

ABC's Benefit News!

SPECIAL EMPLOYEE VERSION

AFFORDABLE CARE ACT EDUCATION

Volume 3 – Plan Actuarial Value, Minimum Value & Affordable Coverage Under ACA

September, 2013

In previous issues of ABC's Benefit News, Special Employee Version Volume 1, we discussed Exchanges under ACA/ObamaCare, and in Volume 2, we discussed Premium Subsidies. In this issue, we will discuss the concept of Minimum Value and Actuarial Value in health plans, which is a central part of the ACA/ObamaCare requirements, as well as Affordable Coverage under ACA.

Background

The Affordable Care Act, ACA, or ObamaCare, requires individuals to be covered by an acceptable, minimum level of health insurance beginning January 1, 2014. Regardless of whether or not your employer offers you health coverage, each American is required by law to be covered under a health plan, or pay a penalty. That penalty goes up each year from 2014 to at least 2016. The law requires that you have at least a "minimum value" health plan. To understand this concept, we must first discuss a related topic, Actuarial Value.

What is Actuarial Value?

In simple terms, it is the value placed on a plan by a qualified actuary, to determine its value in comparison to other plans, and to give the plan a numeric value, based on how rich or how beneficial the plan will be to the participants. In other words, a health plan will cover just about everything, or very little, or somewhere in-between. It represents the percentage of expenses a plan is expected to cover. An actuarial value of 100% would mean that it literally pays every expense you would have.

Under ACA, you have and will continue to hear us speak of metallic levels of health care plans. These will apply to all Non-Grandfathered Health Plans in the small group and individual market, although the term and concept are wide-spread across the insurance market in general now.

Metallic Levels: Under ACA, the metallic plan levels were defined as Bronze = 60% of the actuarial value with respect to essential benefits (defined below); Silver = 70% of the actuarial value with respect to essential benefits; Gold = 80% of the actuarial value with respect to essential benefits; Platinum = 90% of the actuarial value with respect to essential benefits. There is a 2% de minimus (+/-) variation allowance (for example, the gold plan level (80% plan) could have an actuarial value of 78% to 82%.

What are Essential Benefits?

The ACA provided for 10 statutory essential health benefit categories. Benefits and services not included in the definition of essential benefits will not be included in the actuarial value calculation under the ACA.

The 10 Essential Benefit categories are: Ambulatory patient services, Emergency Services, Hospitalization, Maternity and Newborn care, Mental health and Substance abuse disorder services, Prescription Drugs, Rehabilitative and Habilitative services and devices, Laboratory services, Preventive and Wellness and Chronic Disease Management, and Pediatric services including oral and vision care.

What is Minimum Value under ACA?

Under the affordable care act (ACA), each individual (and each large employer) is required to have a plan with a minimum value of 60%. If an employer-sponsored plan, for example, provides a plan for its employees but it has an actuarial value of less than 60%, it will not be acceptable under ACA rules, and it would be as if the employer provided no coverage at all.

ABC's BENEFIT NEWS, SPECIAL EMPLOYEE ACA ISSUE – MINIMUM VALUE, ACTUARIAL VALUE & AFFORDABILITY

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For individuals seeking coverage outside of an employer plan, the minimum value coverage is crucial. Individuals are required to purchase or maintain a health insurance plan that has at least a 60% actuarial value. If they purchase or acquire a plan that is valued below the 60% minimum value level, they will still have to pay the penalty (tax) as if they had no plan at all. So, it's essential that consumers understand the concept of Minimum Value under ACA.

If you are covered under an employer-sponsored plan and your employer's plan value was below the Minimum Value of 60%, you would be eligible to go to the Exchange (Covered California in California) and apply for coverage. If you are income-eligible, you could also potentially receive a premium subsidy or out-of-pocket assistance, even though your employer offers a health plan.

As we discussed in Volume 2 of this newsletter on Premium Subsidies, as long as your employer provides a plan to its full-time employees and their dependents (defined now as dependent children to age 26 under ACA) that is valued at 60% or greater, and is affordable (discussed in the next issue of this newsletter), you will NOT be eligible for a premium subsidy in the Exchange.

How Will You Know If Your Plan Meets Minimum Value Under ACA?

All employers that fall under the Fair Labor Standards Act (the majority of employers in the United States, including many small employers), will be required to provide you with an Exchange Notice by October 1. This notice will tell you if your plan meets the Minimum Value standard.

If your employer does not offer a health plan, you will still receive a Notice of Exchange by October 1. It will state that you are not covered by a plan through your employer and that you are eligible to go to the Exchange and purchase health coverage (with or without a premium subsidy).

Affordable Coverage

Under the Affordable Care Act, large employers (with 50 or more full-time equivalent employees) must offer "Affordable Coverage," as defined by ACA, that meets the minimum value requirements discussed above, or pay a penalty. Affordable coverage means that the lowest cost plan offered by an employer for self-only coverage (not including dependents) cannot exceed 9.5% of the employee's household income. For a single person, this is easy to calculate. For families, however, employers do not know and cannot ask for household income information. Therefore, the ACA regulations state that employers can use one of three safe harbors to determine if a plan is affordable.

What About Small Employers?

If you work for a small employer, with less than 50 full-time equivalent employees, your employer is not under any obligation to offer you coverage, as they do not fall under the requirements of ACA's Pay or Play mandate. Therefore the Affordability tests do not apply to your employer. Basically, a small employer can decide to offer coverage or not, and may charge any contributions they feel appropriate.

How We Can Help You

If you feel you need some help understanding all this, if you have a spouse that is not offered coverage under your employer's plan, or you are a part-time employee not eligible for coverage and would like assistance in enrolling in the Exchange, or have other specific questions, we can help you. Effective mid-September, we will have a consumer-friendly website available at

www.healthexchangedepotca.com, or you can call one of our representatives for assistance at (866) 658-3835, Extension 1 or 2.

We are also hosting a series of free Town Hall like outreach meetings, open to the public, in September, October and November in many areas in Southern California. At this time, we are scheduled for these meetings in Big Bear Lake, Anaheim Hills, Yorba Linda, Riverside and Victorville. More will be added. Check either of our websites: www.advancedbenefitconsulting.com or the website above for more information and schedules.

Town Hall Current Schedule (all times are 5:30 pm registration, 6pm – 7 pm town hall meetings:

Monday, Sept. 30, Boo Bear's Den, Big Bear Lake, CA

Monday, October 14, East Anaheim Community Center, Anaheim Hills, CA

Tuesday, October 15, Yorba Linda Community Center, Yorba Linda, CA

Riverside and Victorville meetings are pending confirmation for November. Check our website for more information.

Addresses and more information is available on either of our websites. We hope you found our employee newsletter series helpful in understanding this complicated new law.

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