In the New Era of Health Care Exchanges, Should Employers Continue to Offer Employee Benefits?

Patrick Haraden, CEBS
Principal
Longfellow Benefits
Boston, Massachusetts

The opinions expressed in this presentation are those of the speaker. The International Society disclaims responsibility for views expressed and statements made by the program speakers.
“It is one of the happy incidents of the federal system that a single courageous state may, if its citizens choose, serve as a laboratory, and try novel social and economic experiments without risk to the rest of the country.”

- Justice Louis D. Brandeis (Dissenting)

New State Ice Co. v. Liebmann, 285 U.S. 262, 311 (1932)
Agenda

* Background
* PPACA Employer Responsibility Overview
* Employer Responsibility “Math”
* Massachusetts Exchange—Connector
* Lessons from Massachusetts Health Care Reform
  * Employer Responsibility Provisions
* Other Employer Considerations
Exchanges under PPACA
- Determine eligibility for premium subsidies and tax credits
- Marketplace to offer and compare qualified health plans for eligible individuals
- Can be individual state, regional or federally operated
- Conditional approval required by HHS on January 1, 2013 for January 1, 2014 effective date
State Exchange Status (May 2012)

- Massachusetts and Utah have existing exchange models (e.g., “Connector” in MA)
- 10 states—passed exchange enabling legislation
- 3 states—utilized executive orders
- 22 states—legislation is pending
- 15 states—legislation has failed/no activity
Status of State Legislation to Establish Exchanges as of May 2012

- **State exchange in existence prior to passage of ACA**
- ** Legislation signed into law post-passage of ACA**
- ** Legislation signed: intent to establish an exchange, creation of study panel, or appropriation**
- ** Legislation passed one or both houses**
- ** Legislation pending in one or both houses**
- ** Legislation failed/no gubernatorial action**
- **Governors pursuing non-legislative options**
- **Governors working with HHS on options**
- **Governor veto or decision not to establish exchange**
- **No legislative activity to date**

**Employer Considerations**
- Employers with 100 or fewer employees can utilize
  - Tax credits available to certain employers with <25 ees
  - States can limit to 50 or fewer employees through 2015
  - States can allow employers with more than 100 employees to participate in 2017
- Employers can also “drop” coverage and pay an “assessable payment”
  - Employees would then be eligible for exchanges
Background

* McKinsey—30% of employers will “definitely” drop coverage
* Mercer—2% of employers will “very likely” drop coverage
* Pacific Community Ventures—55% of small businesses in CA would participate in the exchanges
* Towers Watson—71% of employers will continue to offer coverage through 2014
**Background**

* Congressional Budget Office (CBO)
  * 8 million people will utilize health insurance exchanges in 2014
  * 24 million people will utilize health insurance exchanges by 2018

* PwC Health Research Institute (7/11)
  * 11.5 million people will utilize health insurance exchanges in 2014
  * 25-65 million people will utilize health insurance exchanges by 2019
Beginning in 2014, an “applicable large employer” will be required to make an “assessable payment” if any full-time employee is certified as eligible to receive a premium tax credit or cost sharing reduction; and either

- Full time employees and their eligible dependents are not offered minimum essential coverage under an eligible employer sponsored plan; or
- The minimum essential coverage offered is either “unaffordable” or does not provide “minimum value”
“Applicable large employer” definition

- Average of at least 50 full time employees on business days during the preceding calendar year
  - Full time—average of 30 hours or more per week
  - Full time equivalent employees are considered full time (total monthly hours of employees who are not full time/120)
- “Control group” aggregation rules apply
- If >50 employees for 120 days or less and the excess employees were “seasonal”, then not an “applicable large employer”
“Minimum value” definition
- A plan that pays 60% of total plan costs on an actuarial value basis
- Employer/employee premium contributions are not relevant to the minimum value test [e.g., 100% ER]

Affordability for employer sponsored coverage
- Coverage “unaffordable” if employee share of the self only premium is > 9.5% of W-2 income [proposed “safe harbor”]
**PPACA Math—Large Employer**

* IRS Notice 2011-73 affordability “safe harbor”
  * Prior to this notice “household income” was the affordability standard
  * Employers would have no way of knowing household income, or if they did, would not be able to predict for 12 months and know the level of contributions to set or plan to offer
  * Notice 2011-73 provides that an employer can use W-2 income to determine if employee’s share of self-only premiums are “unaffordable” (i.e., >9.5%)
Assessable payments of $2,000 per full time employee for not offering employees coverage [after 90 day waiting period]
* Full time equivalent employees not assessable

Assessable payment of $3,000 per full time employee receiving premium tax credits or cost sharing reductions
* Only those employees receiving subsidies/credits are assessable
* Must receive subsidy and purchase coverage through the exchange
Questions for employers

- Is dropping coverage and paying the employer penalty(ies) less expensive than offering coverage?
  - Remember there is no “penalty” now, why are employers interested in dropping coverage when a penalty is imposed?
- Is $2,000 per employee really less than $3,000 per employee?
- Can I offer coverage that is less expensive than $2,000 per year?
- What are the financial and non-financial implications of not offering coverage or offering coverage that is “unaffordable” or not “minimum value”??
PPACA Math—Large Employer

* If employer does not offer coverage
  * $166.67 per month/$2,000 per year
  * Per full-time employee
  * First 30 full time employees excluded
* Example: Employer has 100 full time employees
  100 ees - 30 [excluded employees] = 70 assessable employees
  70 x $2,000 [assuming full year] = $140,000
* Penalty not tax deductible
PPACA Math—Large Employer

- Employer offers coverage
  - $250.00 per month/$3,000 per year
  - Per subsidized employee; No “free employees”
- Example: Employer has 100 full time employees, 20 are credit/subsidy eligible
  20 ees x $3,000 [assuming full year] = $60,000
  Lower than “cap” of $140,000
- Penalty not tax deductible
* Offering coverage less expensive from pure penalty standpoint
  * Would be equal even if all 100 employees eligible for credits/subsidies
Assessable employee (full time)

- Employee’s W-2 income between 138% and 400% of FPL (not eligible for Medicaid), and
- Employer plan, if offered, does not provide minimum value (i.e., plan pays less than 60%), or
- Employee’s cost of coverage is deemed “unaffordable” (i.e., cost is greater than 9.5% of W-2 income for lowest cost option for self-only coverage)
## 2012 Federal Poverty Guidelines

### 2012 Federal Poverty Guidelines (except AK and HI)

<table>
<thead>
<tr>
<th>Persons in family/household</th>
<th>100%</th>
<th>138%</th>
<th>150%</th>
<th>200%</th>
<th>300%</th>
<th>400%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$11,170</td>
<td>$15,415</td>
<td>$16,755</td>
<td>$22,340</td>
<td>$33,510</td>
<td>$44,680</td>
</tr>
<tr>
<td>2</td>
<td>$15,130</td>
<td>$20,879</td>
<td>$22,695</td>
<td>$30,260</td>
<td>$45,390</td>
<td>$60,520</td>
</tr>
<tr>
<td>3</td>
<td>$19,090</td>
<td>$26,344</td>
<td>$28,635</td>
<td>$38,180</td>
<td>$57,270</td>
<td>$76,360</td>
</tr>
<tr>
<td>4</td>
<td>$23,050</td>
<td>$31,809</td>
<td>$34,575</td>
<td>$46,100</td>
<td>$69,150</td>
<td>$92,200</td>
</tr>
<tr>
<td>5</td>
<td>$27,010</td>
<td>$37,274</td>
<td>$40,515</td>
<td>$54,020</td>
<td>$81,030</td>
<td>$108,040</td>
</tr>
<tr>
<td>6</td>
<td>$30,970</td>
<td>$42,739</td>
<td>$46,455</td>
<td>$61,940</td>
<td>$92,910</td>
<td>$123,880</td>
</tr>
<tr>
<td>7</td>
<td>$34,930</td>
<td>$48,203</td>
<td>$52,395</td>
<td>$69,860</td>
<td>$104,790</td>
<td>$139,720</td>
</tr>
<tr>
<td>8</td>
<td>$38,890</td>
<td>$53,668</td>
<td>$58,335</td>
<td>$77,780</td>
<td>$116,670</td>
<td>$155,560</td>
</tr>
</tbody>
</table>
Single Employee at 400% of FPL [2012 Table]

- W-2 wages of $44,680
- Employee cost of coverage limit is $4,245 annually
  - 9.5% x $44,680
- Employee cost of coverage limit is $354 monthly
  - $4,245/12

- Employee contributions for those employees with incomes above 400% of FPL simply must meet carrier underwriting guidelines (if fully-insured) or Section 105(h) rules (self-insured)
## Maximum Employee Costs (2012)

<table>
<thead>
<tr>
<th>Persons in family/household</th>
<th>138% Annual Cost Maximum</th>
<th>Monthly Cost Maximum</th>
<th>400% Annual Cost Maximum</th>
<th>Monthly Cost Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$15,415 $1,464</td>
<td>$122</td>
<td>$44,680 $4,245</td>
<td>$354</td>
</tr>
<tr>
<td>2</td>
<td>$20,879 $1,984</td>
<td>$165</td>
<td>$60,520 $5,749</td>
<td>$479</td>
</tr>
<tr>
<td>3</td>
<td>$26,344 $2,503</td>
<td>$209</td>
<td>$76,360 $7,254</td>
<td>$605</td>
</tr>
<tr>
<td>4</td>
<td>$31,809 $3,022</td>
<td>$252</td>
<td>$92,200 $8,759</td>
<td>$730</td>
</tr>
<tr>
<td>5</td>
<td>$37,274 $3,541</td>
<td>$295</td>
<td>$108,040 $10,264</td>
<td>$855</td>
</tr>
<tr>
<td>6</td>
<td>$42,739 $4,060</td>
<td>$338</td>
<td>$123,880 $11,769</td>
<td>$981</td>
</tr>
<tr>
<td>7</td>
<td>$48,203 $4,579</td>
<td>$382</td>
<td>$139,720 $13,273</td>
<td>$1,106</td>
</tr>
<tr>
<td>8</td>
<td>$53,668 $5,098</td>
<td>$425</td>
<td>$155,560 $14,778</td>
<td>$1,232</td>
</tr>
</tbody>
</table>
Required coverage is minimum value or a 60% “bronze level” type plan [60% of benefit value] from the “Connector” in MA

Bronze Math
- Assume Bronze level premium of $215 per month; 30 year old non-smoker, living in Central MA
- Coverage is affordable for a 138% FPL income at $122/mth
- Employer cost $93/month $1,116/year [tax deductible]
- Alternative $2,000/year non-deductible penalty
Non-discrimination rules will also impact employer’s offer of coverage and cost of coverage to employees

* Massachusetts non-discrimination rules require the employer to offer all fully insured medical plans to all full time employees [35 hours/week, not temporary or seasonal] on a non-discriminatory contribution basis

* Current Section 105(h) rules require a similar offer (e.g., eligibility and benefits), without the specific reference to contributions
PPACA Math—Large Employer

* PPACA will require fully insured plans to comply with Section 105(h) type non discrimination rules when guidance is issued
  * Eligibility
  * Benefits
* In Massachusetts, after the fair share contribution rules, the non-discrimination regulations had the biggest impact for employers
Impact on Employers/Industries

- The regulations will have little, if any impact on employers/industries with large numbers of highly paid, full time workers
- The regulations could dramatically impact employers/industries with a high percentage of “contingent workers”
Massachusetts Health Connector

www.mahealthconnector.org
Connect to good health, Massachusetts!

Our online Commonwealth Choice marketplace is the only place where you can compare plans from the state's major insurers. We're an independent state agency, so you can shop with confidence.

Our Commonwealth Care program offers low-or-no-cost health insurance for people who qualify. It provides comprehensive benefits and a choice of health plans.

Find the plan that's right for you and enroll today!

Glad to be Insured
"I was young, healthy. I always thought that I was invincible. It never even crossed my mind that I could get hurt..."
—Andrew Herlihy of Maiden
Hear Andrew’s story and more

For Commonwealth Care Members Only
If you’ve been accepted for this subsidized health plan:
→ Log in to your account
→ Register to get online access to your account
→ Get instructions for creating your account
→ Get help with questions
Need insurance? Let's get started.
We'll help you compare options from the major insurers in Massachusetts. See if you might qualify for a low-or-no-cost plan.

Exemptions from the Mandate
Think you can't afford health insurance? Learn if you might be exempt from the Health Care Reform law's penalties.
More on exemptions

Did Your Employer Send You?
Use your Employer ID to shop for a plan. Get tax-free savings on health insurance.
Go to the "Employees" area

Important Dates
For coverage on: Apply & pay by:
June 1, 2012 May 23, 2012
July 1, 2012 June 22, 2012

New Limits on Buying a Health Plan
Under state law, July - August 15 is the time for individuals and families to buy a plan. Only people who meet special conditions can buy a plan today.
Limited Open Enrollment Fact Sheet (PDF)

Self Employed?
Refer to your most recent Federal 1040 Schedule C if you're trying to qualify for a low-or-no-cost Commonwealth Care plan.
Contact us

Real Customers
Ada May and Donald Roberts of Salem, MA
Read their story
Exemptions from the Mandate
Think you can't afford health insurance? Learn if you might be exempt from the Health Care Reform law's penalties.
More on exemptions

New Limits on Buying a Health Plan
Under state law, July - August 15 is the time for individuals and families to buy a plan. Only people who meet special conditions can buy a plan today.
Limited Open Enrollment Fact Sheet (PDF)

Did Your Employer Send You?
Use your Employer ID to shop for a plan. Get tax-free savings on health insurance.
Go to the "Employees" area

Self Employed?
Refer to your most recent Federal 1040 Schedule C if you're trying to qualify for a low-or-no-cost Commonwealth Care plan.
Contact us

Important Dates
For coverage on: Apply & pay by:
June 1, 2012 May 23, 2012
July 1, 2012 June 22, 2012

Quick Links
* Frequently asked questions

Real Customers
Ara May and Donald Roberts of Salem, MA
Read their story
Exemptions from the Mandate
Think you can't afford health insurance? Learn if you might be exempt from the Health Care Reform law's penalties.
More on exemptions

New Limits on Buying a Health Plan
Under state law, July 1 - August 15 is the time for individuals and families to buy a plan. Only people who meet special conditions can buy a plan today.
Limited Open Enrollment Fact Sheet (PDF)

Did Your Employer Send You?
Use your Employer ID to shop for a plan. Get tax-free savings on health insurance.
Go to the "Employees" area

Self Employed?
Refer to your most recent Federal 1040 Schedule C if you're trying to qualify for a low-or-no-cost Commonwealth Care plan.
Contact us

Important Dates
For coverage on: Apply & pay by:
June 1, 2012 May 23, 2012
July 1, 2012 June 22, 2012

Quick Links
* Frequently asked questions

Real Customers
Ada May and Donald Roberts of Salem, MA
Read their story
Special conditions

Coverage history

I had at least 18 months of health insurance coverage without a break of more than 62 days.
True  False

I am eligible for an employer's health insurance benefits.
True  False

I was on COBRA or mini-COBRA benefits but cancelled them within the last 30 days.
True  False

I am not eligible for Medicare or MassHealth.
True  False

I lost my most recent coverage because I failed to pay for it or committed fraud.
True  False

Continue

Do you have a waiver?
You can shop today if the Department of Public Health's Office of Patient Protection has granted you a waiver. Shop now with a waiver
Special conditions

Which event(s) have or will have happened to you within this time period?

-62 days

Mar 12, 2012

+62 days

Jul 14, 2012

Select all that apply to you.

**Employer or school related**

"I have or will have..."

- Become ineligible for an employer's health insurance benefits.
- Used up or declined to participate in a former employer's COBRA or mini-COBRA benefits.
- Become ineligible for coverage offered by my school.
- Eligibility for an employer's plan, but that plan does not meet the state's Minimum Creditable Coverage standards for being insured and avoiding tax penalties.

**Family related**

"I have or will have..."

- Lost coverage due to divorce, legal separation or end of a domestic partnership.
- Lost eligibility as a dependent on a parent or guardian's plan.
- Lost coverage due to death of a subscriber.
Choose the type of plans that will meet your needs.

**Young Adult**
- Only for 18-26 year-olds
- Lowest monthly costs
- Higher costs when you receive medical services

Who chooses Young Adult plans?
[See Young Adult Plans]

**Bronze**
- Lower monthly cost
- Higher costs when you receive medical services

Who chooses Bronze plans?
[See Bronze Plans]

**Silver**
- Monthly cost can run higher than Bronze
- Lower costs when you receive medical services compared to Bronze

Who chooses Silver plans?
[See Silver Plans]

**Gold**
- Highest monthly cost
- Lowest costs when you receive medical services

Who chooses Gold plans?
[See Gold Plans]

Or

[View all plans]
### You've Selected

Benefits package
- [ ] YAP
- [x] Bronze
- [ ] Silver
- [ ] Gold

Narrow by provider
- Search for your doctor...
  - Only show plans that include your doctor, nurse practitioner, hospital or health center.

Narrow by monthly cost
- Less than $300 (12)
- Greater than $300 (6)

Narrow by insurance carrier
- Blue Cross Blue Shield of Massachusetts (3)
- Fallon Community Health Plan (6)
- Harvard Pilgrim Health Care (3)
- Neighborhood Health Plan (3)
- Tufts Health Plan (3)

### Browse Plans: 3 benefits packages (What's a benefits package?)? [18 plans]

Show Plans. Then choose up to 3 to compare. Click Continue at bottom.

#### Bronze Low Benefits Package
6 plans available

<table>
<thead>
<tr>
<th>Plan</th>
<th>Monthly Cost</th>
<th>Annual Deductible</th>
<th>Annual Out of Pocket Max</th>
<th>Doctor Visit</th>
<th>Generic Rx</th>
<th>Emergency Room</th>
<th>Hospital Stay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neighborhood Health Plan</td>
<td>as low as $215</td>
<td>$2,000 (ind.)</td>
<td>$4,000 (fam.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fallon Community Health Care</td>
<td>$214.81</td>
<td>$2,000 (ind.)</td>
<td>$4,000 (fam.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tufts Health Plan</td>
<td>$262.00</td>
<td>$2,000 (ind.)</td>
<td>$4,000 (fam.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harvard Pilgrim Health Care</td>
<td>$262.87</td>
<td>$5,000 (ind.)</td>
<td>$10,000 (fam.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fallon Community Health Care</td>
<td>$298.00</td>
<td>$5,000 (ind.)</td>
<td>$10,000 (fam.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Massachusetts</td>
<td>$298.60</td>
<td>$5,000 (ind.)</td>
<td>$10,000 (fam.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Bronze Medium Benefits Package
6 plans available

<table>
<thead>
<tr>
<th>Plan</th>
<th>Monthly Cost</th>
<th>Annual Deductible</th>
<th>Annual Out of Pocket Max</th>
<th>Doctor Visit</th>
<th>Generic Rx</th>
<th>Emergency Room</th>
<th>Hospital Stay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tufts Health Plan</td>
<td>as low as $324</td>
<td>$2,000 (ind.)</td>
<td>$4,000 (fam.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fallon Community Health Care</td>
<td>$298.60</td>
<td>$5,000 (ind.)</td>
<td>$10,000 (fam.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance Carrier</td>
<td>Neighborhood Health Plan</td>
<td>Blue Cross Blue Shield of Massachusetts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------------</td>
<td>--------------------------------------------------</td>
<td>--------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NCQA Rating</strong></td>
<td><img src="neighborhood-health-plan-example" alt="Rating" /></td>
<td><img src="blue-cross-blue-shield-example" alt="Rating" /></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4 out of 4 stars</td>
<td>4 out of 4 stars</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><img src="neighborhood-health-plan-example" alt="View insurer's report card" /></td>
<td><img src="blue-cross-blue-shield-example" alt="View insurer's report card" /></td>
<td><img src="blue-cross-blue-shield-example" alt="View insurer's report card" /></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits Package</td>
<td>Bronze Low</td>
<td>Bronze Low</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>About Bronze Low</strong></td>
<td>• Some preventative or “wellness” visits to the doctor are exempt from the deductible.</td>
<td>• Some preventative or “wellness” visits to the doctor are exempt from the deductible.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Has co-insurance. Example: A lab test costs $100. You have 20% co-insurance. You will pay $20 and the insurer will pay $80.</td>
<td>• Has co-insurance. Example: A lab test costs $100. You have 20% co-insurance. You will pay $20 and the insurer will pay $80.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Prescription copays are lower for most generics, higher for most brand-name drugs</td>
<td>• Prescription copays are lower for most generics, higher for most brand-name drugs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium</td>
<td>$214.81</td>
<td>$298.60</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Provider Network Disclosure**

Provider network disclosure: This is a General Provider Network plan. If you purchase this plan, you will receive services through the broadest network of health care providers offered by this insurer.

**Annual Deductible**

<table>
<thead>
<tr>
<th></th>
<th>Per person</th>
<th>Family total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2,000</td>
<td>$2,000</td>
</tr>
<tr>
<td></td>
<td>$4,000</td>
<td>$4,000</td>
</tr>
</tbody>
</table>

**Annual Out-Of-Pocket (OOP) Maximum**

<table>
<thead>
<tr>
<th></th>
<th>Per person</th>
<th>Family total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$5,000</td>
<td>$5,000</td>
</tr>
<tr>
<td></td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
</tbody>
</table>

Costs that count towards OOP maximum:

- **Office visit: Adult routine physical**: Not applicable
- **Office visit: Routine gynecological (GYN) exam**: Not applicable
- **Office visit: Well-child care**: Not applicable
- **Office visit: All other visits to Primary Care Provider (PCP)**: Yes
- **Office visit: Specialist**: Yes
- **Prescription Drugs (Rx)**: Yes
- **Emergency Room**: Yes
- **Hospital care: Inpatient**: Yes
- **Outpatient surgery**: Yes
### Routine Medical Office Visits

<table>
<thead>
<tr>
<th>Service</th>
<th>No</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject to annual deductible</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Adult routine physical</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Routine gynecological (GYN) exam</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Well-child care</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

### Routine Vision

<table>
<thead>
<tr>
<th>Service</th>
<th>No</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject to annual deductible</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Routine vision exam</td>
<td>$25</td>
<td>$0</td>
</tr>
<tr>
<td>One vision exam per</td>
<td>per calendar year</td>
<td>per 24 months</td>
</tr>
</tbody>
</table>

### Other Primary Care Provider (PCP) Office Visits

<table>
<thead>
<tr>
<th>Service</th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject to annual deductible</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Other PCP office visits</td>
<td>$25</td>
<td>annual deductible, then $25 Copay</td>
</tr>
</tbody>
</table>

### Specialist Office Visits

<table>
<thead>
<tr>
<th>Service</th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject to annual deductible</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Specialist</td>
<td>$25</td>
<td>deductible, then $25</td>
</tr>
</tbody>
</table>

### Laboratory + Imaging: Outpatient

<table>
<thead>
<tr>
<th>Service</th>
<th>Yes</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject to annual deductible</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Diagnostic lab</td>
<td>deductible, then 20% co-insurance</td>
<td>deductible, then 20% co-insurance</td>
</tr>
<tr>
<td>Subject to annual deductible</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Diagnostic X-ray</td>
<td>deductible, then 20% co-insurance</td>
<td>deductible, then 20% co-insurance</td>
</tr>
<tr>
<td>Subject to annual deductible</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Diagnostic CT/ MRI/ MRA/ PET scan</td>
<td>deductible, then 20% co-insurance</td>
<td>deductible, then 20% co-insurance</td>
</tr>
</tbody>
</table>
### Prescription drugs (Rx)

<table>
<thead>
<tr>
<th>Subject to annual deductible</th>
<th>No (since there is an Rx deductible)</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prescription drug deductible (also called an &quot;Rx deductible&quot;)</td>
<td>$250 per individual, $500 per family (for Tiers 1, 2 and 3 for Retail and Mail order)</td>
<td>None</td>
</tr>
<tr>
<td>Retail drugs (up to 30 day supply)</td>
<td>Rx deductible, then $15</td>
<td>annual deductible, then $15 Copay</td>
</tr>
<tr>
<td>Tier 1 (primarily generic focused)</td>
<td>Rx deductible, then 50% co-insurance</td>
<td>deductible, then 50% co-insurance</td>
</tr>
<tr>
<td>Tier 2 (primarily preferred brand)</td>
<td>Rx deductible, then 50% co-insurance</td>
<td>deductible, then 50% co-insurance</td>
</tr>
<tr>
<td>Tier 3 (primarily non-preferred brand)</td>
<td>Rx deductible, then 50% co-insurance</td>
<td>deductible, then 50% co-insurance</td>
</tr>
<tr>
<td>Special rules/features</td>
<td>There is an Rx Out-of-Pocket Maximum of $2,000 per individual or $4,000 per family (per calendar year)</td>
<td></td>
</tr>
</tbody>
</table>

| Mail order drugs (up to 90 day supply) | Rx deductible, then $30 | deductible, then $30 |
| Tier 1 (primarily generic focused) | Rx deductible, then 50% co-insurance | deductible, then 50% co-insurance |
| Tier 2 (primarily preferred brand) | Rx deductible, then 50% co-insurance | deductible, then 50% co-insurance |
| Tier 3 (primarily non-preferred brand) | Rx deductible, then 50% co-insurance | deductible, then 50% co-insurance |
| Special rules/features | 90 day supply of many medications available via mail or through a local participating Access 90 retail pharmacy | Exclusive Home Delivery feature |

### Emergency

<table>
<thead>
<tr>
<th>Subject to annual deductible</th>
<th>Yes</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency room (waived if admitted)</td>
<td>deductible, then $100</td>
<td>annual deductible, then $100 Copay</td>
</tr>
<tr>
<td>Ambulance</td>
<td>deductible, then 20% co-insurance</td>
<td>deductible, then 20% co-insurance</td>
</tr>
</tbody>
</table>

### Hospital Care: Inpatient

<table>
<thead>
<tr>
<th>Subject to annual deductible</th>
<th>Yes</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient hospitalization (semi-private room and board)</td>
<td>deductible, then 20% co-insurance</td>
<td>deductible, then 20% co-insurance</td>
</tr>
</tbody>
</table>

Physician services
<table>
<thead>
<tr>
<th>Subject to annual deductible</th>
<th>Yes</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rehabilitation hospital</td>
<td>deductible, then 20% co-insurance</td>
<td>deductible, then 20% co-insurance</td>
</tr>
<tr>
<td>Rehabilitation hospital limits</td>
<td>60 days per calendar year</td>
<td>60 days per calendar year</td>
</tr>
</tbody>
</table>

### Outpatient Surgery: In hospital or surgical day care unit

<table>
<thead>
<tr>
<th>Subject to annual deductible</th>
<th>Yes</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outpatient surgery</td>
<td>deductible, then 20% co-insurance</td>
<td>deductible, then 20% co-insurance</td>
</tr>
</tbody>
</table>

### Physical therapy

<table>
<thead>
<tr>
<th>Subject to annual deductible</th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical therapy (PT)</td>
<td>$25</td>
<td>deductible, then $25</td>
</tr>
<tr>
<td>Physical therapy limits (benefit may be combined with occupational therapy (OT) benefit)</td>
<td>90 consecutive days per condition</td>
<td>60 visits per calendar year (PT/OT combined)</td>
</tr>
<tr>
<td>Speech therapy limits</td>
<td>No day or dollar limit</td>
<td>No day or dollar limit</td>
</tr>
<tr>
<td>Cardiac rehabilitation limits</td>
<td>No day or dollar limit</td>
<td>No day or dollar limit</td>
</tr>
</tbody>
</table>

### Mental Health Benefits: Biologically based conditions

<table>
<thead>
<tr>
<th>Subject to annual deductible</th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>MH outpatient office visit (for biologically based conditions)</td>
<td>$25</td>
<td>deductible, then $25</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subject to annual deductible</th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>MH inpatient admission (for biologically based conditions)</td>
<td>$0</td>
<td>deductible, then 20% co-insurance</td>
</tr>
</tbody>
</table>

### Mental Health (MH): Non-biologically based conditions

<table>
<thead>
<tr>
<th>Subject to annual deductible</th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limits for MH outpatient office visit (for non-biologically based conditions)</td>
<td>no limits</td>
<td>24 visits per calendar year</td>
</tr>
<tr>
<td>MH outpatient office visit (for non-biologically based conditions)</td>
<td>deductible, then $25</td>
<td>deductible, then $25</td>
</tr>
<tr>
<td>MH Inpatient admission (for non-biologically based conditions)</td>
<td>$0</td>
<td>deductible, then 20% co-insurance</td>
</tr>
<tr>
<td>Limits for MH Inpatient admission (for non-biologically based conditions)</td>
<td>no limits</td>
<td>60 days per calendar year</td>
</tr>
</tbody>
</table>

**Durable Medical Equipment (DME)**

| Subject to annual deductible | Yes | Yes |
| Separate DME deductible | None | None |
| DME | deductible, then 20% co-insurance | deductible, then 20% co-insurance |
| DME limit | no limits | no limits |

**Recommended Preventive Services**

Recommended preventive services: As a result of the Patient Protection and Affordable Care Act, plans will cover certain preventive services without any copays, deductibles, or co-insurance. For more details about which preventive services this includes, visit the federal government’s website at www.healthcare.gov.

Plan details

<table>
<thead>
<tr>
<th>Insurance Carrier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neighborhood Health Plan</td>
</tr>
</tbody>
</table>

**NCQA Rating**

4 out of 4 stars

<table>
<thead>
<tr>
<th>Benefits Package</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bronze Low</td>
</tr>
</tbody>
</table>

By clicking Choose Plan, I acknowledge this plan’s benefits and limitations.
## Health Connector Quote

<table>
<thead>
<tr>
<th>Your Information</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ZIP code</td>
<td>01520</td>
</tr>
<tr>
<td>Date of birth</td>
<td>05/12/1992</td>
</tr>
<tr>
<td>Coverage type</td>
<td>Self</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Your new plan</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrier</td>
<td>Neighborhood Health Plan</td>
</tr>
<tr>
<td>Plan name</td>
<td>NHP Choice Optimum 2000</td>
</tr>
<tr>
<td>Benefit Package</td>
<td>Bronze Low</td>
</tr>
<tr>
<td>Annual deductible</td>
<td>$2,000/$4,000</td>
</tr>
</tbody>
</table>
| Co-Payments   | Doctor: $25  
|               | RX: Rx deductible, then $15 / Rx deductible, then 50% co-insurance / Rx deductible, then 50% co-insurance 
|               | ER: deductible, then $100 
|               | Hospital Stay: deductible, then 20% co-insurance |
| Coverage effective date | July 1, 2012 |
| Your cost |          |
| Monthly premium | $214.81 |
Massachusetts Employer Responsibility

- An Employer than employs 11 or more full time equivalent (FTE) Employees at Massachusetts locations and is not a Contributing Employer shall pay a “Fair Share” contribution up to $295 per employee per year
  - If the sum of total payroll hours for all Employees in a calendar quarter divided by 500 is \(\geq 11\), then Employer must comply with regulation(s)
  - Temporary employee hours included if worked for the Employer at least 150 payroll hours during the 12 month period ending on the last day of the reporting period
Massachusetts Employer Responsibility

* A Contributing Employer is an employer that makes a Fair and Reasonable Premium Contribution to a Group Health Plan
  * Group Health Plan does not have to meet Minimum Creditable Coverage (MCC) standard

* Two Tests
  * Premium Contribution Standard—Employer must offer to pay 33% of the cost of an employer sponsored Group Health Plan offered to all its Full Time Employees no more than 90 days after date of hire
Two Tests

“Take Up” Rate—the percentage of Full-Time Employees (lower of 35 hours/week or Employer’s definition) enrolled in the Group Health Plan

Employer with more than 50 full time equivalent employees must

- Comply with the premium contribution standard and have at least 25% of Full-Time Employees enrolled in the Group Health Plan or
- Have at least 75% of Full-Time Employees enrolled in the Group Health Plan
Massachusetts Employer Responsibility

* Employer with 50 or fewer full time equivalent employees must
  * Comply with the premium contribution standard or have at least 25% of Full-Time Employees enrolled in the Group Health Plan
Massachusetts Employer Responsibility

* Doing the Math for Massachusetts
  * Prior to the law, there was no financial “penalty” for not offering coverage
  * Imposing a $295 penalty for not offering coverage did not dramatically change employer offering strategies
  * The non-discrimination rules (both MA and federal) regarding the offering of a Group Health Plan, is one reason [perhaps the most important one] employers have not dropped coverage and paid the penalty
  * Many Fair Share penalty payers currently offer coverage to their employees
Massachusetts Employer Responsibility

* Doing the Math for Massachusetts (filing year – FY)
  * FY07—1,020 firms liable for “Fair Share” penalty; paid $10.4M (now $14.8M after audit/adjustments)
  * FY08—758 firms liable for “Fair Share” penalty; paid $7.1M (now $14.4M after audit/adjustments)
  * FY09—1,155 firms liable for “Fair Share” penalty; $16.5M liability
  * FY10—1,017 firms liable for “Fair Share” penalty; $17.1M liability

Note: Massachusetts has 188,000 employers; 88% have fewer than 11 FTEs
2014 Employer Considerations

* Choice for Employers
  * Absorb additional direct, indirect costs and administration requirements of PPACA, or
  * Pay the penalty(ies) and have employees purchase health insurance on their own through the exchanges

* Most employers see this is a simple financial calculation and assume it will cost less to pay the penalties, than to offer coverage
2014 Employer Considerations

* If employer sponsored medical coverage dropped:
  * There needs to be a viable market (exchange) for employees to purchase insurance
    * Some states will rely on the federal exchanges
    * MA Connector not popular with employers/non subsidized ees
  * Insurance premiums rated by age/gender/# in family [lose benefit of group underwriting]
  * “Smoker/non smoker” rates allowed in exchange
    * Example: Lower income workers which represent a disproportional share of smokers won’t see a subsidy increase to offset higher premium costs
2014 Employer Considerations

* If employer increases salaries to offset “dropped” coverage
  * Increased payroll taxes
  * Increased benefit costs for those benefit calculated on payroll [e.g., life, disability, WC]
  * Increased salary may make some employees ineligible for a premium credit or subsidy
* Other benefits would still be offered by employers [e.g., dental, vision, life, disability, voluntary plans, retirement]
2014 Employer Considerations

* Social responsibility
* Impact on other benefits claim experience (e.g., disability/worker’s compensation)
* Competitiveness/recruiting
* Short term cost “savings” vs. long term compensation sustainability
* One more Massachusetts statistic
  * Employer sponsored coverage increased 3% from fall 2006 to fall 2009
Questions and Answers