



# **Tucson Unified School District**

## ***Health Care Reform Update***

April 15, 2014

**buck**consultants  
A Xerox Company

- Uniform summary of benefits and coverage (SBC) – first required for open enrollment periods beginning on/after September 23, 2012
- Form W-2 reporting of health coverage value begins
- *Self-funded plans must have external appeal contracts with 3 or more independent review organizations*
- ERRP funds exhausted
- Plans may begin to receive medical loss ratio (MLR) rebates

- Health Care FSA salary reduction contributions capped at \$2,500
- Retiree drug subsidy deduction ends
- *Additional preventive services for women must be covered at 100%*
- Comparative effectiveness research tax fees must be paid
- Medicare Hospital Insurance tax increased for high income filers
- Medicare tax applies to investment income of high income filers
- Excise tax on medical device manufacturers
- Employer notice of state insurance exchanges and premium credits
- 60-day advance notice of mid-year changes (Notice of Material Modification) required

## Health Care Reform Timeline for Employer Group Health Plans

Selected provisions for calendar-year plans – *note effective dates may vary for non-calendar year plans*

40% excise tax on high-cost insurance (Cadillac tax) established

2012

2013

2014

2015

2016

2017

2018

2019

2020

- Annual dollar limits prohibited on essential health benefits
- Pre-existing condition exclusions prohibited for all enrollees
- Child coverage to 26 even if eligible for other coverage
- Waiting periods over 90 days prohibited
- *Coverage of routine patient costs in connection with clinical trials*
- *Out of pocket limits capped; Must include deductibles and copays; One year transition relief for carve-out benefits*
- *Plans may not discriminate against providers with respect to plan participation*
- Auto enrollment required (effective date delayed)
- Individual “shared responsibility” provisions effective
- State health insurance exchanges established
- Low income premium tax credit available for Exchange coverage
- HIPAA wellness incentive limits increased and new rules
- Transitional reinsurance program begins
- Insurer Tax

Employer  
“shared  
responsibility”  
provisions  
effective

States may open insurance  
exchanges to large  
employers

Part D “donut hole” filled

Employer and insurer  
reporting in early 2016 for  
health insurance coverage  
provided in 2015

Provisions in *blue italics* only apply to new plans or plans that have lost grandfathered status.

**Arizona has defaulted to  
the Federal Exchange**

# PPACA Fees & Taxes

## Comparative Effectiveness Fees (PCORI)

- A temporary fee paid to the IRS to fund national research on clinical effectiveness of various medical treatment and services
- Generally, applies to:
  - Insured plans – fee paid by insurer
  - Self insured plans – fee paid by plan sponsor
  - Includes spouses and dependents
  - Use IRS Form 720 for payment
  - Amount of fee (paid by July 31<sup>st</sup> of the following calendar year)
    - \$1 for FY 2012-13; \$2 for FY 2013-14; indexed through FY 2018-19
    - First fee due by July 31, 2014

### *Projected Cost Per PYE:*

2014 -	\$10,533
2015 -	\$11,579
2016 -	\$12,737
2017 -	\$14,011
2018 -	\$15,412
2019 -	\$16,953
2020 -	\$18,648
2021 -	\$20,513
2022 -	\$22,564
2023 -	\$24,821

## Transitional Reinsurance Program (CY 2014-2016)

- Meant to stabilize premiums for coverage in the individual market during the first three years of Exchange
- Applies to Non-Medicare Primary major medical coverage
  - Insured plans – fee paid by insurer
  - Self insured plans – fee paid by plan sponsor
- Submit 2014 enrollment by November 15, 2014
- Fee paid annually (first, larger installment due Jan, smaller installment due 4<sup>th</sup> Q)
- Projected Per Covered Life Per Year:
  - \$63 in 2014; \$42 in 2015; 26.25 in 2016

### *Total Cost Per Year.*

2014 - \$221,053  
2015 - \$257,895  
2016 - \$165,790  
2017 - \$46,053

## Clinical Trials Tax

- All Non-Grandfathered health plans must provide coverage for routine patient costs incurred by a qualifying individual who is participating in an approved clinical trial.
  - Approved Clinical Trial is one that is conducted in relation to the prevention, diagnosis or treatment of cancer or other life-threatening diseases or conditions.
- For policy years beginning on or after January 1, 2014
- Both insurers and self-funded plans are responsible for this cost
- Cost estimated at 0.2%

### *Projected Cost Per PYE:*

2015	- \$50,293
2016	- \$54,350
2017	- \$58,627
2018	- \$63,245
2019	- \$68,227
2020	- \$73,602
2021	- \$79,400
2022	- \$85,654
2023	- \$92,402

## Cadillac Excise Tax (CY 2018)

- Beginning in 2018, rich (“Cadillac”) health plans will be subject to a 40% excise tax of the value of the coverage over:
  - \$10,200/individual or \$27,500/family (\$11,850/\$30,950 respectively for high risk professionals, pre-65 retirees and multi-employer plans)
  - Some adjustment for age/sex mix of workforce
  - Amounts indexed based on CPI, not medical inflation
- \$10,200/\$27,500 is compared against (for each contract individually):
  - Total Cost of Plan (Premium Rate)
  - FSA Contributions
  - Employer HSA Contributions
  - Need to wait on the regs if EE HSA contributions are included

### *Projected Cost Per PYE:*

2018 - \$0  
2019 - \$0  
2020 - \$0  
2021 - \$0  
2022 - \$0  
2023 - \$1,656

## Cadillac Excise Tax (2018) (cont.)

Example for a Single Employee:

	2018	2019	2020	2021
Total Cost Rate	\$8,000	\$8,640	\$9,331	\$10,078
FSA Contribution	\$2,500	\$2,500	\$2,500	\$2,500
ER HSA Contribution	\$0	\$0	\$0	\$0
Total Cost of Plan (as defined by Cadillac Tax)	\$10,500	\$11,140	\$11,831	\$12,578
Threshold for Single	\$10,200	\$10,557	\$10,821	\$11,091
Amount over Threshold	\$300	\$583	\$1,010	\$1,486
Cadillac Tax (40%)	\$120	\$233	\$404	\$595



## PPACA Cost and Impact to Trust - Past

- 2010 – 2011
  - Preventive services and immunizations covered at 100%
  - Estimated cost \$176,139
- 2011 – 2012
  - Coverage of Children to age 26 regardless of eligibility elsewhere
  - Providing internal appeals & external review process
  - Estimated cost \$119,994
- 2012 – 2013
  - Women's Health covered at 100%
  - Excise Tax on Medical Device Manufactures
  - PCORI Fee
  - Estimated cost \$257,547

## PPACA Cost and Impact to Trust- Current & Future

PPACA Fee	2013 - 2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
PCORI	\$10,533	\$11,579	\$12,737	\$14,011	\$15,412	\$16,953	\$18,648	\$20,513	\$22,564	\$24,821
Temp Reins	\$221,053	\$257,895	\$165,790	\$46,053	n/a	n/a	n/a	n/a	n/a	n/a
Clinical Trials Tax	n/a	\$50,293	\$54,350	\$58,627	\$63,245	\$68,227	\$73,602	\$79,400	\$85,654	\$92,402
Cadillac (Excise) Tax	n/a	n/a	n/a	n/a	\$0	\$0	\$0	\$0	\$0	\$1,656
<b>Total Estimated HCR Annual Fees by Plan Year</b>	<b>\$231,586</b>	<b>\$319,767</b>	<b>\$232,877</b>	<b>\$118,690</b>	<b>\$78,657</b>	<b>\$85,180</b>	<b>\$92,250</b>	<b>\$99,913</b>	<b>\$108,219</b>	<b>\$118,878</b>
Estimated PYE Average Enrollment	4,698	4,698	4,698	4,698	4,698	4,698	4,698	4,698	4,698	4,698

PCORI = Patient Centered Outcomes Research Institute fee

# Full-Time Employee

## Determination of Full-Time Employee

Determining a FTE is used for the purposes of employer shared responsibility provisions only – an organization does not have to offer benefits based on the ACA rules

But if an employer does not offer benefits to someone who is an FTE under the ACA, the employer may pay penalties

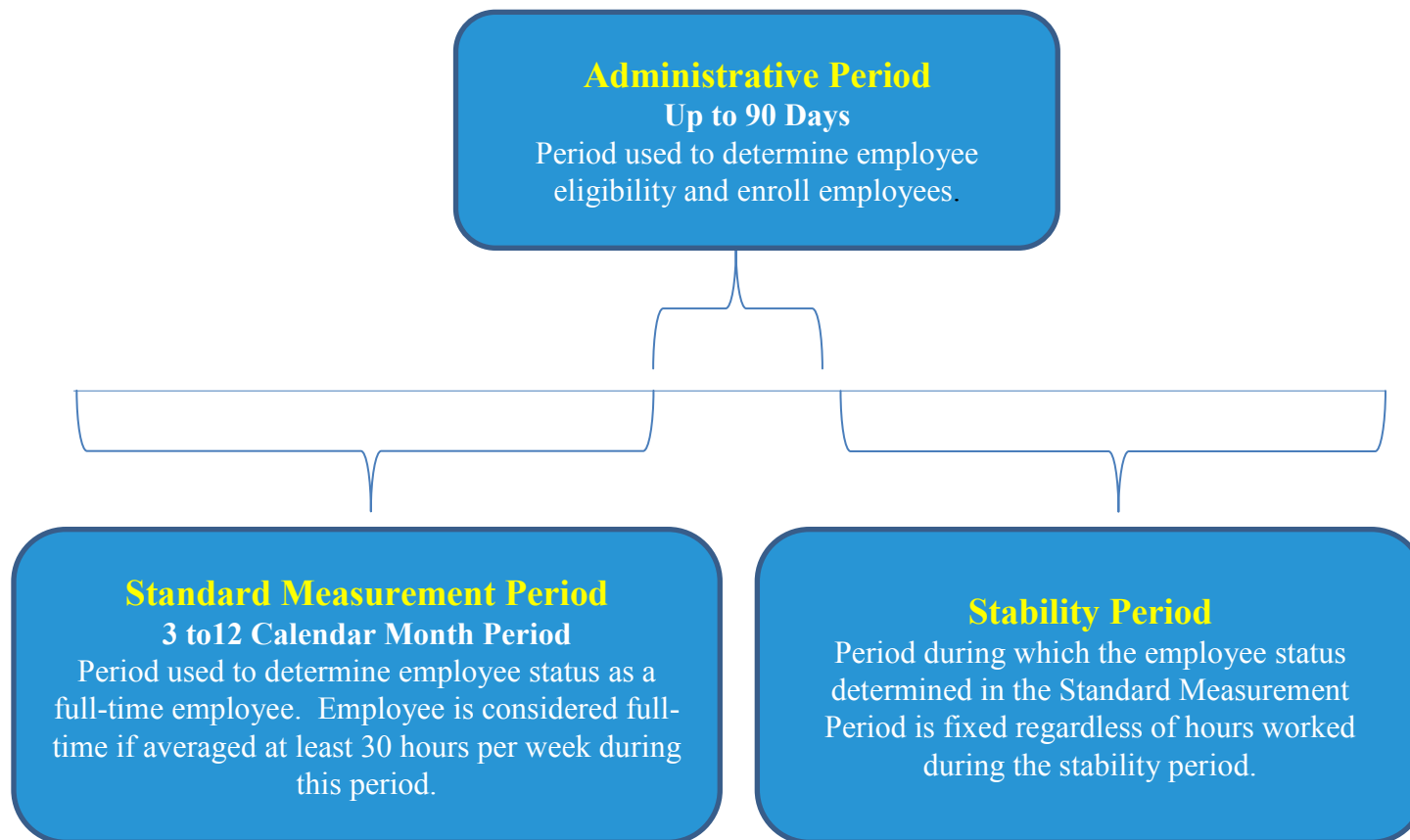
- Employees employed for more than 90 days and scheduled to work 30 or more hours per week
- May be cases where average hours are not clear cut
  - Variable hours
  - Working more than scheduled
  - Employment at 30 hours a week is expected to be of limited duration (such as seasonal employees)

## Determination of Full-Time Employee (cont.)

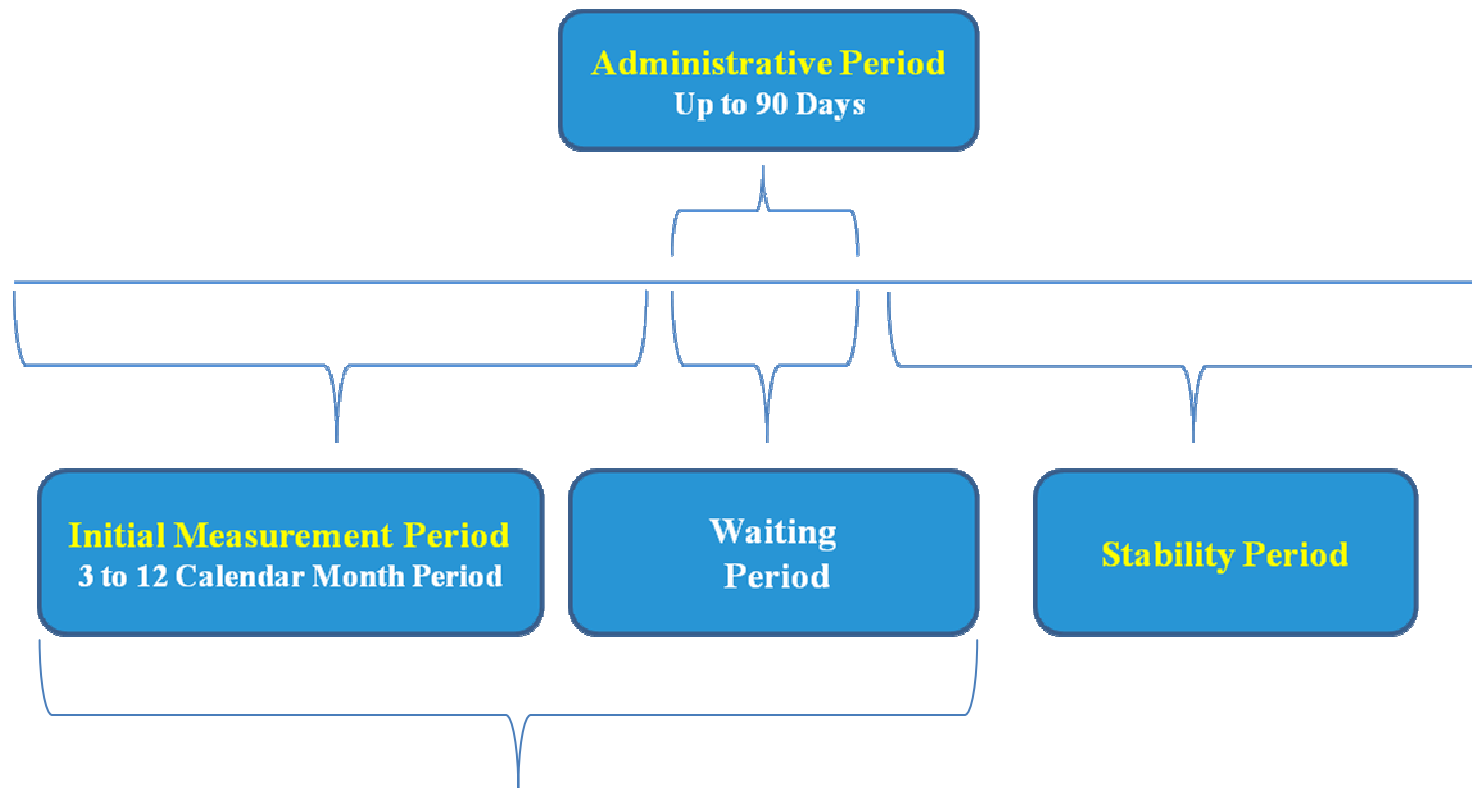
- Only need to track hours for non-FT EEs
- EE hours includes all hours for which EE is paid or entitled to payment (vacation, sick time, jury duty, etc.)
- Monthly Measurement
  - May lead to employee's "yo-yo-ing" on and off the plan each month
- Optional Look-Back Method
  - FTE status determined based on employee's average hours of service during a prior period



# Look-Back Method for Ongoing Employees



# Look-Back Method for New Employee



For Variable New Hire – the combination of these time periods cannot exceed 13-14 months

## Look-Back Method for New Employee (cont.)

- New hire is subject to “own personal” set of periods initially, then rolls onto ongoing periods afterwards
  - There may be overlapping periods in which the EE is eligible and also not eligible: In such a case, the EE gets the “benefit of the doubt”

### Example

- New Hire on 8/1/14:

Initial Measurement Period is 8/1/14 to 7/31/15

Administrative Period is 8/1/15 to 8/31/15

Stability Period is 9/1/15 to 8/31/16

- As on-going EE:

Measurement Period is 4/15/15 to 4/14/16

Administrative Period is 4/15/16 to 6/30/16

Stability Period is 7/1/16 to 6/30/17

*Here, the two stability periods overlap from 7/1/16 to 8/31/16*

*If the EE worked 30+ hrs in Initial Measurement Period but not in ongoing Measurement Period, EE is eligible for coverage until 8/31/16*

*If the EE worked less than 30 hrs in Initial Measurement Period but 30+ in ongoing Measurement Period, EE is eligible for coverage from 7/1/16 to 6/30/17*



## Special Rules for Rehires or Resuming Work after Periods of Absence

- Only treated as new if:
  - They had more than 13 consecutive weeks (26 if educational institution) without service  
OR
  - Employer may choose a shorter period of at least 4 consecutive weeks that exceeds the number of weeks of employment prior to the period of non-service
- If the EE is considered ongoing, they must be treated appropriately for in-force stability period
- If the EE is considered new, the individual Measurement, Administrative and Stability Periods would apply, unless they are reasonably considered to be a FTE immediately

## Special Rules for Rehires or Resuming Work after Periods of Absence (cont.)

- Example: Summer Lifeguard is hired to work from 5/26 to 9/8 each year (15 weeks)
  - Service break exceeded 26 weeks (alternatively exceeded 15 weeks, the period of prior employment)
  - Not treated as ongoing employee each year
  - Reasonably considered a seasonal employee



- Example: Park Tour Guide is hired to work from 3/1 to 11/1 each year (34 weeks)
  - Service break is 18 weeks, less than 26 (and less than period of prior employment, 34 weeks)
  - Treated as ongoing employee

## Special Rules for Employment Breaks or Leaves

- Employment Break = Period of at least 4 consecutive weeks where EE is not credited with hours of service
- Must determine that employee's hours of service for a measurement period with the periods of special unpaid leave and/or employment breaks excluded from the averaging calculation
- 501 Hour Exclusion Limit - not required to exclude more than 501 hours of employment break periods, during a calendar year
- In determining the hours excluded, the average weekly hourly rate (for weeks not excluded) is multiplied times the number of weeks in the excluded periods

## Special Rules for Employment Breaks or Leaves (cont.)

- A teacher is employed for an average of 38 hours per week from the period 9/9/15 to 5/22/16, but then provides no hours of service again, until 9/8/16, when then new school year begins
- EE is treated as ongoing, because break did not exceed 26 consecutive weeks (or alternatively did not exceed the number of weeks of previous consecutive employment)
- Credited with 38 hours of service for the 15 weeks EE was on the employment break (or equivalently – the 15 weeks of 0 hours are excluded from the calculation), for purposes of any measurement periods in calculating FTE status (credited hours maxed at 501)

## Special Rules for Employment Breaks or Leaves (cont.)

- A substitute teacher is employed for an average of 16 hours per week from the period 9/9/15 to 5/22/16, but then provides no hours of service again, until 9/8/16, when then new school year begins
- EE is treated as ongoing, because break did not exceed 26 consecutive weeks (or alternatively did not exceed the number of weeks of previous consecutive employment)
- Credited with 16 hours of service for the 15 weeks EE was on the employment break (or equivalently – the 15 weeks of 0 hours are excluded from the calculation), for purposes of any measurement periods in calculating FTE status
- Using the Look-Back Method, this teacher averages 16 hours per week and is NOT a FTE

## Tracking Faculty Hours

- Faculty usually measured as credits or courses taught
  - No accepted way to translate into actual hours
  - IRS has asked for feedback
  - Until further guidance, IRS specifies a “reasonable method” to credit hours
  - IRS does note that only counting instruction hours is NOT reasonable
- Possible methods delineated to IRS so far
  - American Federation of Teachers suggested 3 hours/week per credit taught
  - CUPA-HR sent memo suggesting a standard of 75% of a full-time load as the threshold (full-time as considered by the department/University)
  - Still issues with how to count administrative, research, and other duties

# Employer Shared Responsibility

*Begins FY 2015-16*

## Employer Shared Responsibility

Applies if two conditions are met:

1. Employer must have 50 or more full-time equivalent employees (FTEs) preceding calendar year
  - Definition of “large employer,” i.e., one with 50 or more FTEs
  - FTE: Employees employed for more than 90 days and scheduled to work 30 or more hours per week
2. Employer must have **at least** one full-time employee who enrolls in the public exchange and receives an exchange subsidy



## Employer Shared Responsibility (cont.)

- **Penalty 1:** Employer offers health coverage to 95% of their full-time employees and their dependents up to age 26 (70% for FY15-16)
  - \$2,000 for each full-time employee (excluding first 30) if no coverage offered and at least one full-time employee gets exchange subsidy
- **Penalty 2:** Employer offers health coverage that does not meet minimum value of 60% or is not affordable
  - \$3,000 per full-time employee who gets exchange subsidy
- TUSD HDHP plan meets minimum value and is 100% paid for employee

# Additional PPACA Actions

## **Additional PPACA Actions**

### System Requirements

- Tracking hourly employees
- Complying with reporting and disclosure requirements

### Increased Employee Communications

### Updating Summary Plan Descriptions and Plan Documents