



**SHOP for SMALL BUSINESS**

**BROKER CERTIFICATION TRAINING CLASS**

# Agenda

- ◆ HealthSource RI Overview
- ◆ Plan Design Review
- ◆ Rating Methodology
- ◆ Broker Quoting Tool
- ◆ Billing and Renewals
- ◆ Assessment
- ◆ Appendix

## SHOP for SMALL BUSINESS

*The Small Business Health Options Program:  
A NEW Modern Product for Small Business*

**DEFINED CONTRIBUTION AND EMPLOYEE  
CHOICE MODEL**

HSRI develops quotes from multiple carriers for the broker's convenience.

◆ Medical

- Blue Cross Blue Shield RI
- United Healthcare
- Neighborhood Health Plan (sold exclusively via HSRI)

◆ Dental

- Blue Cross Blue Shield of RI
- Delta Dental
- Guardian

## Defined Employer Contribution



A NEW MODERN OPTION

- ◆ Employers define and control annual healthcare spending by selecting a “reference plan” that fits their healthcare budget.
- ◆ Employers begins to disengage from on-going, consistent, double digit rate increases.

## Employee Choice Models

Employers and employees can enjoy a wide range of plan designs and prices.

- ◆ **Single Choice:** Employer selects single plan design for all employees
- ◆ **Full Employee Choice:** Employer sets his/her reference plan and employees can choose from any of the 20 plan designs available.
- ◆ **Mini Full Employee Choice:** Employer sets his/her reference plan and employees enjoy the choice of four plan designs; one from each metal level.

# Small Employer Tax Credit

- ◆ Credit offered by the Federal Government
  
- ◆ Only available to employers who offer coverage through state exchanges
  
- ◆ Up to 50% tax credit available to qualifying employers
  - 25 or fewer FTE's
  - \$51,600 or lower average annual earnings
  - Employer pays 50% of healthcare premium

# Enrollment Simplification

- ◆ Completely electronic enrollment process with support
  - No paper applications
  - No waiver forms required
  - HSRI will transmit your sales information directly to the insurance carrier for you.
  - One step certification process: quarterly tax and wage report only
  - A team of Business Engagement Specialists with extended hours is available to support brokers onsite, by phone or via email.
  - Special broker phone number and email  
(855) 683-6755 option 5 / [hsri\\_beteam@connexions.com](mailto:hsri_beteam@connexions.com)



# Small Business Eligibility: RI Specific

- ◆ Eligible for businesses with 50 or fewer employees
  - Counting all full time and part time employees who are offered coverage
- ◆ Small businesses must have an EIN number
- ◆ Small business needs to be a RI company by law -or- out of state location can buy for RI worksite
- ◆ Eligibility rules default back to Federal Law 2016
- ◆ No participation requirements; reduced recertification requirement

## Individual Exchange: Quick Review

**HealthSource RI is committed to increasing access to more affordable healthcare options in a variety of ways.**

### **For Rhode Island Individuals and Families who Qualify:**

- ◆ Tax credits to help pay for insurance (139% of FPL to 400% of FPL)
- ◆ No-cost insurance plans through Medicaid (138% of FPL and below)
- ◆ Discounts on co-pays and other out-of-pocket expenses for lower-income Rhode Islanders

# Plan Design Review

- ◆ 20 medical plans and 4 dental plans available
- ◆ Wide range of plan designs and cost (Platinum to Bronze)
- ◆ All of the medical plans on the SHOP side of HSRI have a plan year deductible
  - Carriers will not issue a deductible credit when a group moves to HSRI from a plan outside of HSRI

*Please refer to hard copy benefit summary...*

# Rating Methodology

## Steps in the SHOP Process

1. Group census is entered
2. Premium calculation
3. Employer chooses “1-Plan” or “Choose All”
4. Employer chooses reference plan and contribution
5. Presentation of employee contributions
6. Employee selects plan
7. SHOP allocates premium to issuers

# Inputs into SHOP: Enter Census

Employee #	Employee First Name	Employee Last Name	Status	Person DOB
1	Jane	Wilson	Employee	5/7/1988
2	Bob	Johnson	Employee	6/15/1958
2	Bob	Johnson	Dependent	Under 19
3	Sue	Smith	Employee	12/31/1978
3	Sue	Smith	Spouse	7/1/1980
3	Sue	Smith	Dependent	Under 19
3	Sue	Smith	Dependent	Under 19
4	Frank	Brown	Employee	1/8/1985
4	Frank	Brown	Spouse	2/9/1982
5	Ed	Martin	Employee	5/9/1979
5	Ed	Martin	Spouse	1/1/1980
5	Ed	Martin	Dependent	Under 19
6	Gary	White	Employee	3/17/1949
6	Gary	White	Spouse	2/16/1953
7	Betty	Williams	Employee	6/11/1973
8	Jennifer	Thompson	Employee	6/11/1974
8	Jennifer	Thompson	Dependent	Under 19
8	Jennifer	Thompson	Dependent	Under 19
9	Stanley	Campbell	Employee	6/15/1955
9	Stanley	Campbell	Spouse	6/30/1958
9	Stanley	Campbell	Dependent	6/6/1991
9	Stanley	Campbell	Dependent	6/7/1989
10	Ken	Jones	Employee	1/1/1991

Effective Date

1/1/2014

# Premium Calculation: List Bill Rates

Employee #	Employee First Name	Employee Last Name	Status	Age	1	2	3	4	5	6	7	8	9
					BCBS - Platinum - PPO 1-250	NHP - Gold - HMO - 2000	BCBS - Gold - Tier - 2000	UHC - Gold - Tier - 1000	NHP - Silver - HMO - 2000	BCBS - Silver - PPO - 2000	UHC - Silver - HMO - 2000	BCBS - Bronze - HSA - 5000	UHC - Bronze - Tier/HSA - 5000
1	Jane	Wilson	Employee	25	\$ 379	\$ 279	\$ 297	\$ 306	\$ 239	\$ 251	\$ 258	\$ 188	\$ 204
2	Bob	Johnson	Employee	55	\$ 842	\$ 620	\$ 659	\$ 679	\$ 531	\$ 559	\$ 572	\$ 417	\$ 454
2	Bob	Johnson	Dependent	9	\$ 240	\$ 177	\$ 188	\$ 193	\$ 151	\$ 159	\$ 163	\$ 119	\$ 129
3	Sue	Smith	Employee	35	\$ 462	\$ 340	\$ 361	\$ 372	\$ 291	\$ 306	\$ 314	\$ 229	\$ 249
3	Sue	Smith	Spouse	33	\$ 452	\$ 333	\$ 354	\$ 365	\$ 285	\$ 300	\$ 308	\$ 224	\$ 244
3	Sue	Smith	Dependent	9	\$ 240	\$ 177	\$ 188	\$ 193	\$ 151	\$ 159	\$ 163	\$ 119	\$ 129
3	Sue	Smith	Dependent	9	\$ 240	\$ 177	\$ 188	\$ 193	\$ 151	\$ 159	\$ 163	\$ 119	\$ 129
4	Frank	Brown	Employee	28	\$ 411	\$ 302	\$ 321	\$ 331	\$ 259	\$ 272	\$ 279	\$ 203	\$ 221
4	Frank	Brown	Spouse	31	\$ 438	\$ 322	\$ 342	\$ 353	\$ 276	\$ 290	\$ 297	\$ 217	\$ 236
5	Ed	Martin	Employee	34	\$ 459	\$ 337	\$ 359	\$ 370	\$ 289	\$ 304	\$ 312	\$ 227	\$ 247
5	Ed	Martin	Spouse	34	\$ 459	\$ 337	\$ 359	\$ 370	\$ 289	\$ 304	\$ 312	\$ 227	\$ 247
5	Ed	Martin	Dependent	9	\$ 240	\$ 177	\$ 188	\$ 193	\$ 151	\$ 159	\$ 163	\$ 119	\$ 129
6	Gary	White	Employee	64	\$ 1,133	\$ 834	\$ 886	\$ 914	\$ 714	\$ 751	\$ 770	\$ 561	\$ 610
6	Gary	White	Spouse	60	\$ 1,025	\$ 754	\$ 802	\$ 827	\$ 646	\$ 680	\$ 697	\$ 508	\$ 552
7	Betty	Williams	Employee	40	\$ 483	\$ 355	\$ 377	\$ 389	\$ 304	\$ 320	\$ 328	\$ 239	\$ 260
8	Jennifer	Thompson	Employee	39	\$ 477	\$ 351	\$ 373	\$ 385	\$ 301	\$ 316	\$ 324	\$ 236	\$ 257
8	Jennifer	Thompson	Dependent	9	\$ 240	\$ 177	\$ 188	\$ 193	\$ 151	\$ 159	\$ 163	\$ 119	\$ 129
8	Jennifer	Thompson	Dependent	9	\$ 240	\$ 177	\$ 188	\$ 193	\$ 151	\$ 159	\$ 163	\$ 119	\$ 129
9	Stanley	Campbell	Employee	58	\$ 962	\$ 708	\$ 753	\$ 776	\$ 607	\$ 638	\$ 654	\$ 477	\$ 518
9	Stanley	Campbell	Spouse	55	\$ 842	\$ 620	\$ 659	\$ 679	\$ 531	\$ 559	\$ 572	\$ 417	\$ 454
9	Stanley	Campbell	Dependent	22	\$ 378	\$ 278	\$ 295	\$ 305	\$ 238	\$ 250	\$ 257	\$ 187	\$ 203
9	Stanley	Campbell	Dependent	24	\$ 378	\$ 278	\$ 295	\$ 305	\$ 238	\$ 250	\$ 257	\$ 187	\$ 203
10	Ken	Jones	Employee	23	\$ 378	\$ 278	\$ 295	\$ 305	\$ 238	\$ 250	\$ 257	\$ 187	\$ 203
<b>Total</b>					<b>\$ 11,395</b>	<b>\$ 8,386</b>	<b>\$ 8,911</b>	<b>\$ 9,193</b>	<b>\$ 7,185</b>	<b>\$ 7,557</b>	<b>\$ 7,744</b>	<b>\$ 5,642</b>	<b>\$ 6,139</b>

# Premium Calculation: Converting List Bill to Composite Bill, as if “One-Plan”



	1	2	3	4	5	6	7	8	9
	BCBS - Platinum - PPO 1 - 250	NHP - Gold - HMO - 2000	BCBS - Gold - Tier - 2000	UHC - Gold - Tier - 1000	NHP - Silver - HMO - 2000	BCBS - Silver - PPO - 2000	UHC - Silver - HMO - 2000	BCBS - Bronze - HSA - 5000	Bronze - Tier/HSA - 5000
<b>List Bill Rates</b>	\$ 11,395	\$ 8,386	\$ 8,911	\$ 9,193	\$ 7,185	\$ 7,557	\$ 7,744	\$ 5,642	\$ 6,139

Tier	Composite Premium Rates								
EE-only	\$ 600	\$ 441	\$ 469	\$ 484	\$ 378	\$ 398	\$ 408	\$ 297	\$ 323
EE+Ch(ren)	\$ 1,080	\$ 794	\$ 844	\$ 871	\$ 681	\$ 716	\$ 734	\$ 535	\$ 582
EE+Sp	\$ 1,199	\$ 883	\$ 938	\$ 968	\$ 756	\$ 796	\$ 815	\$ 594	\$ 646
Family	\$ 1,679	\$ 1,236	\$ 1,313	\$ 1,355	\$ 1,059	\$ 1,114	\$ 1,141	\$ 831	\$ 905

## Standardized Tier Factors

Tier	Factors	Counts	Factor x Count
EE-only	1.0	3	3.0
EE+Ch(ren)	1.8	2	3.6
EE+Sp	2.0	2	4.0
Family	2.8	3	8.4
<b>Total</b>			<b>19.0</b>

Tier	Calculation
EE-only	\$378 = \$7,185 / 19
EE+Ch(ren)	\$681 = \$378 * 1.8
EE+Sp	\$756 = \$378 * 2.0
Family	\$1,059 = \$378 * 2.8



# Employer Contribution Selection

Step 1: Select reference plan

**NHP - Silver - HMO - 2000**

Step 2: Employer selects contribution

Tier	Reference Plan Premium	Employer Contribution %	Employer Contribution \$	Employee Premium for Reference Plan
EE-only	\$ 378	80%	\$ 303	\$ 76
EE+Ch(ren)	\$ 681	60%	\$ 408	\$ 272
EE+Sp	\$ 756	60%	\$ 454	\$ 303
Family	\$ 1,059	60%	\$ 635	\$ 424

Note: Employer contributions must be at least half of the EE-only premium for the reference plan chosen.

# Employee Plan Selection

Employee #	Employee First Name	Employee Last Name	Plan Selection	Tier	Employee Premium Calculation					
					(A) Employer Premium	(B) EE Premium Reference Plan	(C) Reference Plan List Bill	(D) Selected Plan List Bill	(E) = (B)+(D) - (C) Employee Premium	(F) = (A) + (E) Total Premium
1	Jane	Wilson	BCBS - Platinum - PPO 1 - 250	EE-only	\$ 303	\$ 76	\$ 239	\$ 379	\$ 216	\$ 518
2	Bob	Johnson	UHC - Bronze - Tier/HSA - 5000	EE+Ch(ren)	\$ 408	\$ 272	\$ 682	\$ 583	\$ 173	\$ 581
3	Sue	Smith	BCBS - Bronze - HSA - 5000	Family	\$ 635	\$ 424	\$ 879	\$ 690	\$ 235	\$ 870
4	Frank	Brown	NHP - Gold - HMO - 2000	EE+Sp	\$ 454	\$ 303	\$ 535	\$ 624	\$ 392	\$ 846
5	Ed	Martin	BCBS - Gold - Tier - 2000	Family	\$ 635	\$ 424	\$ 729	\$ 905	\$ 599	\$ 1,234
6	Gary	White	UHC - Gold - HMO - 1500	EE+Sp	\$ 454	\$ 303	\$ 1,361	\$ 1,715	\$ 657	\$ 1,111
7	Betty	Williams	UHC - Gold - HMO - 1500	EE-only	\$ 303	\$ 76	\$ 304	\$ 384	\$ 155	\$ 457
8	Jennifer	Thompson	NHP - Silver - HMO - 2000	EE+Ch(ren)	\$ 408	\$ 272	\$ 603	\$ 603	\$ 272	\$ 681
9	Stanley	Campbell	BCBS - Silver - PPO - 2000	Family	\$ 635	\$ 424	\$ 1,614	\$ 1,698	\$ 507	\$ 1,143
10	Ken	Jones	BCBS - Bronze - HSA - 5000	EE-only	\$ 303	\$ 76	\$ 238	\$ 187	\$ 24	\$ 327
Total					\$ 4,538				\$ 3,230	\$ 7,768

Employee premium = Employee premium for reference plan + change in list bill premiums between selected plan and reference plan

# Issuer Revenue from SHOP

Issuer	Total Premium
BCBS	\$ 3,859
NHP	\$ 1,227
UHC	\$ 2,682
Total	\$ 7,768

Issuer revenue is the total of the List Bills for the plans selected by employees (column D in prior slide).

# Considerations and Complexities

- ◆ Age is always calculated as of the group's effective date
- ◆ Medical rates do not differ for ages less than age 21
- ◆ Dental rates differ between ages 18 and 19
- ◆ Only oldest 3 children less than age 21 count in rates
- ◆ Dental
- ◆ “Negative” employee premiums not allowed
- ◆ Births and deaths can have mid-month effective dates
- ◆ Mid-year census changes—age matters

# Mid-year Census Changes

When Gary retires in the middle of the year, what happens to premium?

Employee #	Employee First Name	Employee Last Name	Plan Selection	Tier	(A) Employer Premium	Employee Premium Calculation				(F) = (A) + (E)
						(B) EE Premium Reference Plan	(C) Reference Plan List Bill	(D) Selected Plan List Bill	(E) = (B)+ (D) - (C) Employee Premium	
1	Jane	Wilson	BCBS - Platinum - PPO 1 - 250	EE-only	\$ 258	\$ 76	\$ 239	\$ 379	\$ 216	\$ 473
2	Bob	Johnson	UHC - Bronze - Tier/HSA - 5000	EE+Ch(ren)	\$ 348	\$ 272	\$ 682	\$ 583	\$ 173	\$ 521
3	Sue	Smith	BCBS - Bronze - HSA - 5000	Family	\$ 541	\$ 424	\$ 879	\$ 690	\$ 235	\$ 776
4	Frank	Brown	NHP - Gold - HMO - 2000	EE+Sp	\$ 387	\$ 303	\$ 535	\$ 624	\$ 392	\$ 779
5	Ed	Martin	BCBS - Gold - Tier - 2000	Family	\$ 541	\$ 424	\$ 729	\$ 905	\$ 599	\$ 1,140
6	Gary	White	UHC - Gold - HMO - 1500	EE+Sp						
7	Betty	Williams	UHC - Gold - HMO - 1500	EE-only	\$ 258	\$ 76	\$ 304	\$ 384	\$ 155	\$ 413
8	Jennifer	Thompson	NHP - Silver - HMO - 2000	EE+Ch(ren)	\$ 348	\$ 272	\$ 603	\$ 603	\$ 272	\$ 620
9	Stanley	Campbell	BCBS - Silver - PPO - 2000	Family	\$ 541	\$ 424	\$ 1,614	\$ 1,698	\$ 507	\$ 1,048
10	Ken	Jones	BCBS - Bronze - HSA - 5000	EE-only	\$ 258	\$ 76	\$ 238	\$ 187	\$ 24	\$ 282
Total					\$ 3,479				\$ 2,573	\$ 6,053

- ◆ Employee premium remains unchanged
- ◆ Employer premium changes accordingly
- ◆ Issuers continue to obtain list bill premiums for enrollees

# Issuer Revenue: Mid-year Census Changes

Issuer	Total Premium
BCBS	\$ 3,859
NHP	\$ 1,227
UHC	\$ 967
Total	\$ 6,053

Issuers continue to obtain list bill premiums for enrollees.

## COBRA and RI Extended Benefits

- ◆ Federal COBRA applies to group with 20 plus employees
  - Employer contribution is eliminated
  - Former employee is rated like current employee; remains part of the group plan
  - Former employee pays original composite rate as premium
  - Employer may charge employee additional 2% administrative fee
- ◆ RI Extended Benefits is for groups with under 20 employees (or some other situations where COBRA does not apply)
  - Employee is not treated as part of the group
  - HSRI bills employee separately
  - Employee and family members are charged list rate based on age

# Broker Quoting Tool

## Demonstration



## Enrollment Timeline

### If coverage is effective on April 1:

- |   |             |
|---|-------------|
| ◆ Complete employer application by          | February 28 |
| ◆ Open enrollment begins                    | March 1     |
| ◆ Open enrollment ends                      | March 15    |
| ◆ Invoice sent from HSRI to employer/broker | March 16    |
| ◆ Payment due from employer to HSRI         | March 23    |
| ◆ Coverage begins                           | April 1     |

# Billing Review

- ◆ Initial invoice must be paid in full prior to coverage effective date
- ◆ Ongoing monthly invoice is mailed out the last week of each month
  - These are prospective invoices with payment due on the 23<sup>rd</sup> of the following month (the month before the coverage month to which such payment applies)
  - Employers can select to receive invoices electronically or hardcopy via mail
- ◆ Payment options
  - One-time bank ACH payment through the HealthSource RI website
  - Recurring monthly bank ACH payment through the HealthSource RI website
  - Check or money order
- ◆ One month late payment grace period
  - Employers will be considered overdue when they have not paid their monthly bill in full
  - Employers who are overdue will receive an intent to terminate notice
  - Group policies that continue to be delinquent one month beyond the overdue date will be terminated for non-payment

# Billing Review




Sample SHOP invoice 6-11.docx [Compatibility Mode] - Word



Desjardins, Diana (HBE)

FILE HOME INSERT DESIGN PAGE LAYOUT REFERENCES MAILINGS REVIEW VIEW

**INVOICE**



**HealthSourceRI**  
YOUR HEALTH. YOUR WAY.

Account # 123456 Invoice Date 02/25/2014

Past Due	New Charges	Total Amount	Due Date
\$0.00	\$1,350.00	\$725.00	3/23/2014

Please make checks payable to HealthSource RI.  
Please write account number on check.

Amount Enclosed \$

ABC Company  
8 Haven St  
Narragansett, RI 02882

HealthSource RI  
PO Box 9711  
Providence, RI, 02940 - 9711

00000755800000000000002500000250003

PLEASE DETACH HERE AND RETURN TOP PORTION OF YOUR INVOICE WITH YOUR PAYMENT

Account #	Account Name	Invoice Date	Due Date	Past Due	Medical Count	Dental Count
123456	ABC Company	02/25/2014	03/23/2014	\$0.00	2	1

Previous Balance	Payments	Adjustments	New Charges	Total Amount Due
\$0.00	\$0.00	-\$625.00	\$1,350.00	\$725.00

Name	Description	Employee Share	Coverage Month	List Bill Amount*
<b>New Charges</b>				
Tom Brady	Blue Solutions FOR HSA	\$150.00	Mar	\$300.00
Fred Couples	Blue Solutions FOR HSA	\$150.00	Mar	\$400.00
Larry Bird	Premium Health Plan	\$150.00	Mar	\$600.00
Tom Brady	Premium Dental	\$10.00	Mar	\$25.00
Larry Bird	Premium Dental	\$10.00	Mar	\$25.00
	Employer Share - Medical	\$600.00	Mar	
	Employer Share -Dental	\$30.00	Mar	
<b>Adjustments</b>				
Larry Bird	Premium Health Plan	-\$150.00	Mar	-\$600.00
Larry Bird	Premium Dental	-\$10.00	Mar	-\$25.00
	Employer Share - Medical	-\$450.00	Mar	
	Employer Share -Dental	-\$15.00	Mar	
Total Due				\$725.00

\*This is the amount HSRI pays to the insurance carrier for each employee. HSRI averages these amounts to determine employee and employer shares.

HealthSource RI  
PO Box 9711  
Providence, R.I. 02940 - 9711  
(P) 855-609-3297  
www.healthsourceri.com

## Small Business Renewal Process

- ◆ Clients renew annually
- ◆ Notice gets mailed to the broker and employer;
  - 105 days prior to renewal for the broker
  - 90 days prior to renewal for the employer.
- ◆ Notice includes information regarding renewal increase and information regarding how to renew for next year
- ◆ Defaults are set in place for employers that chose not to act; mapping to same or closest plan available

## Requirements for Renewal

- ◆ Quarterly tax and wage upload is a requirement for Recertification; failure to upload will result in enrollment not being sent to the carriers
- ◆ Employer changes for the new year need to be recorded by 35 days prior to renewal date
- ◆ A group needs to be paid current in order to renew their coverage

## Employee Renewal

- ◆ Notice sent to employees of annual renewal period
  - Includes employer's plan selection and premium contribution
- ◆ Default employee open enrollment timeframe is 1<sup>st</sup> to 15<sup>th</sup> of month before renewal
- ◆ Employees may update family information
- ◆ Employees can change plans or choose same plan
- ◆ If employees do not select a plan, we will automatically renew the employee's current plan

# HSRI Assessment

# Appendix



# Individual Mandate

- ◆ Beginning in 2014, all individuals must maintain health insurance for themselves and their dependents, with some exceptions
- ◆ Required to maintain “minimum essential coverage,” which includes
  - Employer coverage
  - Individual coverage
  - Grandfathered plans, and
  - Federal programs such as Medicare & TriCare

# Exemptions from the Mandate

Exemptions to the individual mandate for:

- ◆ Financial hardship
- ◆ Religious objections (see for reference IRC Sec. 1402 (g)(1))
- ◆ American Indians and Alaska natives
- ◆ Those without coverage for less than three months
- ◆ Undocumented immigrants, incarcerated individuals
- ◆ Those for whom the lowest cost plan option exceeds 8% of an individual's income, and those with incomes below the tax filing threshold

- ◆ Sliding-scale tax credits for non-Medicaid eligible individuals with incomes up to 400% of FPL and without access to affordable employer sponsored coverage to buy coverage through the exchange
- ◆ Subsidies are also available to assist with plan cost-sharing up to 250% of FPL, such as deductibles, copays, and coinsurance

# Advanced Premium Tax Credits

The APTC is based on:

- ◆ The premium cost of the second-lowest-cost silver Exchange plan, and
- ◆ The household MAGI of the individual:

Household Income Level (% above FPL)	Maximum Premium as Percentage of Income
Less than 133%	2.0%
At least 133% but less than 150%	3.0% – 4.0%
At least 150% but less than 200%	4.0% – 6.3%
At least 200% but less than 250%	6.3% – 8.05%
At least 250% but less than 300%	8.05% – 9.5%
At least 300% but less than 400%	9.5%

# ACA in 2014 – Market Reforms

- ◆ Coverage guaranteed issue and guarantee renewable
- ◆ Exclusions based on preexisting conditions will be prohibited
- ◆ Premium rating rules are modified community rating with age rate bands based on a 3 to 1 ratio *for individuals and small groups*
  - *No rating on gender*
  - *No surcharge for tobacco users in Rhode Island*
  - *No industry rating or participation requirement (in Rhode Island) on small businesses*
- ◆ Small group coverage will be defined as 1-50 until January 1, 2016, when it will change to 1-100
- ◆ No lifetime limits or rescissions
- ◆ Limit waiting periods to 90 days
- ◆ Stay on parents' plan until 26
- ◆ Health exchanges to coordinate eligibility and enrollment in coverage

# Actuarial Value (AV)

- ◆ Qualified health plans (QHPs) offered on HealthSource RI do not have to have specific deductibles, copays, and coinsurance
- ◆ Instead, cost-sharing in QHPs is regulated using the concept of "actuarial value" (AV)
- ◆ Plans will be categorized into "metal levels" for easier comparison
  - Metal level (also known as actuarial value) provides a general idea of what portion of covered expenses will be paid by the plan, with the remaining portion to be paid by the consumer
  - The higher the actuarial value, the less member cost-sharing the plan will have
- ◆ AV is based on overall cost-sharing requirements across all plan participants and not the way a specific individual uses his or her plan

# Essential Health Benefits

## What the Statute Requires

Section 1302(b) defines essential health benefits to include:

- ◆ Ambulatory patient services
- ◆ Emergency services
- ◆ Hospitalization
- ◆ Maternity and newborn care
- ◆ Mental health and Substance use disorder services
- ◆ Prescription drugs
- ◆ Rehabilitative and habilitative services and devices
- ◆ Lab services
- ◆ Preventive and wellness services and chronic disease management
- ◆ Pediatric services, including oral and vision care

# Counting Employees for the Small Business Tax Credit

To calculate the number of “full-time equivalent (FTE)” employees:

- ◆ Count all employees who worked on average 30 hours per week or more
- ◆ Count the number of hours worked by part-time employees and divide by 30, rounding up to the next higher number for any fractions
- ◆ Add the two numbers together

For example: firm has 15 full-time employees working 30 hours per week and 6 part-time employees working 15 hours per week

1. Full-time employees	15
2. Part time hours divided by 30	<u>3</u>
Full-time equivalents	18

*Note: Count all employees, not just those that are eligible for health benefits*



# Counting Employees for the Small Business Tax Credit

## Variations in counting:

- ◆ Actual hours
- ◆ Days worked equivalency – 8 hours per day
- ◆ Weeks worked equivalency – 40 hours per week
- ◆ Foreign workers not included
- ◆ Educators includes paid time off
- ◆ Adjunct faculty, pilots, transportation, commissioned workers: IRS seeking comments – use reasonable method for now
- ◆ Must include common law employees – excludes leased employees, sole proprietor, partner, 2% Sub S Shareholder

# Small Business Tax Credit

If your business or organization offers coverage through HealthSource RI and meets the following criteria ...

- ◆ **Number of Employees:** Fewer than 25 Full Time Equivalents (FTE's)
  - ◆ (FTE's are generally defined as working 30 hours/week. Consult your CPA or Payroll Company for help determining your FTE's.)
- ◆ **Employee Income:** An average of \$50,000 a year or less
- ◆ **Your Insurance Contribution:** At least 50% of your FTE's premium costs

... you may qualify for a tax credit worth up to 50% of your premium contribution in 2014

Number of FTEs	Annual Wages	Annual Employer Contributions <i>To healthcare premiums</i>	Tax Credit Amount
10	\$250,000 ((\$25,000 per employee))	\$70,000	\$35,000 (50% of contributions)

# Employer Mandates

- ◆ Many new reporting, disclosure and other requirements
  - Recordkeeping will become extremely important
- ◆ Large employer penalties in 2016 for not providing “affordable health insurance”
- ◆ Penalties for not complying with all reporting and other obligations
- ◆ Taxes & Fees

# Employer Notification Regarding Exchange

- ◆ Employers must provide notice to existing employees and new employees at time of hire
- ◆ Notice to include:
  - Information about the existence of HealthSource RI and Exchanges in other states where employees reside
  - Information on employee eligibility for Exchange coverage and potential subsidy availability if employer’s coverage does not provide “minimum value”
  - Information about the loss of employer contribution if employee purchases coverage through an Exchange
- ◆ Available at [www.healthsourceri.com](http://www.healthsourceri.com)

# Employer Waiting Period (Probationary)

- ◆ Effective first day of plan year on or after January 1, 2014
- ◆ All plans must enroll eligible employees within 90 days of first becoming eligible
  - **90 days** means **90 days** within the first day they are eligible
  - If employees can elect within 90 days but fail to elect within 90 days, it is not a violation

# Employer Mandate Requirements

- ◆ ACA applies generally to all employers of all sizes
- ◆ But employer mandate applies *only* to applicable large employers (>50 FTEs)
- ◆ The *average* 50 full-time equivalents (FTE's) is counted for the preceding year
- ◆ Effective January 1, 2015

# If a “Large” Employer Offers No Coverage

- ◆ If an employer fails to provide its *full-time* employees (and their dependents) the *opportunity to enroll* in “minimum essential coverage” and
- ◆ one or more *full-time* employees enrolls for coverage in an exchange and qualifies for a premium tax credit or cost-sharing reduction, then...
- ◆ Employer penalty = \$2,000 for each of its *full-time* employees in the workforce
- ◆ Penalty not effective in 2014 and 2015

# Large Employer Penalties

- ◆ Applies if a large employer does not provide health coverage to at least 95% of its full-time employees and their dependents. (dependent means children under age 26)
- ◆ Annual penalty is \$2,000 per full-time employee (minus 30)
- ◆ Applies if one or more full-time employees receives a federal premium subsidy to help purchase coverage in an Exchange
- ◆ Penalty is assessed monthly (i.e., \$167.67 per full-time employee per month)
- ◆ All penalties are non-deductible
- ◆ Employers who offer health insurance will lose deduction and FICA advantage



# Employer Unaffordable Coverage

- ◆ If employer offers its *full-time* employees (and their dependents) the *opportunity to enroll* in minimum essential coverage, and
- ◆ One or more *full-time* employees enrolls for coverage in the exchange and qualifies for a premium tax credit or cost sharing reduction because:
  - The employee's share of the self-only premium for the lowest cost plan that meets minimum value exceeds 9.5% of adjusted gross family income, or
  - The actuarial value of the coverage was less than 60% (doesn't meet minimum value), then
  - Employer penalty = \$3,000 for each full-time employee who receives a tax credit or cost-sharing reduction

# Unaffordable Coverage Safe Harbors

- ◆ Since employers do not have access to information about employee adjusted gross family income, it is not possible for them to know in advance whether their employee contribution level exceeds 9.5% of adjusted gross family income
- ◆ For this reason, the IRS has established safe harbors to allow employers a degree of certainty in this area
- ◆ Employers can select one of the following three safe harbors:
  - They can base contributions on current year W-2 wages
  - They can base contributions on the [hourly rate of pay] x [130] to get a monthly allowable contribution
  - They can base contributions on the federal poverty level