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Health care reform: Impacts on large employers

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Key provisions for employers in leading health reform proposals

As of September 16, 2009

Reform proposal	House HR 3200	Senate HELP Committee bill	Senate Finance Baucus Proposal 9/16/09	President Obama's Congressional address
Employer mandate	Yes	Yes	Yes	Yes
Covered employers	Annual payroll of \$500,000 or more	More than 25 employees	More than 50 employees	To be determined
Coverage requirement	Offer qualifying coverage that meets minimum standards (70% actuarial value)	Offer qualifying coverage that meets minimum standards (76% actuarial value)	No direct coverage requirement (but "free rider surcharge" based on formula)*	To be determined
Contribution requirement	Contribute 72.5% for single coverage, 65% for family coverage (prorated for part-time workers)	Contribute 60% of cost	No direct contribution requirement (but "free rider surcharge" based on formula)*	Offer coverage
Penalty for not meeting coverage/contribution requirement	8% of average wages (less if payroll under \$750,000)	\$750 per full-time worker, \$375 per part-time worker	"Free rider surcharge" based on formula*	Amount to be determined

* Free rider surcharge

Employees offered employer coverage are not eligible for low income premium tax credit for coverage purchased through exchange, unless coverage is less than 65% actuarial value or unaffordable (i.e. 13% of employee's income).

For each FT (30+ hrs/wk) employee enrolled in a state exchange and receiving a tax credit, the employer pays a flat dollar amount set by HHS equal to the average tax credit in the state exchanges. Flat dollar amount would be capped for all employers at an amount equal to \$400 x the total number of employees at the company (regardless of how many are receiving the state exchange credit).

Employer pays lesser of: (1) flat dollar amount x # of employees receiving a tax credit; or (2) a fee of \$400 x total # of employees.

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Individual coverage mandate	Yes	Yes	Yes	Yes
Penalty for no coverage	Income tax penalty of 2.5% of AGI	Minimum annual penalty of \$750	Excise tax of up to \$950/single and \$3,800/family	To be determined
Affordability subsidies for exchange-based coverage	Up to 400% of federal poverty level (FPL)	Same as HR 3200	Up to 300% of FPL	To be determined
Medicaid expansion	Yes	No provision	Yes	No provision
Tax code changes	Yes	No	Yes	Yes
Income tax exclusion changes	Tax-free coverage for domestic partners and others eligible for employer plans	No changes	35% excise tax on insurers (employers if self-funded) on the aggregate value of coverage exceeding \$8,000 single, \$21,000 family	Tax on very expensive plans
HSA, health FSA or HRA changes	No tax-free coverage for over-the-counter drugs	No provision	\$2,000 annual cap on tax-free health FSA contributions; 20% tax on HSA non-qualified medical expenses	No provision

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Exchanges/gateways	Yes	Yes	Yes	Yes
Eligible individuals and employers	Individuals who lack employer or public coverage or would pay more than 11% of income for employer coverage; and small employers	Same as HR 3200, except employer coverage would have to cost 12.5% of income	Individuals and small employers	Individuals and small employers
Public health insurance plan option	Yes	Yes	No; nonprofit, member-governed health insurance cooperatives as alternative	Yes
Minimum coverage rules	Yes	Yes	Yes	To be determined
Insurance market reforms	Yes	Yes	Yes	Yes

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Retiree coverage changes	Yes	Yes	Yes	Yes
Medicare changes	Reduce Medicare Advantage plan payments, eliminate Part D donut hole, discount brand-name drugs, negotiate Part D drug prices	No	Means-tested Part D premiums	Reduce Medicare Advantage plan payments, eliminate Part D donut hole
Reinsurance for early retiree costs	Temporary federal program to lower individuals' costs under early retiree medical plans	Same as HR 3200	No provision	No provision



Financial implications

Some potential employer impacts

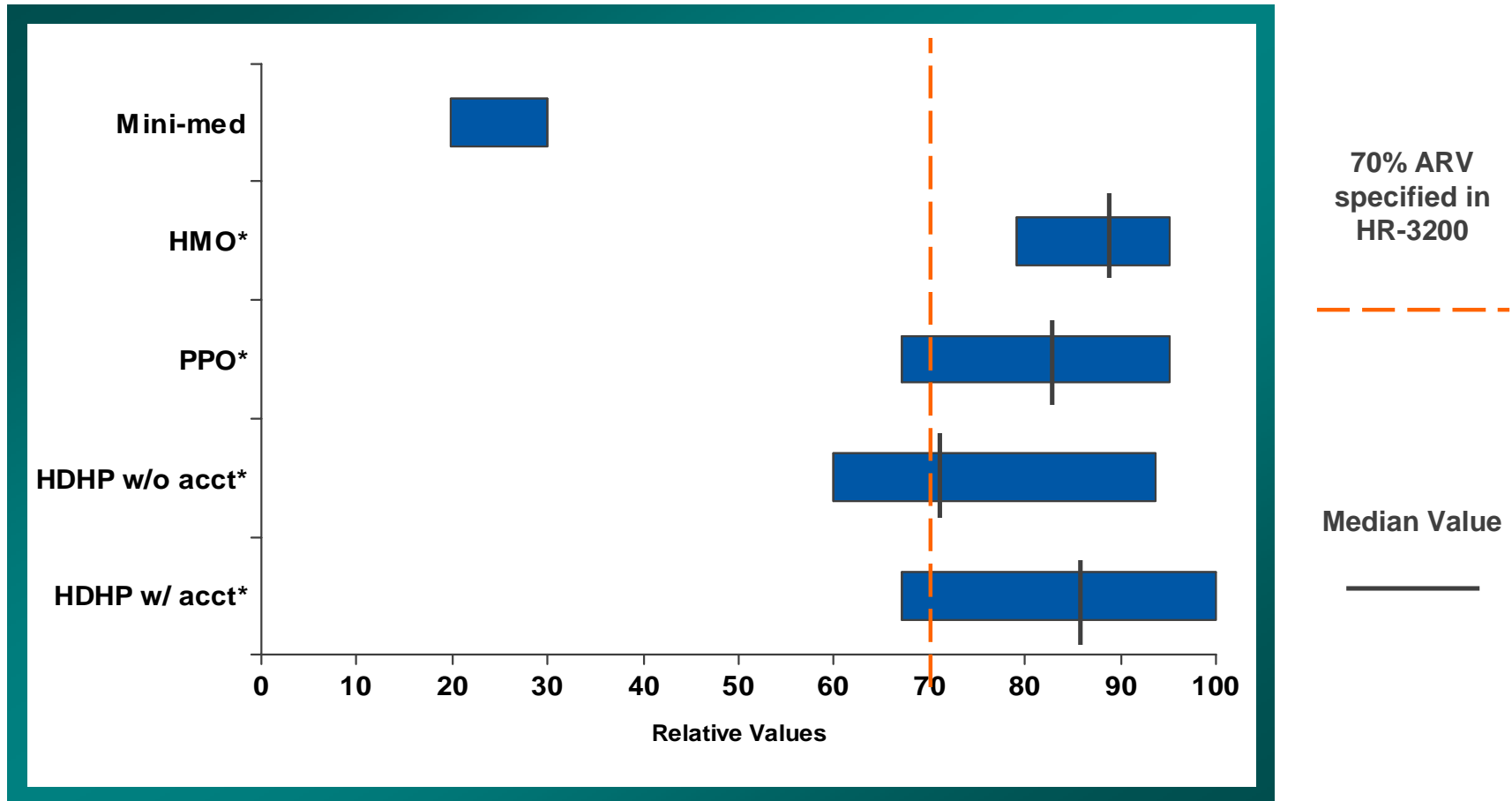
- **Employer minimum qualifying coverage mandate could impact**
 - Employers with large numbers of non-benefits eligible employees
 - High-deductible plans with no employer-funded account
 - Mini-med plans
 - Plans with low lifetime maximums
 - Plans without first dollar preventive coverage
- **Employer contribution mandate may**
 - Impact employers with large numbers of non-benefits eligible employees
 - Not affect the employee-only contributions for many employers, but may impact plans with high employee contributions for dependent coverage
- **35% excise tax on health coverage of \$8,000 single/\$21,000 family**
 - Kaiser Foundation Survey finds 2009 average family policy costs \$13,375
 - Employers with high cost benefits might fairly quickly reach excise tax thresholds
- **Individual coverage mandate may**
 - Increase number of employees who elect coverage
 - Increase employees covered by own employer rather than spouse's employer



Financial implications - coverage requirement

Impact of minimum qualifying coverage (Assumes "Actuarial Relative Value" (ARV) at 70% threshold)

Actuarial Relative Value of Benefit Design of Predominant Plans*



* Based on plan design data submitted in 2008 Mercer Survey for large employers (500+ employees)

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