” coverage to all full-time employees

Group Size Matters

WHAT to offer?

SANFORD
HEALTH PLAN

Before we begin...let's talk “GF” and “NGF” Plans

- Grandfathered status is determined by cumulative “material” changes made to copays, deductibles, out-of-pocket maximums or employer contribution since the ACA became effective in March 2010
- Generally Grandfathered groups do not need to implement many aspects of the ACA

Small Grandfathered Employers

- State Definition: 2-50 Total Employees
- Can renew “as is”
- If you move to an ACA-compliant plan, you automatically become non-grandfathered.
- Can keep renewal dates and open enrollment periods
- Small Groups are not subject to the Play-Or-Pay Mandate

Small Non-Grandfathered Employers

- State Definition: 2-50 Total Employees
- Non-Grandfathered Plans will need to move to a qualified health plan upon renewal on or after **10/1/2016**. (“Keep Your Plan”)
- Enrollment periods allowed year round
- Small employers can offer one or many small group plan options to their employees
- Small Groups are not subject to the Play-Or-Pay Mandate

Determining whether you're a Large
Employer or Small Employer for the
purpose of the Play-or-Pay Mandate
(Postponed until 2015 and 2016)

Large or Small Employer Status

First, convert FTEs to FT:

The approach for converting part-time employees to full-time equivalents includes two steps:

Step 1: Calculate the aggregate hours of service in a month for employees who are not full-time employees (include seasonal employees) for that month. Do not include more than 120 hours of service for any employee.

Step 2: Divide the total hours of service from Step 1 by 120

- The result is the number of full-time equivalent employees for the month.

Large or Small Employer Status

Second, add FTs and FTEs to calculate status:

Step 3: Calculate the number of full-time employees (including seasonal employees) for each calendar month in the preceding calendar year.

Step 4: Calculate the number of full-time equivalents (including seasonal employees) for each calendar month in the preceding calendar year

Step 5: Add the number of full-time employees and full-time equivalents obtained in Steps 3 and 4 for each month of the preceding calendar year.

Step 6: Add up the 12 monthly numbers from Step 5 and divide the sum by 12. This is the average number of full-time employees for the preceding calendar year.

If the number obtained in Step 6 is 50+, then the employer is an Applicable Large Employer.

Large or Small Employer Status

- Employers must determine each year, based on current number of employees (FTs+FTEs) whether they will be considered a large group for the next year
 - If employer has at least 50 full-time employees (including full-time equivalents) in 2014, it will be considered a large group in 2015.
 - Employers average their number of employees across months in the year to see if they meet the threshold

Small Employer Timelines

Grandfathered Plans

CURRENT PRODUCT/STATUS	PREMIUMS	PLAN OPTIONS	TIMELINE FOR TRANSITION
<p>(Issued prior to March 23, 2010) Small Group (Grandfathered)</p>	<ul style="list-style-type: none">• Adjusted annually at renewal• Based on book of business• Individual health risk• Demographics• Tiered/Composite Rating	<ul style="list-style-type: none">• Keep current plan or move to a new <i>Simplicity</i> Plan	<p>These plans will exist for current small employers until all plans voluntarily terminate or until they make a change that causes loss of grandfathered status.</p>

Small Employer Timelines

Non-Grandfathered Transitional Plans

CURRENT PRODUCT/STATUS	PREMIUMS	PLAN OPTIONS	TIMELINE FOR TRANSITION
<p>(Issued after March 23, 2010 but prior to January 1, 2014)</p> <p>Small Group (Non-Grandfathered Transitional Policies)</p>	<ul style="list-style-type: none">• Adjusted annually at renewal• Based on book of business• Individual health risk• Demographics• Tiered/Composite Rating	<ul style="list-style-type: none">• Keep current plan or move to a new <i>Simplicity</i> Plan	<p>Effective upon renewal on or after October 1, 2016 these plans must go to a new <i>Simplicity</i> plan. This means latest date plan can persist is through September 30, 2017.</p>

Small Employer Timelines

Simplicity Plans

CURRENT PRODUCT/STATUS	PREMIUMS	PLAN OPTIONS	TIMELINE FOR TRANSITION
<p>[Issued after January 1, 2014] Small Group Simplicity Plans Off-Exchange (ACA – Compliant)</p>	<ul style="list-style-type: none"> • Adjusted annually at renewal • Per Member Rating • No health questions asked 	<ul style="list-style-type: none"> • Keep current plan(s) or move to new plan(s). <i>Simplicity</i> plans allow you to choose as many options as you would like, regardless of employer size. 	<p>The small employer has already transitioned to an ACA – compliant plan. Annually at renewal review your plan options under <i>Simplicity</i>.</p>

Small Employer Timelines

FF-SHOP *Simplicity* Plans

CURRENT PRODUCT/STATUS	PREMIUMS	PLAN OPTIONS	TIMELINE FOR TRANSITION
<p>(Issued after January 1, 2014) Small Group Simplicity Plans On-Exchange (ACA – Compliant)</p>	<ul style="list-style-type: none">• Adjusted annually at renewal• Per Member Rating• No health questions asked	<p>For SD, ND and IA:</p> <ul style="list-style-type: none">• FF-SHOP will handle renewal in 2015.• Employee vs. Employer choice depends on state.	<p>The small employer has already transitioned to an ACA – compliant plan. Annually at renewal you will work through the FF-SHOP.</p>

FF-SHOP at healthcare.gov

Eligibility Requirements and Small Business Tax Credits

South Dakota – North Dakota - Iowa

FF-SHOP Eligibility Requirements

- Offer coverage for all full-time employees working over 30 hours per week
- Must meet 70% (ND) or 75% (SD/IA) minimum participation requirement
- Employer would process COBRA/continuation administration for group
- Enrollment changes must be processed online at healthcare.gov
- The FF-SHOP will handle the renewal process beginning in 2015

For More Information on the FF-SHOP:

<https://www.healthcare.gov/what-is-the-shop-marketplace/>

FF-SHOP Tax Credit Requirements

- Must enroll in FF-SHOP if you want the small business tax credit, implemented 2014
- Have fewer than 25 full-time equivalent employees (FTEs)
- Employee average annual wages of less than \$50,000
- Contribute at least 50% toward employee only health insurance premium

For More Information on the Small Business Tax Credit:

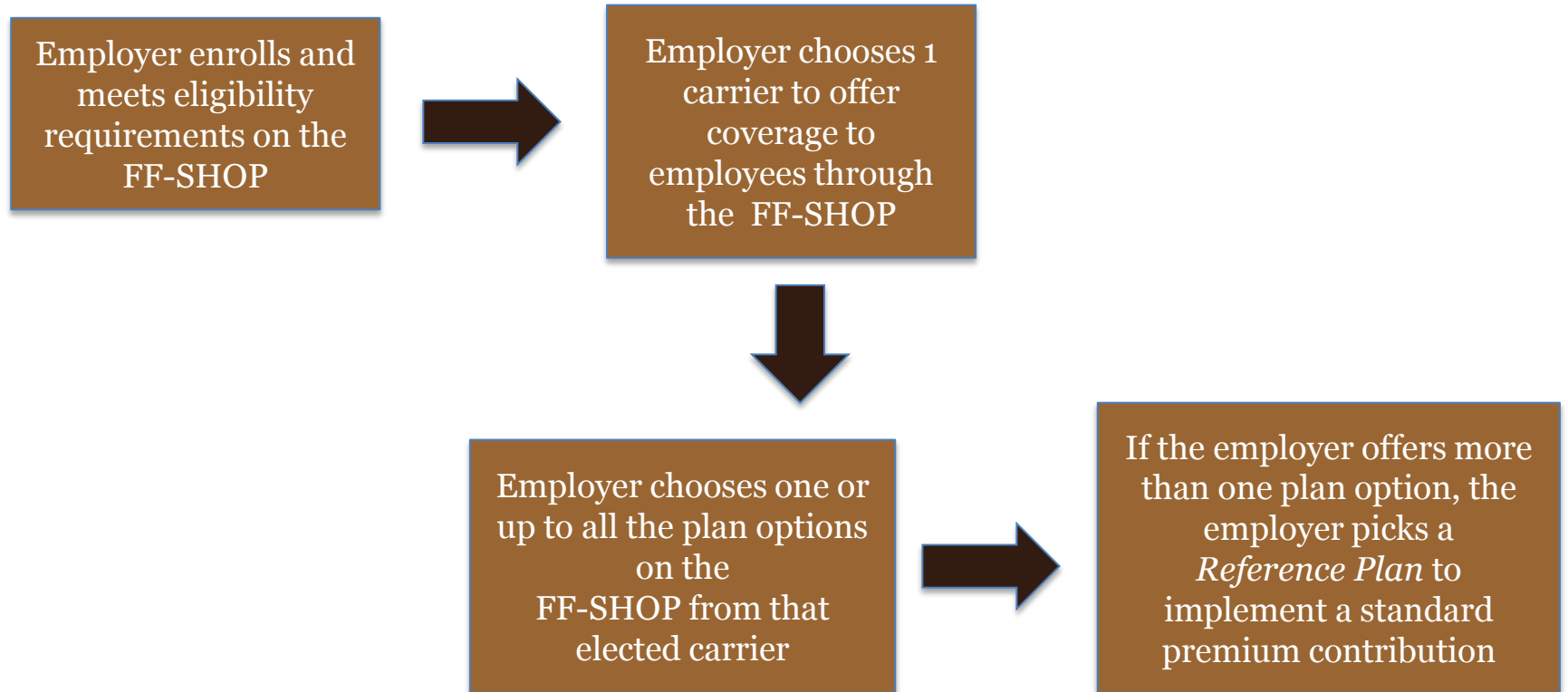
<https://www.healthcare.gov/will-i-qualify-for-small-business-health-care-tax-credits/>

FF-SHOP at healthcare.gov

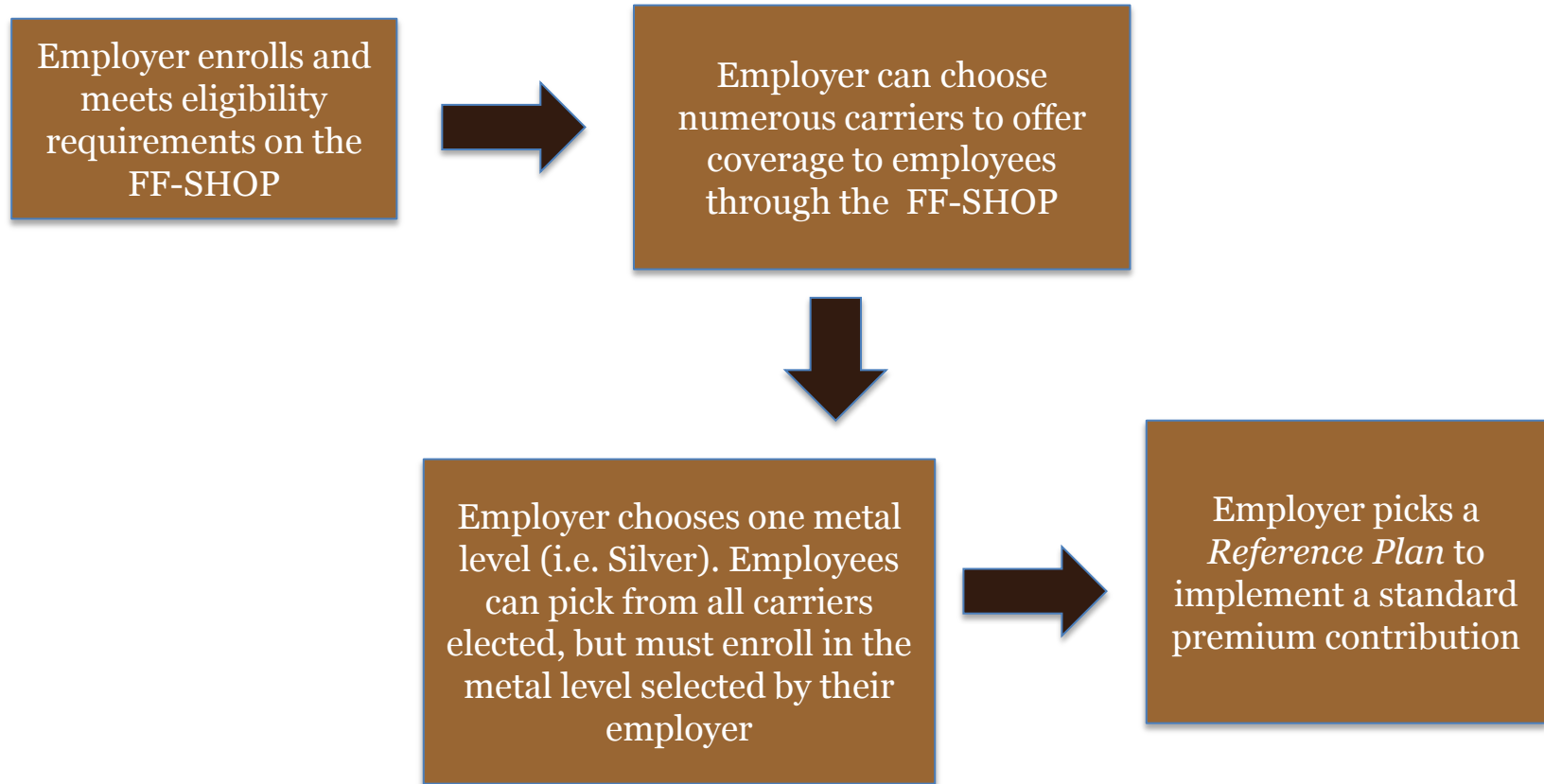
2015 Employer or Employee Choice Options (ND)

2015 Employer Choice Option (SD & IA)

FF-SHOP Employer Choice



FF-SHOP Employee Choice



Insurance Market Reforms in Small Group Marketplace...

Small Group Plan Designs

Metal-Level Plans are defined by the ACA:

- Bronze
- Silver
- Gold
- Platinum
- Some Plans may qualify as high deductible/catastrophic plans that can be paired with an HSA

All plans include “Essential Health Benefits” and are ACA-compliant

Insurance Market Reform Rules

Per-Member Rating for Small Groups

Calculating Rates will be limited to:

- Your age and the age of each your dependents
- Where you live (rating region)
- The plan you chose (benefit package)
- Whether you're a tobacco user or not

Rates are filed each calendar year and are the same for all small groups.

Insurance Market Reform Rules

Calculating the Family Rate

- Premium = sum of all family members
- Family rate capped at the 3 oldest children under the age of 21. Example:

Member	Age	Tobacco Status	Monthly Premium
Mom	45	Non	\$300
Dad	46	Non	\$310
Child 1	25	User	\$195
Child 2	18	Non	\$90
Child 3	15	Non	\$90
Child 4	12	Non	\$90
Child 5	9	Non	\$0
Total Monthly Premium			\$1,075

Sample Small Group Renewal

Small Group Health Quote

Small Group Client

Status: Non-Grandfathered

Policy Number: 012345

State: South Dakota

Effective: January 1, 2014

Representative: Jimmy Schneider / Great Plains Brokerage

Benefits Quoted

Contract	Member #	Member Name	Age	Current Plan	Current Rate	2014 Platinum \$500	2014 Gold \$1,500	2014 Silver \$2,000	2014 Bronze \$3,000 HDHP
100000001	100000001-01	Doe, John	56	SS \$1500	\$934.80	\$750.70	\$661.57	\$585.78	\$476.63
	100000001-02	Doe, Jan	60			\$573.29	\$769.60	\$681.44	\$554.47
						\$1,323.99	\$1,431.17	\$1,267.22	\$1,031.10
						41.63%	53.10%	35.56%	10.30%
100000002	100000002-01	Duck, Donald	46	SS \$1500	\$934.80	\$482.66	\$425.35	\$376.63	\$306.45
		Duck, Daffy	45			\$464.64	\$409.47	\$362.57	\$295.05
						\$947.30	\$834.82	\$739.20	\$601.50
						1.34%	-10.70%	-20.92%	-35.65%
100000003	100000003-01	Sanford, Husband	49	SS \$1500	\$1,402.21	\$548.94	\$483.77	\$428.35	\$348.54
	100000003-02	Sanford, Wife	58			\$819.88	\$722.53	\$639.76	\$520.56
	100000003-03	Sanford, Son	20			\$204.33	\$180.07	\$159.44	\$129.73
	100000003-04	Sanford, Daughter	17			\$204.33	\$180.07	\$159.44	\$129.73
						\$1,777.48	\$1,566.44	\$1,386.99	\$1,128.56
						26.76%	11.71%	-1.09%	-19.52%
Group 012345 Total					\$3,271.81	\$4,048.77	\$3,832.43	\$3,393.41	\$2,761.16
						23.75%	17.13%	3.72%	-15.61%

Sample Premium Bill

SAMPLE COMPANY
123 ANYWHERE STREET
ANYWHERE, SD 57101

Previous Balance:	\$32,791.47
Amount Paid:	(\$16,757.53)
Adjustments:	\$0.00
Premium:	\$13,624.39
Amount Due:	\$29,658.33

Customer ID: XXXXXXXXXX

Account ID: XXXXX

Subscriber ID	Subscriber Name	Coverage Eff	Type	From	Thru	Rate	Tot Prem
01	SUBSCRIBER 1	4/1/2013		8/1/2013	8/31/2013	\$624.63	\$624.63
02	SUBSCRIBER 1 SPOUSE	4/1/2013		8/1/2013	8/31/2013	\$320.51	\$320.51
							\$945.14
01	SUBSCRIBER 2	4/1/2013		8/1/2013	8/31/2013	\$393.24	\$393.24
02	SUBSCRIBER 2 SPOUSE	4/1/2013		8/1/2013	8/31/2013	\$397.24	\$397.24
03	SUBSCRIBER 2 DEPENDENT	4/1/2013		8/1/2013	8/31/2013	\$267.09	\$267.09
04	SUBSCRIBER 2 DEPENDENT	4/1/2013		8/1/2013	8/31/2013	\$267.09	\$267.09
05	SUBSCRIBER 2 DEPENDENT	4/1/2013		8/1/2013	8/31/2013	\$267.09	\$267.09
							\$1,591.75
01	SUBSCRIBER 3	4/1/2013		8/1/2013	8/31/2013	\$777.29	\$777.29
							\$777.29
01	SUBSCRIBER 4	4/1/2013		8/1/2013	8/31/2013	\$801.27	\$801.27
							\$801.27
01	SUBSCRIBER 5	4/1/2013		8/1/2013	8/31/2013	\$801.27	\$801.27
02	SUBSCRIBER 5 SPOUSE	4/1/2013		8/1/2013	8/31/2013	\$777.29	\$777.29
							\$1,578.56

Small Group Employer Contribution

Small employers retain the flexibility to determine employer/employee contributions:

- **Fixed Percentage:** Employer pays a fixed percentage of each employee's age-rated premium (employee premium contributions vary by age)
- **Defined Contribution:**
 - Defined Employee Contribution** – Employee pays a fixed dollar amount for coverage. Employer pays the remainder of the age rated premium
 - Defined Employer Contribution** – Employer pays a fixed dollar amount towards each employee's premium. Employee pays the remainder of the age rated premium (employee premium contributions vary by age)

Employer Responsibility Rules

Small Employer – Under 50 (FTEs):

- Don't have to offer coverage, but if they do:
 - Grandfathered plans can remain in place until they voluntarily move to ACA-compliant plan or until they make a change that causes them to lose Grandfathered status
 - Non-grandfathered plans are required to offer all the “Essential Health Benefit Designs” and Per-Member rating by Oct. 1, 2017
- As a small employer you are not subject to the “play or pay” penalties

Mid-Size Employer – 50-99 (FTEs):

- Subject to “play or pay” penalties in 2016
- Plans offered need to be both affordable and meet minimum essential coverage

Large Employer - 100 + (FTEs):

- Subject to “play or pay” penalties in 2015
- Plans offered need to be both affordable and meet minimum essential coverage

Employer Responsibility Rules

Mid-Size Employers (50-99) must offer “affordable coverage” to all full-time employees in **2016** or pay a penalty

Large Employers (100+) must offer “affordable coverage” to **70%** of full-time employees or pay a penalty in **2015** or pay a penalty.

Increases to 95% of full-time employees in 2016.

What is considered “affordable” coverage?

The employee’s cost for self-only coverage under the lowest cost option plan does not exceed 9.5% of the individual’s income as reported on their W-2, Box 1 (safe harbor) or based on their rate of pay

Internal Revenue Code Sections 6055 and 6056 reporting requirements related to the Affordable Care Act

6055/6056 Reporting Requirements

Internal Revenue Code Sections 6055 and 6056 reporting requirements related to the Affordable Care Act (ACA)

Why is this new reporting necessary?

- As of Jan. 1, 2014, most U.S. citizens and lawfully present individuals are required to have “minimum essential coverage” or pay a tax penalty.
- Insurers and employers must report to the IRS who had insurance and who didn't so the IRS can appropriately penalize those without insurance.

When is this reporting required?

- Effective Jan. 1, 2015, to be reported in 2016.

6055/6056 Reporting Requirements

Who does this reporting apply to?

- **6055** applies to any size employer that provides “minimum essential coverage” to an individual. Minimum essential coverage includes any employer-sponsored group health plan (except for dental or vision benefits)
 - i.e. coverage with 60% actuarial value
- **6056** applies to large employers (i.e. those with 50 or more full-time employees (including full-time equivalents))
 - Used to identify large employers who may be subject to the pay-or-plan penalty

6055 Reporting Requirements

6055 Reporting Requirements

Who will file the 6055?

- If you're a fully-insured plan, your insurance company will file your 6055 for you.
- If you're self-funded, you must file it yourself or designate your TPA.

Who is the 6055 filed to?

- To the IRS for 2015 (due in early 2016); and
- To the employees, so they can report their coverage when filing their personal federal taxes.

Is the deadline for employee reporting the same as the IRS reporting deadline?

- No. The statement to employees must be furnished on or before January 31 of the year following the calendar year in which you provide them with coverage, regardless of your plan year. The IRS return is due on or before February 28th of each year.

6055 Reporting Requirements

What information must reported to the IRS?

- Health Plan or TPA company name, address and Employer Identification Number (EIN) of the reporting entity required to file the return
- Name, address and TIN/SSN (or date of birth if a TIN/SSN is not available), of the covered employee and all their covered dependents
- Don't need to report individuals who waived coverage

What information must reported to the employee?

- Health Plan or TPA company name, address and Employer Identification Number (EIN) of the reporting entity required to file the return
- Name, address and TIN/SSN (or date of birth if a TIN/SSN is not available), of the covered employee and all their covered dependents
- The phone number for a person designated as the reporting entity's contact person and policy number

6056 Reporting Requirements

6056 Reporting Requirements

Who will file the 6056?

- The large employer must file the 6056 (not the insurer or your TPA)
- The IRS will use this information to determine if the employer has to pay any penalties for failing to offer coverage or failing to offer coverage that meets minimum value and is affordable.

Who is the 6056 filed to?

- To the IRS for 2015 (due in early 2016); and
- To the employees, so they can determine if they are eligible for a premium tax credit for health insurance through the Marketplace

Is the deadline for employee reporting the same as the IRS reporting deadline?

- Yes, the reporting to both employees and the IRS for 2015 is due in early 2016.

6056 Reporting Requirements

What information required to reported to full-time employees?

- Name, address and EIN of the large employer
- Employer location and contact information, employee address and TIN/SSN, and information about the employer's health care coverage.
- Information as to whether the coverage offered to full-time employees and their dependents provides minimum value and whether the employee had the opportunity to enroll his or her spouse in the coverage.
- The total number of employees, by calendar month.
- Whether an employee's effective date of coverage was affected by a permissible waiting period.

6056 Reporting Requirements

What information is required to be reported to the IRS?

- Employer's name, the date, and the employer's EIN
- The name and telephone number of the employer's contact person
- The calendar year for which the information is reported
- A certification as to whether you offered your full-time employees (and their dependents) the opportunity to enroll in minimum essential coverage under your plan by calendar month
- The months during the calendar year for which coverage under your plan was available
- Each full-time employee's share of the lowest cost monthly premium for self-only coverage for coverage providing minimum value offered to that full-time employee under your plan, by calendar month
- The number of full-time employees for each month during the calendar year
- The name, address, and taxpayer ID number (TIN) of each full-time employee during the calendar year and the months, if any, during which the employee was covered under the plan.

6056 Reporting Requirements

What forms must employers we use to file the § 6056 return?

- Similar to a W-2, the filing may be made on IRS Form 1095-C for every full-time employee. The return will be filed with a single transmittal form, Form 1094-C (similar to the W-3). These forms are being created by the IRS for the new § 6056 return and will be released once finalized.

What is the deadline for filing the § 6056 return with the IRS?

- The return must be filed with the IRS on or before February 28th of the year following the calendar year in which you provided minimum essential coverage regardless of your plan year. The return can be filed electronically and high-volume filers (those that file 250 or more returns of any type (e.g. W-2s, 1099s, income, employment or excise tax returns) during the calendar year) must file electronically.

6056 Reporting Requirements

Do large employers have to file a § 6056 return for full-time employees that are offered our coverage but waive it?

Yes.

Do large employers have to file a § 6056 return for full-time employees that are not offered our coverage?

Yes.

The Individual Mandate and the Marketplace

Individual Mandate

If you don't have insurance in 2014, you will pay a tax penalty (that increases over time)

- 2014 - greater of \$95 per adult or 1% of taxable income
- 2015 - greater of \$325 per adult or 2% of taxable income
- 2016 - greater of \$695 per adult or 2.5% of taxable income
- After 2016, the tax penalty increases annually based on a cost-of-living adjustment

Individual Marketplace

Yes, you'll be forced to have health insurance, but the government will help you pay for it and make it accessible either through...

- The State's insurance exchange; or
- By making large employers offer coverage to all full-time employees, i.e. pay-or-play mandate – **NOTE: this has been delayed until 2015**

The Federal Marketplace

- Annual Open Enrollment Period for Individuals
 - Nov. 15, 2014 – Feb. 15, 2015
 - Outside the open enrollment period only qualified events will allow an individual to make changes to their plan
- Individuals who don't have affordable, employer group coverage can shop for plans a www.healthcare.gov
- Individuals can continue to shop outside of the Marketplace. Why would you do that?
 - Individuals not eligible for financial assistance
 - Plans are the same inside and outside the Marketplace
 - Premiums are the same inside and outside the Marketplace

What should you be doing now?

- Understand how the individual insurance exchange works
- If you're a large employer, compare your contribution levels to your employee wages – do any of your employees pay more than 9.5% of their wage to purchase your insurance?
- These are the employees that may drop off your group health plan

Non-Discrimination against highly compensated employees

Health Care Reform Act Non-Discrimination Rules

- Internal Revenue Code (IRC) § 105(h):
 - Rules likely to be similar to the current rules contained in IRC § 105(h)(3) – for self-funded plans
- “Highly Compensated Individual” (HCIs) Defined in IRC § 105(h)(5)
- “Highly Compensated Individuals” (HCIs), include the highest paid 25% of all employees

Health Care Reform Act Non-Discrimination Rules

Penalties for Plans that Fail to Comply

- Excise tax for non-compliance
 - \$100 per day per each non-highly compensated individual
- The excise tax does **not** apply to school districts. However, schools are subject to civil penalties imposed by governmental agencies.
 - Civil penalties are at the discretion of the enforcing agency up to an amount of the excise tax.
- Districts can be subject to civil actions (lawsuits) brought against the district by employees.

Health Care Reform Act Non-Discrimination Rules

- Compliance will not be required until *after* regulations have been issued. And, employers will be provided with a grace period to implement the regulations once issued. (IRS Notice 2011-1)
- Additional guidance and regulations were expected in 2013.

Health Care Reform Act Non-Discrimination Rules

Current Non-Discrimination Rules

- General Requirements
 - The plan does not discriminate in favor of highly compensated as to eligibility;
- Benefit plans do not discriminate in favor of highly compensated in regard to benefits
- All Group Health plans must comply
 - Governmental Plans
 - Church Plans
- Some Employees can be Excluded from Testing
 - Not completed three years of service
 - Under the age of 25

Health Care Reform Act Non-Discrimination Rules

Eligibility Test

- Code § 105(h)(3) provides three ways to pass the Eligibility Test
 1. The 70% Test
 2. The 70% / 80% Test
 3. The Classification Test

Health Care Reform Act Non-Discrimination Rules

Eligibility Test

- The 70% Test
 - Does the plan benefit 70% or more of all non-excludable employees?
- The 70%/80% Test
 - Are 70% or more of all non-excludable employees eligible to benefit from the plan?
 - Do 80% or more of all non-excludable employees who are eligible participate in the plan?

Health Care Reform Act Non-Discrimination Rules

Eligibility - Classification Test

- The plan does not discriminate in favor of HCIs under classifications set up by the employer
 - Code § 105(h) is unclear on the applicable regulations for the Classification Test
 - Reasonable methods include:
 - Post-Tax Reform Act of 1986 (TRA) Nondiscriminatory Classification Test in Code § 410(b) (includes a safe harbor and unsafe harbor test which are mathematical ratio tests), or
 - Fair Cross Section Test Pre-TRA (subjective test)

Health Care Reform Act Non-Discrimination Rules

The Benefits Test

- The Benefits Test determines if non-HCIs are discriminated against in terms of being offered the same benefits, conditions, options and waiting periods
- Unlike the Eligibility Test, the Benefits Test is not mathematical – it is subjective in its approach
- Looks at discrimination on the face of the plan and in the operation of the plan

Health Care Reform Act Non-Discrimination Rules

The Benefits Test

- Review all Plan Components
- Contributions must be identical for each benefit level
 - Specifically prohibited is contribution levels based on a participant's age, compensation or years of service
- Same types of benefits must be available to HCIs and non-HCIs
- Cannot impose disparate waiting periods
- No discrimination in the operation of the plan

Health Care Reform Act Non-Discrimination Rules

- Contact your legal advisor, or an attorney for guidance
- Most likely need to provide a census for analysis
- Prepare a compliance plan

Sanford Health Plan is committed to providing information to help you understand the many layers of Health Care Reform and how it may impact your business. We appreciate your time today and please contact our team at any time or visit the Health Care Reform section of our website at sanfordhealthplan.com

Questions? Thank you...