Healthcare Reform

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Play or Pay

- Large employers can either participate in the PPACA system or pay penalties.
- Applies to employers with 50 or more FT or FTE (130 hours/month) employees.
- Employers can determine FT status by looking back to a 3-12 month period.

Effective Jan. 1, 2014, subject to transition rules, if <u>any</u> employee receives a federal subsidy to participate in a health insurance "Exchange," then…

<table>
<tr><th>Mandate</th><th>Play</th><th>Pay</th></tr>
<tr><td>Offer Coverage</td><td>Provide "minimum essential" health coverage to 95% of FT employees and their dependents.</td><td>$2000/year for each FT employee, after the first 30 such employees.</td></tr>
<tr><td>Offer Value</td><td>Maintain a "minimum value" (≥ 60% of actuarial value).</td><td rowspan="2">Lesser of the above penalty or $3000/year per <u>subsidized</u> FT employee.</td></tr>
<tr><td>Be Affordable</td><td>Be affordable (≤ 9.5% of employee's compensation)</td></tr>
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Federal Subsidies Loophole

Employers only face Play or Pay penalties if at least one employee receives federal subsidies to participate in an Exchange.

To receive such federal subsidies, an employee's household income for the taxable year must be between 100% and 400% of the federal poverty level:

Family Size	100% Poverty Level	400% Poverty Level
1	$11,490	$45,960
2	$15,510	$62,040
3	$19,530	$78,120
4	$23,550	$94,200

(Alaska and Hawaii figures differ.)

What PPACA Plans Must Do

Now	• Dependent coverage for children up to age 26 • Preventative care without “cost-sharing” • Strengthen internal appeals • Provide for external independent review • Provide a Summary of Benefits and Coverage upon application, enrollment, or re-enrollment • Provide a notice 60 days before any material modifications become effective • $2500/year FSA employee contribution “limit”
2014	• Automatically enroll full-time employees (employers with greater than 200 employees only) (delayed until regulations are issued)

What PPACA Plans May Do

Now – 2014

- Place annual dollar limits on essential health benefits at or above specified levels:
  - 9/23/12 - 1/1/14: $2 million
  - 1/1/14 - : Complete annual limitation prohibition
- Wellness plan reward/penalty of as much as 30%-50% of the cost of coverage

What PPACA Plans Cannot Do

Now	• Impose pre-existing condition exclusion on individuals younger than 19 • Place <u>lifetime</u> limits on essential health benefits • Discriminate in favor of highly compensated employees (delayed until regulations are issued)
2014	• Impose pre-existing condition exclusion on any individual • Have a waiting period greater than 90 days before entry into a plan

The “Cadillac Tax”

Begins in 2018.

The theory: Prevent overuse of the healthcare system by employees with generous healthcare plans.

The tax: 40% tax on the portion of annual health benefits provided to employees and dependents that exceeds $10,200 for single coverage or $27,500 for family coverage.

The result: Co-payments and deductibles are likely to increase as Cadillac plans move below these thresholds.

Additional Resources

www.mobilesense.net/rroyselaw/legalwizard

Royse Law Incorporator: Designed to help you incorporate and structure your company in Delaware or California.

Royse University

www.RoyseUniversity.com

Royse University: Providing business, tax, and personal finance ideas to founders and executives.

RoyseLink

www.RoyseLink.com

RoyseLink: Connecting founders with investors.

www.rroyselaw.com/ijuris_login_jp.html

Royse Law Legal Wizard: Offering legal document templates and more.

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