

**Board of Commissioners**

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Charlotte J. Nash, Chairman  
Jace W. Brooks, District 1  
Lynette Howard, District 2  
Tommy Hunter, District 3  
John Heard, District 4



**Briefing Minutes**

**Tuesday, March 19, 2013 – 2:30 PM**

**Present: Charlotte J. Nash, Jace Brooks, Lynette Howard, Tommy Hunter & John Heard**

**I. Human Resources  
Healthcare Reform**

Glenn Stephens began with brief comments regarding the briefing. Kenneth Poe introduced Ann Crumlish with AON Hewitt, Gwinnett’s consultant for healthcare. Ms. Crumlish gave an overview of the Healthcare Reform laws. No Official Action Taken.

# Gwinnett County Board of Commissioners Health Care Reform Review

March 19, 2013

Prepared by Consulting  
Health and Benefits

Presentation to Gwinnett County Board of Commissioners

**AON** Hewitt

# Health Reform Overview—Timing Of Major Provisions

Plan Years on/after 9/23/2010	2011	2012	2013	2014	2018
<ul style="list-style-type: none"> <li>Restrictions on Lifetime Dollar Limits*</li> <li>Preexisting Condition Exclusions Prohibited for Children under 19*</li> <li>Only Restricted Annual Limits Permitted (HHS Guidance Needed)*</li> <li>Extension of Adult Child Coverage to Age 26*</li> <li>Prohibition on Rescissions*</li> <li>No Cost Sharing and Coverage for Certain Preventive Health Services**</li> <li>Effective Appeals Process**—<i>NEW INTERNAL APPEALS GRACE PERIOD</i></li> <li>Nondiscrimination Requirements Applicable to Fully Insured Plans**—<i>DELAYED</i></li> <li>Certain Retiree Medical Claims Reimbursable (ERRP)</li> <li>Retiree Drug Plan Tax Accounting Recognition</li> </ul>	<ul style="list-style-type: none"> <li>Over-the-Counter Medicines Not Reimbursable Under Health FSA or From HSA Without a Prescription, Except Insulin</li> <li>HSA Penalty Tax Increase</li> <li>Employer Reporting of Health Coverage on Form W-2—<i>DELAYED</i></li> <li>Public Long-Term Care Option (CLASS Act)—<i>OFFICIALLY JETTISONED</i></li> <li>Medicare Part D Discounts for Certain Drugs in “Donut Hole”</li> </ul> <p>* Denotes group/insurance market reforms applicable to grandfathered health plans</p> <p>** Denotes group/insurance market reforms not applicable to grandfathered health plans</p>	<ul style="list-style-type: none"> <li>Employer Distribution of Uniform Summary of Benefits to Participants*</li> <li>Comparative Effectiveness Fee</li> <li>Employer Quality of Care Report**</li> </ul>	<ul style="list-style-type: none"> <li>Form W-2 Reporting of the Value of Health Coverage</li> <li>New Women’s Preventive Services**</li> <li>Notice to Inform Employees of Coverage Options in Exchange</li> <li>Limit of Health Care FSA Contributions to \$2,500 (Indexed)</li> <li>Elimination of Tax Deduction for Expenses Allocable to Retiree Drug Subsidy (RDS)</li> <li>Medicare Tax on High Income</li> </ul>	<ul style="list-style-type: none"> <li>Individual Mandate to Purchase Insurance or Pay Penalty</li> <li>State Insurance Exchanges</li> <li>Employer Responsibility to Provide Affordable Minimum Essential Health Coverage</li> <li>Free Choice Vouchers—<i>REPEALED</i></li> <li>Preexisting Conditions Exclusions Prohibited*</li> <li>Annual Limits Prohibited*</li> <li>Automatic Enrollment—<i>DELAYED</i></li> <li>Limit of 90-Day Waiting Period for Coverage in Plan*</li> <li>Employer Reporting of Health Insurance Information to Gov’t and Participants</li> <li>Increased Cap to 30% on Rewards for Participation in Wellness Program</li> <li>Transitional reinsurance fee</li> </ul>	<ul style="list-style-type: none"> <li>Excise Tax on High-Cost Coverage</li> </ul>

# Health Care Reform—Paradigm Shift for Employers and Employees

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## Employer Plan

- If offered, generally the best choice for employees who do not receive a federal subsidy in the exchanges
- Insurance plan familiar to most employees

## State Exchanges

- Employees with low family incomes may receive better benefits at a lower cost in a state exchange
- These individuals can only receive federal subsidies if employer does not offer an affordable plan

## Medicaid

- Only available in states that choose to expand Medicaid coverage
- Employees receive nearly full coverage, although provider access is limited

## Opt-Out Self Insure

- Employees may opt-out for many reasons including a spouse with a better/cheaper plan, TriCare coverage, or simply not wanting to own health insurance

## Employer Responsibilities

- **Employer Mandate**
  - Must cover “substantially all” full-time employees (95% of employees working over 30 hours)
  - Must offer minimum essential coverage or pay \$2,000 per employee (minus the first 30)
  - Employers that offer coverage that is not of minimum value or is unaffordable for employees will pay \$3,000 for any employee who goes to the exchange and receives a federal subsidy
  - No waiting periods over 90 days
  - No pre-existing condition exclusions or annual/lifetime limits
  - Auto-enrollment delayed (until 2015 at the earliest)
- **Reinsurance Fees**
  - \$63 per covered life in 2014; rates likely to be lower in 2015 and 2016
  - Paid on a calendar year basis and due January of the following year
  - Count covered lives in major medical coverage only
  - Retirees covered under Medicare where Medicare is primary do not have to be counted
- **PCORI (comparative effectiveness fee)**
  - \$2 per covered life for plan years ending after October 1, 2013
  - Paid for the plan year and due by July 31<sup>st</sup> the year after the last day of the plan year
- **Other direct and indirect costs**
  - Insured plan fees, medical device fees, additional cost shifting from Medicare and uninsured

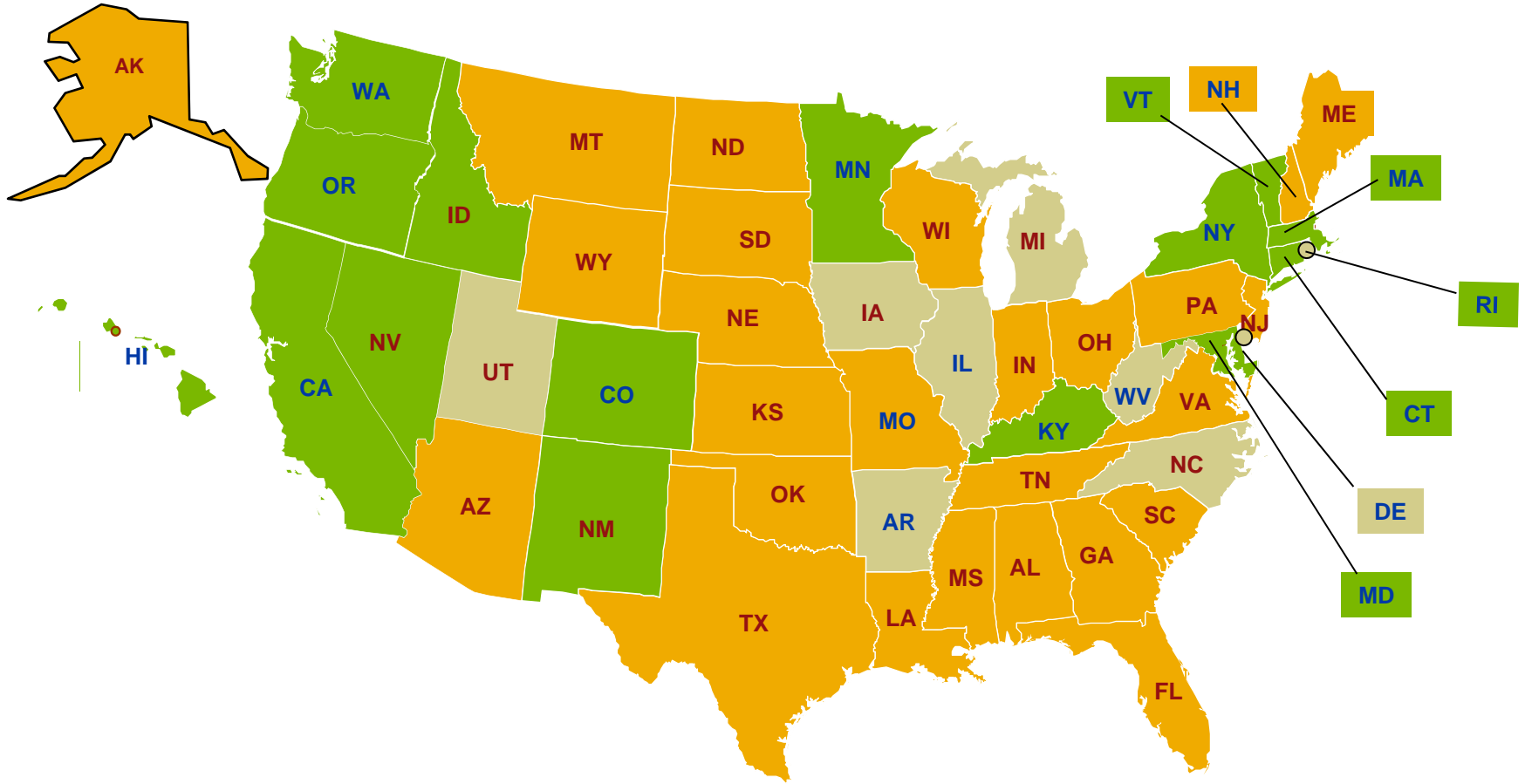
## Shared Responsibility Penalties

- Shared responsibility penalty depends on whether employee went to the exchange because employer's plan is
  - Not “minimum essential coverage”; or
  - “Unaffordable” or does not provide “minimum value”
    - Unaffordable is defined as greater than 9.5% of household income
    - Minimum value is defined as 60% “actuarial value”
- Employer that does not offer “minimum essential coverage” to substantially all full-time employees (and their eligible child dependents) faces a shared responsibility penalty of \$2,000 for each of its full-time employees (minus the first 30 FTEs), until the employer offers such coverage
  - Applies to each separate entity within controlled group if less than 95% of FTEs (and their eligible child dependents) within that entity are offered minimum essential coverage
  - Employers are not required to offer coverage to spouses of employees
  - Subject to an exemption for the first 30 full-time employees
  - Penalty applies if at least one FTE receives a subsidy
  - Penalty is not tax deductible
- If employee-only coverage offered by employer is “unaffordable” or not “minimum value”, employer pays a shared responsibility payment penalty of \$3,000 for each FTE who
  - Enrolls in an exchange and receives a federal subsidy
  - Penalty is not tax deductible

## Evolving State Exchange Landscape

- State Exchanges open in 2014
  - Bronze, silver, gold, platinum and “young invincibles” plan for individuals under 30 years old
- Federal subsidies are available in exchanges to individuals with household incomes between 138% and 400% of federal poverty level (FPL) who do not have access to qualifying, affordable employer coverage
  - For States that do not expand Medicaid, federal subsidies will be available to individuals with household incomes between 100% and 400% of FPL
  - Employees at or below 250% of FPL will be enrolled in a silver plan with **lower** cost sharing
- Federal subsidies will be based on silver plan, even if individual chooses bronze or higher metallic plan
  - Individuals do not get the excess subsidy if a lower cost plan is selected or a higher subsidy if a higher cost plan is selected
- Less than half of states will have an Exchange up and running in 2014
  - Federal exchange will be the fall-back but debate over whether there will be a subsidy

## Less Than Half of States Setting Up Exchanges



Creating Exchange

Won't Create Exchange

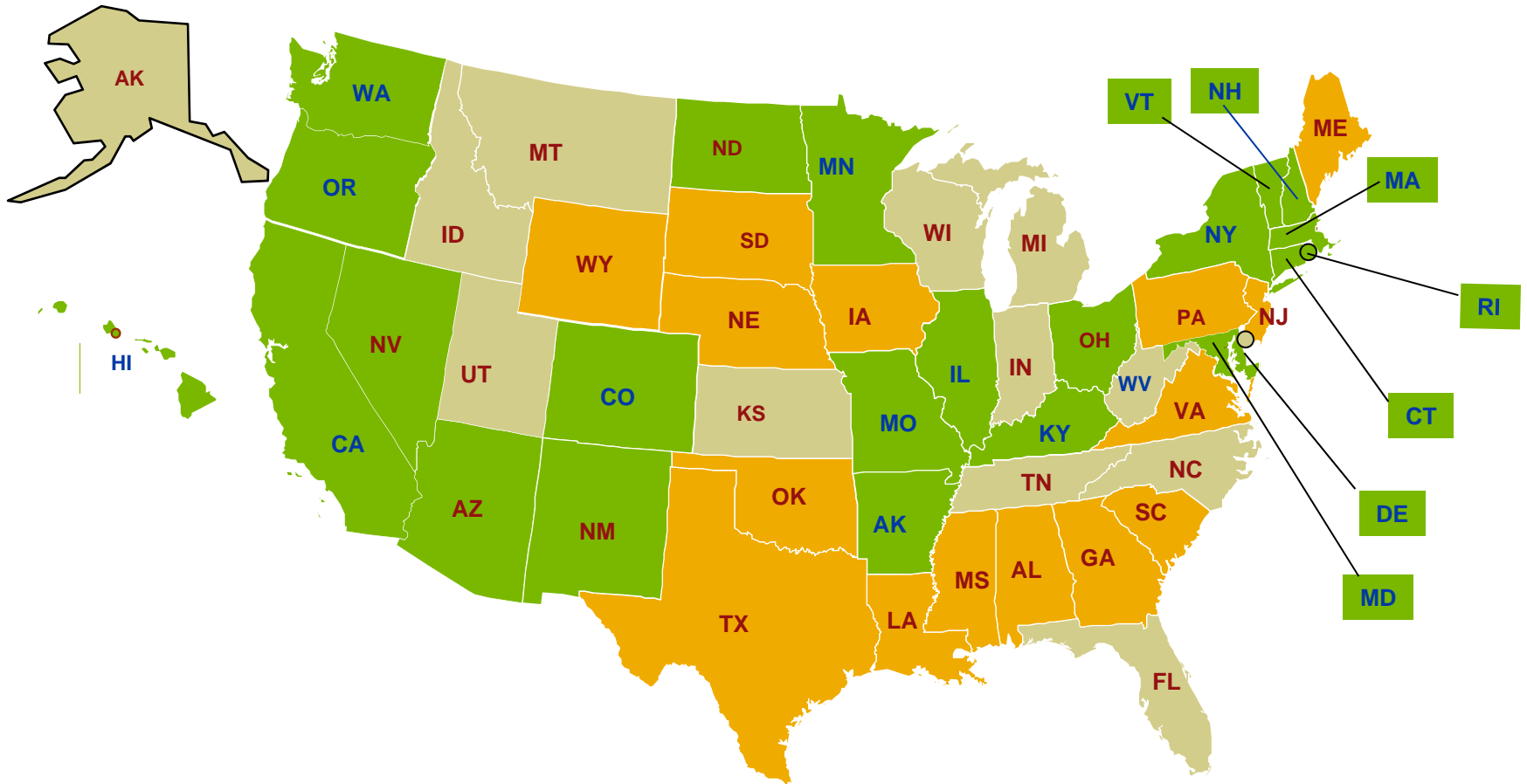
Partnership Exchange with Feds

## State Medicaid Expansion Possibilities

- States can expand Medicaid entitlement to individuals with incomes up to 138% of FPL, covering up to 17 to 22 million new Medicaid beneficiaries
- Less than half of states are expanding Medicaid in 2014
- If a state sets up an exchange but does not expand Medicaid, individuals with incomes between 100% and 138% of FPL would be eligible for federal subsidies to purchase insurance in the exchange
  - Without Medicaid expansion, individuals below 100% of FPL but not currently eligible for Medicaid (approximately 11.5 million individuals\*) would remain uninsured
- Impact to employers would result from
  - Cost-shifting due to uninsured
  - Potentially higher Shared Responsibility Payments if do not offer minimum essential benefits or minimum affordable coverage to full-time employees between 100% and 138% of the FPL

\* Source: The Urban Institute

# Less Than Half of States Expanding Medicaid in 2014



23 States Are Expanding Medicaid

15 States Won't Expand Medicaid

12 States Undecided on Medicaid Expansion

## Individual Responsibilities

- Individual must maintain minimal essential coverage or pay a penalty that is “generally” based on taxable income
  - Payable on tax return for the year in which the penalty was incurred
  - 2014: \$95 or 1 percent of household income whichever is greater
  - 2015: \$325 or 2 percent of household income whichever is greater
  - 2016: \$695 or 2.5 percent of household income whichever is greater
- Many exemptions, including one for affordability
  - Individuals who have to pay more than 8% of their income for health insurance, after taking into account any employer contributions or tax credits, are exempt from complying with the individual responsibility requirements

# Legislative Debate and Regulatory Update

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- Legislative Debate
  - Federal subsidies are a possible target for deficit reduction
  - Possible amendment of cap on income tax exclusion for health care
    - Cap on exclusion of high cost health care coverage goes into effect in 2018
    - Effective date could be accelerated earlier, but only as part of larger tax reform package
- Regulatory Update
  - Guidance recently released
    - Wellness incentives and reasonable alternatives
    - Affordability exemption for the individual mandate
    - Cost sharing limits for group health plans
  - Guidance delayed
    - Automatic enrollment (for 2015 plan year at the earliest)
    - Nondiscrimination rules for fully-insured plans
    - Distribute notice to employees of coverage options in Exchange (later in 2013)
  - Guidance outstanding
    - Employer Quality of Care Report (due 2012)

# HR Action Plan

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- Review the financial impact of health care reform on Gwinnett County
- Develop long term strategy to address plan cost and population health
- Ensure compliance with health care reform
- Implement necessary changes for 2014