



www.dealeyrenton.com
530 Water Street, 7th Floor
Oakland, CA 94607
Phone: 510 465-3090
Fax: 510 452-2193

HEALTHCARE REFORM

General Information

Summer 2013

General Information for all Size Firms

Medical Loss Ratios - Insurers must operate at an 80% loss ratio in the small group and individual markets and an 85% loss ratio in the mid and large group markets. This means that insurers are required to spend 80-85 cents for every \$1 they collect in premium on claims and activities to improve healthcare. This action has helped to reduce premium increases since its implementation on March 23, 2010 and resulted in premium rebates by some insurers.

Coverage Expansions

All plans must comply with these changes no later than 1/1/14 and most already have.

- Dependent age increased to 26
- No Lifetime maximum on essential Benefits
- Preventive Care at 100%

<http://www.healthcare.gov/news/factsheets/2010/07/preventive-services-list.html>

- No pre-existing limitations for children under age 19

Covered California - the CA Exchange – <http://www.coveredca.com/>

- California's new state exchange - **Covered California** will be effective on 1/1/14.
- **DRA** will treat **Covered CA** as another market for all clients. DRA has access to all markets and will also be placing business in this CA exchange when it is the best fit for our clients.
- The **CA Covered Exchange** will provide guaranteed access to individuals who do not have the option of enrolling in a group plan or who qualify for a subsidy because the cost of group health insurance exceeds 9.5% of their adjusted income.
- **Employees will not be able to waive Employer sponsored Group coverage and receive a Subsidy within the Exchange** unless the employee portion of self-only coverage is greater than 9.5% of the employee's adjusted gross income.
- **Dependents of employees will not be able to receive a subsidy in the Exchange** unless the above income test is met.



www.dealeyrenton.com
530 Water Street, 7th Floor
Oakland, CA 94607
Phone: 510 465-3090
Fax: 510 452-2193

HEALTHCARE REFORM

General Information

May 2013

Rates and Plan Designs

Rates and benefits for small employer group plans **offered in the exchange**, if offered outside of the exchange, **must be the same**. Carriers may have plans outside of the Exchange that are different, as long as the plans meet the "minimum essential benefits".

We expect to see more narrow network options within the Exchange in order to make coverage affordable for new buyers who are not currently insured. Plan designs will be tiered as Platinum, Gold, Silver and Bronze.

Age Rate Band ratios will use a 3/1 versus the current 6/1 ratio - effective 1/1/14

This will result in higher rates for younger workers and lower rates for older workers.

The extent to which this will impact your firm depends on the average age of your covered employees.

RAF Risk adjustment factors (current 10% discounts and surcharges) will be eliminated.

New Tax Revenue to Support PPACA subsidies and overhead will come from the following sources.

- FSA pre tax expenses were limited to \$2500 on 1/1/13
- MediCare tax for higher earners increased by .9% on 1/1/13
- New Medicare asset Tax of 3.8%
- Group insurance tax of \$63 per covered employee per year levied on carriers, which will be passed through to employers

Small Business Tax Credit - Tax credits for businesses who qualify have been in effect since 2011 but as of 2014 will only be available within the SHOP (small group) portion of the CA Exchange. Earnings of all employees (except owners) must be under 50K to qualify.



www.dealeyrenton.com
530 Water Street, 7th Floor
Oakland, CA 94607
Phone: 510 465-3090
Fax: 510 452-2193

HEALTHCARE REFORM General Information

May 2013

Changes which affect 50+ Firms - Midsize market:

Employers with over 50 full time equivalent employees must offer coverage as of 1-1-2014;

OR be subject to a **penalty of \$2000 per employee per year, minus the first 30** employees if:

- ◆ The firm does not offer group coverage
- ◆ AND one of their employees is eligible for a subsidy within a federal or state exchange.

Employers who offer coverage, can also be subject to to a **penalty of \$3000 per employee per year, minus the first 30** employees if:

- ◆ The employee only cost is considered “not affordable” (9.5% income test)
- ◆ AND one of their employees is eligible for a subsidy within a federal or state exchange.

Clients who are currently renewing on a calendar year basis are being given the option of renewing early by most insurers. If you are interested in an early renewal, please contact us.

Do you have a customized Employee Benefits website that provides all plan summaries and SOC's (required under PPACA – Healthcare Reform law) along with direct links to your insurers?

Check out a Dealey, Renton & Associate's sample client website at:

<https://govms.com/secure/Login.aspx>

Demo Username: your benefits

Demo Password: view