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HEALTH CARE REFORM: HOW IS ALASKA DOING?

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Health Care Reform: How is Alaska Doing?

Alaska State SHRM Webinar Series
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Agenda

- 1 Status of Health Care Benefits in Alaska Today
- 2 How #CR has Affected Businesses
- 3 Changes in the Law
- 4 What is Coming up in the Future
- 5 Ways an Organization can Mediate Risk
- 6 Conclusion

Status of Health Care Benefits in Alaska Today

How ACA has affected the benefits available to employees?

- Allowed to put more dependents on plan
- Given them "no cost" services in wellness
- No more pre-existing conditions
- No life-time maximums
- Increases in pharmacy costs
- Higher Co-insurance & Out of Pocket Maximum
 - 2017 \$7,150/\$14,300
- Penalties for individuals not covered with insurance



Status of Health Care Benefits in Alaska Today

How ACA has affected Employers?

- No help for escalating costs – Alaska still #1 in health costs
- Change in definition of full time to 30 hours
- Initial changes for small groups to metallic were dramatic
- Some trending has evened out
- Larger employers have to deal with:
 - Reporting
 - Tracking employees
 - Be affordable/comprehensive or face fines



Status of Health Care Benefits in Alaska Today

How ACA has affected the Carriers?

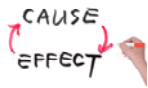
- Carriers pulling out of some markets (individual & small group)
- Carrier consolidation is occurring
- Associations being disbanded
- Other Carriers at risk
- Funding of ACA – Risk Corridor & Risk Adjustment Program
- More Plan Choices being offered
- Multi hospital plans being offered
- Self Funding available at lower number of employees

How HCR has Affected Businesses

- More challenging to maintain the same benefits.
- More movement to HSA plans
- Increasing premium costs
- Increasing employee cost share
 - AK average \$181/\$1,263
 - National average \$144/\$761
- Some employers have already moved to max deductibles
- Aging populations for age-banded companies



How HCR has Affected Businesses



- Loss of Carriers in the marketplace
- More employers considering self funding
- More challenging to keep a competitive edge for retention/ recruitment.
- Less “out of the box” ways to fund employee insurance options
 - IRS put limits on the use of HRA to pay for premiums
 - Changes in Cafeteria Plans (employer funded FSAs)
- Some small businesses moving from individual to group (switch back)

Changes in the Law

Repealed:

- Long term care program provision
- Automatic Enrollment for groups 200+

Changed and/or Modified:

- Definition of small groups (left to states)
- Safe Harbor on Affordability
 - Repercussions on individuals receiving subsidy



Changes in the Law

Still Pending:

- Non-Discrimination Rules for Fully Insured

Delayed:

- Medical Device Tax 2.3% of sales price (2016/17) (Omnibus Bill)
- 1094/1095 Reporting
 - 1094 B is sent by insurance carrier or self insured plan by March 31, 2016
 - 1095 B is sent by employer if ALE
 - 1094/1095 C Must be sent to IRS by 6/30/16 if filing electronically



Changes in the Law

Annual Changes:

- FSA contribution limited, now on index to \$2550

Escalating Cost to Employers for non-compliance:

- Penalty A Non offer penalty \$2,080 applies to all employees not offered MEC
- Penalty B for failure to offer Affordable, MVP \$3,120
- In 2016- fines increase \$2,160 and \$3,240

Escalating Cost to Employees without credible insurance:

- 2016 penalty 2.5% of income or \$695 whichever is greater
- Applies to each adult an 50% of tax applies to age child under 19 with family max three times individual max



Changes in the Law

Postponed 2 years to 1/1/2020:

- Moratorium on Health Insurance Provider fee (HIT Tax)
- Cadillac Tax
 - WILL be tax deductible for employers
 - COLA adjustments beginning 2019
 - No geographic adjustments*
 - Estimated more than 60% of Alaskan employers affected



What is Coming up in the Future: Cadillac Tax

The Effect of the Cadillac Tax on Alaska Employers:

Cadillac Threshold for individual insurance is \$10,200. Any amount over \$10,200 will be subject to a 40% excise tax.

What would the Cadillac Tax cost Alaskan Employers if it was in effect this year?

Traditional Co-Pay Plan in Alaska

- Deductible is \$2,000
- Average Cost of Medical Plan: \$13,690 pppy (per person per year)
- $13,690 - 10,200 = 3490 * 40\% = \1396 tax pppy



Example: An employer with 20 employees on their medical plan would have to pay an additional \$27,920 annually in Cadillac Tax.

What is Coming up in the Future: DOL Audits

Extensive DOL audits on company's Health & Welfare Plans.

- **Have reached Seattle, have not heard of any in Alaska yet.**
 - In FY 2015 Department of Labor Employee Benefits Security Administration
 - Helped resolved over 200,000 inquiries/complaints
 - Recovered over \$400 million in benefits
 - Closed 275 criminal investigation which lead to indictments of 61 people



Ways an Organization can Mediate Risk

Contingency/Strategic Planning becomes even more important!

- Look at mid-year, annual and out further.

Get your information from a credible source!

- Utilize your broker and services they provide.



Avoid news and internet unless you check it's sources!

Ways an Organization can Mediate Risk

Cadillac Tax: Review/understand your current plan and have a plan in place on how to downscale to avoid Cadillac tax.

Tax based on cost of:

- Medical Coverage
- Health FSA (employee and employer contributions)
- HSA Contributions (employer and possibly employee pre-tax contributions)
- HRA programs
- Dental and vision plans if bundled with medical
- Tax to be "ultimately" paid my employers

Ways an Organization can Mediate Risk

In an effort to cut costs:

- Understand your utilization so you can correct issues.
- Understand your populations/ages etc.
- Utilize some new plan designs including Teledoc and Medical Tourism
- Engage your employees through education.
- Look at different plan designs.



Invest in Technology

- Good accounting software to help with hour tracking and IRS reporting
- On-line enrollment with an education module to make sure that employees understand their plans and DOL reporting is done.

Questions?

Please feel free to contact me!

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