12 Things To Know About Health Care Reform in 2014

1. **Start With The Individual Mandate:** Effective January 1, 2014 Health Care Reform (also referred to as the Patient Protection and Affordable Care Act (PPACA) or the Affordable Care Act (ACA)) requires individuals to buy health insurance or pay a yearly fine. There may also be penalties to some businesses (see #8 below) who do not provide health insurance to their employees, but it will be easier to understand the law if you view the rules from the individual mandate perspective first.

2. **Individual Fines:** The annual fines to an individual for failure to purchase health insurance are phased in over the next three years and shown below.

YEAR	INDIVIDUAL FINE	FAMILY MAXIMUM
2014	1% of income not to exceed $95	$285
2015	2% of income not to exceed $325	$975
2016	2.5% of income not to exceed $695	$2,085

3. **Buy at Exchanges:** Individuals can buy their health insurance policies at a government approved Health Insurance Exchange, sometimes called "The Marketplace". Each state must have an Exchange but can use the Federal Exchange (www.healthcare.gov) rather than create their own. PA, NJ and DE all use the Federal Exchange. Products on the Exchanges must comply with minimum government standards that categorize the lowest priced plans as "Bronze" plans. Silver, Gold and Platinum plans are also available. Insurance companies may also continue to sell their products directly to buyers and not all insurance companies place products on all government Exchanges.

4. **Exchange Subsidies:** Individuals who earn less than 400% of the Federal Poverty Level ($11,490 in most states) may be eligible for subsidies from the Federal Government. This means that individuals who earn less than about $46,000 per year may qualify. The subsidy is an amount that will cap the individual's cost to a percent of the individual's income. Increased costs for smokers will not be subsidized. Sample rates below are from the Kaiser Rate Calculator available at www.healthcare.gov for zip code 19355.

INCOME	MAX COST AS % OF INCOME	MAX COST AS MONTHLY $ AMT	SAMPLE RATES (monthly)			SAMPLE SUBSIDIES (monthly)		
			Age 24	Age 44	Age 64	Age 24	Age 44	Age 64
$45,960	9.5%	$363	$211	$295	$633	$0	$0	$270
$40,215	9.5%	$318				$0	$0	$315
$34,470	9.5%	$272				$0	$23	$361
$28,725	8.05%	$192				$19	$103	$441
$22,980	6.3%	$120				$91	$175	$513
$17,235	4%	$57				$154	$238	$576
$11,490	2%	$19				$192	$276	$614

5. **Qualifying for a Subsidy:** In addition to the income requirement, to qualify for a subsidy a person must not be covered by another plan or offered a plan by their employer that meets the government's "Minimum Value" and "Affordability" tests (see #7 below).

6. **Employer Involvement:** As stated in #5, to qualify for a subsidy an individual must not have access to a Minimum Value & Affordable Plan from their employer. This pulls businesses into the mandate process. All employers are required to distribute to all employees by October 1, 2013 an Exchange Notice that states whether or not an employer sponsored plan meets these two tests. Sample Notices for employers who offer (or who don't offer) a health insurance plan are available at www.dol.gov/ebsa/healthreform. Eventually more substantial certification methods will be implemented so employers should be sure to understand these two tests.

7. **Minimum Value & Affordability Tests:** Minimum Value means the plan will pay for at least 60% of the projected costs of healthcare according to an actuarial calculator available at www.cms.gov. An Affordable Plan is one where an employer charges no more than 9.5% of an employee's adjusted gross income as the premium share for single coverage in the employer sponsored plan.

8. **Consequences of Failed Tests:** Employers averaging fewer than 50 employees in the prior calendar year suffer no fines if they fail either the Minimum Value or Affordability Test. Employers with 50 or more

employees may pay a fine if one of their employees purchases health insurance at the Federal Exchange and qualifies for a subsidy. The fine is a non-deductible annual cost of $2,000 times the number of full time employees in excess of 30 if no plan is offered. If a Minimum Value plan is offered but it fails the Affordability Test, the fine is the lesser of $2,000 times the number of full time employees in excess of 30 or $3,000 times the number of employees for whom coverage is not affordable. These fines, sometimes known as the "Play or Pay" penalties, have been postponed until 2015.

9. **Counting Employees:** Any employee working 30 hours or more per week (130 per month) should be counted as a full time employee. Hours worked by employees working less than 30 hours per week should be aggregated monthly and divided by 120 hours to determine Full Time Equivalents. Any employer averaging 50 or more combined Full Time and Full Time Equivalent Employees is subject to the Play or Pay rules and penalties.

10. **Passing Tests May Be Easy:** Health insurance plans with deductibles of $2,500 and more frequently pass the Minimum Value Test, so premiums can be fairly competitively priced. Other richer plans can be offered in addition to the Minimum Value Plan, but the testing can be done around the cheapest plan that meets the Minimum Value standards. Employers can usually charge at least $119 per month or more for an employee to elect single coverage in the Minimum Value Plan. A person working 40 hours per week at minimum wage would earn about $15,080 per year or $1,256 per month. 9.5% of $1,256 is a little over $119 and would be considered an affordable plan. An employer whose lowest paid employee earns $30,000 can charge about twice this amount and still be considered affordable.

11. **Other Rules:** While the Play or Pay Penalty is postponed until 2015, other rules go into effect before then. Most notably, all employers must allow coverage to take effect no later than 90 days following date of hire. Calendar days are counted exactly, so for example someone hired March 5th would need to be covered no later than June 3rd. An effective date the "first of the month following completion of 90 days of service" will no longer qualify. Another example of a rule that goes into effect January 1, 2014 is that employers with 50 or more employees must offer coverage to all employees working 30 hours or more per week.

12. **Other Issues:** While the above eleven points give the reader a good basic overview of Health Care Reform, there are many nuances that create questions and some that are as yet unclear.

    a. **Transition Rules for Non-Calendar Year Plans** – plans renewing other than January 1, 2014 may be exempted from Play or Pay penalties under certain circumstances, but it is unclear if these exemptions carry over to 2015
    b. **Variable Hour & Seasonal Employees** – employees who work seasonally (generally believed to be 120 days or less) or with variable hours may be excluded from the 30 hour eligibility rule, but Measurement Periods and Stabilization Periods must be established
    c. **Increased Compliance** – Health Care Reform itself presents multiple compliance requirements, but these requirements also trigger additional adherence to already established compliance rules that may have previously gone without close scrutiny, such as electronic communications and Summary Plan Descriptions (which need to be offered as described in the Exchange Notice mentioned in #6)
    d. **Age Rating** – most insurers are offering rates based upon employee and dependent age to employers with fewer than 50 employees instead of composite rates for each tier (single, couple, family, etc.) of coverage
    e. **Cost Sharing Creativity** – employers may need to re-design their cost sharing formulas, using percent of pay, defined contribution or defined benefit formulas and potentially calculate hypothetical composite rates in the under 50 employee market
    f. **Other Exchanges** – other private and public exchanges are being created with various attractions, although employers should consider these product sources carefully to determine their safety and compatibility with potential objectives
    g. **New Products** – insurers are just beginning to develop new products to respond to the market, including concepts such as Captives, Retrospective Rating, Minimum Premium and Modified Self-Funded plans
    h. **Qualified Wellness Programs** – QWPs may represent the biggest opportunity for employers to impact the cost of health insurance over the long run and should consider these programs that create strong incentives for employees to get and stay healthy, thus lowering insurance costs

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