

# Health Care Reform: Considerations for 2014

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March 10, 2014

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## Meet Our Presenters



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# Agenda

ACA Update

Misconceptions and challenges related to the ACA

Considerations for managing your contingent labor pool

2014 Checklist

## Polling Question #1

- Now that the final Employer Shared Responsibility Rules have been released, how comfortable are you with your implementation and compliance?
  - A. Very comfortable – I saw the light!
  - B. Comfortable, but still have a few questions
  - C. Confused
  - D. More confused than ever!

# ACA Update

# Determining Who is a Full-Time Employee

- Clarification that the employer may use either the monthly measurement period or the look-back measurement period method
- Can use different methods for the following categories:
  - Salaried employees
  - Hourly employees
  - Employees in different states
  - Collectively bargained employees (and each separate collectively bargaining agreement can be handled separately)
  - Non-collectively bargained employees

# Weekly Rule for Counting Monthly Hours

- To address issue of payroll periods:

Employer may determine status for a calendar month to include either, but not both:

- The week that includes the first day of the month
- The week that includes the last day of the month

When using the weekly rule to calculate monthly hours:

- For calendar months with 4 weeks, an employee is full-time if 120 hours are worked
- For calendar months with 5 weeks, an employee is full-time if 150 hours are worked

## Administrative Period

Final rules allow an optional period of up to 90 days following any measurement period to allow time for the employee to enroll.

Final rules revise the definition of the administrative period following the Initial Measurement Period to a 90-day period that includes the period between a new employee's start date and the beginning of the Initial Measurement Period, if the Initial Measurement Period does not begin on the employee's start date.

# Variable Hour Employee

- Employees who, based on the facts and circumstances on the start date, the employer cannot determine whether the employee is reasonably expected to work an average of 30 hours a week on a regular basis
- Final Rules
  - Provide additional guidance for making variable-hour determinations—specific factors that should be considered when making variable-hour decisions for employees in the same position (no one factor will be considered as determinative)
    - Employees retain the right to reject the assignments offered by the staffing firm
    - Employees typically have periods during which no offer of assignment is made
    - Employees typically are offered assignments for different periods of time
    - Assignments offered typically do not extend beyond 13 weeks

# Seasonal Employees

## Proposed Regulations

- Did not supply a definition of seasonal employee.
- Employers were to supply a “reasonable and good faith interpretation of the term through 2014

## Final Rules

- Define a seasonal employee as “an employee who is hired into a position for which the customary annual employment is six months or less”
- Employment period begins at approximately the same time each year

# Part-Time Employees

- Proposed Regulations
  - Did not define the term
- Final Rules
  - Define a part-time employee as a new employee “who is reasonably expected on the employee’s start date not to be a full-time employee (and who is not a variable hour employee or a seasonal employee)”
  - Part-time employees and seasonal employees are tested along with variable hour employees during an initial measurement period.
  - Once a part-time employee has been employed for a full standard measurement period, he or she is tested as an ongoing employee

# Change in Definition of Dependent

- Proposed Regulations
  - Stated that dependents included a full-time employee's biological son or daughter, stepchild, eligible foster child, legally adopted child or individual placed for legal adoption under age 26
- Final Rules
  - Coverage is no longer required for foster children, stepchildren or children who are non-US citizens or nationals
  - Confirm that no penalty is applicable if coverage is not offered to spouses
  - Clarification that a child must be eligible for coverage for the entire month during which he or she reaches age 26

# Waiting Period Clarification

Final rules confirm that the maximum waiting period is 90 calendar days for full-time employees.

No penalty assessed if coverage is offered by the 1<sup>st</sup> of the month following a waiting period of 3 full calendar months.

If the coverage offered is not of minimum value, the employer ~~will~~ **may** be assessed a penalty for the initial 3-month waiting period.

If the coverage offered is of minimum value, but not affordable, the “play” penalty will apply for any month after the 3-month waiting period.

# Rehire or Continuing Employees

- Proposed Regulations
  - Permitted a break-in-service of 26 weeks that would result in a returning employee being considered a new hire
- Final Rules
  - Permit a break-in-service of 13 weeks to allow a returning employee to be considered a new hire
  - Continuation of the alternative approach of treating an employee as a new hire if:
    - The employee is not credited with any hours of service that is at least four weeks
    - The period with no hours of service is longer than the employee's immediately preceding period of employment

# Employer Shared Responsibility Final Rules – Transitional Relief for 2015

- Large Employers: Employers with 50 to 99 full-time equivalents are not subject to penalties in 2015 if certain conditions are met:
  - The employer employs, on average, 50 to 99 full-time equivalent employees on business days in 2014
  - The employer has not reduced the size of its workforce in order to qualify for the transitional relief
  - From 2/9/14 through the last day of the 2015 plan year, the employer has not eliminated or materially reduced coverage offered as of 2/9/14
- Non-Calendar Year Plans: These employers will be subject to the Employer Mandate Provisions on the first day of the plan year, rather than 1/1/15, as long as they had a non-calendar year plan as of 12/27/12

# Employer Shared Responsibility Final Rules – Transitional Relief for 2015 (continued)

## Large Employer Determination

- Employers may use a consecutive 6-month period in 2014 to determine if they are a large employer.

## Employee Coverage

- For the 2015 plan year, an employer will be subject to penalties unless 70% of full-time employees and dependents are offered Minimum Essential Coverage.
- For the 30% not required to be covered, the “play” penalty of \$3,000 still applies.
- In 2016, the coverage requirement is 95%.

## Dependent Coverage

- If an employer did not offer dependent coverage in 2013 or 2014, no penalty is applied as long as the employer takes steps in 2015 to add dependent coverage.

# Employer Shared Responsibility Final Rules – Transitional Relief for 2015 (continued)

## Penalty Calculator

- If an employer with 100 or more full-time equivalents who is subject to the “pay” penalty
  - For 2015, employers may exclude the first 80 employees from the penalty calculation
  - This reverts to the first 30 employees in 2016

## Final Reporting Rules

- Section 6055: self-funded employers and insurance companies must file a return with the IRS and provide a statement to each individual who is covered by a Minimum Essential Plan
- Section 6056: large employers must file a return with the IRS and provide a statement to each full-time employee with information regarding the offer of employer-sponsored coverage
  - First reporting due in early 2016 by every applicable employer (generally, an employer that employed on average at least 50 full-time employees (or equivalents) on business days in the preceding calendar year)
- Applicable large employers required to file under 6055 and 6056 will be able to file information required by both sections on a single form

## Final Reporting Rules

- Simplified reporting is available for employers that offer affordable, minimum value to all full-time employees and Minimum Essential Coverage to spouses and dependents (“qualifying offer”).
- For 2015 only, large employers who made a “qualifying offer” to at least 95% of its full-time employees and their spouses and dependents will be able to provide a simplified notice to employees regarding the coverage provided
- An employer that can certify that it offered minimum value and affordable coverage to 98% or more of its employees and dependents does not need to determine whether each employee is a full-time employee or report the total number of full-time employees

## Other Recent Updates

- The 2015 annual reinsurance contribution rate is set at \$44 per enrollee (versus \$63 for 2014)
- The Marketplace Open Enrollment period is finalized as November 1, 2014 through February 15, 2015
- 2015 Out-of-Pocket limits are \$6,600 for single coverage and \$13,200 for families
- 2015 annual limits on deductibles are \$2,050 for single coverage and \$4,100 for families

# Misconceptions

## Misconception #1

If a company has a 90-day waiting period, a penalty applies for the first 90-day waiting period.

**Fact:** An employer will be subject to a penalty for the first 90-day waiting period only if a **Minimum Value Plan** is **not** offered after the waiting period.

## Misconception #2

It is less expensive to terminate an employer's health plan and just pay the penalty.

**Fact:** Aside from the impact on employees, many employers will find that the **penalties and tax savings may eliminate any savings**. In fact, some will actually pay more by terminating its plan.

It is important to model your plan offerings and the associated costs.

## Misconception #3

If an employer no longer sponsors coverage, its employees will be able to get the same plan through the public exchanges in 2015.

**Fact:** Although a plan design of **similar “value”** may **be available** in the exchanges, the **exact design is not likely available**. In addition, the provider networks may not be similar in the exchanges. Some insurers are offering “narrow” networks that may exclude some physicians and hospitals.

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# The ACA and your Contingent Workforce

# Contingent Labor Trends

- Contingent labor usage continues to rise
- Advantages
  - Respond better to business fluctuations
  - Reach talent that prefers contingent work
    - Baby Boomers
- The Affordable Care Act may also contribute to higher usage rates
  - Outsource positions where costs may be more impactful
  - Administration costs related to the ACA

How will decisions that staffing organizations make around the ACA affect your contingent labor decisions?

# Financial Considerations

Staffing organizations will experience a wide range of cost impacts dependent on a number of factors

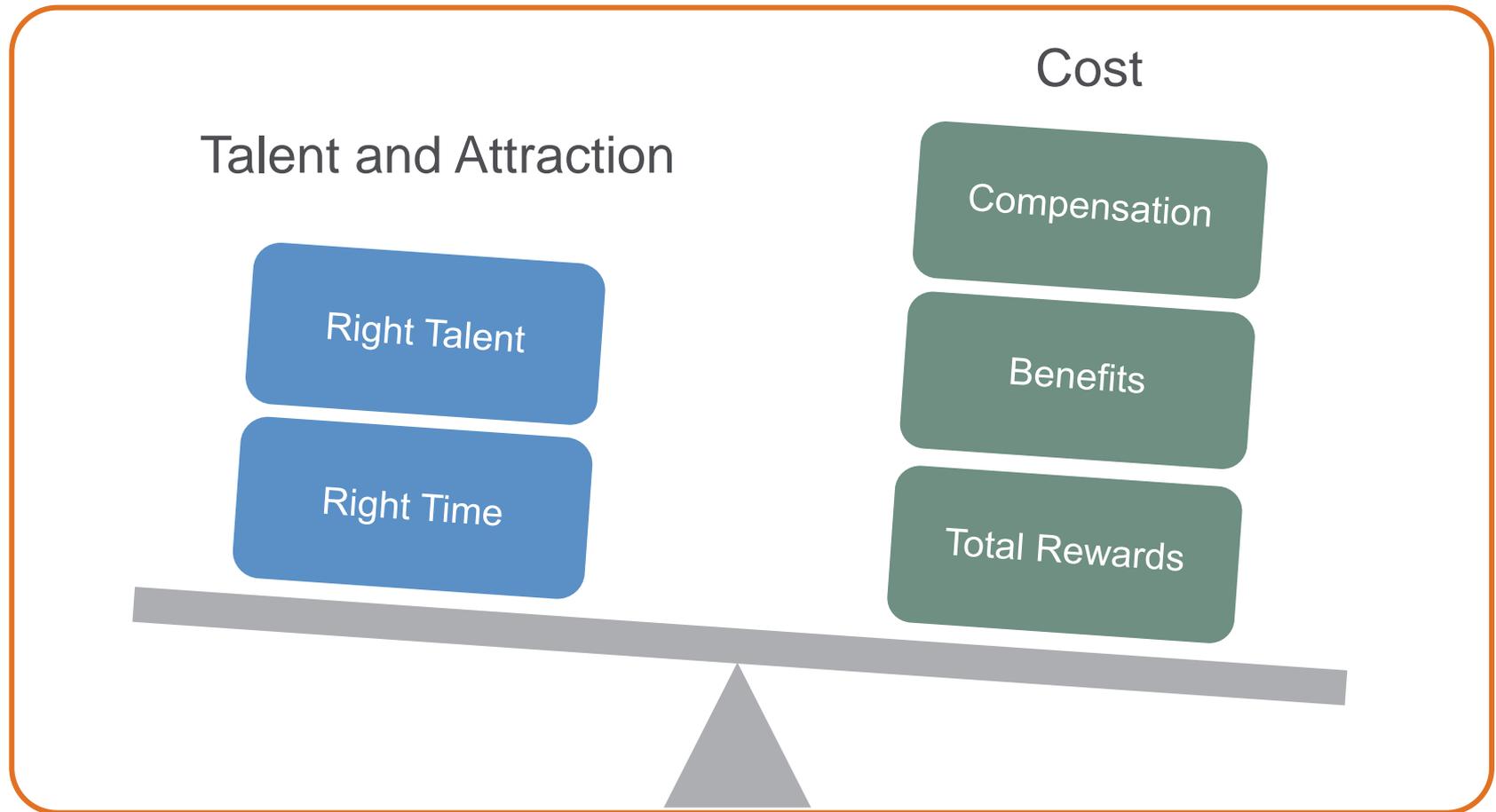
- Current health care benefits
- Strategy for 2015
- Size

What does that mean for buyers of contingent labor services?

- Increased costs
- Challenges for small to mid-sized organizations

Be prepared for conversations later in the year

# Talent Attraction and Retention



# Administration

IT Infrastructure/Business Processes

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Track Employees' Hours

Report to the Government

Understand their financial exposure

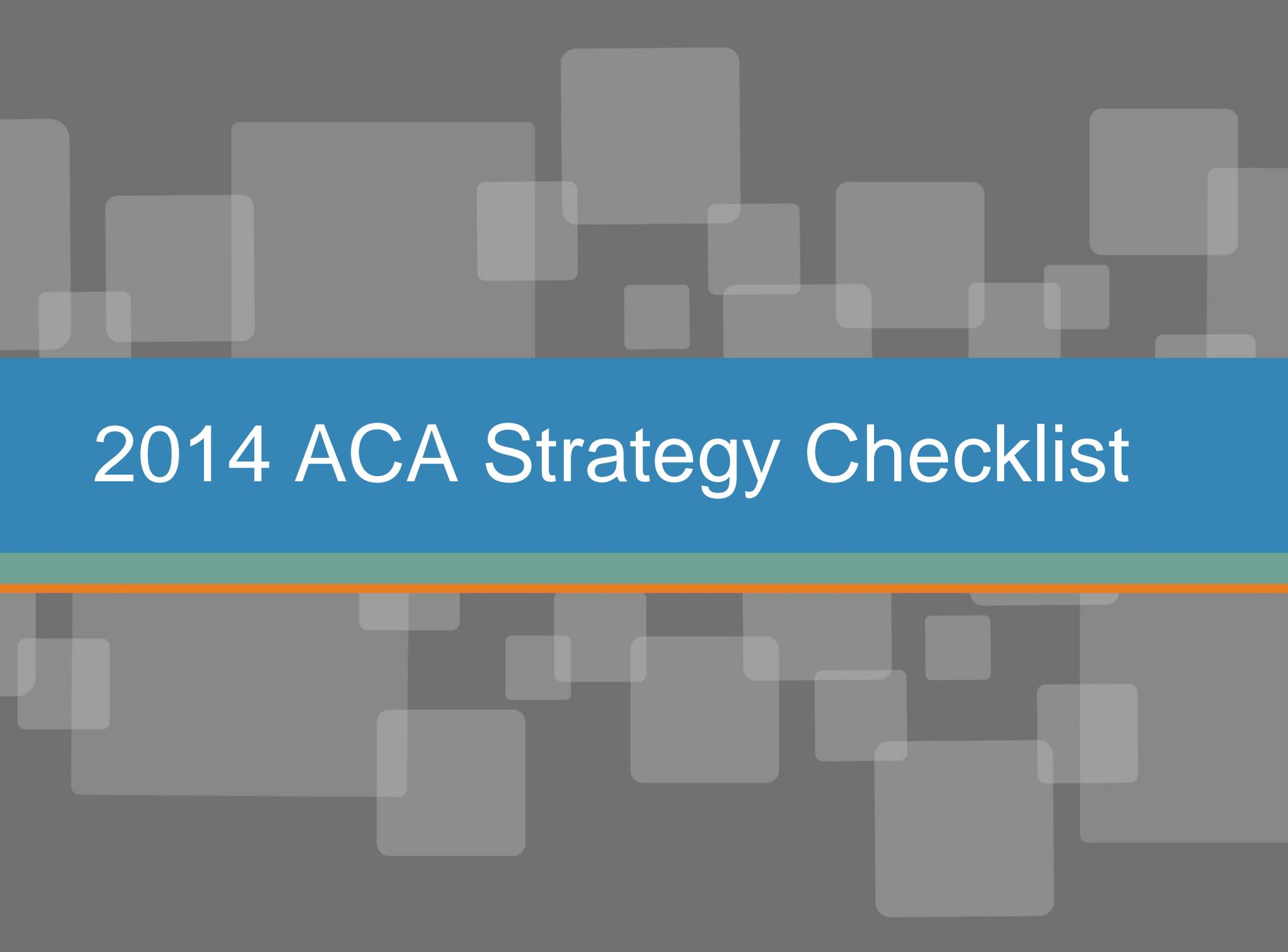
# Expectations for 2014

HCR has changed since its inception, and continues to change, but we are able to make some assumptions for 2014

- Contingent workforce suppliers are still working on benefit plans for 2015 and evaluating impacts
- Many will have to modify their healthcare benefit plans to meet ACA guidelines
- Some have already made changes healthcare benefit plans for 2014 and are using as a period to test new plans
- Reporting requirements have not been released and may still have impacts on supplier business processes
- We anticipate a firmer understanding of pricing impacts in Q3

## Polling Question #2

- How confident are you that the implementation of the Employer Shared Responsibility Provision (Employer Mandate) will be rolled out on January 1, 2015?
  - A. Very confident
  - B. Somewhat confident
  - C. Neutral
  - D. Not confident
  - E. Not at all confident



# 2014 ACA Strategy Checklist

# 2014 Checklist

Task	Objectives / Outcomes
Review final rules requirements	<ul style="list-style-type: none"> <li>• How do rules impact your business?</li> <li>• How will transitional relief affect your strategy?</li> <li>• What programming is needed for IRS reporting?</li> </ul>
Determine if you are a large employer	<ul style="list-style-type: none"> <li>• Are full-time equivalents between 50 and 99?</li> <li>• Do you have over 100 full-time equivalents?</li> </ul>
Determine the classification of all employees	<ul style="list-style-type: none"> <li>• Full-time, part-time, variable hour, seasonal</li> <li>• What measurement approach will be used?</li> </ul>
Assess your current strategy	<ul style="list-style-type: none"> <li>• Is your current strategy in compliance with the ACA?</li> <li>• Will or pay or play?</li> <li>• Are any changes required?</li> </ul>
Evaluate the guiding principles for your employees' benefits	<ul style="list-style-type: none"> <li>• Does your coverage meet the needs of the company and employees?</li> <li>• Are your benefits necessary for attraction and retention?</li> </ul>
Determine what changes will be made to your strategy for 2014	<ul style="list-style-type: none"> <li>• Based on the guiding principles, what changes are required for 2014?</li> </ul>
Model costs and determine contribution strategy	<ul style="list-style-type: none"> <li>• Determine cost impact based on the 2015 strategy</li> <li>• How much will employees pay for coverage?</li> </ul>

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