Health Care Reform
Topics of Discussion

Section A
• Health Care Reform Overview
• Medicaid Expansion and Insurance Exchanges
• Individual and Employer Mandates
• Employee Classification and Tracking
• High-Value Plan Tax

Section B
• ACA Strategies
• Next Steps

Appendix
• “Pay or Play” Analysis
• “Cadillac” Tax Analysis

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HEALTH CARE REFORM OVERVIEW
Current Political State
How Does America Compare?

OECD Data & Mary Meeker Report - USA, Inc.
The Market at a Glance

17.9% GDP

$2.4T
(UK GDP)†

$3T
(US Health Spend)

16.7M Employees

784,626 Companies

*Source: US Census Bureau
† World Bank, 2012
Health Care Reform – General Status

On June 28, 2012, the U.S. Supreme Court announced its ruling to uphold the Patient Protection and Affordable Care Act (PPACA) passed by Congress in March 2010.

• Therefore, employers must move forward with planning to:
  – Comply with the requirements of the law
  – Adjust/refine health care strategies to comply with the law and support business and HR objectives

• Some major concerns for employers – while the legalities of the legislation are resolved, much uncertainty still exists
  – Considerable delegation to Federal Regulators under the Act
  – Increased regulatory activity by the states
  – Potential legal challenges to the Act
  – Unknown cost increases in 2015 and beyond

Strategic Thinking is Required Now
Health Insurance Marketplaces Get Off To A Rocky Start

• Obama Administration expected 7 million Americans will enroll for marketplace coverage in 2014

• Enrollment website plagued by technical failures – as of April 1, 8 million have applied (unknown how many have actually bound coverage with premium payments)

• Challenges leading up to/since the initial enrollment may destabilize the Marketplaces:
  – Concessions for “you can keep your coverage” promise may keep “good risks” out of standard marketplace plans (cheaper off-market plans permitted and low cost, low coverage catastrophic plans expanded to anyone whose plan was cancelled)
  – Young and healthy individuals not enrolling at sufficient level after the website is fixed

• Politics likely an influential part of Marketplace future
PPACA Legislative Trouble Spots

• **Legality of Federal Marketplace Subsidies:**
  - IRS interprets PPACA to include subsidies in Federal marketplace even though law’s language specifically provides for subsidies in state-based marketplaces
  - Several pending law suits contend subsidies should not be available in Federal marketplace (and therefore employers cannot be penalized in states with Federal marketplace)
  - Request for injunction to delay granting of subsidies in Federal marketplace until legal cases are decided was denied; IRS will move forward with subsidies for 1/1/14

• **Medicaid Gap:** In states that don’t expand Medicaid (currently 24 states), those between current Medicaid thresholds below 100% FPL and 133% FPL are ineligible for both Medicaid and marketplace subsidies; estimated 5 million people affected

• **Preferential Treatment of Non-Citizens:** Because legal resident aliens aren’t eligible for Medicaid, they are eligible for marketplace subsidies down to 0% FPL, even though American citizens in the Medicaid gap are not

• **Subsidy Funding Gap:** States were to fund subsidies for excess premiums from state-mandated benefits greater than a national benchmark plan, but HHS has not defined benchmark plan so Federal government will be paying greater than expected subsidies
Health Care Reform Overview
Employer Mandate Delays

• In July 2013, announcement was made that the employer mandate was delayed for all employers until 2015, due to delay in employer information reporting requirements.

• In February 2014, additional delays/transition relief were announced with regard to the employer mandate:
  – Employers with 50 – 99 full-time and full-time equivalent employees will not be subject to the mandate until 2016.
  – Employers with 100+ full-time and full-time equivalent employees will still be subject to the mandate in 2015; however, for those employers:
    - The threshold for % of full-time employees that must be offered coverage in order to avoid the 4980H(a) penalty of ($2,000 x (all FT employees – 30)) is 70% for 2015 only, rather than 95%.
    - The requirement to offer coverage to children of full-time employees is delayed until 2016 for those employers that do not already offer coverage to children, if they take steps in 2014/2015 toward adding coverage.
    - Provisions allowing shortened time frames for measuring large employer status and look-back measurement periods originally proposed in preparation for the mandate in 2014 have been extended to preparation for 2015.
    - Transition relief for fiscal year plans originally proposed for the mandate in 2014 has been extended to 2015, with an additional testing method for qualifying for the relief.
    - The 30 FT employee reduction for the purposes of calculating 4980H(a) penalty liabilities is increased to 80 for 2015.
## Health Care Reform Timeline – Focus on 2014 and Beyond

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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</table>
| 2010 | • Change in tax treatment for over-age dependent coverage  
• Accounting impact of change in Medicare retiree drug subsidy tax treatment  
• Early retiree reinsurance program  
• Medicare prescription drug ‘donut hole’ beneficiary rebate  
• Break time/private room for nursing moms |
| 2011 | • Uniform benefit summaries and 60-day advance notice of material modifications  
• Employers report health coverage value on 2012 W-2s (report in 2013)  
• 100% coverage for expanded women’s preventive care  
• Comparative effectiveness fees (plan years ending on or after 10/1/12 to before 10/1/13) (first due in 2013) |
| 2012 | • $2,500 health FSA contribution cap (as of 2013 plan year)  
• Employers report health coverage value on 2013 W-2s (report in 2014)  
• Higher Medicare payroll tax on wages exceeding $200,000/ individual; $250,000/couples  
• New tax on net investment income for taxpayers with incomes exceeding $200,000/ individual; $250,000/couples  
• Change in Medicare retiree drug subsidy tax treatment takes effect  
• Health insurance exchange initial open enrollment period |
| 2013 | | |
| 2014 | • Health insurance marketplaces  
• Individual mandate6  
• Premium Tax Credits  
• State Medicaid expansion  
• Wellness limit increase2  
• No annual dollar limits for essential benefits  
• No stand-alone HRAs2  
• Health insurance industry fees  
• No waiting period over 90 days2  
• No pre-existing condition limits2  
• Dependent coverage to age 26 for any covered employee’s child2  
• Transitional reinsurance fees  
• Insurers must guarantee issue and renewability  
• ERs 100+: Employer shared responsibility for FT EEs and children (70% threshold)  
• Employer reporting and disclosures |
| 2015 | | |
| 2016 | | |
| 2018 | | |

1. Applies to all plans effective plan years beginning on or after 9/23/10.  
2. Applies to all plans effective plan years beginning on or after 1/1/14.  
3. Applies to non-grandfathered plans effective plan years beginning on or after 9/23/10.  
4. A temporary exemption applies to certain categories of employers.  
5. Applies to non-grandfathered plans effective plan years beginning on or after 8/1/12.  
6. Temporary exemption applies to employees of employers with non-calendar yr. plans.  
7. Applies to non-grandfathered plans effective plan years beginning on or after 1/1/14.
MEDICAID EXPANSION AND INSURANCE EXCHANGES
Medicaid Expansion - Summary

• PPACA originally expanded Medicaid coverage to almost any individual under age 65 that had an income up to 133%* of the Federal Poverty Level
  – This expansion was designed to significantly reduce the number of uninsured Americans
  – The federal government will pay a very high share of Medicaid cost to states who expand their eligibility to 133%*

<table>
<thead>
<tr>
<th>Family Size</th>
<th>100% of 2014 FPL</th>
<th>133% of 2014 FPL</th>
<th>138% of 2014 FPL</th>
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<tbody>
<tr>
<td>1</td>
<td>$11,670</td>
<td>$15,521</td>
<td>$16,105</td>
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<td>2</td>
<td>$15,730</td>
<td>$20,921</td>
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<td>3</td>
<td>$19,790</td>
<td>$26,321</td>
<td>$27,310</td>
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<td>4</td>
<td>$23,850</td>
<td>$31,721</td>
<td>$32,913</td>
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<td>5</td>
<td>$27,910</td>
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<td>8</td>
<td>$40,090</td>
<td>$53,320</td>
<td>$55,324</td>
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• The SCOTUS decision on PPACA determined that states are not required to expand Medicaid coverage
  – Prior to this decision a state would have lost all federal Medicaid funding if it declined to expand eligibility
  – This provision was deemed unconstitutional, since it would have threatened existing funding as well

• The following slide has a map outlining the state-by-state status of Medicaid expansion

*Medicaid expansion is up to 133% of FPL; however, the first 5% of income is disregarded when assessing eligibility, which effectively makes the eligibility threshold 138% of FPL.
State Medicaid Expansion Status as of January 2014

Source: The Kaiser Family Foundation [http://kff.org/medicaid/state-indicator/state-activity-around-expanding-medicaid-under-the-affordable-care-act/#map], accessed 2/6/14. States that are implementing the Medicaid Expansion in 2014 and states not moving forward at this time are based on data from the Centers for Medicare and Medicaid Services, available at: [http://medicaid.gov/AffordableCareAct/Medicaid-Moving-Forward-2014/Medicaid-and-CHIP-Eligibility-Levels/medicaid-chip-eligibility-levels.html]. States noted as “Open Debate” are based on Kaiser Commission on Medicaid and the Uninsured analysis of State of the State Addresses, recent public statements made by the Governor, issuance of waiver proposals or passage of a Medicaid expansion bill in at least one chamber of the legislature.

Approx. 40% of the Uninsured
Insurance Marketplace Summary

• Public (State/Federal) Insurance Exchanges
  – Exchanges are to be set up by each state to provide a platform for individuals to purchase health coverage
  – If a state does not set up an exchange by 2014 a federal exchange will be set up in place of the state exchange
  – Small employers (1-100) will have access to purchase coverage through Small Business Health Options Program (SHOP) exchanges (states can restrict this to 1-50 until 2016)
  – Large employers (100+) may have access to purchase coverage through state exchanges starting in 2017, at the state’s discretion
  – The following slide has a map outlining the state by state status of exchange setup

• Private Insurance Exchange
  – Marketplace with health only or core and supplemental product offerings across many benefits and services
  – Exchange sponsor stocks products and manages end-to-end consumer experience
State Health Insurance Marketplace 2014 Status

Source: Kaiser Family Foundation http://kff.org/health-reform/state-indicator/health-insurance-exchanges, accessed 1/15/14
Marketplace Subsidy & Medicaid Expansion Income Segments

In the diagram, the income segments under health reform are represented with bars indicating the percentage of FPL (Federal Poverty Level). The diagram shows the segments: 0% to 100% of FPL, 100% to 400% of FPL, and greater than 400% of FPL.

For those with household income in excess of 400% of Federal Poverty Level, no subsidy is available through the marketplace. The table below provides the annual household income for different income segments for single individuals and families of four.

<table>
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<tr>
<th>% of FPL</th>
<th>Single Individual</th>
<th>Family of Four</th>
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<tbody>
<tr>
<td>400%</td>
<td>$46,680</td>
<td>$95,400</td>
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<tr>
<td>300%</td>
<td>$35,010</td>
<td>$71,550</td>
</tr>
<tr>
<td>200%</td>
<td>$23,240</td>
<td>$47,700</td>
</tr>
<tr>
<td>150%</td>
<td>$17,505</td>
<td>$35,775</td>
</tr>
<tr>
<td>138%</td>
<td>$16,105</td>
<td>$32,913</td>
</tr>
<tr>
<td>133%</td>
<td>$15,521</td>
<td>$31,721</td>
</tr>
<tr>
<td>100%</td>
<td>$11,670</td>
<td>$23,850</td>
</tr>
</tbody>
</table>

Medicaid expansion eligibility threshold is 133% of FPL; however, first 5% of income is disregarded when determining household income level.

Note: Numbers represent 2014 FPL figures.
INDIVIDUAL AND EMPLOYER MANDATES
2014 Individual Mandate Summary

• Individuals must have qualifying minimum coverage or pay tax penalty. Potential annual penalties are:
  – 2014: greater of $95 per individual or 1% of household income*
  – 2015: greater of $325 per individual or 2% of household income*
  – 2016: greater of $695 per individual or 2.5% of household income*

• Individuals with no employer coverage or with “insufficient” or “unaffordable” employer coverage are eligible for public Exchange coverage and may receive a federal tax credit subsidy (sliding scale based on income).

*Penalty cannot exceed the national average cost for Bronze plans in the exchange

The new decisions employees make will directly impact the employer’s cost starting in 2014.
Employer Mandate
Overview

2015
- 100+ FT Employees
- Offer Coverage to 70% FT Employees
- Penalty discounts first 80 employees

2016
- 50+ FT Employees
- Offer Coverage to 95% FT Employees
- Penalty discounts first 30 employees
Employer Mandate
Transition Relief Requirements:

For 2015 delay:

(a) Employer has less than 100 but more than 50 FTE’s
(b) Employer does not reduce workforce or reduce hours to satisfy (a) above
(c) May not reduce or terminate health coverage if any was offered as of 2/9/14
(d) Employer certifies the above requirements are met.
Employer Mandate Summary

Applicable to employers with 100 or more full-time equivalent employees in 2015; applicable to employers with 50 or more full-time equivalent employees in 2016:

- **“Pay”** – If employer plan is not offered at all or is offered to less than 95% of FT employees and their children (70% of employees only in 2015) and 1 or more FT employee receives the marketplace coverage tax credit subsidy, employer pays penalty of $2,000/FT employee minus the first 30 FT employees (minus 80 in 2015)

- **“Play”** – If coverage is offered to 95%+ of FT employees and children (70% of employees only in 2015) but is “insufficient” or “unaffordable” and 1 or more FT employee receives the marketplace coverage tax credit subsidy, employer pays penalty of $3,000/FT employee receiving subsidy (or $2,000 per FT employee, if less)

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**Do you offer coverage to at least or 95% of FT employees and their children (70% of employees only in 2015)?**

- **Yes**
  - **Yes**
    - **Are plan benefits sufficient?**
      - **Yes**
        - **Is the coverage affordable?**
          - **Yes**
            - **No Penalty**
          - **No**
            - **Employer pays $2,000 for every FT employee minus the first 30 (minus 80 in 2015) if at least 1 FT employee receives a tax credit**
        - **No**
          - **Employer pays the lesser of $3,000 per affected FT employee who receives a tax credit, or $2,000 for every FT employee minus the first 30**
    - **No**
      - **Employer pays $2,000 for every FT employee minus the first 30 (minus 80 in 2015) if at least 1 FT employee receives a tax credit**

**“Insufficient” Benefits** – plan’s actuarial value is <60% (benefits pay less than 60% of cost of services)

**“Unaffordable” Benefits** – household income <400% federal poverty level (~$46K single, $94K family) and single-tier contribution for lowest cost sufficient plan is >9.5% of employee’s W-2 income

**Full-Time Employee** – employee working avg. 30+ hrs/wk
### Employer Mandate Example

- **Insurance Not Offered OR Is Insufficient or Unaffordable**
- **Full-Time Employee Obtains Insurance in an Exchange**
- **That Is Subsidized**
- **Employer Penalty**

<table>
<thead>
<tr>
<th>EE Contribution</th>
<th>Plan A</th>
<th>Plan B</th>
<th>Plan C</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE Only</td>
<td>$50</td>
<td>$100</td>
<td>$150</td>
</tr>
<tr>
<td>EE+Sp</td>
<td>$250</td>
<td>$350</td>
<td>$450</td>
</tr>
<tr>
<td>EE+Ch</td>
<td>$300</td>
<td>$400</td>
<td>$500</td>
</tr>
<tr>
<td>EE+Fam</td>
<td>$500</td>
<td>$600</td>
<td>$850</td>
</tr>
</tbody>
</table>

“Affordability” is based on lowest cost EE Only deduction for a plan meeting minimum value. (As of now, after plan year 2014, only tobacco-related cost-reducing incentives may be included when testing affordability.) Employee may enroll in any plan without employer being penalized as long as at least one is sufficient and affordable.
## Annual Information Reporting – Delayed Until Calendar Year 2015

### General Reporting

Reporting to the IRS is due by Feb. 28 (or Mar. 31 if filed electronically) following the calendar year to which the reporting relates. Statements to individuals are due by Jan. 31 following the calendar year to which the statement relates. (First reports due Q1 2016)

<table>
<thead>
<tr>
<th>Who / What</th>
<th>Section 6055 Reporting</th>
<th>Section 6056 Reporting</th>
</tr>
</thead>
</table>
| Self-Funded Large Employers | • The name, address, and social security number (SSN) of the primary insured.  
• The name and SSN of each other individual, including spouses and dependents, covered under a policy.  
• The months each person was covered | Fully Insured & Self-Funded Large Employers  
• Employer’s name, date, and EIN  
• Certification of an offer of minimum essential coverage (MEC)  
• Number of full time (FT) employees for each month of the calendar year  
• Name, address and taxpayer ID of each FT employee and the months they were covered under the plan during the calendar year. |
| Compliance with the individual mandate | Compliance with the employer mandate and confirm eligibility for individual premium tax credits |
### Alternative Reporting Options

<table>
<thead>
<tr>
<th>Option 1</th>
<th>Option 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Who / What</strong></td>
<td><strong>Option 2</strong></td>
</tr>
<tr>
<td>Employer’s that make a “qualifying offer” of coverage to all FT employees for all months during the year.</td>
<td>• Employers that meet the following:</td>
</tr>
<tr>
<td>• Name, address and taxpayer ID                                         • Offered coverage to at least 98% of FT employees</td>
<td></td>
</tr>
<tr>
<td>• Fact they received a full year offer                                 • Meets MV of 60%</td>
<td></td>
</tr>
<tr>
<td>• Affordable</td>
<td></td>
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<tr>
<td>• Do not need to identify FT employees</td>
<td></td>
</tr>
<tr>
<td>• Do not need to specify the numbers of FT employees</td>
<td></td>
</tr>
<tr>
<td>• Just report on the employees who are FT</td>
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</tbody>
</table>

**What is a qualifying Offer:**

- MV of 60%

- The required employee contribution for employee-only (single) coverage was no more than 9.5% of the federal poverty level (FPL) ($92.39 in 2014).

- Minimum essential coverage was offered to employees’ spouses and dependents.
Additional Clarifications Affecting Employer Mandate

• Offering major medical to 95% or more of full-time (30 or more hours/week) employees and their children will be seen as offering to all employees for determining an employer’s exposure to the $2,000 eligibility penalty under the employer mandate (threshold is 70% of employees only in 2015)
  – Still exposure to $3,000 penalty for employees under threshold who are not offered coverage or for employees offered unaffordable coverage
  – Spouses do not have to be offered coverage
  – Does not apply to employees during time working overseas
  – Affordability test can be based on end-of-year W-2 income, rate of pay or FPL method

• Transitional relief is available for non-calendar year plans that meet certain requirements, e.g. 1/3 or 1/4 rule on all employees or 1/2 or 1/3 rule on all full-time employees

• Common control employer groups will only be considered in determining if a member employer is a large employer; penalties will be determined separately for each employer in the applicable controlled group

• Measurement and stability period safe harbor process has been proposed to assist employers in determining FT status of variable hour and seasonal employees, which allows a window of 3 – 12 months in which to do so

• IRS will contact employer if there’s potential liability, but not before individual tax filing dates for that previous calendar year
Employer Mandate
Financial Considerations

How Do I Account For:

Penalties
Employee Retention
Employee Morale
More Taxes

2015

PAY
PLAY

Auto Enrollment
Individual Mandate
Expanded Eligibility
Medicaid Expansion
MMA “Pay or Play” Benchmark Data – General Impact & Cost Impact by Industry

Employers Impacted By “Pay” Penalty

- Impacted: 20%
- Not Impacted: 80%

Employers Impacted By Affordability & Sufficiency Penalties

- Impacted: 58%
- Not Impacted: 42%

Cost Impact Of Compliance

Source: MMA National Benchmark Database of over 600 Employers, data as of 12/31/13
EMPLOYEE CLASSIFICATION & TRACKING
Employee Classification & Tracking
Overview

Employee Classifications:

- Full Time
  - An employee employed on average at least 30 hours per week.

- Variable Hour
  - An employee who, at the start of employment, the employer cannot in good faith determine whether the individual is expected to average 30 hours of service per week.

- Part Time
  - An employee who never works more than 30 hours per week.

- Seasonal
  - Employee in a position for which the customary annual employment is six months or less.
Employee Classification & Tracking
Variable Hour Determination

• **In General:** An employee not reasonably expected to work a full-time schedule
  ➢ 30hr/wk -130 hr/month

• What’s a reasonable expectation??

• Must consider the facts of the situation but factors to consider:
  ➢ Is the employee replacing an employee who was full-time or part-time?
  ➢ Are comparable positions full-time or part-time?
  ➢ Was the job advertised/document/documented/communicated as a 30hr+ position?

• **Tip:** Revise job descriptions for explicit hourly expectations
Employee Classification & Tracking
Seasonal Workers

• Seasonal may be treated as a variable hour even if they average 30 hours.

• Defined as in a position where customary employment is 6 months or less.

• Classification as seasonal not impacted by employment exceeding 6 months

• Important because requirement to offer coverage in 3 months is not triggered
Employee Classification & Tracking

Independent Contractors

• **Issue:** Should employers reclassify employees as independent contractors to avoid the requirements of the ACA?

• **Background:** Under the ACA the employer mandate does not apply to an employer’s independent contractors.

• **Rules:** An employer must follow the common law to classify a worker as an independent contractor. Although there are over 20 factors the IRS will review, key points to consider when determining if a worker is an employee:
  - **Behavioral:** Does the company control or have the right to control what the worker does and how the worker does it?
  - **Financial:** Are the business aspects of the worker’s job controlled by the company? Include aspects such as worker’s pay, how expenses are reimbursed, and so on
  - **Type of Relationship:** Are there written contracts or employee type benefits (i.e. pension plan, insurance, vacation pay, etc.)? Will the relationship be long term?

• **Conclusion:** Employers should be careful when classifying workers and seek legal counsel when reviewing their classification policy.
Employee Classification & Tracking
Temporary Workers

• Special Considerations:
  - Who is the employer? Common law standard
  - What is the hire date?
  - Are they full-time or variable hour?

• Safe Harbor: Staffing agency provides coverage on behalf of “client employer” if:
  - Staffing agency is not the common law employer
  - Client employer pays a higher fee for temp workers with coverage
Employee Classification & Tracking

Miscellaneous Rules

- **Volunteers:** Bona fide volunteer workers for government and tax-exempt entities, such as firefighters and emergency responders, are not considered full-time employees.

- **Teachers:** Teachers and other education employees are considered full-time employees even if they don’t work full-time year-round.

- **Adjuncts:** Schools with adjunct faculty may credit 2¼ hours of service per week for each hour of teaching or classroom time.

- **Federal/State Work Study Interns:** Work done by students in federal or state-sponsored work-study programs will not be counted in determining if they are full-time employees.

- **Short Term Employees/Interns:** Treat as regular employee for purposes of the employer mandate. Final regulations state that an employer cannot take turnover or expected short-term nature into consideration of FT status.
Employee Classification & Tracking
Determining Full-Time Status

• **Two methods:**

• Monthly Measurement Period
  - Employees are treated as full-time if they actually work full-time during a particular month.
  
  - FT Criteria: 130 hours for a month, or 120 hours for a four-week month (150 hours for a five-week month).

  - If eligible 90 day waiting period rule applies

  - Rehires: A new three-month waiting period cannot be imposed unless the employee has been absent for at least 13 weeks (26 weeks for an educational institution).
Employee Classification & Tracking
Measurement & Stability Periods (MSP)

• Choice of a look-back measurement period of 3 to 12 months and a stability period of no less than 6 months.

• If employee averages 30+ actual hours worked/week during measurement period, employee must be considered full-time for subsequent stability period; if not, employee will be considered not full-time for the stability period.

• Administrative period up to 90 days between measurement and stability periods to conduct enrollment.

• May use payroll periods

• **Basic Example:**

Sample 12-Month Measurement & Stability Periods (With Administrative Period)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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<td>Oct</td>
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<td>Dec</td>
<td>Jan</td>
<td>Feb</td>
<td>Mar</td>
<td>Apr</td>
</tr>
</tbody>
</table>

**Standard Measurement Period**
10/15/13 – 10/14/14

**Standard Stability Period**
1/1/15 – 12/31/15

Adm. Pd. (77 days)

**Standard Measurement Period**
10/15/14 – 10/14/15

**Standard Stability Period**
1/1/16 – 12/31/16

Adm. Pd. (77 days)
New Hire Situation:
- 2 measurement periods: Initial and Ongoing Measurement Period.
- May track from the date of hire or first of the month following date of hire.
- Coverage cannot begin later than 13 months after the date of hire.
- Measurement period = same or 1 month shorter than the initial stability period.
- Stability period = ongoing stability period.

**Example:**

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feb</td>
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<td></td>
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<td>Apr</td>
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<tr>
<td>May</td>
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<td>Jun</td>
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<td>Jul</td>
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<td>Aug</td>
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<td>Sep</td>
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<tr>
<td>Oct</td>
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</tr>
<tr>
<td>Nov</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Dec</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Standard Measurement Period:**
  - 2013: Oct 15/13 – Oct 14/14
  - 2014: Oct 15/14 – Oct 15/15
  - 2015: Oct 15/15 – Oct 16/15
  - 2016: Oct 15/16 – Oct 16/16

- **Standard Stability Period:**
  - 2014: Jan 1/15 – Dec 1/15
  - 2015: Jan 1/15 – Dec 1/16

- **Initial Measurement Period:**
  - 2014: Mar 15/14 – Apr 14/15
  - 2015: Apr 15/15 – May 15/16

- **Initial Stability Period:**
  - 2014: Apr 15/14 – May 15/15
  - 2015: May 15/15 – Jun 15/16
HIGH-VALUE PLAN TAX
High Value ("Cadillac") Plan Excise Tax Summary

- Includes medical/Rx, individual reimbursement accounts, EAP, and onsite medical clinics
- 2018 thresholds are $10,200 for single coverage and $27,500 for family coverage – will be indexed annually thereafter based on CPI
- 40% excise tax on the coverage value that exceeds these thresholds
- Threshold adjustments permitted for pre-65 retirees, high-risk professions, significant age/gender factors, and multi-employer plans

Most Likely Employer Actions Regarding Excise Tax

- Will do whatever is necessary to bring plan cost below threshold amounts
- Will attempt to bring cost below threshold amounts, but may not be possible
- Will take no special steps to reduce cost below threshold amounts
- Believe plan(s) are unlikely to ever trigger excise tax

Cadillac Tax Cost Benchmarks (Tax Cost as % of Total Plan Costs)

Source: Mercer Survey of Employer-Sponsored Health Plans 2011

Source: MMA National Benchmark Database of over 600 Employers, data as of 12/31/13
“PAY OR PLAY” STRATEGIES
Alternatives to Consider for 2015

• Plan alternatives
  – Offer a 60% value plan and position current plan as a buy-up option
  – Implement consumer-driven health plan
  – Consider alternative funding options (e.g., ASO, level funding, captives)
  – Private exchange

• Contribution strategies
  – Increase dependent tier contributions to offset cost increases resulting from single tier contribution reduction and new opt-ins due to individual mandate
  – Create salary-based contribution, i.e. lower contributions only for those potentially eligible for penalty-generating subsidies (income below 400% of FPL)
  – Consider defined contribution approach

• Health management
  – Implement results-driven population health management program
  – Leverage increased limits for results-based wellness incentives

• Workforce management
  – Decrease number of staff working 30+ hours per week (reduce hours of those currently working just over 30 hrs/week)

• Employee communications
Plan Design – CDHP & Minimum Value Plans

CDHP

- CDHPs typically far exceed the 60% “test” but cost about 20% less than PPO and HMO coverage.
  - Enrollment nearly doubled in the last 3 years
  - 40% of recently surveyed employers will offer CDHP 2013

MINIMUM VALUE

- Offer a base medical and pharmacy plan that equates to the minimal “sufficient” benefit plan under ACA

<table>
<thead>
<tr>
<th>SAMPLE Minimum Value Plan Design</th>
<th>In Network</th>
<th>Out of Network</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Deductible + HSA</td>
<td>$3,500 / $7,000</td>
<td>$5,000 / $10,000</td>
</tr>
</tbody>
</table>

- (Minimum 60% value; can be increased)

<table>
<thead>
<tr>
<th></th>
<th>Employer and Employee Can Contribute up to $3,300/$6,550</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan Coinsurance</td>
<td>80%</td>
</tr>
<tr>
<td>Preventive Services</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Not covered</td>
</tr>
<tr>
<td>Out of Pocket Maximum</td>
<td>$6,3500 / $12,700 (incl. deductible)</td>
</tr>
<tr>
<td></td>
<td>$10,000/ $20,000 (incl. deductible)</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>Subject to deductible &amp; coinsurance</td>
</tr>
</tbody>
</table>

Medical Plan Cost Per Employee

Source: Mercer Survey of Employer-Sponsored Health Plans 2012
Plan Design – Minimum Essential Coverage Plan

- **Minimum Essential Coverage (MEC):** Broadly defined as government-sponsored program, employer-sponsored plan, individual coverage and “other coverage” as determined by HHS (no value specification)
  - Satisfies individual mandate and requirement that employer offer coverage to 95% of FT employees and children (70% of employees in 2015) or pay $2,000 per FT employee (- first 30 (-80 in 2015))

- **Minimum Value (MV):** Plan pays at least 60% of costs for allowed benefits
  - Employees with household incomes <400% FPL may qualify for a marketplace subsidy if the employer-sponsored plan (MEC) does not meet MV and/or is unaffordable, which triggers an employer penalty of $3,000 per FT employee that receives a subsidy

- Lower-cost MEC that does not meet MV might be incorporated into a strategy that still enables employees to avoid individual penalties and employer to avoid some or all employer penalties:

<table>
<thead>
<tr>
<th>MEC is only option offered</th>
<th>MEC is offered alongside affordable MV plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Employee satisfies individual mandate</td>
<td>• Employee satisfies individual mandate</td>
</tr>
<tr>
<td>• Employer avoids $2,000 penalty on all FT employees (-30 (-80 in 2015)) by offering coverage, but could be subject to $3,000 penalty for employees who receive subsidy due to insufficient plan value</td>
<td>• Employer avoids all penalties because affordable, sufficient coverage is offered, even if employees choose MEC plan</td>
</tr>
</tbody>
</table>
Plan Design – Private Insurance Exchange vs. Public Marketplace

<table>
<thead>
<tr>
<th>SPONSOR</th>
<th>PUBLIC: State or Federal Government</th>
<th>PRIVATE: Consultant/Broker, Insurer, Tech Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCESS</td>
<td>Open</td>
<td>Closed</td>
</tr>
<tr>
<td>ENROLLMENT</td>
<td>Online and Telephonic</td>
<td>Dental, Vision, Life, Voluntary, +More</td>
</tr>
<tr>
<td>PRODUCTS</td>
<td>Medical/Rx</td>
<td>Single or Multiple</td>
</tr>
<tr>
<td>CARRIERS</td>
<td>Individual</td>
<td>Group</td>
</tr>
<tr>
<td>CONTRACTS</td>
<td>Individual</td>
<td></td>
</tr>
<tr>
<td>ELIGIBLES</td>
<td>Actives, Retirees</td>
<td></td>
</tr>
<tr>
<td>FUNDING</td>
<td>Insured</td>
<td>Self-funded</td>
</tr>
<tr>
<td>PAYMENT</td>
<td>Individual Post-Tax, Federal Subsidies</td>
<td>Employer Pre-Tax, Employee Pre-Tax</td>
</tr>
<tr>
<td>TOOLS</td>
<td>Comparison Tools</td>
<td>Decision Support, Education</td>
</tr>
</tbody>
</table>

Tools: Decision Support, Education
Payment: Employer Pre-Tax, Employee Pre-Tax
Funding: Self-funded
Eligibles: Actives, Retirees
Contracts: Individual
Carriers: Single or Multiple
Products: Medical/Rx
Enrollment: Online and Telephonic
Access: Open
Sponsor: State or Federal Government
Implement Results Driven Population Health Management Program

Leverage Data to Identify:

- Gaps in Care
- Predictive Modeling
- Value Based Benefits

Establish Cross Sectional Team

- Goals & Objectives
- Action Plan

Implement Results Driven Population Health Management Program
Workforce Management

• Under ACA some of labor pool and part time employees will be considered FTEs for health insurance in 2015

Monitor employees that are expected to work less than 30 hours/week

Reset status for full-time employees to 30 hours per week

Create additional classes for employees working between 30 & current FTE level that are FT Healthcare only
Employee Communications

• Leverage changes in the health care landscape to reposition company value proposition and value of benefits package

• Take advantage of public awareness to engage employees

• Identify your audiences and their different needs/perceptions
  – Full-time employees
  – Part-time or variable hour employees
  – Union employees
  – Retirees

• Incorporate educational themes that tie in with global strategies
  – How benefits work
  – Why health and engagement matters
  – Employee accountability
  – Reform and what employees need to know
    - What is the PPACA?
    - Why is it important to me?
    - What action must I take?
    - What’s in it for me if I act or don’t act?
    - Where do I go for more info?
Decision to Keep Coverage

• Will employers keep coverage after 2015?
  – Recent surveys have shown that only 10-15% of employers plan to drop coverage

• Why employers choose to keep coverage?
  – If employers wish to maintain the same level of employee compensation they will need to increase employee salaries to account for the cost of coverage elsewhere
  – Remain competitive in the marketplace for recruiting talent and reducing turnover
  – Allows employer to have control over the employee population’s overall health and productivity

What Employers Are Considering

Employers Likely To Drop Coverage Within Next Five Years*

Employer’s Likely Actions Regarding Employees Working 30+ Hours/Week**

Source: * Mercer Survey of Employer-Sponsored Health Plans 2012, ** Mercer Survey of Employer-Sponsored Health Plans 2011
NEXT STEPS
What’s Next?

“Pay or Play” Strategy

- Determine whether additional modeling is required – e.g., alternative plan design, contribution or eligibility strategies
- Evaluate potential workforce management strategies
- Consider private exchange or SHOP (small employers) options
- Review fiscal year transition relief status
- Establish the use of safe harbors for the eligibility and affordability requirements – select measurement, stability and administrative periods and establish processes

Other Upcoming HCR Requirements (2014)

- Budget for additional HCR fees
- Determine benchmark plan for EHB
- Evaluate impact of:
  - EHB dollar limit prohibition
  - OOP maximum restriction
  - 90-day waiting period limit
  - Dental & vision plan integration
- Consider taking advantage of increased wellness incentive limits
“PAY OR PLAY” ANALYSIS EXAMPLE
ABC Company “Pay or Play” Analysis
Potential Employer Penalty Exposure

Employee Eligibility

- 500 full-time (30 or more hours/week) employees
- 50 part-time (<30 hours/week) employees
- Currently Enrolled in Major Medical
- Currently Waiving Major Medical
- Employees Who Would Become Eligible in 2015 Under PPACA

Employee Sufficiency & Affordability

- 600 Eligible for Premium Assistance - Not Currently Enrolled
- 0 Potentially Eligible for Premium Assistance - Currently Enrolled
- 0 All Other Employees

*Penalties are only triggered if an employee is not enrolled in the employer plan and receives premium assistance to purchase marketplace coverage; however, not all those eligible for assistance will actually purchase marketplace coverage.

Future contributions will determine the true potential impact based on coverage selection.
ABC Company “Pay or Play” Analysis – 2015
Potential Employer Cost Scenarios Graph

- Pre-PPACA: $3,208,286
- Maintain Current Plan Strategy: $3,344,821
- Compliant Eligibility Strategy: $3,449,696
- Compliant Strategy w/ Penalty Reduction: $3,449,696
- Drop Coverage and Adjust Salaries: $1,722,287
- Drop Coverage without Adjusting Salaries: $1,600,000

$0 $500,000 $1,000,000 $1,500,000 $2,000,000 $2,500,000 $3,000,000 $3,500,000 $4,000,000

The numbers used are estimates based on the current guidance of PPACA. As 2015 approaches and more guidance is issued the numbers could fluctuate materially. Plans that do not meet the transition relief test of 1/3 eligible or 1/4 enrolled (or 1/2 full-time eligible or 1/3 full-time enrolled) in this analysis might be eligible for limited transition relief, depending on facts and circumstances.
### ABC Company “Pay or Play” Analysis – 2015
#### Potential Employer Cost Scenarios Detail

<table>
<thead>
<tr>
<th>Employer Expenses</th>
<th>Pre-PPACA</th>
<th>Maintain Current Plan Strategy</th>
<th>Compliant Eligibility Strategy</th>
<th>Compliant Strategy w/ Penalty Reduction</th>
<th>Drop Coverage and Adjust Salaries</th>
<th>Drop Coverage without Adjusting Salaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrolled / Eligible Employees</td>
<td>500 / 550</td>
<td>505 / 550</td>
<td>530 / 600</td>
<td>530 / 600</td>
<td>0 / 0</td>
<td>0 / 0</td>
</tr>
<tr>
<td>Employer Plan Costs for Employees Currently Enrolled</td>
<td>$3,208,286</td>
<td>$3,208,286</td>
<td>$3,208,286</td>
<td>$3,208,286</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Employer Plan Costs for Employees Currently Waiving Coverage</td>
<td>$0</td>
<td>$20,235</td>
<td>$20,235</td>
<td>$20,235</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Employer Plan Costs for Employees Currently Ineligible</td>
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<td>$0</td>
<td>$101,176</td>
<td>$101,176</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Mandated Employer Fees</td>
<td>$0</td>
<td>$116,300</td>
<td>$119,998</td>
<td>$119,998</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Voluntary Salary Adjustments</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$1,602,128</td>
<td>$0</td>
</tr>
<tr>
<td>Subtotal Tax-Deductible Health Care &amp; Salary Increases</td>
<td>$3,208,286</td>
<td>$3,344,821</td>
<td>$3,449,696</td>
<td>$3,449,696</td>
<td>$1,602,128</td>
<td>$0</td>
</tr>
<tr>
<td>Plan Eligibility Penalties</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$1,040,000</td>
<td>$1,040,000</td>
</tr>
<tr>
<td>Plan Affordability and Sufficiency Penalties</td>
<td>$0</td>
<td>$150,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Subtotal Non-Tax Deductible Penalties</td>
<td>$0</td>
<td>$150,000</td>
<td>$0</td>
<td>$0</td>
<td>$1,040,000</td>
<td>$1,040,000</td>
</tr>
<tr>
<td>Gross Revenue Required to Fund Tax-Deductible Health Care &amp; Salary Increase Expenses (Including Payroll Taxes)</td>
<td>$3,208,286</td>
<td>$3,344,821</td>
<td>$3,449,696</td>
<td>$3,449,696</td>
<td>$1,722,287</td>
<td>$0</td>
</tr>
<tr>
<td>Gross Revenue Required to Fund Non-Tax-Deductible Penalty Expenses (@35% Tax Rate)</td>
<td>$0</td>
<td>$230,769</td>
<td>$0</td>
<td>$0</td>
<td>$1,600,000</td>
<td>$1,600,000</td>
</tr>
<tr>
<td>TOTAL GROSS REVENUE REQUIRED TO FUND TAX-DEDUCTIBLE AND NON-TAX-DEDUCTIBLE EXPENSES</td>
<td>$3,208,286</td>
<td>$3,575,590</td>
<td>$3,449,696</td>
<td>$3,449,696</td>
<td>$3,322,287</td>
<td>$1,600,000</td>
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<tr>
<td>CHANGE FROM PRE-PPACA</td>
<td>$367,304</td>
<td>$241,410</td>
<td>$241,410</td>
<td>$114,001</td>
<td>($1,608,286)</td>
<td></td>
</tr>
<tr>
<td>Gross Revenue Required to Fund Potential Penalties for the First 5 Months of the 2015 Calendar Year</td>
<td>$0</td>
<td>$96,154</td>
<td>$0</td>
<td>$0</td>
<td>$666,667</td>
<td>$666,667</td>
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</tbody>
</table>

### Per Capita Health Care & Salary Increase Costs

<table>
<thead>
<tr>
<th></th>
<th>a</th>
<th>b</th>
<th>c</th>
<th>d</th>
<th>e</th>
<th>f</th>
</tr>
</thead>
<tbody>
<tr>
<td>PEPY Employer Plan Cost (Enrolled)</td>
<td>$6,417</td>
<td>$6,623</td>
<td>$6,509</td>
<td>$6,509</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>PEPY Salary Adjustment (Eligible)</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$2,913</td>
<td>$0</td>
</tr>
</tbody>
</table>

*Current employer plan year cost is approximately $2,917,760

**Numbers are projected to plan year 2015

⇒ The numbers used are estimates based on the current guidance of PPACA. As 2015 approaches and more guidance is issued the numbers could fluctuate materially. Plans that do not meet the transition relief test of 1/3 eligible or 1/4 enrolled (or 1/2 full-time eligible or 1/3 full-time enrolled) in this analysis might be eligible for limited transition relief, depending on facts and circumstances.
ABC Company “Pay or Play” Analysis – 2016
Potential Employer Cost Scenarios Graph

=> The numbers used are estimates based on the current guidance of PPACA. As 2015 approaches and more guidance is issued the numbers could fluctuate materially. Plans that do not meet the transition relief test of 1/3 eligible or 1/4 enrolled (or 1/2 full-time eligible or 1/3 full-time enrolled) in this analysis might be eligible for limited transition relief, depending on facts and circumstances.
### ABC Company “Pay or Play” Analysis – 2016

**Potential Employer Cost Scenarios Detail**

<table>
<thead>
<tr>
<th></th>
<th>a</th>
<th>b</th>
<th>c</th>
<th>d</th>
<th>e</th>
<th>f</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employer Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enrolled / Eligible Employees</td>
<td>500 / 550</td>
<td>505 / 550</td>
<td>530 / 600</td>
<td>530 / 600</td>
<td>0 / 0</td>
<td>0 / 0</td>
</tr>
<tr>
<td>Employer Plan Costs for Employees Currently Enrolled</td>
<td>$3,527,802</td>
<td>$3,527,802</td>
<td>$3,527,802</td>
<td>$3,527,802</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Employer Plan Costs for Employees Currently Waiving Coverage</td>
<td>$0</td>
<td>$22,237</td>
<td>$22,237</td>
<td>$22,237</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Employer Plan Costs for Employees Currently Ineligible</td>
<td>$0</td>
<td>$0</td>
<td>$111,185</td>
<td>$111,185</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Mandated Employer Fees</td>
<td>$0</td>
<td>$125,290</td>
<td>$129,228</td>
<td>$129,228</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Voluntary Salary Adjustments</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$1,650,192</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Subtotal Tax-Deductible Health Care &amp; Salary Increases</strong></td>
<td>$3,527,802</td>
<td>$3,675,329</td>
<td>$3,790,452</td>
<td>$3,790,452</td>
<td>$1,650,192</td>
<td>$0</td>
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<tr>
<td>Plan Eligibility Penalties</td>
<td>$0</td>
<td>$1,140,000</td>
<td>$0</td>
<td>$0</td>
<td>$1,140,000</td>
<td>$1,140,000</td>
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<tr>
<td>Plan Affordability and Sufficiency Penalties</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Subtotal Non-Tax Deductible Penalties</strong></td>
<td>$0</td>
<td>$1,140,000</td>
<td>$0</td>
<td>$0</td>
<td>$1,140,000</td>
<td>$1,140,000</td>
</tr>
<tr>
<td><strong>Total Gross Revenue Required to Fund Expenses</strong></td>
<td>$3,527,802</td>
<td>$3,675,329</td>
<td>$3,790,452</td>
<td>$3,790,452</td>
<td>$1,773,956</td>
<td>$0</td>
</tr>
<tr>
<td>Gross Revenue Required to Fund Non-Tax-Deductible Penalty Expenses (@35% Tax Rate)</td>
<td>$0</td>
<td>$1,753,846</td>
<td>$0</td>
<td>$0</td>
<td>$1,753,846</td>
<td>$1,753,846</td>
</tr>
<tr>
<td><strong>Total Gross Revenue Required to Fund Tax-Deductible and Non-Tax-Deductible Expenses</strong></td>
<td>$3,527,802</td>
<td>$5,429,176</td>
<td>$3,790,452</td>
<td>$3,790,452</td>
<td>$3,527,802</td>
<td>$1,753,846</td>
</tr>
<tr>
<td><strong>Change from Pre-PPACA</strong></td>
<td>$1,901,373</td>
<td>$262,650</td>
<td>$262,650</td>
<td>$0</td>
<td>($1,773,956)</td>
<td></td>
</tr>
<tr>
<td>Gross Revenue Required to Fund Potential Penalties for the First 5 Months of the 2015 Calendar Year</td>
<td>$0</td>
<td>$730,769</td>
<td>$0</td>
<td>$0</td>
<td>$730,769</td>
<td>$730,769</td>
</tr>
<tr>
<td><strong>Per Capita Health Care &amp; Salary Increase Costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PEY Employer Plan Cost (Enrolled)</td>
<td>$7,056</td>
<td>$7,278</td>
<td>$7,152</td>
<td>$7,152</td>
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<tr>
<td>PEY Salary Adjustment (Eligible)</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$3,000</td>
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</tbody>
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*Current employer plan year cost is approximately $2,917,760  
**Numbers are projected to plan year 2016

⇒ The numbers used are estimates based on the current guidance of PPACA. As 2015 approaches and more guidance is issued the numbers could fluctuate materially. Plans that do not meet the transition relief test of 1/3 eligible or 1/4 enrolled (or 1/2 full-time eligible or 1/3 full-time enrolled) in this analysis might be eligible for limited transition relief, depending on facts and circumstances.
ABC Company “Pay or Play” Analysis

Employer Cost Timeline

$7,000,000
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$0


- Red: Pre-PPACA
- Blue: Compliant Strategy with Penalty Reduction
- Turquoise: Maintain Current Plan Strategy
- Gray: Compliant Eligibility Strategy
- Black: Drop Coverage and Increase Salaries
- Light Blue: Drop Coverage without Adjusting Salaries

⇒ The numbers used are estimates based on the current guidance of PPACA. As 2015 approaches and more guidance is issued the numbers could fluctuate materially. Plans that do not meet the transition relief test of 1/3 eligible or 1/4 enrolled (or 1/2 full-time eligible or 1/3 full-time enrolled) in this analysis might be eligible for limited transition relief, depending on facts and circumstances.
ABC COMPANY “CADILLAC” TAX ANALYSIS
ABC Company “Cadillac” Tax Analysis
Plan Cost Timeline Exhibit

Employer Plan 1

<table>
<thead>
<tr>
<th>Estimated 2018 Plan Excise Tax</th>
<th>6% Trend</th>
<th>8% Trend</th>
<th>10% Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium &amp; Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer Plan 1</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>All Plans</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Premium Only</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer Plan 1</td>
<td>$0</td>
<td>$0</td>
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</tr>
<tr>
<td>All Plans</td>
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</tbody>
</table>
ABC Company “Cadillac” Tax Analysis
Plan Cost Timeline Exhibit

Employer Plan 2

<table>
<thead>
<tr>
<th>Estimated 2018 Plan Excise Tax</th>
<th>6% Trend</th>
<th>8% Trend</th>
<th>10% Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium &amp; Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer Plan 1</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>All Plans</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Premium Only</td>
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</tr>
<tr>
<td>Employer Plan 1</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>All Plans</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>
Ryan McArton
mcartonr@rjagencies.com