



Callagher Benefit Insurance Services

A Subsidiary of Arthur J. Callagher & Co.



# 2014 Healthcare Reform Overview and Trends





# Healthcare Reform Update

**2010-2012: BRIEF REVIEW**

**2013: REQUIREMENTS AND POTENTIAL GUIDANCE**

**2014 AND BEYOND: IMPORTANT UPDATES**

**WHAT DOES THIS MEAN TO THE DIOCESE?**

**FINANCIAL IMPACT**

**COMPLIANCE CONCERNS**



# Healthcare Reform: Initial Impact (2010-2011)

**When:**  
Plan years on or after  
9/23/2010

**Who:**  
All plans, including  
grandfathered plans

- Cover adult children to 26
- No lifetime \$ limits
- Limited annual \$ limits
- No pre-existing conditions on enrollees under 19
- No rescissions except fraud, intentional misrepresentation

**When:**  
Plan years on or after  
9/23/2010

**Who:**  
All plans, EXCEPT  
grandfathered plans

- Expansion of nondiscrimination rules to insured plans  
*(UPDATE: Compliance deferred until regulations issued)*
- First \$ preventive benefits
- Emergency room
- Choice of primary care provider/pediatrician
- OB/GYN care
- Appeals process

**When:**  
Tax years after  
12/31/2010

**Who:**  
All plans, no  
grandfathering provisions

- No reimbursement for over-the-counter medications under FSAs, HSAs, HRAs
- Report value of coverage on employee's Form W-2
- **Church Plans are currently exempt**  
*{Compliance is voluntary for 2011, required for 2012}*





# 2012: Requirements Highlights

- Medical loss ratio rebates – issued 8/1/12
- Summary of Benefits & Coverage – first open enrollment after 9/22/12
- Patient Centered Outcomes Research Institute (PCORI) Fees – due for 2012, payable July 2013 – delayed for one year





# 2013: Requirements Highlights

- Additional 0.9% Medicare tax on individuals with incomes over \$200k (\$250k married); additional 3.8% Medicare tax on investment income for high income individuals - 1/1/13
- Tax deduction for Retiree Drug Subsidy ends - 1/1/13
- Employer notice to employees on state Exchanges – 3/2013 expected 10/1/2013
- First open enrollment for Exchanges - 10/2013
  - 6 Month Open Enrollment



# Financial Impact

## Summary of Taxes/Fees

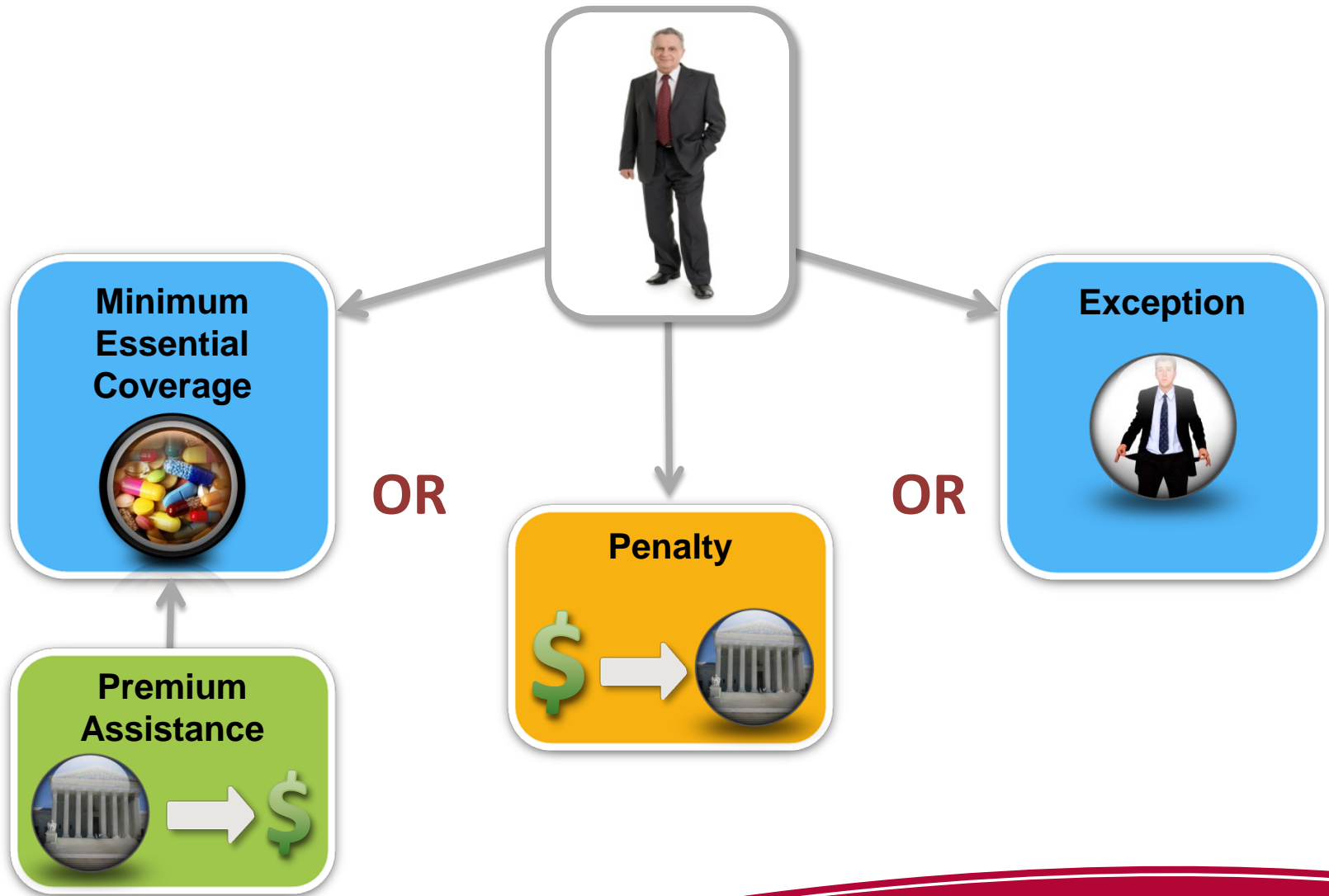
	Effective Date	Timing / Duration	Payment Cycle	Applicability	Basis of Assessment
PCORI Research Fee	10/1/12	Begins 2012 Phases out 2019	July 31 following end of plan year	Insured plans (carrier) Self-funded plan (plan sponsor)	Year 1: \$1/ covered life Subsequent years: \$2/covered life
Insurer Fee	1/1/14	Permanent	No later than September 30 of calendar year	Insurance carrier	2014-\$8B* 2015-\$11.3B 2016-\$11.3B 2017-\$13.9B 2018 -\$14.3B
Transitional Reinsurance Fee	1/1/14	3 Years (2014-2016)	Quarterly basis beginning 1/1/14	Insured plans (carrier) Self-funded plan (plan sponsor)	\$5.25 per covered life, per month (\$63/year per covered life)**
“Cadillac” Tax DOM	1/1/2018	Permanent	TBA	Insured plan (carrier) Self-funded plan (plan sponsor)	40% on amounts over: Self-only: \$10,200 Family:\$27,500

\*Fee paid by insurer is a percentage of the “ applicable amount” equal to the ratio of the insurer’s net premiums to the aggregate net health insurance premiums collected for the applicable year.

\*\*A portion of this fee may be deferred until 2016 (HHS requested comments on authority to defer); if deferred, 2014 rate will be approximately \$4.38 per covered life, per month ( \$52.54/year per covered life).



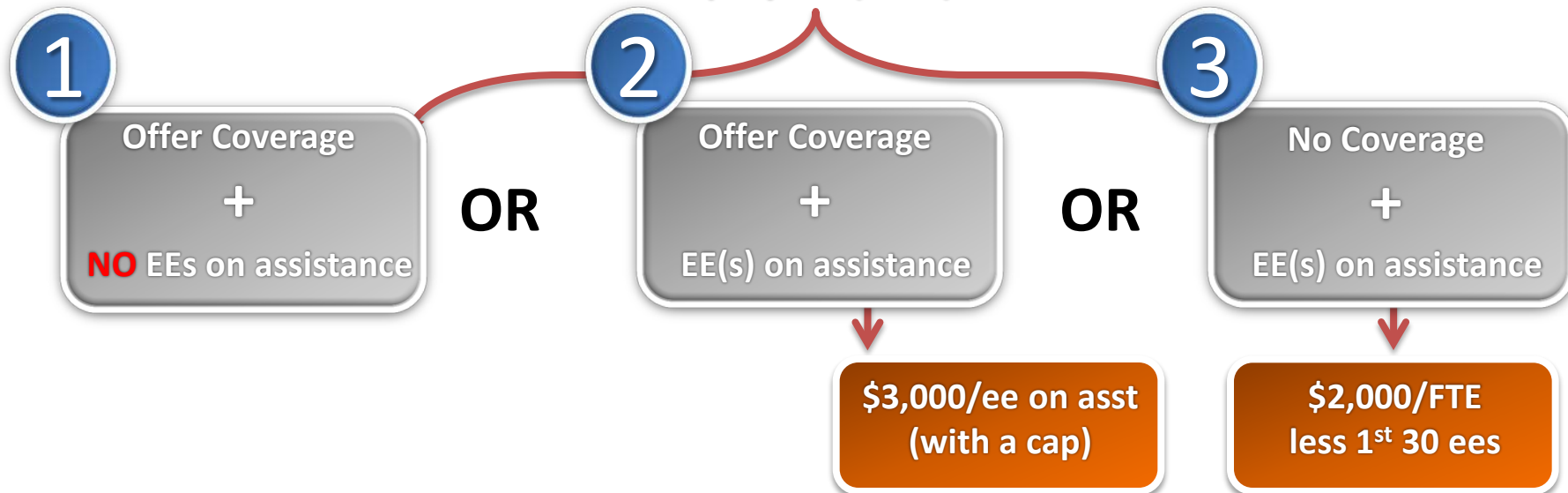
# Individual Mandate -2014



# Individual Employer “Mandate” delayed 2015



Employer with more than 50 full time  
employees (FTEs)







# COUNTING HOURS 2:

The new math for 2014

Rules in light of additional guidance





# Agenda

- Glossary - Updated
- What Changed?
- Applicable large employers
- Full-time/Variable hour employees
- Counting hours
- Other New Guidance





# Glossary

- Measurement Period
  - Initial
  - Standard
- Administrative period
- Stability period
- Waiting period
- Hour of service
- Large employer
- Month
- Calendar month
- Employee
  - New employee
  - Ongoing employee
  - Seasonal employee
  - Variable hour employee





**“APPLICABLE LARGE EMPLOYER”**

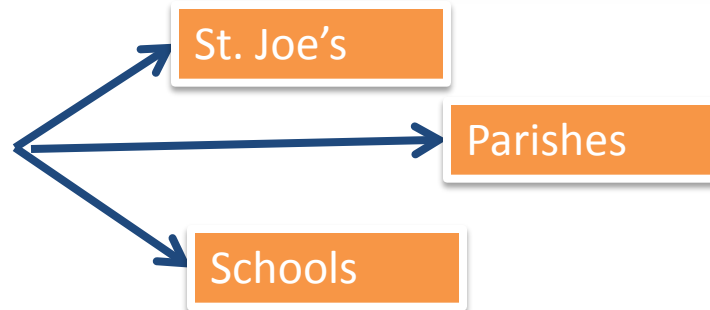


# Example

## Applicable Large Employer



## Applicable Large Employer Member



# Applicable Large Employer

– However, the 30 employee exemption for the larger penalty is shared pro-rata across all members

– 40%	12
– 20%	6
– 15%	5 (4.5)
– 15%	5 (4.5)
– 10%	3

**Message =  
Communicate**

**If 1 location is not  
compliant, it  
impacts the entire  
group**





**FULL-TIME EMPLOYEES**  
**VARIABLE HOUR EMPLOYEES**





# Employee Categories

- Full-time employee
  - Hired to work at least 30-hours per week
- Part-time employee
  - Hired to work less than average of 30 hours per week
- Variable hour employee
  - As of the date of hire, employer cannot reasonably determine average hours – May be full-time employee





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# Employee Categories

- Seasonal employee
  - DOM determination vs. full-time offer of coverage
  - Not limited to agricultural or retail workers
  - Until further guidance issued may apply a reasonable, good faith interpretation of the statutory definition of seasonal worker, including the standard under the DOL regulations, applied by analogy to workers and employment positions not otherwise covered under those DOL regulations



NEW

# Employee Categories

- Temporary employee
  - Direct hire (short-term employees)
    - 2014 may be considered variable hour employee even if expected to work at least 30-hours
      - Cannot take turnover into consideration
    - Starting January 1, 2015 employer to treat full-time employees as though employment will last for the entire measurement period (except seasonal employees)
  - Temporary staffing employee
    - Common-law definition of employee
    - Comments requested



NEW

# Hour of Service

- For hourly employees, includes:
  - **Hours Worked**
    - Each hour for which the employee is paid, or entitled to payment, “for the performance of duties”; and
  - **Paid-Time Off**
    - Each hour for which the employee is paid, or entitled to payment, due to (1) vacation, (2) holiday, (3) illness, (4) incapacity (including disability), (5) layoff, (6) jury duty, (7) military duty, or (8) leave of absence (~~up to 160 continuous hours~~) – **no limit**



# Hour of Service

- Non-hourly employees:
  - Guidance provides three possible methods:
    - Actual Hours (**Recommended for the DOM**)
      - Count actual hours of service worked “from records”, as well as other non-worked hours for which he or she is paid, or entitled to payment
    - Days-Worked Equivalency
      - Credit 8 hours of service per day for each day for which the employee would be credited with at least one hour of service
    - Weeks-Worked Equivalency
      - Credit 40 hours of service per week for each week for which the employee would be credited with at least one hour of service





# COUNTING HOURS

VARIABLE HOUR EMPLOYEES

STANDARD MEASUREMENT PERIOD

ONGOING EMPLOYEES



# Purpose-Measurement Period

- Initial Measurement Period – **7/1/13 to 4/30/2014**
  - Allows an employer a period of 3 to 12-months to determine average working hours
  - Applies only where the employer cannot reasonable make the determination at the date of hire
  - Initial measurement period (IMP) - At hire date, to provide an immediate period during which and employees hours are counted
    - Avoids long periods waiting for the beginning of the next 'standard measurement period'





# Purpose-Measurement Period

- Measurement period
  - Standard measurement period – Fixed measurement period of at least 3 months, no more than 12-months
    - Allows employers an opportunity to look-back at the hours worked by a variable hour employee to determine health plan eligibility or continued eligibility
    - Allows employees in variable hour positions to qualify or re-qualify for health plan eligibility



# Purpose-Administrative Period

- **Administrative period (AP) May 1 to July 31**
  - An optional period used by the employer to perform administrative duties related to counting hours and, where applicable, making an offer of coverage
  - Following the initial measurement period
    - Generally limited to the end of the calendar month following the month during which the employee's IMP ends
  - Following the standard measurement period
    - Limited to no more than 90 days following the end of the standard measurement period





# Purpose-Stability Period

- Stability period (SP) **August 1 – July 31st**
  - The period following a measurement period (and AP, is applicable) during which variable hour employees determined to average 30-hours per week, are offered coverage
  - Coverage remains available during this period regardless of hours of service worked at that time
    - Except where employment terminates





# Ongoing Employees

- Standard measurement period
  - Minimum 3 months, maximum 12 months
- Administrative Period
  - Follows the standard measurement period
  - Period of up to 90 days
- Stability Period
  - At least 6 consecutive calendar months
  - Not less than the standard measurement period



# Newly Hired Variable Hour

- Initial measurement period
  - Minimum 3 months, maximum 12
- Administrative Period
  - Follows the IMP
  - Period of up to 90 days, BUT
  - Cannot extend IMP/AP to a period that exceeds
    - Last day of the first calendar month beginning on or after the employee's one year employment anniversary





# Newly Hired Variable Hour

- Stability Period
  - At least 6 consecutive calendar months
  - Not less than the longer of:
    - Initial Measurement Period
    - Standard Measurement Period





# Example-Ongoing Employees

- Diocese has a large hourly workforce
  - Many hourly employees will ultimately be working 30 or more hours per week
  - One aspect of the job is that employees have great flexibility in setting their schedule
  - The safe harbor allows DOM the ability to determine those employees who work full time
  - Decision points
    - Length of measurement period, use of AP and length of SP



# Example-Ongoing Employees

- Diocese of Manchester implements a 12 calendar month standard measurement period (10 month IMP)
  - Goal is to coincide with open enrollment for August 1 renewal date each year
  - Standard measurement period begins each May 1st and ends the following April 30th
  - AP May 1<sup>st</sup> 2013 – July 31, 2014
  - Stability Period coverage effective date if determined full-time – August 1, 2014



# Ongoing Employees

**12-month measurement  
period**  
**77 Day administration  
period**

7/1/2013 – 4/30/2014  
measurement period

5/1/2014 – 4/30/2015  
measurement period

5/1/2015 – 4/30/2016  
measurement period

5/1/2014 – 7/31/2014  
administration period

8/1/2014 – 7/31/2015  
stability period

5/1/2015 – 7/31/2015  
administration period

5/1/2016 – 7/31/2016  
administration period

8/1/2015 – 7/31/2016  
stability period

8/1/2016 – 7/31/2017  
stability period

2013

2014

2015

2016





# Example-Ongoing Employees

- Employees determined to be full time during the standard measurement period are entitled to coverage during the full SP regardless of their hours, provided they remain employed
- Employees determined NOT to be full time during the standard measurement period are not entitled to coverage during the SP
  - Their hours will be reviewed again at the end of the next standard measurement period







# Example-Newly Hired Variable Employee

- Diocese of Manchester implements a 12 month IMP
  - IMP begins with the employees date of hire in a class eligible for health benefits
  - IMP ends the day before the employee's one-year anniversary
  - Stability Period coverage, if the employee is determined to have worked full-time during the IMP, is 12 months
    - Employees determined full time during the IMP are entitled to coverage during the full SP regardless of their hours, provided they remain employed



# Examples

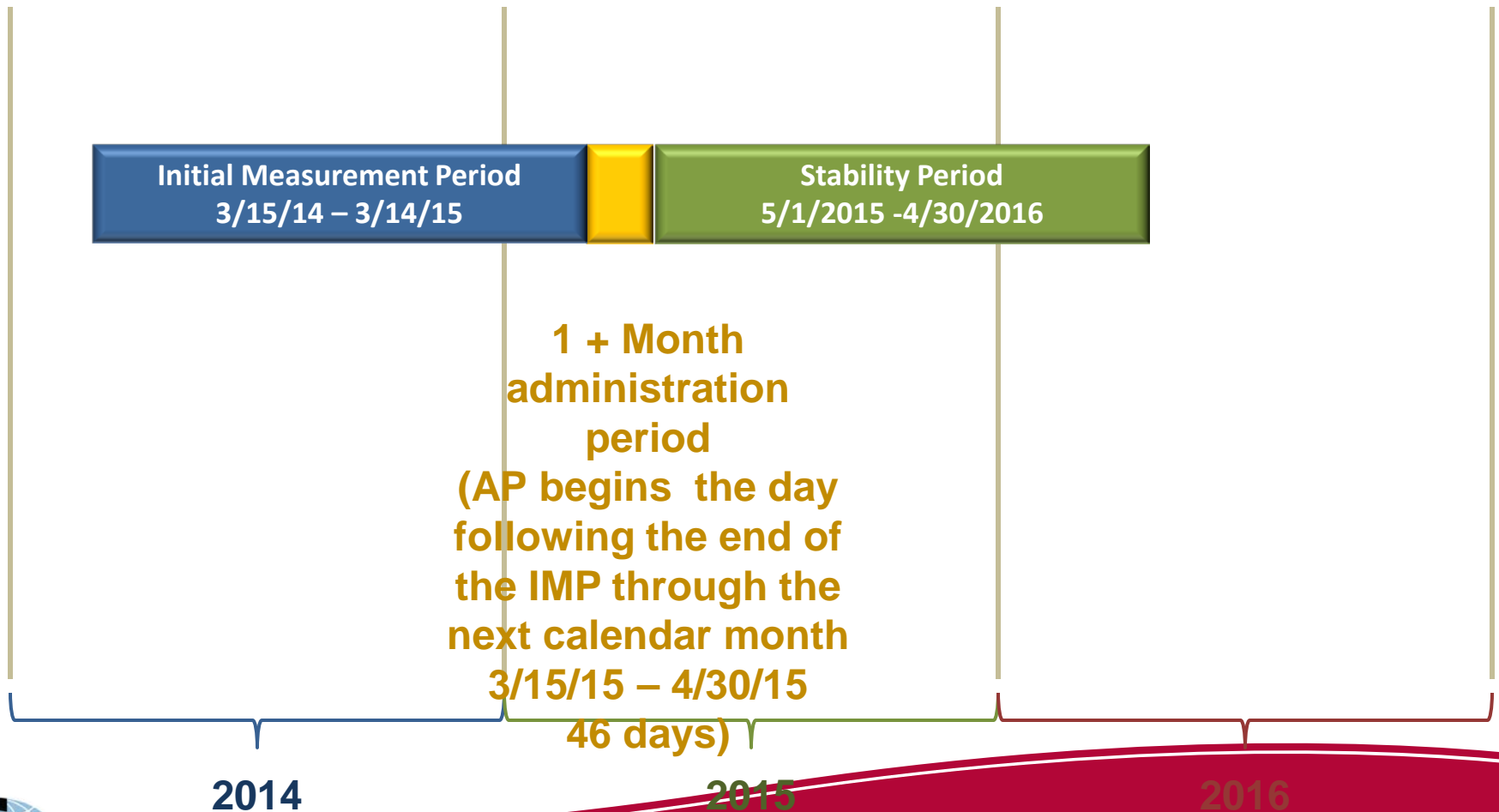
- The following scenarios demonstrate how the AP is applied regardless of the day of the month in which the new variable employee is hired
- Remember, if determined full-time during the IMP, coverage must be offered (effective) no later than the first day of the calendar month following the *month* in of the employee's one year anniversary



# New Variable Hour Employees

Employee 3/15/2014  
DOH

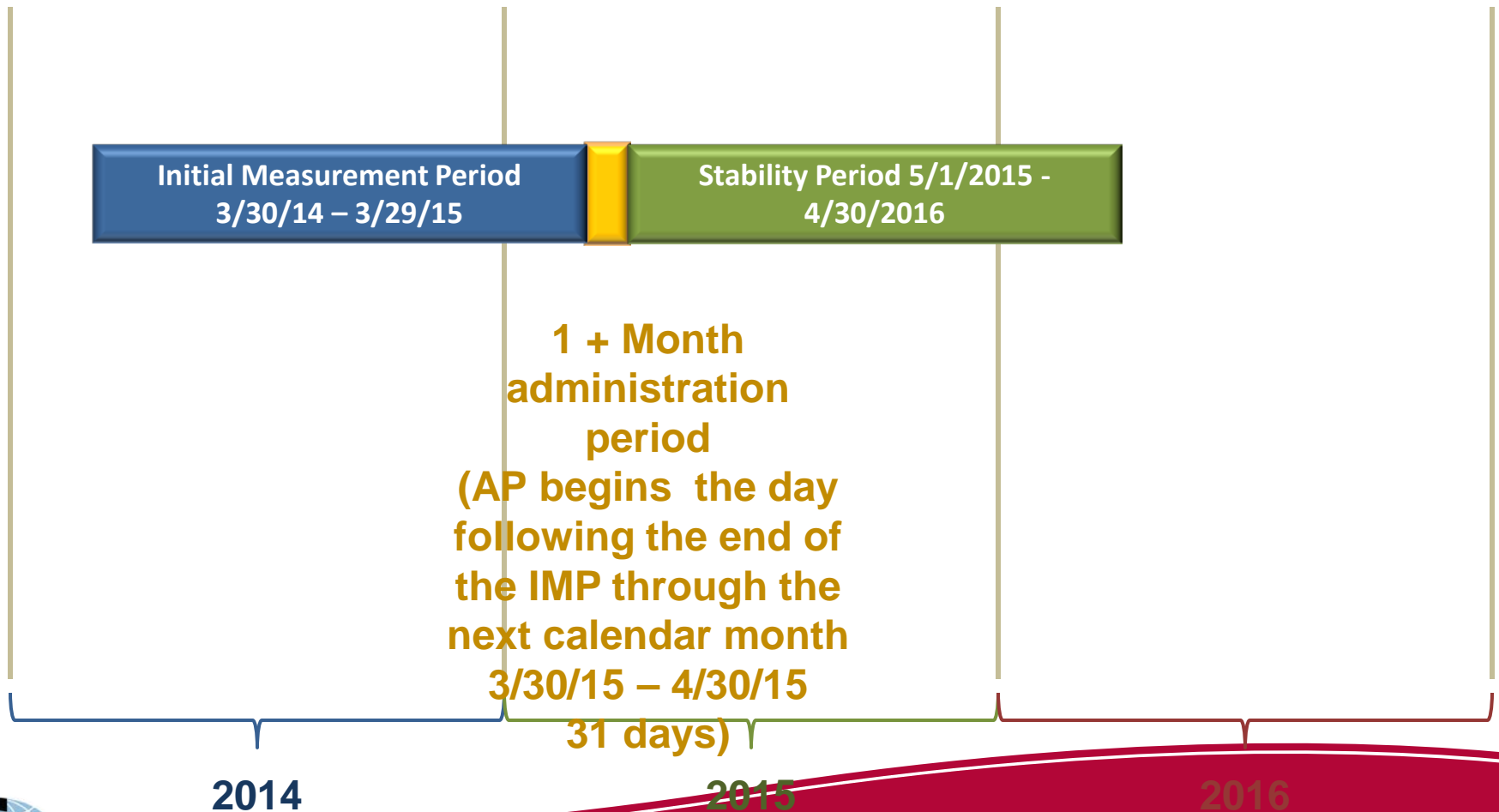
12-month measurement period  
1+ month administration period



# New Variable Hour Employees

Employee 3/30/2014  
DOH

12-month measurement period  
1+ month administration period





# TRANSITION – NEW TO ONGOING





# Transition – IMP to SMP

- Hour measurement for new variable hour employees will need to transition to the standard measurement period
- This results in some overlap in measurement periods
- This is true regardless of whether the new variable hour employee “met” the full-time requirement during the IMP or not
- Example





# Transition – IMP to SMP

- Diocese of Manchester uses:
  - IMP of 12 months
  - AP of 1 plus months
  - Standard Measurement Period 12 calendar months – May 1st through April 30th
  - AP of 90-days coinciding with open enrollment
- New variable hour employee hired March 15



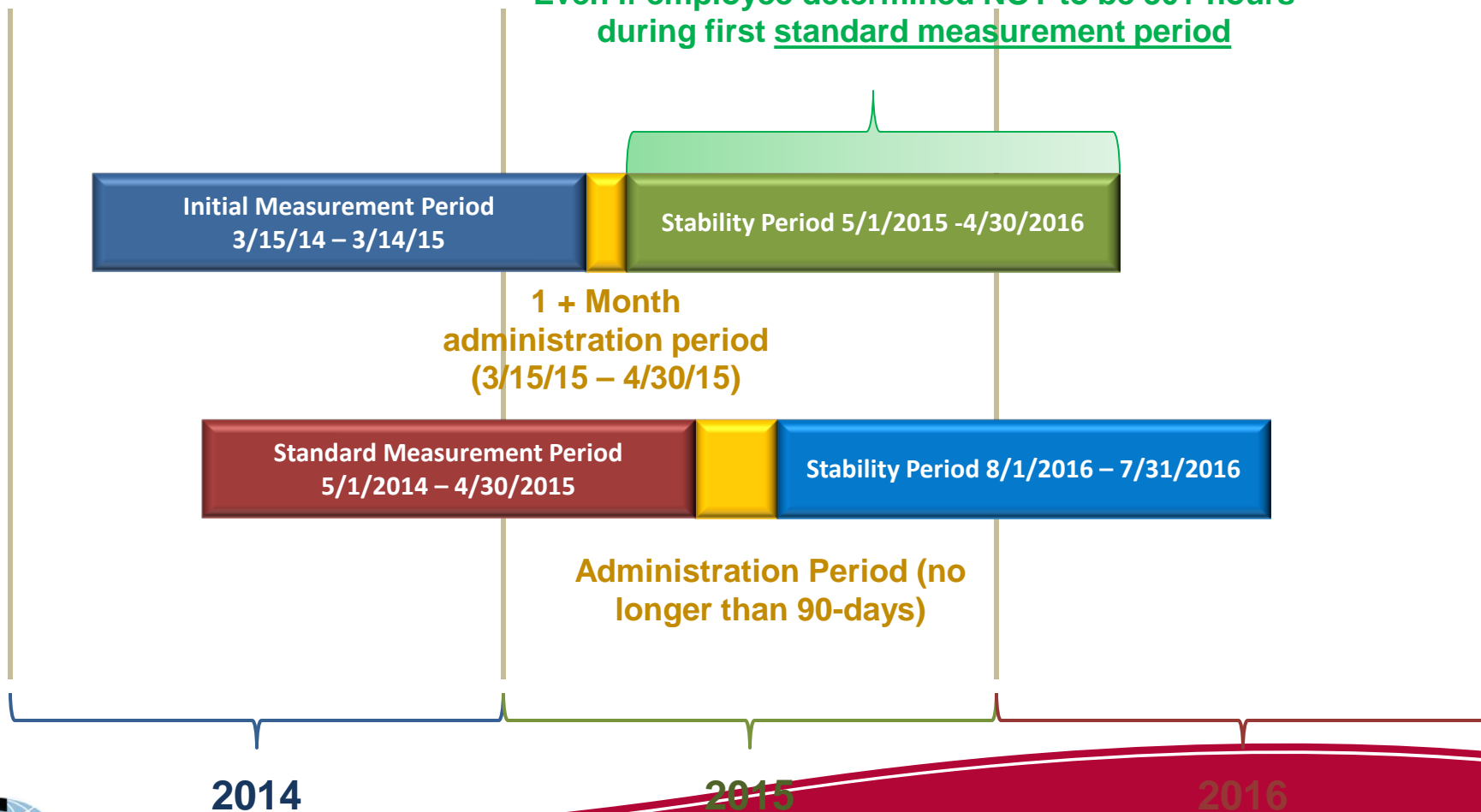
# New Variable Hour Employees

Employee 3/15/2014  
DOH

12-month measurement period  
1+ month administration period

**Minimum Coverage Period**

**Even if employee determined NOT to be 30+ hours during first standard measurement period**





# Change in Status-Variable Hour Employees

NEW

- Applies to new, variable hour employees
- Employment change in status during IMP
  - Material change in status
  - If initially hired in the status would be considered full-time
- Treat as full-time with coverage effective date the earlier of:
  - First day of fourth month following change, or
  - Coverage effective date due to IMP



# Unpaid Leave, Rehired Employees

NEW

- Variable hour employees
- Periods where employee has no hours of service
  - Period of at least 26 weeks
    - Treat as newly hired
  - Less than 26 weeks
    - Employee retains credited hours of service, or
    - Employer can apply a ‘rule of parity’
      - Period with no hours of service is at least 4 weeks, less than 26 weeks
      - Employee retains credited hours of service equal to length of employment (not more than 26 weeks)



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NEW

# Special Unpaid Leave

- Unpaid leave due to:
  - FMLA, USERRA, Jury Duty
- Two options for measuring hours of service
  - Disregard period of special unpaid leave - credited hours of service divided by weeks worked excluding weeks of special unpaid leave, or
  - Determine
    - Average weekly hours for period of credited hours of service
    - Use that average for weeks on special unpaid leave



# Teachers, Employees - Education

NEW

- Breaks during school year
  - Generally fall under paid leave
- Summer, other period of four consecutive weeks with no hours of service
  - Calculated like special unpaid leave
    - Two options
  - Maximum 501 hours



## Healthcare Reform

The dramatic change to the healthcare landscape ushered in by the passage of the Patient Protection and Affordable Care Act (PPACA) may present a daunting challenge in understanding the myriad of potential impacts to you and your employees, while achieving your business objectives. As with most major legislation, the interpretation and implementation of the regulations may bring legal challenges which can result in new or modified requirements.

GBS' team approach and market-leading financial and analytical modeling tools will guide you through the Healthcare Reform labyrinth. As your guide and advisor, we will work with you to understand the strategic, financial, and operational impacts today and in the future.



Timeline of key changes for employers over the next few years. [Read Our Timeline](#)



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