Health Care Reform: How is Alaska Doing?

Alaska State SHRM Webinar Series
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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Repealed: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 as 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 = 3,490 * 40% = $1,396 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 (employee and possibly employee pre-tax contributions)
- HRA programs
- Dental and vision plans if bundled with medical
- Tax to be “ultimately” paid by your 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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Thank You!!

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