



TALENT • HEALTH • RETIREMENT • INVESTMENTS

MERCER WEBCAST

HEALTH CARE REFORM BENEFITS ADMINISTRATION IMPLICATIONS, SOLUTIONS, & EMPLOYEE ENGAGEMENT STRATEGIES

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TODAY'S SPEAKERS



Rich VanThournout
Partner



Glenn Dill
Principal



Maria Keller
Principal

AGENDA

- Health Care Reform Overview – Rich VanThournout
- 2014 Health Care Reform Mandates and Requirements – Glenn Dill
 - PCORI
 - Employer Shared Responsibility
 - Exchange Notice
 - Transitional Reinsurance Program Fees
- Employee Engagement Strategies – Maria Keller
- A Look Ahead – Glenn Dill
- Q&A

HEALTH CARE REFORM OVERVIEW

NAVIGATING A NEW LANDSCAPE



- As ACA requirements continue to take effect, we are shifting to a new world of benefits administration.
- Implications for all employers, regardless of any plan design changes being made in 2014.
 - Consider each part of the reform legislation and how it impacts you.
 - Develop strategies and systems to ensure compliance with regulation.
 - Focus on controlling costs.
 - Manage internal resources and leverage services through benefits administration partner.
 - Timing is critical to ensure smooth delivery.

In 2011, **25%** of employers thought ACA would have little or no impact on their costs ... only **9%** think so now.

Source: Mercer's Survey on Health Care Reform: The Road to Implementation

HEALTH CARE REFORM OVERVIEW

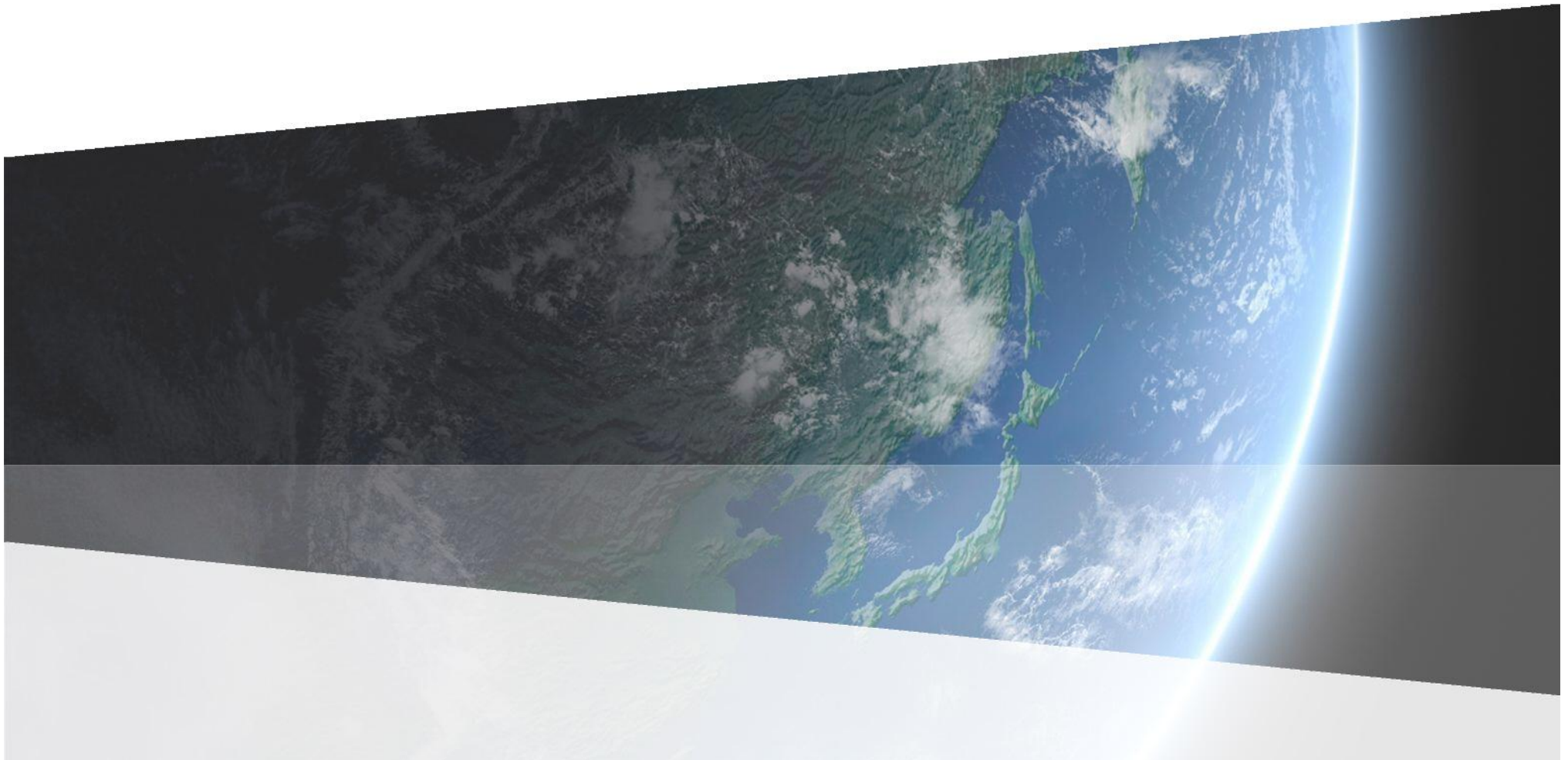
NAVIGATING A NEW LANDSCAPE

- Employee education is critical.
 - Different populations within the same client could have very different reactions.
 - Tools and resources will empower employees to take ownership within new approach to health benefits.
 - Consistent communication will:
 - Help mitigate questions.
 - Control the narrative.
 - Moderate expected high call volumes.

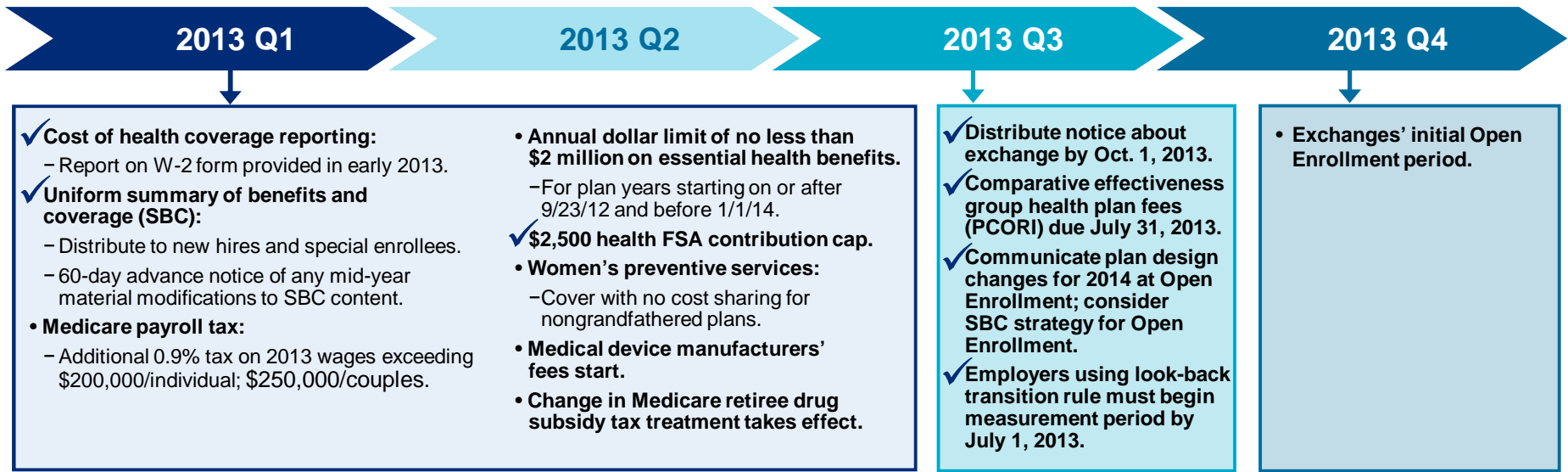
41% of employees think they will be worse off as a result of health care reform.

Source: 2012 Mercer Workplace Survey™

ADMINISTRATIVE SOLUTIONS



ACA TIMELINE FOR TOP PRIORITY 2013–2014 ACTIVITIES



Conduct ongoing strategy discussions, refine future plans

Looking Ahead to 2014

- Health insurance exchange coverage.
- Individual coverage mandate.
- Financial assistance for exchange coverage of lower-income individuals.
- ✓ Employer shared responsibility.
- State Medicaid expansion (possibly only some states).
- ✓ Wellness limit increase allowed.
- ✓ Dependent coverage to age 26 for any covered employee’s child.
- No annual dollar limits on essential health benefits (generally banning standalone HRAs).
- No pre-existing condition limits.
- ✓ No waiting period over 90 days.
- Additional standards for nongrandfathered health plans, including limits on out-of-pocket maximums, provider nondiscrimination, and coverage of routine medical costs of clinical trial participants.
- Insurers must apply guaranteed issue and renewability to nongrandfathered plans of all sizes.
- Health insurance industry fees.
- ✓ Auto enrollment some time after 2014.
- ✓ Temporary reinsurance fees (first due late 2014/early 2015).
- ✓ Additional employee-specific reporting and disclosure of 2014 coverage (first due in 2015).

✓ = Mercer Administrative Solution / Support Available

NOTE: Timeline assumes a January 1 plan year. Timing for non-calendar-year plans must be adjusted accordingly.

PATIENT CENTERED OUTCOME RESEARCH INSTITUTE (PCORI) REPORTING

What ACA-required fee to fund research on outcome effectiveness of medical treatments.

When For calendar year plans starting in 2012 and ending in 2018.
First filing due July 31, 2013.

- Requirements**
- Both insured and self-insured plans are subject to the fee.
 - Insurers will pay the fee on behalf of insured plans while plan sponsors will pay for self-insured plans.
 - Covered plans generally include traditional indemnity plans as well as prepaid plans (such as HMOs).
 - Includes COBRA participants.
 - First year fee is \$1 per average number of lives covered under each self-insured health plan.
 - Fee is determined using average number of covered lives (employees, COBRA participants, and all dependents) multiplied by the specified rate.



Mercer Offering Mercer can provide standard reporting using the Snapshot method (see following page).

PCORI AND TRANSITIONAL REINSURANCE PROGRAM FEES CALCULATION METHODS

	Method	Self-Insured	Insured
1	Actual count: Total number of lives covered on each day during the plan year, divided by the number of days in the plan year.	✓	✓
2	Snapshot: Total number of lives covered on a designed day during each quarter, divided by the number of quarters. Two permitted approaches: <ul style="list-style-type: none"> • <i>Snapshot count:</i> actual number of lives covered on the designed date. • <i>Snapshot factor:</i> on the designated date, the number of participants with self-only coverage plus the number with other than employee-only coverage, multiplied by a dependency factor of 2.35. 	✓	✓ – Snapshot count only
3	Form 5500: For plans only offering employee-only coverage, the number of participants at the beginning of the year are added to the participants at the end of the year and divided by two. If the plan offers coverage tiers other than employee-only, the number of participants at the beginning of the year are added to the participants at the end of the year.	✓	
4	Member-months: Total number of lives covered on specified days in each month (as reported on NAIC Exhibit), divided by 12.		✓
5	State form: Total number of lives covered on specified days in each month (as reported on state government reports), divided by 12.		✓

HEALTH CARE REFORM – SHARED RESPONSIBILITY RULES SUMMARY

What is it?

- Starting in 2014, employers must offer health care coverage to their full-time (average 30+ hours of service per week) employees or pay a penalty.
- ACA does **not** *require* employers to offer coverage to employees who are not full-time.

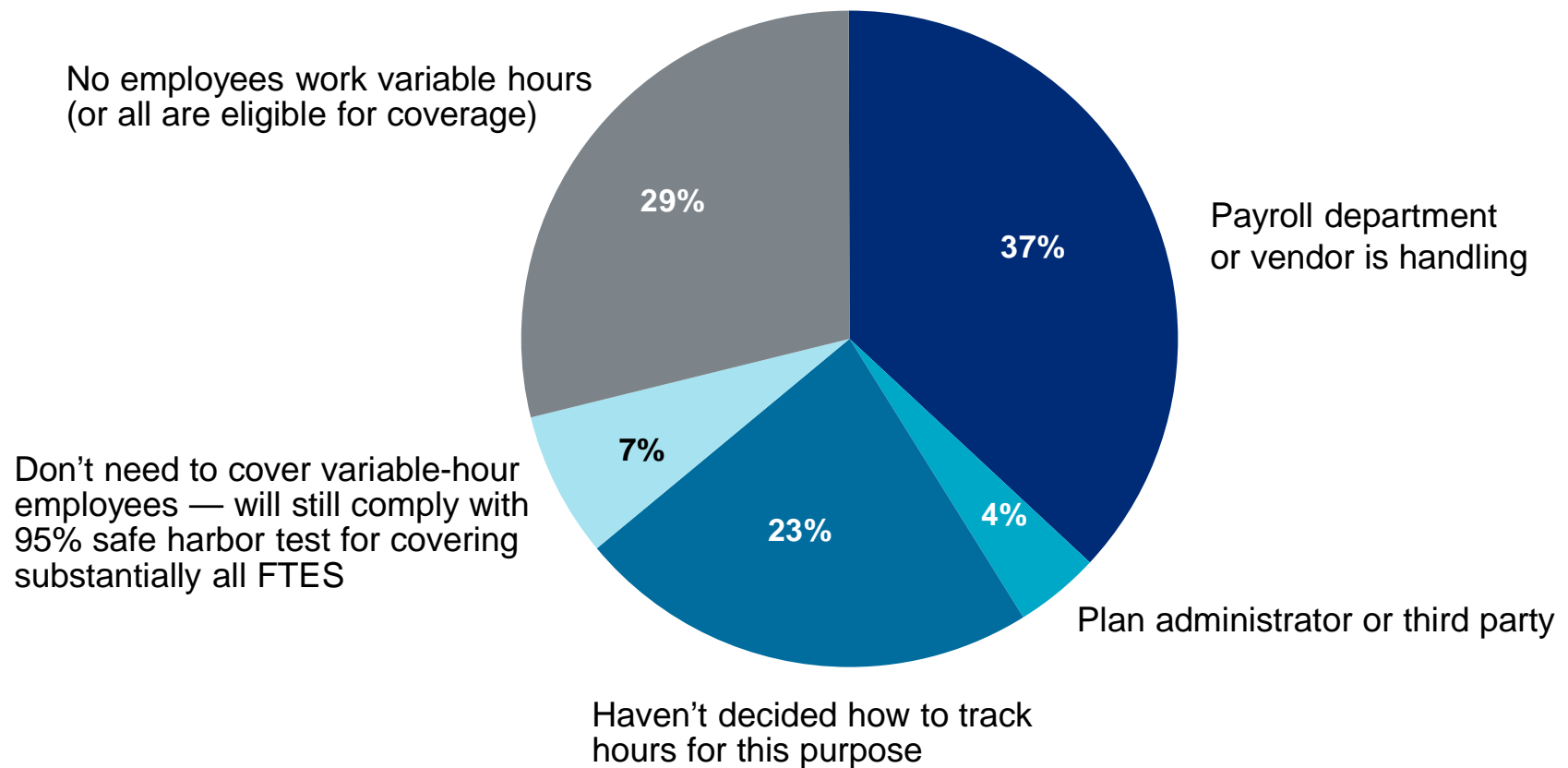
Who is a full-time employee?

- Employed on average at least 30 or more hours of service per week (or 130 hours per calendar month).
- Can assess full-time status — and health plan eligibility — in “real” time based on actual hours.
 - Difficult to do for variable-hours staff.
 - Risks penalties if coverage not offered to employee expected to work < 30 hours/week who actually works more.
- Can rely on IRS *safe harbor* that allows hours counted during measurement period to determine eligibility during subsequent stability period.

TRACKING AND RECORDING VARIABLE HOURS



How employers will track and record variable hours so they can respond to a request for payment of shared responsibility penalties in 2015

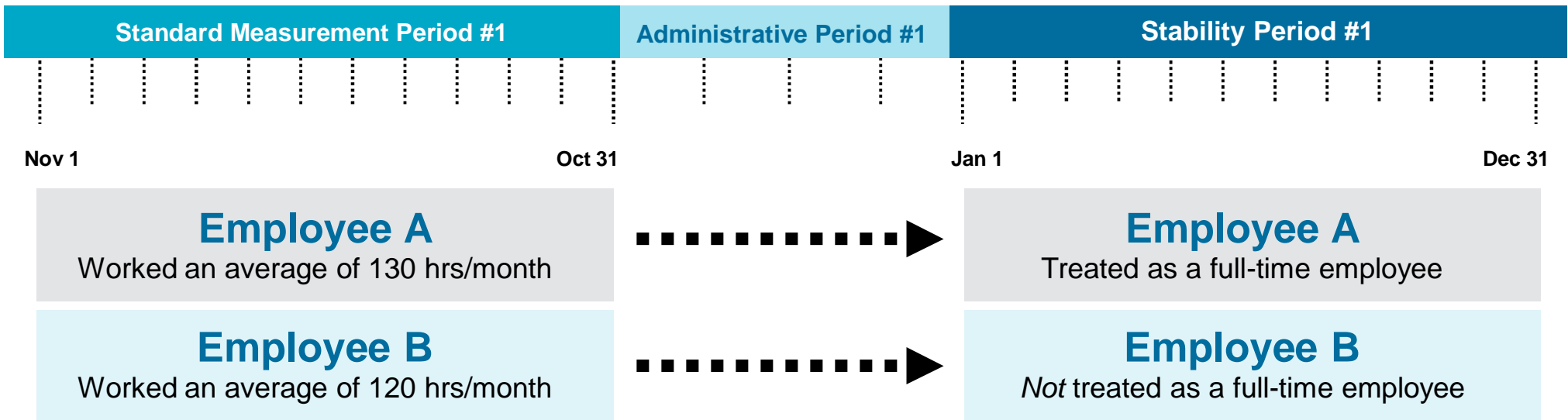


Source: Mercer's Survey on Health Care Reform: The Road to Implementation

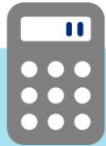
EMPLOYER SHARED RESPONSIBILITY PRODUCT OFFERING

A solution to health care reform's employee eligibility and affordability requirements — providing hourly data tracking (for the 30-hour rule), look-back and stability period calculations, and compliance reporting.

- Comply with regulations and avoid costly penalties.
- Eliminate the need to enhance internal systems.
- Employ a standardized process to determine medical eligibility and affordability.



EMPLOYER SHARED RESPONSIBILITY PRODUCT FEATURES



Calculations

- ✓ Conducts variable **look-back** measurement periods to assess the past 3–12 months.
- ✓ Determines employee **eligibility** based on average hours of service worked including breaks in service / special leaves.
- ✓ Determines **health plan affordability** at the employee level based on the lowest-cost health plan.



Reporting

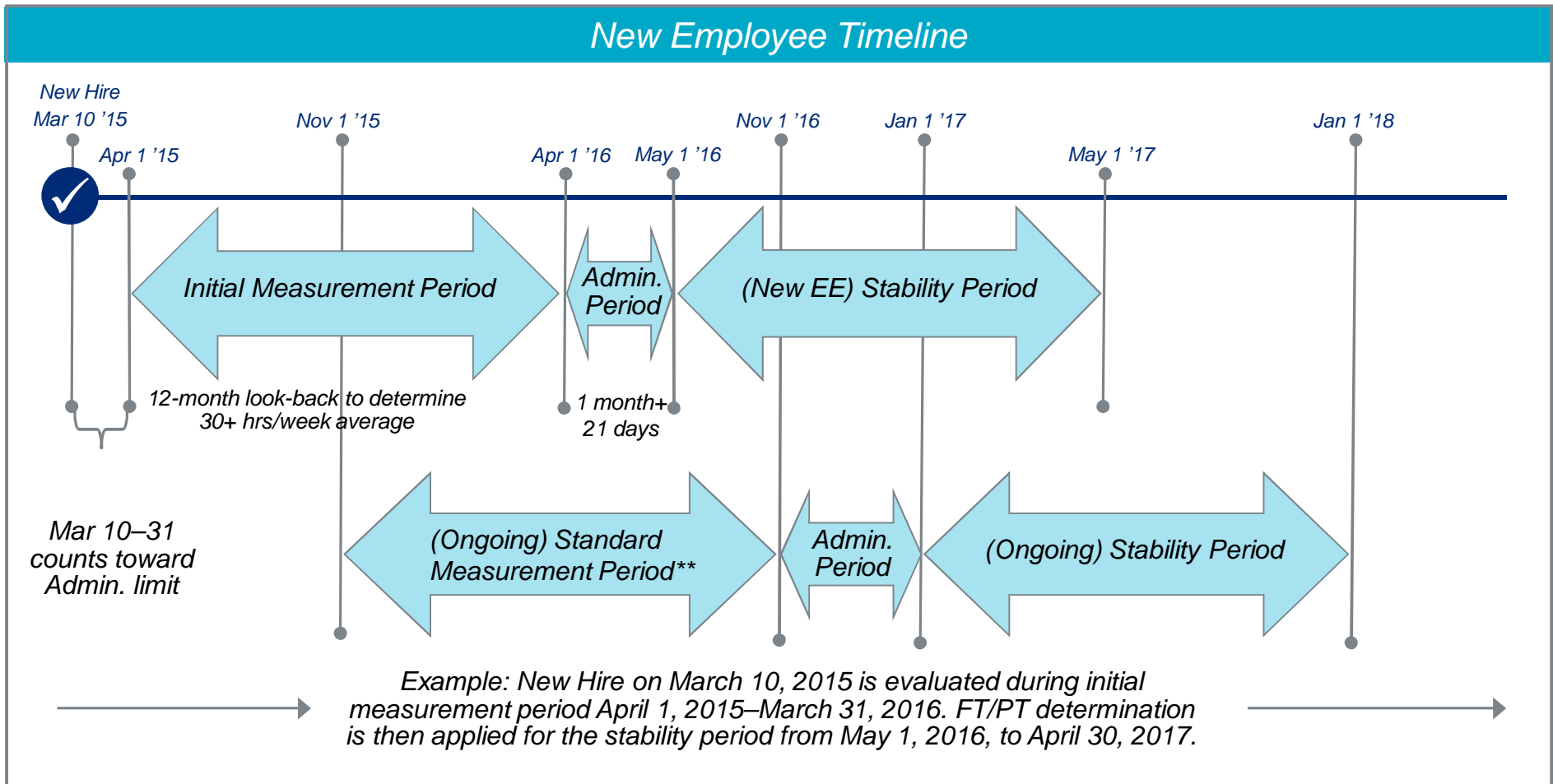
- ✓ Full-time eligible population counts by month and hourly trending by employee.
- ✓ Annual employee eligibility and affordability by entity for each month.
- ✓ Data is stored and can be tapped on a case basis to support proof of coverage offered.



Enforcement

- ✓ Data feedback files that can be imported to the client's HRIS/payroll system (non-Benefits Administration clients).
- ✓ Enforcement of full- and part-time status as part of Mercer's administration services (Benefits Administration clients).

EMPLOYER SHARED RESPONSIBILITY NEW VARIABLE-HOUR & SEASONAL EMPLOYEE TIMELINE EXAMPLE



** New Hire must be retested during (ONGOING) Standard Measurement Period (Nov 1, 2015–Oct 31, 2016) since it is the first standard measurement period after the employee's start date.

MERCER SHARED RESPONSIBILITY ADMINISTRATION EMPLOYER DATA REQUIREMENTS

Employee Core Data (for Consulting-only clients) – Monthly

- Demographics, Employment Data, Unpaid Leave Data.
- Least Cost Medical Plan Data.

Service Hours Data – Monthly

- Monthly Service Hours.
- Reporting Month.

Affordability Data – Annual

- W2 Box 1 Data.
- Reporting Year.

MERCER SHARED RESPONSIBILITY ADMINISTRATION TIMING

Employers conduct analysis and determine strategy for 2014



Execution of analysis and reporting



May '13

Jun '13

Jul '13

Aug '13

Sep '13

Oct '13

Transmission of initial client HR data to Mercer



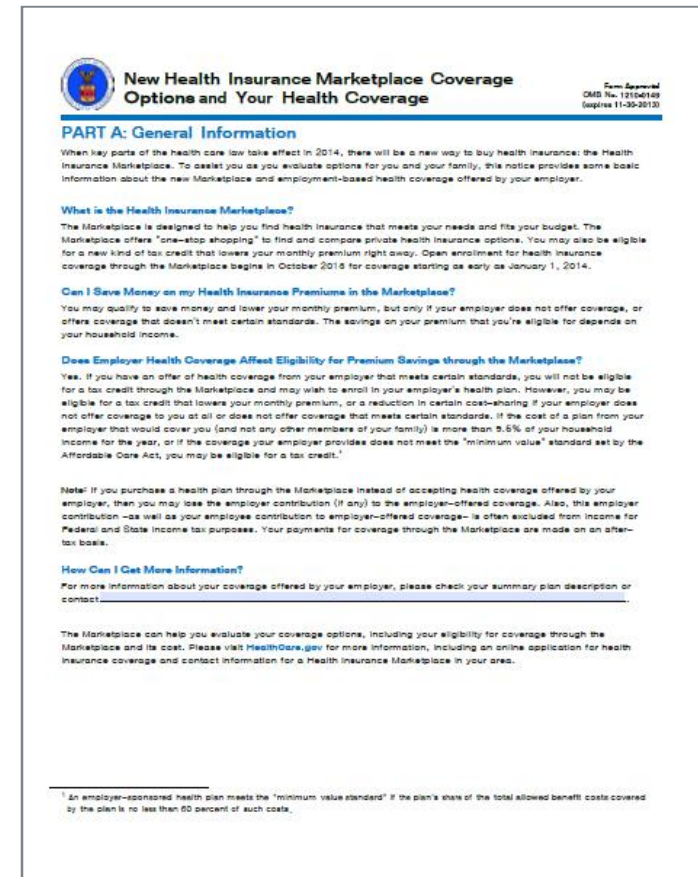
Start of eligibility enforcement
or
Transmission of feedback file to client



EMPLOYER EXCHANGE NOTICE



- To** All employees (not dependents).
-
- No Later Than**
- Oct. 1, 2013, to current employees.
 - 14 days from start date for those later-acquired employees.
-
- DOL Models**
- Version for employers with group health plans / without; may be modified.
-
- Required Content**
- Existence of new exchanges & description of services.
 - Employee may be eligible for premium tax credit.
 - Employee may lose employer health plan contributions by enrolling in exchange coverage, which may be excludable from federal income tax.
-
- Optional Model Data**
- General employer information; employee-specific data, including health plan offered.
-
- Mercer Offering**
- Email announcement.
 - Cover letter template for DOL notice.
 - Content directing employees to support resources.
 - Support for employee-specific data questions regarding health coverage (as part of Open Enrollment).



HEALTH CARE REFORM CALL CENTER SERVICE – SCOPE

In Scope

Understanding of federal rules and regulations. Specific support for Mercer solutions.

- ACA basics:
 - Am I required to take coverage?
 - What are the exchanges?
 - What is changing with my employer's coverage (if anything)?
 - Who gets a subsidy? (general)
- ESR (If Mercer is delivering service):
 - What are my average hours and how is it computed?
 - How long is my coverage in effect?
- Exchange Notice support:
 - What is it?
 - What is the minimum coverage my employer provides and what does it cost?
 - Where can I find information?

Out of Scope

Plan selection advice. Use of public exchanges. ACA coverage details outside of changes to plans the employer is offering (as communicated to Mercer).

- Exchange coverage:
 - Advice with respect to pursuing exchange coverage.
 - Details around exchange plan offerings.
 - Exchange websites or enrollment details.
- Specific details around federal subsidy eligibility:
 - Compensation factors.
 - Subsidy dollar amounts.

TRANSITIONAL REINSURANCE PROGRAM FEES



What

Fee designed to stabilize individual health insurance premiums during first three years of public exchanges.

When

Starting in 2014 and concluding in 2016. Plan sponsors to submit enrollment counts by November 15 for the 2014 calendar year.

Requirement

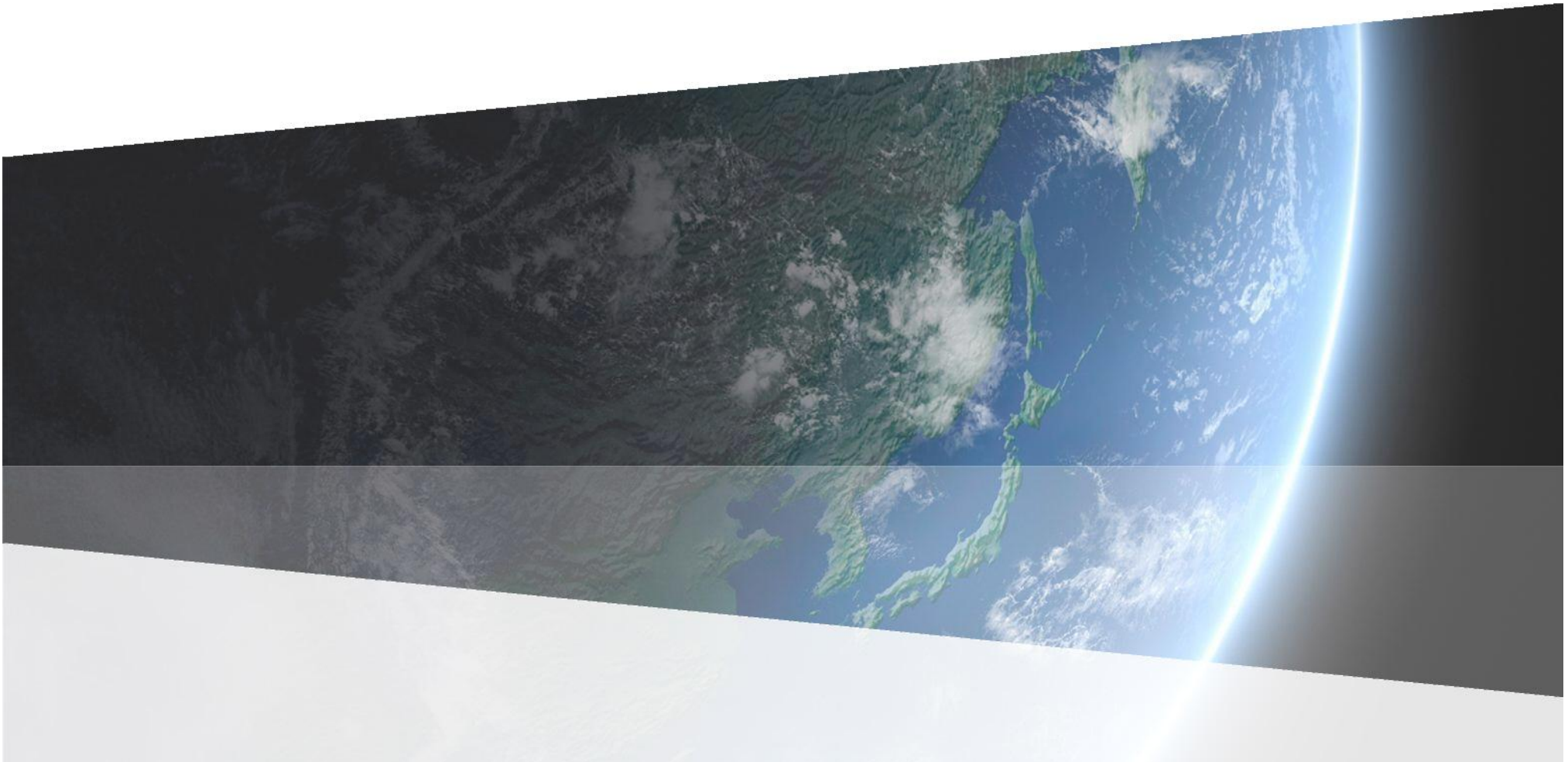
- Similar headcount reporting requirements as PCORI except Medicare-eligible retirees are excluded.
- Transitional Reinsurance: 2014 fee is estimated at \$63 (\$5.25 per month) per average number of lives covered under each self-insured health plan or health insurance policy.
- Transitional Reinsurance rates will be published each year in mid-December by HHS.

Mercer Offering

Mercer can provide standard reporting using the Snapshot method.



EMPLOYEE ENGAGEMENT STRATEGIES



HEALTH CARE REFORM VARYING PERSPECTIVES



Employee's perspective:

- **Noise** about reform and the health insurance marketplace will grow.
- Employees are already feeling confused and anxious:
 - **10-point drop** in percentage of employees who understand their health benefits.
 - **37%** aren't sure how the law will affect their benefits.
 - **Only 23%** feel they will be better off as a result of health care reform.

Employer strategies will vary widely:

- Some will make only minor changes to benefit programs.
 - Despite minimal changes, employee perceptions may be quite different.
- Others plan to move certain employee groups to a new model and roll out benefits for the first time to a whole new population.

70% of employers report that educating employees and supporting informed decisions are significant concerns.

– *Mercer's Survey on Health Care Reform: The Road to implementation*

Results from 2012 Mercer Workplace Survey.

HEALTH CARE REFORM THE ROLE OF COMMUNICATIONS

- Communications will be critical regardless of benefits approach
- Employees need help sorting through the noise and understanding key facts and decision points so they can appreciate, select, and make the most of their employer-sponsored benefits.
 - The **changing benefits equation** is placing more accountability on employees (46% said they have been asked to pay more for benefits).
 - **90%** of employees say getting health benefits is just as important as getting a salary.
 - **74%** say their benefits are one of the reasons they work where they do.

However, there has been a **10-point drop** in satisfaction with health benefit information provided, to **31%**.

Results from 2012 Mercer Workplace Survey.

HEALTH CARE REFORM COMMUNICATION SOLUTIONS

- Employee educational microsite: Health Care Decoder.
 - Gateway to understanding health care reform, health insurance, and wellness. Employees can:
 - **“Decode” unfamiliar terms and abbreviations with the click of a button** to demystify what they hear on the news, what their doctor says, and what they read in insurance statements.
 - **Understand health care reform** and take a short quiz to see how the law may impact them.
 - **Find real-life strategies** for saving money, finding the right care at the right time, and using their insurance benefits wisely.
 - **Improve their health** with tips, videos, and calculators to help them lower their health risks, boost their fitness level, and eat healthier.
- Complimentary educational tool available focused on health care reform’s individual mandate and the role of public exchanges: Health Care Reform Made Simple.

The screenshot displays the Health Care Decoder microsite. At the top, the logo reads "Health Care DECODER" with "Powered by MERCER" below it. The tagline "The key to becoming smarter about health care" is in the top right. A navigation bar includes "Home", "Understand Health Care Reform", "Use Benefits Wisely", and "Stay Healthy". The main content area features a stethoscope on a red surface with the text "UNDERSTAND HEALTH CARE REFORM" and "Learn more about health care reform and how it impacts you". Below this is a section titled "More Knowledge = Smarter Decisions" with a sub-header "Decode It". The "Decode It" section contains a text box explaining the purpose of the decoder, a dropdown menu with "Donut hole" selected, and a "DECODER" button. A callout box on the right provides a detailed definition of a "donut hole": "You have selected Donut hole. Most plans with Medicare prescription drug coverage (Part D) have a coverage gap (called a 'donut hole'). This problematic feature is so named because the plan provides a certain amount of coverage early on, followed by no coverage until reaching a higher threshold in expenses. The health care reform law attempts to help individuals through the 'donut hole' by giving enrollees discounts when in the coverage gap. By 2020,". Other sections visible include "Make It Personal" with a "short quiz" and "All About Health" with a "Health Newsletter". The footer includes "© Mercer. All rights reserved." and the "MERCER" logo.

HEALTH CARE REFORM COMMUNICATION SOLUTIONS

- Employee email alerts.
 - A modular and configurable series of emails, delivered in a phased approach, to gradually “layer on” important information about health care reform and the employer’s benefits program as Open Enrollment approaches.
- Decision support tool: Decision PathFinder.
 - Interactive decision support tool that shifts in real time based on an employee’s input.
 - [My Health Insurance Finder](#) – helps navigate insurance options, including the marketplace.
 - [Health Coverage Coach](#) – gives employees a customized “consumer profile” to lead them to the appropriate employer-sponsored plan.

Should you participate in an exchange?

If you’re eligible to participate, you know you CAN buy insurance through the exchange, but SHOULD you?

If you already have coverage through an employer, **probably not**. If you don’t, the exchange might be worth considering.

I’ll help you decide. Tell me: **How are you currently covered?**

I’M ENROLLED IN
EMPLOYER-SPONSORED
COVERAGE

I’M ENROLLED IN
A DIRECTLY
PURCHASED PLAN

I’M ENROLLED IN
PUBLIC HEALTH CARE

I DO NOT
COVER

Select this option if you currently do not have health insurance.

How would you like to handle costs?

You pay for health care in two ways: Through fixed premiums taken from each paycheck, and through the costs you pay as you receive care (which may include copays, deductibles, and coinsurance.)

What approach do you prefer?

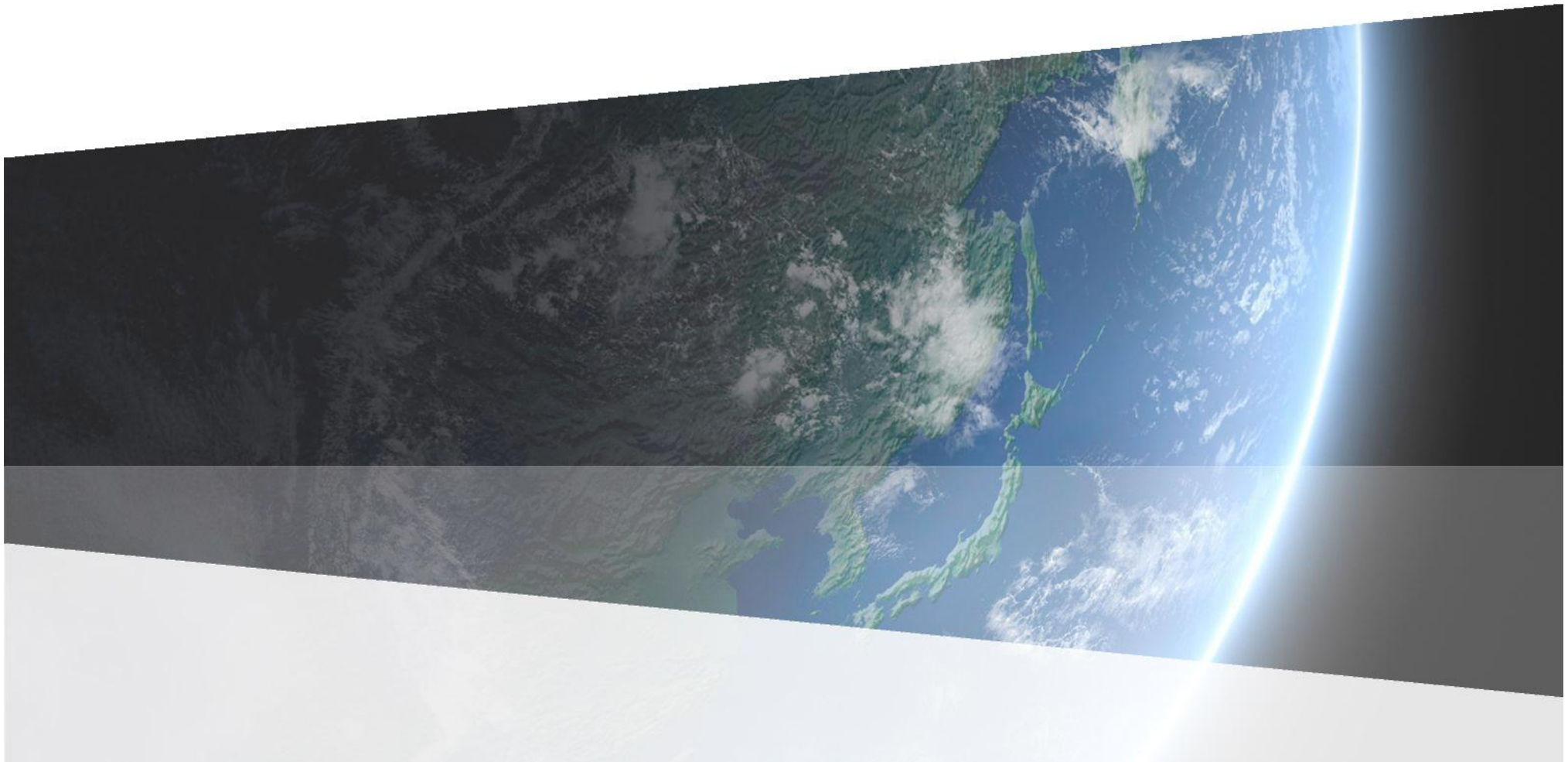
PAY MORE FROM
MY PAYCHECK

BALANCE MY
COSTS

PAY MORE WHEN
I NEED CARE

I’d rather pay extra out of my paycheck for a plan that will cover more of my costs when I need care.

A LOOK AHEAD



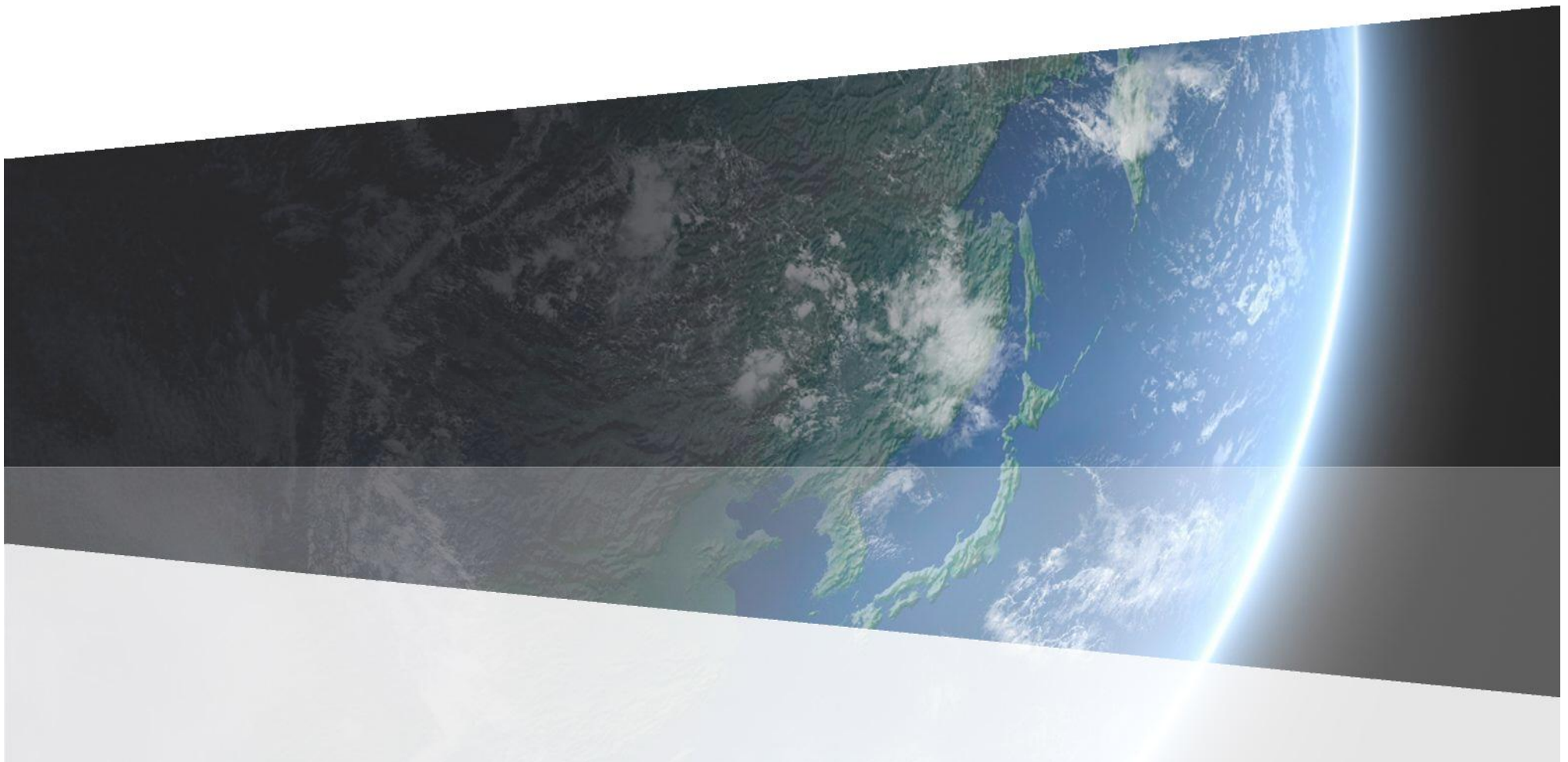
UPCOMING HEALTH CARE REFORM REQUIREMENTS & SOLUTIONS

Requirement	Effective Date	Solution
Covered employee reporting and disclosure <ul style="list-style-type: none">• Coverage offered.• Affordability.	End of 2014 / Beginning of 2015	<ul style="list-style-type: none">• Mercer's ESR Solution includes annual reporting and affordability calculations.
90-day waiting period	January 2014	<ul style="list-style-type: none">• Eligibility rule adjustments.• Communications.
Automatic enrollment	TBD – Clarification expected 2014 likely for 2015 plan year	<ul style="list-style-type: none">• Eligibility rule adjustments.• Communications.

2013–2014 HEALTH CARE REFORM CHECKLIST

- ☑ Solution for PCORI reporting – Payment due July 31.
- ☑ Account for Shared Responsibility rules – Starting this OE:
 - Determine part-time employee eligibility.
 - Provide minimum viable coverage.
 - Prepare for proof of coverage reporting.
- ☑ Distribute mandatory Exchange Notice by October 1.
 - Who will support employees and exchanges?
 - Combine it with easy-to-understand communication.
- ☑ Prepare for Transitional Reinsurance Fees – November 15.
- ☑ Comply with 90-day waiting period rules in January 2014.

QUESTIONS?





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