

New Fees/Taxes/Filings

Federal healthcare reform imposes several new fees and taxes. Fortunately, because you're self-funded with PEHP, some of these fees won't apply to you. Here's a brief overview.

Transitional Reinsurance Program

How much is it?

- » 2014: \$63 per member per year
- » 2015: \$38 per member per year (estimated)

When is it due?

The 2014 payment will be due in January 2015

Patient-Centered Outcomes Research Fee (*Comparative Effectiveness*)

How much?

- » Plan years ending between Sept. 30, 2012, and Sept. 30, 2013: **\$1** per member per year
- » Plan years ending between Oct. 1, 2013, and Sept. 30, 2014: **\$2** per member per year
- » After Sept. 30, 2014: may increase again, per the federal government

When is it due?

- » January renewal groups: the first year's fee due by **July 31, 2013**
- » All other groups: the first year's fee due by **July 31, 2014**

Each subsequent year, it will be due on or before July 31 of that year for the plan year that ended in the previous calendar

year. A federal excise tax return (Form 720) reporting liability for the fee must be filed by July 31 of the calendar year immediately following the last day of the plan year.

PEHP will work with you to help you meet the requirements.

Cadillac Excise Tax

- » 40% tax on annual premiums that exceed defined thresholds, beginning 2018. PEHP plans are unlikely to ever exceed this threshold.

Section 6055(a)

- » An annual return reporting information for each individual for whom minimum essential benefit is provided must be filed. PEHP will work with you to help you meet the requirements.

FEES YOU AVOID

Annual Health Insurance Industry Fee

- » Must raise \$8 billion annually beginning in 2014, \$14.3 billion in 2018

Risk Adjustment Program Fee

- » Cost varies based on risk of insured pools

Health Insurance Marketplace User Fees

- » 3.5% of monthly premium (estimated)

'Full-Time' Employees

Federal healthcare reform imposes penalties on large employers (50 or more employees) that don't give adequate health coverage for full-time (30 hours a week or more) employees. To avoid these penalties, you may have to offer at least minimal coverage to employees who work more than 30 hours a week. Or you must make sure part-time employees average less than 30 hours per week.

The Penalties

» **\$2,000** for each full-time (30 hours or more) employee if: a) you don't offer coverage; b) any employee gets a federal subsidy to help pay for health coverage in the exchange.

» **\$3,000** for each full-time employee for whom you don't offer "affordable" coverage. This includes each full-time employee who: a) must pay more than 9.5% of his or her income to participate in your plan (based on the single employee cost of your lowest-costing plan); b) leaves your plan and gets coverage on the federal exchange; c) gets a federal subsidy to help pay for health coverage in the exchange.

Is an Employee Full-Time?

» Variable-Hours Employee:

Before January 1, 2014, you can declare a look-back period of three to 12 months to determine if an employee is full-time.

If, during that period, the employee worked an average of 30 or more hours per week, he or she would be eligible for employer health coverage during a "stability period." The stability period, as chosen by the employer, must be at least as long as the look-back period, but not less than six months. If the employee did not work 30 or more hours per week during the look-back period, that employee is not eligible for coverage during the stability period.

Therefore, you should review and determine what length of time to use as a look-back period, as quickly as possible, for maximum flexibility in providing health coverage.

» Seasonal and Temporary:

If an employee works less than 120 days per year, they're considered temporary no penalties will apply for not providing coverage.

Plan Summaries (SBCs)

Federal healthcare reform requires us to provide a Summary of Benefits and Coverage (SBC) for all eligible employees. It provides, in language dictated by the law, simple and consistent information about health plan benefits and coverage. PEHP will give employers PDFs of their SBC before the start of the plan year. We're asking employers to assure this gets distributed to all eligible employees.

When We Send

Employees must get an SBC each year during open enrollment or within seven business days of requesting a copy from their health plan. SBCs will also be posted on the Benefits Information Library at myPEHP at www.pehp.org. PEHP will design your SBC, and your Client Services Representative will send it to you before open enrollment for distribution.

What It Includes

The SBC must include information about all of the plans available to the employee. It also includes a standardized health plan comparison called "coverage examples," much like the Nutrition Facts label required for packaged foods. The coverage examples show how each plan would cover care for common benefits scenarios (see example at left).

PEHP will also include a short list of benefit notices we'll ask you to distribute along with the SBC. PEHP will continue to produce more detailed "benefits summaries" available on the Benefits Information Library at myPEHP at www.pehp.org.

Health Exchange Notices

Healthcare reform requires you will be required to provide employees with a model notice of the availability of coverage in the exchange this year (2013). PEHP will help draft this notice for you.

Template Option 1
 Summary of Benefits and Coverage: What this Plan Covers & What it Costs | Coverage for: Individual and Family plans | Plan Type: PPO
 Coverage Period: January 2013

About these Coverage Examples:
 These examples show how this plan might cover medical care in given situations. Use these examples to see, in general, how much financial protection a sample patient might get if they are covered under different plans.

This is not a cost estimator

Don't use these examples to estimate your actual costs under this plan. The actual care you receive will be different from these examples, and the cost of that care will also be different. See the next page for important information about these examples.

Having a Baby (normal delivery)	
■ Amount owed to providers: \$7,540	
■ Plan pays \$6,561	
■ Patient pays \$979	
Sample care costs:	
Hospital charges (mother)	\$2,700
Routine obstetric care	\$2,100
Hospital charges (baby)	\$900
Anesthesia	\$900
Laboratory tests	\$500
Prescriptions	\$200
Radiology	\$200
Vaccines, other preventive	\$40
Total	\$7,540
Patient pays:	
Deductibles	\$250
Copays	\$0
Coinsurance	\$729
Limits or exclusions	\$0
Total	\$979

Managing type 2 diabetes (routine maintenance of a well-controlled condition)	
■ Amount owed to providers: \$5,400	
■ Plan pays \$4,635	
■ Patient pays \$765	
Sample care costs:	
Prescriptions	\$2,900
Medical Equipment and Supplies	\$1,300
Office Visits and Procedures	\$700
Education	\$300
Laboratory tests	\$100
Vaccines, other preventive	\$100
Total	\$5,400
Patient pays:	
Deductibles	\$250
Copays	\$0
Coinsurance	\$515
Limits or exclusions	\$0
Total	\$765

Questions: Call 1-800-765-7347 or visit us at www.pehp.org. If you aren't clear about any of the underlined terms used in this form, see the Glossary. You can view the Glossary at www.pehp.org or call 1-800-765-7347 to request a copy.

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Getting to Cost Issues

With healthcare reform, it's more important than ever to focus on reducing costs. PEHP is executing an aggressive strategy to reduce plan costs for our employers.

Healthcare Consumerism

Why do costs for things such as electronics and appliances decrease while healthcare costs dramatically rise? Part of the reason is consumerism. We enjoy many ways to shop and compare value for most goods and services. But healthcare? Price information has been difficult to get and to understand. And without feeling as if their own money is on the line, patients have been largely disinterested in costs.

For PEHP members, that's all about to change with our new Cost & Quality Tools. Now members can see what healthcare services cost and compare prices among providers. Because cost is just one facet of value, we also provide quality information, such as reviews from other PEHP members and third-party performance benchmarks.

We aggressively promote and educate members about The STAR Plan, our HSA-qualified plan. These plans make members more cost-conscious — when they save money, it hits their pocketbook directly.

As our plan designs evolve, we carefully consider ways — for example, favoring coinsurance over co-pays — to encourage members to consider costs.

Wellness, Disease Management, and Case Management

We take an active role to help members manage their care and stay healthy.

» **PEHP Integrated Care** helps coordinate care for members with conditions such as diabetes, coronary artery disease, congestive heart failure, or chronic obstructive pulmonary disease.

» **PEHP Waist Aweigh** provides support, education, and financial incentives to help members lower their Body Mass Index (BMI).

» **PEHP Healthy Utah** offers a variety of programs, services, and resources to help members get and stay well. Among its many tools and services is a rebate program that offers cash rewards for good health and health improvements.

» **PEHP WeeCare** is our prenatal, maternity, and infant-care program.

Learn more about these programs at www.pehp.org or ask your Client Services representative.

Self-Funding 101

Self-funding is a proven, cost-effective method for providing employee benefits. It looks even more attractive in light of federal healthcare reform. As an issuer of a self-funded plan, you can forgo a number of costly fees and regulations.

About Self-Funding

With a self-funded medical plan, an employer puts money into a trust (PEHP) to pay claims. Any money that isn't used to pay claims is returned. It's unlike fully insured arrangements, where the insurance company keeps the difference (profit).

Self-funding is the choice of most large employers. Reports show about 85% of employer health plans use some form of self-funding. Employers choose self-funding to control costs, save money, and customize benefits. (PEHP administers only self-funded plans.)

Healthcare Reform & Self-Funding

Self-funded plans are exempt from a number of costly fees (e.g., Annual Health Insurance Industry Fee, Risk Adjustment Program and Fee) and regulations (e.g., new marketing, Internet portal, enrollment and provider network, and quality accreditation rules). Self-funded plans also maintain the ability to differential rate based on a group's experience.

Other Advantages

No Profit Margin or Risk Charge »

The profit margin and risk charge of an insurance carrier are eliminated through self-funding. Typical profit margins and risk charges are about 4%, but can be higher or lower depending on various factors. We refund any excess reserves.

Low Administrative Costs »

Self-funded plans have lower overhead and administrative costs than fully insured plans. PEHP's administrative costs average about 5% of premium, whereas the industry average is 15-20%. This is significant savings, especially over time.

Tax Savings » You don't pay premium tax on claim expenditures, which can mean considerable savings over fully insured plans.

Earn Interest » Any money you have in reserves earns interest — it's your money held in trust.

About the LGRP

The Local Governments Risk Pool (LGRP) is a way for Utah public entities to get value in medical and dental benefits.

About the LGRP

The LGRP consists of more than 240 municipalities, counties, special service districts, and schools in Utah. These entities together form a self-funded pool. The LGRP follows a nonprofit model unlike anything in the market. The money we hold in the LGRP is never ours. It always belongs to our clients, because the LGRP is self-funded. So, when trends are lowered or costs are reduced, our clients reap the financial benefit, as they did in 2012 when we returned \$14.5 million in the form of a premium holiday.

LGRP and Healthcare Reform

Because the LGRP is self-funded, it's not subject to:

Annual Health Insurance Industry Fee

» Must raise \$8 billion annually beginning in 2014, \$14.3 billion in 2018

Risk Adjustment Program Fee

» Cost varies based on risk of insured pools

Health Insurance Marketplace User Fees

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Other LGRP Advantages

- » Lowest administration and reinsurance costs in Utah
- » You earn interest on funds held by PEHP in trust
- » No profit margin or risk charge
- » Variety of plan options; depending on group size, we can offer up to six medical plan options
- » We have three medical networks available that together provide access to more than 12,000 providers and every major hospital in Utah
- » One-stop shopping: get medical, dental, vision, life, and LTD from one source — convenient for you and your employees
- » Unmatched customer service — external surveys show satisfaction rates above 95%
- » Requires only a one-year contract with immediate vesting available with approved credible experience

The Latest News

This new law is always growing. Since the presidential election alone, nearly 20,000 pages of regulations have been added, and much more is expected before it's all said and done. PEHP will be there to help you understand and comply with current and future provisions.

Recent Addition Impacting You

Beginning in 2014, all benefit plans must be capped at the IRS maximum out-of-pocket limit for qualified high deductible health plans. For 2013, those limits are \$6,250 for single and \$12,500 for family. For non-PEHP fully insured plans, the deductibles will be capped at the HDHP limit.

Keeping Up With Changes

Uneasy about healthcare reform? We'll be there to sort through all the regulations so you don't have to. Contact your Client Service representative if you ever have questions. We can arrange for our chief legal counsel to personally answer your questions or even present to your group. Keep an eye out for *HealthTrends*, PEHP's bi-monthly employer newsletter. It will include information about any healthcare reform changes or additions you need to know. If you or someone in your office would like to receive *HealthTrends*, email publications@pehp.org.

