



***** IMPORTANT BULLETIN *****

TO: ALL SMALL GROUP HEALTH CLIENTS
FROM: GREENBERG & ASSOCIATES INSURANCE, LLC.
DATE: MARCH 19, 2013
RE: HEALTH INSURANCE REFORM AND EXCHANGE UPDATES

As you are aware, there have already been many changes implemented as a result of the Patient Protection and Affordable Care Act (PPACA). However, the most substantial changes in the health insurance marketplace will begin January 1, 2014 with the implementation of Healthcare Exchanges. Oregon's Exchange will be called Cover Oregon, Washington's The Washington HealthPlanFinder. The Exchanges will provide coverage for individuals and small group employers who have 1 to 50 employees.

The purpose of today's bulletin is two-fold. First, we want to outline how we plan to approach the Exchange evaluation/implementation process with our small group clients. Second, we would like to give you the most recent updates and regulations released by Health and Human Services (HHS) pertaining to PPACA.

Starting in June 2013, we will start the Certification process that will be necessary to work with BOTH the Oregon and Washington Exchanges on behalf of our clients. Certification will not only allow us to be Oregon and Washington State Certified, but, the process in itself will provide us with the necessary information and tools we will need to negotiate within the system.

As you have most likely heard, the Open Enrollment period for the Exchanges will be starting October 1, 2013. All effective dates for anyone enrolling during Open Enrollment will be January 1, 2014. However, even though group plans "can" access the Exchange for a January 1, 2014 effective date, the Open Enrollment date is just for the Individual Medical Insurance Market. Employers with small group plans can enter the Exchange at **ANY** time, and **CAN** maintain their current health plan and renewal cycle. Therefore, we will be conducting our annual review with all small groups on the **SAME** renewal schedule currently in place. Therefore, if a group medical plan currently renews on January 1st, it will renew on January 1st in 2014, and if a group medical renewal is August 1st, it will renew on August 1st in 2014, etc..

There will be one exception to the above renewal schedule, however. At this time, we are being told that groups that qualify for the Small Business Health Care Tax Credit "might" have a larger tax credit by enrolling in the Exchange on January 1st, than at a later existing renewal date. This is because the **ONLY** way an employer can obtain the Small Business Health Care Tax Credit **AFTER** January 1, 2014, will be by purchasing group medical coverage through the Exchanges! We have found that very few employers have qualified for the Small Business Health Care Tax Credit, but, if they do, we want to position them to be able to continue to receive the maximum tax credit by enrolling January 1, 2014 in the Exchange. If you are uncertain whether or not you qualify for the Small Business Health Care Tax Credit, ask your CPA or visit <http://www.irs.gov/uac/Small-Business-Health-Care-Tax-Credit-for-Small-Employers> **IN ORDER TO PREPARE FOR THESE SPECIFIC GROUPS, WE NEED YOUR COOPERATION. PLEASE COMPLETE THE ATTACHED VERY BRIEF QUESTIONNAIRE AND FAX TO US AS INSTRUCTED ON THE FORM.**

Prior to your group health renewal, we will be evaluating your group medical coverage options **BOTH IN AND OUT** of the Exchange. Each employer group will have different needs and goals. Depending upon what's best for each group, one option may work better than the other. Therefore, **BOTH** options need to be evaluated. Regardless of what your final plan choices are, we will assist you with all necessary transitions. It is because of the need to evaluate two different marketplaces for each client, that we will endeavor to stay on

existing group renewal cycles. As you can well imagine, it would be impossible to provide a comprehensive evaluation if we had to do so for each client for a January 1st effective date!

Before we go into newly released guidance and reform rules, we'd like to reiterate previously communicated provisions that there is still some confusion on as follows:

- W-2 reporting of the aggregate cost of employer sponsored healthcare coverage for the 2012 Tax Year, is ONLY required for employers who issue more than 250 W-2's. It is "optional" for those employers who file fewer than 250 W-2's until further guidance is issued by the IRS.
- The required Employer Notice to employees informing them of the Health Insurance Exchange has been delayed until further notice. Most likely additional guidance will come this fall. The DOL in a recent FAQ noted that Employers will be provided generic model notices.

On January 24, 2013 the Departments of Labor (DOL) issued guidance regarding HRAs (which includes MERPs) that strictly forbids the use of HRA's from assisting employees in the purchase of **individual** medical plans. The DOL also specifically stated that an employer-sponsored HRA may be treated as "integrated" with other medical coverage ONLY if the employee receiving HRA funds is actually enrolled in the group health plan. Therefore, this guidance clarifies that the contributions to HRAs (and MERPs) can be taken into account in the minimum coverage value calculations! Upon renewal all plans will need to meet minimum value standards. Therefore, this is good news. DOL also confirmed that integrated HRAs are not subject to the prohibition on annual and lifetime dollar limits, as long as the integrated health plan is compliant. Therefore, it appears at this time that the use of HRAs and MERPs as a tool to lower insurance premiums will be allowed to continue.

On February 20, 2013, HHS issued final rules for Essential Health Benefits (EHB), Actuarial Values for coverage levels and minimum coverage levels. Only non-grandfathered insured individual and small group plans IN and OUT of Exchanges are required to provide EHB. The final rules outline details for determining Actuarial Value (AV), Employer Mandated Minimum Value (MV), Preventive care, and cost sharing requirements. HHS requires use of an AV calculator for plans offered in the individual and small group markets both in and out of the Exchange to determine the health plan's level of coverage and if plans meet minimum coverage levels. The MV calculator will be used to evaluate whether a large group employer sponsored plan provides minimum required values. The final rules included a list of Preventive care FAQ's to clarify many previously confusing scenarios such as what happens when a polyp is discovered during a routine screening colonoscopy? The answer is; the plans cannot impose cost sharing for the cost of the polyp removal. Conversely, it clarified that plans do not have to cover contraception and vasectomies for men. The rules also state that in the small group market deductibles will be limited to \$2,000 for an individual and \$4,000 for a family, based on current guidelines and indexed for inflation. The Maximum Out-of-Pocket Limits can be no greater than those for HSA's (currently \$6,250), and is estimated to be \$6,645 in 2014 since it will be indexed annually. Nondiscrimination Rules also kick in starting in 2014. Employers will be prohibited from providing better eligibility, health benefits or contributions to highly compensated individuals and they will not be able to waive the probationary period for key employees. The DOL has indicated violators could face fines up to \$100/day for each employee discriminated against.

Small group employers who elect coverage through the Oregon Exchange will continue to be able to set the minimum hours employees must work each week to be eligible for group health insurance between 17.5 and 40. Also, Minimum employer contribution levels will remain the same at 50% of the employee-only premium and minimum participation of employees not waiving to other qualified group coverage will be 75%.

At this time, we are taking all of the necessary steps to continue to provide the level of expertise and service that you can depend upon to assist you through all of the upcoming changes. In the meantime, please don't hesitate to let us know if you have any questions.

Sincerely,

Sharon Greenberg & Adrienne Hutchins

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