

# ACA Eligibility: All About Affordability and Choosing the Right Safe Harbor

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#### Who We Are

#### BeneCo of Wisconsin, Inc.:

- A member of The Benefit Companies, a privately held company.
- Have been providing insurance and employee benefits consulting since 1971.
- A full service benefits firm serving over 1,200 companies and organizations ranging from 10 to 50,000 employees.
- Headquartered in Brookfield, WI with additional Wisconsin offices in Green Bay, and Plymouth.



#### Who We Are



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# **Today's Topics**

- Who is Subsidy Eligible?
- Employer Affordability
- The Safe Harbors
- Application
- The Penalties
- Strategies to Consider



# **Ground rules**

- Some questions may fall under
  - Haven't read
  - Haven't heard
  - Guidance not released
  - Just don't know...



# Two Ways to Look at Affordability

- □ The Subsidy Side (Employee)
  - □ Households with incomes below 400% of FPL who are enrolled in plans on the exchange are eligible for subsidies.
  - Government defines what they can afford and pays the remainder.
  - □ Sliding scale. 400% of FPL will pay no more than 9.5% of income toward exchange premiums.
- The Penalty Side (The Employer)



# Who is subsidy eligible?

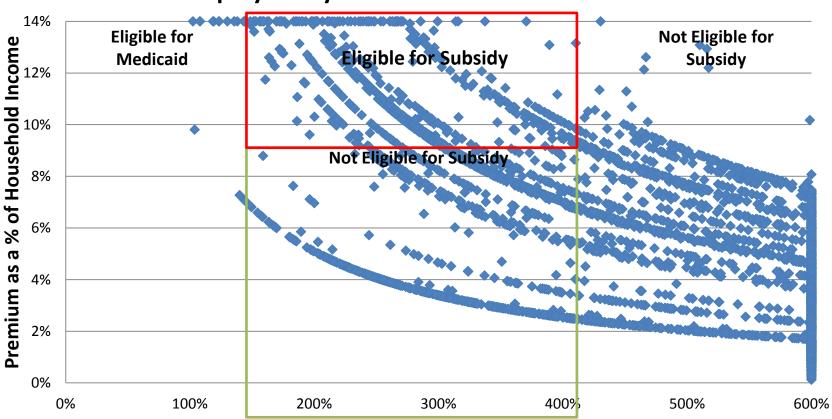
- In Wisconsin employees between 100% of FPL and 400% of FPL <u>IF</u> the employer either doesn't offer a plan or doesn't offer a plan that meets Minimum Value or the single rate exceeds 9.5% of the employee's household income. Other states 138%-400% FPL.
- FPL guidelines for 2015

<b>Household Size</b>	100%	133%	150%	200%	300%	400%
1	\$11,770	\$15,654	\$17,655	\$23,540	\$35,310	\$47,080
2	\$15,930	\$21,187	\$23,895	\$31,860	\$47,790	\$63,720
3	\$20,090	\$26,720	\$30,135	\$40,180	\$60,270	\$80,360
4	\$24,250	\$32,253	\$36,375	\$48,500	\$72,750	\$97,000



### Who is subsidy eligible?

#### **Employees by FPL and Premium Contribution**



**Employee Household Income in Relation to the Federal Poverty Level (FPL)** 



#### Sample Cases from Kaiser Family Foundation Subsidy Estimator

Age 55 Income \$40,000

#### You are likely eligible for financial help

Based on the information you provided, your income is equal to 343% of the poverty level. This means you are likely eligible for financial help through the Health Insurance Marketplace. An estimate of your cost for coverage and amount of financial help in 2015 are provided below. To find out your actual amount of financial help and to get coverage, you must go to Healthcare.gov or your state's Health Insurance Marketplace.

Estimated financial help: \$163 per month (\$1,955 per year)

as a premium tax credit. This covers

34% of the monthly costs.

Your cost for a silver plan: \$319 per month (\$3,824 per year)

in premiums (which equals 9.56% of

your household income).

The most you have to pay

for a silver plan:

9.56% of income for the second-lowest

cost silver plan

Without financial help, your silver plan would cost: **\$482** per month (\$5,779 per year)



#### Sample Cases from Kaiser Family Foundation Subsidy Estimator

Age 28 Income \$25,000

#### You are likely eligible for financial help

Based on the information you provided, your income is equal to 214% of the poverty level. This means you are likely eligible for financial help through the Health Insurance Marketplace. An estimate of your cost for coverage and amount of financial help in 2015 are provided below. To find out your actual amount of financial help and to get coverage, you must go to Healthcare.gov or your state's Health Insurance Marketplace.

Estimated financial help: \$92 per month (\$1,107 per year)

as a premium tax credit. This covers

39% of the monthly costs.

Your cost for a silver plan: \$143 per month (\$1,710 per year)

in premiums (which equals 6.84% of

your household income).

The most you have to pay

for a silver plan:

6.84% of income for the second-lowest

cost silver plan

Without financial help, your silver plan would cost: \$235 per month (\$2,817 per year)



#### Sample Cases from Kaiser Family Foundation Subsidy Estimator

# Age 60 Income \$45,000 Family of 4

#### You are likely eligible for financial help

Based on the information you provided, your income is equal to 189% of the poverty level. This means you are likely eligible for financial help through the Health Insurance Marketplace. An estimate of your cost for coverage and amount of financial help in 2015 are provided below. To find out your actual amount of financial help and to get coverage, you must go to Healthcare.gov or your state's Health Insurance Marketplace.

Estimated financial help: \$368 per month (\$4,417 per year)

as a premium tax credit. This covers

63% of the monthly costs.

Your cost for a silver plan: \$218 per month (\$2,617 per year)

in premiums (which equals 5.81% of

your household income).

The most you have to pay

for a silver plan:

5.81% of income for the second-lowest

cost silver plan

Without financial help, your silver plan would cost:

\$586 per month (\$7,033 per year)



# **Employer Affordability**

#### Penalties for not being affordable:

- Employee contributions exceed 9.5% of household income
- Penalty is lesser of \$3,000 x FTE who receives premium tax credit, or \$2,000 x FTEs (less 30 FTEs)
- Example: Employer has 200 employees. The plan is unaffordable for 40 employees. 20 of them go to the exchange and receive a subsidy (premium tax credit).
  - The employer will pay \$60,000 in non-tax deducible penalties under 4980h(b).
  - 20 subsidies X \$3,000 Penalty = \$60,000



# Important Points on the Employee Side of Affordability

- The subsidies will be significant.
- For employees where their current employer plan single rate is more than 9.56% of household income, they will likely go to the exchange AND receive a subsidy.
- If an employer does not offer a plan, they will pay a \$2,000 penalty for each eligible employee if ONE employee receives a subsidy.
- If an employer offers a plan, they will pay a \$3,000 for each employee that receives a subsidy...unless the employer passes a safe harbor.
- Plan will be notified of penalties retrospectively



# Affordability. The employer side.

- The test
- The safe harbors
- The penalties
- The small print
- Strategies



#### **The Safe Harbors**

- Affordability originally intended to be measured on household income.
- Safe harbors were provided to measure on an employee only level
  - Federal Poverty Line Safe Harbor
  - W-2 Wages Safe Harbor
  - Rate of pay Safe Harbor



### Which premium to use to determine affordability

- Premium is measured at 9.5% of income for SINGLE coverage
  - Measured on the lowest cost single plan that meets minimum actuarial value.
  - Assumes that employees do not achieve the wellness requirements, regardless of their achievement status.
  - As shown below, affordability is based on \$300 as the employee contribution for all employees, even if they are paying \$120.

Monthly Premiums								
	COBRA Rates	Non-Participant 30% Penalty	Wellness Participant	Wellness Achiever				
			Score	Score				
			0-71	71-100				
Employee	\$600	\$300	\$180	\$120				
Employee + Spouse	\$1,050	\$525	\$315	\$210				
Employee + Child(ren)	\$900	\$450	\$270	\$180				
Family	\$1,300	\$650	\$390	\$260				



# **Federal Poverty Line Safe Harbor**

- 2015 FPL is \$11,770 for a single
  - Assume all employees earn 100% of poverty level
  - Calculate contribution against the \$11,770 FPL
  - Employers can set their premium at \$93.17 regardless of employee's income and be considered affordable.

\$11,770 X 9.5% =\$1118.15 or \$93.17 Per Month Employee Premium is \$300 per month. FAIL



# W-2 Wages Safe Harbor

- Uses the employee's W-2 income (box1) for the <u>current</u> <u>year.</u>
- Does not include pre-tax contributions for 401(k) or cafeteria plans.
- Employee earning \$30,000 has \$3600 of pretax
   contributions. W-2 Box 1 = \$30,000-\$3,600 = \$26,400

\$26,400 X 9.5% =\$2,508 or \$209.00 Per Month Employee Premium is \$300 per month. FAIL



# **Rate of Pay Safe Harbor**

- Allows plan sponsors to measure using an employee's rate of pay wages.
- Hourly Employee measured using 130 hours per month (Even if working 170) and hourly rate. For an hourly employee @ \$8.25 per hour

- Salaried Employee: Use annual wages and divide by 12.
- For an employee earning \$30,000 per year

\$30,000 / 12 = \$2,500 X 9.5% = \$237.50 Employee Premium is \$300 per month. FAIL



# **Affordability Safe Harbor Application**

#### **Affordability Safe Harbor Application**

	PPO
Current Single Premium	\$300.00

Current Lowest Hourly Rate\$9.25Current Lowest Monthly Salary\$2,500Current Lowest W-2 Box 1\$27,250

#### **Rate of Pay Safe Harbor**

	Monthly Wages	Contribution as a % of Wages	Pass/Fail	Breakeven	
Hourly	\$1,203	24.9%	Fail	\$114.24	
Salaried	\$2,500	12.0%	Fail	\$237.50	

#### **Federal Poverty Line Safe Harbor**

	Annual Wages	FPL Monthly Premium	Pass/Fail
2015 FPL	\$11,770	\$93.18	Fail
	*Salaried and Hourly Combined		

#### W-2 Wages Safe Harbor

	Monthly Wages	Contribution as a % of Wages	Pass/Fail
Lowest W-2 > 30hrs	\$563	53.3%	Fail



# **Affordability**

- The penalties
  - For every employee where plan is not affordable
    - AND when employee receives federal subsidy
    - And goes to the exchange
    - AND purchases coverage
    - The plan is subject to a \$3000 non deductible penalty for each person who meets the criteria above.



### **Important Points on Affordability and Penalties**

- Less than a 9.5% of wage contribution immunizes plan from penalties
- Employees may still be eligible for subsidies due to premium costs in excess of 9.5% of household earnings
- Plan will be notified retrospectively



# **Strategies to Consider if Unaffordable**

- Roll the dice
- Lower your current premium to be affordable for your lowest paid employee that works 30 hours per week
- Provide pay increases to the lowest paid employees to create affordability
- Lower, change or eliminate wellness incentives
- Offer an additional plan option that meets ACA requirements.
  - \$4,000 deductible plan with \$6,000 OOP Max
  - Premium 9.4% of employee's income
  - FPL Safe Harbor \$92.38
  - Level set at the maximum for your lowest paid employee

There is no right answer. Strategy is impacted entirely by employee makeup and culture and philosophy.



## **Questions to Ask?**

- What is my philosophy towards paying penalties?
- How many employees are unaffordable?
- By how much are they unaffordable?
- Do I have employees eligible for subsidies?
- Does my wellness plan impact affordability?
- If I offered a second plan, how many people might migrate?
- What is the make up of my population? Tipped employees, commissioned, Hourly, Salaried?



#### What do we do now?

- Educate leadership on ACA challenges
- Get leadership on the same page
- Develop objectives
- Set 3-5 year strategy
- Leverage ACA to your advantage
- Execute
- Measure and manage



## Pulling it all together creating a long term plan

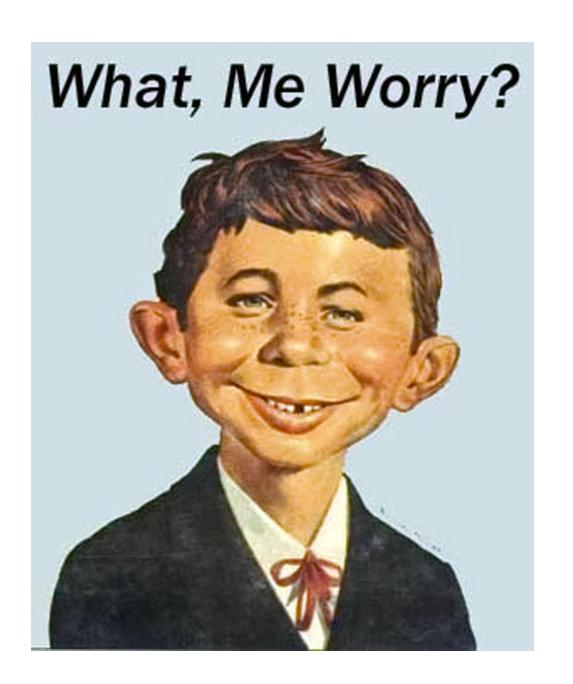
#### ABC Co Health Insurance Pro forma March 2014

				2013	2014	2015	2016	2017	2018
Plan Design									
			Ded	1000/3000	1250/3750	1250/3750	1500/4500	1500/4500	2000/6000
			Coins	90/70	90/70	90/70	90/70	90/70	90/70
			ООР	2000/6000	2500/7500	2500/7500	3000/9000	3000/9000	4000/12000
Estimated Ad	ctuarial Valu	e							
				84%	80%	80%	80%	80%	75%
Employee Co	ontributions			4 = 0 (	4.50(	2001	2224	250/	250/
				15%	15%	20%	23%	25%	25%
Wellness Inc	entives			F0/	100/	100/	100/	100/	100/
Cost				5%	10%	10%	10%	10%	10%
Total cost				\$3,080,250	\$3,385,760	\$3,588,906	\$3,876,019	\$4,186,100	\$4,437,266
Employer Cos	ct			\$3,080,250	\$3,047,184	\$3,230,015	\$3,294,616	\$3,558,185	\$3,549,813
Limployer co.	31	% Change		\$3,000,230	-1.1%	6.0%	2.0%	8.0%	-0.2%
Employee Co	st	70 Change		\$0	\$338,576	\$358,891	\$581,403	\$627,915	\$887,453
,,		% Change		7 -	7000,010	6.0%	62.0%	8.0%	41.3%
Number of co	overed emplo	_		452	452	452	452	452	452
Cost per emp	oloyee per ye	ear		\$6,845	\$7,491	\$7,940	\$8,575	\$9,261	\$9,817
		% Change			9.4%	6.0%	8.0%	8.0%	6.0%
<b>COBRA Rates</b>	S								
Monthly									
	8%/6%	Single		\$401	\$425	\$451	\$487	\$526	\$557
		Family		\$1,040	\$1,102	\$1,169	\$1,262	\$1,363	\$1,445
Annualized									
		Single		\$4,812	\$5,101	,\$5,407	\$5,839	\$6,306	\$6,685
		Family		\$12,480	\$13,229	\$14,023	\$15,144	\$16,356	\$17,337
Cadillac Tax		6: 1	640.200						
Threshold		Single	\$10,200						
Fusias tau		Family	\$27,500	ćo	60	ćo	40	40	60
Excise tax				\$0	\$0	\$0	\$0	\$0	\$0



### Noise around repeal, replace, defund, etc.

- King vs. Burwell
- Numerous legal challenges
- Bills on 30 hour rule
- Subsides for federal exchange purchase
- Budget issues
- Full speed ahead
- Time to comply





#### **BeneCo's Radio Series**



We are grateful **AM 620 WTMJ** has asked BeneCo to host a radio series to educate listeners on how best to tackle the ins and outs of the Affordable Care Act (ACA).

Focused primarily on educating: Business Owners, CEO's, CFO's and HR professionals; we will help them determine if ACA is a "Top 3" or "Top 30" business priority.

Tune in to hear us discuss critical ACA challenges to business. Last WTMJ episode aired Saturday March 7<sup>th</sup>.

For that podcast or others: http://www.benefitsinc.com/beneco-wisconsin/podcast-request/



### **BeneCo's Webinars**

Topic	Date	Time
ACA: Creating a Safe Harbor Medical Plan to Immunize You Plan From Penalties	6/3/2015	10:30-11:30
Strategic Rx Spend Management	7/15/2015	10:30-11:30
When Does it Make Sense For My Plan to Pay Penalties?	8/12/2015	10:30-11:30

#### To Register:

http://www.benefitsinc.com/beneco-wisconsin/aca-webinars/



## **BeneCo's Strategy Minutes**

- Short videos on benefits topics of the week.
- Delivered once per week
- Examples:
  - Wellness and the EEOC
  - What to do about Seasonal Employees?
  - Private Exchanges
  - Stoploss Contracts and Coverage under the Stability Period



Check out our website for the most recent and archived versions <a href="http://www.benefitsinc.com/beneco-wisconsin/aca-strategy-minutes/">http://www.benefitsinc.com/beneco-wisconsin/aca-strategy-minutes/</a>



# **ACA Impact Study**

#### **ACA Impact Study**

- How will ACA impact my organization?
- What do I need to plan for?
- Free initial consultation
- Fee for service basis based on plan complexity

#### **ACA Sustainability Analysis**

- How do I create a long term sustainable ACA cost strategy and still comply?
- Fee for service basis based on plan complexity



### Ask us about Haiti...

 The work: Orphan care and sponsorship, tent city refugee relocation and community development, microenterprise other ministry opportunities

To get more info or engage in some way, drip us an email, or to get a glimpse of the work got to <a href="https://www.newlife4kids.org">www.newlife4kids.org</a> or <a href="https://www.missiondiscovery.org">www.missiondiscovery.org</a>





#### For Follow up Information or Questions



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# Questions?