

February 28, 2013 – 7:00 p.m.

Community Linkage Advisory Committee Meeting Notes:

The second in a series of meeting of the Community Linkage Advisory Committee was held on Thursday, February 28 at 7:10 p.m. at Tanque Verde High School Library.

The meeting agenda is as follows:

1. Overview of the new healthcare system
2. Highlight the implications of the exchanges
3. Predictions of how implementation of the new healthcare system will impact school districts in Arizona (short-term/immediate impacts to long term impacts)
4. TVUSD Budget Presentation
 - a. Demographic Information
 - b. Budget Projections
 - c. Pending Legislation that could impact District Finances
5. Overview
 - a. Common Core
 - b. Possible Budget Cuts
 - c. Possible Assets

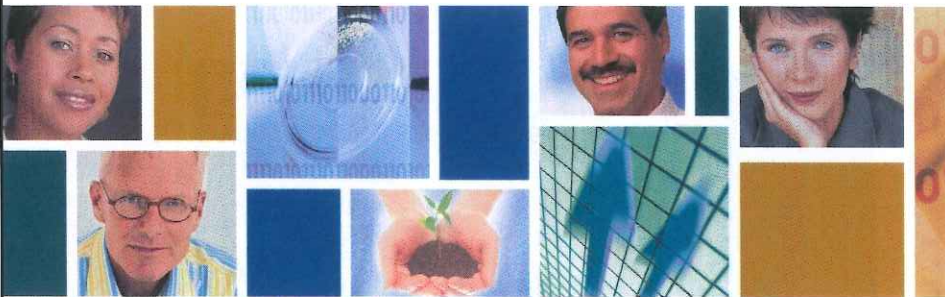
Dr. Price started the meeting by welcoming everyone. He introduced Account Executive, Leal Byrne from CBIZ. Leal explained to all what services CBIZ provides the school district; they are the district's employee benefit plan consultants. She described CBIZ as the largest Accounting, tax and audit firm in Arizona. Leal then got into the Patient Protection and Affordable Care Act (PPACA). The intended purpose is to provide expanded access to coverage, affordable coverage and minimum essential health care coverage. The information Leal presents was very informative and detailed, and current as of Feb. 28, 2013. *Attached* is the presentation Leal presented.

Mr. O'Shea distributed a summary recap of the M & O Fund Budget Projections for FY 2013-13 and FY 2013-14 as well as ADM projections at the meeting which he's made available for public viewing at the district in the business office. This presentation generated a lot of discussion relating to sustainability, Arizona Department of Education (Common Core and Move on When Reading funding), the Legislature and the State budget. The conversation transitioned to

identifying revenue possibilities. One such idea is establishing Tanque Verde Elementary School as a Public School District – sponsored charter school. Dr. Price said the district will be exploring this possibility as a revenue source along with other energy-efficiency assessments within the school district that could possibly generate additional funds.

In closing, Dr. Price announced the next meeting is on Thursday, April 25 at 7:00 p.m. at Amity.



The meeting adjourned at 9:15 p.m.



Patient Protection and Affordable Care Act (PPACA) Overview


February 28, 2013

Presented by Lael Byrne, CBIZ

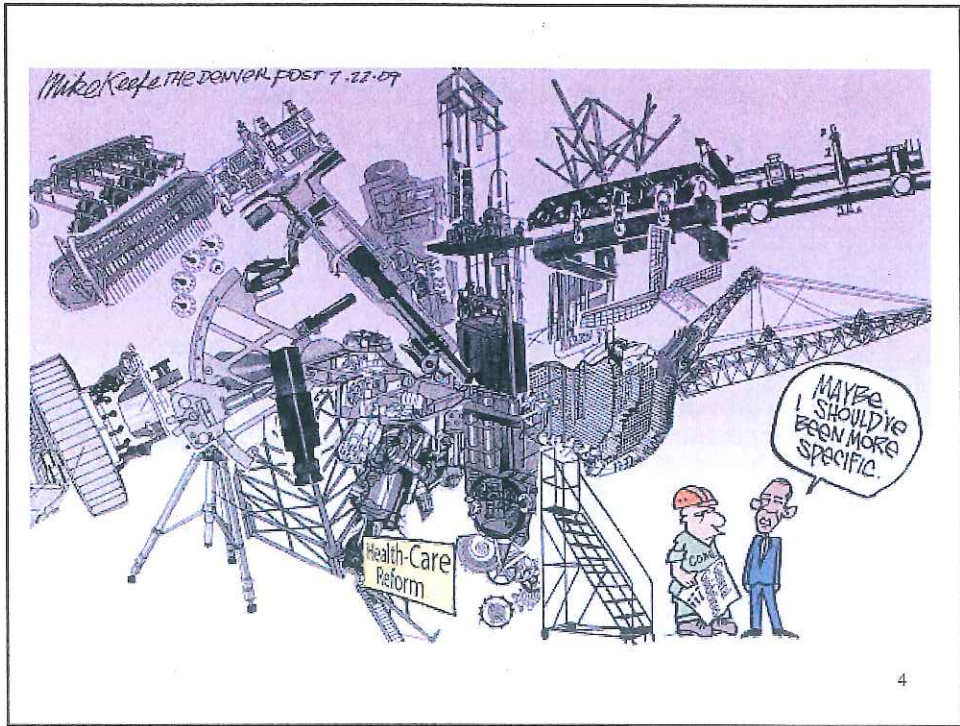



Who is CBIZ?

- Tanque Verde Unified School District's employee benefit plan consultant
- Largest employee benefits consulting firm in Southern Arizona, 2nd largest in Arizona and 2nd largest in the U.S.
- CBIZ/MHM is largest accounting, tax and audit firm in Arizona
- CBIZ also provides the following services:
 - Employer Retirement Plan (403(b), 401(k), 457 and Wealth Management Services
 - Payroll Administration
 - Business Property and Casualty Services
 - Actuarial Services – Benefits and Retirement Plans
 - FSA Administration
 - COBRA Administration
 - Human Resources Consulting
 - Forensic Accounting Services
 - Mergers and Acquisition Services




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Intent of PPACA

- To Provide:
 - Expanded access to coverage
 - Affordable coverage
 - Minimum essential health care coverage




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PPACA Employer Plan Mandates to Date

- **Preventive Care**
 - 100% coverage for preventive care as defined by governmental guidelines
- **Coverage for Dependents to Age 26**
- **Pre-Existing Condition Restrictions**
 - Removal of pre-ex for dependent children under age 19
- **Reporting Value of Benefits on W-2**
 - Employers who distribute more than 250 W-2s in a tax year must report the value of their employer health plan on the W-2 (not taxable income...yet)
- **Flexible Spending Account (FSA)**
 - Deferrals capped at \$2,500 starting in 2013





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PPACA Employer Plan Mandates to Date


- **Minimum Loss Ratio (Fully Insured Employers)**
 - 80% of premium paid on medical claims for groups under 100 employees
 - 85% for groups over 100 employees
- **Summary of Benefits and Coverage (SBC)**
 - Provided to all eligible employees at annual enrollment
 - New hires must receive with benefits enrollment information
- **Women's Preventive Care**
 - Effective for plan years on or after 8/1/12 (non- grandfathered plans)
 - 100% coverage for contraceptives, breast feeding supplies and counseling, domestic abuse counseling, etc.


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PPACA Employer Plan Mandates - 2013


- **Patient-Centered Outcome Research Fee**
 - For plan years ending after 9/30/12, \$1 per member (includes dependents) per year, next year \$2 then indexed.
 - Fee due by July 31 every year (starts in 2013)
 - Self-funded plans must pay this fee with the Form 720 IRS filing
- **Employer Notice to Employees regarding Exchange**
 - Original notice deadline was 3/1/13; pushed back indefinitely awaiting more information on the federal Exchange
 - Arizona will not operate a State Exchange and will have a federally operated exchange. There is currently no guidance with specifics detailing a federally operated exchange



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PPACA Employer Plan Mandates – 2013 - 2014


- Enrollment on federal Exchange to start on 10/1/2013 for 1/1/2014 effective date
- Effective 1/1/2014:
 - Individual Mandate (have coverage or be penalized)
 - Employer 'Pay or Play' Mandate (50+ employees)
 - Provide minimum essential coverage (MEC) at an affordable cost or be penalized
- Automatic enrollment for employers with 200+ employees delayed from 2013 until an unknown date



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PPACA Mandates – 2014


- **Individual Mandate**
 - Individuals required to maintain coverage for themselves and dependents through an employer plan, Medicaid (AHCCCS), TriCare, Exchange, Medicare, Indian Health Services, VA, etc. or pay penalty tax
 - Premium assistance tax credit will be available to certain individuals earning less than 400% federal poverty level (FPL) if not receiving minimum essential benefits and affordable coverage through an employer plan
 - 100% of FPL is currently \$11,170 for single employees; 400% is \$44,680. A family of four with income of \$92,200 is considered to be at 400% of FPL.
 - Arizona will be expanding AHCCCS to 138% to be eligible for federal funds
 - No employer penalties if employee enrolls in AHCCCS
- Penalties for Individuals not enrolled in ANY type of coverage will be:
 - 1.0% in 2014, 2.0% in 2015, and 2.5% thereafter, or;
 - A flat dollar amount assessed on each taxpayer and any dependents included in individual's tax return – amount reduced by ½ for dependents under age 18
 - Annual flat dollar amount phased in - \$95 in 2014, \$325 in 2015 and \$695 in 2016 and adjusted for inflation thereafter


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PPACA Mandates – 2014

- **Employer Mandate**
 - Employers with at least 50 full time equivalent employees working 30+ hours per week must provide minimum essential coverage and minimum value coverage at an affordable rate, or pay an excise tax
 - Waiting periods cannot exceed 90 days of employment
 - **Minimum value coverage** – plans must provide actuarial equivalent of 60% benefits
 - **Affordable coverage** – employee contribution for single coverage can't be more than 9.5% of household income
 - Safe Harbor W-2 Earnings for an individual.




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PPACA Mandates – 2014

- **Additional Fees that may impact Premium**
 - Annual, non-tax-deductible fee applicable to health insurers. For 2014, a fee of \$8 billion will be charged on a pro-rated basis based on 2013 market share by premium revenue. The amount charged increases to \$14.3 billion in 2018. Some insurers are estimating that the fee will be approximately 3% of fully insured premium. Some TPAs are estimating \$10 pepm.
 - Premium Stabilization Fund--funded by insurers and TPA's.
- **Employer Health Insurance Reporting** – Employers will have to provide a report to the IRS as to the access, eligibility, waiting periods, costs, number of covered employees and other coverage detail. No guidance issued yet.
- **Elimination of Annual or Lifetime Limits** – Plans can no longer impose restricted annual limits on essential benefits, including grandfathered plans.
- **Ban on Pre-Existing Conditions** – Applies to everyone in 2014 (not just dependent children).
- **Excise Tax on "Cadillac" Plans in 2018** - 40% excise tax will be imposed on the value of high cost employer sponsored health coverage



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Employer (TVUSD) Impact

- Increased administration
- Increased legislative compliance concerns
 - Benefits heavily regulated by DOL, IRS and HHS
- Expected cost increase resulting from expanded coverage
 - Removal of pre-existing condition exclusions
 - Removal of lifetime and annual limits
 - PCORI fees which must be paid by the employer if self-funded (TVUSD is self-funded through ASBAIT)
 - Expansion of coverage for dependent children up to age 26
 - Expansion of coverage for preventive care services
 - Expansion women's preventive health services coverage
 - Minimum essential coverage benefits




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Employer (TVUSD) Impact

- **Affordability of health insurance may be adversely impacted by the law.**
 - Insurance companies predict group insurance cost will increase by 20% in next few years to cover additional and uncertain risk
 - Cost of insurance in the Exchanges is not yet determined but could be less affordable due to adverse selection and redefinition of age rated bands (only 3 age bands so younger member premiums will increase to subsidize older members)
- **Employer workforce is fundamentally redefined.**
 - Law defines 30 hours per week as standard FTE definition
 - Law creates temporary and seasonal worker definitions
 - Law defines maximum waiting periods – cannot exceed 90 days
 - Law establishes Minimum Essential Coverage (MEC) to employers with 50 or more employees




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Employer (TVUSD) Impact

- Law establishes a maximum amount (Affordability Test) which an employer may charge an employee for the benefit coverage based on W-2 earnings
- Law establishes 2 separate Excise Tax penalties for employers who fail either the Coverage Test or the Affordability Test.
- Law applies to all employers employing average of 50+ employees.
- **“Play”**: Offer coverage at or above the Minimum Essential Coverage (MEC) level and contribute towards the coverage, **or**
- **“Pay”**: fund a non-deductible excise tax that will be indexed annually for medical inflation




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Individual and Employee Impact

Pros:

- Improvements in benefits – no lifetime limits, elimination of pre-existing condition exclusions, no cost preventive care, etc.
- More access to care
- More transparency
- Expanded access to subsidized care through the Exchange or through Medicaid (AHCCCS)







Individual and Employee Impact

Cons:

- Improvements in benefits may add to overall cost of care.
- Some employers may not be able to afford insurance so will drop group coverage, lay off employees or shut their doors.
- Individuals may be on their own when shopping for health insurance in the Exchanges and may not make the best choices.
- Individuals will face penalties for not enrolling in coverage.
- Younger individuals will have to pay proportionately more for coverage because of changes in rating ratios.


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Health Care Reform Timeline



- Benefit coverage changes
 - Preventive Care with no cost share in network
 - Dependent children < age 26
 - No pre-ex < age 19
 - Prohibits rescissions except fraud / intentional misrepresentation
 - No lifetime / annual dollar limits on essential benefits
 - Patient protections
 - Appeals and External Review updates
- Temporary high-risk pool
- Uniform MLR definition (NAIC)
- HHS Plan Finder

- Guaranteed issue
- Individual coverage mandate
- Individual subsidy
- State individual and small group Exchanges operational
- Rating rule changes – 3:1
- Insurer taxes - 2014
- Employer “Pay or Play” Mandate
- Essential health benefits
- Medicaid expansion

- 90-Day maximum waiting period
- Definition of full-time employees
- Auto-Enrollment of Newly Hired, Newly Eligible Full-Time Employees
- W-2 Annual reporting of employee coverage - All
- Wellness incentives
- Medicare Advantage MLR Requirements

2010	2011	2012	2013	2014	2015-2019
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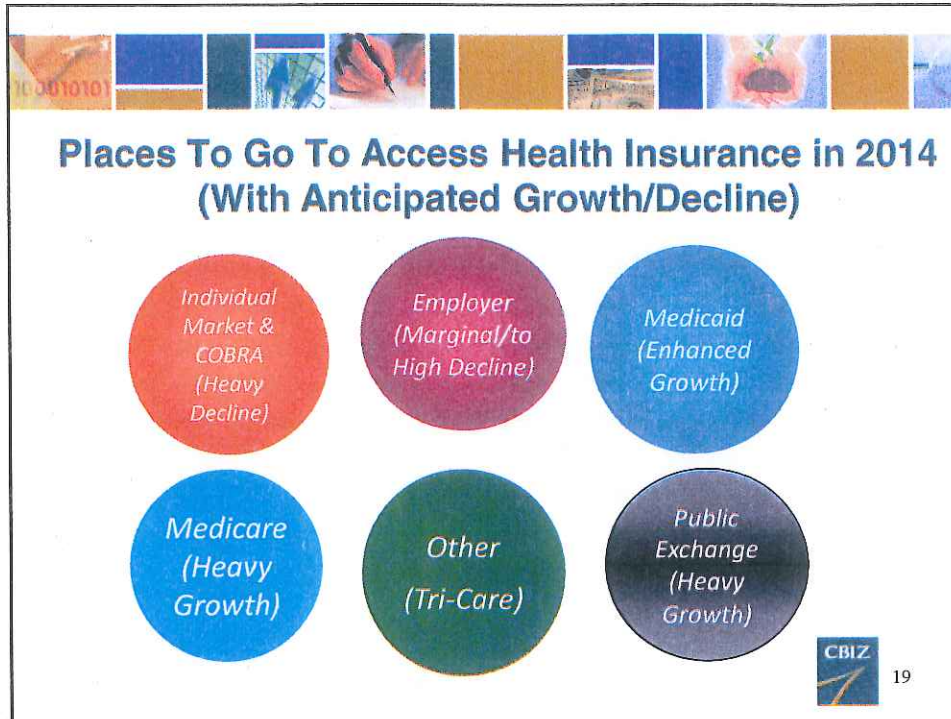
- Minimum MLR requirements
- Medicare Advantage plans begin to have payments frozen
- Medicare Advantage cost sharing limits effective for certain covered services
- Pharmaceutical fee
- Rate review implementation

- Patient Centered Outcomes Research fee
- MLR reporting goes “live”
- Administrative Simplification begins to phase in
- Summary of Benefits and Coverage (SBC)
- Women’s Preventive Services

- Medical Device fee
- Exchange coverage notice – March 1, 2013
- FSA Cap
- Tax deduction for employers for Medicare Part D subsidy eliminated
- W-2 Annual reporting of employee coverage for 250 or more W-2s

- Increased penalties on individual mandate
- Increased insurer taxes
- States must allow groups with <100 employees into Exchanges (2016)
- “Cadillac tax” (2018)


Source: Patient Protection and Affordable Care Act



Small Business Health Options Program (SHOP) through the Federal Exchange


- Employers with less than 100 employees will be allowed to purchase health insurance through the Federal Public Exchange on a group basis.
- The employer can allow employees to select any of the plans and carriers offered through the Exchange or;
- The employer can select carriers/plans that they pay for and offer those to their employee population– similar to traditional group plans.

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Which Employers Are Affected?

- Certain groups of companies must be aggregated together to determine if they are “Large Employers” (controlled group, partnerships, proprietorships, affiliated service groups, employee leasing arrangements)
 - Exemption: Employers whose workforce exceeds 50 full time employees for 120 days or less during the calendar year, and the employees in excess of 50 employed during that 120-days-or-less period were “seasonal workers.”




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Employees with Variable Hours

- “Look-back/stability safe harbor method”
 - Employer determines each employee's status by looking back at the hours worked by the employee over a defined period (chosen by the employer) of 3 to 12 calendar months (the “measurement period”).
- **If the employee averaged at least 30 hours/week during measurement period, the employee is treated as a full time employee during a subsequent “stability period”.**
 - Stability period must be at least six consecutive calendar months following the measurement period but no shorter in duration than the measurement period.
- For an employee determined not to be a full time employee during the measurement period, the employer may treat the employee as not a full time employee during the stability period, but the stability period cannot exceed the measurement period.





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New Employees


- If a new employee is expected to work full time (at least 30 hours per week), the employer must offer coverage to the employee after 90 days of employment.
- Safe Harbor: If a new employee works variable hours, and it cannot be determined if the employee is reasonably expected to work an average of at least 30 hours per week, the employer may consider the hours worked by the employee during an initial measurement period of between 3 and 12 months (chosen by the employer). If the employee averaged 30 hours or more of service during the initial measurement period, the employee must be treated as a full-time employee during the subsequent stability period.
- An employer may impose a waiting period of no more than 90 days before a full-time employee or dependent who is otherwise eligible for the employer's group health plan may enroll in coverage.

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Employer Penalty Tax (if 50+ employees)

- Minimal essential coverage not offered to at least 95% of full time employees and at least one employee goes to Exchange and receives premium tax credit
 - \$2,000 per year per FTE (less first 30 employees)
- Coverage either does not meet minimum value standard OR coverage not affordable (i.e., employee's premium exceeds 9.5% of income) and at least one employee goes to Exchange and receives premium tax credit
 - Lesser of:
 - \$3,000/year per FTE using Exchange and qualifying for premium credit, or
 - \$2,000/year per FTE (less first 30 employees)






What Employers (TVUSD) Should Do

Workforce and Benefits Plan Review with Your Benefit Plan Consultant – Employers with 50 or More Employees


1. Review contribution strategy
2. Review benefits design for compliance
3. Consider standards for benefits eligibility
4. Consultant should conduct Financial Impact Study to determine both the impact on your business/employees and the best course of action to take.

Develop a Strategic Plan to Include:

1. Minimization of possible additional benefit costs
2. Avoid potential penalties
3. Understand impact to employees and provide them with proper guidance and understanding of their health insurance options.




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What Employers Should Also Consider...

1. Elimination of health insurance program could negatively affect recruitment, retention, morale and employees' out of pocket costs (e.g., higher premiums, copays, deductibles, taxes, penalties, etc.).
2. Elimination of health insurance program could cost an employer more than offering one.
3. Eliminating your health insurance program may be a viable financial option.
4. The future indexing of the penalties could make the cost of health insurance higher in the future than offering a group plan (50+ employees).



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What Employers Should Also Consider...

5. Higher compensated employees will not qualify for subsidies and will want (need) to remain on an employer plan (part of overall compensation).
6. Your employees may look to your competition for benefits that you don't provide and go work there.
7. Penalties paid are not tax deductible for employers (50+ employees).
8. Small employer may be subject to Shared Responsibility requirements in the future.



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Pay or Play?


Employers with more than 50 employees must assess:

- Eligible (as defined by PPACA) population;
- Benefit plan designs for MEC compliance;
- Contribution strategies to conform to the 9.5% employee contribution threshold;
- Affordability of offering a plan;
- Affordability of not offering a plan and paying penalties.

And then decide whether or not to 'pay or play'.




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Health Care Reform Resources

CBIZ Health Reform Bulletins Archive

- These bulletins are issued regularly to CBIZ clients via email and include updates, reminders and changes to PPACA – if you are not on our email list and would like to be, please see us after the seminar so that we may add you to our list.



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our **business**
is growing **yours**



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