



East Allen County Schools Status Report to the Board of School Trustees Health Care Reform Update

Michael J. Nader, Partner
111 East Wayne Street, Suite
800
Fort Wayne, IN 46802
260.460.1743
michael.nader@FaegreBD.com

March 5, 2013

Kirby W. Stahly
1240 State Road 930 East
New Haven, IN 46774
260.446.0105
kstahly@eacs.k12.in.us

FAEGRE BAKER
DANIELS

EACS

What Plans Are Covered?

Plan	Yes	No
Health	√	
Dental		√
Vision		√
Flexible Spending		√
EAP		√
Long-Term Disability		√
Life		√
Pension		√

The Past - 2011

Requirement	Effectuated
Age 26 – Dependent Eligibility	Y
Notice	Y
No Pre-Ex (under age 19)	Y
Modified Annual Limit	Y
No Lifetime Limit	Y
Preventative	
Union (G-status)	N/A
Non-union	Y
Plans Amended to Comply	Y

The Past – 2012

Requirement	Effectuated
W-2 Reporting (January 2013) - Reporting Health Coverage Costs	Y
Comparative Effective Research (CER) Fees (plan years ending after September 2012). Research Surcharge Fee of \$1 multiplied by the average number of lives covered under the plan. Increases to \$2 per life covered under and plan and then the amount is indexed for future years. Recent 12-month period there were 2,274 lives. Ends in 2019.	Form 720 will be timely filed

2013

Requirement	Effectuated
Flex Cap (\$2,500)	Y
Summary of Benefits and Coverage	Currently being drafted
Employee Notice of Exchanges	March 1 - date delayed until late summer

2014

Requirement	Effectuated
Individual Coverage Mandates	N/A
<p>Employer Coverage Requirement</p> <ul style="list-style-type: none">- Sledgehammer: if an employer fails to offer health insurance coverage to least 95% of its full-time employees (and their dependents), then the employer is subject to an annual penalty of \$2,000 for each of its full-time employees (minus 30 employees), provided that at least one full-time employee receives a credit through the new insurance exchanges.- Mallet: if an employer offers coverage to at least 95% of its full-time employees (and their dependents), but at least one full-time employee receives a premium tax credit to pay for coverage on the new insurance exchanges, then the employer will be subject to an annual penalty of \$3,000 for each of its full-time employees who receive a credit through the exchange.	Tonight's Discussion on Play or Pay Initial Thoughts – not intended to be final decision

Play or Pay

- ▶ EACS is an “applicable large employer” under ACA
- ▶ Under IRS transitional relief, this mandate will apply as of our first plan year in 2014

Play or Pay

Applicable large employers may be subject to excise tax (non-deductible) if full-time employee (30 hours per week) enrolls in an exchange and receives federal assistance:

- ▶ A school corporation is required to utilize an average of the employee's hours during the school year for purposes of the summer break. Accordingly, if a school employee works more than 30 hours per week during the academic year, that employee will be treated as full-time;
- ▶ If large employer offers no coverage, penalty is \$2,000 per full-time employee above 30;
- ▶ If large employer does not offer minimum essential coverage that is affordable, the penalty is \$3,000 per full-time employee who opts into exchange and receives federal assistance.

Play or Pay

▶ Affordability

- ▶ Must provide a plan that meets minimum essential benefits (EACS plans will meet this requirement)
- ▶ Employee is not required to pay more than 9.5% of income for self-only coverage
 - ▶ May use W-2 income to determine
 - ▶ EACS \$500 Deductible Plan – CY 2013
 - ▶ Medical/Rx Single Plan – Employee Cost: \$1,032 (Admin Plan)
 - ▶ 9.5% of \$10,863 Income Level: \$11.32 per hour (6 hours/day)
- ▶ If an employer offers coverage, but either or both of the above are not satisfied, and an employee enrolls in an exchange with government support, a penalty of \$3,000 is imposed (for each such employee).

Other 2014 Changes

- ▶ No annual dollar limit on essential benefits
 - ▶ What is an essential benefit?
 - ▶ Limit on number of treatments or dollar limit per treatment?
 - ▶ Exclusion of essential benefit
- ▶ Establishment of state and federal exchanges
- ▶ No limit on covering dependents to age 26
- ▶ No pre-existing condition limitations (previously, this apply to individuals under 19)
- ▶ Surcharge on self-funded plans to fund smaller and individual insured policies (about \$60-\$70 per individual in 2014). For EACS it is estimated at $\$63 \times 2,274 = \$143,262$

Other 2014 Changes

- ▶ Auto-enrollment of new employees
 - ▶ Employee will have to decline
 - ▶ Annual enrollment – will no longer have CLOSED ENROLLMENT
- ▶ Maximum out of pocket for small insured plans – will this be extended to larger insured and/or self-funded plans?
- ▶ 90-day waiting period

EACS Plan Information

▶ Plan Costs:

- ▶ Employees: \$2,637,344
- ▶ Employer: \$9,421,824

▶ Plan Types

- ▶ Core: \$500 Deductible
- ▶ High Deductible #1: \$3,000 Deductible; \$3,000 Out-of-Pocket Maximum
- ▶ High Deductible #2: \$3,000 Deductible; \$5,000 Out-of-Pocket Maximum

▶ EACS Contribution Per Employee:

- ▶ Average: \$10,892
 - ▶ Core Plan
 - ▶ Single: \$5,573
 - ▶ Employee+1: \$9,417
 - ▶ Family: \$14,373

What are the Consequences for EACS

- ▶ May be subject to **HUNDREDS OF THOUSANDS of DOLLARS** in penalties;
- ▶ Penalties may increase in value
- ▶ EACS does not currently offer coverage to specific classified staff members based on specific employee group or date of hire for the employee;
- ▶ Specific Groups Not Covered:
 - ▶ Miscellaneous Support Staff (CRT's, Security, Bilingual)
 - ▶ 19 Employees and all > 30 hours per week;
 - ▶ Substitutes
 - ▶ 29 Worked greater than 60 days in one semester;
- ▶ Hire Date of Employee (after June 30, 2005) in current Policies:
 - ▶ Food Service Worker 30 or more hours per week
 - ▶ 10 Do Not have Insurance and 4 hired after June 30th;
 - ▶ Paraprofessional 30 or more hours per week
 - ▶ 53 Do Not have Insurance and 28 hired after June 30th;

EACS Course of Action

► Considerations

- Avoid Sledgehammer penalty; minimize Mallet penalty;
- Automatic Enrollment and define/implement “opt-out” procedure/documentation;
- Offer Insurance to all employees, limit employer contributions to only employees that are scheduled to work 30 or more hours per week;
- Reduce employee hours to less than 30 per week (group/position);
- Offer Insurance to all employees; limit employer contributions to only specific employee groups. Pay the Mallet penalty for those that utilize an exchange;
- Offer Dental & Vision to only select employee groups or only contribute for select employee groups (e.g. certified, year-round, collectively bargained, etc.);
- Only contribute employer share for Single Plan for specific employee groups and allow employees to select and pay the additional costs for E+1 or Family

► Update Administrative Policies

EACS Course of Action

Considerations	Information
1. 95% of full-time employees	# of Full-Time Employees: ≈ 951 95% is ≈ 903
2. Number of full-time employees currently eligible for coverage	900
3. Expand coverage to cover at least 95% of full-time employees	x

EACS Course of Action

- ▶ Challenges
 - ▶ Financial
 - ▶ Administration
 - ▶ Potential Penalties
 - ▶ Employee Morale

- ▶ Questions

- ▶ Concerns