




SAN DIEGANS FOR HEALTHCARE COVERAGE
A COALITION FOR HEALTH

Business and The Affordable Care Act

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Agenda

- The Imperative for Health Reform
 - The Uninsured
 - Why Reform
- Specific Reform Provisions
 - Insurance Reforms and Coverage Expansion
 - Employer Responsibilities and Options
 - Individual Responsibilities and Options
- Additional Information and Resources
- A Few Last Thoughts

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The Affordable Care Act

The Affordable Care Act (ACA) is a law passed by Congress and signed by the President in March 2010. The ACA puts in place health insurance reforms and coverage expansions that began to roll out in 2010 and will continue to be implemented through 2014 and beyond.

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The Uninsured in SoCal

Close to 1 in 4 Californians - 60% of adults are workers

Uninsured 2009
% of nonelderly

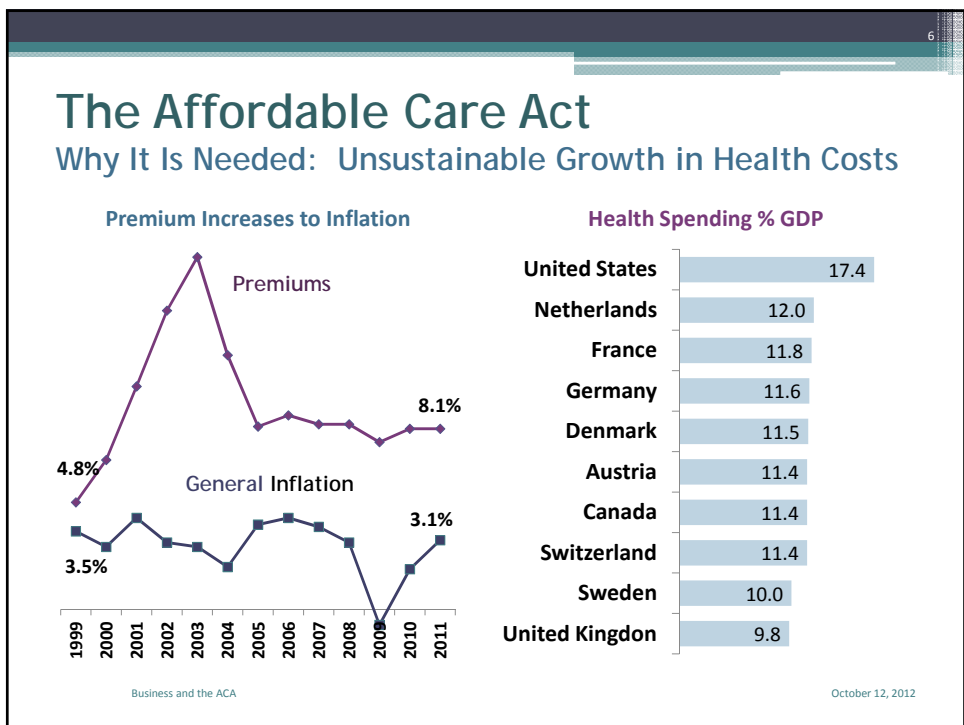
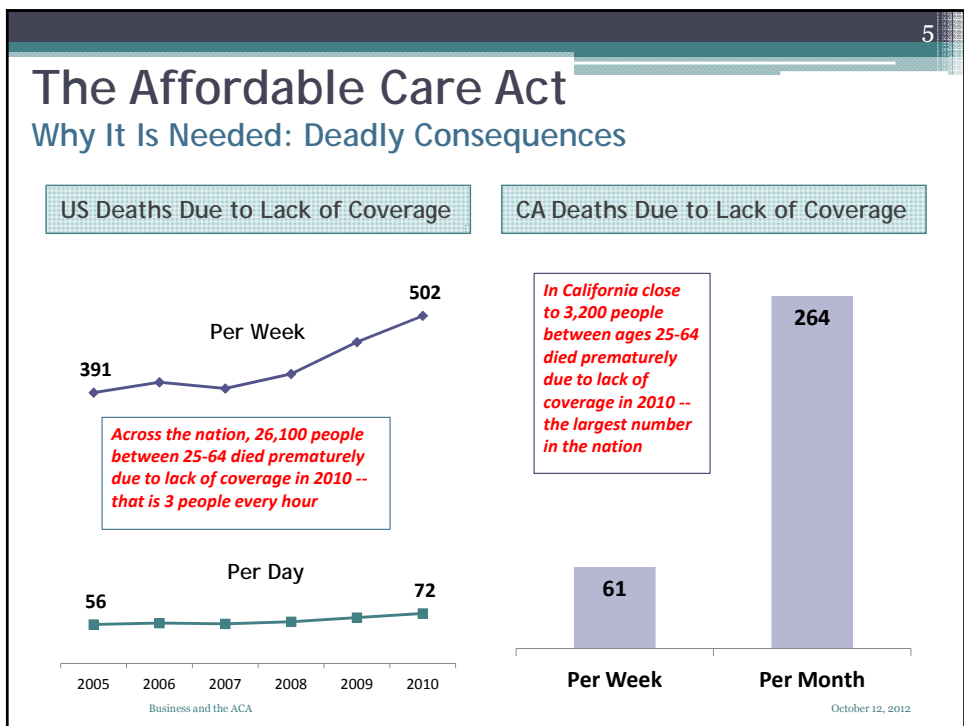
County	Uninsured 2009 (% of nonelderly)
All CA	24.3%
Riverside	28.0%
San Bernardino	25.1%
San Diego	22.9%
Orange	23.3%
Imperial	30.6%

Uninsured Adult Work Status
Most working or looking for work

County	Full Time	Part Time	Looking
All CA	48%	12%	21%
Riverside	37%	10%	27%
San Bernardino	48%	10%	28%
San Diego	45%	9%	18%
Orange	46%	7%	28%
Imperial	39%	21%	15%

■ Full Time
 ■ Part Time
 ■ Looking

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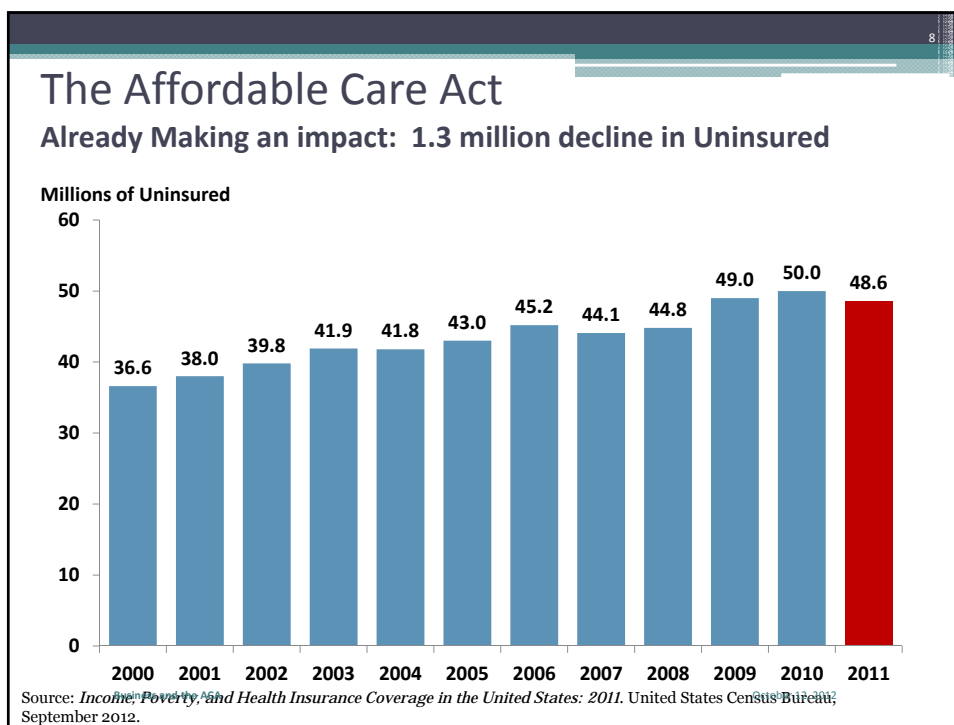
The Affordable Care Act

Why It Is Needed: Health Coverage Matters

The Uninsured: Live Sicker - Die Earlier

- Are 5 times less likely to have a usual source of care (other than ED)
- More than 40% report that a doctor or clinic would not accept them as a new patient
- Are 4 times more likely to delay or forego recommended preventive care screening
 - Half as likely to have a mammogram (w >50)
 - Five times less likely to have colon cancer screening (50-64)
- Six times as likely to go without needed care due to cost
- More than 5 times more likely to delay or forgo cancer care due to costs
- More likely to be diagnosed with advanced stage disease:
 - Advanced Stage Breast Cancer
 - Advanced colorectal cancer
- Are at least 25% more likely to die prematurely than adults with private insurance

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Health Coverage

Key Immediate – Interim Reforms

Provision	Impact
Allow Adult Children (<26) to remain on parents health plan	Nationally, 3.1 million young adults covered -- 435,000 in California
Coverage of preventive care & screening without copayments – deductibles	Increasing percent across nation of both non-elderly and 38.1 million Medicare beneficiaries
Pre-existing Condition Insurance Plan for high risk individuals (uninsurable)	Nationally, 78,000 secured coverage, 10,500 in California
State Medicaid expansion options	Low Income Health Programs– 461,000 Enrollees in CA


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Health Coverage

Key Reforms

- No denial of coverage for children (<19) with pre-existing conditions - 2010
- State review of excessive premium increases (pending in CA) All
- Prohibit premium rate variations based on health status, pre-existing condition, gender, industry/sector, or zip code, etc. – All -- 2014
- Premium dollars to healthcare (85% >50 employees – 80% < 50 employees and individual plans) – All – 2011



At least 85% of every health insurance dollar must be spent on health care & improving quality.

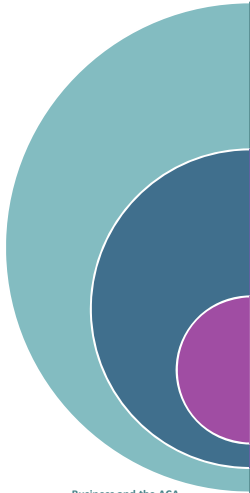
For 2011, approximately \$74 million in rebates were issued to California employers and individuals for designated premium amounts NOT spent on healthcare and quality

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Health Coverage Expansion

Employers – Individuals and Families



<p>Small Business Health Options Program (Exchange SHOP)</p>	<ul style="list-style-type: none"> • With 2-50 Employees • Purchasing Pool • Standard Plans + Options • Small Business Tax Credits
<p>Individual Exchange</p>	<ul style="list-style-type: none"> • Individuals/Families • Over 133% of FPL • Standardized Plans • Premium Tax Credits
<p>Medi-Cal Expansion</p>	<ul style="list-style-type: none"> • Under 133% of FPL • Citizen/Legal > 5 years • Minimum Essential Benefits • Simplified Enrollment

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Health Coverage

Keeping the Plan You Have : Grandfathered Plans

A Grandfathered Plan is:

Benefit Plan in place before March 23, 2010, **AND**

You do not make *significant* changes to the benefit plan that:

- Increase deductibles or copayments (allows inflation)
- Increase coinsurance (subscriber % of cost)
- Increase the out of pocket limit
- Decrease the annual limit or employer contribution
- Eliminate all/substantially all benefits for a condition

Why it Matters:

Some ACA provisions do not apply to *Grandfathered Plans*

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Health Coverage

ACA Provisions That Apply to ALL Plans

- Coverage of young adults on parent's plan until age 26
- No Lifetime Limits on coverage
- No unfair rescission of coverage (retroactive cancellation)
- Minimum percent of premium to healthcare and quality**
- Uniform Explanation of Coverage and standard definitions
- No waiting periods over 90 days

** Does not apply to self-insured plans

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Health Coverage

Applicability of Provisions to Grandfathered Plans

Applicable to Grandfathered Group Plans

- No Pre-existing Condition Exclusion for Children <19
- Restriction on Annual Coverage Limits
- No Pre-existing Condition Exclusion for Adults - 2014
- No Annual Coverage Limits – 2014

Not Applicable to Grandfathered Group Plans

- Free Preventive Services and Screening
- External Appeals Process
- No higher cost sharing for out of network emergency services

None of above provisions are applicable to Individual (Private) Grandfathered Plans

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Health Coverage

Employer Responsibility -- 2014

ACA Categories

- Small Business (2-50 employees)
- Medium Business (51-199 employees)
- Large Business (200+ employees)

Percent of Firms Offering Health Benefits by Size (Employees) -- 2011

Employee Size	Percent of Firms
200+	99%
50-199	91%
10-49	74%
3-9	53%

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Employers

Small Business Premium Tax Credits

- Eligibility
 - Excludes owner/family
 - 25 or less full time *equivalent* employees
 - \$50,000 or less average annual wages
 - Pay at least 50% of premium
- Tax Credits
 - 2010-2013: Credit up to 35% of premium payments (25% non profits)
 - 2014: Credit up to 50% of premium payments (35% non profits)

CA Businesses Eligibility for Tax Credits

Category	Percentage
Eligible	80%
Not Eligible	20%

CA Survey: 76% of small businesses not aware of the small business tax credit
2010: Only 14% claimed \$278 million of estimated \$2 billion in tax credits (interim IRS figures)

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Calculating the Annual Small Business Tax Credit

Example:

- Employer has 12 employees adding up to 9 full time equivalents (FTEs) with average annual wages of \$23,000 per FTE *
- Employer pays \$38,000 in premiums for full time employees
- This employer's credit equals 35% of \$38,000 = **\$13,300**
- In 2014, the percentage goes up to 50% for coverage purchased through the Exchange and the credit increases to **\$19,000.**
- The employer can still deduct the remainder of premiums paid as a business expense

Notes: *Excludes owner and family members. Credit is limited to the relevant percent of the federal benchmark premium set by IRS each year.

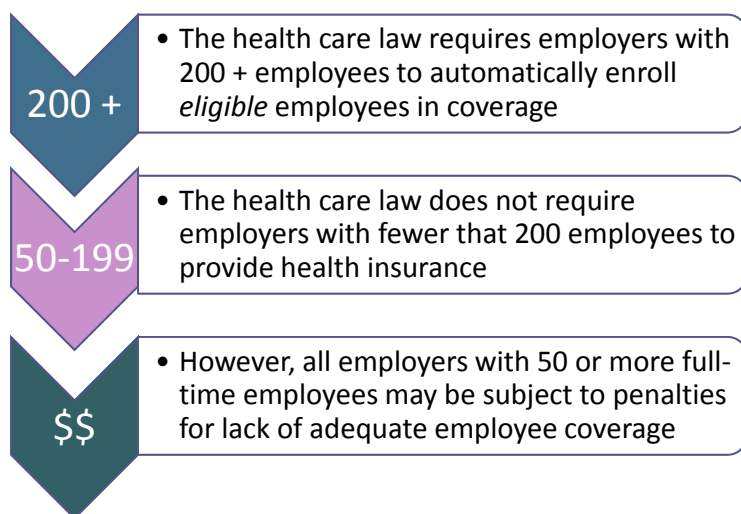
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Shared Responsibility as of 2014

New Responsibilities for Medium to Large Employers



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Employers with 50 or More Full-Time Equivalent Employees (2014)

Employer Does Not Offer Coverage

- And at least one employee purchases coverage through the Exchange and receives a premium tax credit, the Employer is subject to a penalty.

Employer Penalty:

- The penalty is \$2,000 annually times the number of full-time employees minus 30 employees
- The penalties increase each year by the growth in insurance premiums

Example
 60 full time employees - minus 30 = 30
 X \$2,000 = \$60,000 annually

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Employer with 50 or More Full-Time Equivalent Employees (2014)

Employer Offers Coverage

- But, that coverage is deemed unaffordable because the employee share of premium exceeds 9.5% of family income * OR
- Its insurance plan is inadequate because it does not cover at least 60% of healthcare expenses under the benefit plan , THEN
- An Employee can and does purchases coverage through the Exchange and receives a premium tax credit, the Employer will be subject to a penalty

Employer Penalty:

- The penalty to the Employer is \$3,000 annually for each full-time employee receiving tax credits through the Exchange, OR a maximum of \$2,000 annually times the number of full-time employees minus 30.
- The penalties are increased each year by the growth in insurance premiums

* Potential change to 9.5% of employee's wages for single coverage

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Health Coverage

Individual Responsibility

- All Citizens - Legal Residents are required to maintain coverage that meets minimum standards
- Exemptions (filing TBD):
 - Religion Prohibits/Provides
 - Native Americans
 - Undocumented
 - Incarcerated
 - Financial Hardship: Below federal tax filing level
 - Financial Hardship: Coverage offered is unaffordable (exceeds 8% of income)



The Individual Mandate applies to adults and children.

There is a modest tax penalty associated with a lack of health coverage

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New Options for Individuals and Families

- May purchase affordable coverage through the Exchange
- Premium tax credits (subsidies) available for individuals and families earning less than 400% FPL
- Individuals and families earning less than 133% FPL will be eligible for Medi-Cal (citizens and legal residents > 5 years)



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Individuals and Families

Health Benefits Exchange - Premium Tax Credits

Example 1:

- Couple with monthly income of \$3,152 (250% FPL)
- Share of Monthly Premium is \$254 (8.05% of income)

Tax Credit

Premium: \$944
 Family: (\$254)
 Tax Credit \$690

Family Size	Monthly Income - Federal Poverty Level					
	133%	150%	200%	250%	300%	400%
1	1,238	1,396	1,862	2,327	2,793	3,723
2	1,677	1,891	2,522	3,152	3,783	5,043
3	2,116	2,386	3,182	3,977	4,773	6,363
4	2,555	2,881	3,842	4,802	5,763	7,683
5	2,994	3,376	4,502	5,627	6,753	9,003

Note: Add \$330 for each additional family member at 100% FPL

Family Size	Medi-Cal	Max Share of Premium - Federal Poverty Level				
		0-133%	150%	200%	250%	300%
1		\$ 56	\$ 117	\$ 187	\$ 265	\$ 354
2		\$ 76	\$ 159	\$ 254	\$ 359	\$ 479
3		\$ 95	\$ 200	\$ 320	\$ 453	\$ 605
4		\$ 115	\$ 242	\$ 387	\$ 547	\$ 730
5		\$ 135	\$ 284	\$ 453	\$ 641	\$ 855

Note: Share of Premium varies between ranges (e.g., 150-200% from 4-6.3% of income)

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Individuals and Families

Health Benefits Exchange - Premium Tax Credits

Example 2:

- Family of 4 with income of \$3,842 (200% FPL)
- Share of Monthly Premium is \$242 (6.3% of income)

Tax Credit

Premium: \$1,310
 Family: (\$ 242)
 Tax Credit \$1,030

Family Size	Monthly Income - Federal Poverty Level					
	133%	150%	200%	250%	300%	400%
1	1,238	1,396	1,862	2,327	2,793	3,723
2	1,677	1,891	2,522	3,152	3,783	5,043
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Summary of Key Business Impacts

- Health Insurance Exchange (SHOP):
 - Large purchasing pool – increased competition
 - Easy plan comparisons and choice
- Limits rate variation to fewer factors
- Greater share of premium dollars to healthcare
- Slow Premium Growth – Halt Benefit Erosion
- Reduced cost shifting (premiums and taxes)
- Potential employer wellness program discounts
- Improved health and productivity of workforce
- Levels the competitive field across all employers

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Additional Information Resources

- www.Healthcare.gov ACA timeline and information
- <http://www.healthlawguideforbusiness.org/>
- <http://healthconsumer.org/> Coverage/Consumer Info
- <http://Healthreform.kff.org> Kaiser Family Foundation
 - http://healthreform.kff.org/~media/Files/KHS/Flowcharts/coverage_flowchart_4.pdf Individual Coverage under ACA
 - http://healthreform.kff.org/~media/Files/KHS/Flowcharts/employer_penalty_flowchart_1.pdf Employer Responsibilities
- www.smallbusinessmajority.org
- www.hbex.ca.gov California Health Benefits Exchange
- www.sdhcc.org Info for Business and Consumers
 - Webinars and copies of slides on this site under Publications

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Prevention: A Few Last Thoughts

A Significant Return on Investment

- Investing \$10 per person per year in proven community-based programs to increase physical activity, improve nutrition and prevent tobacco use could save the country more than \$1.6 billion annually within 5 years
- Reducing obesity rates by 5% could lead to more than \$29 billion in healthcare savings in 5 years, *\$158 billion in 10 years* and \$612 billion in 20 years
- Business spends \$73 billion a year on preventable chronic diseases
- Full time workers who are overweight, obese or have at least one chronic disease miss an estimated 450 million days of work a year costing \$153 billion in lost productivity
- By 2050, California could add an estimated \$908 billion to economic output through disease prevention and management programs