



Health Reform Update

October 2014
Presented by Mike Kahley, Lockton Companies



L O C K T O N C O M P A N I E S

Today's Overview

- ❖ Health Reform Basics
- ❖ Your Objectives
- ❖ Where are We Now?
 - Plan Values
 - Affordability
 - Eligibility
- ❖ Health Reform Strategy
 - Employee Classification
- ❖ Implementation
- ❖ An Evolving Strategy
- ❖ Next Steps



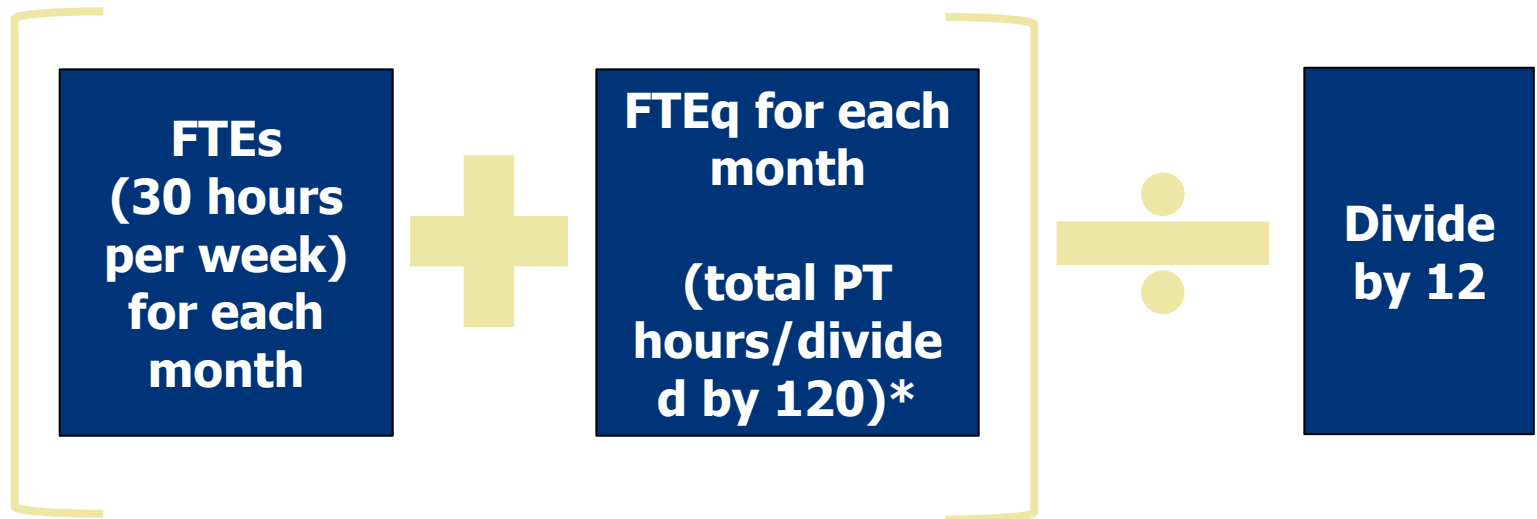


Health Reform Basics



How many employees is 50 Full-Time Equivalent Employees?

Employers who average more than ***50 full-time equivalent employees*** in the ***controlled group*** in prior calendar year



Disregard seasonal employees if employer exceeded 50 FTE/FTEq for 120 days/four months or less, due to seasonal employees

PPACA – Final Regs

Employer Pay or Play Regulations

Automatic Enrollment and Section 105 (h) Regulations Silence

30 to 80 No Play Coupon

Rehire Rules go from 26 to 13 Weeks

Seasonal Defined as 6 Months

Must Measure ALL Hourly Employees

Delay for Some until 2016!



Relief available for employers with fewer than 100 FTE's (including FT equivalents)

Relief applies until the end of their plan year which begins in 2015

To qualify, employer must be able to certify that:

1. It employs between 50-99 full time equivalent employees during 2014
2. During the period from 2/9/14 and 12/31/14 it did not reduce its workforce or the overall hours of service just to qualify; AND...
3. During the period from 2/9/14 and 12/31/15, it did not eliminate or materially reduce health coverage
4. Employer certifies to the IRS that it met the conditions.

Transitional Relief for 100+ Employers (Maybe)

Comply with ACA mandate on the first day of your 2015 plan year

To qualify, employer must be able to certify that:

- ❖ Had a non-calendar year plan as of 12/27/2012 & did not change to a later plan year...

AND

- ❖ Covered at least 25% of ALL Employees or offered coverage to 33% of ALL Employees

OR

- ❖ Covered 33% of ALL FTE's or offered coverage to 50% of ALL FTE's during the open enrollment preceding 2/9/14

If the above not met, then ACA compliance begins on 1/1/2015

Individual Mandate

All Individuals Must Have “Minimum Essential Coverage”

“Minimum Essential Coverage” is a relatively low bar. Can be met through:

- ❖ Medicare
- ❖ Medicaid
- ❖ Some limited medical plans
- ❖ CHIP
- ❖ TRICARE
- ❖ VA coverage
- ❖ **Any public exchange-based plan, OR**
- ❖ **Any employer’s medical plan**

Tax/Penalty for no coverage

**Individual Mandate Tax/Penalty:
The Greater of A or B**

Tax Year	A	B		
	% of Income	Per Adult	Per Child	FamilyCap
2014	1%	\$95	\$48	\$285
2015	2%	\$325	\$163	\$975
2016	2.5%	\$695	\$348	\$2,085

Employer Play or Pay

Qualifying & Affordable Coverage:

- ❖ Must be offered in order to some to avoid Nuclear Penalty (\$2k)
- ❖ Must be offered to employees and dependent children
- ❖ Must be "affordable" based on 9.56% of W-2 or Federal Poverty Level



Sample Comparison of Private Plan, Minimum Value, and MEC

	Actuarial Value	Preventive	Deductible	Office Visits	Coinsurance	OOP Maximum
Choice	80%	No OOP Cost	\$1,000	\$35 Copay	20%	\$3,000
Standard	70%	No OOP Cost	\$2,000	\$25 Copay	30%	\$4,000
Minimum Value	60%	No OOP Cost	\$4,000	20%	20%	\$6,350
MEC	40%	No OOP Cost	No Deductible, Coinsurance, OOP Max			
			\$25 Copay Doctor's Visit, 6 max per year/ \$5 Copay unlimited TelaDoc, Prescription drug card			

Affordability: 9.56 Percent Illustration

Basis	W-2 Pay	Maximum Affordable Contribution per month
2014 Single Federal Poverty Level ¹	\$ 11,670/yr	\$ 92.97
Federal Minimum Wage	\$ 7.25/hr	\$ 90.10

To be consider “**Affordable Coverage**”, an employer's health plan is considered affordable if the required employee contribution towards single coverage is not more than 9.56% of W-2 pay (pay net of pre-tax deductions).

Determining Full-Time Status of Employees



Individuals working AT LEAST 30 hours per week, on average.
May use 130 hours per month as an equivalency.

Full-Time



Based on facts and circumstances at date of hire, cannot determine that employee is reasonably expected to work, on average, at least 30 hours per week (130 hours/month).
Track hours over an initial "measurement period" of 3 to 12 months, **plus administrative period.**

Variable Hour

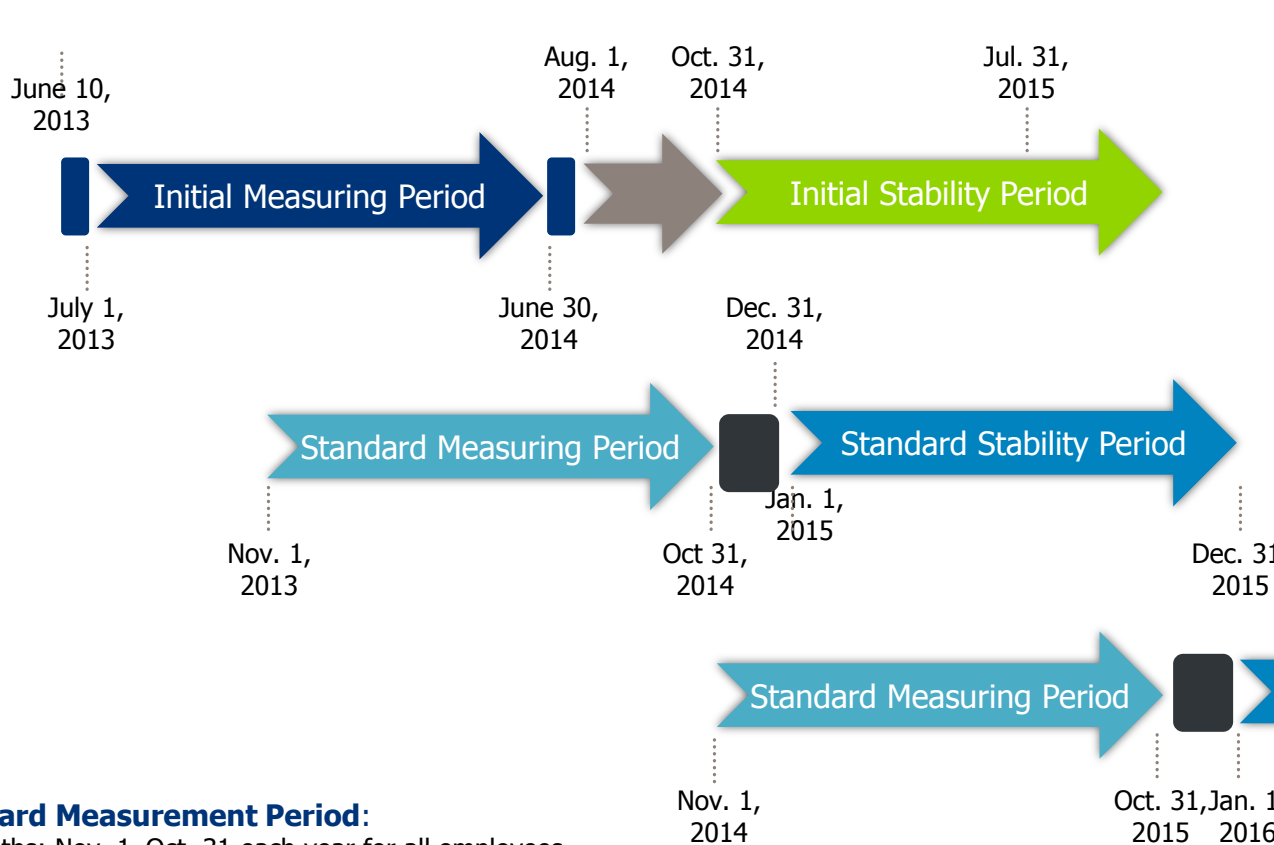


Expected employment to last 6 months or less

UPDATED

Seasonal

Determining "Full-Time Employees"



Initial Administrative Periods:

- 1) Start date until first of month following
- 2) One month after Initial Measurement Period

Initial Measurement Period:

12 months beginning first of month following date of hire

Initial Stability Period:

12 months but ends on October 31 since Standard Measurement Period begins on November 1

Standard Measurement Period:

12 months; Nov. 1–Oct. 31 each year for all employees

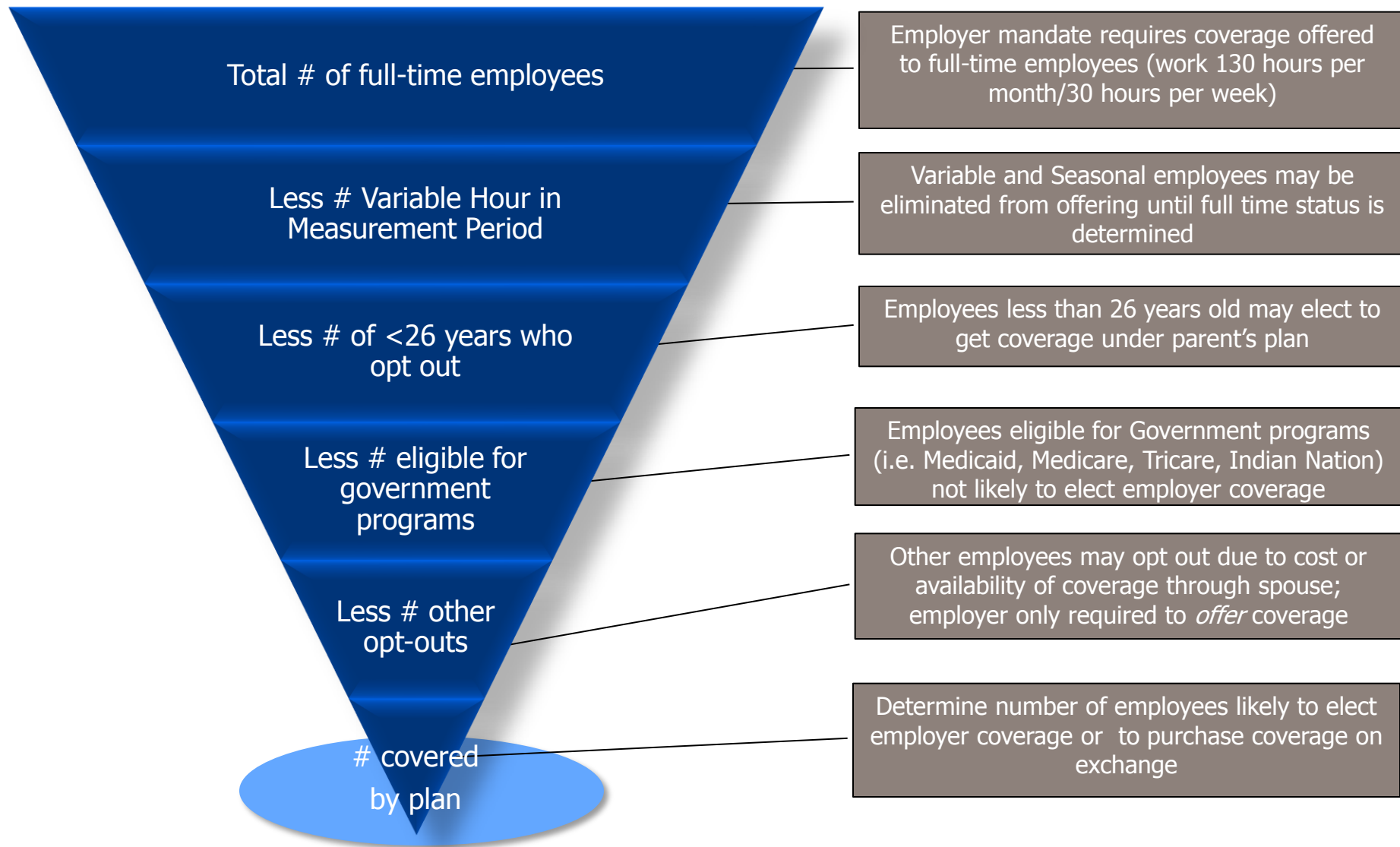
Standard Administrative Period:

2 months after Standard Measurement Period

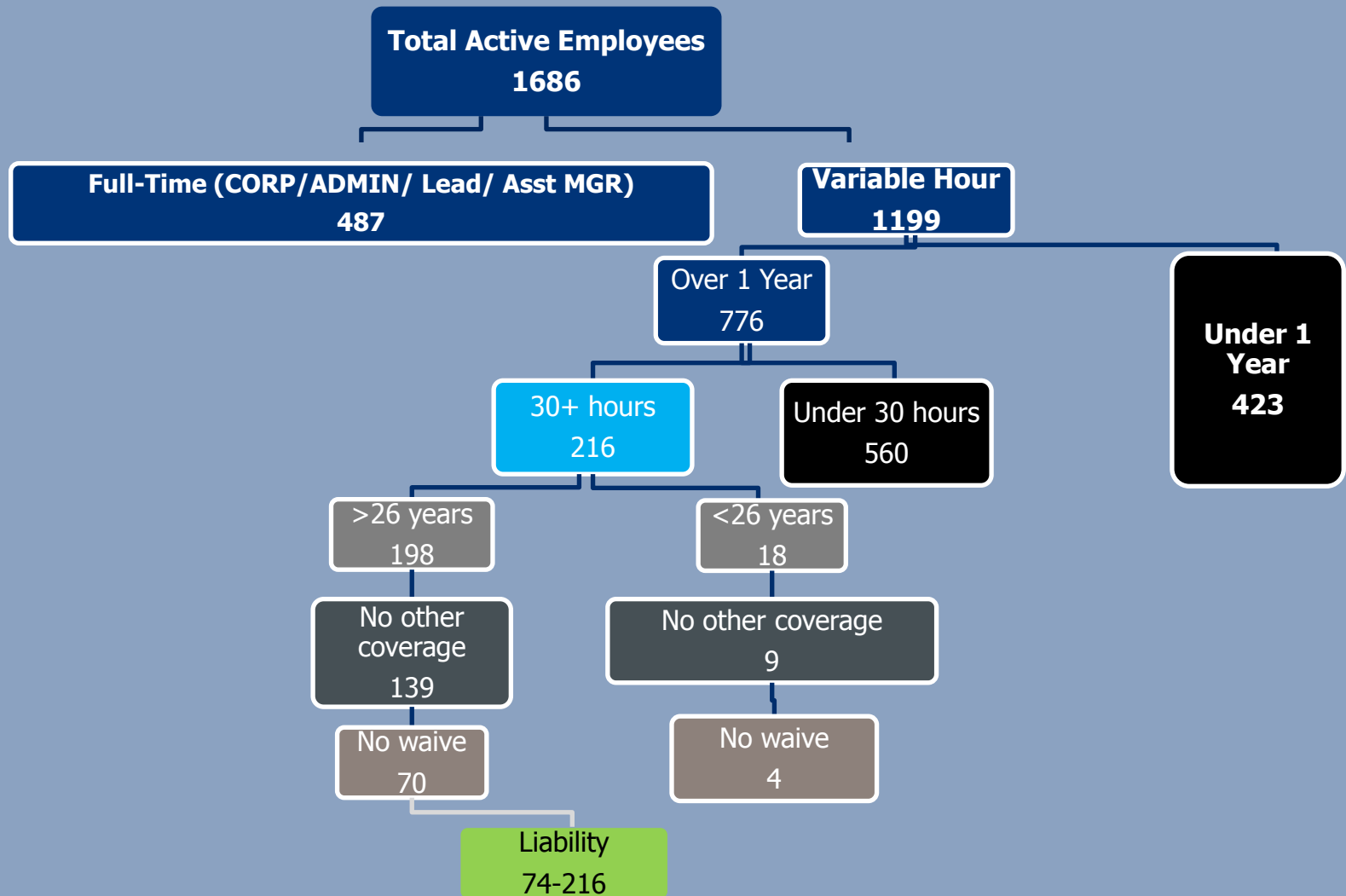
Standard Stability Period:

12 months; Jan. 1–Dec. 31 each year for all employees

How Many Employees Were Likely to Enroll in Coverage?



Variable Hour Employer Liability



Current Demographics & Offer

Current Structure	Class 1	Class 2 Over 2 years	Class 2 Over 2 years	Class 3 Over 2 years	Class 3 Over 1 year	<30; <1Year
Employee Groups	OPS/MGR	ASST MGR/Team Lead	ASST MGR/Team Lead	Team Member	Team Member	Team Member
	1/1/14	1/1/14	1/1/14	1/1/14	1/1/14	1/1/14
Eligible Employees	74	219	194	204	10	986
Estimated Enrollees	54	0	0	0	0	0
Over 26	63	148	83	188	9	447
Average Earnings	\$45,042	\$17,707	\$9,991	\$17,257	\$16,665	\$4,409
Silver 1	X					

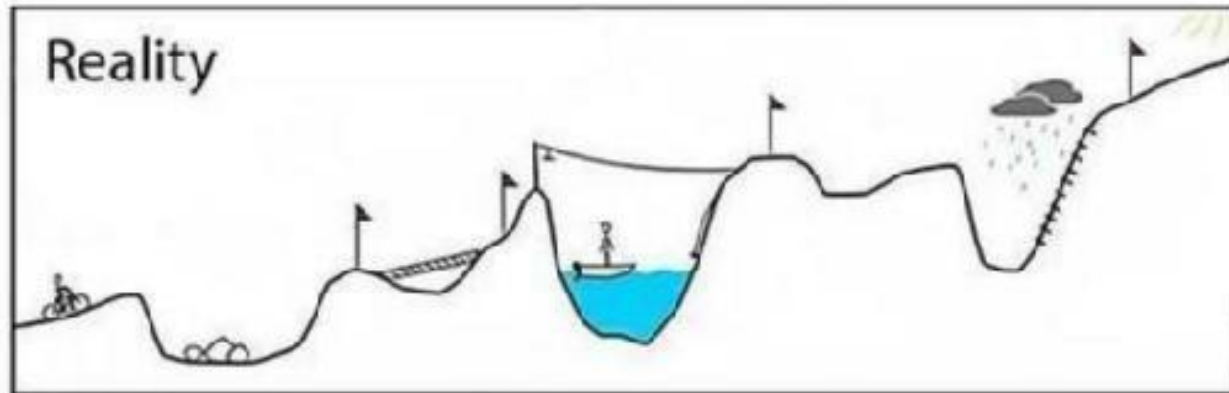
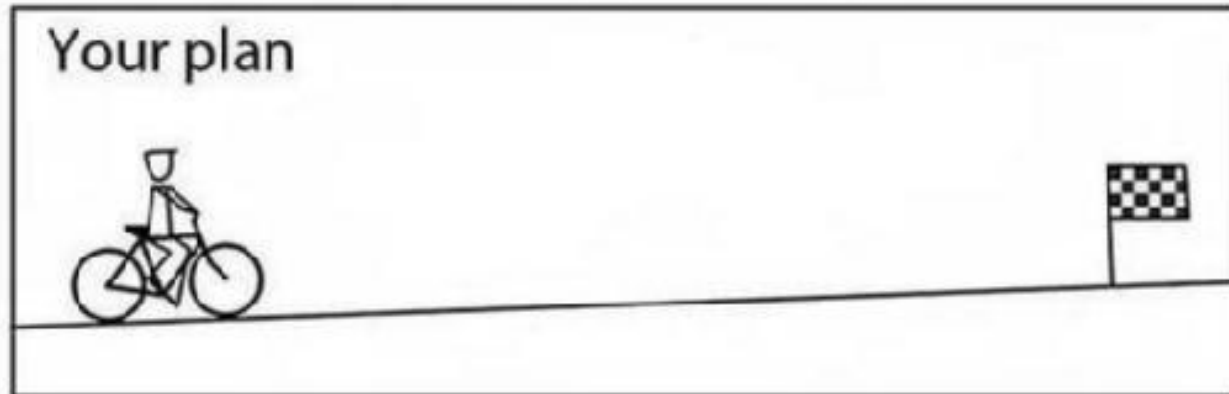
Team Lead: Full Time or Variable Hour?

Employee Groups	Team Lead
	1/1/14
Eligible Employees	400
Estimated Enrollees	60
Over 26	225
Average Earnings	\$13,837
% over 1 Year	88.5%
Avg Annual Hours	1505
% Over 1560 Hours	56.7%

January 2015: Affordable/ Manager Focused

Future Structure	Class 1	Class 2 Over 2 years	Class 2 Over 1 Year	Class 3 Over 2 years	Class 3 Over 1 Year	<30; <1Year
Employee Groups	OPS/Admin/MGR	ASST MGR/Team Lead	ASST MGR/Team Lead	Team Member	Team Member	Team Member
	1/1/14	1/1/14	1/1/14	1/1/14	1/1/14	1/1/14
Eligible Employees	74	219	194	204	10	986
Estimated Enrollees	51	55	29	31	2	0
Average Earnings	\$45,042	\$17,707	\$9,991	\$17,257	\$16,665	\$4,409
Status	FULL TIME	FULL TIME	FULL TIME	VARIABLE HOUR	VARIABLE HOUR	VARIABLE HOUR
Gold 1	X	X		X		
Silver 1	X	X		X		
Bronze 1		X	X	X	X	
Lockton Select Marketplace						X
MEC			X	X	X	X
Anticipated Employer Cost	\$3,520.44	\$3,520.44	\$3,090.00	\$3,520.44	\$3,090.00	\$0.00
Assumed EE Contribution/Month	\$115.45	\$54.32	\$90.19	\$54.32	\$90.19	\$0.00

Your Plan vs. Reality



Serving Three Employee Populations



I like the coverage I have and want to keep it.



I am excited about the insurance plan offered to me for the first time.

I don't qualify for the Employer Plan and need to buy individual coverage.



Exchange Types

Public Exchange

HealthCare.gov Learn **Get Insurance** Español

Individuals & Families Small Businesses All Topics SEARCH

INDIVIDUALS & FAMILIES

Health coverage for you and your family

The Health Insurance Marketplace will help you get coverage that meets your needs and fits your budget. **Open enrollment begins October 1, 2013.**

Get ready to learn more

nystateofhealth
The Official Health Plan Marketplace

ABOUT RESOURCES GET HELP 1-866-356-5777

Individuals & Families Employers Employees Brokers Navigators

Attention:

Due to overwhelming interest in the NY State of Health - including 2 million visits in the first 2 hours of the site launch - the health exchange is currently having log in issues. We encourage users who are unable to log in to come back to the site later when these issues will be resolved.

Individuals & Families

You and your family have many new low cost, quality health insurance options available through the Individual Marketplace.

You can quickly compare health plan options and apply for assistance that could lower the cost of your health coverage. You may also qualify for health care coverage from Medicaid or Child Health Plus through the Marketplace. Anyone can apply here.

Sign up as early as October 1, 2013 for coverage that begins

Private Exchange

Call 866-602-8466

Home Health Insurance Resources FAQ Customer Testimonials Blog Careers Health Insurance Exchanges

Beat the High Cost of Health Insurance!

Compare Plans and Save Money. It's Free!

Your Zip Code: **Start**

Need Guidance? Call Toll Free: 866-602-8466

Select Carrier: **Humana** **UnitedHealthOne** **aetna**

Select Deductible:

High Deductible	\$183	\$130	\$137	\$173
Medium Deductible	\$187	\$197	\$217	\$247
Low Deductible	\$282	\$292		

187 Plans Found

\$102.79 per month **Humana**

Value 70 \$7,500; \$1,000 Rx PPO View All Benefits

DEDUCTIBLE \$7500 COBRA/GRACE 30% DOCTOR VISITS \$35 PCP/\$6030k SPC OTHER BENEFITS Wellness ✓ Generic Drugs ✓ Branded Drugs ✓ Mental Health ✓ Emergency Room Visits ✓

\$105.17 per month **Humana**

Value 100 \$10,000; \$1,000 Rx PPO View All Benefits

DEDUCTIBLE \$10000 COBRA/GRACE 0% DOCTOR VISITS No Charge after Ded. OTHER BENEFITS Wellness ✓ Generic Drugs ✓ Branded Drugs ✓ Mental Health ✓ Emergency Room Visits ✓

\$118.70 per month **Humana**

Value 100 \$7,500; \$1,000 Rx PPO View All Benefits

DEDUCTIBLE \$7500 COBRA/GRACE 0% DOCTOR VISITS No Charge after Ded. OTHER BENEFITS Wellness ✓ Generic Drugs ✓ Branded Drugs ✓ Mental Health ✓ Emergency Room Visits ✓

\$119.93 per month **Humana**

Copy 70 \$7,500; \$500 Rx PPO View All Benefits

DEDUCTIBLE \$7500 COBRA/GRACE 30% DOCTOR VISITS \$35 PCP/\$6030k SPC OTHER BENEFITS Wellness ✓ Generic Drugs ✓ Branded Drugs ✓ Mental Health ✓ Emergency Room Visits ✓

Components of a Group Private Exchange

Key Services

Marketplace/Shopping Experience for Consumer

Enrollment Decision Support Tools

Employer Funded Defined Contribution

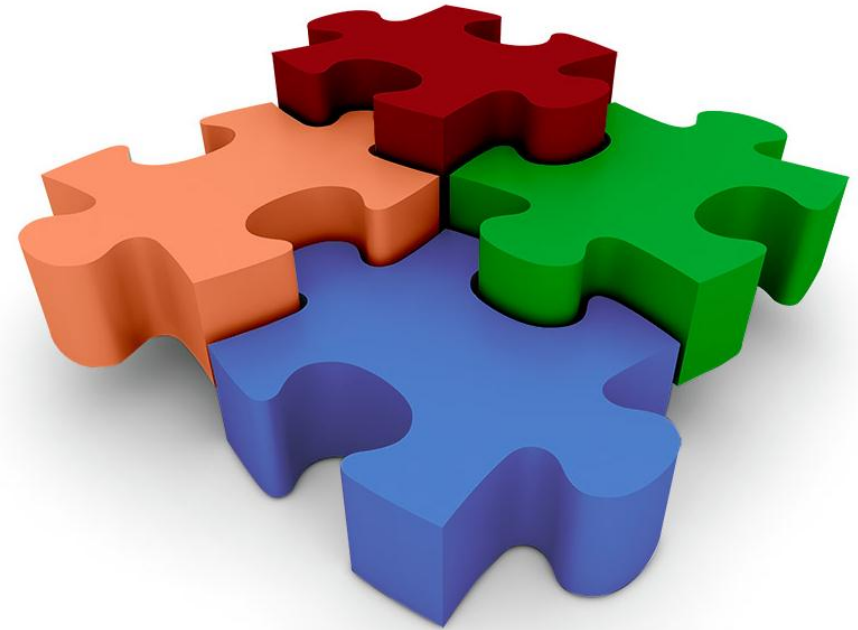
Shifting the Paradigm from Payroll Deduction to Providing Funds and Choice

Online Technology Platform

Integrated with or Potential Replacement for Benefits Administration System

Enrollment Advocacy Resources

Online and Call Center



Program Design – Enrollment Begins January 1, 2015

Plan Options for Three Employee Populations

**Full Time EE's
&
Tenured Variable
Hour 30 Hours +**

**Health: Platinum, Gold
Silver, Bronze & MEC
Dental: Two Options
Vision
Life & Voluntary Life
Disability Insurance
Accident Insurance
Critical Illness
Insurance**

**Variable Hour
30 Hours+
(Less than 2 years
tenure)**

**Health: Silver, Bronze & MEC
Dental: Two Options
Vision
Voluntary Life
Accident Insurance
Critical Illness Insurance**

**Variable Hour
< 30 Hours
Or
Inside Measurement
Period**

**Health: Private Exchange & MEC
Voluntary Life
Accident Insurance
Critical Illness Insurance**

What Should You Be Doing Now?

Classify employees (full time, part time, seasonal, variable)

Measure variable hour employees

Decide offer strategy (pay/play/somewhere in between)

Prepare plan designs to offer employees

Set contribution strategies

Discuss with payroll vendor of how to track variable hour employees and do 6055 and 6066 reporting



National Hospitality Exchange Solution


Underwritten by United HealthCare

- ❖ National program helps negotiate pricing
- ❖ Consistency of plan designs ensures competitiveness
- ❖ Bronze level health coverage at an affordable level delivers compliance
- ❖ Rating structure reduces participation requirement impact
- ❖ Tenure-based plan offerings allow different benefits by class & minimizes employer costs

Embedded Benefits Administration

- ❖ Payroll feeds allow the system to manage the measurement/stability period
- ❖ Enrollment populates directly to the carrier after enrollment
- ❖ Decision making assistance (by phone or website) helps employees choose the right plans
- ❖ Enrollment verification allows for confirmation for payroll deduction purposes
- ❖ Federal reporting requirements supported through the integrated system


National Hospitality Exchange



Welcome
Allen Niemynski - BSC
Change My Password
Message Center
Personal Documents

Log Out | Help

Home Benefits Reference Center




Enroll as Easy as 1-2-3

welcome to your one-stop for all your benefits-related needs!

Enrolling in your benefits is simple and valuable time spent.


1. **Explore** your options.
2. **Select** the benefits that fit your needs.
3. **Confirm** your choices.



START HERE
Change My Benefits

Enroll for benefits, change your benefits and access important benefit information with a click of this button.

You may also add or change your beneficiary information at any time by clicking the button above.



MyUHC 24/7
Find a doctor, estimate costs, research health information & more!

Benefit Resource Library

Key Contacts Health Plan Dental/Vision Plans 401(k)

Voluntary Plans

You can call xxx-xxx-xxxx and ask for Shelly Smith. She is available Monday - Friday 8:00 am - 5:00 pm CST.

HOTLINE: xxx-xxx-xxxx

EMAIL: admin@nhe.com

If you need immediate medical assistance - please contact your local hospital or dial 911.

Wellness Tips

Trial uses TheraSphere for the treatment of liver metastases

See the person, not the disease, with Alzheimer's caregiving

Farmers market: A healthy way to buy

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Plan Choice and Decision-Making Support

Welcome
Jonathan Raurk
[Change My Password](#)
[Message Center](#)
[Personal Documents](#)

Home
Benefits
Reference Center

Medical
Guide Me

Please make your medical election.

[Reference Center](#)

Your Cost BI-Weekly

<div data-bbox="376 521 454 549" style="border: 1px solid #ccc; border-radius: 5px; padding: 2px 5px; font-weight: bold;">Select</div>	Gold +	Employee Only \$34.62
	Plan Details	Employee and Spouse \$72.46
		Employee and Children \$65.54
		Family \$100.15
		Compare Plan
<div data-bbox="376 699 454 728" style="border: 1px solid #ccc; border-radius: 5px; padding: 2px 5px; font-weight: bold;">Select</div>	Gold Plan	Employee Only \$27.74
	Plan Details	Employee and Spouse \$34.78
		Employee and Children \$39.78
		Family \$48.30
		Compare Plan
<div data-bbox="367 863 473 892" style="color: green; font-weight: bold;">Selected</div>	HSA Bronze	Employee Only \$10.22
Plan Details	Employee and Spouse \$16.38	
	Employee and Children \$18.72	
	Family \$24.81	
		Compare Plan

Emergency Room	60% after deductible	
Deductible (Individual)	4,000	
Deductible (Family)	8,000	
Office Visit Copay	60% after deductible	
Coinsurance	60%	
Out-of-Pocket Maximum (Individual)	6,000	
Out-of-Pocket Maximum (Family)	12,000	

Total Employee Cost

\$0.00*

Bi-Weekly

New Hire Enrollment

- ✔ Personal Information
- ✔ Dependent Information
- ➔ Election Information
 - ➔ Medical \$0.00
 - Health Savings Account \$0.00
 - Dental \$0.00
 - Vision \$0.00
 - Review
 - Confirmation

Integrated Reporting and Compliance


The screenshot displays the NHE web application interface. At the top left is the NHE logo and the text "NATIONAL HOSPITALITY EXCHANGE". To the right, a welcome message reads "Welcome Allen Niemynski - BSC Home". Further right are navigation links for "Log Out", "Help", and "Live Chat". Below this is a dropdown menu showing "Ridgmont DEMO". A navigation bar contains links for "Company", "Benefits", "Employees", "Administration", and "Reports", along with a search box labeled "Search" containing "[Name or SSN]".

The main content area is titled "Employees - Time Tracking: Jamie Crosser". It features two tabs: "Time Tracking" (selected) and "Protected Leave". Below the tabs is a table with the following data:


Log	Location Code	Begin	End	Hours
<input type="checkbox"/>	100	10/01/2013	10/15/2013	25
<input type="checkbox"/>	100	10/16/2013	10/31/2013	40
<input type="checkbox"/>	100	11/01/2013	11/15/2013	55
<input type="checkbox"/>	100	11/16/2013	11/30/2013	65
<input type="checkbox"/>	100	12/01/2013	12/15/2013	62
<input type="checkbox"/>	100	12/16/2013	12/31/2013	75
<input type="checkbox"/>	100	01/01/2014	01/15/2014	62
<input type="checkbox"/>	100	01/16/2014	01/31/2014	66
<input type="checkbox"/>	100	02/01/2014	02/15/2014	88
<input type="checkbox"/>	100	02/16/2014	02/28/2014	40
<input type="checkbox"/>	100	03/01/2014	03/15/2014	40
<input type="checkbox"/>	100	03/16/2014	03/31/2014	40
<input type="checkbox"/>	100	04/01/2014	04/15/2014	40
<input type="checkbox"/>	100	04/16/2014	04/30/2014	40
<input type="checkbox"/>	100	05/01/2014	05/15/2014	40
<input type="checkbox"/>	100	05/16/2014	05/31/2014	40

Below the table are three buttons: "Edit", "Insert New Row", and "Delete Selected Rows".

Measurement Period Maintenance



Welcome
Allen Niemynski - BSC
Home



Log Out Help Live Chat

Ridgemont DEMO

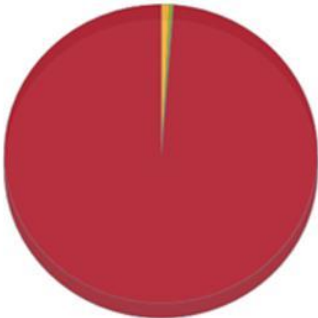
Company Benefits Employees Administration Reports Search [Name or SSN]

ACA StatusTracker

Dates: 05/18/2014 Go

> Current Measurement
■ Measurement Ending

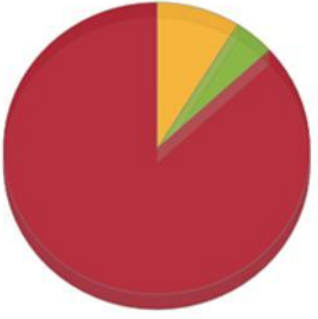
Members In Initial Tracking Period



Category	Count	Percentage
Trending Borderline	46	0%
Trending Eligible	20	0%
Trending Ineligible	5137	98%

July 11, 2014 Generate Report

Members In Ongoing Tracking Period



Category	Count	Percentage
Trending Borderline	7666	8%
Trending Eligible	3732	4%
Trending Ineligible	75127	86%

July 11, 2014 Generate Report

Mike's Information and Experience



Mike Kahley

Lockton Dunning Benefits
Senior Vice President

Contact Information:

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Phone: 214.720.5762

www.locktonconsultants.com

[Connect with Mike via LinkedIn](#)

As a husband of seventeen years and father of three, Mike is especially proud of the unique professional, family-oriented atmosphere at the Lockton office. The Kahleys' live in Highland Village, Texas and enjoy being thoroughly involved in the church and all the Kahleys' either coach or participate in youth sports. When Mike finds a moment to slow down, you might find him reading history and planning the next adventurous Kahley trip.



Franchise Representation

Boston Market Corporation
Consilient Restaurants
Dominos Franchise Association
Famous Dave's of America
Jack In The Box Association
MAC Pizza
Raising Cane's
Sonic Drive-Thru Corp
TOMS King Holdings LLC
Uncle Julios
Village Tavern
Wingstop Restaurants

Speaking Engagements

Chain Restaurant Total Awards Conference
Corner Bakery Leadership Conference
Multi-Unit Franchise Conference
The Dominos Franchisee Association
Famous Dave's Franchises
GE Capital Seminars
Jack in the Box Franchise Association
Nations Restaurant News Panel
People Report Best Practices Conference
Sonic Advisory Council
Wendy's Old Fashioned Franchise Association

Our Mission

To be the worldwide value and service leader in insurance brokerage, employee benefits, and risk management

Our Goal

To be the best place to do business and to work



www.lockton.com