



# **The Affordable Care Act: Its Impact on Individuals and Employers in 2013-2014**

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February 2013



# Disclaimer

Legal, tax and compliance issues surrounding the Affordable Care Act are complicated and evolving. Nothing in this presentation should be taken as legal or tax advice, and all opinions expressed are that of Community Health Choice, Inc. and its leadership only. Please consult with your own advisors for specific legal or tax guidance or advice.

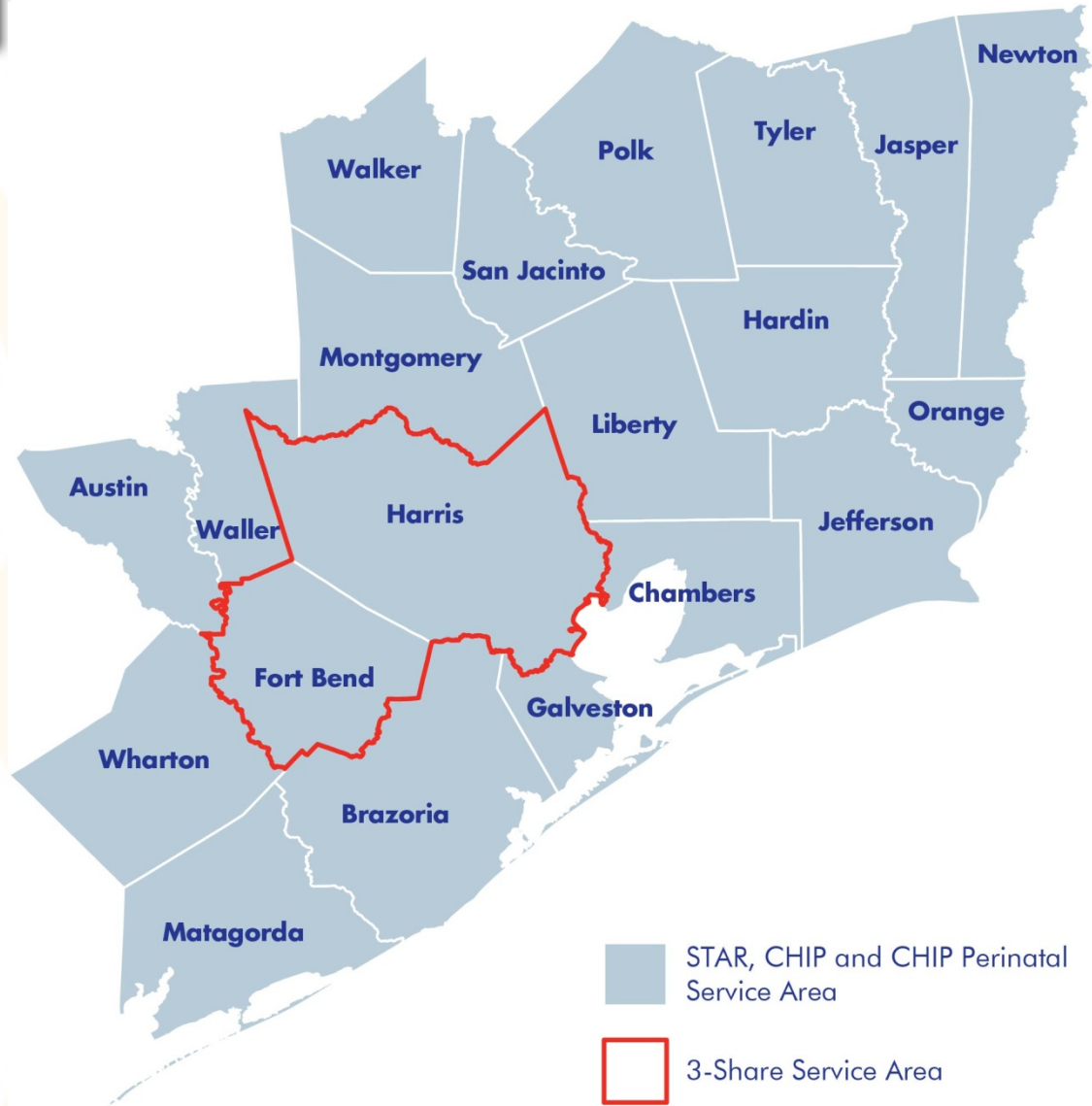


# About CHC

- Non-profit Health Maintenance Organization licensed by the Texas Department of Insurance
- Affiliate of the Harris County Hospital District
- Serves over 230,000 Members with the following programs:
  - **Medicaid:** State of Texas Access Reform (STAR) program for low-income children and pregnant women
  - **CHIP:** Children's Health Insurance Program for the children of low-income parents—includes CHIP Perinatal benefits for unborn children of pregnant women who do not qualify for Medicaid STAR
  - **3-Share Plan:** TexHealth Harris County 3-Share Plan that subsidizes the premiums of a limited benefit plan for previously uninsured, low-income employees of small businesses



# CHC Service Area Map





# Health Reform 101



# Basics of the ACA

- Affordable Care Act (ACA): health reform law passed in 2010; most provisions effective January 1, 2014
- Individual requirement: all individuals, with certain exceptions, are required to either have health insurance coverage or pay a fee
- Employer requirement: large employers (50 or more employees) must provide coverage or pay a fee
- Insurance reforms starting in 2014:
  - No pre-existing conditions
  - Limits on rate variations (no medical underwriting, no gender based rates)
- Supreme Court affirmed constitutionality in June 2012, but Medicaid expansion is a state-by-state option



# Essential Health Benefits

Products offered in (or out) of the Exchange must include the ten categories of Essential Health Benefits specified in the ACA:

Ambulatory patient services	Emergency services
Hospitalization	Maternity and newborn care
Mental health and substance use disorder services	Prescription drugs
Rehabilitative and habilitative services and devices	Laboratory services
Preventive and wellness services and chronic disease management	Pediatric services, including oral and vision care



# Eligibility Guidelines

Federal Poverty Level (FPL): poverty status based on family size and annual household income; eligibility for many public assistance programs depends on FPL

## 2012 Federal Poverty Guidelines

Family Size	Annual Household Income (% FPL)			
	100%	133%	200%	400%
1	\$11,170	\$14,856	\$22,340	\$44,680
2	15,130	20,123	30,260	60,520
3	19,090	25,390	38,180	76,360
4	23,050	30,657	46,100	92,200

Note: These figures represent combined household income, not individual wages.

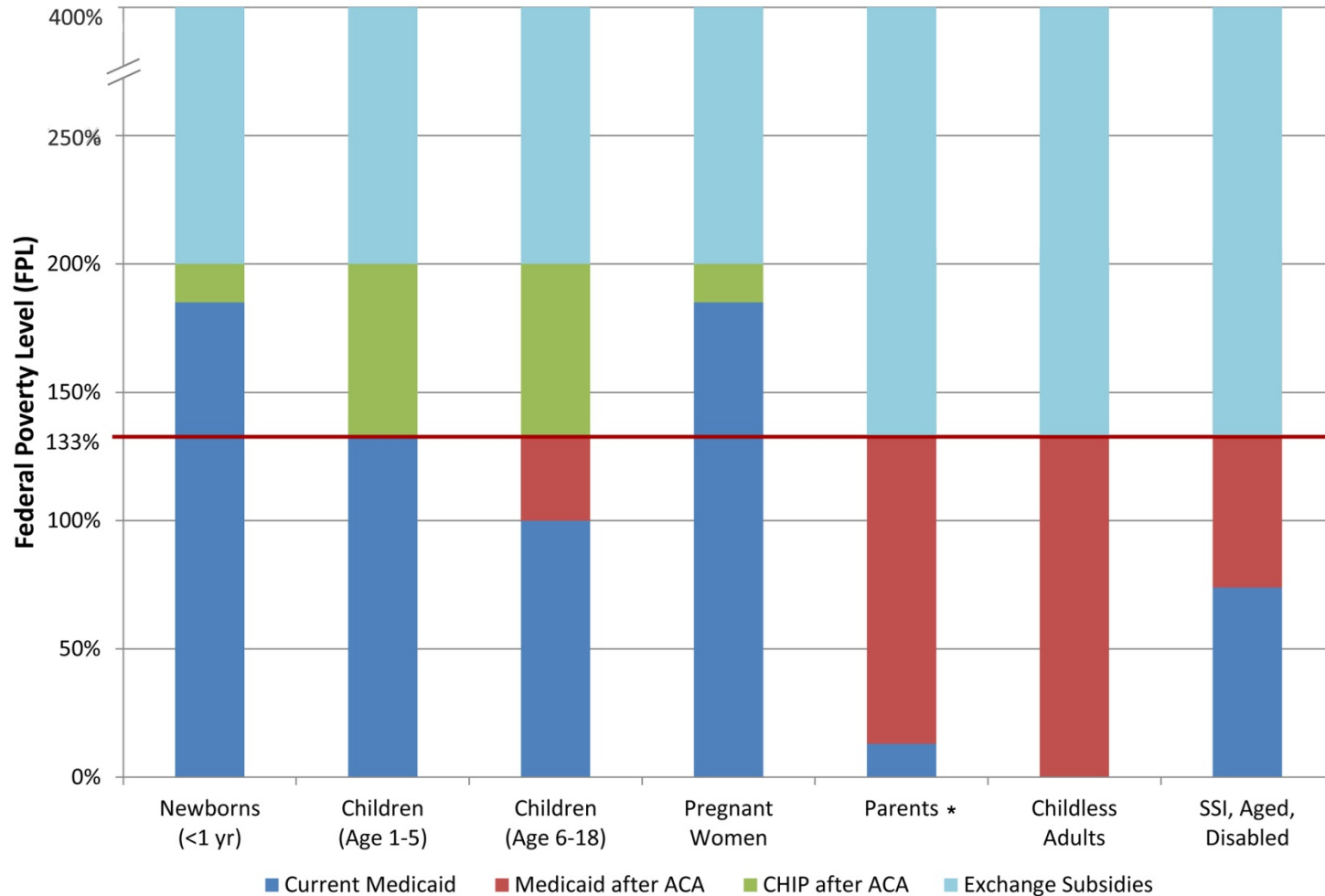


- Government sponsored health insurance for very low-income individuals
- In Texas, has covered mainly children and pregnant women
- Recent immigrants not eligible
- ACA allows states to expand eligibility, funded mainly by the federal government, but Texas (so far) says it will not expand



# Federal Reforms with Medicaid Expansion

### New Public Health Insurance Eligibility in Texas, with ACA Medicaid Expansion

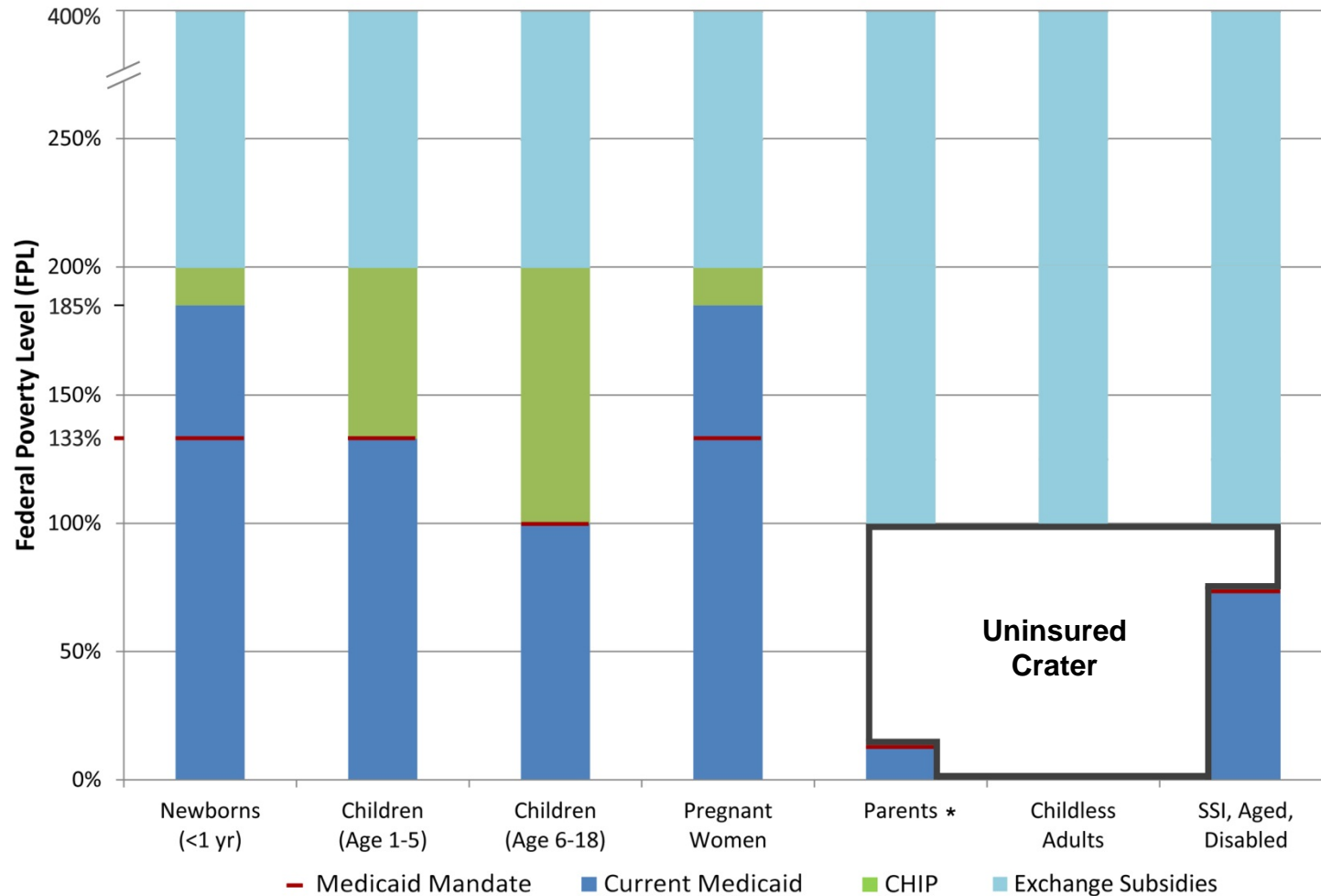


\* The current eligibility guidelines for Parents are given in dollar amounts, but have been roughly translated into Federal Poverty Levels for this chart.



# Federal Reforms without Medicaid Expansion

New Public Health Insurance Eligibility in Texas, without ACA Medicaid Expansion



\* The current eligibility guidelines for Parents are given in dollar amounts, but have been roughly translated into Federal Poverty Levels for this chart.



# Health Insurance Exchange

- Texas says it will not establish an exchange, so federal government will run a “federally facilitated exchange”
- For individuals: American Health Benefit Exchange
  - Virtual marketplace where individuals can compare and purchase health insurance policies on the individual market
  - Policies divided into five categories based on actuarial value: Bronze, Silver, Gold, Platinum, and Catastrophic (for people under age 30 only)
  - Premium tax credits and cost-sharing subsidies available for individuals from 100% to 400% FPL with no access to employer-sponsored insurance
    - Recent immigrants eligible
    - Undocumented immigrants not eligible



# Illustrative Eligibility & Cost Sharing

	<b>Bronze</b>	<b>Silver</b>	<b>Gold</b>	<b>Platinum</b>
Monthly Premium - Adult	\$300	\$350	\$400	\$450
Office Co-pay	\$40	\$30	\$20	\$15
Hospital Co-pay	40%	30%	20%	15%
Rx Drug- Generic	\$20	\$15	\$10	\$5



- For employers: Small Employer Health Options Program (SHOP)
  - Same concept as the exchange for individuals
  - 2014-2016: individuals and employers with up to 100 employees have access to the SHOP
  - Beginning 2017: employers with more than 100 employees also have access to the SHOP
  - Individuals covered by employer-sponsored small group policies in the SHOP are not eligible for individual subsidies
- If a state-facilitated health insurance exchange is not created (e.g., Texas), the federal government will run one

# The Employee Perspective

- Effective January 1, 2014
- Obtain coverage or pay a fee
  - \$95 in 2014 or 1% of taxable income, whichever is higher
  - \$325 in 2015 or 2% of taxable income
  - \$695 in 2016 or 2.5% of taxable income
  - Beyond 2017: \$695 tied to cost-of-living adjustment
  - Family fee = individual fee x family size (up to 3 times the individual fee or 2.5% of income, whichever is higher)
- Exemptions
  - Income below the tax filing threshold (\$9,750 for singles, \$19,500 for couples, \$27,100 for couple with two children)
  - Uninsured for less than three months (but only one period of non-coverage is allowed)
  - Financial hardship: lowest cost plan exceeds 8% of income





# Health Coverage Options

- Government sponsored programs
  - Medicaid, Medicare, CHIP, TRICARE, VA
  - States allowed to expand Medicaid to 133% of FPL, financed mostly by federal government, but Texas has not yet made a final decision
- Individually purchased coverage from the health insurance exchange
  - Subsidized coverage for individuals up to 400% of FPL
  - Non-subsidized coverage through the exchange for individuals above 400% of FPL
- Partial payment for employer-sponsored coverage

# Sample Coverage Options for Family of Four



Family Income <sup>1</sup>	FPL Equivalent	Eligible for Individual Premium Credits?	Cost of coverage (less credits) <sup>2</sup>
\$20,000	87%	No (eligible for Medicaid)	-0-
\$25,000	108%	Yes	\$500
\$40,000	174%	Yes	\$1,980
\$50,000	217%	Yes	\$3,385
\$90,000	390%	Yes	\$8,550
\$100,000	434%	No	\$12,130

<sup>1</sup>The incomes represent combined household income, not individual wages.

<sup>2</sup>According to the [Kaiser Family Foundation Subsidy Calculator](#) for a 40-year-old policy holder with a family of four in a medium-cost region.

# The Employer Perspective



# Employer Tax Credits and Penalties

Business Size	Tax Credits	Penalties
25 or fewer FTEs	Depends on average annual wages	None
26 – 49 FTEs	None	None
50 or more FTEs	None	Only if an employee obtains a premium credit in the exchange



# Small Employer Tax Credit

- Sliding scale tax credit
  - Employer must pay at least 50% of premiums at the employee-only coverage rate
  - Businesses with 10 or fewer employees and average annual wages of less than \$25,000 get the full credit
  - Must have 25 or fewer employees and average annual wages of less than \$50,000 to get any credit
- 2010-2013
  - Full credit: 35% of employer's premium contribution (25% for tax-exempt businesses)
- 2014 and beyond
  - Full credit: 50% of employer's premium contribution (35% for tax-exempt businesses)



- To obtain credit, fill out forms available from [irs.gov](http://irs.gov)
  - [Form 8941](#) (instructions [here](#))
  - Tax-exempt businesses: [Form 990-T](#)
  - For more info, see “[Small business health care tax credit for small employers](#)”
- Still time to amend your 2012 tax return



# Strategies for Employers

- Begin researching now
- Hire consultants, accountants, lawyers, etc. to help understand rules, especially if you have around 40 employees
- Educate your employees about their options
- Consider defined contribution and private exchanges
- Consider integrating wellness programs

- Set up by consulting firms
- Aggregate a “menu” of different commercial insurance plans
- Employees select a plan of their choice
- Employees pay for their portion of the premium using a defined amount from their employers (any employee premium costs in excess of that amount must be paid out-of-pocket)
- Employers pay for their portion of the premiums in aggregate





# Future of 3-Share

- Current program will remain throughout 2013 and will transition during 2014
- We honestly do not know the details yet of what the transition will involve
- May transform into an individual exchange product
- Will continue to tailor to low-income parents and workers, may become and individual products
- Will continue to integrate a subsidized component



# Questions/Discussion

- What else are you hearing?
  - Fact or myth?
  - Questions?

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