



Health Reform Update for Employer Sponsored Health Plans

2014 Summary

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- State based insurance exchanges
- Subsidies for low and middle income individuals
- Employer mandate or “Play or Pay”

- Subsidies for individuals purchasing health insurance through the exchange
 - Premium tax credits & cost sharing reduction for individuals purchasing coverage in an exchange
 - Available to individuals with income up to 400% of Federal Poverty Level (FPL)
 - 2010 = \$43,320 for individual, \$88,200 family of four
 - Not available to individuals offered qualifying employer provided coverage at “affordable cost”
 - Affordable is defined as employee premium no more than 9.5% of the employee’s household income

⊗ Employer Mandate or “Free Rider Penalty”

- Applies to employers with 50 or more employees
- Full-time employees defined as 30 hours/week
- Employers not required to offer health insurance but will pay a penalty if certain conditions are met
- Penalty applies if an employee opts out of employer plans and purchases coverage and receives a subsidy or cost sharing reduction through an exchange

- ❖ Employers who offer coverage to all full-time employees
 - Penalty = \$3,000/yr (\$250/mo.) for each employee who purchases subsidized coverage through an exchange
- ❖ Employers who do not offer coverage to all full-time employees
 - If at least one employee purchases subsidized coverage through the exchange
 - Penalty = \$2,000/yr (\$166.67/mo) multiplied by the total number of FTEs (not counting first 30 EEs)

Example 1 - Employers who offer coverage to all full-time employees

- 100 employees
 - Employee mo. Contribution S=\$150 F=\$400
- 5 employees qualify for subsidy and purchase coverage through an exchange
 - 2 FT single employees earning \$18,000/yr
 - \$1500 mo income ÷ \$150 premium = 10% of income
 - 3 FT employees with families earning \$42,000/yr
 - \$3,500 mo income ÷ \$400 premium = 11.4% of income
- Employer penalty = \$1,250/mo

- Example 2 - Employers who do not offer coverage to all full-time employees
 - 100 employees
 - If at least 1 employee qualifies for subsidy and purchases coverage through an exchange
 - Employer penalty $70 \times \$166.67 = \$11,666.90/\text{mo}$

Employer Mandate or “Play or Pay” Plan Design Considerations...

- Adjust employer contribution to minimize penalty
- Eligibility rules (i.e. 30 hours or more)
- Number of employees working full-time vs. part-time
- Offer low cost plan option