

## Health Care Reform

*Connecting the Dots*



# Health Insurance and Penalty (HIP) Calculator and Analysis

The report shows the effects of health reform on the employer's current health care benefit costs compared to the post reform world.

# Simulation Key Assumptions

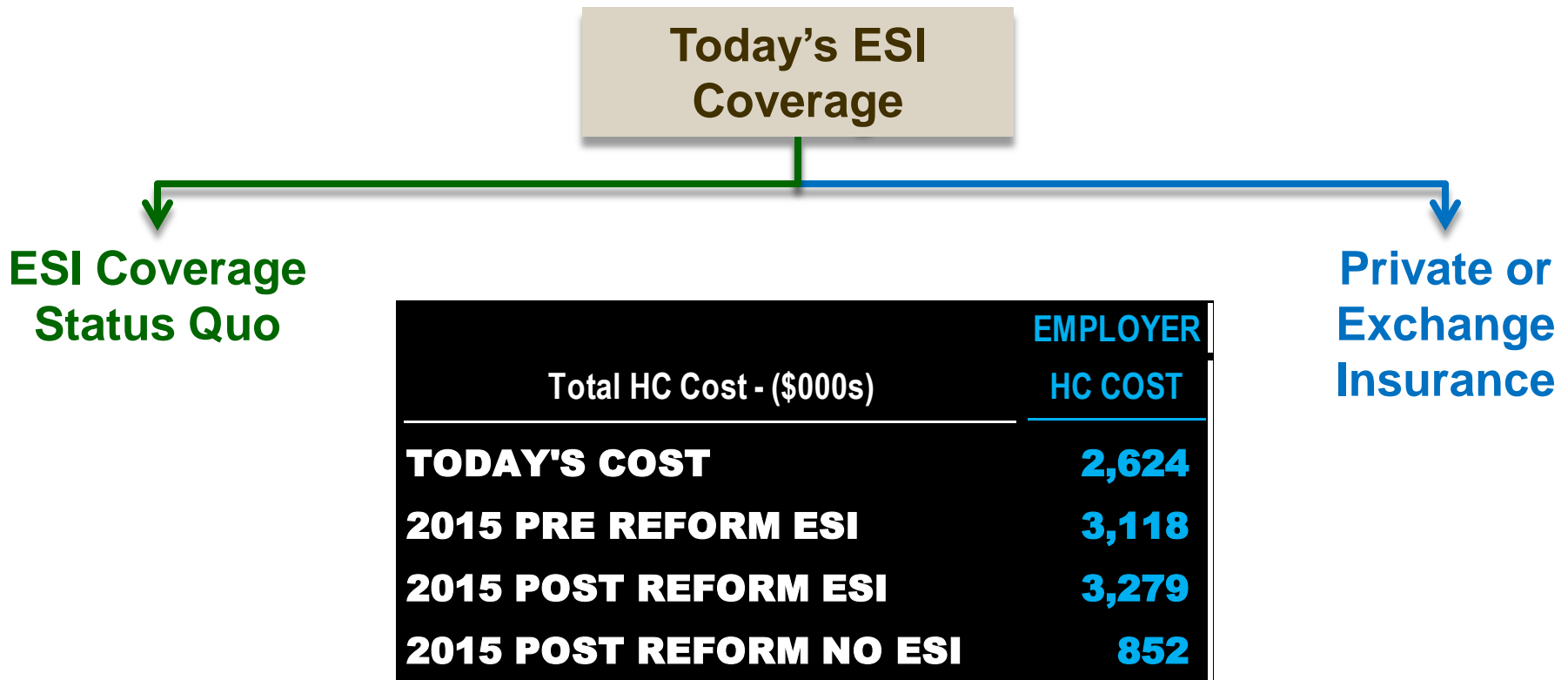
Assumption	Base Case	Assumption Range
State Medicaid Expansion	Yes	Yes, No and Undecided
Health Insurance Exchange	Federal	State, Federal, and Partnership
Organization Tax Structure	Non Profit	For Profit / Non Profit
Today's Waived Employees	100% Converted	Waived / Insured based off Today's Insurance
Premium Annual Increases	9%	2% to 12% per Year
Employee Salary Inflation	2%	0% to 5% per Year
Exchange Premium	\$7,839 Historical Avg	Based upon ESI Historical Average
Transitional Reinsurance Fee	Not Included	Est. \$63 per plan enrollee (EE +dependents)

# Simulation Scenarios

- **2015 Pre-Reform ESI** – Employer’s current year ESI premium cost increased by projected annual premium growth and health care utilization (volume growth) BEFORE health reform impacts
- **2015 Post-Reform ESI** – 2015 ESI insurance premium cost including growth in premium costs and health reform impacts (e.g. penalties)
- **2015 No ESI** – 2015 Scenario where an employer either does not offer health insurance to its employees or selects to discontinue offering health insurance coverage. This may result in employees purchasing insurance through the Exchange.

# What Does This Mean?

- Real costs **are** at stake
- Beginning 2015, there is a fork in the road



# Employer Health Insurance and Penalty (HIP) Costs

Impact of Employer Health Insurance Reforms		HEALTH REFORM SUBSIDIES IMPACT ON HEALTH COSTS			
		(\$000s)	Today's Cost	2015 Offer Coverage	2015 Drop/Don't Offer
Full-Time Employees	456 (411 Insured / 45 Waived)	-			
Total Staffed	533 (9 PT Insured/68 PT No ESI)				
2015 PPACA FTEs	494				
<b>HEALTH REFORM KEY DRIVERS</b>					
<b>Single Coverage Employer Premium Cost</b>					
2015 Average Single Employer Cost	\$ 3,942	Baseline Premium Cost	\$ 2,624	\$ 2,624	\$ 2,624
Current Employer Contribution %	78%	2013-2015 Premium Increase (9.0% / Yr)	-	494	494
<b>Medicaid Eligible Employees</b>		Pre-Reform Projected Premium Cost	2,624	3,118	3,118
Total FT Medicaid Enrollees	4	Tax Adjusted Premium Costs	1,706	2,027	2,027
Employer Estimated Cost Savings	\$ 12 (\$000s)	<b>PLUS: Additional Reform Impact</b>			
<b>Employer Unaffordable Coverage Penalty</b>		Previously Waived FT Employees	-	173	-
Subsidy Eligible Full-Time Employees	-	Penalty: Subsidy Eligibles & ESI	-	-	-
Subsidy (\$3,000)	\$ 3	<b>Health Reform Increased Cost</b>	-	173	-
<b>Estimated Subsidy Penalty</b>	\$ - (\$000s)	<b>LESS: Previous Premium Liabilities</b>			
% Total Full-Time Employees	0.0%	Medicaid Employee ESI	-	(12)	-
<b>Employer No ESI Insurance Penalty</b>		Subsidy Eligible FT Employees ESI	-	-	-
Total Full-Time Employees	456	<b>Health Reform Decreased Cost</b>	-	(12)	-
Less: 30 Employees	(30)	<b>No Minimal Essential Coverage</b>			
<b>Adjusted Full-Time Employees</b>	<b>426</b>	Less: 2015 Inflation Adjusted HC Cost	-	-	(3,118)
No Insurance Penalty (\$2,000)	\$ 2	Plus: Subsidy Eligible Penalty	-	-	852
<b>Estimated Subsidy Penalty</b>	<b>\$ 852 (\$000s)</b>	<b>Health Reform No ESI Cost</b>	-	-	<b>(2,266)</b>
2015 Pre Reform Projected HC Costs	\$ 3,118 (\$000s)	<b>Post Reform HC Costs</b>	\$ 2,624	\$ 3,279	852
Estimated Net Savings	\$ 2,266 (\$000s)	<b>HC Cost Change to 2015 Projected</b>		\$ 161	\$ (2,266)
		<b>% HC Cost Change to 2015 Projected</b>		5%	-73%
		<b>Tax Adjusted HC Costs</b>	\$ 1,706	\$ 2,131	852

# Maintain ESI Scenario — Current Cost vs. 2015 ESI Cost

## 2015 Post-Reform ESI Scenario includes:

1. Additional premium cost for previously-waived employees
2. 9% Annual Premium Growth
3. Penalties for subsidy-eligible
4. Transitional reinsurance Exchange per enrollee fee (2014-2016)
5. Employer premium savings for subsidy & Medicaid-eligible
6. Premium deductibility impact (if applicable)

**Net Reform Impact =  
\$161K Increase**

HEALTH REFORM SUBSIDIES IMPACT ON HEALTH COSTS			
- (\$000s)	Today's Cost	2015 Offer Coverage	2015 Drop/Don't Offer
<b>Baseline Premium Cost</b>	\$ 2,624	\$ 2,624	\$ 2,624
2013-2015 Premium Increase (9.0% / Yr)	-	494	494
<b>Pre-Reform Projected Premium Cost</b>	2,624	3,118	3,118
<b>Tax Adjusted Premium Costs</b>	1,706	2,027	2,027
<b>PLUS: Additional Reform Impact</b>			
Previously Waived FT Employees	-	173	-
Penalty: Subsidy Eligibles & ESI	-	-	-
<b>Health Reform Increased Cost</b>	-	173	-
<b>LESS: Previous Premium Liabilities</b>			
Medicaid Employee ESI	-	(12)	-
Subsidy Eligible FT Employees ESI	-	-	-
<b>Health Reform Decreased Cost</b>	-	(12)	-
<b>No Minimal Essential Coverage</b>			
Less: 2015 Inflation Adjusted HC Cost	-	-	(3,118)
Plus: Subsidy Eligible Penalty	-	-	852
<b>Health Reform No ESI Cost</b>	-	-	(2,266)
<b>Post Reform HC Costs</b>	\$ 2,624	\$ 3,279	852
<i>HC Cost Change to 2015 Projected</i>		\$ 161	\$ (2,266)
<i>% HC Cost Change to 2015 Projected</i>		5%	-73%
<b>Tax Adjusted HC Costs</b>	\$ 1,706	\$ 2,131	852

# No ESI Scenario Comparison — Today's ESI Cost vs. 2015 No ESI

## 2015 No ESI Scenario

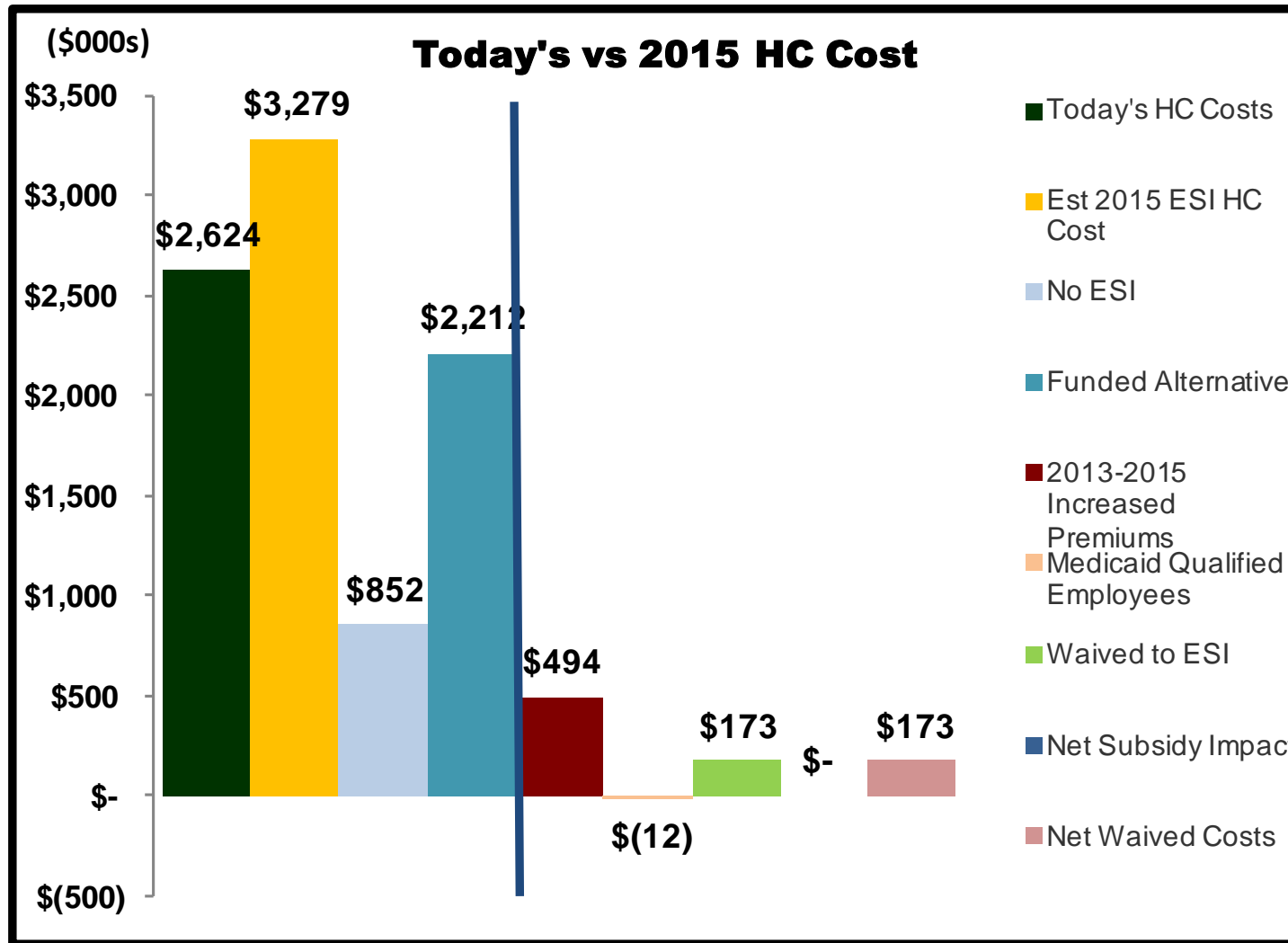
### Scenario includes:

1. Employer penalty for not offering insurance, if subsidy eligible
2. Employees purchase insurance through the Exchange or private market
3. Potential reduced cost for subsidy-eligible employees through Exchange

**Net Reform Impact =  
\$2.2M Decrease**

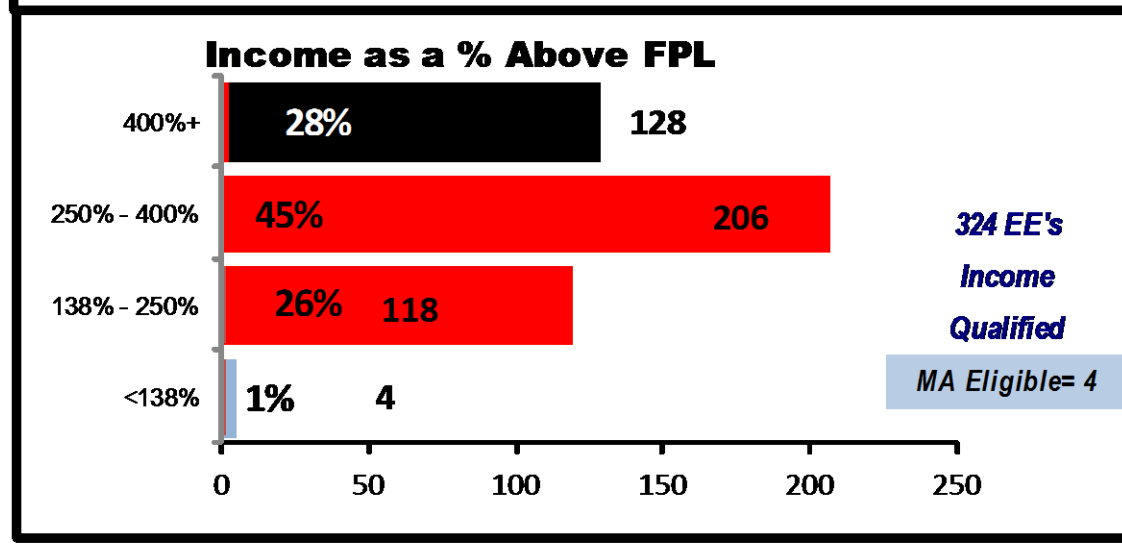
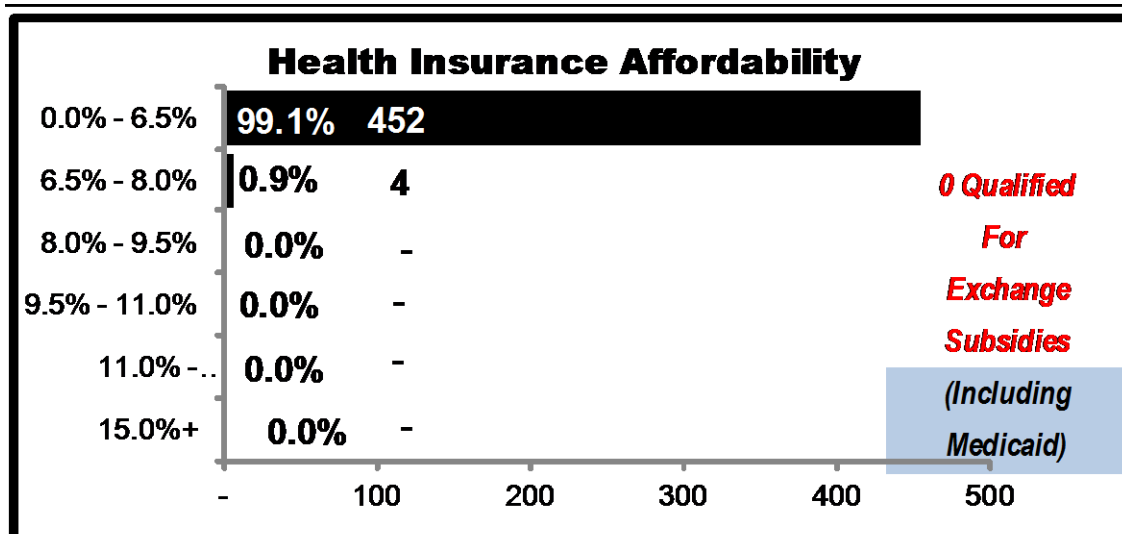
HEALTH REFORM SUBSIDIES IMPACT ON HEALTH COSTS			
(\$000s)	Today's Cost	2015 Offer Coverage	2015 Drop/Don't Offer
Baseline Premium Cost	\$ 2,624	\$ 2,624	\$ 2,624
2013-2015 Premium Increase (9.0% / Yr)	-	494	494
<b>Pre-Reform Projected Premium Cost</b>	<b>2,624</b>	<b>3,118</b>	<b>3,418</b>
<b>Tax Adjusted Premium Costs</b>	<b>1,706</b>	<b>2,027</b>	<b>2,027</b>
<b>PLUS: Additional Reform Impact</b>			
Previously Waived FT Employees	-	173	-
Penalty: Subsidy Eligibles & ESI	-	-	-
<b>Health Reform Increased Cost</b>	<b>-</b>	<b>173</b>	<b>-</b>
<b>LESS: Previous Premium Liabilities</b>			
Medicaid Employee ESI	-	(12)	-
Subsidy Eligible FT Employees ESI	-	-	-
<b>Health Reform Decreased Cost</b>	<b>-</b>	<b>(12)</b>	<b>-</b>
<b>No Minimal Essential Coverage</b>			
Less: 2015 Inflation Adjusted HC Cost	-	-	(3,118)
Plus: Subsidy Eligible Penalty	-	-	852
<b>Health Reform No ESI Cost</b>	<b>-</b>	<b>-</b>	<b>(2,266)</b>
<b>Post Reform HC Costs</b>	<b>\$ 2,624</b>	<b>\$ 3,279</b>	<b>852</b>
<i>HC Cost Change to 2015 Projected</i>		\$ 161	\$ (2,266)
<i>% HC Cost Change to 2015 Projected</i>		5%	-73%
<b>Tax Adjusted HC Costs</b>	<b>\$ 1,706</b>	<b>\$ 2,131</b>	<b>852</b>

# Employer Cost Components





# Employee Exchange Subsidy Eligibility Factors

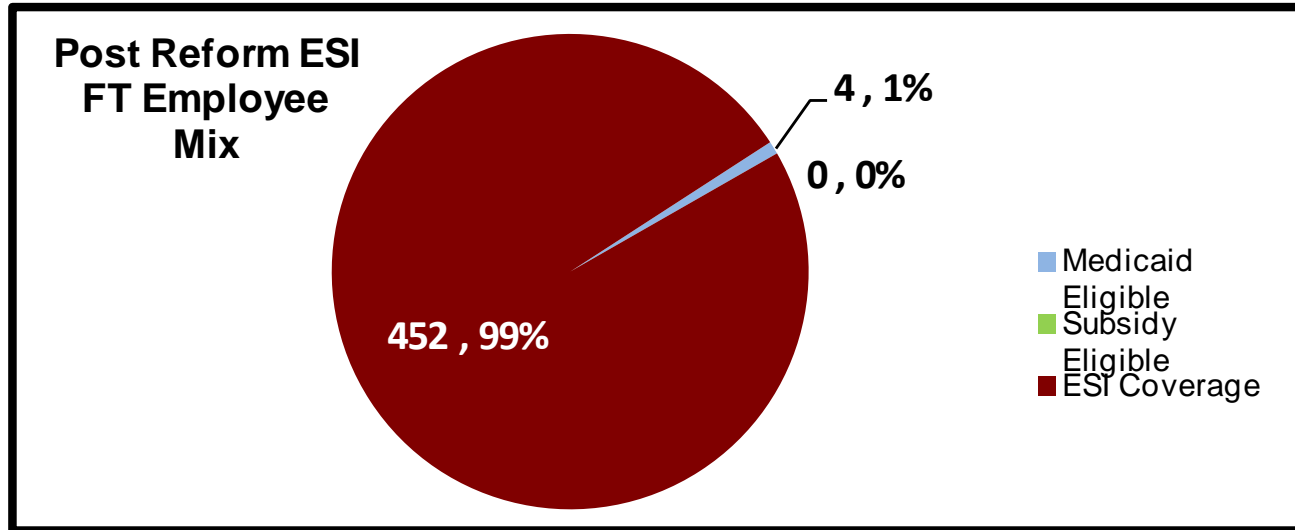


**Exchange Subsidy Eligibility =**

ESI Affordability  
+  
Income between 138-400% FPL

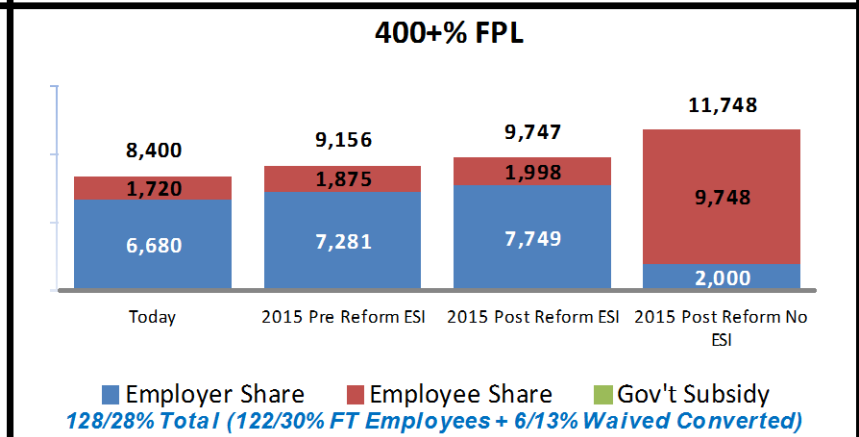
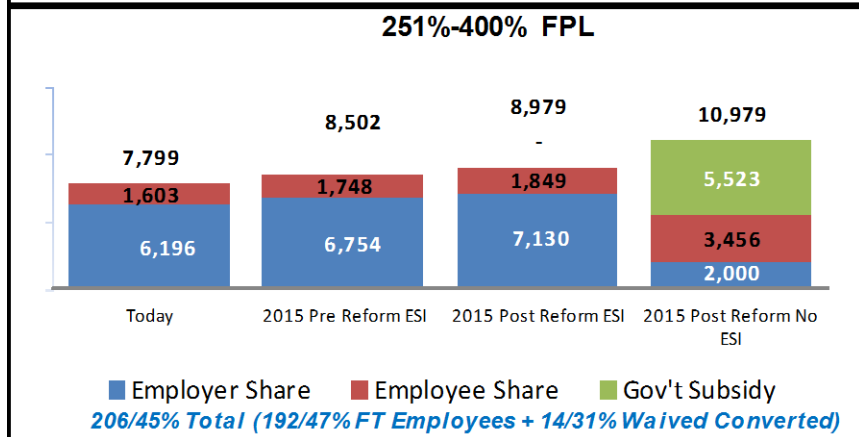
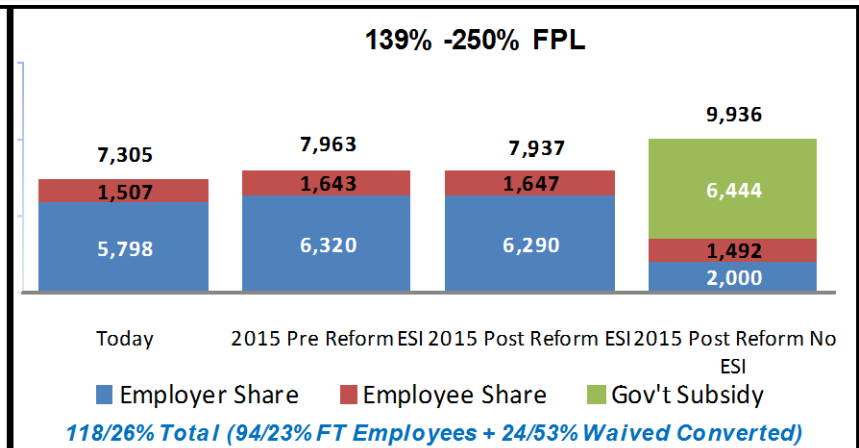
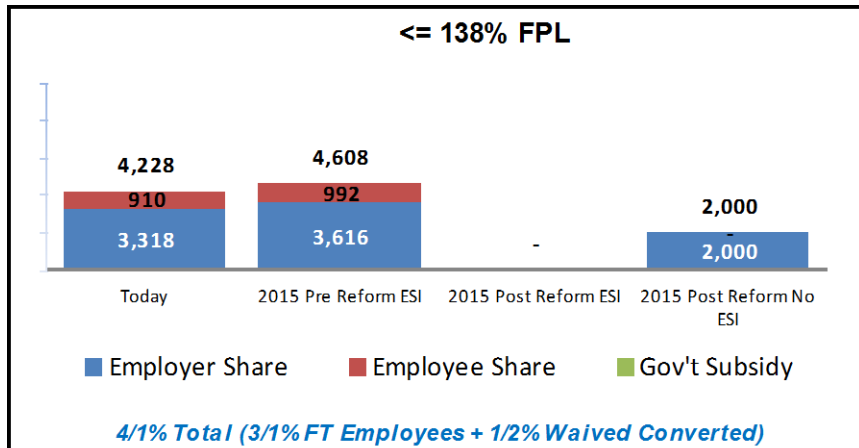
In 2015, employer pays penalty when a FT employee is eligible for Exchange Subsidy.

# 2015 Coverage Breakdown



*We estimate none of your full-time employees will be eligible for Exchange subsidies, 4 employees eligible for Medicaid, and the remaining 99% enrolled in ESI.*

# Average Premium Cost Per Employee Perspective



# Cost Sharing Subsidies

- **Federal government will pay insurers to reduce the cost sharing for individuals:**

- Enrolled in a silver-level plan through an Exchange and
- Whose household income is between 100-250% FPL

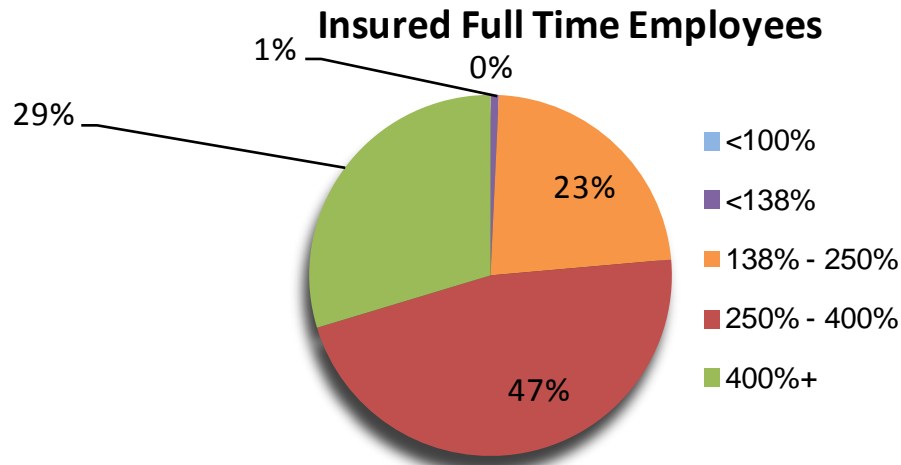
Household Income as % of FPL	Cost-Sharing Reduction
100-200% FPL	Two-thirds
200-250% FPL	50%

- **Reductions don't apply to benefits not included in the federal definition of "essential health benefits."**

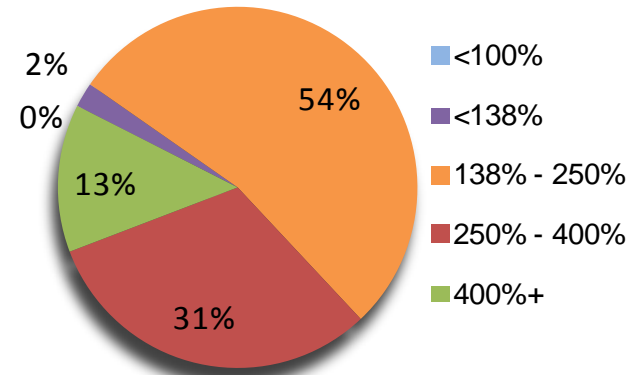
# Key Cost Drivers

- **Waived employees** : 45 or about (1%) of full-time employees waive ESI today and as such, do not cost the employer anything today. In 2015, due to the individual mandate, we would anticipate them to enroll in ESI at a net additional cost of **\$173,000**.
- Roughly 71% of FT employees would income qualify for Exchange Subsidies
- **Penalties are not a penalty**: The employer's current contribution toward employee premiums exceeds the \$2,000 and \$3,000 annual per employee penalty. Therefore, for each employee that goes to the Exchange, the employer incurs a net savings.

# Breakdown of Covered Employees by Income



### Waived to Insured



# Achieving a Win / Win?

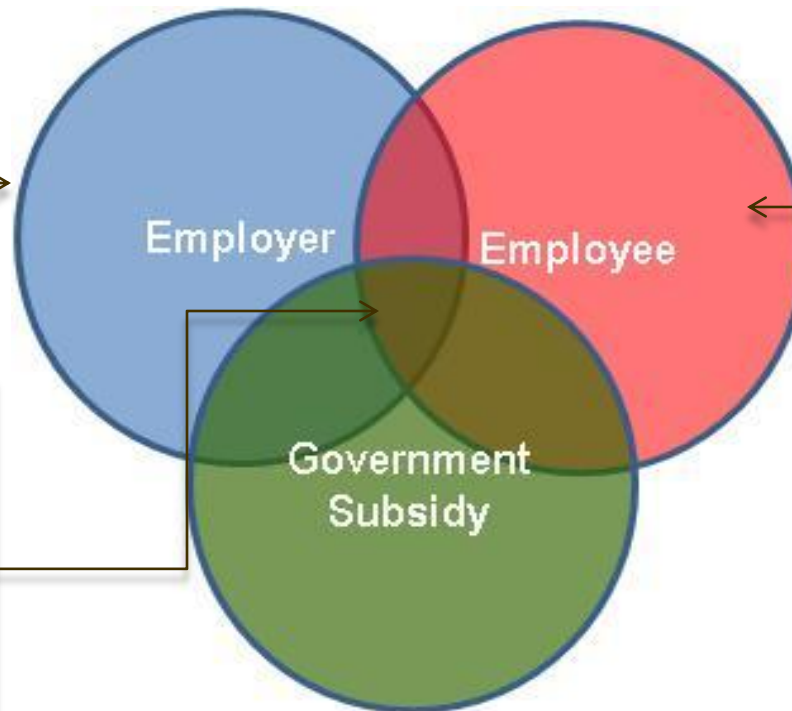
Opportunities **may** exist where **“WIN / WIN”** scenarios for **both** employers and employees may be constructed.

## Employer Wins

- 1) Profitability
- 2) Competitive Workforce

## Employee Wins

- 1) Adequate Insurance
- 2) Affordable Coverage



## WIN / WIN

Where **Employer** & **Employee** interests meet, & **Government** subsidies are maximized

# Employer Considerations — Maintain Coverage

This scenario results in a roughly **\$161,000 increased cost** to the organization over current costs.

- 4 employees Medicaid eligible.
- Employees earning between 139-400% FPL (71% of employees) are ineligible for subsidies because ESI is affordable for them so they would continue to benefit from employer contributions toward their coverage.
  - If the employer were to reduce its contribution toward ESI, thereby, making it less affordable for some of the lower wage earners, some of these individuals would be eligible for Exchange subsidies.
- Employees earning more than 400% FPL would continue to benefit from employer contributions toward their premiums.



# Employer Considerations — No Employer-Sponsored Insurance

This scenario represents the lowest cost option under the current provisions of health reform resulting in a **\$2.2M decrease**.

- **Impact on employees earning less than 139% FPL (4 employees)**: This group will pay less as they are projected to be eligible for Medicaid.
- **Impact on employees earning 139-250% FPL (26% of employees)**: This group is estimated, on average, to pay less for coverage through the Exchange vs. ESI, as they are eligible for sliding scale subsidies based upon their income.
- **Impact on employees earning 251-400% FPL (45% of employees)**: This group is also eligible for Exchange subsidies and will, on average, pay more for Exchange premiums than they are required to contribute today.
- **Impact on Employees earning more than 400% FPL (28% of employees)**: This group will be disproportionately disadvantaged because they are not eligible for any Exchange subsidies and so will bear the full premium cost.

# 2015 Employer-Funded Alternative Strategy

The funded alternative analysis identifies the costs associated with making an employee whole if the employer no longer offers ESI.

2015 Employer Funded Alternative					
	Avg - ESI EE Costs	Avg - No ESI EE Costs	Difference	# EE's	Total
139% -250% FPL	1,643	1,492	0	118	0
251%-400% FPL	1,748	3,456	1,708	206	351,848
400%+	1,875	9,748	7,873	128	1,007,744
<b>Employer Alternative</b>				<b>452</b>	<b>1,359,592</b>
Estimated Subsidy Penalty					852,000
<b>Estimated Total Employer Costs with Funded Alternative</b>				<b>452</b>	<b>2,211,592</b>

# Other Considerations

## Cadillac Plan Tax (2018)

- 40% excise tax assessed on health insurer or plan administrator offering “high-cost” health coverage
- “High cost” = annual premium
  - > \$10,200 single coverage
  - > \$27,500 family coverage
- Tax assessed on premiums in excess of the thresholds

## ESI Total Premium

- **Single 2013 = \$4,228**
- **Family 2013 = \$9,586**
- Single and family coverage premiums may exceed the threshold in 2018 triggering the 40% excise tax

# Questions?



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## Thank you!

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