PPACA – Large Employer Mandate and it's effect on New Mexico clientele

October 7, 2015

Presented by:

Stephen R. Byrd

President of Employee Benefits

HUB International Insurance Services

HUB International Insurance Services

Today's Agenda

- **Identifying Full-Time Employees**
- **Offer of Coverage**
- **New Mexico Examples**

Key Areas of Employer Mandate Impact

Identifying Full-Time Employees

- Employers must first calculate how many "Full-Time Equivalent" employees they have to see if they are an Applicable Large Employer.
- Identify which of these employees works at least 30 hours a week on average and is therefore benefit eligible
- Assists in reporting requirements

Specialized Employee Categories

- Short Term, Temporary and High Turn Over positions – are <u>not</u> excluded from coverage offer
- Layover hours for Airline employees and Others
- On-Call Hours
- Members of a Religious Order
- Home Care Employees
- Academic Institutions, Adjunct Professors, Student Employees.
- Seasonal Worker vs. Seasonal Employee

HUB International Insurance Services

Employer Mandate
Identifying Employee Status

Redefining a Full-Time Employee

- Common Law - “Anyone who performs services for use is generally your employee if you have the right to control what will be done and how it will be done” – Internal Revenue Service
  - Contract (1099) employees under scrutiny
- An employee who is employed on an average of 30+ hours/week with respect to a calendar month

Hours of Service – How to Calculate

- Hours for which an employee is paid or entitled to payment
  - Includes: Disability, illness, holiday, jury duty, military duty, paid leave, and vacation.
- Hourly Employees → Measure actual number of hours worked
- Non-Hourly Employees – use the equivalencies of:
  - Use actual hours worked
  - Days-worked (8 hours/day worked)
  - Weeks-worked
  - Can use different methods for different classifications of employees (reasonable and consistent).

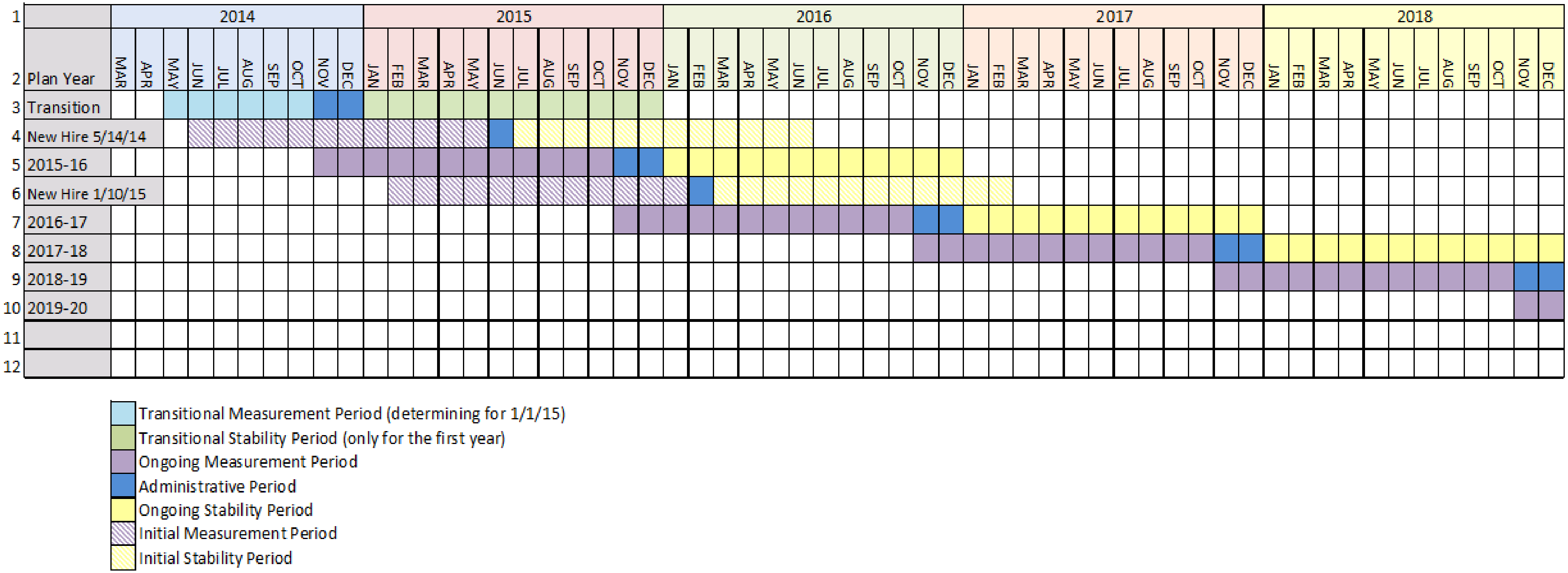
Employer Mandate
Measuring Hours to Identify Employee Status

Setting Measurement Periods

- The safe harbor for ***new variable hour or seasonal*** employees allows an employer to establish both:
  - **Initial** Measurement Period
  - Administrative Period
  - Stability Period

- For ***ongoing*** employees, defined as employees employed for at least one **standard** measurement period, the safe harbor allows:
  - A look-back test for the period of the standard measurement period
  - Administrative Period
  - Stability Period

Employer Mandate
Measurement and Stability Period Determination



Employer Mandate
Offer of Minimum Essential/Minimum Value Coverage

Minimum Essential Coverage (MEC)

- Employers only need to offer MEC to 70% (95% in 2016) of their full-time employees in in order to avoid a $2,000 per full-time employee penalty
- MEC plans that provide ONLY preventive care satisfy this mandate. Employers still subject to potential $3,000 penalty

Minimum Value Coverage (MV)

- Employers must offer MV plan (measured to equal 60% benefit plan as available from Exchanges)
  - Limited Plan Design Choices
  - Maximum Cost Share ($6,600/$12,700 out of pocket maximum) for 2015

HUB International Insurance Services

Employer Mandate
Offer of Coverage - Affordability

- **Affordability**
  - An employee's share of the premium for employer sponsored coverage cannot exceed 9.5% of that employees annual household income.
- **Safe Harbors for Determining Affordability**
  - If the employee's monthly contribution for the lowest cost **self-only** coverage that provides minimum value does not exceed:
    - 9.5% of the employee's **W-2 income** rather than household income. Must be based on estimate of current year income and uses Box 1 – after deductions.
    - 9.5% of 130 hours x employee's hourly **Rate of Pay** at the beginning of the coverage period. For salaried employees use monthly salary.
    - 9.5% of the **Federal Poverty Level (FPL)** for a single individual for the state where the individual is employed in the applicable year divided by 12.

Effects of Employer Mandate on New Mexico Clientele

No short term or temporary employees

An Albuquerque based electrical contractor with over 120 employees that hires workers for specific contracts – 6 to 8 months – must offer coverage to those employees by the 3rd month.

Measuring variable hour employee hours

A Bernalillo based restaurant chain with 340 employees must measure each employee's hours according to the chart above to determine if and when they are benefit eligible. Additional cost for administration or paying a vendor.

Coverage unaffordable to employer

A Roswell based non-profit with 200 employees could not afford to offer a full medical plan, so the offered MEC only. They will be subject to the $3,000 penalty for every employee that receives a subsidy.

Effects of Employer Mandate on New Mexico Clientele

Finding affordability

A Silver City based construction company with 350 employees had to develop **9** different benefit contribution tiers to make plan affordable to the employees and the company. They also have a high turnover of employees so the 60 day waiting period has caused a significant increase in the administrative cost and resources.

Expanding eligibility and cost increase

A local hotel chain with multiple NM locations and 750+ employees went from having 80 eligible and 60 enrolled to 400+ eligible and 254 enrolled. Required a new payroll/reporting vendor, a significant increase in the administration costs and time and a $600,000 increase in premium.

A Farmington home health care agency has 700 employees and has invested considerable time, energy and money into developing a hours tracking system to identify employees and then offering them coverage. They offered affordable coverage to 156 employees and only 40 elected – this is negligible increase in participation from the previous enrollment.

HUB International Insurance Services

Effects of Employer Mandate on New Mexico Clientele

Risking the Penalty

A statewide building maintenance service company has 200+ employees of which 82 were identified as averaging 30 hours or more a week. The cost of offering a health plan was so high, they chose to risk a penalty because they can carve out the first 80 people and potentially only pay a $4,000 penalty at the most.

Already offering MEC/MV to employees

There are many employers that were already offering MEC and MV plans to their employees, but the Mandate has still had an impact. Some were paying 50% of the plan costs or more previously, but meeting affordability using a Safe Harbor has been very expensive. Others have plans and they are at affordable rates, but now there are the added burdens of identifying the full-time employees and all of the reporting requirements.

HUB International Insurance Services

Employer Mandate
Final points

- **Tremendous increase in the administration requirements of a health plan**
  - Cost of hours needed to track all employees, set affordability, identify eligible employees, offer and enroll on coverage and set up reporting to the IRS in 2016
  - Cost of having a third party for tracking and reporting
- **Lack of adequate information**
  - In June IRS advised HRA's need to be reported on 1095 and then in September they reversed that decision
  - Final versions of the IRS forms for 2015 were published on 9/18/15
  - Notification of change to age rates for 50-99 ALE's
  - Carriers use different definitions for employer size
- **Grandfathered Status**
  - Lost the protection of this status due to carrier cancellation of plans as well as the BCBS of NM acquisition of Lovelace Health Plans.
- **Hourly requirement change and waiting period change**

It's a confusing world filled with potential penalties, additional cost in technology and manpower – including increased health plan costs…




HUB International
Insurance Services

Thank You!

Stephen R. Byrd

President of Employee Benefits

- Hub International Insurance Services
- 505.262.9407
- Steve.Byrd@hubinternational.com