



# The New Health Care Mandate: Is your company compliant? Are you?

## An Overview of the Requirements

**Leah Hatch-Vallier, MPH**

Health Policy Analyst, Center for Healthcare Research &  
Transformation



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# The Reality of The Affordable Care Act

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- A significant but largely incremental law:
  - Expands both the private and public sectors: builds on the current system
  - Corrects the market
  - Includes quality and cost strategies
- Largely upheld by the Supreme Court, June 2012

# The ACA: Getting To Universal Coverage

## *Expansion of Insurance and Insurance Reform*

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### Combines mandates and tax-funded programs

- Requires essentially everyone to have health insurance
- Expands Medicaid and provides help to purchase private insurance for lower and middle class households through Marketplace
- Requires large employers to offer affordable health insurance

# The Fundamentals

## *Expansion of Insurance and Insurance Reform (cont'd)*

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- Reforms insurance practices such as exclusions for pre-existing conditions, guaranteed issue, loss ratios, coverage for children to age 26
- Expands benefits to include certain preventive care services with no cost-sharing
- Eliminates lifetime and annual limits
- Requires individual and small group plans to include certain “essential” benefits

# Essential Health Benefits

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## 10 Essential Health Benefits

1. Ambulatory patient services
2. Emergency services
3. Hospitalization
4. Maternity and newborn care
5. Mental health and substance use disorder services, including behavioral health treatment
6. Prescription drugs
7. Rehabilitative and habilitative services and devices
8. Laboratory services
9. Preventive and wellness services and chronic disease management
10. Pediatric services, including oral and vision care

## ACA: Implemented Prior to 2014

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- Children with pre-existing conditions can't be excluded from coverage
- Children up to age 26 can stay on parents' plans
- Small business tax credits
- No more lifetime caps on insurance payments
- Phase out of annual benefit limits
- Requirement to cover certain preventive services with no cost-sharing in new health plans
- Early retiree insurance program

# ACA: 2014 and beyond

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## 2014

- Individuals required to have minimum essential benefits (unless exemption applies)
- Insurance companies prohibited from:
  - Refusing coverage based on pre-existing conditions
  - Charging more due to gender or health status (in individual and small group market)
- Increase in small business tax credit
- Expand eligibility for Medicaid (April 1, 2014)

## 2015

- Employer mandate phase-in begins (employers with 100+ employees)

## 2016

- Employer mandate begins for employers with 50-99 employees

## 2018

- Tax on high-cost insurance plans (“Cadillac tax”)

# Exemptions to the Individual Mandate

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- Those who don't pay Social Security for religious reasons
- Indian tribes
- Unauthorized immigrants
- Uninsured for period of less than 3 months
  - Can be longer than 3 months if enrolled on Marketplace by close of open enrollment (March 31, 2014)
- Financial hardship

# Exemptions – Financial Hardship

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- Premium greater than 8% of income (after tax credits)
- Income below tax filing threshold (\$10,000/individual, \$20,000/family in 2013)
- Ineligible for Medicaid due to state non-expansion of eligibility
- If marketplace coverage is considered unaffordable and individual coverage has been cancelled
- Family members not eligible for tax credits that also do not have affordable employer-based family coverage (called “family glitch”)

# “Shared Responsibility Payment”

- Penalty is the *greater* of:
  - **2014:** \$95/adult (\$285/family) **or** 1% of income after tax filing threshold\*
  - **2015:** \$325/adult (\$975/family) **or** 2% of income after tax filing threshold
  - **2016 and later:** \$695/adult (\$2,085/family) **or** 2.5% of income after tax filing threshold
- Example:
  - If individual makes \$50,000/year, penalty would be 1% of \$40,000 = \$400

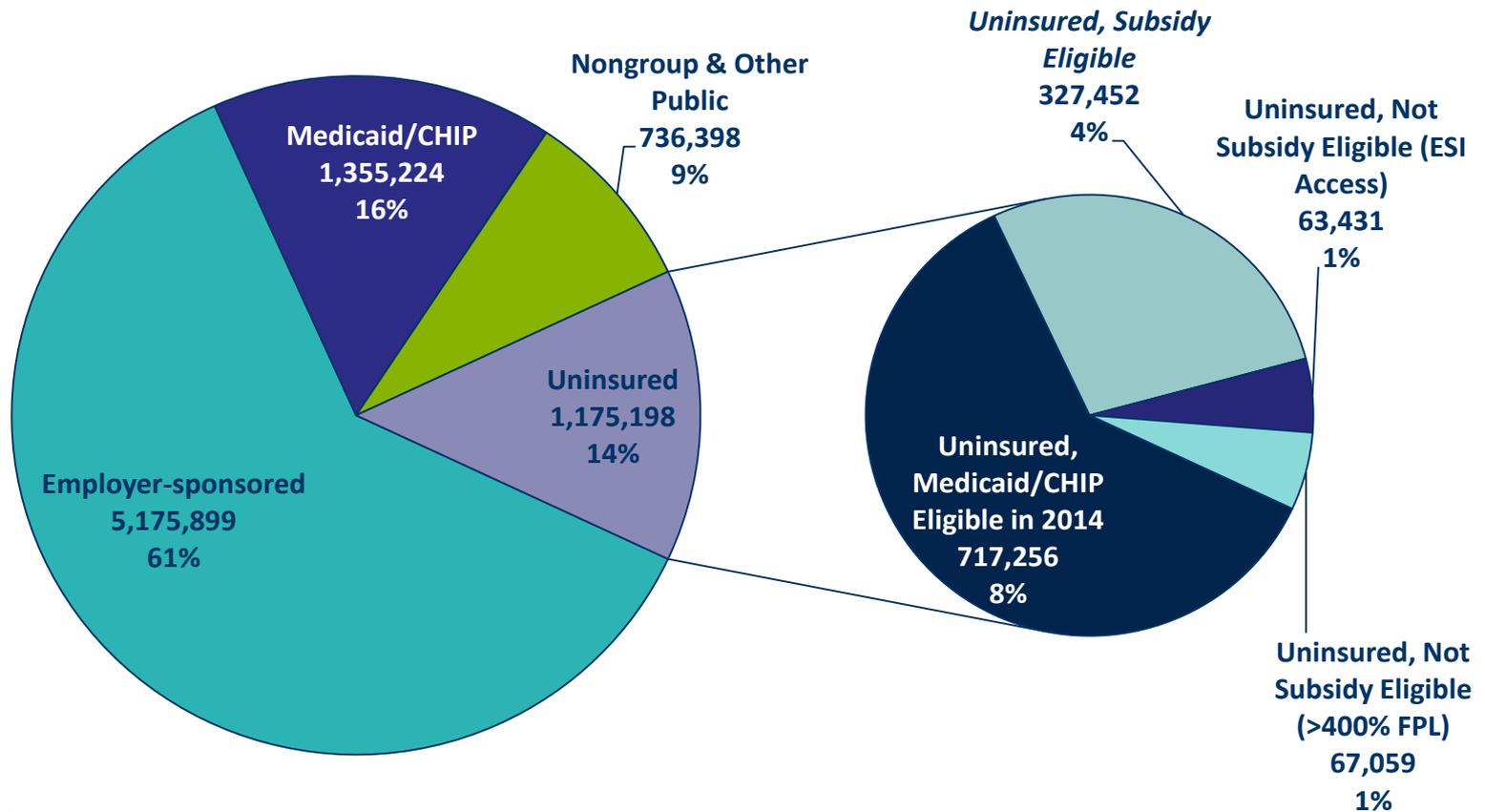


# Income Levels and Coverage Options

Percent Federal Poverty Level (FPL):	<100% FPL	100% - 138% FPL	138-400% FPL	>400%
Individual, 2013	\$0 - \$11,490 /year	\$11,490 - \$15,900/year	\$15,900- \$46,000/year	>\$46,000/ year
Family of 4, 2013	\$0 - \$23,550 /year	\$23,550 - \$32,500/year	\$32,500- \$94,200/year	>\$94,200/ year
Options	Medicaid	<ul style="list-style-type: none"> <li>• Medicaid*</li> <li>• Marketplace with possible tax credit</li> </ul>	Marketplace with possible tax credit	Marketplace with no tax credit

\*Medicaid will become available to this income group when program expands April 1, 2014

# Michigan Health Insurance Coverage and ACA Program Eligibility (Age 0-64)



# Coverage Options for Individuals: Medicaid

- **Medicaid:** State-administered health insurance program for low-income individuals and families<sup>1</sup>
- Covers package of “essential” benefits, few out-of-pocket costs
- Benefits primarily through private managed care companies
- **Expansion effective April 1, 2014:**
  - Apply online at [www.michigan.gov/mibridges](http://www.michigan.gov/mibridges), by phone (855) 789-5610, or in person at DHS office
  - Out-of-pocket costs limited to 5% of income
    - Some enrollees (100-138% FPL) must pre-pay into private account to cover out-of-pocket costs
    - Cost-sharing may be lower if enrollees engage in healthy behaviors
  - Individuals <138% FPL can enroll any time after expansion begins

<sup>1</sup> Undocumented immigrants and legal immigrants in U.S. <5 years excluded from eligibility.

# Coverage Options for Individuals: Marketplace

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- **Marketplace:** individuals can compare insurance plans based on costs/benefits
  - Each plan assigned a “metal level” (Bronze, Silver, Gold, Platinum)
  - Catastrophic plan available (individuals <30 years old or hardship exemption)
- Anyone can purchase insurance on Marketplace (except Medicare eligible)
  - Many will be eligible for premium and cost-sharing assistance
- All plans must cover essential health benefits

# Marketplace open enrollment

- Marketplace open enrollment ends March 31, 2014
  - Individuals who applied by March 31, but did not complete application, will be allowed a “limited amount of additional time” to complete it
- Next open enrollment: Nov. 15, 2014-Feb. 15, 2015
- Special enrollment periods – qualifying life events include:
  - Getting married
  - Having, adopting, or placement of a child
  - Permanently moving to new area that offers different plan options
  - Losing other health coverage\*
  - If enrolled in Marketplace coverage, change in income or household status affecting eligibility for tax credits or cost-sharing reductions
- Most special enrollment periods last 60 days from date of qualifying life event

# Premium and Cost-Sharing Assistance: 100-400% FPL

- Eligible only if no employer or government coverage available
- Tax credit to help pay for premium on Marketplace
  - Credit = benchmark premium – limit on premium
    - Limit on premium: sliding scale, 2%–9.5% income
  - Option to have all or part paid in “advance” directly to insurer
- Cost-sharing changes\*
  - **100-400% FPL:** Reduced out-of-pocket limit
  - **100-250% FPL:** Reduced average cost-sharing: 3%–24%, depending on income

# Out-of-Pocket Limit<sup>1</sup>

- Coverage beginning in 2014
  - **Self-only coverage:** \$6,350
  - **Family coverage:** \$12,700
- Until 2015
  - Insurer can impose separate out-of-pocket limits if more than one entity provides benefits
  - Non-medical coverage plans (e.g. prescription drugs) not required to implement out-of-pocket maximum in 2014<sup>2</sup>
- Deductible limits<sup>3</sup>
  - In 2014:
    - **Self-only coverage:** \$2,000
    - **Family coverage:** \$4,000

<sup>1</sup> Applies to non-grandfathered individual, small group, large group, and self-insured plans

<sup>2</sup> If plan does not have out-of-pocket limit prior to 2014

<sup>3</sup> Deductible limits apply to non-grandfathered plans and qualified health plans offered in the small group market



# Premium Assistance – Example in Washtenaw County

**45-Year-Old, Washtenaw County: Premium (Second Lowest Cost Silver) = \$300/month**

Household Income	Personal Share of Premium	Government Share of Premium
\$15,900/year (138% FPL)	\$40/month	\$260/month
\$23,000/year (200% FPL)	\$121/month	\$179/month
\$34,500/year (300% FPL)	\$273/month	\$27/month
\$46,000/year (400% FPL)	\$300/month	-

**SOURCES:** *Health Insurance Premium Credits in the Patient Protection and Affordable Care Act*, Congressional Research Service, July 9, 2013.

*Michigan Health Insurance Marketplace Premiums*, Department of Insurance and Financial Services, October 1, 2013.

# Cost-Sharing Reductions - Example

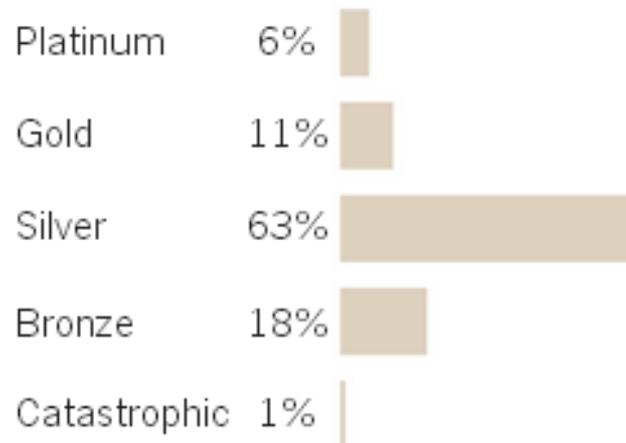
- Cost-sharing reductions increase insurance company's share of covered benefits, reduce out-of-pocket expenses

	Standard Silver – No CSR	CSR Plan for up to 150% FPL (up to \$17,235)	CSR Plan for 151-200% FPL (\$17,236- \$22,980)	CSR Plan for 201-250% FPL (\$22,981- \$28,725)
Actuarial Value	70% AV	94% AV	87% AV	73% AV
Deductible (Indiv)	\$2,000	\$0	\$250	\$1,750
Maximum OOP limit (Indiv)	\$5,500	\$1,000	\$2,000	\$4,000
Inpatient hospital	\$1,500 / admission	\$100 / admission	\$250 / admission	\$1,500 / admission
Office visit	\$30	\$10	\$15	\$30

# Marketplace Enrollment

- **U.S.:** 4.2 million enrolled by end of February
  - 75% five-month target reached
  - 943,000 signed up in February alone

## Plan Type



- **Michigan:** 144,587 enrolled through February
  - 112% five-month target reached
  - 26% are ages 18-34

# What do employers need to know?

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- Employer mandate (“play or pay”)
- SHOP Exchanges
- Affordability tests
- Essential Health Benefits
- Small business tax credits

# Employer requirements in 2015

- Employers with 100+ Full Time Equivalent (FTEs) must offer affordable coverage to  $\geq 70\%$  full-time employees
  - **FTEs** = Number of employees that work an avg. of 30 hours or more per week over 1 month (130 hours per month)
  - Includes for-profit, non-profit, and government entity employers
- Employer-sponsored coverage considered affordable if:
  - Premiums for self-only coverage do not exceed 9.5 % of employee's annual income
  - Plan covers at least 60 percent of health care expenses
- Employers NOT required to offer dependent coverage until 2016 if employer “takes steps” to offer dependent coverage in 2014/2015 and did not previously cover dependents

# Employer Shared Responsibility Payment in 2015

- Employers with 100+ FTEs:

- If employer does NOT offer coverage to  $\geq 70\%$  full-time employees and  $\geq 1$  gets tax credit, monthly penalty:

$(\# \text{ full-time employees during month} - 80) \times (1/12 \times \$2,000)$

**OR**

- If employer offers coverage to  $\geq 70\%$  full-time employees and  $\geq 1$  gets tax credit because coverage unaffordable, monthly penalty:\*

$\# \text{ full-time employees who get tax credit during month} \times (1/12 \times \$3,000)$

\*Capped at  $(\# \text{ full-time employees during month} - 80) \times (1/12 \times \$2,000)$  to prevent employers dropping coverage to lower penalty

# Employer requirements in 2016 and beyond

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- Employers with 50+ FTEs must offer affordable coverage to  $\geq 95\%$  full-time employees and dependents
- Employers with <50 FTEs NOT required to offer health insurance

# Employer Shared Responsibility Payment in 2016 and beyond

- Employers with 50+ FTEs:

- If employer does NOT offer coverage to  $\geq 95\%$  full-time employees and  $\geq 1$  gets tax credit, monthly penalty:

$(\# \text{ full-time employees during month} - 30) \times (1/12 \times \$2,000)$

**OR**

- If employer offers coverage to  $\geq 95\%$  full-time employees and  $\geq 1$  gets tax credit because coverage unaffordable, monthly penalty:\*

$\# \text{ full-time employees who get tax credit during month} \times (1/12 \times \$3,000)$

\*Capped at  $(\# \text{ full-time employees during month} - 30) \times (1/12 \times \$2,000)$  to prevent employers dropping coverage to lower penalty

# Small Business Health Options Program (SHOP)

- Marketplace where small employers can purchase qualified health plans
  - Spreads administrative costs
  - Increases purchasing leverage
  - Pools risk across multiple firms
- For small employers with <100 employees
  - States have option to limit eligibility to employers with <50 employees until January 1, 2016
- Open enrollment began October 1, 2013
  - In 2014, small businesses that purchase plans on SHOP Exchange in Michigan must choose one plan for all eligible employees
  - Must enroll in SHOP coverage directly through an agent, broker, or insurance company

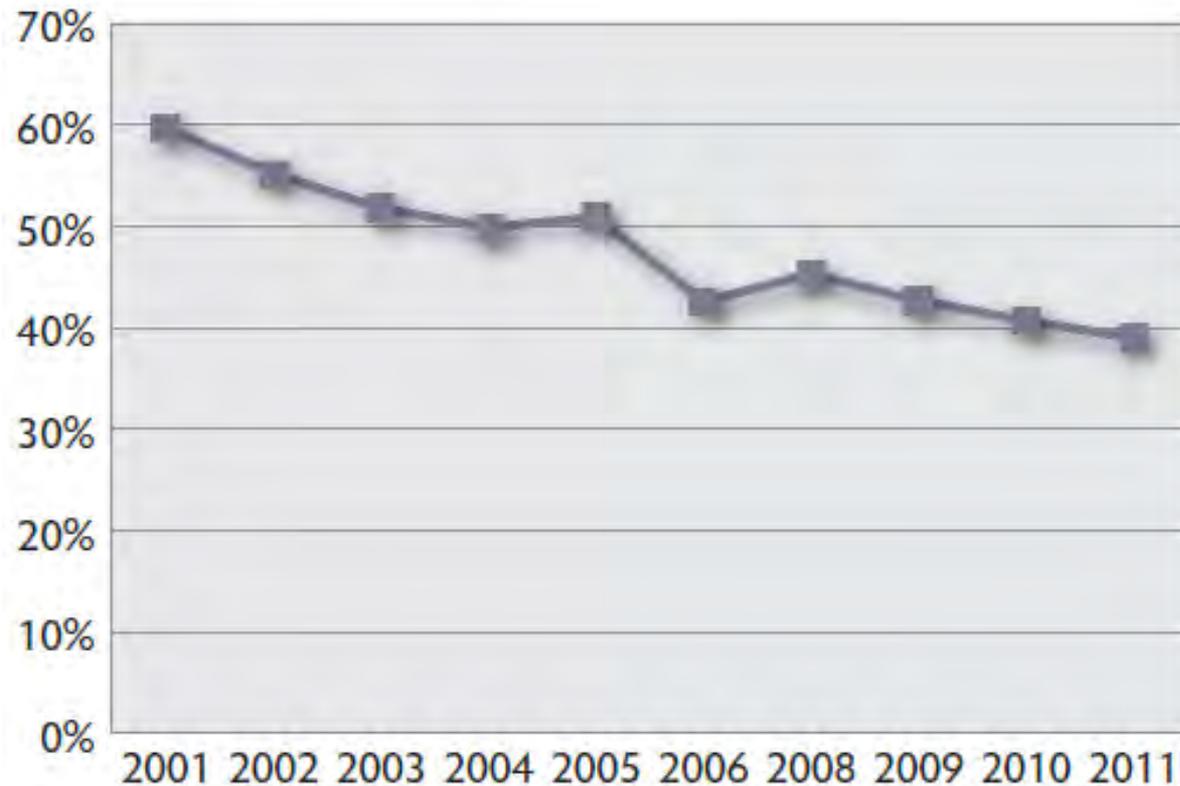
# Small Business Tax Credit

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- Tax credits to offset cost of providing coverage
  - Employers with <25 Full-Time Equivalents (FTEs) eligible if they pay at least 50% of employees' premiums
- Effective since 2010, changes in 2014
- **In 2014:**
  - For employers with less than 25 FTEs and an average taxable salary less than \$50,000.
  - Maximum tax credit = 50% of employer's share of employee premiums
  - Must purchase coverage on SHOP Exchange
  - Two year limit

# Percentage of Small Private-Sector Michigan Firms Offering Health Coverage, 2001 to 2011

**Percentage of Small Private-Sector Firms in Michigan Offering Coverage, 2001 to 2011**



# Bankruptcy in Detroit

- Detroit owes \$5.7 billion in retiree health costs
- Settlement reached, plan begins March 1:

Retiree <65 (income <\$75,000/year)	Retiree <65 (income >\$75,000/year)	Retiree's spouse (income <\$75,000 year)	Retiree >65 (NOT eligible for Medicare)	Second Lowest- Cost Silver Plan (55-year-old, Detroit)
\$175/month*	\$125/month*	\$125/month*	\$300/month	\$423/month

\*Must purchase on Health Insurance Exchange to be eligible for monthly stipend



# Contact Information

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## Center for Healthcare Research & Transformation

2929 Plymouth Road Suite 245

Ann Arbor, MI 48105

**(734) 998-7555**

**Website: [www.chrt.org](http://www.chrt.org)**

**Email: [chrt-info@umich.edu](mailto:chrt-info@umich.edu)**

**Twitter: @chrtumich**



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