Healthcare Reform Strategies and the Financial Benefit of Wellness Programs

Presented by:

Liliana Salazar, Senior Vice President
National Practice Leader, Employee Benefits Compliance
Wells Fargo Insurance

Robert Davenport, Wellness Consultant
Employee Benefits

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Agenda

- ACA Updates
- Upcoming ACA deadlines
- Identifying full time employees under the ACA
- Measurement periods and their administration
- ACA and new product offerings
- Incorporating Wellness into your ACA strategy
- Overview of wellness programs
- Next Steps
- Q&A
ACA Update- Court Cases

- Opposing decisions reached by two Courts of Appeal
  - **Halbig v. Burwell** (D.C. Cir., No. 14-5018, 7/22/14) - Court ruled that subsidies could not be made available under federally-facilitated marketplaces (FFM), invalidating IRS regulations on this issue
    - Administration filed for an en banc rehearing before the D.C. Court of Appeals (all 11 judges to render decision)
    - Rehearing was granted by the Court, oral arguments are scheduled for 12/17/14. Decision not likely before Spring 2015
  - **King v. Burwell** (4th Cir., No. 14-1158, 7/22/14) - Ruled that subsidies could be made available to individuals purchasing coverage under a FFM
    - Plaintiffs have requested the U.S. Supreme Court hear the case, Government granted until 10/3/14 to file a response with respect to Plaintiff’s request for certiorari by the U.S. Supreme Court
  - IRS posted statement that at this time subsidies remain available to participants under all marketplaces, FFM or state-run, no impact until decisions are made by Appeals Court or if certiorari is granted by the U.S. Supreme Court
ACA Updates- Court Cases (continued)

- U.S. Supreme Court decision in **Burwell v. Hobby Lobby**
  - Closely held for-profit corporations with religious objections can opt out of providing contraception coverage (four particular forms of contraception)
  - ACA contraceptive mandate imposed a substantial burden on the religious owners of closely held corporations, and was not the least restrictive approach available
  - Narrow holding: only applies to closely held corporations, no ownership interests are publicly traded (fewer than a specified number of shareholders or a specified fraction of the ownership interest)
  - Doesn’t validate religious objections to other ACA mandates, such as coverage of vaccines
## ACA Timeline 2013-2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Events</th>
</tr>
</thead>
</table>
| 2014 |  - Community rating  
   - Exchanges and SHOP (only SHTC; 35%NP/50% FP)  
   - Medicaid expansion  
   - 90-day waiting period from DOH  
   - Individual mandate*  
   - Deductible limits and OOP max  
   - Elimination of pre-existing conditions and annual dollar limits on EHB  
   - Health Plan ID  
   - Transitional Reinsurance and Carrier Fee |
| 2015 |  - Play or Pay mandate for employers with >100 or employers with <100 employees that do not qualify for relief  
   - Automatic enrollment (?)  
   - Payment of reinsurance fee  
   - Report value of benefits on W-2 Form  
   - Exchanges available to employers with less than 100 employees  
   - ALE reporting 6055 and 6056 |
| 2016 |  - ALEs with less than 100 FT (50-99) employees subject to play or pay mandate  
   - Payment of individual penalties  
   - Imposition of penalties for employers under ACA (100+ FTE)  
   - Non-discrimination tests for fully-insured plans (?)  
   - ALE reporting requirements reports due on 2/1/16 for 1095C forms and 1094 Form by 2/29/16 (paper) or 3/31/16 electronic |
| 2017 |  - Exchanges available to employers of all sizes |
| 2018 |  - Cadillac Plan Tax |

* Extension may apply to individuals working for employers with non-calendar year plans
### ACA Deadlines

**IRC Section 6055 (reporting offer of MEC coverage)**

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicable to all providers of MEC coverage (carriers and self-funded medical plans regardless of size)</td>
<td>Self-insured plans report to IRS via transmittal Form 1094-C, a 1094-C Form accompanies each 1095-C Form Filed, one 1094-C Form must be the Authoritative Transmittal Form (aggregate information of all forms)</td>
</tr>
<tr>
<td>Report to IRS all participants (employee, dependents and others) covered by self-funded medical plan that offers minimum essential coverage</td>
<td>Form 1095-C (Parts I and III, if employee is FT also II), Forms must be filed by February 28 (March 31 if filing electronically).</td>
</tr>
<tr>
<td>Collect all SSN or TIN for plan participants, when coverage is offered and months individuals are covered (calendar year reporting regardless of plan year)</td>
<td>If self-funded plan is not sponsored by an ALE, small employer must file Forms 1094-B and 1094-C, Multi-employer plans to report on union plan coverage</td>
</tr>
<tr>
<td>Issue certificate of coverage to each covered employee by 2/1/16 (Form 1095-C), may block SSN and only report last four digits</td>
<td></td>
</tr>
</tbody>
</table>
## ACA Deadlines

### IRC Section 6056 (ALE reporting)

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicable to all ALEs (50 FTE employees)</td>
<td>Report for each employee number of months covered and if coverage met ACA criteria</td>
</tr>
<tr>
<td>Information used to assess ALE exposure under Play or Pay mandate (4980H)</td>
<td>Ensure plans are compliant based on calendar year plan reporting requirements rather than plan year</td>
</tr>
<tr>
<td>Each employer must report for its own employees, each member of a controlled group to report separate 1095-C and transmittal form 1094-C</td>
<td>Complete 1094-C and 1095-C by February 28th (March 31 if filing electronically), for employee issue Form 1095-C by 2/1/16</td>
</tr>
<tr>
<td>Must determine which reporting method ALE to use</td>
<td>Systems must properly track hours worked by employees to determine FT status and also capture when coverage was offered</td>
</tr>
<tr>
<td>State if employer qualifies for relief (50-99)/100 or more employees (non-calendar year plans)</td>
<td></td>
</tr>
</tbody>
</table>
Understanding the Play or Pay Mandate under the ACA
Play or Pay Mandate – Overview

**No minimum essential coverage (MEC) for “substantially all” full-time employees (and “dependents”)**

**$2,000* annually ($166.67 per month) per total number of full-time employees**
- Exclude first 30 FT Employees (for 2015 only, offset is 80 if ALE has 100 or more FT employees)

**$3,000* annually ($250 per month) per each full-time employee that receives federal assistance from a public exchange**
- Capped at level as if no minimum essential coverage offered

**Applicable large employer**
- 50 or more full-time (including FTE) employees
- Determined on an IRC controlled group basis

* Adjusted for medical inflation after 2014

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Transition relief – Play or Pay Mandate

Employers with less than 50 full-time employees in 2014

**NOT AN ALE**
- Not subject to Play or Pay Mandate in 2015 if less than 50 FTE during any six consecutive months in 2014
- Not required to offer healthcare coverage to full-time employees or coverage that is affordable or minimum value
- Not required to implement measurement periods
- Not required to comply with 6056 reporting but must comply with 6055 if self-insured

ALE with 50 but less than 100 full-time employees in 2014

- Relief from complying with Play or Pay mandate for entire 2015 plan year (for both calendar and non-calendar plans), *if certain conditions are met*:
  - Limited workforce (50-99)
  - No change in employee headcount (2/9/14-12/31/14)
  - No change in plan year
  - Retains benefits and contributions similar to those in effect on 2/9/14
  - Certify to IRS eligibility for relief
- Must comply with IRS reporting requirements under 6055 (if self-insured) and 6056
- If it does not qualify for relief it must comply in 2015 with Play or Pay mandate

ALE with 100 or more full-time employees

- Must have not changed plan year after 12/27/12
  - Pre-2015 Eligibility Transition Guidance
  - All Employee Transition guidance
  - FT Employee Transition Guidance
- **Must comply in 2015**
  - Implement measurement periods
  - Offer MEC to FT employees that is affordable and minimum value
  - Comply with reporting requirements under 6055 (if self-insured) and 6056
What is the employer Play or Pay mandate?

Step 2
“Acceptable” Health Insurance

“Minimum Value” (60% Actuarial Value)

Step 3
“Affordable” Employee Contributions

*: < 9.5% of Household Income (or one of three safe harbors)
* Amount indexed in 2015

Offer MEC to employees working ≥ 30 hrs/week (130 hrs./month)

Insurance Exchange < 400% of Federal Poverty Level (FPL)

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Step 1
Offer Minimum Essential Coverage (at least 70% of FT employees for 2015/95% of FT employees for 2016 and beyond)

Step 2
Affordability Employee Only Coverage: < 9.5% of household income
- Box 1 of W-2 Form
- Rate of pay
- 100% of Federal Poverty Level (FPL)
* If plan complies with Step 1 and 2 but not Step 3 employer can be subject to 4980H(b) penalty ($3,000/yr. per employee)

Step 3
Minimum Value (MVP)
- Actuarial value of at least 60%
- Only one plan offered to employee must be an MVP
* If plan complies with Step 1 and 3 but not Step 2, employer can be subject to 4980H(b) penalty ($3,000/yr. per employee)

Step 1
Eliminates risk of 4980H (a) Penalty: Failure to offer MEC coverage

Steps 1, 2 and 3
Eliminates risk of penalties under 4980H (a) and (b)
Identifying full time employees under the ACA
Identify Full Time Employees

ACA Rules to identify FT employees

**FT employee** - At time of hire scheduled to work 30+ hours per week on a regular basis = FT must offer benefits no later than 90 days from DOH (60 days in CA if plan is insured)

**Seasonal** – employee hired for typically not more than six consecutive months each year = MAY BE MEASURED UNDER LOOK BACK PERIOD (Up to 12 months from DOH), no benefits need to be offered until end of measurement period if deemed to be a FT employee

**Part-time** – hired to work less than 30 hours per week = MAY BE MEASURED UNDER LOOK BACK PERIOD (Up to 12 months from DOH), no benefits need to be offered until end of measurement period if deemed to be FT employee

**Variable hour** - hours fluctuate week to week over and under 30 hours per week = MAY BE MEASURED UNDER LOOK BACK PERIOD (Up to 12 months from DOH), no benefits need to be offered until end of measurement period if deemed to be FT employee

**Action Items**

- Review hiring practices and H.R. policies to classify employees based on ACA rules
- Implement measurement periods to identify number of FT employees for 2015
- Ensure payroll system is properly tracking hours and reporting unpaid hours (disability, sick, WC, vacation, jury duty, FMLA, etc.)
Measurement periods and their administration
Measurement Periods

Identifying Full-time Employees

- If an employer chooses to measure one employee group all employees must be measured
- Employer must keep track of all employees’ hours under one of these methods:
  - Monthly measurement method
  - Look-back measurement method
- May use Monthly method for some employees and Look-back method for other employees only in these categories:
  - Salaried/Hourly
  - Different U.S. states
  - Collectively bargained/non-collectively bargained
  - Covered by different collective bargaining agreements
Measurement Periods

Monthly measurement method – sample

- **Scenario 1**
  New employee hired as of January 1, 2015, employee subject to a 90 day waiting period. Employee measured under the monthly measurement method, employer uses 130 hours per month to assess FTE status.

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Hours</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Status</td>
<td>FT</td>
<td>FT</td>
<td>FT</td>
<td>FT</td>
<td>FT</td>
<td>FT</td>
<td>FT</td>
<td>FT</td>
<td>FT</td>
<td>FT</td>
<td>FT</td>
</tr>
<tr>
<td>§4980H penalty if benefits not offered?</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Measurement Periods

Monthly Measurement method- sample

- **Scenario 2**
  On-going employee who has been a full-time employee who experiences a reduction in hours of employment. Employee is measured under the monthly measurement method (130 hours per month = FTE).

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee Hours</strong></td>
<td>150</td>
<td>100</td>
<td>115</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td><strong>Status</strong></td>
<td>FT</td>
<td>Not</td>
<td>Not</td>
<td>FT</td>
<td>FT</td>
<td>FT</td>
<td>FT</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>§4980H penalty if benefits not offered?</strong></td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>
# Measurement Periods

## Look-back measurement periods

<table>
<thead>
<tr>
<th>Ongoing Employees (employed for one full measurement period):</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Standard Measurement Period (SMP)</strong></td>
<td><strong>Admin Period (AP)</strong></td>
<td><strong>Standard Stability Period (SSP)</strong></td>
</tr>
<tr>
<td>3 - 12 months</td>
<td>up to 90 days</td>
<td>Generally equals SMP (must be at least 6 months)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Newly Hired Part-time/Variable Hour/Seasonal Employees</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Initial Measurement Period (IMP)</strong></td>
<td><strong>Admin Period (AP)</strong></td>
<td><strong>Initial Stability Period (ISP)</strong></td>
</tr>
<tr>
<td>3 - 12 months</td>
<td>up to 90 days</td>
<td>Must equal standard stability period</td>
</tr>
</tbody>
</table>

Must be < 13 months + fraction (from date of hire, including any portion of Admin Period used prior to start of IMP)
<table>
<thead>
<tr>
<th>Calendar Year Plan Measurement Examples</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>ONGOING EMPLOYEES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st CYCLE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard Measurement Period (SMP)</td>
<td>11/13 - 10/31/14</td>
<td>11/1/14 - 12/31/14</td>
<td>11/1/15 - 12/31/15</td>
<td>11/1/16 - 12/31/16</td>
</tr>
<tr>
<td>Standard Stability Period (SSP)</td>
<td>AP</td>
<td>AP</td>
<td>AP</td>
<td>AP</td>
</tr>
<tr>
<td>2nd CYCLE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard Measurement Period (SMP)</td>
<td>11/1/14 - 10/31/15</td>
<td>11/1/15 - 12/31/15</td>
<td>11/1/16 - 12/31/16</td>
<td></td>
</tr>
<tr>
<td>Standard Stability Period (SSP)</td>
<td>AP</td>
<td>AP</td>
<td>AP</td>
<td>AP</td>
</tr>
<tr>
<td>NEW HIRES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>If part-time, seasonal, or variable hour</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Example: New Hire as of 6/15/14</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INITIAL CYCLE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial Measurement Period (IMP)</td>
<td>AP</td>
<td>AP</td>
<td>AP</td>
<td>AP</td>
</tr>
<tr>
<td>Initial Stability Period (ISP)</td>
<td>7/1/14 - 6/30/15</td>
<td>8/1/15 - 7/31/16</td>
<td>11/1/15 - 12/31/15</td>
<td>11/1/16 - 12/31/16</td>
</tr>
<tr>
<td>First</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Hire is measured again during the SMP Cycle</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMP CYCLE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard Measurement Period (SMP)</td>
<td>11/1/14 - 10/31/15</td>
<td>11/1/15 - 12/31/15</td>
<td>11/1/16 - 12/31/16</td>
<td></td>
</tr>
<tr>
<td>Standard Stability Period (SSP)</td>
<td>AP</td>
<td>AP</td>
<td>AP</td>
<td>AP</td>
</tr>
<tr>
<td>Second</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Measurement Periods- Action Plan

- Determine if employer qualifies for transition relief or not
- Determine duration of measurement periods (3, 6, 9, 12, other?)
- Determine when initial measurement period will commence for new variable hour, seasonal or part-time employees (DOH or first month following DOH)
- System compatibility and effectiveness in aggregating information about certain “Unpaid Leaves”
- Types of measurement periods to be used for certain employee classifications (monthly/look-back?)
- Duration of administrative periods and HRIS system compatibility to process new hires and employees who are deemed to experience a reduction in hours during a stability period
- Incorporate language on measurement periods in SPDs and Plan Documents and if applicable in employee handbooks
ACA and New Product Offerings
## ACA and New Product Offerings

### Traditional 60% MV Plans

<table>
<thead>
<tr>
<th>Funding</th>
<th>Insured or self-insured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coverage</td>
<td>All essential health benefits</td>
</tr>
<tr>
<td>Cost</td>
<td>Combination of employer and employee contributions</td>
</tr>
<tr>
<td>Individual Mandate</td>
<td>If employee enrolls in plan it is not subject to individual mandate penalty</td>
</tr>
<tr>
<td>Employer Pay or Pay</td>
<td>If plan is affordable it exempts employer from the imposition of 4980H (a) and (b) penalties</td>
</tr>
</tbody>
</table>

### "Mini" 60% MV Plans

<table>
<thead>
<tr>
<th>Funding</th>
<th>Primarily self-insured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coverage</td>
<td>*Excludes hospital and outpatient care</td>
</tr>
<tr>
<td>Cost</td>
<td>Combination of employer and employee contributions</td>
</tr>
<tr>
<td>Individual Mandate</td>
<td>If employee enrolls in plan it is not subject to individual mandate penalty</td>
</tr>
<tr>
<td>Employer Pay or Pay</td>
<td>If plan is affordable it exempts employer from the imposition of 4980H (a) and (b) penalties</td>
</tr>
</tbody>
</table>

### Skinny MEC Plans

<table>
<thead>
<tr>
<th>Funding</th>
<th>Self-insured only</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coverage</td>
<td>Provides 100% coverage for only preventive care services</td>
</tr>
<tr>
<td>Cost</td>
<td>100% employer funded, or 100% employee funded or a combination of employer and employee contributions</td>
</tr>
<tr>
<td>Individual Mandate</td>
<td>If employee enrolls in plan it is not subject to individual mandate penalty</td>
</tr>
<tr>
<td>Employer Pay or Pay</td>
<td>If only plan offering, exempts employer from 4980H(a) penalty if offered to 70% of FTE, employer still subject to 4980H(b) penalties if employee enrolls in Exchange coverage</td>
</tr>
</tbody>
</table>

*Regulatory agencies intend to issue guidance on what constitutes a 60% AV plan and most likely will not deem these plans to be compliant.*
### ACA and New Program Offerings

**Subsidized exchange accessibility**

#### Tax Credit Guidelines

<table>
<thead>
<tr>
<th>Federal Poverty Level</th>
<th>Max Premium as % of Household Income</th>
<th>Estimated Plan Actuarial Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% - 133%</td>
<td>2%</td>
<td>100%</td>
</tr>
<tr>
<td>134% - 150%</td>
<td>3.0% - 4.0%</td>
<td>94%</td>
</tr>
<tr>
<td>151% – 200%</td>
<td>4.0% - 6.3%</td>
<td>87%</td>
</tr>
<tr>
<td>201% – 250%</td>
<td>6.3% - 8.05%</td>
<td>73%</td>
</tr>
<tr>
<td>251% - 300%</td>
<td>8.05% - 9.5%</td>
<td>70%</td>
</tr>
<tr>
<td>301% - 400%</td>
<td>9.5%</td>
<td>70%</td>
</tr>
<tr>
<td>&gt;400%</td>
<td>Unlimited *</td>
<td>60%</td>
</tr>
</tbody>
</table>

* Not eligible for subsidized exchange coverage

#### Federal Poverty Levels (FPLs)-2014

<table>
<thead>
<tr>
<th>Family Size</th>
<th>Medicaid Eligibility 100% FPL*</th>
<th>Medicaid Eligibility 138% FPL</th>
<th>Exchange Subsidy up to 400% FPL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$11,670</td>
<td>$15,997</td>
<td>$46,280</td>
</tr>
<tr>
<td>2</td>
<td>$15,730</td>
<td>$21,707</td>
<td>$62,920</td>
</tr>
<tr>
<td>3</td>
<td>$19,790</td>
<td>$27,310</td>
<td>$79,160</td>
</tr>
<tr>
<td>4</td>
<td>$23,850</td>
<td>$32,913</td>
<td>$95,400</td>
</tr>
</tbody>
</table>

For each additional household member: $4,060, $5,603, $16,240

- Note that an employee offered MEC that is “affordable” (employee-only cost) that provides at least “minimum value” (60% AV) is ineligible to receive any subsidies under an Exchange. This restriction will also extend to the employee’s family members even if the cost of dependent coverage is “unaffordable;” however, family may request exemption from individual mandate penalty.
ACA and New Program Offerings
2014-Marketplaces and Medicaid expansion

Source: HHS, Kaiser Family Foundation and Advisory Board Company (as of 09/17/14)
# ACA and New Program Offerings

## Medicaid Expansion- Samples

### Employee at 100% of FPL

<table>
<thead>
<tr>
<th>Family Size</th>
<th>Medicaid Eligibility 100% FPL</th>
<th>Max. Annual Cost (EE)</th>
<th>Actuarial Value of Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$11,670</td>
<td>$0</td>
<td>100%</td>
</tr>
<tr>
<td>4</td>
<td>$23,850</td>
<td>$0</td>
<td>100%</td>
</tr>
</tbody>
</table>

### Employee at 138% of FPL

<table>
<thead>
<tr>
<th>Family Size</th>
<th>Medicaid Eligibility 138% FPL</th>
<th>Max. Annual Cost (EE)</th>
<th>Actuarial Value of Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$16,105</td>
<td>$483</td>
<td>94%</td>
</tr>
<tr>
<td>4</td>
<td>$32,914</td>
<td>$987</td>
<td>94%</td>
</tr>
</tbody>
</table>

### Employee below 138% of FPL- Sample cost under an employer plan with an 80% AV

<table>
<thead>
<tr>
<th>Family Size</th>
<th>Annual Household Income</th>
<th>Annual Cost of Employer Coverage</th>
<th>Max. Annual Cost (EE)</th>
<th>Actuarial Value of Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$15,856</td>
<td>$4,582</td>
<td>$1,506</td>
<td>80%</td>
</tr>
<tr>
<td>4</td>
<td>$32,499</td>
<td>$14,405</td>
<td>$7,350</td>
<td>80%</td>
</tr>
</tbody>
</table>
Cadillac Plan Tax

- Requires imposition of 40% excise tax on annual cost of coverage that exceeds federal thresholds
  - $10,200 for single
  - $27,500 for non-single coverage
- Includes employer contributions to HRAs, health FSAs (also employee-pre-tax deductions), HSAs as well as hospital and critical illness benefits paid by employers or employees on a pre-tax basis, integrated dental and vision plans
- Assess cost by using COBRA rates (minus 2%)
- Higher threshold for high risk professions (police and fire) and “qualified retirees” (age 55 and not entitled to Medicare)
  - $11,850 for single
  - $30,950 for family

Risks

- 2018 adjustment to limits based on increase to standard cost of the Standard BC/BS plan under the FEHB program minus 55%, plus 100%
- Healthcare trends rising faster than COLA for 2018 and later years
- Healthcare premiums continue to rise at double digits exceeding COLA increases
- Aging population that requires more care (high claims utilization)
- New ACA mandates and limits on plan design curtail employers ability to control costs

Solutions

- Control healthcare trend increases and utilization by implementing an integrated health and productivity strategy
- Pursue defined contribution strategy that incentivizes healthy behaviors
ACA and New Employer Challenges
ACA and New Employer Challenges

1. We pay providers in ways that reward doing more, rather than being efficient.

2. We’re growing older, sicker and more obese.

3. We want new drugs, technologies, services and procedures.

4. We don’t have enough information on which medical care is best for us.

5. Our hospitals and other providers are increasingly gaining market share and are better able to demand higher prices.

6. We have supply and demand problems, and legal issues that complicate efforts to slow spending.
ACA and New Employer Challenges

- New coverage mandates
- Employer Play or Pay Mandate
- Migration into and out of employer plan
- Individual Mandate
- New health taxes
What this means

- Increased enrollment in certain employee segments (Individual Mandate)
- Young and low paid employees may waive and enroll in Medicaid or Exchanges (Medicaid expansion)
- Limits on plan designs and plan offerings (Minimum Value Plans)
- Limits on employee only costs (Affordability-<9.5% HH income)
- Educated consumers (Exchanges)
- Greater tax exposure for employer (covered lives)

The consequences:

- Cost shifting
- Increased morbidity
- Cost exposure
- Fewer plan design levers
- Expanding coverage
- Productivity risks
How wellness programs can help

The benefits:

- Lower Claim costs
- Decreased morbidity
- Lower taxes
- Decrease absenteeism
- Increase presenteeism
- Higher productivity

Wellness Programs

- Affordability of coverage based on non-smoker rates
  - Contingent wellness programs
- Allow for creation of core and buy up plans to increase AV of plans (HSAs and HRAs) if certain elements are met
- Reduces exposure under Cadillac Plan Tax (health care cost trends)
- Allows employers to control plan design and contribution strategy
- Reduce risks of insuring employees who have been historically uninsured
Overview of Wellness Programs
Overview

<table>
<thead>
<tr>
<th>Participatory wellness programs</th>
<th>Health-contingent wellness programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Subject to HIPAA nondiscrimination rules</td>
<td></td>
</tr>
<tr>
<td>• Offered to similarly situated participants</td>
<td></td>
</tr>
<tr>
<td>• Does not provide a reward, or reward is not contingent on satisfaction of standard or condition related to a health factor</td>
<td></td>
</tr>
<tr>
<td>• Reward is not subject to monetary limitations (30% or 50% limit based on annual cost of coverage)</td>
<td></td>
</tr>
<tr>
<td>• Subject to HIPAA nondiscrimination rules</td>
<td></td>
</tr>
<tr>
<td>• Reward is contingent on satisfying standard or condition related to a health factor</td>
<td></td>
</tr>
<tr>
<td>• Two different types recognized under new HIPAA nondiscrimination final regulations</td>
<td></td>
</tr>
<tr>
<td>▪ <strong>Activity-only programs</strong> where rewards are contingent on participant merely performing or completing an activity related to a health factor but not achieve or maintain any specific health outcome.</td>
<td></td>
</tr>
<tr>
<td>▪ <strong>Outcome-based</strong> programs where rewards are contingent on participant actually attaining or maintaining a specific health outcome</td>
<td></td>
</tr>
</tbody>
</table>
HIPAA nondiscrimination

**Participatory wellness programs**

- Must be made available to all similarly situated participants
  - All employees enrolled in a particular plan offered by employer
  - Employees in one state or division
  - All benefit eligible employees and/or dependents

- Examples
  - Reimbursement of cost of fitness center membership
  - Providing a reward for participating in health risk assessment irrespective of results
  - Reimbursement of cost or otherwise providing reward for participating in smoking cessation program without regard to whether employee quits smoking

**Health contingent wellness programs**

- Two different types
  - **Activity-only**: must participate in activity related to a health factor to receive a reward
    - Diet
    - Exercise
    - Walking club
  - **Outcomes-based**: reward is contingent on satisfying condition related to a health factor
    - Be nicotine free
    - Attaining a biometric result (blood pressure, blood sugar, cholesterol, etc.)

- Must comply with a five part test, which varies slightly between activity based and outcomes based wellness programs
Wellness Programs and Legal Considerations

- Wellness programs are regulated by the following laws:
  - HIPAA nondiscrimination requirements
  - Affordable Care Act ("ACA")
  - Americans with Disabilities Act (ADA)
  - Genetic Information Non-discrimination Act (GINA)
  - HIPAA privacy, security and HITECH rules
  - COBRA
  - Income tax considerations
  - State laws
HIPAA nondiscrimination

Prohibits

Discriminating against “similarly situated individuals” with respect to contributions or benefits based on a health-related factor:

- Health status
- Medical condition (including both physical and mental illnesses)
- Claims experience
- Receipt of health care
- Medical history
- Genetic information
- Evidence of insurability (including specifically conditions arising out of acts of domestic violence and participation in dangerous activities)
- Disability
- Any other factor as determined by HHS

Exceptions

- Bona fide employment-based classifications
  - Full-time/part-time
  - Occupation
  - Date of hire
  - Geographic location
  - Length of service

- Tiers of coverage
  - Employee and spousal/dependent coverage
  - Among different groups of otherwise similarly situated beneficiaries (spouse or dependent children) if based on certain permissible factors

- Wellness programs that comply with nondiscrimination rules issued by the IRS, DOL and HHS- effective first plan year in 2014
HIPAA nondiscrimination

Health contingent wellness programs- Five Part Test

1. **Amount of the reward**- Cannot exceed 30% (as of 1/1/14) of annual premium cost
   - Cost is defined as COBRA rate (minus 2%) for tier of coverage wellness program is made available to (e.g. employee only or employee plus family).
   - Reward increases to 50% if reward is related to cessation of tobacco use. Rewards are cumulative and cannot exceed 30%/50% of premium cost

2. **Reasonable Standard**- Program must be designed to promote health or prevent disease
   - “Easy” requirement to satisfy or allow for experimentation in diverse ways to promote wellness
   - Program cannot be overly burdensome or subterfuge for discrimination
   - Medical certification may be required for activity-only plan

3. **Opportunity to qualify for reward at least once a year**- Cannot deny access to employees in the future if they chose not to participate in prior years or if they were unable to improve health factors
HIPAA nondiscrimination

Health contingent wellness programs- Five Part Test

4 Uniform availability and reasonable alternative standard- program available to all similarly-situated participants
   - Applies to all health-contingent wellness programs including activity-only programs
   - Outcome-based programs must provide a reasonable alternative standard to ANY individual regardless of medical condition, who is unable to satisfy the standard
   - New ACA rules add:
     • Time limit to meet standard must be reasonable
     • Must provide (or assist in finding) and pay for educational program offered as an alternative standard
     • Upon participant’s request, must accommodate suggestions made by individual’s personal physician, if program or alternative standard are not medically appropriate

5 Disclosure of reasonable standard- Program must disclose availability of alternative standard in all plan materials that describe program terms
Disclosure of reasonable standard (continued)-

- Disclosure not require for materials that just mention availability of wellness program
- Safe harbor language included in ACA-modified final regulations:

  "Your health plan is committed to helping you achieve your best health. Rewards for participating in a wellness program are available to all employees. If you think you might be unable to meet a standard for a reward under this wellness program, you might qualify for an opportunity to earn the same reward by different means. Contact us at [insert contact information] and we will work with you (and, if you wish, with your doctor) to find a wellness program with the same reward that is right for you in light of your health status."
HIPAA nondiscrimination

- **Other Provisions**
  - Program can require individual to *complete* reasonable alternative standard before receiving reward, but individual must receive the full reward retroactively
  - Group health plans cannot force individuals identified with an adverse health status to participate or join a disease management program or coaching programs without complying with HIPAA nondiscrimination wellness program rules (EEOC Information Letter)
  - However, you can limit participation (and, in turn, provide rewards) to just individuals with a given medical condition because HIPAA regulations generally allow providing better treatment of individuals with health-related factors
Affordable Care Act

- Final regulations provide wellness incentives **cannot** be considered for determining compliance with employer “play or pay” mandate
  - Limited exception for 2014- May take into consideration wellness incentive if associated with employee contributions for coverage if wellness incentive was in effect prior to 5/3/13 and reward was available then

- However, “affordability” and “minimum value” can be determined based on actual premium paid by, and cost-sharing plan design covering individuals, who do not use tobacco products (or who complete a nondiscriminatory wellness program for tobacco use cessation)
  - Affordability of coverage based on non-smoker rates (9.5% of employees MAGHII for employee only coverage)
Getting Started
Health cost estimates for person with condition

Annual costs: Top 10 health conditions

Note: Average total cost for an individual with the condition per 1000 FTEs

Health cost estimates for person with condition

Annual costs: Top 10 health conditions

Depression
Obesity
Arthritis
Back / Neck
Anxiety
GE Reflux
Allergy
Other Cancer
Other Chronic Pain
Hypertension


Note: Average total cost for an individual with the condition per 1000 FTEs

Thousands
Strategic Planning

- What does your organization want to accomplish?
  - What are the goals and expectations of the program?
    (control costs, improve productivity, improve morale, reduce injuries, lower ACA risk, etc.)
  - What is your level of CEO & management support?
  - What resources are available?
    (budget, personnel, time, facilities, etc.)
  - What is your timeline?
  - How will you evaluate program?
Program Development

- Develop a program plan & infrastructure
  - Personnel infrastructure:
    - Executive sponsor
    - Program coordinator
    - Wellness team/champions

- Understand your population (not just what you think)
  - Culture audit/workplace score card
    - CDC Health Score Card
  - Employee interest survey

- Data collection
  - HRA/screening - Know your population’s health risk profile
  - Claims, pharmacy, sick time, workers’ comp, LTD/STD
Operating Plan

- Develop a vision/mission statement
  - Develop a health related core value

- Goals/objectives

- Timeline for program implementation

- Roles & responsibilities
  - Who, what, when and how to complete objectives

- Budget to carry out plan

- Marketing plan
  - Use all types of channels and communicate regularly
  - Brand your program (logo & tagline)
  - Leverage testimonials

- Evaluation plan

Sample Client Program Charter

- **Vision:**
  To improve the health and well-being of our employees and their families

- **Mission:**
  To inspire and empower our employees and their families to adopt and sustain healthy lifestyles and support their efforts with innovative programs, education and benefits resulting in a positive impact on their health

- **Goals:**
  Cultivate a healthy culture, become an “Employer of Choice,” reduce chronic disease incidence, reduce absenteeism, improve productivity

- **Infrastructure:**
  Program Administrator, Executive Sponsor, Wellness Team/Champions

- **Branding:**
  - WELLth Builder (program name)
  - “Building a Better You” & “Work Safe, Eat Smart, Live Well” (taglines)
Employee Engagement
Importance of Participation

- Research indicates:
  - 50% biometric participation rate can discover **79% more people at high risk** for health conditions compared to a 30% rate
  - 70% biometric participation rate can discover **167% more people at high risk** for health conditions compared to a 30% rate

*Participation is critical to meeting the goals and objectives of a successful wellness program*

Quest Diagnostics: The role of Incentives in Biometric Screening Program Participation, 2010.
Key Program Elements

- **Programs**
  - Health coaching, walking club and weight loss
  - Tobacco cessation and stress management

- **Campaigns**
  - Flu shots, health challenges and monthly poker walks
  - “Fitness or Fruit Fridays” and healthy potlucks
  - Stress/stretch breaks

- **Culture and environmental changes**
  - Policies to support healthy lifestyles at work:
    - No smoking at work or vehicles, healthy entrees at all company sponsored meals
  - Provide access to health snack options in vending machines
  - Wellness banners on site and “health shares” at meetings
Incentive Engagement Rates: HRA

- Incentives = Drive consumer engagement

![Health Risk Assessment Rates for Employer Incentives](image)

*Examples of gifts include healthy gift basket or gift card

SOURCE: Sample of measurable results from CIGNA clients across all industries and employer sizes.
Population Health Management
Population health management: Risks/Costs

Population health management: Solutions

Low Risk  Moderate Risk  High Risk  Acute Condition  Chronic Condition  Catastrophic Illness

Lifestyle  Behavior  Education  Access  Coordination  Redirection

WELLNESS (Improve Health)  CLINICAL (Reduce Cost)
Finding the right solutions: Employers

Going beyond health care plan

Wellness

- Health risk assessment
- Biometric screening
- Weight management
- Onsite smoking cessation
- Fitness and exercise
- Nutrition and food service
- Digital health
- Incentive programs
- Stress reduction
- Health Advocacy

Clinical

- Transparency solution
- Telemedicine capability
- Onsite health capability
- Employee assistance
- Health Ombudsman
- Disease management
- Disability management
- Absence management
- High cost claims intervention
- Centers of Excellence
Critical Steps for Wellness Program Success

- Reduced Utilization
- Risk Reduction
- Behavior Change
- Improved Attitudes
- Increased Knowledge
- Participation
- Awareness

Financial ROI

3 to 6 Year Range
Program Implementation: Phased approach

Health and wellness needs to be an organizational strategy that is embedded in all aspects of operations and embraced by all levels of leadership.

This is not a once-and-done. Rather, this requires ongoing commitment of the management team and all stakeholders: employees, dependents, unions and vendors.
Wellness Case Study: Large Building Materials Company

Company Profile

- Employer with 75 production sites, retail stores and offices in 10 western states and Canada
- Employs 2700 employees and insures 1600 employees
- Four subsidiaries with multiple unions; most unions participate in the employer group health plan

Program Elements

- Program infrastructure: executive sponsor, subsidiary wellness committees, wellness teams (larger locations) and wellness champions at all sites.
- $600/year premium credit offered on all health plans (PPO & HMO)
Wellness Case Study: Results

<table>
<thead>
<tr>
<th>Wellness Metric</th>
<th>2008 Result</th>
<th>2009 Result</th>
<th>2010 Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>* Health screening participation</td>
<td>92%</td>
<td>94%</td>
<td>87%</td>
</tr>
<tr>
<td># of risk factors/person</td>
<td>2.7</td>
<td>2.5</td>
<td>2.3</td>
</tr>
<tr>
<td>* Unhealthy body mass index (BMI)</td>
<td>79%</td>
<td>79%</td>
<td>79%</td>
</tr>
<tr>
<td>* High Total Cholesterol Reading</td>
<td>11%</td>
<td>12%</td>
<td>9%</td>
</tr>
<tr>
<td>* High Blood Pressure Reading</td>
<td>36%</td>
<td>23%</td>
<td>17%</td>
</tr>
<tr>
<td>* High Blood Sugar Reading</td>
<td>11%</td>
<td>11%</td>
<td>7%</td>
</tr>
</tbody>
</table>
What Can Success Look Like? (WFI Client)

http://www.youtube.com/watch?v=KdfsDRAf46o&playnext=1&list=PLE12C4DC903DBDD0B
Next Steps

**Analyze**
- Eligibility for transition relief
- Hiring practices to identify employees that should be reclassified as full time employees
- Payroll records and other HR systems to identify number of FT employees under the ACA
- Benefit plan designs and contributions to determine compliance with ACA Play or Pay mandate
- Systems to determine preparedness with new ACA reporting requirements under 6055 and/or 6056
- Type of wellness program to implement in your company

**Quantify**
- Financial impact to company based on number of newly eligible employees
- System upgrades required to monitor employee hours and new reporting requirements
- Number and type of benefit plans to be offered to employees
- Services to be provided by vendors to assist plan in complying with new ACA mandates
- Wellness services to be provided by existing vendors vs. cost of outsourcing other services

**Communicate**
- Changes to hiring practices
- Educate managers and supervisors on new employee classifications
- New benefit plan designs and contribution strategies to employees
- Implementation of measurement periods (when applicable to supervisors managers) and how hours will be tracked
- To employees type of wellness program that will be implemented and incentives

**Implement**
- Changes to hiring practices
- Measurement periods for existing and new hires
- New benefit plans and contributions
- New employee classifications
- New wellness program
Questions?

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