

HEALTH CARE REFORM UPDATE:

IRS announces delay to employer mandate — other key provisions remain on schedule.

The IRS announced on July 2nd, 2013 they will be delaying the implementation of the employer mandate to 2015. Originally scheduled to take effect January 1, 2014, the employer mandate requires all applicable large employers (those with 50 or more full time equivalent employees) to offer benefits to at least 95% of full time employees or be subject to a penalty.

The delay will impact two key provisions of the Affordable Care Act (ACA): 1) the employer's requirement to offer sufficient and affordable coverage starting 2014 and 2) any reporting requirements associated with the employer mandate. Employers will still be required to provide required notices, plan for applicable fees, and make necessary benefit changes.

Additional guidance is expected to be released in the coming months on how this will impact the tracking of variable hour employees and plans that are non-calendar year.

It is critical to remember this is only a delay. Employers will need to wisely use this extension to fine-tune their business strategy.

QUICK HIGHLIGHTS OF THE DELAY:

- ⇒ **Employer mandate penalties will not apply until 2015.** Employers will not be penalized for failing to offer or provide sufficient, affordable health coverage to full time employees in 2014 as originally scheduled. Under a newly announced one-year delay, employer penalties will first apply for 2015.
- ⇒ **Delayed reporting requirements for 1 year.** The Treasury will also delay associated employer and insurer information reporting requirements for 1 year. Information reporting will be required for 2015, instead of for 2014, with the first reports now due in 2016. The Treasury plans to issue regulations on the information reporting requirements this summer.
- ⇒ **Premium subsidies available in 2014.** Premium subsidies to help individuals buy public exchange policies will be available in 2014 as slated.

While the employer mandate has been delayed, many of the provisions tied to the ACA remain on schedule. Please see a detailed list below.

WHAT IS DELAYED?

- Employer mandate to offer coverage to employees who work on average 30+ hours per week.
- Minimum value requirement for plan offering.
- Affordable contribution requirement.
- Associated penalties.
- Employer reporting to IRS on full-time employees and health coverage.

WHAT IS NOT DELAYED?

- Enrollment in employer-sponsored plans could still increase with individual mandate requirement effective January 1, 2014.
- Public exchanges and expanded Medicaid (in some states) still slated for January 1, 2014 effective date.
- Summaries of Benefits and Coverage and exchange notices to employees this fall, including data on whether employer plan provides minimum value.
- Employers may still want to respond to coverage verification requests for employees attempting to enroll in public exchange coverage. Employees eligible for coverage that meets minimum value and affordability standards will still be ineligible for exchange subsidies.
- ACA fees: PCORI, Temporary Reinsurance, and Health Insurer Fees.
- Plan design requirements for all plans, including maximum 90-day waiting period, no limits on pre-existing conditions or essential health benefits, expansion of wellness incentives, dependent coverage to age 26.
- Still to come: Auto enrollment and nondiscrimination requirements for insured plans (timing unknown); excise tax in 2018.
- Waiver for limited medical plans still expected to expire at the end of the 2013 plan year.

KEY CONSIDERATIONS FOR EMPLOYERS:

- This is only a delay — companies must still prepare for compliance. Employers now have more time to prepare for the employer mandate and to figure out their measurement period, tracking and reporting, other administrative support, and to respond to future guidance.
- Guidance on reporting and disclosure requirements. The proposed Treasury regulations will be provided this summer. Employers will be required to report the 2015 health coverage status of all full-time employees to the government, with first reports due in 2016. Beginning this fall, exchanges may still reach out to employers to verify applicant eligibility for health insurance.
- Even with the delay of the employer mandate requirements, medical plan cost will still go up an additional 2% - 3% or more (on top of trend) in 2014 for all employer-sponsored medical plans due to the ACA plan design requirements and fees.
- Cost control should remain the primary focus of employers as it relates to employer-sponsored health benefits. We expect employers to continue to move forward with their cost management strategies even with this delay.
- Resetting benefit value is an effective cost management strategy — introduce a CDHP or take steps to increase enrollment in an existing CDHP — followed by a strong commitment to health management and wellness programs.
- Private exchanges will continue to emerge as a strategy to enable employers to manage benefit spend and maximize the value of benefits delivered to employees.
- Employee communications are as important — if not MORE important — now.

HOW MARSH & McLENNAN CAN HELP

At MMA, we have the expertise and industry knowledge to help you navigate the anticipated reforms and offer employers the necessary tools to guide them now and in the future. Some examples include:

- Timely Legislative Updates
- Health Care Reform Calculator
- Health Care Reform Checklist
- Health Management Programs
- Private Exchange Access
- Employee Communications
- PCORI Fee Calculation

According to a Mercer survey from May 2013 of almost 900 employers, many are uncertain about the impacts of the ACA and about the changes they will make:

- 32% Don't know what the ACA-related cost increase will be.
- 23% Haven't decided how to track variable hour employees.
- 33% Don't know what look-back period they'll use.
- 41% Don't know whether to budget for expanded eligibility.
- 46% Haven't decided how to pay the \$63 per member reinsurance fee.
- 50% Are concerned about handling the high volume of employee questions.



For more information, contact your local MMA Representative:

500 Boylston Street, Suite 300
Boston, MA 02116
617-587-2300
www.MMA-NewEngland.com