



Healthcare Reform and Its Impact on Health Insurance

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AFT Public employees
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10:45-12:15 pm



What does the ACA do?

- Expands coverage. The ACA helps people obtain coverage in two primary ways:
 - Medicaid expansion
 - Exchanges
- Consumer protections
- Delivery system reforms (ACOs, PCMHs)
- Emphasis on prevention, wellness, primary care

Shared responsibility for coverage (2014)

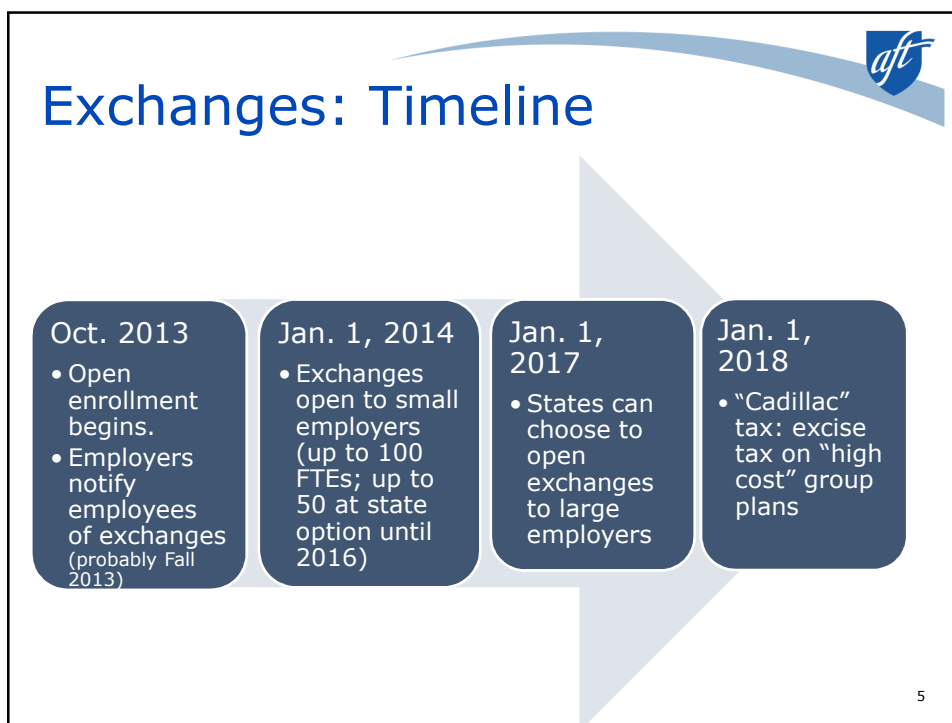
- **Individual mandate penalty** for individuals who do not have health coverage
- **Employer penalties** for failing to offer affordable coverage to full-time employees

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Individual mandate

- Minimum coverage provision:
 - Beginning in 2014, individuals are required to have insurance unless exempt.
 - This is the “individual mandate”
- Penalty for not having coverage the greater of :
 - 2014: 1% of income or \$95
 - 2015: 2% of income or \$325
 - 2016: 2.5% of income or \$695
 - Per person, but capped at 3x that amount for a family
 - Penalty will not exceed the average premium of a bronze plan in the exchange

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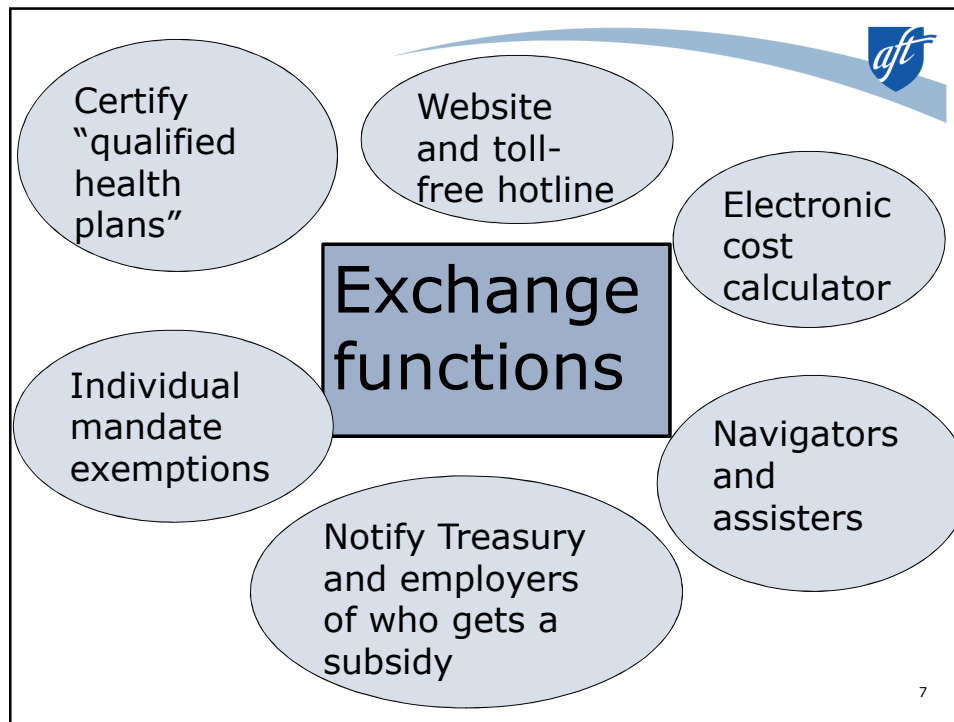


Exchanges: the basics

- “Marketplaces”
- Four tiers of coverage
 - Platinum pays for 90% of your covered costs
 - Gold: 80%, Silver: 70%, Bronze: 60%
 - States may also offer a catastrophic plan to those under 30, and/or a basic plan for the uninsured with incomes 133-200% of FPL
- Subsidies based on second-lowest-cost silver plan
- The average large employer plan pays for more than 80% of covered costs

<http://www.kff.org/healthreform/upload/8177.pdf>

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Employee Protections

- The ACA **prohibits employers from firing** or discriminating against **an employee who gets a premium tax credit** (subsidy) in the exchange
- Also **protected** are **whistleblowers** and employees who refuse to participate in such discrimination

See: ACA Section 1558, which adds section 18C to the FLSA;
<http://www.dol.gov/opa/media/press/osh/osh20130327.htm>;
<https://www.buckconsultants.com/portals/0/publications/fyi/2013/FYI-2013-0402-OSHA-regs-protect-whistleblowers-under-ACA.pdf>

The slide also features the "aft" logo in the top right corner and the number "8" in the bottom right corner.



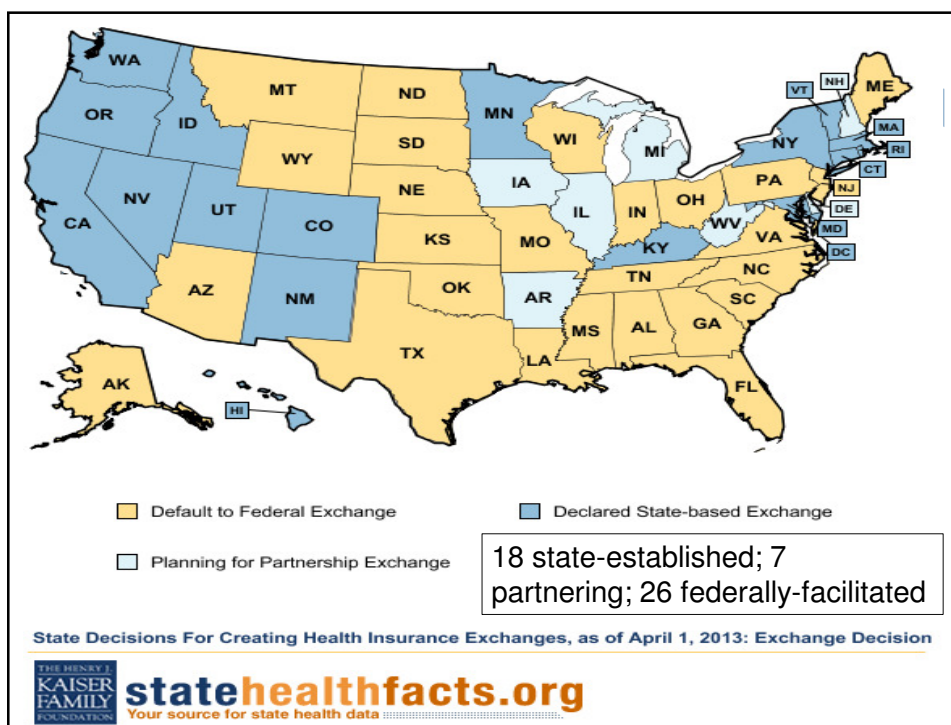
Notification requirement

Employers will have to notify all new and current employees about:

- the existence of the exchange
- the services the exchange offers, and
- how to contact the exchange
- Notices will probably be due in late summer or fall of 2013, to coordinate with exchange open enrollment

<http://www.dol.gov/ebsa/faqs/faq-aca11.html>

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Federally-Facilitated Exchanges

- At least for the first year, federally-facilitated exchanges (FFE) will allow all qualified health plans to be sold in the exchange
- FFEs will determine eligibility for premium tax credits (subsidies), cost-sharing reductions, Medicaid, and CHIP

<http://cciio.cms.gov/resources/files/ffe-guidance-05-16-2012.pdf>

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Fun quiz!

- <http://healthreform.kff.org/quizzes/health-reform-quiz.aspx>

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Exchanges: Subsidies



Subsidies are **not available to employees** who have **an offer of employer-sponsored coverage** that meets certain requirements **UNLESS**:

- The employee's household income is **at or below 400%** of the federal poverty line, **AND**
- The employee's share of the **self-only premium** for the **employer's lowest-cost plan** is **more than 9.5%** of the employee's **household income**

*this percentage will be indexed after 2014.

http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/121xx/doc12188/05-12-subsidies_in_exchanges.pdf

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400% of the
2013 FPL for a
family of 4:
\$94,200

9.5% of
\$30,000:
\$2,850
(\$238/mo.)

9.5% of
\$40,000:
\$3,800
(\$317/mo.)

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Kaiser Subsidy Calculator

Health Reform Subsidy Calculator <http://healthreform.kff.org/en/SubsidyCalculator.aspx>
Premium Assistance for Coverage in Exchanges

Enter Information About Individual Circumstances	Results
1. Enter income as 2014 dollars ▾	<p><small>Note: Subsidies are only available for people purchasing coverage on their own in the Exchange (not through an employer). All individuals and families with incomes at or below 133% of the federal poverty level will be eligible for Medicaid. Others with higher incomes may also be eligible, depending on rules that vary by state.</small></p> <p>Projected income in 2014 \$70,000 299% of poverty</p> <hr/> <p>Unsubsidized health insurance premium in 2014 adjusted for age \$14,245 <small>(Based on an age factor relative to a 40 year-old of 1.17)</small></p> <hr/> <p>Maximum % of income the person/family has to pay for the premium if eligible for a subsidy 9.47%</p> <hr/> <p>Actual person/family required premium payment \$6,626 <small>(which equals 9.47% of income and covers 47% of the overall premium)</small></p> <hr/> <p>Government tax credit \$7,619 <small>(which covers 53% of the overall premium)</small></p> <hr/> <p>Out-of-Pocket Costs</p> <p><small>The maximum out-of-pocket costs the person/family will be responsible for in 2014 (not including the premium) is \$6,250. Whether a person or family reaches this maximum level will depend on the amount of health care services they use. Currently, about one in four people use no health care services in any given year. The guaranteed plan for the person/family will have an actuarial value of 70%. This means that for all enrollees in a typical population, the plan will pay for 70% of expenses in total for covered benefits, with enrollees responsible for the rest. Specific provisions like deductibles and copayments may vary.</small></p>
2. Enter annual income (Dollars) 70,000	
3. Enter age of policyholder (19-64) 45	
4. Enter family type Family of 4 ▾	
5. Is employer coverage available? No ▾	
6. Enter regional cost factor Medium ▾	
<input type="button" value="Clear"/> <input type="button" value="Submit"/>	
<p>Additional resources</p> <p>Click here for tables showing results by income and age >></p> <p>Click here for a list of frequently asked questions about the calculator >></p> <p>A summary of the health reform law is available here >></p> <p>Notes</p> <p><small>Based on the Patient Protection and Affordable Care Act (including subsequent amendments in the Health Care and Education Reconciliation Act of 2010), as signed by the President.</small></p> <p><small>The premiums are illustrative examples in 2014 dollars derived from estimates of average premiums for 2016 from the Congressional Budget Office. For a 40 year old single adult, the premium for a silver plan is assumed to be \$4,500 for a plan with a 70% actuarial value. To the extent that actual expected enrollment in 2014 differs from what CBO assumed for 2016 — e.g., it has a different composition of people by health status or age</small></p>	

Employer penalties

- The “fair share” penalties apply **to large employers**, defined as those with more than 50 FT equivalents.
- Penalties apply if **at least one full-time employee** (30 or more hrs/week) receives a premium credit in the exchange
- Two kinds of penalties:
 - a. **Failure to offer** coverage to FT employees
 - b. **Failure** to meet **affordability** test. Coverage is offered, but employee qualifies for exchange subsidy

Who is Full-Time?



- Large employers are only penalized for not insuring their full-time employees, defined as working **30 or more hours per week on average**.
- Employers can calculate their FT employees monthly, or use a **"look-back measurement method"** to determine FT status.
- With the "look back" method, employers can choose a measurement period of **3-12 months**.
- If the employee was full-time during that period, he/she is considered FT for a subsequent **"stability" period** (the greater of 6 mos. or the length of the measurement pd.)

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What about rehired employees?



For employers using the look-back method, an employee can be considered **new** (i.e., terminated and rehired) for purposes of the measurement period and waiting period IF:

- the **break in service is at least 26 consecutive weeks** long,
- OR the break in service was at least **4 weeks** long (but less than 26 weeks) **AND is longer than the previous period** of employment
- The employer chooses which method to use

Federal Register, Jan. 2, 2013

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90-day waiting period

- Employers do not have to offer coverage during a new employee's first three months of service

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New Regulations

- No employer penalty for failing to offer coverage to the **spouses** of full-time employees
- Family members' eligibility for exchange subsidies based on affordability of **self-only** coverage
- No failure-to-offer penalty for employers who offer coverage to **95%** of full-time employees and their dependent children.

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What Might Employers Do To Avoid Penalties?



- **Cut** hours below 30 hours per week
- Make sure the employee share of single coverage is slightly **less than 9.5%** of the lowest-paid employee's pay
- Institute a new low-cost, **high-deductible** plan
- **Shift costs** to family coverage (single costs the employee little or nothing; family costs a lot)

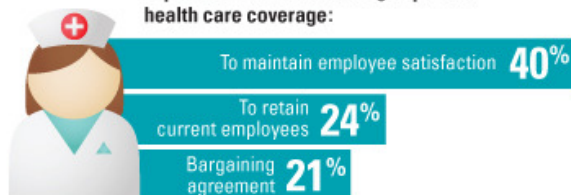
NOTE: The ACA does not supersede collectively-bargained language, including language on hours of work, benefits, or benefits eligibility

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Poll: 84% of employers are “very likely” to or “definitely will” continue to provide employer-sponsored health coverage



Top 3 reasons for continuing to provide health care coverage:



http://www.ifebp.org/AboutUs/PressRoom/Releases/pr_120612.htm

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Scenario: Employer stops offering health coverage



Upside	Downside
Healthcare costs will take up less of the employer's money at the bargaining table, potentially leaving more for wages	Exchange coverage will not be as comprehensive as employer-sponsored coverage and will have greater out-of-pocket costs.
The union can try to bargain for more money to compensate for the loss of the coverage	Employees will not be able to bargain with employers over plan design, plan quality, and cost sharing
	Employers may not give members significantly more in wages to compensate for the loss of this benefit
	Members may ask what the union's purpose is if not bargaining benefits
	The employer will have to pay penalties to the federal government

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Employer continues offering coverage. Some members are eligible for exchange subsidies and drop out of employer's plan



Upside	Downside
Some employees will get more affordable coverage—including family coverage--on the exchange than they could get through the employer.	Employer's plan will experience adverse selection, driving up costs for the members remaining in the plan
	Exchange coverage will not be as comprehensive as the employer's plan
	Members will be divided, with most in the employer's plan but possibly a few in the exchange. This may complicate bargaining for benefits.

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Preparing for 2014: Collect info

Member census

- who is not offered coverage?
- who pays more than 9.5% of household income for lowest-cost single coverage?
- who works less than 30 hours per week? Who works exactly 30 hrs/wk?
- household income at or below 400% FPL?
- who needs coverage for spouse and/or children?
- would any members be better off in the exchange?

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Preparing for 2014: Collect info

Employer's strategy

- keeping employees out of exchanges?
- avoiding penalties?
- avoiding adverse selection?
- reducing hours?
- grandfathered status?
- dropping coverage altogether?

Members' priorities

- keeping employer-sponsored coverage?
- lowest premium possible?
- lowest out-of-pocket costs possible?
- most comprehensive plan possible?

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Other considerations

- Excise (“Cadillac”) Tax (2018)**
 - Threshold: plan cost exceeds \$10,200/\$27,500 (single/family; indexed)
 - Includes FSAs, HSAs (employer & employee payroll deduction), HRAs
 - Vision and dental excluded
 - Tax is 40% of the amount that exceeds the threshold
- Wellness programs**
 - Carrots or sticks?
 - Based on participation or results?
 - On-site clinics?
- Healthcare committee**
 - With authority?
 - With release time?
 - Transparency and data sharing

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Other considerations

- Plan offerings and design**
 - Beware of new low-cost plan (to disqualify members from exchange subsidies)
 - Exchange supplement possibilities?
 - Avoiding excise tax (“Cadillac tax”)
 - Can members drop out of employer’s plan?
 - Strategic cost-sharing; emphasis on quality
 - Defined contribution
- Calculation of hours for FT status**
 - Use and length of look-back measurement period
- MLR rebates (fully-insured only)**
 - How are they distributed?

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Additional ACA provisions

- CO-OP plans
- Preventive care and contraception
- Medicaid expansion

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Consumer Oriented and Operated Plans (CO-OP)

- Nonprofit, member-run plans
- Governed by consumers
- Will be offered on exchanges
- Federal loans given to get them started

- <http://www.commongroundwi.org/common-ground-healthcare-cooperative/>
- http://healthaffairs.org/healthpolicybriefs/brief_pdfs/healthpolicybrief_87.pdf
- http://www.commonwealthfund.org/~media/Files/Publications/Issue%20Brief/2012/Apr/1591_Gardiner_innovative_strategies_help_coops.pdf
- <http://www.healthcare.gov/news/factsheets/2012/02/coops02212012a.html>
- <http://www.statehealthfacts.org/profileind.jsp?ind=1027&cat=17&rqn=51>

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Preventive Care

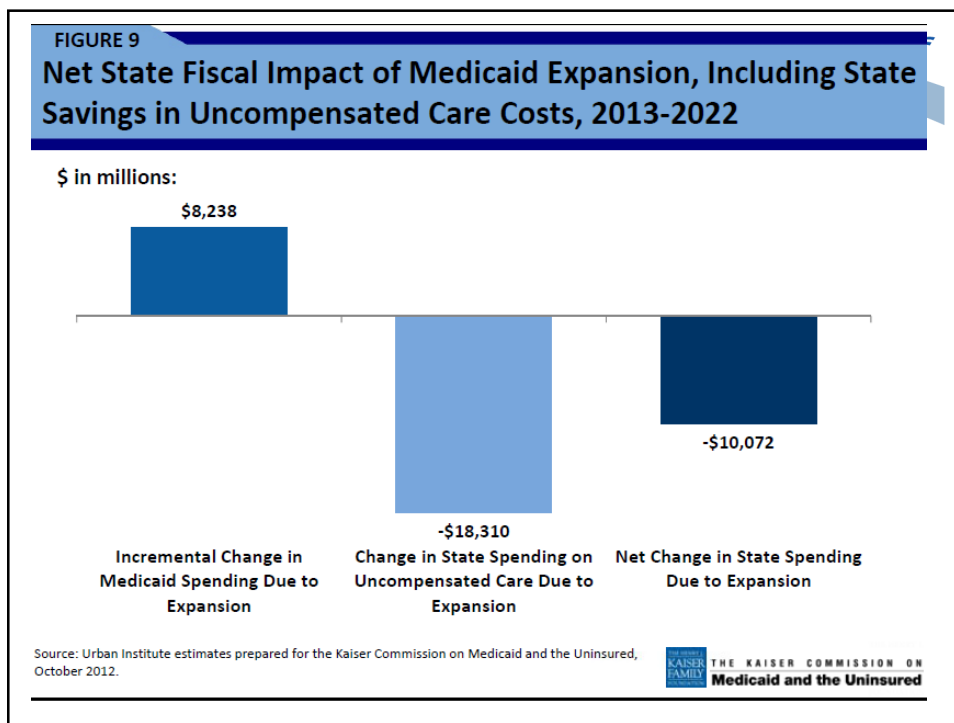
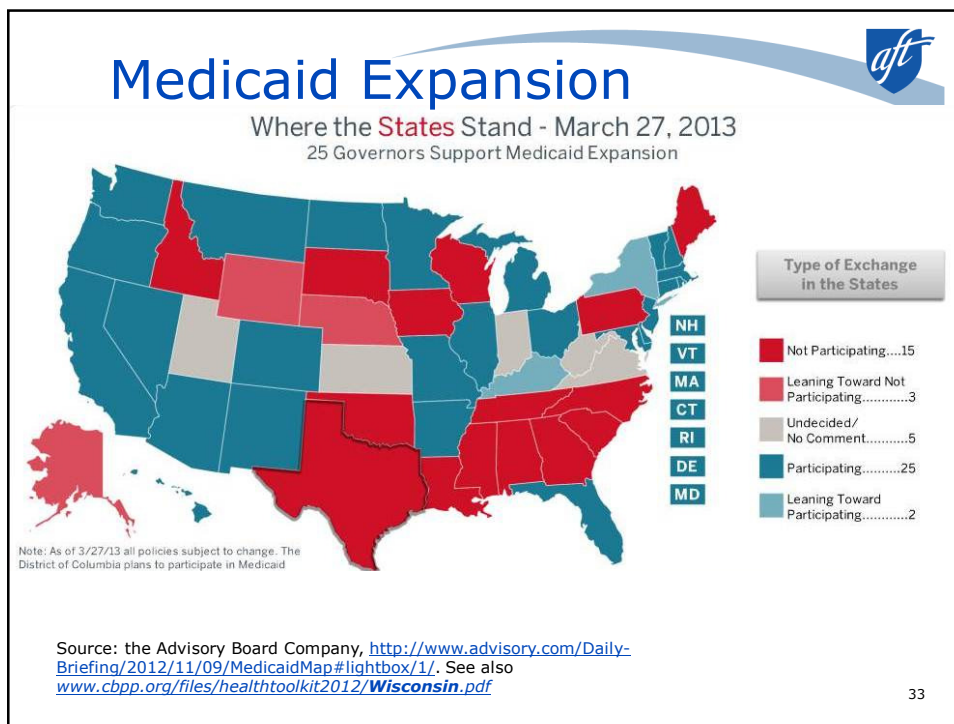
- Preventive services with no cost-sharing for those in non-grandfathered plans
 - Includes many vaccinations; flu shots; cancer screenings; tests for cholesterol, diabetes, and high blood pressure
 - Additional women's services including contraception covered for plan years starting on or after August 1, 2012
 - Full list of covered services:
 - <http://www.healthcare.gov/news/factsheets/2010/07/preventive-services-list.html#CoveredPreventiveServicesforAdults>

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Contraception

- **Contraceptives** are **covered** with **no cost-sharing** for those in non-grandfathered plans
- The federal government has proposed to allow some religious organizations to opt out of providing contraceptive coverage, but...
- The **religious employer** has to notify its **insurer or third-party administrator**, who would contract with an insurer to **provide contraceptive coverage** for employees
- The coverage will be **entirely paid for by the federal government** through a reduction in exchange fees.
- AFT commented to federal regulators

<http://ccio.cms.gov/resources/factsheets/womens-preven-02012013.html>; <http://healthaffairs.org/blog/2013/02/02/implementing-health-reform-contraceptive-coverage-and-religious-accommodation/>³²



Tools

- Federal poverty level by family size
- Exchange maximum premium by family size
- LeaderNet
- Kaiser subsidy calculator
- Kaiser Family Foundation
- Healthcare.gov

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2013 Federal Poverty Level by Family Size

Family size	100% FPL	133%	150%	200%	250%	300%	350%	400%
1	\$11,490	\$15,282	\$17,235	\$22,980	\$28,725	\$34,470	\$40,215	\$45,960
2	\$15,510	\$20,628	\$23,265	\$31,020	\$38,775	\$46,530	\$54,285	\$62,040
3	\$19,530	\$25,975	\$29,295	\$39,060	\$48,825	\$58,590	\$68,355	\$78,120
4	\$23,550	\$31,322	\$35,325	\$47,100	\$58,875	\$70,650	\$82,425	\$94,200
5	\$27,570	\$36,668	\$41,355	\$55,140	\$68,925	\$82,710	\$96,495	\$110,280

Source: AFT calculation based on HHS poverty figures:
<http://aspe.hhs.gov/poverty/13poverty.cfm>

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Maximum Annual Premium by Family Size Under the ACA (If Currently Implemented)



Poverty Line (FPL, 2013)	Maximum Premium as a % of Income (2014)	Maximum Annual Premium (current) by Family Size			
		1	2	3	4
100%	2.00%	\$230	\$310	\$391	\$471
133.01%*	3.00%	\$458	\$619	\$779	\$940
150%	4.00%	\$689	\$931	\$1,172	\$1,413
200%	6.30%	\$1,448	\$1,954	\$2,461	\$2,967
250%	8.05%	\$2,312	\$3,121	\$3,930	\$4,739
300%	9.50%	\$3,275	\$3,275	\$5,566	\$6,712
350%	9.50%	\$3,820	\$3,820	\$6,494	\$7,830
up to 400%	9.50%	\$4,366	\$4,366	\$7,421	\$8,949

Source: AFT computation based on "2013 Poverty Guidelines for the 48 Contiguous States and the District of Columbia," 78 Federal Register 5182, January 24, 2013. Chart format from Peterson, Chris L. and Thomas Gabe, Congressional Research Service, "Health Insurance Premium Credits in the Patient Protection and Affordable Care Act (PPACA)," April 28, 2010. 37

LeaderNet Resources



Top menu bar
 → **Leading Your Local**
 → **Contracts and Bargaining**

The screenshot shows the AFT LeaderNet website interface. The top navigation bar includes links for AFT Constituencies, Leading Your Local, Communicating with Members, News & Publications, Meetings & Conferences, and Directories. A search bar is located on the left side. The main content area features several news articles, including one about the Supreme Court's decision on the Affordable Care Act, and a section for AFT Meetings & Conferences. A sidebar on the right contains a 'What Can You do on LeaderNet?' section with links for surveying members, preparing for negotiations, and researching issues. The footer includes the URL http://leadernet.aft.org/leading-your-local/bargaining/ and a local intranet icon.

LeaderNet Resources

Home > Leading Your Local > Contracts & Bargaining

Contracts & Bargaining

The AFT Center for Collective Bargaining supports locals in their efforts to negotiate fair and beneficial agreements by developing tools and resources, and providing training and information, for staff and leadership that are directly involved in bargaining.

Featured Content

- Affordable Care Act March Update
March will be a busy month for the Affordable Care Act. Here is a roundup of the latest news related to the Act, its implementation, and healthcare coverage more generally.
- Implementation of the Affordable Care Act continues in 2012
Here is an update on the Act's preventive care provisions, Early Retiree Reinsurance Program and premium rate review process. Also included is a brief summary of healthcare cost growth and predictions for 2012.
- Benefits of the Affordable Care Act YouTube Video
This short animated video from the Center for American Progress uses cartoon drawings to explain the benefits of the Affordable Care Act and the importance of the individual mandate. It features MIT economist Jonathan Gruber.
- November Update on the Affordable Care Act
November has been an eventful month for the Patient Protection and Affordable Care Act. Many states are taking steps to set up their health insurance exchanges, while legal challenges to the law continue. Here is a roundup of this month's healthcare reform news.
- Report on Containing Public Sector Healthcare Costs
Although written from a management perspective, this report from the Government Finance Officers Association, with support from the Colonial Life insurance company, contains some useful information on on-site clinics, wellness programs and the benefits of self-insurance versus full insurance. While shifting costs to employees is one of the cost saving strategies advocated by the report, it also presents data in support of other methods of reducing public sector healthcare costs and so may be of interest to negotiators.

Healthcare Reform

The Affordable Care Act of 2010 brings many positive changes to the health care landscape. Learn how the Act affects you at home and at the bargaining table.

Other Resources

- Labor Project for Working Families
A national advocacy and policy center providing technical assistance, resources and education to unions and union members addressing family issues in the workplace including child

Implementation Timeline

The implementation timeline is an interactive tool designed to explain how and when the provisions of the health reform law will be implemented over the next several years. You can show or hide all the changes occurring in a year by clicking on that year. Click on a provision to get more information about it. Customize the timeline by checking and unchecking specific topics.

Customize by Topic	Provisions by Year
<input type="checkbox"/> Provisions in Effect in Progress	2010 (26 total, 26 in effect)
<input type="checkbox"/> Provisions Not in Effect	2011 (20 total, 17 in effect)
<input checked="" type="checkbox"/> Affordability and Subsidies	2012 (11 total, 10 in effect)
<input checked="" type="checkbox"/> Employment	2013 (15 total, 5 in effect)
<input checked="" type="checkbox"/> Financing and Issues	<input type="checkbox"/> State Notification Regarding Exchanges
<input checked="" type="checkbox"/> Fraud and Abuse	<input checked="" type="checkbox"/> Closing the Medicare Drug Coverage Gap
<input checked="" type="checkbox"/> Insurance	<input checked="" type="checkbox"/> Medicare Bundled Payment Pilot Program
<input checked="" type="checkbox"/> Long Term Care	
<input checked="" type="checkbox"/> Multi-State and FICA	



The screenshot shows the HealthCare.gov website interface. At the top, a red arrow points to the 'HealthCare.gov' logo in the browser's address bar. The website header includes the 'aft' logo, navigation links (Home, Blog, Newsroom, Videos, FAQs, Glossary, Text Size A.A.A, En Español), and a search bar. Below the header, there are several navigation buttons: 'Find Insurance Options', 'Get Help Using Insurance', 'The Health Care Law & You', 'Comparing Care Providers', and 'Prevention & Wellness'. The main content area is titled 'What's Changing and When' and features a timeline from 2010 to 2015. A specific event is highlighted for January 1, 2013, under the heading 'IMPROVING QUALITY AND LOWERING COSTS' and 'Improving Preventive Health Coverage'. The text below this heading states: 'Effective January 1, 2013. To expand the number of Americans receiving preventive care, the law provides new funding to state Medicaid programs that choose to cover preventive services for patients at little or no cost.' An image of a child being examined by a healthcare professional is shown to the right of the text. A small '.1' is visible in the bottom right corner of the screenshot.

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