EMPLOYER GUIDE FOR COMPLIANCE WITH THE PATIENT PROTECTION AND AFFORDABLE CARE ACT OF 2010

50 OR MORE FULL-TIME EMPLOYEES

The experts at Pekin Insurance® have designed this guide to educate and assist employers with 50 or more employees who offer a fully insured health insurance plan. It is our goal as professionals in the insurance industry to allow you to follow this guide for insurance compliance and remain an expert in your business. *Please note this guide is not an all inclusive summary and there continues to be changes in implementation dates originally mandated in the law. Please consult with a professional advisor for further questions or concerns regarding how the PPACA impacts you as an employer.*

- Employers with less than 50 active full-time, or 50 full-time-equivalent (FTE) employees are not required to offer or provide health insurance benefits. **Full-time equivalent (FTE) employment** means the total number of regular straight-time hours (i.e., not including overtime or holiday hours) worked by employees divided by the number of compensable hours applicable to each fiscal year. Annual leave, sick leave, compensatory time off and other approved leave categories are considered "hours worked" for purposes of defining full-time equivalent employment. Professional accounting advice should be sought if uncertain on whether your group has 50 or more FTE employees.
- **Marketplace (aka Exchanges) Notice**—Employers must provide notice to their employees no later than October 1, 2013, of the availability to purchase insurance through the Marketplace (aka Exchanges). An approved notice from the Department of Labor can be found at http://www.dol.gov/ebsa/pdf/FLSAwithplans.pdf. By using this approved notice, an employer also meets the requirement of providing tailored information about minimum value, affordability, and premium assistance provisions.

PROVIDE A SUMMARY OF BENEFITS AND COVERAGE (SBC)

Insurers and group health plan sponsors are required to provide the SBC to eligible employees and plan participants at these various times:

- When an employee is first eligible for coverage.
- At renewal/open enrollment.
- By the first day coverage starts, if the SBC changed from the version provided during annual open enrollment.
- After a request for special enrollment, as defined by HIPAA.
- If there is a mid-year change to the plan that affects the information in the SBC.
- Upon request.

We will provide the SBC to the group administrator and rely on the administrator to provide this information to their employees for any of the occurrences listed above.

COLLECTION AND ADMINISTRATION OF FEES ASSOCIATED WITH PPACA

- **Patient-Centered Outcomes Research Institute (PCORI) Fee**—For plan years ending on or after October 1, 2012, the Act imposed a fee of $1 per member, per year on health insurance issuers. For employers or plan sponsors with self-insured plans, the plan sponsor is responsible for filing and payment. This includes employers who offer both fully-insured plans and Health Reimbursement Arrangements (HRAs), in which case the insurer pays a PCORI fee for the employees on the fully-insured plan and the employer also pays the PCORI fee on employees with HRAs. If an employer offers multiple self-insured plans, they pay only one PCORI fee per covered life, not per self-insured plan. The purpose of the PCORI fee is to promote research to evaluate and compare the health outcomes and clinical effectiveness, risks, and benefits of medical treatments, services, procedures, and drugs. In 2013, Pekin Insurance did not adjust premiums. The cost of this fee is $1 for each of the plan years in 2012 and the beginning of 2013. This will be increased to $2 for the later part of 2013 and for the 2014 plan year. These costs and the increases associated with them will be paid by Pekin Insurance until the fee is phased out in 2019.
- **Insurer Fee**—This annual fee is permanent and is expected to be approximately $8 billion for all insurers in 2014, increasing each year to over $14 billion in 2018. The expected impact of this fee on premiums is just over 2%.
- **Transitional Reinsurance Fee**—This fee will be collected from insurance providers in the years 2014-2016. These funds will then be distributed to insurers in the individual health insurance market to spread the financial risk across all carriers that will be insuring high-cost medical insureds. The expected impact of this fee will be approximately $6 per member, per month.
- **Risk Adjustment Fee**—Fee paid by insurance carriers to compensate other carriers in the fully insured exchanges that get a higher proportion of high risk business.

ADDITIONAL INFORMATION

- Waiting periods for new employees to be added onto a policy cannot exceed 90 days.
- To protect your business from possible fines, it is our recommendation that if an employee declines coverage, you have him or her sign a waiver form and keep a copy in your files.
- Affordable coverage must provide minimum value—The plan must pay more than 60% of medical costs across a typical population. All Pekin Insurance non-grandfathered plans will meet this provision.
- Pekin Insurance will require non-grandfathered plans to make the necessary benefit changes to comply with the minimum essential coverage requirements.
- Enclosed is an Exchange Model Notice for employers who offer a health plan to their employees. It MUST be distributed to current employees no later than October 1, 2013.
- Enclosed is a Revised Model COBRA Election Notice, which should be provided to eligible employees and dependents when a qualifying event occurs. If GPS or Pekin Insurance is your COBRA Administrator, the updated notices are being provided on your behalf and the enclosed notice is a reference for your files.

POSTPONED UNTIL 2015

- Insurance must be offered to all full-time, non-seasonal employees. Full-time is considered working on average 30 hours per week.
- Offer affordable minimum essential coverage (MEC)—Employers with 50 or more active, full-time employees or FTE must offer coverage that is affordable to the employee (i.e. required share of the employee-only portion of the premium must not exceed 9.5% of his or her W-2, Box 1 income). If an employer offers MEC and one or more full-time employee receives a premium credit or cost-sharing subsidy through the Marketplace, the penalty is $3,000 per employee who receives a premium credit cost-sharing subsidy. Note: employers not offering coverage can be fined substantially.