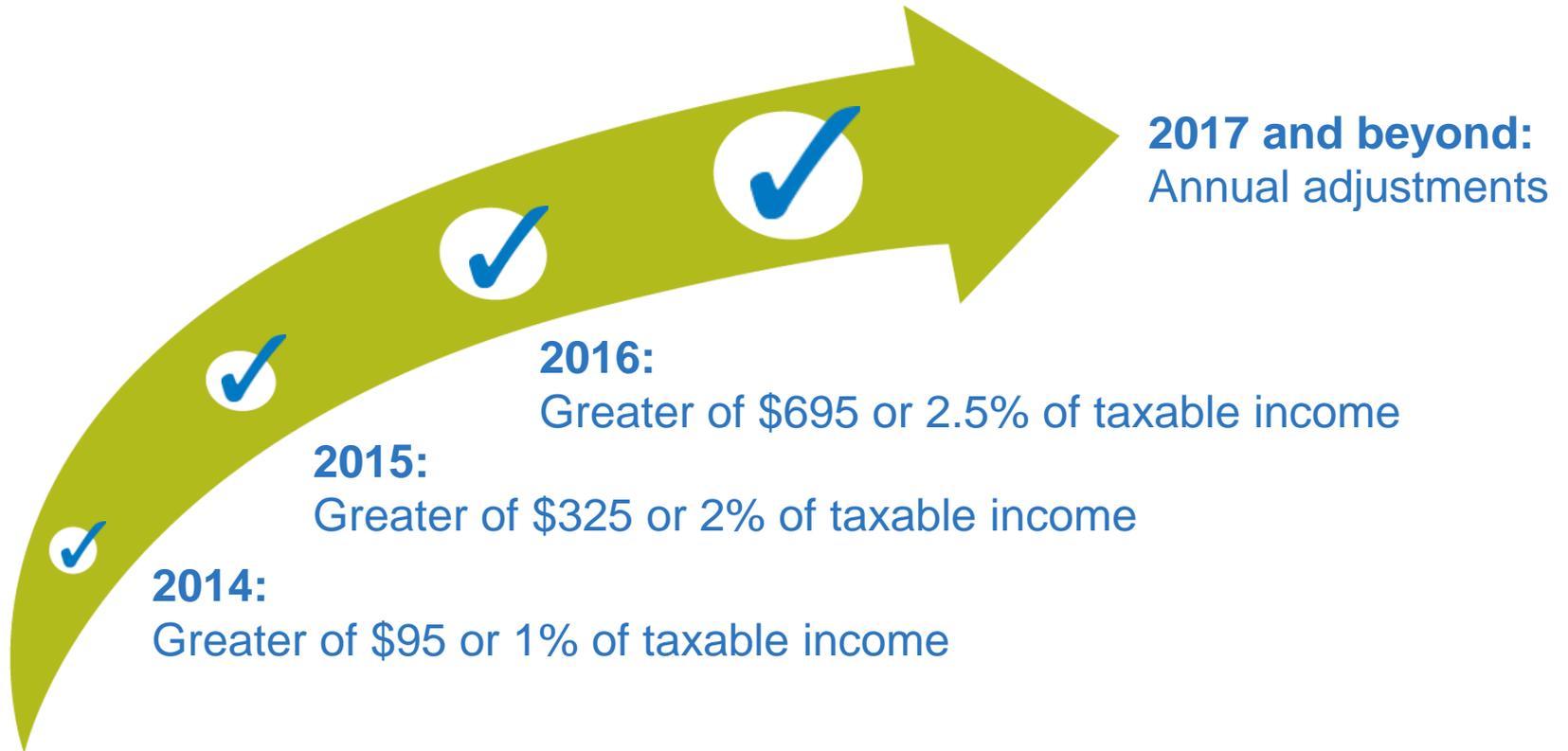


Exchange 101

August 2013



Penalties for individuals



Subsidies for individuals

For exchange plans only

- **To be eligible, individuals must:**
 - Have incomes between 133% and 400% of federal poverty level (FPL)
 - Not have access to minimum essential coverage through their employer or have access to coverage, but it is not affordable
- **Premium credits –**
for any level plan
- **Cost-sharing subsidies –**
Silver Plan only

Income ranges for 133% to 400% FPL

- **Individual:**
 - \$14,856 to \$44,680
- **Family of four:**
 - \$30,656 to \$92,200

The big picture for individuals

Americans not covered under a government plan will have three options for health insurance in 2014:

1. Get coverage through their **employer** if available
2. Buy an **individual** market plan through either:
 - The individual market exchange – Purchaser may be eligible for subsidy
 - The off-exchange market
3. **Go uninsured** (*will pay penalty unless they qualify for an individual exemption*)



Penalties for employers

50 or more full-time employees

- Employer doesn't provide minimum coverage to full-time employees (FTEs)
- \$2,000 x total number of FTEs (minus first 30 FTEs)

Employer provides coverage, but it is not “affordable”

- Lesser of \$2,000 x total FTEs
- *or* –
- \$3,000 x number of employees receiving tax credit

Subsidies for employers

25 or fewer employees + average wages less than \$50,000

- Available on the exchange only
- Only for **first two years they offer coverage** through an exchange
- Credit up to 50% of employer cost
- Credits decrease on a sliding scale as group size and employee wages increase



Health plan requirements: Product tiers



Plus catastrophic plan offering for individuals younger than 30/ financial hardship

$$\text{Actuarial Value}^{**} = \frac{\text{Total Expected Payments by Health Plans for EHBs}}{\text{Total Costs of EHBs for the Standard Population}}$$

Health plan requirements continued

	Inside exchange	Outside exchange – Fully insured Small Group and Individual	Outside exchange – Fully insured Large Group and self-insured
Include essential health benefits	✓	✓	
Provide 60% actuarial value minimum	✓	✓	*
Adhere to deductible and out-of-pocket maximum limits	✓	✓	
Comply with “metal levels” – benefit tiers with specified actuarial values (60% 70% 80% 90%)	✓	✓	
Be certified by the exchange through which the plan is offered (certification requirements to be determined)	✓		

* The health care reform law does not require carriers to offer plans with at least a 60% actuarial value, nor does it require employers to provide health coverage. However, it imposes penalties on 50+ employers that do not provide minimum coverage.

Taxes and fees

Tax/Fee	Effective Date	Responsible Party	Annual Tax/Fee Amount
Plan fees for comparative effectiveness research	Plan/policy years that end after 9/30/2012 and begin before 10/1/2019	Issuers of fully insured plans Sponsors/administrators of self-insured plans	\$1 or \$2 a year per person (adjusted annually for inflation), based on average number of covered lives
Tax on high earners and unearned income	Tax years beginning 1/1/2013 and later	Individual taxpayers	0.9% Medicare surtax on wages in excess of \$200,000 single / \$250,000 married couples 3.8% tax on unearned income for taxpayers with modified adjusted gross income in excess of \$200,000 single / \$250,000 married couples
Insurer fees	Tax years beginning 1/1/2014 and later	Issuers of fully insured plans	Based on net health insurance premiums written in the preceding calendar year as a percentage of all health insurance premiums written in the preceding calendar year
Reinsurance assessments	Plan/policy years beginning in the 3-year period starting 1/1/2014	Issuers of fully insured plans Sponsors/administrators of self-insured plans	TBD – may be based on percentage of revenue of each issuer and total costs of providing benefits to enrollees in self-insured plans <i>or</i> on a specified amount per enrollee
High-cost insurance tax	Tax years beginning 1/1/2018 and later	Issuers of fully insured plans Sponsors/administrators of self-insured plans	Annual excise tax of 40% on health plan costs that exceed “Cadillac” plan thresholds

Underwriting changes

For Small Group and Individual markets:

Guaranteed
issue

No health
status rating

Also known as
modified community
rating

3:1 age
rating bands

The big picture for large groups

Employers who have 50 or more employees will have at least three health insurance options in 2014:

- **Offer health insurance** – either fully insured or ASO – that meets the minimum coverage definition (no essential health benefit or metal level requirements) and is affordable
- **Offer some level of coverage** that does not meet minimum requirements and pay the employer penalty
- **Stop offering coverage**, let employees buy through the Individual market and pay the employer penalty

- **Note: The employer mandate does NOT:**

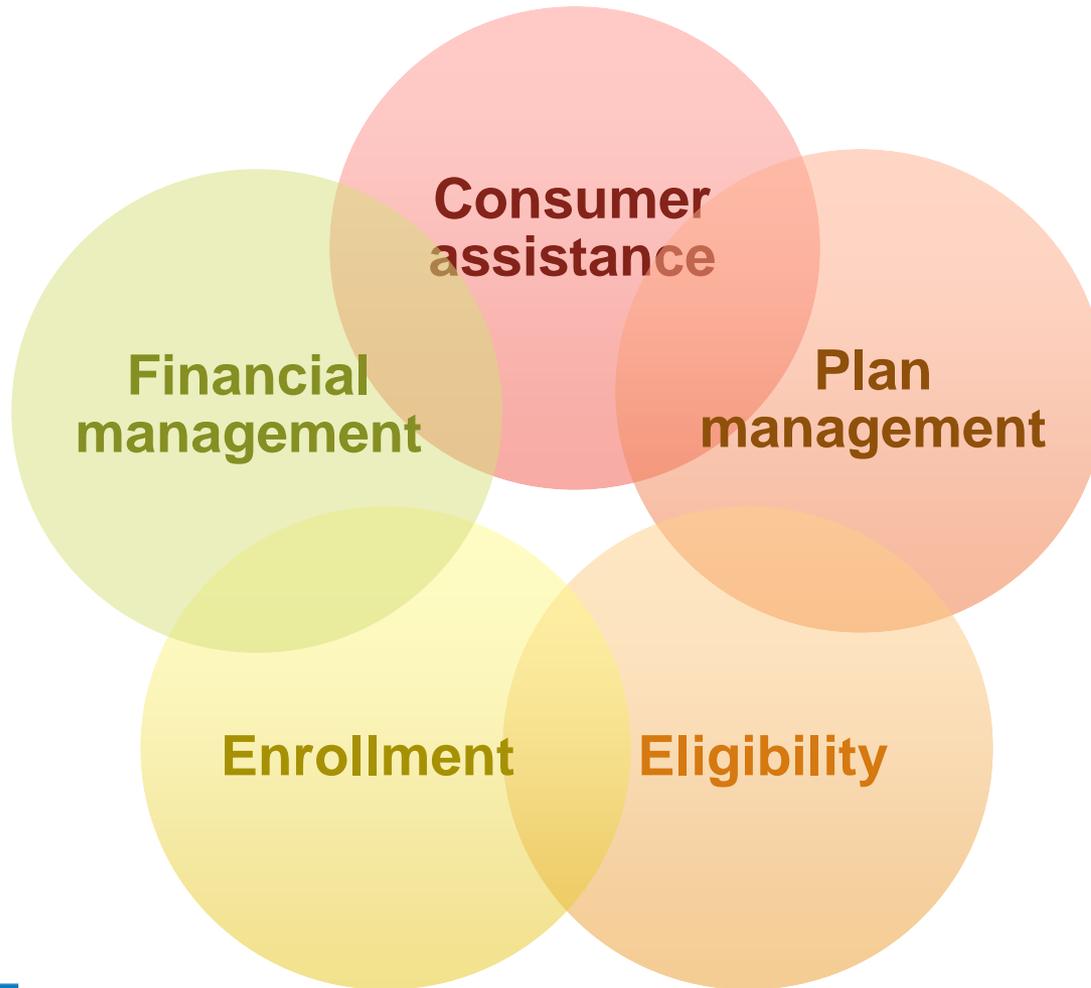
- Require employers to contribute to the premium (though not doing so would likely make the plan not affordable, putting the employer at risk for penalties)
- Require employers to offer dependent coverage

The big picture for small groups

Employers who have 49 or fewer employees will have at least three health insurance options in 2014:

1. Offer a fully insured plan through either:
 - A SHOP exchange – Employer may be eligible for a temporary two-year tax credit to offset part of the employer premium contribution
 - The off-exchange market
2. Offer an ASO plan, if allowed by state law, where essential health benefits and metal level requirements don't exist
3. Stop offering coverage and let employees buy through the Individual market
 - Other options may exist, such as defined contribution, adjusting contribution levels by employee, etc.

Exchange functions



Exchange models

Facilitator

- Any carrier meeting minimum federal and state requirements may participate
- Carriers compete in an open market

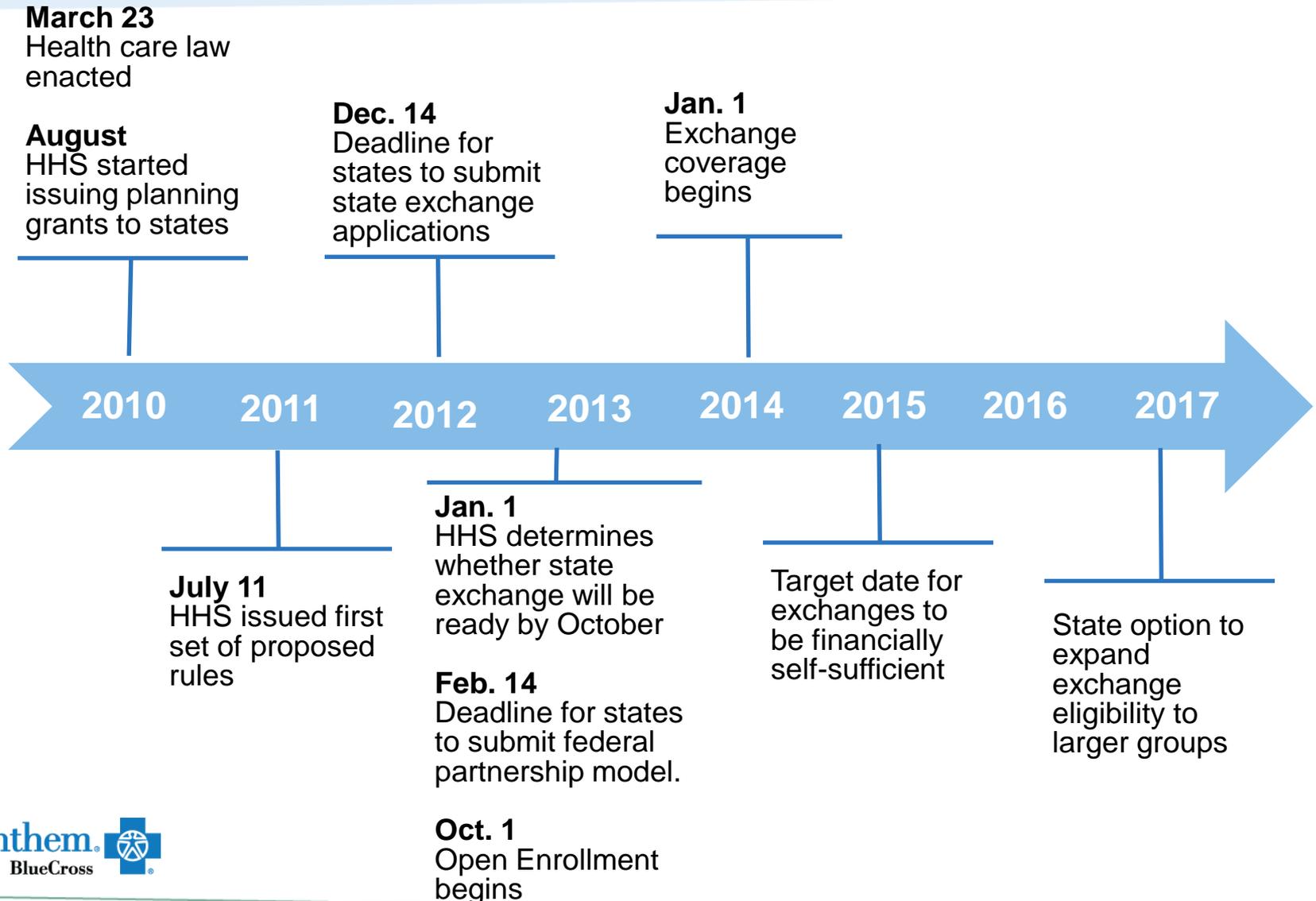
Active purchaser

- The state solicits bids
- The state directly negotiates prices and benefits

No model

- Federal fallback exchange

Exchange timeline



Producer role

Each exchange will decide how producers will be involved

Potential producer activities *may* include:

- Helping people enroll in QHPs
 - Assisting people with their applications for credits and subsidies
 - Working with individuals and small group employers look for coverage on the exchanges
-
- HHS will provide more guidance on the producer role, including how states will oversee licensing of producers

How we're preparing

Product development

- **Providing** plan information for healthcare.gov tool (may serve as foundation for exchange)
- **Updating** plan designs to comply with pre-2014 benefit requirements
- **Developing** and maintaining plan designs that meet the post-2014 benefit requirements

The screenshot shows the HealthCare.gov website interface. At the top, the logo 'HealthCare.gov' is displayed in blue and green, with a 'Newsroom' link in the top right corner. Below the logo is the tagline 'Take health care into your own hands:'. Three main navigation buttons are visible: 'Find Insurance Options' (blue), 'Learn About Prevention' (teal), and 'Compare Care Quality' (green). The 'Find Insurance Options' button is selected, leading to a page with the heading 'Find Insurance Options' and the subtext 'See which public, private and community programs meet your needs'. Below this, a section titled 'Let's get started. (Just two quick steps)' explains the tool's purpose. The current step is 'STEP 1 of 2 - Please Answer All Questions'. The first question is 'Which state do you live in?' with a dropdown menu set to '--Choose State--'. The second question is 'Which best describes you?' with a radio button selection. The options for the second question are: Family / Children, Healthy Individual, Individual with Medical Condition, Pregnant Woman, Person with Disability, Senior, Young Adult (under 26), and Small Employer / Self-Employed.

How we're preparing

Public policy

- **Federal level:**
 - Evaluating guidance
 - Providing comments on guidance
- **State level:**
 - Advocating for exchange rules that maintain choice and don't disrupt the existing marketplace



How we're preparing

Strategy and local leadership

- Assess opportunities and priorities
- Pull from knowledge of local market dynamics
- Identify potential impacts to **employers, brokers and agents, costs** and the overall market



The bottom line

Exchanges **won't replace**
the private health insurance market.

They're simply **another channel** for qualified individuals
and groups to obtain coverage.

Questions?

Legal

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