

The Affordable Care Act: Demystified!



Sponsored by ARRM and its Task Force on Affordable Care

April 5, 2013

A Series of Information

April 5, 2013

Definitions: employer involvement and budget planning

April 19, 2013

Windows of time: deadlines for planning roll-out and notifications

May 3, 2013

Topics:

Next Date

Topics:

Next Date

Topics:

Next Date

Topics:



How Does Employer Decide?

- Determine of “Applicable Large Employer” (ALE)
- Run calculations:
 - → 1 full-time (F.T.) = each person/body who works 30 plus hours/wk.
 - → 1 full-time equivalent (F.T.E.) = each person < 30 hours/wk.
(take hours worked for each part-time employee ; divide by 12 months for a monthly average; divide by 120 for a weekly average)
- Add numbers together – Round down final
 - → if 50 or over = ALE
 - → if under 50 = *Affordable Care Act does not apply!*



Providers A – B – C Calculations

- Provider A

- 101 employees on payroll
 - 54 work 30 plus hours each week

54 FT Employees and an ALE!
54 employees eligible

- Provider B

- 101 employees on payroll
 - 1 person works 30 plus → 1 FT employee
 - 100 each work 15 hours/week → 54 FTE

55 FT Employees and an ALE!
1 employee eligible

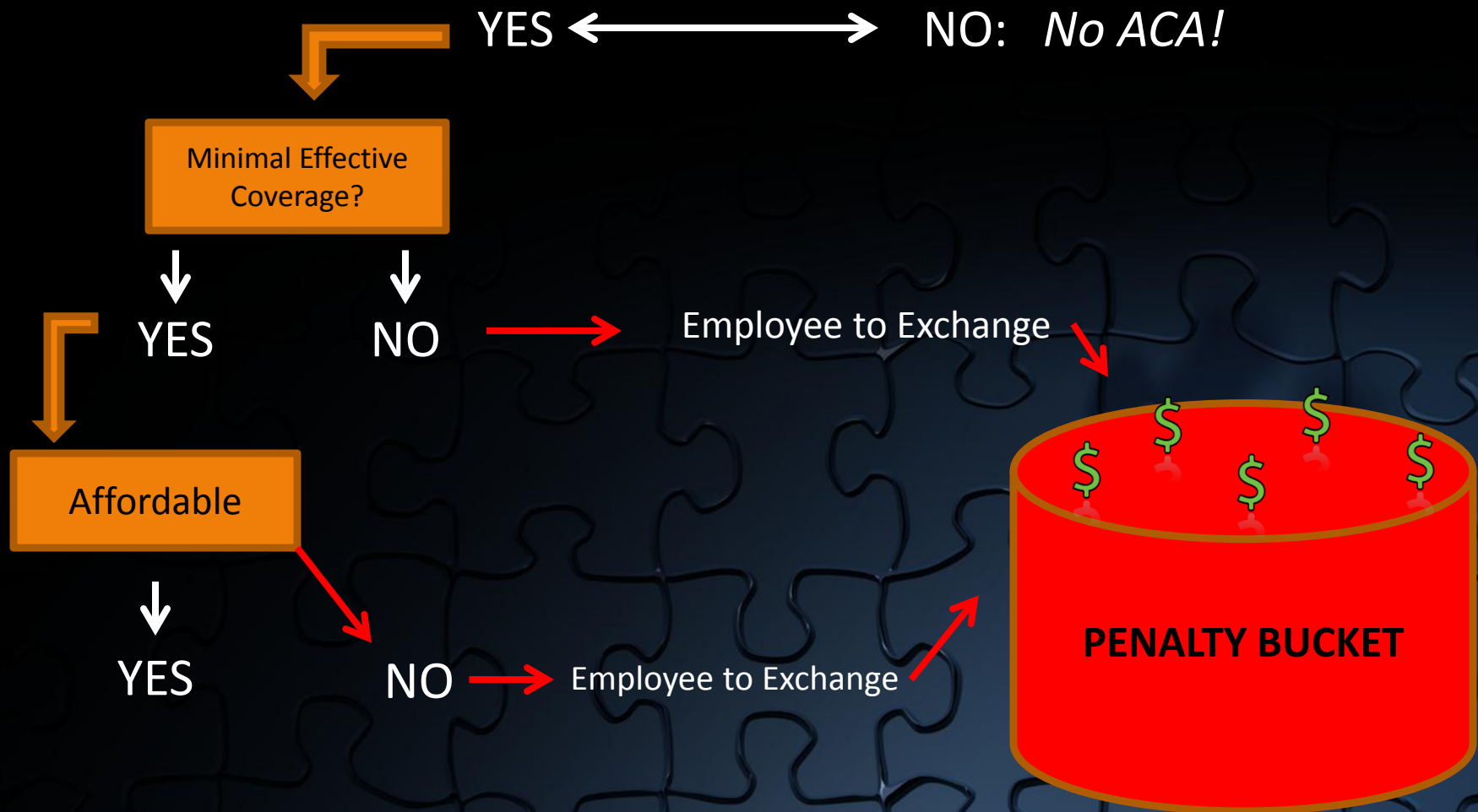
- Provider C

- 101 employees on payroll
 - 30 work 30-36 hours
 - 50 work 20 hours
 - 21 with on-call with variable hours

66 + FT Employees--an ALE!
30 employees eligible
21 in a Measurement Period

How Does Employer Decide?

- Determine Penalty – 2 Key Paths
- If “ALE”



“No Play” Penalties

Provider A

- 101 employees on payroll
 - 54 work 30 plus hours
- = 54 FT Employees and an ALE!

ACA “forgives” counting the first 30 → only 24* for consideration of a penalty

- No insurance



- Single employee to the exchange



- Penalty for each eligible (24*) @ \$2000/year or \$167/month times 24*.

- \$ 4,008.00/month or \$48,000.00/year




“Play” Penalties

Provider A

- 101 employees on payroll
 - 54 work 30 plus hours

54 FT Employees and an ALE!
54 employees eligible

- Insurance plan design meets minimal effective and *affordable* coverage –
 - but not affordable to an employee

- 
- ↓
- Single employee to the exchange

- ↓
- Penalty for each single employee @ \$3000/year or \$250/month times each.

←

\$ 250/month

“Play” Penalties:

Provider B

- 101 employees on payroll
 - 1 works 30 plus hours

51 FT Employees and an ALE!
1 employee eligible

- Insurance plan design meets minimal effective and *affordable* coverage – but not affordable to an employee



- Single employee to the exchange



\$ 250/month or
\$2000 /year (as it caps)



- Penalty for each single employee @ \$3000/year or \$250/month times each.



Comparing Penalties: Provider A

ALE - 54 eligible

NO PLAY – \$\$ ON ENTIRE BASE OF 24

- Key is *no insurance*
- One person to exchange →
- \$\$ on entire base of 24 eligible

\$ 4,008/month or
\$48,000/year

PLAY - \$\$ ON EACH ONE TO EXCHANGE

- Key is *provides insurance of minimal effective coverage and general affordability test*
- One person to exchange →
- \$\$ on only each eligible

\$ 250/month



Comparing Penalties: Provider B

ALE – 1 eligible

NO PLAY – \$\$ ON ENTIRE BASE OF 1

- Key is *no insurance*
- One person to exchange →
- *No Penalty: Under 30 eligible*

PLAY - \$\$ ON EACH ONE TO EXCHANGE

- Key is *provides insurance – not affordable*
- One person to exchange →
- \$\$ on only each eligible

\$ 250/month



Plan Design: Minimal Effective Coverage A Safe Harbor

Provide these components at a 60% Actuarial level
Will help protect from penalties

Prevention Care

Office Visits

Maternal and Newborn Care

Emergency Services

Mental Health/Substance Abuse Care

Prescriptions

Pediatric Services

Hospitalization

Rehabilitative Care

Lab Services



Plan Design: Level of Cost Affordability

A Safe Harbor

- Have cost below this level → protection from possible penalty
 - Premium contribution of *Employee* only.
 - Premium cost of single coverage.
 - Less than 9.5% of W-2 wages
(Considered household income)



Plan Design: Level of Cost Affordability

A Safe Harbor

- Affordability calculation:

1. W-2 wages = \$18,532 (year)
($\$11.88/\text{hour}$ at 30 hours/week for 52 weeks)
2. Multiply \$18,532 by 9.5% = \$1,760
3. Divide by 12 months = \$146.71/month

*Premium cost to employee of \$146.71 or less
would be considered affordable*



First Session Wrap - Up

- **First** – determine if large or small employer
- **Second** – determine how many work 30 hours a week or more
- **Third** – determine plan design for minimal effective coverage
- **Fourth** – determine plan design of cost for affordability
- **Fifth** – determine if Employee cost is at or under the level of possible penalties
- **Sixth** → tune in next session!



Next Session Teaser

- Plotting out calendar time of measurements!
 - Initial or Transition measurement
 - Administrative measurement
 - Stability measurement
- Start dates are crucial so have pen and paper



Follow-up Questions



Email questions to:
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