

Test Your Health Care Reform Knowledge

What do you really know about the Affordable Care Act (ACA), better known as health care reform? Understanding the requirements you must meet and how health care reform will impact your business is essential. Begin by testing your knowledge of health care reform issues.

1. What is a health insurance marketplace?

- A** A web portal where individuals and small businesses can buy health insurance.
- B** A web portal where only individuals can buy health insurance.
- C** A tool that allows health insurance providers to compare their rates with competitors.
- D** A tool that allows physicians and hospitals to calculate the costs of service.

2. What is the ACA's "play or pay" mandate for employers?

- A** Employers with 50+ full-time employees must pay a "shared responsibility" payment if at least one employee obtains a premium tax credit or cost-share reduction through the exchange.
- B** Small businesses with fewer than 100 full-time employees must participate in a health insurance marketplace or pay penalties for each employee.
- C** Employers that choose to offer self-funded health insurance coverage will pay a penalty that goes toward the costs of public marketplaces.
- D** All individuals must obtain health insurance coverage or pay a penalty of \$50 per month without coverage.

3. What is a grandfathered plan?

- A** A health plan in which at least one employee was enrolled on March 23, 2010, and that's exempt from some of the new qualified health plan mandates.
- B** A health plan that is carried over from the date of ACA enactment and does not require coverage for children up to age 26.
- C** A health plan in which all employees were enrolled as of March 23, 2010, and that allows the employer to raise their coinsurance percentage, as needed.
- D** A health plan that allows employers to receive tax subsidies based on the number of employees enrolled in the plan prior to March 23, 2010.

4. What will be the public marketplace benchmark for coverage?

- A** Bronze – plan pays 60 percent of actuarial value.
- B** Silver – plan pays 70 percent of actuarial value
- C** Gold – plan pays 80 percent of actuarial value.
- D** Platinum – plan pays 90 percent of actuarial value.

5. What businesses are eligible for tax credits as part of the ACA?

- A** No tax credits will be available for businesses – they will only be available for individuals with household incomes that are 133-400 percent of the federal poverty level.
- B** Large employers with more than 100 full-time equivalent employees that offer health insurance.
- C** Businesses with fewer than 50 full-time employees and average annual wages of less than \$100,000 that are participating in a private health insurance exchange.
- D** Businesses with 25 or fewer full-time equivalent employees and average annual wages of less than \$50,000 that pay at least half the cost of health insurance for their employees.

6. What defines a small employer?

- A** No more than 25 employees
- B** No more than 50 employees
- C** No more than 100 employees
- D** All of the above

7. How does health care reform affect voluntary insurance?

- A** Because voluntary insurance are supplemental to major medical coverage, market reform requirements under the ACA do not pertain to these products.
- B** As health care costs continue to rise, voluntary insurance products will be more important than ever.
- C** Voluntary insurance will continue to be an important way to pay for unexpected expenses that are not covered by major medical insurance.
- D** All of the above.

Answers

1. What is a health insurance marketplace?

A A web portal where individuals and small businesses can buy health insurance.

There will be two types of marketplaces throughout the United States that will impact employee benefits:

1. The public “Health Insurance Marketplace” facilitated by the state and/or federal government
2. Private marketplaces facilitated by private industry stakeholders (insurance providers, brokers or benefits consultants)

2. What is the ACA’s “play or pay” mandate for employers?

A Employers with 50+ full-time employees must pay a “shared responsibility” payment if at least one employee obtains a premium tax credit or cost-share reduction through the exchange.

The penalty calculation varies based on whether or not the employer offers affordable minimum value coverage

- Minimum Value – 60 percent actuarial value
- Affordability – Employee portion of the premium is less than 9.5 percent of employee income

3. What is a grandfathered plan?

A A health plan in which at least one employee was enrolled on March 23, 2010, and that’s exempt from some of the new qualified health plan mandates.

An employer-sponsored health plan can be grandfathered if it covered employees when the ACA was enacted (March 23, 2010) and if the plan does not make material changes that lower benefits or employer contributions, or increase employee paid coinsurance or copayment costs to the employee. Many employers make changes to their benefit design and contribution levels annually to keep the cost under control. While grandfathered plans may have lower premiums than some of the non-grandfathered plans, other factors such as medical trend, benefit design (e.g. variations in deductibles) may have an impact on renewal rates.

Grandfathered plans:

- Cannot significantly cut or reduce benefits
- Cannot raise employee co-insurance charges
- Cannot significantly raise co-payment charges (15% more than medical trend since 2010)
- Cannot significantly raise deductibles (15% more than medical trend since 2010)
- Cannot significantly lower employer contributions (more than 5% of proportional cost share for any coverage category)
- Cannot add or tighten an annual limit on what the insurer pays
- May change insurance companies

Grandfathered plans are exempt from a number of health care reform provisions, such as:

- Benefit mandates, such as essential health benefits or requirements to cover preventive benefits at no cost sharing
- Clinical trial coverage
- External appeals process
- Non-discrimination testing
- Some of the additional reporting and disclosures
- Guaranteed availability and renewability

4. What will be the public marketplace benchmark for coverage?

B Silver – plan pays 70 percent of medical expenses.

The public Health Insurance Marketplace will offer four levels of coverage, which vary depending on the proportion of medical expenses the insurance plan is expected to cover. Of these plans, a “sliver” plan (one that pays 70 percent actuarial value of essential health benefits) will be the benchmark for calculating subsidies. Individuals can “buy-up” to other plan levels, as well as dental coverage. Additionally, they can purchase voluntary insurance outside of the public marketplace.

5. What businesses are eligible for tax credits as part of the ACA?

D Businesses with 25 or fewer* full-time employees and average annual wages of less than \$50,000 that pay at least half the cost of health insurance for their employees.

Businesses meeting these criteria can receive small employer tax credits. Effective 2014, the tax credit rates will be 50 percent of the employers’ cost of health insurance premiums for two consecutive years, and the rate is 35 percent for small tax-exempt employers. The maximum credit will be available to employers with 10 or fewer full-time equivalent employees and average annual wages of less than \$25,000.

6. What defines a small employer?

D All of the above

Small business is defined differently for certain aspects of the law, for example:

Small Employer Tax Credits: Small businesses with 25 or fewer* employees are eligible.

Small Employer Health Options Program Exchange (SHOP): Small businesses with 100 or fewer employees are eligible to participate in the SHOP exchange. However, the law allows states a two year grace period in which they can substitute “100” for “50”. In effect, only businesses with 50 or fewer employees may be eligible for the SHOP exchange until 2016, depending on the decision in their state.

Employer Responsibility Payment: Small employers with 50 or fewer employees will not be penalized for choosing not to provide employees health care coverage. Employers with 50 or more employees will be penalized if they choose to not provide health coverage, or offer coverage that does not meet minimum value requirements or is considered unaffordable.

It is important to note that the ACA and IRS use different calculations for determining the number of employees:

ACA	IRS
<ul style="list-style-type: none"> • Counts the average of the total number of all employees employed on business days during preceding calendar year. • Small employer definition is 1-100. States have the option to use 1-50 until 2016. • ACA provisions including MLR, SHOP, ACA benefits mandates and rating restrictions, use this definition. 	<ul style="list-style-type: none"> • Counts the sum of total full-time employees (30+ hours per week) and full-time equivalents (FTEs). • Small employer definition is 1-50. • Provisions such as small employer tax credit, pay or play penalties use this definition.

*Note: As of 8/26/13, irs.gov states that *fewer than* 25 employees are eligible for these credits, however Internal Revenue Code Section 45R states that the term “eligible small employer” means an employer which has *no more than* 25 full-time equivalent employees for the taxable year. For more information about these credits, visit: irs.gov.

7. How does health care reform affect voluntary insurance?

D All of the above.

The primary focus of health care reform is to ensure that Americans of all ages and incomes are protected by creditable, comprehensive major medical health insurance. Voluntary insurance policies, like the ones offered by Aflac, provide robust protection to policyholders. These plans can help people cope with incremental out-of-pocket costs associated with serious accidents or illnesses – costs major medical insurance was never intended to cover. In the event of a serious accident or illness, participants receive cash benefits that are often used to help pay for daily living expenses, such as rent, gas, groceries, babysitting and other necessities, as determined by the policyholder.

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