



CAPITAL BENEFIT

P A R T N E R S

Health Care Reform Financial Impact Study
For Sample Client

Health Care Reform Study Impact Assumptions



Study Assumptions	
Results	<ul style="list-style-type: none"> • The model produces the current and projected enrollment financial implications • The model produces the various penalty projections • This model looks at the tax implications for the employer and employees • The model produces the overall cost analysis terminating the plan • The model looks at the implications of being non-grandfathered
Employee Census	<ul style="list-style-type: none"> • All eligible employees detailed by current earnings and coverage level • Eligibility definition of 30 hours per week • Total current and projected enrollment by coverage level • Employees covered by other insurance plans or programs
Employee Contributions	<ul style="list-style-type: none"> • Current employee monthly medical employee contribution amounts
Monthly Medical Rates	<ul style="list-style-type: none"> • Current monthly medical rates (four tier equivalent factors)
Actuarial Key Assumptions	<ul style="list-style-type: none"> • Annual Pay-or-Play penalty if no employer coverage at \$2,000 per full-time employee • Pay-or-Play penalty begins on 31st full-time employee • Employees affordability test using maximum share of premium at 9.5% • Requirements to be eligible for premium credits at 400% of Federal Poverty Level (FPL) • Household income as a percentage of salary at 100% blended with spouse income • 2009 US Census Data for annual income and average family size • Annual penalty of \$3,000 for employees electing the Exchange deemed "unaffordable" • Percentage of eligible employee enrolling in Exchange at 80%

Health Care Reform Study Impact Assumptions



Study Assumptions	
IRS Tax Rates	<ul style="list-style-type: none">• Employer tax rate of 35% of taxable income• Employer FICA and Medicare tax rate of 7.65%• Employee income tax rate of 25% of earned income
Disclaimer	<ul style="list-style-type: none">• The study is intended as general information and do not constitute legal advice.

Current Medical Plan Enrollment



Medical Plan Monthly Enrollment

Salary Range	Employee Only	Employee & Spouse	Employee & Child(ren)	Family	Total Employees	Percentage
Less than \$15,000					0	0%
\$15,000 to \$19,999	55	5	7	12	79	20%
20,000 to \$24,999	39	8	6	27	80	20%
\$25,000 to \$29,999	17	8	5	10	40	10%
\$30,000 to \$34,999	4	2	3	9	18	4.6%
\$35,000 to \$39,999	8	3	4	3	18	4.6%
40,000 to \$44,999	8		1	3	12	3.0%
\$45,000 to \$49,999	3	3	3	5	14	3.6%
\$50,000 to \$54,999	9	1	5	2	17	4.3%
\$55,000 to \$59,999	6	2	4	4	16	4.0%
\$60,000 to \$64,999		2	1	5	8	2.0%
\$65,000 to \$69,999	5	2	4	4	15	3.8%
\$70,000 to \$74,999	2	1	1	1	5	1.3%
\$75,000 to \$79,999	1	1	2	3	7	1.8%
\$80,000 to \$84,999	6	3	1	5	15	3.8%
\$85,000 to \$89,999	2	1	1	5	9	2.0%
\$90,000 or more	13	7	10	11	41	10.4%
Totals:	178	49	58	109	394	100%

Current Medical Plan Enrollment



Medical Plan Monthly Enrollment					
Enrollment	Employee Only	Employee & Spouse	Employee & Child(ren)	Family	Total Employees
Total Eligible Full-time Employees:	210	117	60	131	518
Employees Covered Outside of Plan:	36	7	2	22	67
Current Plan Enrollment:	178	49	58	109	394
Eligible but Not Insured					
Employee Only Level:	38				38
Employee & Spouse Level:		19			19
Spouse Not Insured:	-42	42			0
Employee & Child(ren) Level:					
Child(ren) Not Insured:					
Employee & Family Level:					
Family Not Insured:					
Projected Enrollment Level:	174	110	58	109	451
Percentage Enrollment Change:	-2%	+124%	0%	0%	+14.5%

Medical Rates and Employee Contributions



Monthly Factors and Contributions				
Monthly	Current Enrollment	Projected Enrollment	Medical Plan Rates	Employee Contributions
<u>PPO Plan</u>				
Employee Only:	178	174	\$499.36	\$110.98
Employee & Spouse:	49	110	\$1,087.66	\$241.76
Employee & Child(ren):	58	58	\$1,087.66	\$241.76
Employee & Family:	<u>109</u>	<u>109</u>	\$1,087.66	\$241.76
Total:	394	451		
	Current Annual Plan Cost:		\$3,885,844	\$863,695
	Projected Annual Plan Cost:		\$4,658,040	\$1,035,336

Actuarial Income Assumptions



Actuarial Assumptions							
Family Size	Current Federal Poverty Level		2009 US Census Data		Household Factor	Assumptions	
	100%	400%	Income	Average Size		With Spouse	W/ Spouse Income
1	\$10,830	\$43,320	\$31,657	27%	1.0	n/a	n/a
2	\$14,570	\$58,280	\$39,242	33.5%	1.563	75%	75%
3	\$18,310	\$73,240	\$18,606	15.9%	1.578	77%	75%
4	\$22,050	\$88,200	\$16,099	13.7%	1.593	79%	75%
5	\$25,790	\$103,160	\$7,406	6.3%	1.608	81%	75%
6	\$29,530	\$118,120	\$2,640	2.3%	1.623	83%	75%
7	\$33,270	\$133,080	\$917	0.8%	1.638	85%	75%
8	\$37,010	\$148,040	\$612	0.5%	1.653	87%	75%

Summary Results - Plan Costs



Plan Cost Results			
Funding	Current Enrollment	Projected Enrollment	Funding Change
Total Participating Employees:	394	451	+57
Annual Employer Expense:	\$3,022,149	\$3,622,703	+\$600,554
Annual Employee Contributions:	\$863,695	\$1,035,336	+\$171,641
Total Plan Costs:	\$3,885,844	\$4,658,040	+\$772,195
Funding Percentage Change:		+19.9%	

Employer Decision - Group Plan or Exchange



Employer Options in 2014				
Provision	Employer Sponsored Plan	Health Care Exchange		
Eligibility:	All Employers with 2 Full-time Employees or more	Employers who elect to terminate their plan; all employees would then be eligible to purchase their health plan thru the Exchange	Employees who are tested that their employer's plan is "unaffordable"; they have the option to purchase their health plan thru the Exchange	Any Individuals and Families can purchase their health plan thru the Exchange
Type of Plan:	Group	Individual		
Rating Type:	2, 3 or 4-Tier Group Rating	Age Rated		
Insurance Pool:	Carrier	Government		
Benefit Plan Design:	Employer Selected	Individual Selected from Menu of Government Plans		
Cost Share:	Employee Contributions	Yes, Costs TBD		
Tax Credits	Pre-Tax Contributions	Consumers can apply for Tax Credits based on Income		



Summary Results - Pay-or-Play Penalty Costs

Employer Penalty Results	
"Unaffordable" Employer Penalty for Employees Enrolling in Exchange	
Estimated Number of Employees Eligible to Enroll in Exchange:	24
Estimated Number of Employees Enrolling in Exchange:	19
Annual penalty per Employee for Employees in Exchange:	\$3,000
Total Annual Penalty:	\$57,000
Projected Employer Income Needed for Total Annual Penalty Cost as an after Tax Penalty:	\$76,950
Employer Plan Termination Penalty	
Number of Eligible Full-time Employees:	518
Number to which Penalty applies:	488
Annual Penalty per Employee:	\$2,000
Total Annual Penalty:	\$976,000
Projected Employer Income Needed for Total Annual Penalty Cost as an after Tax Penalty:	\$1,317,600

Note: Employers with 100 or more FTE's cannot consider terminating their plan until 2017.



Summary Results - Employee Impact

Employee Financial Results	
Employee Contribution Tax Impact	
Current Annual Employee Contributions:	\$863,695
Projected Employee Income Needed for Annual Contributions to the Exchange with after Tax Income:	\$1,079,619
Additional Earned Income Needed:	\$215,924
FICA and Medicare Tax Impact	
Current Annual Employee Contributions:	\$863,695
Employer FICA and Medicare Tax Rate:	7.65%
Employer Cost due to matching FICA and Medicare Tax:	\$66,073

Summary Results - Financial Analysis of Terminating Plan



Financial Analysis Results		
Employer Impact	Sponsoring Plan	Terminating Plan
Current Annual Employer Cost:	\$3,022,149	\$3,022,149
Projected Federal Income Tax Rate:	N / A	35%
Net Earned Income after Tax:		\$1,964,397
Projected Annual Penalty Cost:		\$1,317,600
Projected FICA and Medicare Tax Savings:		\$66,073
Net Employer Cost / Savings:	\$3,022,149	-\$580,724
Employer Impact	Sponsoring Plan	Terminating Plan
Annual Employee Contributions:	\$863,695	\$863,695
Projected Federal Income Tax Rate:	N / A	25%
Additional Earned Income Needed after Tax:		\$20,439
Net Employee Cost:		\$863,695
Total Annual Current Plan Cost:	\$3,885,844	
Net Plan Cost Terminating Plan:	-\$560,285	

CBP Comments
<p>If first 30 FTE's are eliminated from formula, it would cost \$81,000 of additional penalty</p> <p>Every \$1K of penalty is \$658K</p> <p>Increase in Penalty could eliminate any cost savings</p>
<p>Assumes the employee cost share under the Exchange is comparable to the employer employee contribution schedule</p>

Summary Results - Non-Grandfathered Implications



Non-Grandfathered Plan Design and Cost Implications	
Provision	Impact
Dependents to Age 26	Regardless of the following: - Marital Status - Not Living with Parent(s) - Attending School - Not Financially Dependent on Parent(s) - Eligible to Enroll in their Employer's Plan
	Projected Financial Cost of about 1% of paid claims
Preventive Care:	No Cost Sharing Allowed; paid at 100% by the plan
	Projected Financial Cost of about 1% of paid claims
No Limit on Essential Benefits	Plan does not have any limits except for Spinal Manipulation No Projected Financial Cost Impact
Federal Premium Tax	2013 new federal premium tax to fund comparative effectiveness research program
	\$1 per enrollee or about \$5,000 per year
Expansion of Coverage for Woman's Services	Extensive list of services now under definition
	Projected Financial Cost of about 1% of paid claims

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