

# Assembly Member Marie Waldron's



## Affordable Care Act Informational Guide

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## I. Individual and Family Access to Healthcare

- Benefits, Mandates, Penalties, Coverage, Tiers, Tax Consequences, Subsidies, Private Insurance

## II. What will Healthcare look like for Businesses?

- Small Business, Large Groups, Mandates & Penalties, Pay or Play, Tax Credits, Options, Tiers, SHOP, Exchange

## III. Time Line of Change

## IV. Resources

# Contents

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# Individual and Family Access to Healthcare

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## *Essential Health Benefits*

- Ambulatory Health services
  - Emergency services
  - Hospitalization
  - Maternity & Newborn care
  - Mental Health & Substance use disorder services
  - Prescription Drugs
  - Rehabilitative services & devices
  - Laboratory services
  - Preventive & wellness services & chronic disease management
  - Pediatric services
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# Individual and Family Access to Healthcare

## Mandates

- **Requirement for most US citizens and Legal residents to purchase health insurance**
  - Either Public or Private
  - At least meet Minimum Essential Coverage
- **Exemptions include:**
  - People whose cost of health insurance would be more than 8% of income
  - People with incomes below the threshold required for filing taxes
  - Those who qualify for religious exemptions
  - Undocumented Immigrants
  - Incarcerated people
  - Members of Native American tribes

## Penalties

- If someone does not qualify for an exemption and do not have health insurance, They are subject to a penalty (the greater of the two options).

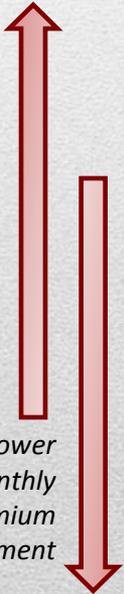
| Year | Percentage of Income | Set Dollar Amount                |
|------|----------------------|----------------------------------|
| 2014 | 1%                   | \$95/adult<br>(\$47.50/child)    |
| 2015 | 2%                   | \$325/adult<br>(\$162.50/child)  |
| 2016 | 2.5%                 | \$695/adult<br>(\$347.50/ child) |

# Individual and Family Access to Healthcare

## Coverage and Tiers

|  | Bronze                          | Silver*            | Gold     | Platinum |
|--|---------------------------------|--------------------|----------|----------|
| Percentage of expenses paid by health plan | 60%                             | 70%                | 80%      | 90%      |
| Percentage of expenses paid by individual  | 40%                             | 30%                | 20%      | 10%      |
| Deductible                                 | \$5,000<br>Medical and drugs    | \$2,000<br>Medical | None     | None     |
| Primary Care Visit Copay                   | \$60<br>(Three visits per year) | \$45               | \$30     | \$20     |
| Generic Medication Copay                   | \$19                            | \$19               | \$19     | \$5      |
| Emergency Room Copay                       | \$300                           | \$250              | \$250    | \$150    |
| Maximum Out-of-Pocket for Individual       | \$6,350                         | \$6,350            | \$6,350  | \$4,000  |
| Maximum Out-of-Pocket for family           | \$12,700                        | \$12,700           | \$12,700 | \$8,000  |

Higher percentage of expenses paid by plan



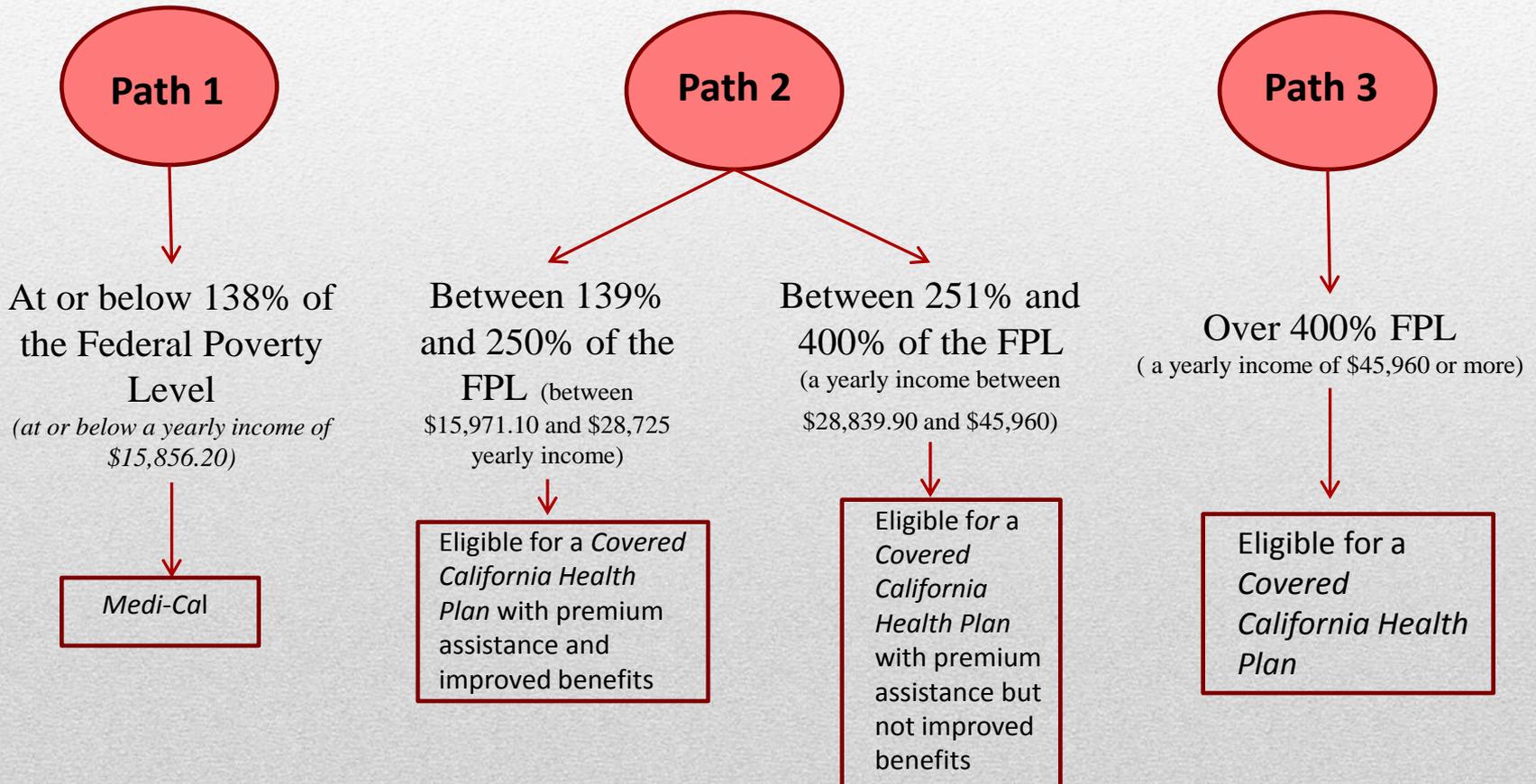
Lower monthly premium payment

\* Lower cost sharing is available on sliding scale  
Copays are not subject to any deductible and count toward the annual out-of-pocket maximum.

\*Blue corners indicate benefits that are subject to deductibles

# Individual and Family Access to Healthcare

## *Coverage for Lower Income Individuals*



**Federal Poverty level of 2013 for one individual is \$11,490**

*(note for each additional member in family/household add \$4,020 to the level then calculate percentages)*

# Individual and Family Access to Healthcare

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## *Tax Consequences*

- Increased Itemized Deduction for Medical Expenses to 10%
- Increased Medicare Payroll tax by 0.9%
- Limit FSA contributions to \$2,500 per year

## *Individual Subsidies*

- Income Limits for subsidies:
  - 133%-400% of Federal Poverty Level
- Premium credits or cost-sharing subsidies

## *Private Insurance*

- Qualified Private Health Plans (San Diego Options)
    - **Anthem Blue Cross, Blue Shield, Health Net, Kaiser, Molina, Sharp Health Plan**
    - Only current private healthcare options
    - Deductibles not to exceed \$2,000/\$4,000
    - Limit waiting periods to 60 days
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# What will Healthcare look like for Businesses?

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## *Small Businesses; 2-50 employees*

- No requirement to provide insurance
    - If coverage is provided it must cover all Essential Health Benefits
  - No penalty if you choose not to provide insurance
    - If you provide coverage (retroactive to 2011), you may be eligible for the health care tax credits to offset cost of the employees premium
    - Eligible to purchase employee health insurance through the Covered California program called Small Business Health Options Program (SHOP) as of 1/1/14
    - Tax credits will increase but are only available only if insurance is purchased in the SHOP
    - Employees and families will have access to private and public coverage through Covered California if not offered
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# What will Healthcare look like for Businesses?

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## ***Large Businesses; 50+ full time employees***

- Mandatory coverage for employees
  - Employers prohibited from providing better eligibility, health benefits, or employer contribution to highly- compensated individuals
  - Large groups are not required to offer Essential Health Benefits(EHB), but if they choose then both the annual and lifetime dollar limits will be eliminated for those benefits.
- Waiting period limited to 60 days
- *If employer offers affordable\* and adequate health care coverage, employee is no longer eligible for Covered CA.*

\* Affordability is determined by calculations made by IRS

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# What will Healthcare look like for Businesses?

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## *Mandates & Penalties*

**\*\*\*As of 7/3/2013, the Federal Government has delayed the penalties\*\*\* associated with the Employer mandate until 2015. We are awaiting further guidance on the other aspects of the provision.**

Beginning in 2015, Large group employers may be subject to an excise tax/penalty if :

- Employer does NOT offer coverage to fulltime employees and has one employee receiving a tax credit
    - *Must pay a \$2,000 penalty per full-time employee excluding the first 30 employees*
  - Employer DOES offer coverage and has at least one employee receiving a tax credit
    - *Must pay the lesser of \$3,000 for each tax credited employee or \$2,000 for each employee*
  - Or if coverage does not meet the law's standards
  - One employee receives a premium tax credit in the Exchange:
    - The penalty for not offering coverage is equal to the number of full-time employees employed during the year, minus 30, multiplied by \$2,000
    - The penalty for providing coverage that is not affordable or does not comply with minimum value coverage under ACA guidelines is equal to the lesser of \$3,000 per employee who qualifies for subsidy in the Exchange, or \$2,000 per full time employee
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# What will Healthcare look like for Businesses?

## *Mandates & Penalties*

- If new employee is reasonably expected to be employed on average of at least 30 hours per week, then coverage must be offered within 60 days of start date.
  - The proposed regulations do not define Seasonal Employee, and employers are permitted to use a reasonable good-faith interpretation of the term through 2014.
  - An employer may use an “initial measurement period” of between 3 and 12 months that begins on any date between employees start date and the 1<sup>st</sup> day of the calendar month following the start date.
  - An administrative period of up to 90 is also allowed.
  - What if employer cannot reasonably determine if an employee will be full-time?
    - The shared responsibility penalties are calculated on a monthly basis. The potential liability of a large employer for the Play or Pay penalty is determined by the number of full time employee who enrolled in Exchange coverage and received a premium tax credit or cost-sharing reduction during the calendar month. The IRS acknowledged the difficulties employers may have with making monthly determinations of full time status. Concerned that monthly determinations could result in employees moving in and out of employer coverage and possibly exchange coverage, as frequently as monthly, the proposed regulations include optional “look-back measurement” method that employers can use as an alternative to making a monthly determination.
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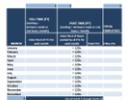
# What will Healthcare look like for Businesses?

## *Play or Pay*

***Effective January 1, 2015 if an employer does not have at least 50 full-time employees, it still can be subject to the Play or Pay rule if:***

- The employer is part of a “controlled group” or “affiliated service group” and the full-time employees or full-time equivalent(FTE) employees of the controlled group is at least equal to 50. Multiple companies under single ownership must add all FTEs from all businesses together to determine if the employer us a large employer; but that is only for calculating group size. The employer can offer different plans or choose pay or play for each company separately.
- The employer is a new employer and expects to employ an average of at least 50 full-time employees in the current calendar year.
- The employer is deemed to be a large group due to the predecessor employer.
- The employer has enough FTE employees to cause the employer to be treated as a large employer.

Click on icon to view “Worksheet-  
Counting Full-Time Equivalent  
Employees”



# What will Healthcare look like for Businesses?

## Tax Credits

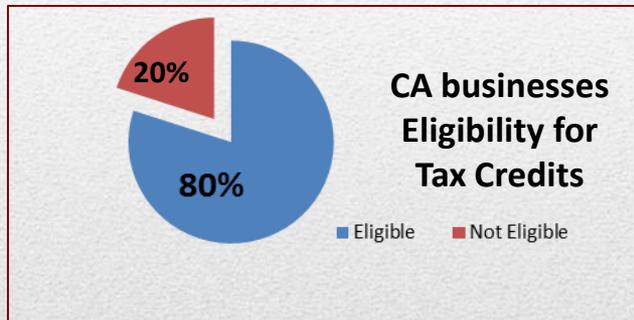
### Eligibility

- Exclude owner and Family from calculations
- 25 or less full-time equivalent employees
- \$50,000 or less average annual wages
- Owner pays at least 50% of premium

### Tax Credits

- 2010-2013: Credit up to 35% of premium payments (25% non-profits)
- 2014: Credit up to 50% of premium payments thru SHOP only (35% non-profit)

**CA Survey:** 76% of small Businesses not aware of the small business tax credit  
**2010:** Only 14% claimed \$278 million of estimated \$2 billion in tax credits (interim IRS figures)



| <i>Examples</i>                        | Beauty Shop with 10 employees           | Restaurant with 40 part time employees |
|--|---|--|
| <b>Business</b>                        | Main Street Hair                        | Downtown Café                          |
| <b>Employees</b>                       | 10 Full-Time Equivalent (FTE) employees | 40 Half-Time Employees (20 FTEs)       |
| <b>Wages</b>                           | \$250,000 (\$25,000/ FTE)               | \$500,000 (\$25,000/ FTE)              |
| <b>Employer Health Insurance Cost*</b> | \$70,000                                | \$240,000                              |
| <b>2013 Tax Credit (35%)</b>           | \$24,000                                | \$28,000                               |
| <b>2014 Tax Credit (50%)</b>           | \$35,000                                | \$40,000                               |

\* Employer Payments for employee premiums. Employer can deduct the remainder of premiums paid as a business expense ( see IRS form 8941 and instructions to apply)

# What will Healthcare look like for Businesses?

## *The Metal Tiers and Actuarial Value*

| Metal Tier Actuarial Value | Platinum 90%   | Gold 80%   | Silver * 70%                   | Bronze 60%         |
|----------------------------|--|--|--------------------------------|--------------------|
|                            | Co-pays Not Subject to Deductible                        |  | Benefits Subject to Deductible |                    |
| <b>Deductible</b>          | None   | None   | \$2,000 Med                    | \$5,000 Med        |
| <b>Preventative Care*</b>  | No Cost  | No Cost  | No Cost                        | No Cost            |
| <b>PC Visit</b>            | \$20   | \$30   | \$45                           | \$60 (3visit/year) |
| <b>Spec Visit</b>          | \$40   | \$50   | \$65                           | \$70               |
| <b>UC/ER</b>               | \$40/\$150   | \$60/\$250   | \$90/\$250                     | \$120/\$300        |
| <b>Gen/Brnd/Pref RX</b>    | \$5/\$15/\$25  | \$20/\$50/\$70                                       | \$25/\$50/\$75                 | \$25/\$50/\$75     |
| <b>Lab/X-Ray</b>           | \$20/\$40/\$150  | \$30/\$50/\$250                                      | \$40/\$50/\$250                | 30%/30%            |
| <b>Hospital/ Hi Cost</b>   | HMO<br>OP surg. \$250<br>Hosp. \$250/day < 6<br>PPO- 10% | HMO<br>OP Surg. \$600<br>Hosp. \$600/day<br>PPO- 20% | 20% of Plan Rate               | 30% of Plan Rate   |
| <b>Max OOP(Ind.)</b>       | <b>\$4,000</b>   | <b>\$6,400</b>                                       | <b>\$6,400</b>                 | <b>\$6,400</b>     |
| <b>Max OOP (fam.)</b>      | <b>\$8,000</b>   | <b>\$12,800</b>                                      | <b>\$12,800</b>                | <b>\$12,800</b>    |

Mental Health and Substance Abuse same as PC copayment levels and Hospital coinsurance levels; Pediatric dental an Essential Service (Stand Alone 2014)

# What will Healthcare look like for Businesses?

## *2014 Covered California Rates Compared to 2013 Small Group Rates (40-year-old)*

| County<br>Number of eligible people                | Lowest Silver Plan                    | Second Lowest Silver Plan       | Third Lowest Silver Plan        | Average of Three Lowest Priced Silver Plans | Average of 2013 Comparable Small Group Plans | Difference between Average Silver Plans Comparable to Small Group Plans |
|--|---------------------------------------|---------------------------------|---------------------------------|---|--|---|
| Region 3<br><b>Sacramento</b><br>126,000           | <b>Anthem PPO</b><br>\$332            | <b>Blue Shield PPO</b><br>\$333 | <b>Kaiser PPO</b><br>\$347      | \$337                                       | \$334  | 1%  |
| Region 4<br><b>San Francisco</b><br>28,000         | <b>Chinese Community HMO</b><br>\$325 | <b>Anthem EPO</b><br>\$373      | <b>Blue Shield PPO</b><br>\$375 | \$358                                       | \$403  | -11%  |
| Region 6<br><b>Alameda</b><br>80,000               | <b>Blue Shield EPO</b><br>\$317       | <b>Anthem PPO</b><br>\$357      | <b>Kaiser HMO</b><br>\$365      | \$346                                       | \$340  | 2%  |
| Region 15<br><b>Los Angeles</b><br>779,000 (North) | <b>HealthNet HMO</b><br>\$222         | <b>HealthNet PPO</b><br>\$252   | <b>LA Care HMO</b><br>\$253     | \$242                                       | \$311  | -22%  |
| Region 16<br><b>Los Angeles</b><br>779,000 (South) | <b>HealthNet HMO</b><br>\$242         | <b>Anthem HMO</b><br>\$252      | <b>Molina HMO</b><br>\$259      | \$253                                       | \$362  | -29%  |
| Region 19<br><b>San Diego</b><br>193,000           | <b>HealthNet HMO</b><br>\$269         | <b>Anthem EPO</b><br>\$308      | <b>Kaiser HMO</b><br>\$316      | \$298                                       | \$324  | -8%   |

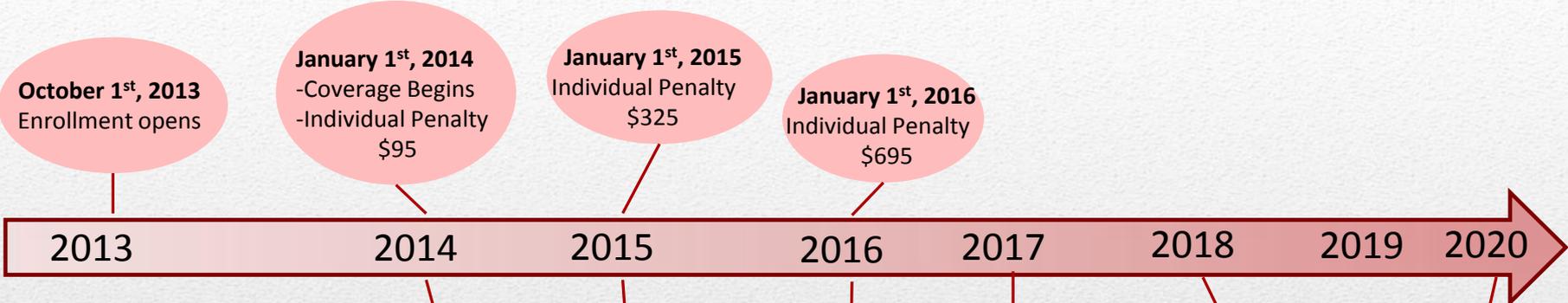
# What will Healthcare look like for Businesses?

## ***The SHOP: Small Business Health Options Program***

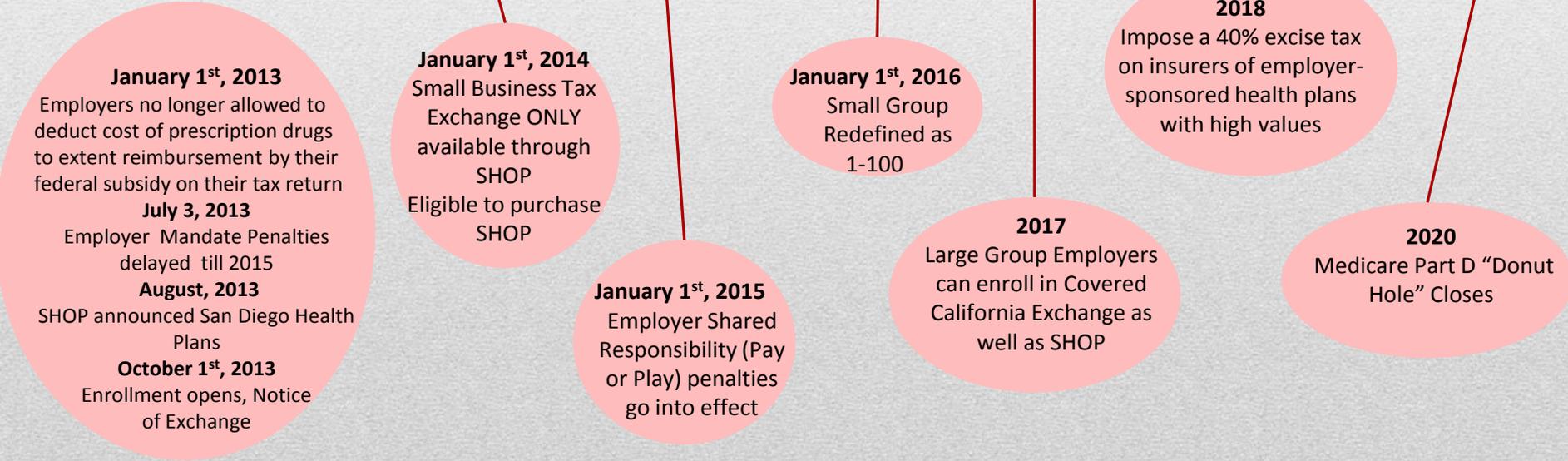
- New marketplace within our exchange, called Covered California
  - SHOP will offer qualified private insurance plans to small businesses (2-50 employees)
  - Online application process
  - Standardized plans for easy comparison online
  - Tax Credits up to 50% of employer cost for qualifying businesses < 25 full-time employees- only for plans purchased thru SHOP
  - Access to community /broker assistance
  - Eventual expansion to medium size businesses up to 100 employees
  - San Diego Health Plan Choices
    - The Blue Shield of California (PPO, HMO)
    - Health Net (PPO)
    - Kaiser Permanente (HMO Co-pay, HMO Co-insurance, HMO HSA)
    - Sharp Health Plan (HMO Co-pay, HMO Co-insurance, HMO HSA)
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# Timeline of Change

## Individual and Family Healthcare



## Business Healthcare



# Resources

## Covered California

- [www.coveredca.com](http://www.coveredca.com)
- Service center: (888) 975-1142

## County of San Diego: *Health and Human Services Agency*

- (866) 262 9881
- [www.accessbenefitsSD.com](http://www.accessbenefitsSD.com)
- [Pubassist.hhsa@sdcounty.ca.gov](mailto:Pubassist.hhsa@sdcounty.ca.gov)

## Riverside County: *Department Public Social Services*

- (951) 791-3000
- 541 N. San Jacinto St. Hemet, CA 92543
- <http://dpss.co.riverside.ca.us/>

## Neighborhood Healthcare

- [www.nhcare.org](http://www.nhcare.org)
- Merle Preston

Access to Care Manager  
Neighborhood Healthcare  
[MerleP@nhcare.org](mailto:MerleP@nhcare.org)  
(619)440-7616 ext. 211

## Consumer Center for Health Education and Advocacy

- 1(877)734-3258
- [www.cchea.org](http://www.cchea.org) (for problems that consumers face in navigating the health care system- from enrollment to medical care problems)

## Health Reform Beyond the Basics; *From the Center on Budget and Policy Initiatives*

- [www.healthreformbeyondthebasics.org](http://www.healthreformbeyondthebasics.org)

## San Diegans for Healthcare Coverage

- [www.sdhcc.org](http://www.sdhcc.org)

## Small Business Majority

- [www.smallbusinessmajority.org](http://www.smallbusinessmajority.org)
- Marcia Dávalos  
Southern California Outreach Manager  
Small Business Majority  
(818) 804-8229  
[mdavalos@smallbusinessmajority.org](mailto:mdavalos@smallbusinessmajority.org)

# Resources

## Kamal Muilenburg

- Associate Director
- San Diegans for Healthcare Coverage
- [kamal@sdhcc.org](mailto:kamal@sdhcc.org)
- (619) 231-0333
- [www.facebook.com/sdhcc](http://www.facebook.com/sdhcc)

## Kevin S. Svetich CLU

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- Escondido, CA 92025
- (760) 746-4777 Fax 4744
- [www.kssvetichclu.com](http://www.kssvetichclu.com)
- [www.kevinssvetichclu.com](http://www.kevinssvetichclu.com)

## Lauren Abrams

- Project Coordinator
- Council of Community Clinics
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- (619) 542-4368

## Federal Website(s)

[www.healthcare.gov](http://www.healthcare.gov)

## Government Sites

[www.IRS.gov](http://www.IRS.gov)

[www.WhiteHouse.gov](http://www.WhiteHouse.gov)

[www.USTreas.gov](http://www.USTreas.gov)

[www.insurance.ca.gov](http://www.insurance.ca.gov)

[www.labor.ca.gov](http://www.labor.ca.gov)

## Other Valuable Resources

[www.CoverageForAll.org](http://www.CoverageForAll.org)

[www.NAHU.org](http://www.NAHU.org)

[www.NACI.org](http://www.NACI.org)

[www.SHRM.org](http://www.SHRM.org)

[www.KFF.org](http://www.KFF.org)

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