WARREN AVERETT, LLC

Certified Public Accountants | Business and Financial Consultants

THE WEBINAR WILL BEGIN PROMPTLY AT 1:30PM CST

Health Care Reform Webinar
Action Required Now

Speakers


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Agenda

- Employer mandate
  - Determine whether your business is subject to the mandate
  - Penalties for large employers that do not offer coverage
  - Coverage that does not provide minimum value
  - Coverage that is not affordable
  - Planning opportunities

- Q&A
  - Submit all questions via GoToWebinar Instant Messenger at any time
  - Or, email your questions to contact@warrenaverett.com and we will contact you with an answer after the webinar.

Pay or play provision

- Employer mandate provision takes effect Jan. 1, 2014.
- The act doesn't *require* employers to provide coverage.
    - May impose penalties on larger employers that don't offer coverage or that provide coverage that doesn't qualify as "affordable".
    - Penalties will increase annually based on premium growth.
- Employers with 50+ full-time employees that don't provide coverage may be penalized.
- A full-time employee is one working at least 30 hours per week or 130 hours per month.

Large employer status test

- Employed an average of at least 50 full-time employees, including full-time equivalent employees during the preceding year.
  - The employer will need to determine the total number of full-time employees and full-time equivalent employees on a monthly basis and take the average for the year.
  - Full-time equivalents are computed by dividing the aggregate number of hours of service by employees who are not full-time for the month by 120
    - An employer with 40 part timers who average 90 hours per month would have 30 FTEs (40 x 90 = 3,600/120 = 30).
  - Transition relief is afforded for the 2013 look-back period where employers can look to a time period of less than 12 months, but not less than 6 months (which must be consecutive).

Large employer status test

- Methods for determining hours worked for part-time employees.
  - For hourly employees this is based on the hours worked and hours for which payment is made or due for vacation, holiday, illness, incapacity, layoff, jury duty, military duty or leave of absence.
  - For salaried employees may use:
    - The same method used for hourly employees.
    - A days-worked equivalency method (credited for 8 hours per day worked).
    - A weeks-worked equivalency method (credited for 40 hours per week worked).

Large employer status test

- Must combine employees for companies that share a common owner or are otherwise related.
- Not required to include seasonal employees defined as those working 120 days or less during a calendar year.
  - For example, an employer has 40 full-time employees, no full-time equivalent employees and 90 full-time seasonal employees for 4 months out of the year. The employer does not meet the definition of a large employer because the employees in excess of 50 are all seasonal employees.

Assessing the penalty

- The annual penalty for a large employer not offering coverage is $2,000 per full-time employee in excess of 30 workers.
  - The penalty will calculated only a monthly basis at $166.67 per full-time employee in excess of 30 workers.
  - Penalties will only be assessed if one or more full-time employees purchases coverage through an exchange and receives a premium credit or cost-sharing reduction.

Penalty example

Summary results: Pay or play analysis	
Full time employees	53
Less 30 workers	-30
Number of employees subject to penalty	23
Multiplied by annual penalty amount	x $2,000
Penalty for not offering coverage to all full-time employees	$46,000
Cost of Providing Coverage	
Annual cost of current plan	$ 275,000
Employee contributions	$ (100,000)
Value of Federal Tax Deduction	$ (61,250)
Employer's net cost of current plan	$ 113,750

More on assessing the penalty

- Employers that provide coverage that is not affordable or does not provide minimum value may also may face penalties.

  - The annual penalty is the lesser of $3,000 per employee for each worker receiving a premium credit or cost-sharing reduction, or $2,000 for each full-time employee beyond first 30 employees.
  - The penalty is calculated on a monthly basis at $250 per month.
  - This requires two penalty computations to determine the lower penalty.

Minimum value and affordability

- The health plan must cover at least 60% of the healthcare expenses for a typical population.
  - The IRS and U.S. Department of Health and Human Services will provide an online minimum value calculator.
- The employee's share of the premium coverage cannot exceed more than 9.5% of their annual household income.
  - Employee's cost of single coverage won't exceed 9.5% of W-2 wages (look back approach).
  - Employee's contribution for the self-only premium is equal to or less than 9.5% of the computed monthly wages (current pay approach).
  - Employee's cost for self-only coverage doesn't exceed 9.5% of the federal poverty level for a single individual (for 2013 = $11,490 x 9.5% = $1,092).

Affordability example

Employer offers healthcare coverage that meets the minimum value requirements and the total cost the of coverage is $6,000 per year for employee coverage.

	Employee pays 75%		Employee pays 50%		Employee pays 25%	
Employee W-2 wages	Employee cost	Percentage of W-2 wages	Employee cost	Percentage of W-2 wages	Employee cost	Percentage of W-2 wages
55,000	4,500	8.2%	3,000	5.5%	1,500	2.7%
50,000	4,500	9.0%	3,000	6.0%	1,500	3.0%
45,000	4,500	10.0%	3,000	6.7%	1,500	3.3%
40,000	4,500	11.3%	3,000	7.5%	1,500	3.8%
35,000	4,500	12.9%	3,000	8.6%	1,500	4.3%
30,000	4,500	15.0%	3,000	10.0%	1,500	5.0%
25,000	4,500	18.0%	3,000	12.0%	1,500	6.0%
20,000	4,500	22.5%	3,000	15.0%	1,500	7.5%
15,000	4,500	30.0%	3,000	20.0%	1,500	10.0%

Penalty examples

- Employer with 53 full-time employees providing coverage with employee premiums in excess of 9.5% of employee income for a number of employees. Plus add the cost of coverage from our previous example.

- 10 employees receive premium credit – penalty is lesser of:
  - 10 x $3,000 = $30,000
  - 23 x $2,000 = $46,000

- 20 employees receive premium credit – penalty is lesser of:
  - 20 x $3,000 = $60,000
  - 23 x $2,000 = $46,000

Planning opportunities

First test (large employer status test)

- Possibility for outsourcing business tasks such as accounting, finance, public relations or CFO function to an unrelated entity.
- Limiting seasonal employees to less than 120 days per year.

Minimizing penalties

- Managing the total hours of certain employees to under 30 hours per week on average.

Additional guidance

- Employers will not be assessed a penalty as long as they provide coverage for at least 95% of their employees.
- Employers will be allowed to implement a 90 day waiting period before providing coverage to new full-time employees.
- For years beginning after 2014, employers will be required to offer coverage to employee dependents as well. The employer is not required to pay for the dependents but must offer the option for employees.

Options for individuals without coverage

Mandate requires most Americans to purchase health insurance by 2014. They will have the following options:

- Pay the penalty
- Purchase coverage from a traditional insurance provider
- Purchase coverage through an exchange
  - States have the option of implementing and running their own exchange or the federal government will run the exchange in states that do not.
  - An exchange is a government-regulated marketplace for purchasing affordable healthcare coverage.
  - Premium credits will be available for individuals with income less than or equal to 400% of the federal poverty level. For a family of 4 in 2012 this is $92,200.

HC Reform information checklist

- Number of full-time employees (average at least 30 hours per week or 130 hours per month).
- Number of full-time equivalent employees (FTE is determined by adding part-time hours per month and dividing by 120).
- If the total of the two components above is 50 or more, we will need the following additional information. Otherwise, the employer is not subject to the employer mandate.
- Annual salary/compensation for each employee, along with the hours worked for each employee.
- Current health insurance plan information to include:
  - Total premium
  - Employee contribution
  - Employee deductible
  - Employee coinsurance

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Executive Summary

Demo Plan

Employer Cost Summary

	Without PPACA		Scenarios with PPACA		
	2013 Baseline	2014 Baseline	Current Plans	Plan Termination	60% Plan Value
Total Employees	498	498	498	498	498
Enrolled Employees	271	271	416	0	453
Projected Employer Costs	$1,601,000	$1,753,000	$2,383,000	$1,588,000	$2,041,000
2014 Projected Cost Change ($)		$152,000			
2014 Projected Cost Change (%)		9.5%			
2014 Incremental Costs/(Savings)($)			$630,000	$(165,000)	$288,000
2014 Incremental Costs/(Savings) (%)			35.9%	-9.4%	16.4%

Employee Cost Summary

	Without PPACA		Scenarios with PPACA		
	2013 Baseline	2014 Baseline	Current Plans	Plan Termination	60% Plan Value
2013 Enrolled Employees Only	271	271	271	271	271
Projected Employee Costs	$640,000	$701,000	$614,000	$1,533,000	$496,000
2014 Projected Cost Change ($)		$61,000			
2014 Projected Cost Change (%)		9.5%			
2014 Incremental Costs/(Savings) ($)			$(87,000)	$832,000	$(205,000)
2014 Incremental Costs/(Savings) (%)			-12.4%	118.7%	-29.2%

Q & A

We are happy to take any questions you may have.

Please submit all questions through GoToWebinar Instant Messenger.

Thank you for attending

Please contact us for assistance:

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