

Health Reform answers personalized for your business.

Health Care Reform Review Committee
July 9, 2013
Luther Stueland, Director, Health Policy Impact



BOLDER SHADE OF BLUE

Blue Cross Blue Shield of North Dakota is an independent licensee of the
Blue Cross & Blue Shield Association

Wellstar Mutual Insurance Company

Key ACA Provisions

Understanding the impact of reform is the first step to developing a benefits strategy that aligns with the emerging market landscape

Beginning in 2014

- **Guaranteed Issue/Individual Mandate:** All individuals will be able to purchase coverage regardless of health status. All individuals must have minimum essential coverage or penalties may apply.
- **Benefit & Cost Sharing Standards:** New health plans sold in the small group and individual markets are required to cover the essential benefits and have at least a 60% actuarial value¹. These plans will need to be a “metal tier” plan. Grandfathered plans exempt.
- **Public Exchange:** Individuals will be able to purchase individual coverage on health insurance exchanges. Small employers can purchase coverage through SHOP.²
- **Consumer Subsidies:** Individuals with household incomes at or below 400% of federal poverty level (FPL)³ will be eligible for income-indexed premium subsidies, and those below 250% of the FPL will be eligible for cost-sharing reduction for coverage purchased on public exchange.
- **Employer “Mandate”:** All employers with 50 or more full-time equivalents must provide adequate, affordable health benefits to employees or pay a penalty per full-time employee per year. *[Enforcement delayed until 2015]*

1) Actuarial value = % of total average costs for covered benefits that a plan will cover

2) Small Employer Health Options Program

3) In 2013, \$45,960 for an individual and \$94,200 for a family of four (source: <http://aspe.hhs.gov/poverty/12poverty.shtml>)

Regulations on Grandfathering

Grandfathering allows employers to maintain their 2010 health plans without being required to implement certain aspects of ACA

Criteria for Grandfathered (GF) Status

Employers can maintain grandfathered status past 2014 but are restricted from making the following changes:

- Reducing or eliminating benefits for a specific condition (e.g., diabetes or cystic fibrosis)
- Raising co-insurance charges or significantly raising co-payments and deductibles
- Significantly lowering employer premium contributions
- Materially modifying existing benefits when purchasing coverage from a different insurer

Applicable to GF & Non-GF Plans

- No lifetime limits on coverage amounts
- A maximum waiting period of 90 days for new employee coverage
- Coverage of dependent children up to the age of 26

Applicable to Non-Grandfathered Plans

- Required package of essential health benefits and full coverage of preventive services
- Limit on rate variation by age
- Limited cost sharing
- For small groups, deductible cap of \$2K for an individual and \$4K for a family
- Non-discrimination requirement

Key Benefit Provisions

New/non-grandfathered small group and individual products will be affected by new requirements

- Existing non-grandfathered small group and individual coverage will be placed on a metallic plan that are part of new rating pools
- The new rating rules allow for geographic, age and tobacco rating factors
- Specific employer group claim experience cannot be a rating factor
- Must have at least 60% actuarial value and include essential health benefits
- Rating rules expand to include groups up to 100 in 2016 & potentially large groups in 2017
- Grandfathered plans are exempt

Key Benefit Provisions (NGF small group & individual)

Rating methodology example (values are illustrative only)

Family of 4	Member 1	Member 2	Member 3	Member 4	Member 5
Dependent Age 0-20	\$63.50	\$63.50	\$63.50	\$63.50	\$63.50
Age 21	\$100	\$100	\$100	\$100	\$100
Age 31	\$115.90	\$115.90	\$115.90	\$115.90	\$115.90
Age 41	\$130.20	\$130.20	\$130.20	\$130.20	\$130.20
Age 64	\$300	\$300	\$300	\$300	\$300

Total premium: \$373.10

Contribution strategies

	Employee fixed (\$100)	Employer fixed (\$100)	Percentage (50%)
Employee portion	\$100.00	\$273.10	\$186.55
Employer portion	\$273.10	\$100.00	\$186.55

Key Benefit Provisions (NGF small group & individual)

Rating methodology example (values are illustrative only)

Family of 5	Member 1	Member 2	Member 3	Member 4	Member 5
Dependent Age 0-20	\$63.50	\$63.50	\$63.50	\$63.50	\$63.50
Age 21	\$100	\$100	\$100	\$100	\$100
Age 41	\$130.20	\$130.20	\$130.20	\$130.20	\$130.20
Age 51	\$186.50	\$186.50	\$186.50	\$186.50	\$186.50
Age 64	\$300	\$300	\$300	\$300	\$300

Total premium: \$543.70

Contribution strategies

	Employee fixed (\$100)	Employer fixed (\$100)	Percentage (50%)
Employee portion	\$100.00	\$443.70	\$271.85
Employer portion	\$443.70	\$100.00	\$271.85

Small Group, Non-Grandfathered 2014 Renewal

- All Non Grandfathered small groups will transition to metallic products on anniversaries on or after 1/1/2014.
- BCBSND will map current non-grandfathered products to the most similar small group metallic product with other available options.
- BCBSND will send renewal notices 90 days in advance of the group’s specific renewal date.
 - Inform groups of the discontinuation of their current product.
 - Overview of the new metallic product rating rules.
 - Notice will include a rating based on the most recent census.
- Account Representative will be available to review all plan options.

2014 Non-Grandfathered Product Examples :

NGF Products (Actuarial Value)	Bronze 58 - 62		Silver 68 - 72		Gold 78 - 82		Platinum 88 - 92	
Current: Classic Blue1000 (85.9)								
2014: “Platinum” (88-92)								
2014: “Gold” (78-82)								
2014: “Silver” (68-72)								
2014: “Bronze” (58-62)								

Note: The table above is a simplified representation of the visual content. In the original image, the 'Current' row for Classic Blue1000 (85.9) has a red star in the Platinum column. The '2014: Platinum' row has a yellow star and a blue double-headed arrow between the Gold and Platinum columns. The '2014: Gold' row has a green star and a blue double-headed arrow between the Silver and Gold columns. The '2014: Silver' row has a green star and a blue double-headed arrow between the Bronze and Silver columns. The '2014: Bronze' row has a green star and a blue double-headed arrow between the Bronze and Silver columns.

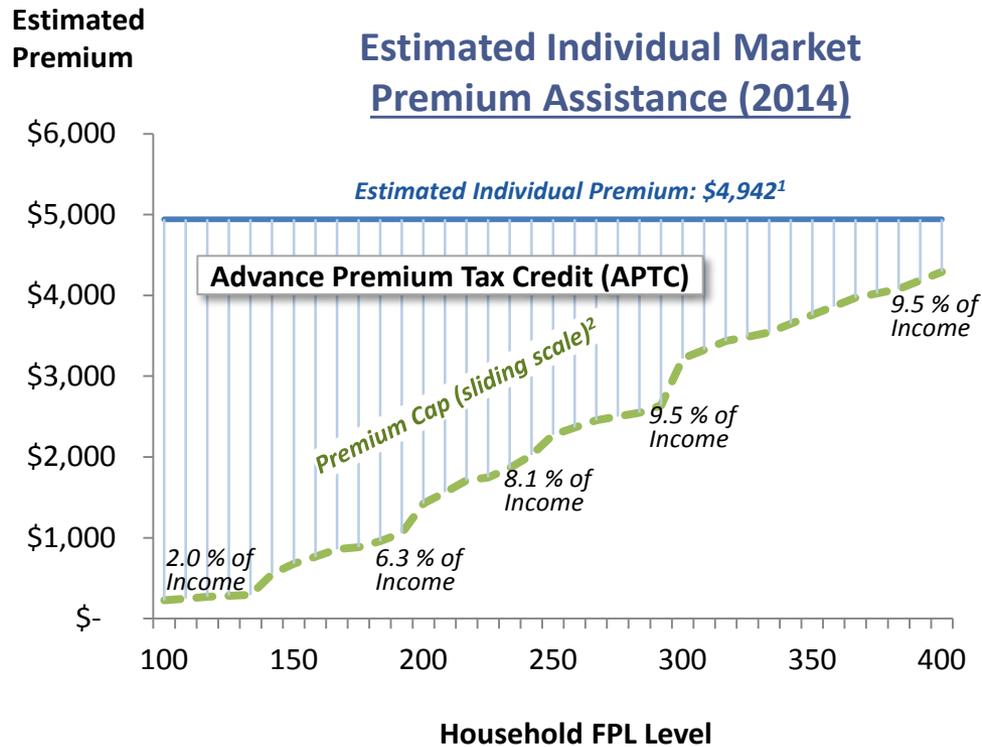
Health Insurance Exchange

Health Insurance Exchange is an online marketplace where individuals and small groups purchase health insurance within their state

- North Dakota declined to run its own exchange, the federal government will manage. Open enrollment scheduled for 10/1/2013.
 - Federal government will establish Individual and Small Group (SHOP) exchange called the “Health Insurance Marketplace” (HIM)
 - > Individual HIM: subsidies for individuals without employer-sponsored coverage
 - > SHOP HIM: no individual subsidies, but small (<25) employer tax credit
 - North Dakota expanding Medicaid eligibility to 138% of FPL
- Options limited to Standard Benefit (Metallic) Plans:
 - Bronze 60%, Silver 70%, Gold 80%, Platinum 90%
 - Catastrophic plan offering available to those under 30 years of age

Overview of Premium Subsidies

Consumers with household incomes at or below 400% of the FPL may be eligible for individual product premium subsidies on exchanges



- Subsidies will only be available through public exchanges
- Premium assistance based on premiums for the second lowest cost Silver plan
- Individuals receiving affordable single coverage from an employer are not eligible for subsidies
- Additional cost-sharing subsidies are available for:
 - Households <250% FPL
 - Native Americans <300% FPL
- APTC is based on income estimate and is reconciled on the following year's tax return

Source: BCBSA analysis

(1) Premium estimate for 2014 based on an individual between the ages of 46 and 55

(2) Premium cap as described in ACA bill, based on silver level plan

Exploring Subsidy Eligibility

Government subsidies will be based on the household income and not exclusively on the employee's salary

Scenarios: Employee Subsidy Eligibility in the Individual Market (2014)

	Employee A: Single Individual	Employee B: Family of 2
Employee Age:	50	30
Employee Salary:	\$30,000	\$30,000
Spousal Salary:	None	\$50,000
Household FPL:	265 	525 
Estimated Premium:	\$4,940	\$9,010
Government Subsidy:	\$2,525	None
Estimated Cost of Coverage:	\$2,415 (premium cap¹)	\$9,010 (full premium)

Source: BCBSA analysis

(1) Premium cap as described in ACA bill, based on Silver level plan

Potential Employer Penalties

There are two ways in which employers may be penalized in the post-reform market [*enforcement delayed until 1/1/15*]

General Penalty Criteria:¹

- Employer has at least 50 full-time equivalent employees
- One or more eligible employees purchase subsidized coverage through exchange

Employer Does Not Offer Coverage:

- Employer is penalized on all employees excluding the first 30 full time employees (30+ hours/week)

No Coverage Penalty:

\$2,000 (per full-time employee)

Employer Offers Unaffordable Coverage:

- Employer is penalized if employees' premium contributions exceed 9.5% of wages² and/or the plan covers less than 60% of health care expenses

Unaffordable Coverage Penalty:

\$3,000 (per full-time employee obtaining subsidies)

1) Penalties go into effect in 2014

2) Although the IRS has issued guidance providing a safe harbor for employers, the ACA law itself specifies that affordability be calculated based on the employee's total household income rather than the employee's wage

Preparing for 2014 *(2015 due to delay)*

Important Steps to Complete in 2013

Assess Your Readiness for ACA Requirements

1. Is Your Group an “Applicable Large Employer”?
2. Is Your Coverage Sufficient to Avoid Penalties?
 - a. Do you offer Minimum Essential Coverage in 2014?
 - b. Does your 2014 coverage provide Minimum Value?
 - c. Is your 2014 plan Affordable?
3. Do you offer Coverage to Substantially (95%) All Full-Time Employees?

Is Your Group an “Applicable Large Employer?”

Employer has more than 50 FTEs for the 12 months but is not “Applicable Large Employer” because Seasonal Employees cause FTEs to exceed 50 for <120 days.

Regulation applies standards for common law employees, hours of service and employer aggregation with special transition time periods allowed in 2013.

Employee Status	2013												Average
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Full-Time Employees (incl. Seasonal)	45	45	45	45	45	45	45	45	45	44	45	45	44.9
+													
Part-Time FTEs (<120 Hrs/Month)	3.8	3.8	3.8	3.8	3.8	3.8	3.9	4.0	3.8	3.8	3.8	3.8	3.8
+													
Seasonal FTEs (<120 Hrs/Month)	-	-	-	-	10.0	10.0	10.0	-	-	-	-	-	2.5
=													
Total FTEs With Seasonals	48.8	48.8	48.8	48.8	58.8	58.8	58.9	49.0	48.8	47.8	48.8	48.8	51
FTE Without Seasonals	49	49	49	49	49	49	49	49	49	48	49	49	
Seasonals Cause FTEs to be 50+?	No	No	No	No	Yes	Yes	Yes	No	No	No	No	No	
Average FTEs	51												
FTEs Avg 50+ due to Seasonal for <120 days?	Yes												

Minimum Value by Product

BCBSND will identify and communicate product Minimum Value status for each fully-insured and self-funded product.

Fully-Insured	Bronze	Silver	Gold	Platinum
Blue Choice				↔
Classic Blue		↔		
CompChoice		↔		
SelectChoice		↔		
Blue Saver		↔		
Basic Blue			↔	
True Blue			↔	
Educators Plus				↔
AffordaBlue	↔			

Is Your Group Coverage Affordable?

In this illustration, employees meeting thresholds in # 1 or #2 would meet the 9 ½% Affordability Safe Harbor.

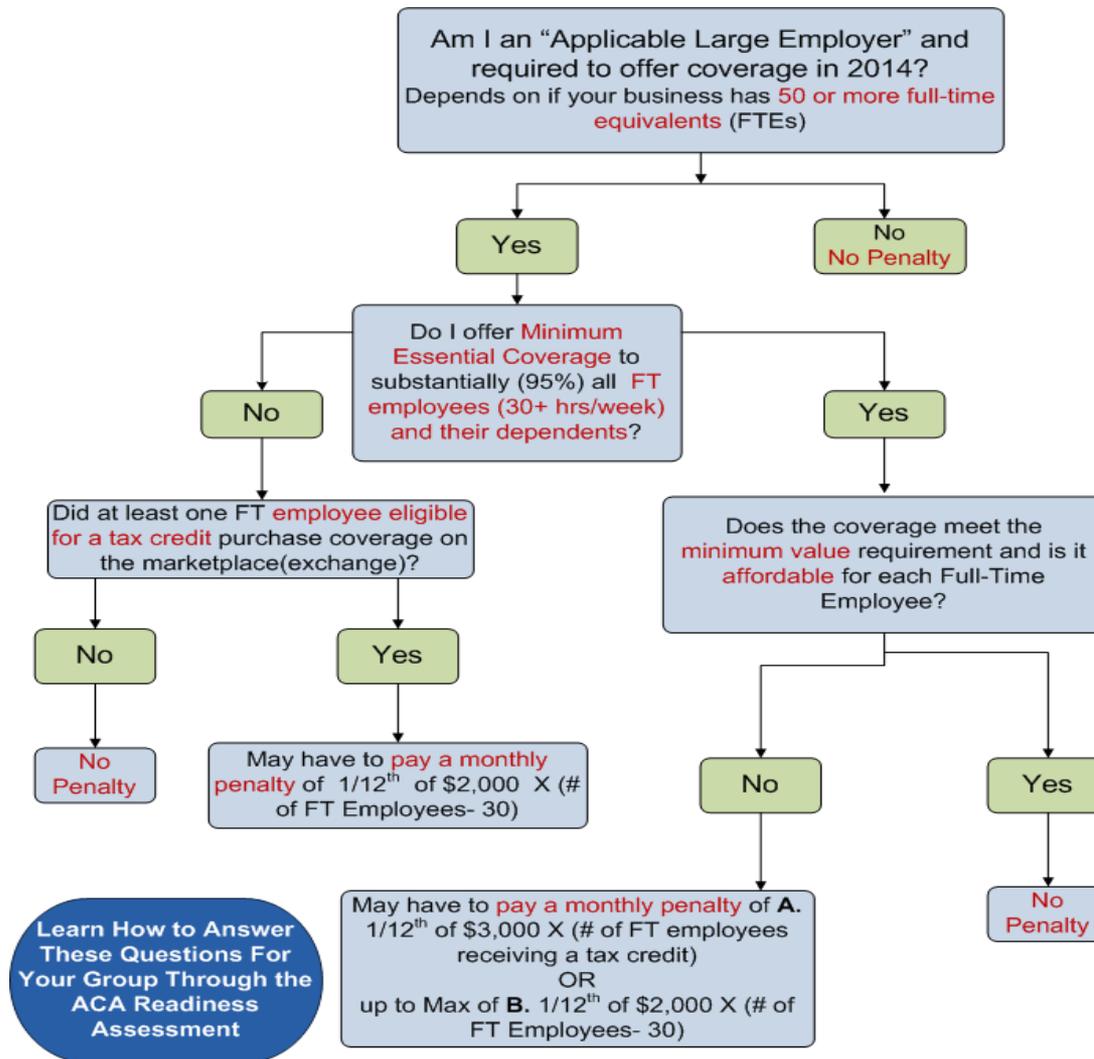
Example Group				
Full-Time Employee Affordability Example				
Affordability Safe Harbors (*Full-Time Employee Contribution to Single Premium < 9.5% of Income)				
Employer Inputs	1. Form W-2	2. Rate of Pay	3. FPL	
Hours/Week	30	30	30	
Monthly Salary (adjusted for Deferred Comp/Section 125) \$	1,125			
Wage/Hour*		\$ 8.75		
Federal Poverty Line(Annual)			\$	11,490
Employer Single Contribution	75.00%	75.00%	75.00%	
Employee Single Contribution	25.00%	25.00%	25.00%	
Monthly Single Premium	\$ 425.00	\$ 425.00	\$	425.00
Annual				
Income	\$ 13,500	\$ 13,650	\$	11,490
Hours/Month	130.00	130.00	130.00	
Premium				
Employer	\$ 3,825.00	\$ 3,825.00	\$	3,825.00
Employee	\$ 1,275.00	\$ 1,275.00	\$	1,275.00
Total	\$ 5,100.00	\$ 5,100.00	\$	5,100.00
Employee Single Premium % of Income	9.4%	9.3%	11.1%	

* This worksheet is for Illustration Purposes and should not be considered legal or tax advice. Refer to ACA Regulations and specific instructions for calculating the three Affordability Safe Harbors.

Do you offer Coverage to Substantially (95%) All Full-Time Employees?

- ACA mandates that employers offer affordable coverage to at least 95% of full-time employees working an average of at least 30 hours/week (130 hours/month) or pay a penalty
- Employer may utilize safe harbor “look-back” measurement option of up to 12 months to determine whether new variable hour and seasonal employees are full-time employees.
- Provides the option to use specified measurement and administrative periods for on-going employees and certain newly hired employees to determine future coverage period known as the stability period.
- Educational institution employees are based on hours worked during expected operating months (school year)

ACA Readiness: Pay or Play in 2014?



Employer Requirements:

Additional Taxes and Fees: Employer should begin to calculate the impact of additional taxes and fees to their plan and begin budgeting for 2014. Taxes and fees apply differently based on whether self-funded or fully-insured. Three of the taxes and fees related to ACA are described below:

- i. The Patient-Centered Outcomes Research Institute (PCORI) Fee affects fully insured and self-funded plans. Effective 2012-2019, health insurance issuers and employers sponsoring self-funded group health plans must pay \$1 per member per year for plan years ending October, 2012- September, 2013. The fee increases to \$2 per member per year in the second year. Then, the fee adjusts based on the percentage increase in the projected per capita amount of national health expenditures. Payment for 2012 is due July 31, 2013.
- ii. The Transitional Reinsurance Fee impacts both fully insured and self-funded plans. The fees are distributed to health insurance issuers in the non-grandfathered individual market that disproportionately attract individuals at risk for high medical costs. The fee is temporary and is collected from 2014-2016 and the initial year's fee is \$63/member/year or \$5.25/member/month. Self-funded groups may pay directly or have BCBSND collect and pay on their behalf. For fully-insured products, BCBSND will incorporate into premiums and pay. Full instructions are expected later this year.
- iii. Health Insurance Fee is assessed against all fully-insured business and is projected to cost BCBSND an estimated \$14M in 2014 and add approximately 1.4% to premiums. This tax grows over time and BCBSND's portion is based on its percentage of national premiums.

Employer Requirements:

Reporting Requirements:

- i. Employee Health Insurance Exchange Notification – This notification requirement is required to be mailed by October 1, 2013. This notice informs employees of the Health Insurance Marketplace (Exchange), whether their employer plan meets minimum coverage standard and how to access information.
- ii. W-2 Changes –Employers issuing more than 250 W-2s will be required to report the cost of insurance on employees' W-2 in January 2014 for 2013 tax year.
- iii. 2015 Plan Information Filing – Employers will be required to complete a filing in 2015 for the 2014 plan year. The regulations identify that detailed instructions will be provided in the future. *[Enforcement delayed]*

Health Insurance Notification

ACA requires employers to send a notice to employees with coverage options available through the Marketplace by October 1, 2013.

Key Requirements:

- i. Notice Requirement applies to employers to which the Fair Labor Standards Act (FLSA) applies. (see DOL Website & Tech. Release 2013-02 for more details) <http://www.dol.gov/ebsa/newsroom/tr13-02.html>
- ii. Employer must provide notice of coverage options to all part-time and full-time employees, regardless of enrollment status. Not required to provide notice to dependents or other eligible non-employees.
- iii. Timing and Delivery of Notice
 - a. For new employees, employer must provide notice at time of hiring and within 14 days of start date beginning on October 1, 2013.
 - b. With respect to current employees hired before October 1, 2013, employers are required to provide the notice not later than October 1, 2013
 - c. Notice must be provided in writing in a manner calculated to be understood by the average employee. It may be provided by first-class mail or electronically if DOL electronic disclosure requirements are met.
 - d. Model election notices for employers who offer and don't offer coverage are available in Appendix and on Department of Labor website. <http://www.dol.gov/ebsa/newsroom/tr13-02.html>