Small Business In Flux

- Small Business across the country are asking themselves – “Should we drop our group plan?”
- What is best for our business?
- What is best for our employees?

Objective

Provide businesses and individuals with accurate information and valuable tools to help them survive and grow in the new era of health care reform

Agenda

- Individual Mandate
- The Marketplace
  - Public Exchanges
  - Private Exchanges
  - Costs
- Employer Mandate
  - Is Your Business Mandated?
  - Penalties
  - The New Model for Small Business
- Q and A
The Individual Mandate and Marketplace
AKA the Exchange

The Individual Mandate
As of January 1, 2014 all individuals are required to purchase qualifying insurance coverage

- MEDICAID
- Via the Marketplace (Exchange)
  - May qualify for subsidy or premium tax credit
- From their Employer
  - Individuals who have access to an employer-sponsored plan that meets all of the criteria regarding minimum value and affordability WILL NOT qualify for a subsidy when applying for coverage at the marketplace/exchange.

Individual Mandate Subsidy Details
To be eligible for a subsidy, the employee's household income must be less than 400% of the Federal Poverty Level (FPL), which varies with family size.

<table>
<thead>
<tr>
<th>Family Size</th>
<th>400%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>$44,680.00</td>
</tr>
<tr>
<td>Couple</td>
<td>$60,520.00</td>
</tr>
<tr>
<td>Family of 3</td>
<td>$76,360.00</td>
</tr>
<tr>
<td>Family of 4</td>
<td>$92,200.00</td>
</tr>
</tbody>
</table>
Individual Mandate Penalties
Individuals without insurance will be subject to the following penalties

<table>
<thead>
<tr>
<th>Year</th>
<th>Penalty. The greater of…</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$95 per adult and $47.50 per child up to $285 per family</td>
</tr>
<tr>
<td>2015</td>
<td>$325 per adult and $162.50 per child up to $975 per family</td>
</tr>
<tr>
<td>2016</td>
<td>$695 per adult and $347.50 per child up to $2085 per family</td>
</tr>
</tbody>
</table>

Public Exchanges
- The Health Insurance Marketplace
  - [www.healthcare.gov](http://www.healthcare.gov)
- Designed for Individuals and Small Businesses
- Small Business Health Options Program (SHOP)
  - Small Employers (Under 50) choose plan online
  - Employees choose whether or not to enroll in the plan
  - Major medical carriers offer plans to SHOP
  - Brokers and Agents will help businesses navigate

Private Exchanges
- Many carriers will offer more plans on their private exchange
- Many agencies/brokers may have their own exchange
  - [www.sebsmarketplace.com](http://www.sebsmarketplace.com)
- More plan options for employers and employees = more confusion
Plan Costs at the Exchange

- Most research indicates a 30–60% increase of premiums for individual policies in 2014
- Group rates will also be higher (especially for healthy small groups)
- Why?
  - Guaranteed Issue
  - No Health Rating

Individual Costs at Exchange

- Individual Costs at the Exchange will be determined by these factors
  - Income
    - FPL is used to determine % of income consumer must contribute
  - Age
  - Zip Code
  - Tobacco Use
  - Level of Plan

<table>
<thead>
<tr>
<th>Level</th>
<th>Actuarial Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>60%</td>
</tr>
<tr>
<td>Silver</td>
<td>70%</td>
</tr>
<tr>
<td>Gold</td>
<td>80%</td>
</tr>
<tr>
<td>Platinum</td>
<td>90%</td>
</tr>
</tbody>
</table>

Individual Cost Examples

- Family of 4
- 2 adults aged 40
- 2 children under 20
- No tobacco users
- Silver Plan (70/30)

<table>
<thead>
<tr>
<th>Income</th>
<th>FPL</th>
<th>% of income</th>
<th>Unsubsidized Premium Estimate</th>
<th>Individual Contribution**</th>
<th>Govt. Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,000</td>
<td>106%</td>
<td>2%</td>
<td>$11,547</td>
<td>$1,965</td>
<td>$9,582</td>
</tr>
<tr>
<td>$40,000</td>
<td>170%</td>
<td>4.91%</td>
<td>$11,547</td>
<td>$4,913</td>
<td>$6,034</td>
</tr>
<tr>
<td>$60,000</td>
<td>255%</td>
<td>8.91%</td>
<td>$11,547</td>
<td>$4,913</td>
<td>$6,034</td>
</tr>
<tr>
<td>$75,000</td>
<td>318%</td>
<td>9.5%</td>
<td>$11,547</td>
<td>$7,125</td>
<td>$4,422</td>
</tr>
<tr>
<td>$100,000</td>
<td>425%</td>
<td>NA</td>
<td>$11,547</td>
<td>$11,547</td>
<td>$0</td>
</tr>
</tbody>
</table>

- Contribution is calculated as a % of Income
- Income is MAGI (Modified Adjusted Gross Income)

Source: kff.org
Individual Cost Examples
What if... I am a smoker?

<table>
<thead>
<tr>
<th>Income</th>
<th>FPL %</th>
<th>% of income</th>
<th>Unsubsidized Premium Estimate</th>
<th>Individual Contribution**</th>
<th>Govt. Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>$40,000</td>
<td>170%</td>
<td>4.91%</td>
<td>$11,547</td>
<td>$1,965</td>
<td>$9,582</td>
</tr>
</tbody>
</table>

- Rates go up and subsidy does not
- Smoking Surcharge is out-of-pocket for consumer

**Rates for tobacco users are subject to a tobacco surcharge. Rates for a family with 2 adult smokers are shown in red.

Source: kff.org

Individual Cost Examples
What if... rates are higher than predicted on Oct 1?

<table>
<thead>
<tr>
<th>Income</th>
<th>FPL %</th>
<th>% of income</th>
<th>Unsubsidized Premium Estimate</th>
<th>Individual Contribution**</th>
<th>Govt. Subsidy</th>
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<tbody>
<tr>
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<td>8.91%</td>
<td>$11,547</td>
<td>$4,913</td>
<td>$6,634</td>
</tr>
<tr>
<td>$60,000</td>
<td>255%</td>
<td>8.91%</td>
<td>$13,547</td>
<td>$4,913</td>
<td>$8,634</td>
</tr>
<tr>
<td>$60,000</td>
<td>255%</td>
<td>8.91%</td>
<td>$15,547</td>
<td>$4,913</td>
<td>$10,634</td>
</tr>
</tbody>
</table>

- Higher rates will lead to higher subsidies

Individual Cost Examples
What if... I want a better/worse plan?

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$60,000</td>
<td>Bronze</td>
<td>60%</td>
<td>$8,500</td>
<td>$1,866</td>
<td>$6,634</td>
</tr>
<tr>
<td>$60,000</td>
<td>Silver</td>
<td>70%</td>
<td>$11,500</td>
<td>$4,866</td>
<td>$6,634</td>
</tr>
<tr>
<td>$60,000</td>
<td>Gold</td>
<td>80%</td>
<td>$14,500</td>
<td>$7,866</td>
<td>$6,634</td>
</tr>
<tr>
<td>$60,000</td>
<td>Plat.</td>
<td>90%</td>
<td>$17,500</td>
<td>$10,866</td>
<td>$6,634</td>
</tr>
</tbody>
</table>

- "Buying up" is out of pocket to consumer
**Cost Sharing Example**

- Individuals and families under 250% of FPL will get better coverage with less out of pocket costs
- **SILVER PLAN (70%/30%)**

<table>
<thead>
<tr>
<th>% of FPL</th>
<th>Actuarial Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>138%-150%</td>
<td>94%</td>
</tr>
<tr>
<td>150%-200%</td>
<td>87%</td>
</tr>
<tr>
<td>200%-250%</td>
<td>73%</td>
</tr>
</tbody>
</table>

**Open Enrollment Dates**

- 2015: Starts Oct 1, 2014 for Jan 1, 2015 coverage
- Outside of dates: NEED QUALIFYING EVENT
- Time to take action

**Individual Cost Examples**

**Under 250%: Paying for Silver and getting Gold/Plat**

<table>
<thead>
<tr>
<th>Income (100K)</th>
<th>FPL %</th>
<th>% of Income</th>
<th>Unsubsidized Premium</th>
<th>Individual Annual Contributions**</th>
<th>Cost Subsidy</th>
<th>Required Act. Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>125,000</td>
<td>100%</td>
<td>0%</td>
<td>MEDICAID</td>
<td>$200</td>
<td>MEDICAID</td>
<td>100%</td>
</tr>
<tr>
<td>131,100</td>
<td>113%</td>
<td>2%</td>
<td>MEDICAID or MEDICAID</td>
<td>$262 or $282 or $300</td>
<td>MEDICAID</td>
<td>94% or 100%</td>
</tr>
<tr>
<td>135,250</td>
<td>150%</td>
<td>4%</td>
<td>MEDICAID or MEDICAID</td>
<td>$404 or $420 or $450</td>
<td>MEDICAID</td>
<td>94% or 100%</td>
</tr>
<tr>
<td>147,000</td>
<td>200%</td>
<td>6.3%</td>
<td>MEDICAID or MEDICAID</td>
<td>$1,154 or $1,212 or $1,300</td>
<td>$2,952</td>
<td>$8,595 or 73%</td>
</tr>
<tr>
<td>158,850</td>
<td>250%</td>
<td>8.05%</td>
<td>MEDICAID or MEDICAID</td>
<td>$1,154 or $1,212 or $1,300</td>
<td>$4,735</td>
<td>$6,812 or 73%</td>
</tr>
<tr>
<td>170,650</td>
<td>300%</td>
<td>9.3%</td>
<td>MEDICAID or MEDICAID</td>
<td>$1,154 or $1,212 or $1,300</td>
<td>$6,712</td>
<td>$4,835 or 70%</td>
</tr>
</tbody>
</table>

- Consumers under 250% of FPL get better coverage AND pay less for coverage
SHOP Marketplace

- In 2014, businesses under 50 full-time equivalent employees in size can also use the SHOP Marketplace to purchase group coverage
- Employer chooses plan (with broker) and employees choose to enroll or not
- Plan must be offered to all full-time employees
- Generally 70% participation is required (state-by-state)
- Employers could be eligible for a Premium Tax Credit if plan is purchased through SHOP
- Starting in 2016, SHOP will be available to employers with up to 100 employees

SHOP Marketplace and Brokers

- Can I use an agent or broker to buy health insurance in the Marketplace?
  - You will be able to use a licensed agent or broker to provide help or handle your SHOP business
- A licensed agent or broker can help you:
  - apply for insurance for your employees
  - review and compare price, coverage, quality, and other important features and choose a plan that works for your budget, business, and employees
- You pay the same, with or without a broker
  - The premiums you pay will be the same with or without the help of agents or brokers. Agents and brokers are usually paid by the insurance companies whose policies they sell

Small Business Tax Credit

- Under 25 Employees
- Making less than $50,000 average
- Employer pays more than 50% of employees premium costs (not spouse or children)
- Tax credit is worth up to 50% of employer contribution toward premiums (35% for tax-exempt organizations)
The Employer Mandates and the Penalties

Calculating Your Risk

The NEW Employer Mandate

As of January 1, 2014, employers with 50 or more full-time or full-time-equivalent employees MUST provide affordable health care coverage that provides the minimum essential benefits to their employees OR Pay a Penalty (tax)

This is why we call the mandate "pay or play"

The Rules are Changing

- The most recent updates to the mandate have come quickly and without warning
- Changes do not require an act of congress since the ACA is part of the tax code
- What you see and hear today - may be different in 2 weeks, 2 months, or 2 years.
- This is a specialist environment for insurance providers and insurance brokers
Do you qualify for the mandate?
You do if you have 50 full-time employees
OR 50 full-time equivalents

What is a Full Time Employee?
30 hours per week (120 hours per month) or more

Full Time Equivalents? (FTEs)
• Take all employees that work under 120 hours per month, and add their monthly hours together
• Divide that number by 120 = FTEs

Do you qualify for the mandate?
• EXAMPLE:
  • 45 Full-Time Employees plus
  • 10 Part-Time Employees working a total of
    750 hours per month
  • 750 / 120 = 6.25 FTE (Round UP! = 7)
  • 45 (FT) + 7 (FTE) = 52

  • MANDATED!

Mandate Rules – Important Distinction
The full-time-equivalent employees count in order to determine if you are MANDATED to offer coverage at all

BUT

ONLY full-time employees (30 hours per week or more) need to be offered coverage AND only full-time employees count toward penalty calculation
What is affordable health care coverage?

- Employer-sponsored health plans must cost the employee <9.5% of their W2 wages OR <9.5% of actual wages to pay for employee premiums (Not Spouse or Family)

- Example $40,000 salary = $3,800 or less annual employee responsibility for premiums

Calculating Adequate Value

- Coverage percentage must be 60% of actuarial value or greater
  - Deductibles and Co-Pays taken into consideration

- Public Exchange programs
  - Bronze: 60% actuarial value
  - Silver: 70% actuarial value
  - Gold: 80% actuarial value
  - Platinum: 90% actuarial value

The Penalties

- Only for Large Employers = 50 or more full-time + FTEs. Small Employers cannot be charged a penalty
- Penalty 1 – No Plan
- Penalty 2 – Plan Not Affordable
- Penalty 3 – Plan Not Adequate
**Penalty #1 – No Plan**

**IF** you have **50 or more full time or full-time-equivalent employees** and you don’t offer a plan, and **ONE** employee receives a subsidy or a tax credit ... **penalty!**

$2,000 per full-time employee per year excluding the first 30 full-time employees.

All full-time employees count toward penalty calculation (including waivers)

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**Penalty #1 – Examples**

**EXAMPLES:**

- **30 or less full-time employees:** $0
- **50 full-time employees:**
  
  $50 \times 30 = 20 \times 2000 = 40,000/yr$
- **100 full-time employees:**
  
  $100 \times 30 = 70 \times 2000 = 140,000/yr$

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**Penalty #2 – Plan Not Affordable**

**IF** you offer a plan, but **ONE** employee’s contribution is more than 9.5% of his or her W2 wages ... **penalty!**

The lesser of: $2,000 per employee per year excluding the first 30 employees OR $3,000 per employee per year for which the plan is not affordable.
Penalty #2 – Examples

EXAMPLE 1:
50 full-time employees with
5 employees coverage Not Affordable:

50–30 = 20 * $2,000 = $40,000
OR
5 * $3,000 = $15,000
$15,000

EXAMPLE 2:
50 employees / 25 Not Affordable:

50–30 = 20 * $2,000 = $40,000
OR
25 * $3,000 = $75,000
$40,000

Penalty #3 – Plan Not Adequate

IF you offer a plan, but that plan doesn’t include 60% of the minimum essential benefits, and ONE employee receives a subsidy or a tax credit...penalty!

The lesser of: $2,000 per employee per year excluding the first 30 employees OR $3,000 per employee per year for employees that have received subsidy or tax credit
Does the Employer have at least 50 full-time employees / FTEs?

No

No Penalty

Does the Employer offer coverage to its employees?

No

No Penalty

Does the Employer-sponsored coverage pay for at least 60% of covered health expenses for a typical population?

No

No Penalty

Does the Employer-sponsored coverage cost all employees less than 9.5% of their '60 wages?

No

No Penalty

Compliance Safe Harbor

As long as an employer's plan meets all of the requirements, and IF an employee decides to decline employer coverage and purchase from the exchange or another source, the employer cannot be fined...even if there is an outside chance that the employee qualifies for a tax credit or subsidy.

Making a Plan and Taking Action

Surviving and Thriving in the Health Care Reform era
Develop a Strategy
- Ask Questions
- Have a plan
- Talk to a specialist
- Take a census
- Calculate your options (Penalty Calculator)
- Make a decision
- Act on that decision
- Information is power

Small Businesses (under 50)
- Should we drop our group plan?
- Will our employees be better off with a government subsidy?
- Can I re-direct funds to retain key employees?

The As–Is Model
- Employer
- Employees
- Health Insurance Plan
- Premium Subsidy from Employer
- Out-of-Pocket Expenses
As–Is Employer Issues

- Rising Premiums
- Lower Participation
- Carrier Minimum Participation Issues
- Inability to Effectively Budget
- Employee Turnover
- Less Choice for Employees
- No Government Subsidy

The To–Be Model

- Employer
- Employees
- Sec 125 Flex Plan Tax Free
- Out-of-Pocket Expenses
- Govt. Premium Subsidy
- Health Insurance Plans

www.sebsmarketplace.com

As–Is Employer Example

<table>
<thead>
<tr>
<th>25 Employees (75% EE Contribution)</th>
<th>Total premium $100,000 ($4K per employee)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Premium</td>
<td>$100,000</td>
</tr>
<tr>
<td>Total Employer Contribution</td>
<td>$75,000</td>
</tr>
<tr>
<td>Rate Increase (33%)</td>
<td>133,000</td>
</tr>
<tr>
<td>Total Employer Cost</td>
<td>$99,750</td>
</tr>
<tr>
<td>Cost Increase for Employer</td>
<td>$24,750</td>
</tr>
</tbody>
</table>
To-Be Employer Example

<table>
<thead>
<tr>
<th>25 Employees</th>
<th>$2,400 HRA Offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Premium</td>
<td>$0</td>
</tr>
<tr>
<td>Total Employer Contribution</td>
<td>$60,000</td>
</tr>
<tr>
<td>Government Penalty</td>
<td>$0</td>
</tr>
<tr>
<td>Total Employer Cost</td>
<td>$60,000</td>
</tr>
<tr>
<td>Projected Cost Increase</td>
<td>$0</td>
</tr>
</tbody>
</table>

As-Is Employee Example

Family of 4 ($40,000 MAGI)

| Total Premium (Family) | $10,000 |
| Employer Portion (75% EE Only) | $3,000 |
| Govt. Subsidy | $0 |
| Premium OOP | $7,000 |

To-Be Employee Example

Family of 4 ($40,000 MAGI)
40 yrs old non-tobacco users

| Total Premium | $11,547 |
| Employer Portion | $0 |
| Govt. Subsidy | $9,582 |
| Premium OOP | $1,965 |
To-Be Employee Example

<table>
<thead>
<tr>
<th></th>
<th>Family of 4 ($40,000 MAGI) 40 yrs old non-tobacco users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Premium</td>
<td>$11,547</td>
</tr>
<tr>
<td>Employer Portion</td>
<td>$0</td>
</tr>
<tr>
<td>Govt. Subsidy</td>
<td>$9,582</td>
</tr>
<tr>
<td>Premium OOP</td>
<td>$1,965</td>
</tr>
<tr>
<td>Employer Sponsored HRA</td>
<td>$2,400</td>
</tr>
<tr>
<td>Net</td>
<td>+ $435</td>
</tr>
</tbody>
</table>

The Perfect Customer

- Businesses who do not offer health insurance benefits or will be dropping insurance currently offered
- Their employees who may qualify for a premium subsidy

The Message

- Create a “plan” for your employees to get better coverage for less money with help from the employer
- Good for the employee
- Good for the employer
- Defined Contribution (HRA) to offset cost for employee
SEBS Marketplace

www.sebsmarketplace.com

1. Check Subsidy
2. Order Health Insurance
3. Order Additional Insurance Products (utilize HRA)

Q and A time

Questions
Are self-funded groups exempt?
  » No
Can I break my company of 200 employees into 5 companies of 40?
  » No. Entities will be linked by ownership.
What about seasonal/temp help?
  » Less than 120 days = no issue
  » More than 120 days – count as full-time if over 120 hrs/month OR add to FTE calculation
  » Penalties accrued per month ($2K/yr. = $166.67/mo.)
**What are the Minimum Essential Benefits?**

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

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**No Coverage – Pay the Penalty Real Costs**

- Higher pay for employees so they can go to the exchange and buy coverage.
- In 2010 avg. spent was $2.31 per hour on health care coverage (kff.org) = $4,800 / year
- Real Cost: $5,167 (payroll tax added in)
- Penalty $2,000 per employee – not tax deductible
- Real Cost: $2,800 (corporate tax rate added in)

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**Penalty Calculator**
Penalty Calculator

› Calculate Actuarial Value
› Calculate Potential Penalties
› Formulate Options Backed By Numbers

In Conclusion

› Question: What will insurance cost at the exchanges?
› Can your company grow with PPACA?
› Big Question: How can you retain employees and manage costs? Talk to a specialist

SEBS Info

› Strategic Employee Benefits Services (SEBS) of Illinois, Champaign IL
› Affiliated with McClure Financial Group of Northwestern Mutual
› All major healthcare providers represented
› Specialized team with years of experience in employee benefits
› Team approach – your benefits partner

SEBS of IL  (888)-250-5502
Tony Johnston  (217)-493-1015
Jared Blaudow  (217)-246-4208
SEBS and NM
- STRATEGIC EMPLOYEE BENEFIT SERVICES, a marketing program of Northwestern Mutual, provides comprehensive employee benefit programs exclusively through our reps
  - 96 Employee Benefit Specialists
  - 314 Client Service Representatives
  - Located in 67 Metro Areas Coast-to-Coast
  - Over 17,000 Business Clients
  - $245,412,000 Annual Sales
  - Over $1.7 billion Managed Premium

SEBS and NM
- Financial Strength
- Security
- Conservative and Well Managed
- Highest Integrity
- Financial Planning
- 401(k) and IRA
- Estate Planning
- Life Insurance

Broker of Record
- SEBS gets paid commission from insurance companies by becoming the Broker of Record
- If you think you need a specialist – we can become your broker
- All brokers get paid at the same rate – are you getting your money’s worth?
- No additional cost to employer to get premium service model
Broker of Record

- Based on what you have learned today, if you think we would be a good fit as your employee benefits partner, then let's discuss further
- Meet SEBS Staff
- Get to know your business
- Agree to become partners

Q and A time