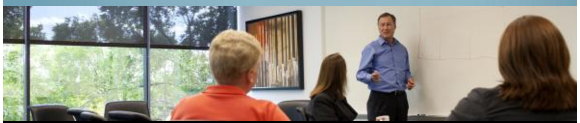

ACA Final Approach for Staffing Firms

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Today's Topics

» Key ACA Points

» What's Important to Staffing Firms

» Administrative Issues

» Financial Modeling

» Dealing with Customers

» Strategies

» Play or Pay: What are the Options, Pros and Cons?

» Action Items

Key ACA Points

» You are a "Large Employer" under the ACA – therefore:

» Either offer Minimum Essential Coverage (MEC), or pay the 4980(a) $2,000 penalty
- Non-deductible so depending on your income tax situation closer to $3,333

» Offer Minimum Value plan that meets Affordability standard or pay the 4980(b) $3,000 penalty
- Non-deductible so depending on your income tax situation closer to $5,000

ACA Key Points

» Large Employers 50-99 FTEs get a pass until 2016

» Large Employers 100 and greater: 2015
- If you opt to "Pay" the $2,000 penalty the exemption is 80
- Reverts to 30 in 2016 and beyond

» Transition Relief for Non-Calendar Year Plans: Beware…
- Must have had an employer group health plan as of 12/27/2012
- Then, look backward to the most prior open enrollment (2011 or 2012)
  - Did plan(s) cover a MINIMUM of 25% of TOTAL workforce? Or,
  - Was a MINIMUM of 1/3 of workforce eligible?
  - This can include mini-meds, however those plans all sunset either previously or this year and MUST be replaced with a Minimum Value plan
- Then may wait until plan anniversary in 2015, not 1/1/15
  - BUT, may only offer MV (Skinny Plan only won't work) that is Affordable
- Only if you did not make a change to an earlier renewal since 12/27/12

What's Important to Staffing Firms?

» Compliance
- $2,000 and $3,000 penalties
- Common law employer
- Non ACA Compliance issues – huge!

» Administration
- Movement from "Internal" staff and Contingent workforce to
- Full-time, Variable Hour/Part-time/Seasonal
- Valid offer of coverage or declination
  - When to offer
  - Who gets offer
- When to take deductions
- How to handle gaps in assignments

» Cost

» Availability of Coverage: What Insurance Product to Use

» Variable Hour Employee or Full-Time? Definitions
- Understand and be able to defend
- Guidance did not give clarity

Dealing With Customers

» There is a cost

» Cost allocation options
- Surcharge
- Per employee basis
- Socialize cost
- Three bucket approach

» What do your customers want?

Financial Modeling

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- Is the look-back method an accurate way to estimate?
  - Beginning Jan 1, 2014 you will be looking at each new hire and categorizing them as full-time or variable hour without regard to length of assignment
- Calculators
- Internal
- Use Broker
- Taxation
  - Employer
  - Employees
- The Bottom Line (literally) – an opportunity to improve profitability

Strategies

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- Minimize Cost
- Use ACA to Grow Business
- Improve Margin
- Partner with Customers
  - Reduce turnover
  - Improve talent
- All or a combination of the above

Play or Pay: What Are the Options?!

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- Pay
  - Either pay a non-deductible federal excise tax X "full-time" headcount, minus the exemption, or
- Play
  - Either offer Minimum Essential Coverage (MEC) and be subject to the $3,000 non-deductible federal excise tax X number of employees who gain subsidy, or
  - Offer Minimum Value Plan that meets Affordability

Pay: Pros and Cons

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- Cost of the $2,000 penalty for a staffing firm – Assumptions:
  - 580 full-time employees (minus 80 FT exemption) = 500
  - Combined federal and state income tax rate of 40% (Sub-S)
  - Employee Only health coverage at $500/month
  - Based on wages average employee cost share is $150/month leaving $350
  - 86% participation (500 employees)
- The Math
  - $2,000/.60 = $3,333 (P&L Impact)
  - 500 X $3,333 = $1,666,500
  - $350 X 500 = $175,000/month = $2,100,000/yr X .60 = $1,260,000
- Financially paying the $2,000 penalty only works for very small firms
- Impact on recruiting talent?

Partial Pay: What About MEC?

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- Offer MEC and eliminate the $2,000 penalty
- Pay the $3,000 penalty
- Skinny Plan = MEC
- What is the Skinny Plan?
  - 100% preventive only
  - No illness
  - No diagnosis
  - No accident

MEC (Skinny Plan) Pros and Cons

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- Pros
  - Provides SOME level of benefit
  - Can be offered on a voluntary basis to employees
    - Can charge employees the premium
  - Eliminates the $2,000 penalty – and by default the individual penalty
  - Can be paired with other options
    - But be careful – new regulations require fixed indemnity plans to meet certain specific criteria. Vendors will tell you they do but the liability is on you. Example: Product may be legal but it may not qualify for an employer offering – potential $100/day/person penalty
- Cons
  - How predict/budget for the number of $3,000 penalties?
  - Employee response to the Skinny Plan
  - How will your customers feel about the Skinny Plan?

Play: Minimum Value

- Includes MEC by definition
- Eliminates BOTH the $2,000 and $3,000 penalties
- May be a Bronze, but not required to meet Bronze status
- Options
  - Up until now: High Deductible Major Medical Bronze ($5,000 - $6,350)
  - Fully Insured or Partially Self-Funded
- Based on participation rates can have no maximum load
  - Rates not final until after enrollment

Minimum Value (Bronze) Pros & Cons

- Pros
  - Takes the employer out of both the $2,000 and $3,000 penalty so long as it is "Affordable" to employee
  - Provides broad coverage
- Cons
  - Cost can be unknown until after enrollment
  - No maximum "load" to rates by underwriter for large employer plans – unlike small employer plans
  - May require individual underwriting or minimum participation may be tied to rates
  - High deductibles can hurt recruiting, increase turnover and impact customer relationships
  - Providing to employees an option they cannot afford (due to size of deductible) impacts employees negatively – disqualifies from subsidy so many employees will go without coverage

MEC vs. Minimum Value: The Dilemma

- Do you care what your employees and/or your customers think about your health coverage?
- How much, if any, of your contingent workforce is long-term permanent and you want to keep them?
- Have your customers challenged you to have good health benefits?
- Is recruiting/retaining talent a challenge?
- Do you feel a moral imperative?

Multiple Options

- Offer MEC on a voluntary basis
  - Eliminates individual mandate penalty
  - No direct cost to employer
- Also offer Minimum Value
  - Structure so direct cost to employer is for:
    - Full-time
    - Earning below the Affordability level
  - Voluntary for all other or may make nominal contribution
    - Improves participation
- Offer Compliant Supplemental Plans
  - Available whether employee chooses MEC of MV
- Eliminates $2,000 penalty, $3,000 penalty
- Allows employees to 'customize' their coverage

The New Minimum Value Plan (MVP)

- Rates available now
- No underwriting
- National network
- Eliminates both the $2,000 and $3,000 penalty
- Average Employee Only rate is $195/month
  - Includes both the employer and employee share
  - Actual rates based on census
  - Partially self-funded at maximum cost levels – no surprises or deficits to fund
- If strategically used with the right broker the plan can be used to increase margin: Make your health plan a profit center
- No deductible and low copays for employee
- Not a major medical/Bronze level plan
  - Not for everyone but will meet the needs of most low wage hourly workers
- Because of its low overall price, costs can be shared with employees using one of the Safe Harbors at an affordable deduction for employees and a low net cost to the employer

Action Items

- Where You Should Be Now
  - Tracking
    - Variable Hour vs. Full-Time
    - Ability to produce demographics for census including DOB, Gender and Zip codes
    - 12 month vs. 3 or 4 month look-back census and reports
    - Establish measurement/stability periods
  - Cost basis
  - Strategy with customers
  - Enrollment method
    - Default to auto enroll? How to prove an offer was made
    - Elections for pre-tax or do post-tax? 100 enrolled employees = approx $10k
  - Administration
    - In-house
    - Outsource
  - Deductions
    - When?
    - How to handle gaps in assignment: COBRA vs. Break in Service (Rule of Parity)
  - Risk Management Approach
    - Can your health plan be turned into a profit center?
  - What time is it?

Questions?

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