

#22 - Health Benefit Exchanges: 2014-2015

Defined contribution health plans fit the era of exchanges for employees who stay on a group plan or go to some type of exchange. Remember all health insurance will be community rated and guarantee issue for a set four actuarial levels of standard coverage (M.E.C.).

* See White Paper #21 “*Should you Provide Health Insurance in 2014?*” (for 9.5% testing scenarios)

A. PROBLEMS

1. Multi-carrier risk sharing arrangements in exchanges will be difficult.
2. All of the same community plans and premiums (variations from 100% to 60% of actuarial value) will be offered in and out of the exchange.
3. Getting multiple companies for a shopper to choose from in a government exchange will be difficult, because they will be made up of an insured population of less than average claims experience.

B. THREE TYPES OF EXCHANGES

Note: Exchange administration consists of 1) Application, 2) Select Plan, 3) Calculate Subsidy and Tax Credit against Premium of Plan Choice, 4) Bill the Individual the Difference, and 5) Remit to Insurance Company or via the exchange.

1. For **Individual** Policies Exchange

HBE (State or Federal) – The individual or family is only eligible with a cost share government subsidy at 400% Federal Poverty Level and a greater than 9.5% income eligibility test to receive a premium tax credit.

2. **Shop Exchange** for **Small Employers** Under 50 Employees (State or Federal)

Only for Small Group Employers with individuals working 30+ hours per week and eligible for the subsidy and tax credit.

3. **Private Exchanges** (one or more carriers, or a TPA with multiple options)

Multiple Carriers – Individual or Group Products Sold

C. ENGAGING EXCHANGES BASED ON INSURANCE TYPE

Individual Policy	Group Policy
1. HBE-Individual Policy	3. Shop Exchange – Small Group
2. Private Health Ins. Exchange	4. Private Health Insurance Exchange
5. Single Insurer	6. Insurance Broker Shop Exchange

Note: #1, 2, 3 and 4 are “Open Roadside Market” of options. #5 and 6 are Single Brand Stores. The # 2, 4 & 6 options are for good risks, aggressive employers in the job market with more consulting and broker services available for employees. Employers will have difficult decisions to make, as will the individual employees.

D. 72% OF EMPLOYERS WILL KEEP THEIR PLANS

Employers will set defined contributions by employees just below 9.5% for singles for a level or percentage of actuarial coverage and sweeten coverage with a corporate Health Reimbursement Account, Flexible Spending Account or voluntary plans.

E. PRIVATE HEALTH INSURANCE EXCHANGE MUST HAVE THESE LAYERS TO COMPETE WITH THE HBE AND SHOP PLANS.

1. Must make the employer deposits and employee choices easy and have feedback clear. Must have a great communication and TPA administration.
2. Have multiple plans, if not multiple carriers, or ASO with Multiplans.
3. Single or family premiums in private exchanges must be made with pre-tax payments.
4. Ancillary plans, human resources and payroll are all linked with an HRA to compete with HBE and shop exchanges.

Armitage Inc. private broker exchange will open September of 2013. We will post the application process.

F. EXAMPLES OF POSSIBLE EMPLOYER ACTIONS TO COPE WITH EXCHANGES IN 2014

Note: Remember all health insurance is to be guaranteed issue with base community rates. Some rates will be higher on top of the ever increasing cost of health care.

1. Larger employers with high wage or just high wage employees will maintain group plan (with not many employees under 30 hours)
 - a. Traditional or ASO (Multiplan risk sharing is easy)
 - b. Use a Private, or Broker, Health Insurance Exchange
 - c. Use Health Reimbursement Accounts

2. Any Size Group – But with a lot of Part Time Employees
 - a. Maintain group. Move most employees under 30 hours to exchanges. (Could have an increase in the number of part-time employees.)
 - b. Dump Group – Pay Penalty
 - i. Federally Qualified HBE Individual Participants (must pay differences after tax)
 - ii. Private or Broker Health Insurance Exchange – Individual Product (then pays via employer FSA pre-tax)
 - iii. High wage employers could dump the group plan, gross up and go to Private or Broker Health Insurance Exchange and use FSA to cover premiums pre-tax.

3. Small Group (Under 50 now, but will change to up to 100 lives in 2014-2016).
 - a. Consider self funding with multi-plans and beat community rates.
 - b. Dump Group
 - i. Federally Qualified HBE
 - ii. Keep high paid in group
 - iii. Or Individuals to a Private or Broker Health Insurance Exchange.
 - c. Keep group and go 60% Actuarial and Supplement with HRA Creativity.

Note: “HBE” will eventually be more expensive as will “Shop”. Good risk, of any size, will be maintaining their group using HRA’s or going to a private exchange for tax deductibility by using FSA pre-tax premium deductions. However, all individual health premiums will be the same for one age in an area.

Source: February 8th, 2012 BSwift and EBN Webinar “Impact of Exchanges on Employer Based Health Care”