YOUR BUSINESS YOUR FUTURE:
How The Affordable Care Act Will Affect Your Business in 2014 and 2015
True/False: A member of the U.S. House of Representatives serves a 6 year term

FALSE
True/False: A 51% margin is required to pass a bill in the House of Representatives

TRUE
True/False: A 51% margin is required to pass a bill in the Senate

TRUE
True/False: A 2/3 majority vote is needed to override a Presidential veto in both the U.S. House of Representatives and Senate

TRUE
The Latest Projections – House 435 Members

### Right Now

<table>
<thead>
<tr>
<th></th>
<th>Dems</th>
<th>Repubs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seats</td>
<td>201</td>
<td>233*</td>
</tr>
<tr>
<td>Percent</td>
<td>46%</td>
<td>54%</td>
</tr>
<tr>
<td>*1 vacant</td>
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</table>

### Projected Results

<table>
<thead>
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- all seats up for grabs

\[
\frac{2}{3} = 292 \text{ seats!}
\]
The Senate

-35 seats up for grabs
-10 are within Republican reach

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<tr>
<td>Dems</td>
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</tr>
<tr>
<td>55</td>
<td>45</td>
</tr>
<tr>
<td>55%</td>
<td>45%</td>
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FALSE
What Have We Learned?

It is VERY unlikely that the ACA will be repealed.
<table>
<thead>
<tr>
<th></th>
<th>The Affordable Care Act</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Provide subsidies to low and moderate income</td>
</tr>
<tr>
<td></td>
<td>Americans</td>
</tr>
<tr>
<td>2.</td>
<td>Prohibit insurers from denying coverage because</td>
</tr>
<tr>
<td></td>
<td>of health status</td>
</tr>
<tr>
<td>3.</td>
<td>Provide tax credits to small biz that offer</td>
</tr>
<tr>
<td></td>
<td>coverage to employees</td>
</tr>
<tr>
<td>4.</td>
<td>Allows a govt panel to make decisions about</td>
</tr>
<tr>
<td></td>
<td>end-of-life care</td>
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<tr>
<td>5.</td>
<td>Allows undocumented immigrants to receive</td>
</tr>
<tr>
<td></td>
<td>financial help from the government to buy health</td>
</tr>
<tr>
<td></td>
<td>insurance</td>
</tr>
</tbody>
</table>
6. Creates a new govt run insurance plan to be offered with private plans  
   FALSE

7. Requires all businesses to provide health insurance to their employees  
   FALSE

8. It’s perfectly acceptable to take your 10 year old daughter to a Miley Cyrus concert.  
   FALSE
The Affordable Care Act

THE PROMISE –
Patient Protection and Affordable Care Act
March 23, 2010

- $1.1 Trillion cost
- $140 Billion reduction in the deficit
- Coverage for all: Cover 2/3 of the uninsured (the rest on Medicaid).
- A new market for 30-34 million uninsured.
- State exchanges provide consumer protection/risk pooling/lower costs
5 Essential Terms

1. Individual Mandate
2. Employer Mandate
3. Essential Health Benefits
4. Small Business Healthcare Tax Credits
5. Healthcare Exchanges
Beginning 2014 everyone must have coverage, either purchased individually or provided by an employer.

By 2019: Penalties for the individual is the higher of $695 or 2.5% of Adjusted Gross Income.

The Phase-In: $95 or 1% of AGI in 2014, $325 or 2% of AGI in 2015

Exemptions: can’t afford coverage, Indian tribes, hardship, religious conscience

Open enrollment begins again on 11/15/14….but only for 3 months
5 Essential Terms

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2. Employer Mandate
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The Employer Mandate

- 1/1/15 - >100 FTEs
  1/1/16 - >50 FTEs

- Penalties for companies are $2,000 per employee with the first 30 FTE exempt

- No requirement to provide insurance for PT employees
Full Time Employee: 30 hours/week or 130 hours per month.

Family members are excluded

“Common Control”

You cover the Full Timers

You include the Part Timers in your FTE calculation
The Math

- Assume “common control”

- 97 employees who work more than 30 hours per week

- 200 hours of part-time work is performed per week by 12 other workers. $200 \times 52 = 10,400$ hours that year

- Divide by 2080 (40 hour week for 52 weeks per year)

- You have 5 additional Full Time Equivalent Employees

- You have a total of 102 FTEs
The Employer’s Dilemma

* Estimates are statistically different between All Small Firms and All Large Firms (p<.05).

## The Math

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<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of FTE</strong></td>
<td>55</td>
</tr>
<tr>
<td><strong>Health care premiums</strong></td>
<td>$330,000*</td>
</tr>
<tr>
<td><strong>Employer Covered</strong></td>
<td>$275,000**</td>
</tr>
<tr>
<td><strong>Penalty</strong></td>
<td>$50,000</td>
</tr>
</tbody>
</table>

*55 x $6,000 average per Kaiser study
**55 x $5,000 average per Kaiser study
DO YOU HAVE >50 FTEs in 2016?

NO?

- No health insurance requirement
- No penalties
- Tax credit available
You must provide (and pay for) a health plan for your FULL TIME WORKERS that covers 60% (a “bronze” plan) of their costs.

AND

It must be affordable. The employee can’t be paying more than 9.5% of his/her HOUSEHOLD income for healthcare premiums.
You pay a penalty of $3,000 per employee receiving the subsidy.
Rule of Thumb

Rule of thumb: Single people earning up to $46,000
Cadillac Plan:
- benefits above the 'essential benefits'
- mostly paid for by employers
- little/no deductibles

Argument: encourages over-use of the system

January 1, 2018:
- if employer cost is more than $10,200 (individual) or $27,500 (family)
- 40% excise tax on the employer/sponsor plan cost
It is VERY unlikely that the ACA will be repealed.

If you’ve more than 100 FTE you will have to provide affordable healthcare starting 1/1/15.

If you’ve got more than 50 FTE you will have to provide affordable healthcare starting 1/1/16.

If you must offer insurance it has to be affordable. Worry about those making less than $46K.

Be aware if you have a “Cadillac” plan.
5 Essential Terms

1. Individual Mandate
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YOU WILL CHOOSE (AND PAY FOR) ANY (OR A COMBINATION) OF THESE PLANS:

Bronze: Covers 60% of total costs
Silver: Covers 70% of total costs
Gold: Covers 80% of total costs
Platinum: Covers 90% of total costs
Essential Health Benefits

Ambulatory patient services
Emergency services
Contraception
Hospitalization
Maternity and newborn care
Mental health and substance use disorder services, including behavioral health treatment
Prescription drugs
Rehabilitative services and devices
Laboratory services
Preventive and wellness services and chronic disease management
Pediatric services, including oral and vision care
True/False: Essential benefits include coverages to treat male pattern baldness.

False!
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The Tax Credit

- <25 FTE
- <$50,000 average salary
- 35% - 50% credit for health insurance
- Starting in 2015 you’ll need to buy your insurance from a state healthcare exchange – Small Business Health Options Program (SHOP)
- Must pay >50% of health insurance
5 Essential Terms

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5. Healthcare Exchanges
State Run: 17
Fed Run: 26
Fed "Partnership": 7
SHOP Exchanges (Small Business Health Options)

- Live on 11/15/14
- October “soft launch” in five states--Delaware, Illinois, Ohio, Missouri and New Jersey--to start accessing the marketplace.
- Employers can buy through SHOP or from private agents.
- Private insurance plans
- Multi State Health Plans (min 2 are required)
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If you must offer insurance it has to be affordable. Worry about those making less than $46K.

Be aware if you have a “Cadillac” plan.
Bronze, Silver, Gold plans all have the same essential benefits.

You may be eligible for a tax credit for the health insurance you pay.

Starting 11/15 businesses can buy health insurance from healthcare.gov’s SHOP exchanges.
WHAT DO YOU DO?
Your Options

1. Drop All Coverage

2. Shift Costs: Bronze + High Deductible Plans + HSA
At the end of 2013, HSAs have grown to an estimated $19.3 billion in assets (25% increase) and 10.7 million accounts (30% increase).

The average HSA balance is up 10 percent year-over-year to about $2,300.
Employers of account holders make tax-free contributions to workers' accounts.

Provided the funds are used to pay for out-of-pocket health care expenses, the money deposited in an HSA is never subject to Federal income tax.

HSAs are savings accounts that must be paired with a qualified high-deductible health plan (minimum annual deductible of $1,250 and a maximum annual deductible of $6,350. For family coverage, the minimum is $2,500 while the maximum is $12,700).
HSA contributions may be invested in a manner similar to retirement accounts. Amounts can roll over.

Investment earnings and interest can accrue tax-free.

Individuals can contribute $3,300 this year (Families $6,550) and those 55+ can contribute another $1,000 ($2,000 per family)

No OTC drugs.

Non-qualified expenses penalty increased from 10% to 20%.

In most cases, cannot be used to pay monthly insurance premiums.
Your Options

1. Drop All Coverage
2. Shift costs: Bronze + High Deductible Plans + HSA
3. Drop But Compensate
4. Private Exchanges
## Private Exchanges

**Aon Hewitt, Mercer, Buck, Towers Watson.**  
**Big Players**

**Walgreens, IBM, GE, Dupont, Conn. Business Industry Assoc….40 million people by 2018**  
**Big Participation**

**Defined Contribution, Pre-Tax, Easier to Budget**  
**Upsides**

**Smaller Network, Employees May Pay More**  
**Downsides**
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Starting 11/15 businesses can buy health insurance from healthcare.gov’s SHOP exchanges.

You have four options for addressing healthcare.

HSA’s combined with high deductible Bronze plans are a popular choice for businesses.
Private exchanges will explode in the next few years.
The Benefits

- Drop in Premiums!! Rise in Coverage!!
- Small businesses excluded and get a tax credit
- Business opportunities from growth in healthcare/bigger market
- Easier for workers to move from jobs
- Easier to budget
- Potential less admin for small companies
Issues To Follow

• Potential “sticker shock” to employers?

• If you’re young or sick...why buy?

• More docs opting out of taking insured patients

• State participation in Exchanges? Medicaid?

• Who will enforce?
Oct 2014: Positives

Kaiser Foundation:
- Of the 28.6 million U.S. residents eligible, more than 8 million people enrolled in private health insurance under the ACA for 2014, topping expectations.
- By 2017, the Congressional Budget Office projects, 25 million people will get their health insurance through the healthcare exchanges.

Wall Street Journal:
- The number of insurers in many marketplaces are expected to increase. United Healthcare expanding from 4 to 24 states.
USA Today: 
The nation's uninsured rate down to its lowest level since 2008.

Industry Studies: 
Average premium increase for plans going on sales Nov 15 is 2.5%. 
(Louisiana rates will rise more than 10%, Oregon’s rates will fall 2.5%)
October 2014 - Negatives

Walmart, Target, UPS, Home Depot:
- Dropped coverage for part time workers
- Increased premiums to remainders

August Philly Fed Manufacturing Survey:
- 85% of firms raised premiums
- 91% raised deductibles
- 74% raised out of pocket maximum
- 15% decreased employment
Urban Institute:
Among consumers still uninsured as of June, nearly 60 percent said they couldn't afford coverage.

Kaiser Foundation:
Nearly 5 million uninsured adults fall into a "coverage gap" - they make too much to qualify for the existing Medicaid program or to get financial help purchasing a plan through the marketplaces.
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Washington Post:
All insurers who are selling plans in 2015 were forced to set proposed prices with little-often very little-knowledge of how their customers in 2014 would use their new benefits during the year.

Insurers can’t lose money in the first three years: Two out of the three ACA programs that are designed to financially protect insurers set to expire after 2016.

Insurers using low rates/protection to gain market share ahead of future rate increases.
Great Resources

Kaiser Foundation:
  kff.org

ACA:
  healthcare.gov

Wonkblog:
  washingtonpost.com/blogs/wonkblog
True/False: The U.S. government will begin offering health insurance on January 1, 2015

FALSE
True/False: All employers must provide healthcare to their employees

FALSE
True/False: A government panel will make life and death decisions about a patient

FALSE
True/False: Healthcare.gov is buggy and unreliable.
True/False: A recent study found that 80% of fast food fountain drink dispensers are contaminated with fecal matter.

FALSE. It’s only 50%*

*Journal of Food Microbiology
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Private exchanges will explode in the next few years.

The ACA has many issues and it will take a few years to really see its impact.

Rates are not going up much this year or next, but watch out for 2017.
True/False: You are MUCH SMARTER than you were at 60 minutes ago.

True!
AUGUST WAS QUITE A MONTH IN WASHINGTON DC — EXCITING HOT AIR, EARTHQUAKES, HURRICANES. AND CONGRESS WAS BADLY IN SESSION.

For the economy, August was not a good month. Not only were there some bright signs. Durable goods orders came in strong. Personal income and expenditures were both up. Consumer delinquency rates fell to pre-crisis levels. Commercial property prices rose. The Baltic Dry Index rallied. Wal-Mart reported higher profits. Leading indicators went up and oil fell to $81 a barrel.

But the fall in oil, for example, was due to a slowing economy. In fact the Fed revised its estimate of annual GDP growth from an optimistic 1.3% to a feeble 1.0%. Assuming, though still low, rose this past month as did the price of gold. The Value of Commerce Index remained weak. Small business optimism dipped for the fifth month in a row. Regional Feds in Philadelphia, New York and the Midwest reported contractions in activity. Weekly unemployment claims are holding steady, if not slightly increasing, and activity around the country was just ... less. The latest auto traffic and truck tonnage indexes both decreased. The construction industry is on life support: architectural billings, housing starts, and existing home sales are down. Del. cut its forecast. HP got out of the computer business. Steve Jobs stepped down.

Oh, right, and Standard & Poor’s downgraded our national debt, causing wild fluctuations in the stock market. This was after our government’s debt “deal” at the beginning of the month, which basically kicked the problem to a politically charged debt “super” committee tasked with either reducing the debt or reducing our national defense. Meanwhile, China builds new ships and missiles and Russia buys planes to put them in the air.

And the best is yet to come.

Because as Congress reconvenes after Labor Day, we’re looking at a fun filled month of September. And I know at least four things that will happen this month that we plan to miss.

1. The Debt Super Committee. This bipartisan (but VERY partisan) committee will be meeting to figure out ways to reduce our national deficit. They’ve been charged to either agree on a solution or there will be across the board cuts primarily in defense. The expectation is, like it always was, that this “super” committee will not achieve super results. Instead we can expect token gestures of deficit cutting with the rest coming out of our defense budget. Few think that these members will be able to step up to the problem of entitlements which...