Health Care Reform Benefits Decision Guide

Navigating benefits options for your business.

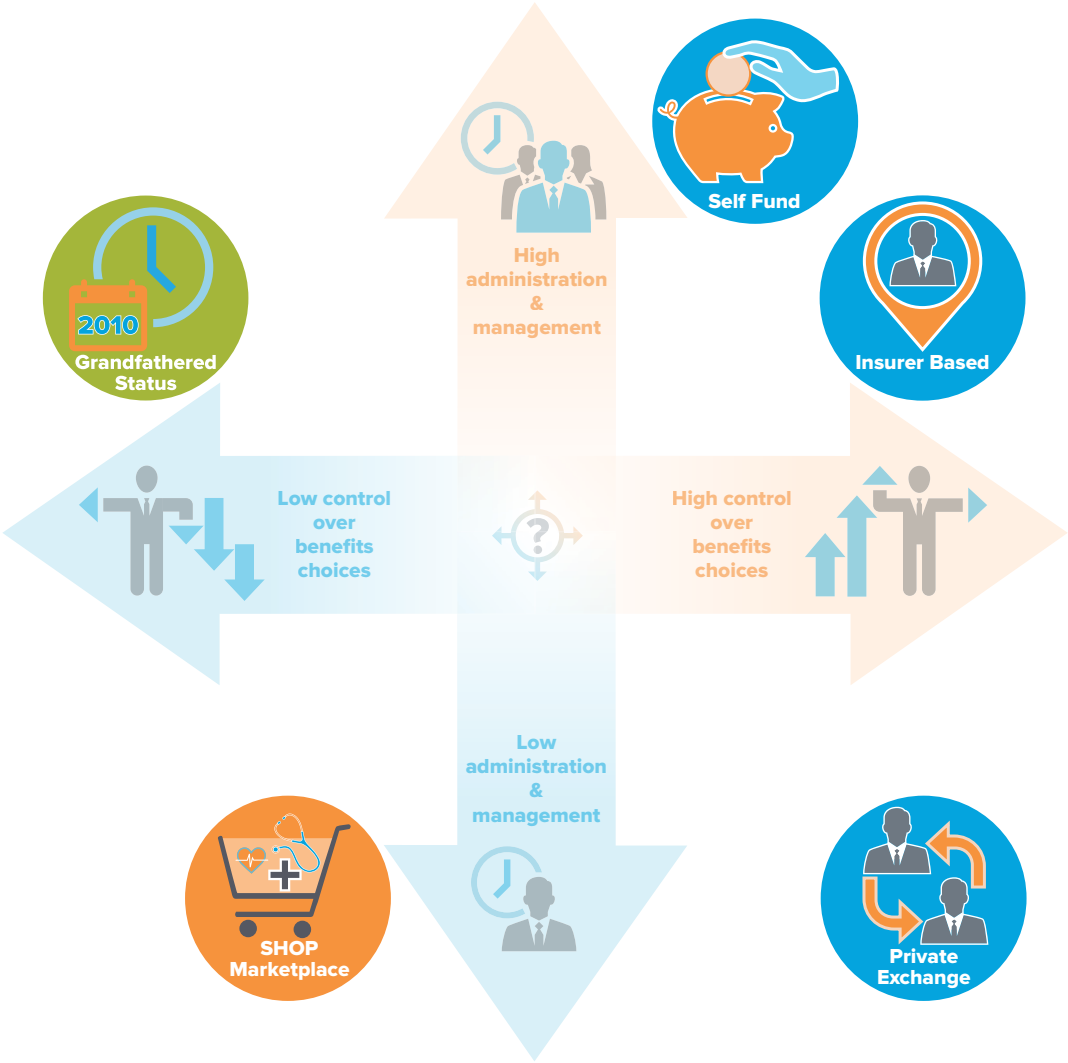
Benefits delivery options for your business

The health care landscape is shifting and there are new options which could be better for your business and your employees.

This guide will cover a general overview of benefits delivery options, pros and cons for each, and helpful resources to help your company take the next step. Consider reviewing these options and discussing them with your benefits consultant to determine the best option for your business.

FIGURE 1:

Management and control levels of benefits choices.



Key:

- Ideal for both small and large employers.
- Ideal for small businesses that qualify for the Small Business Health Care Tax Credit.
- Ideal for employers who offered their current plan before March 23, 2010.

Insurer based

A traditional way of offering insurance, where employee benefits are provided through a single insurance carrier. Employers shop and choose workplace plans on a "fixed-benefits" basis.

Ideal if your company wants greater control over benefits choices offered to employees, or you prefer a certain carrier.

Pros:

- Your company chooses the carrier and plans offered to employees.
- Premium costs are agreed upon for a year, so rates won't change.
- Insurance carrier assumes the risk of employee claims.

Cons:

- Plans are often "one-size-fits-all," leaving less flexibility to tailor benefits.
- Administration through multiple carriers may be necessary for each benefit offering – medical, dental, vision, disability, etc.
- Voluntary insurance, such as disability, life or accident insurance, may need to be purchased separately.
- Small business health care tax credits may not be available.
- Your company is responsible for administration and management.

To learn more about the direct to insurer option visit: aflac.com/InsurerBased.

Private exchange

Private exchanges are online marketplaces where people and businesses can shop for, compare and buy health insurance. Employers can designate a fixed amount to pay and employees can shop for a health plan that best meets their needs.

Ideal if your company wants multiple carrier options and a fixed-contribution model to control costs.

Pros:

- Your company can set a fixed amount to pay each year.
- Provides a one-stop shop for multiple benefits, such as major medical, dental, vision, disability, life, etc.
- Gives employees choices to better tailor their benefits to fit their needs.
- Plans can be fixed-benefit or fixed contribution.
- Employees can shop for insurance online.
- Can reduce the burden of benefits administration and management.

Cons:

- Limited to the carriers and plans offered on the particular exchange.
- Employees may be responsible for additional out-of-pocket costs.

To learn more about the private exchange option, visit: aflac.com/PrivateExchange.

SHOP Marketplace

The Small Business Health Options Program is a government facilitated insurance marketplace where small businesses and their employees have access to health insurance coverage.

Ideal if your company wants to provide major medical insurance and qualifies for the small business health care tax credit.

Pros:

- Your company can offer group major medical and dental benefits to employees.
- Your company may receive tax credits if your company qualifies.*
- All plans are qualified, so your plan will be in compliance.
- Can reduce the burden of benefits administration and management.
- The insurance carrier assumes the risk of employee claims.

* Your company must have 25 or fewer full-time equivalent (FTE) employees that have average annual wages less than $50,000. Learn more: irs.gov/uac/Small-Business-Health-Care-Tax-Credit-Questions-and-Answers:-Determining-FTEs-and-Average-Annual-Wages.

Cons:

- The SHOP Marketplace only offers major medical and dental benefits.
- Plans do not include voluntary insurance such as hospital disability and life insurance. Supplemental insurance such as voluntary accident, disability or hospital insurance are not sold through the government marketplace.

Know the difference: The SHOP Marketplace is distinctly different from the government's Health Insurance Marketplace. In some instances, companies may choose to offer a stipend and send employees to the Health Insurance Marketplace. By sending employees to the Health Insurance Marketplace, they purchase coverage on their own. With the SHOP, your company offers and manages employee health benefits.

To learn more about the SHOP Marketplace visit: aflac.com/SHOPMarketplace and healthcare.gov.

Self fund

In a self-funding model, the employer funds their employee benefits. Employees pay premiums, and the company is responsible for covering all claims in the health care plan and controls any premium reserves.

Ideal if your company is looking to offer health care coverage, but wants to control costs and keep any surplus from employee premiums.

Pros:

- Your company only pays for actual insurance claims, helping to control costs.
- Saves costs related to premium taxes and state insurance regulations. For example, usually an insurer fee applies to approximately 2-4 percent of a plan's premiums, but self-funded plans are also not required to pay the fee.
- Offers flexible benefits design since plans are not required to include essential health benefits or comply with actuarial value standards.

Cons:

- With no annual or lifetime dollar limits on essential health benefits offered by the plan, employers assume the risk.
- Your company must set stop-loss coverage to limit your company's exposure to unanticipated costs.
- Plans are administered and managed by your company.

To learn more about the self-fund option visit: aflac.com/SelfFund.

Grandfathered status

With grandfathered status, your company may be able to keep your current plan and potentially save on benefits costs. Grandfathered plans are exempt from a number of mandates and reporting requirements, but also cannot make significant changes to benefits or costs.

Ideal if your company offered plans that covered employees on March 23, 2010, and you have not made changes that decreased benefits or the employer contribution, or increased the employee portion of the cost.

Pros:

- Keep your existing plan and coverage.
- Potentially lower rates (at least in the initial years).
- Grandfathered plans are exempt from some health care reform provisions, such as:
  - Certain benefits mandates, such as essential health benefits or requirements to cover preventive benefits with no cost-sharing.
  - Maximum out-of-pocket and deductible limits.
  - Clinical trial coverage.
  - External appeals process.
  - Non-discrimination testing for fully insured plan.
  - Some of the additional reporting and disclosures.
  - Guaranteed availability and renewability.

Cons:

- Grandfathered plans will not include some of the new ACA benefit reforms.
- Grandfathered plans include many restrictions and cannot:
  - Significantly cut or reduce benefits.
  - Raise employee coinsurance charges.
  - Significantly raise copayment charges (15 percent more than medical trend since 2010).
  - Significantly raise deductibles (15 percent more than medical trend since 2010).
  - Significantly lower employer contributions (more than 5 percent of proportional cost. share for any coverage category).
  - Add or tighten an annual limit on what the insurer pays.

To learn more about maintaining grandfathered status, visit: aflac.com/GrandfatheredStatus.

Make smarter benefits decisions for your business and empoyees

No matter which option you choose, Aflac can help your company make benefits decisions to control costs and focus on productivity.

4 simple reasons to consider voluntary insurance

Voluntary benefits, also known as supplemental insurance, have long served as a way to protect workers when they're sick or injured – independent of major medical coverage. As health care costs continue to rise and workers take more control of their benefits decisions, voluntary insurance plans are even more relevant for your company's overall benefits strategy. Here are four practical reasons for your company to consider adding voluntary insurance to your benefits offerings.

Voluntary insurance:

1. **Pays cash benefits for the unexpected.** Voluntary insurance pays cash benefits when a policyholder is sick or injured regardless of any other insurance coverage in place, including policies available through state healthcare exchanges.
2. **Helps employees to be healthier and better protected.** One in 4 companies (25 percent)[1] say they have experienced lower worker compensation claims since they began offering such products. Having voluntary coverage in place can save employees from out-of-pocket costs, and unexpected debt, helping them focus on getting better and getting back to work.
3. **Boosts employee morale and satisfaction.** Employees who are offered and enrolled in voluntary insurance plans feel more empowered at work, report increased job satisfaction and believe they're more financially prepared to cope with unexpected medical expenses.[1]
4. **Can be offered with little to no cost to your company's bottom line.** You can choose to contribute a portion of the premium or simply make the products available for your workforce to purchase. And to help with administration, voluntary can be offered through payroll deduction without any added direct cost to your business.

[1] *2013 Aflac WorkForces Report, a study conducted by Research Now on behalf of Aflac, January 7 – 24, 2013.*

To learn more visit aflac.com.

As you continue to navigate health care reform, you can rely on Aflac to provide updates and helpful information at: **aflac.com/healthcare_reform.** To learn more, visit: **healthcare.gov**, **cciio.cms.gov** and **irs.gov.**

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