Updated 3/28/2014

# In the Spotlight: Health Reform and Large Employers

In the United States, about half of all employers offer health insurance coverage to their employers, making them a very important part of national efforts to ensure all individuals have access to health insurance. Employers face many issues when deciding whether or not to offer health insurance coverage. The costs of health care have risen 5 to 14 percent every year since 2000. Inflation and workers' earnings do not keep pace, rising only 2 to 4 percent each year. This means that health care gradually erodes employers' budgets and often employers are forced to increase the burden on workers and their families or drop coverage altogether. International competition has also increased pressures for businesses to keep their costs low. Wages and benefits, as the largest portion of most businesses' budgets, can often take a hit when companies are attempting to be competitive in global markets.

The Affordable Care Act (ACA) makes several changes to encourage employers to offer meaningful health insurance coverage but will affect employer coverage in several unintended ways, as well.

## Pay or Play

One of the more controversial provisions in ACA is the employer mandate. To encourage employers to continue offering affordable minimum essential health insurance coverage, large employers (with 50 or more full-time equivalent employees) will either have to offer employees coverage that meets certain requirements or potentially be subject to a penalty. For purposes of calculating full-time equivalent employees, any employee working 30 or more hours per week is considered full-time. ACA defines "affordable" as consuming no more than 9.5% of an employees' income for self-only premium. If an employer fails to offer coverage, the employer could face a penalty if one of his/her employees purchases individual coverage on the exchange and receives a premium tax credit. The penalty for failing to offer coverage to full-time employees is $2,000 per full-time employee. If an employer offers coverage, but the coverage is deemed unaffordable or does not meet minimum value (60% of costs covered by the plan), and the employee purchases coverage from the Exchange and receives a subsidy, the penalty becomes the lesser of $3,000 per employee who receives tax credit or $2,000 times total number of full-time employees. While these penalties may seem high to some, most employers pay more than this to provide coverage to their employees each year.

The employer mandate has been delayed and altered in several ways through the regulatory process since the law was passed. The penalty imposition was originally scheduled to begin in calendar year 2014 but was delayed uniformly until 2015. In February 2014, the IRS issued detailed and complex requirements which include a phased-in approach for the employer shared responsibility provisions. Beginning in 2015, employers with 100 or more full-time equivalent employees must comply with the requirements to offer coverage or face a potential penalty. Employers with 50 - 99 full-time equivalent employees now have until 2016 to offer coverage to their full-time employees. There are certain safe harbors and additional transitional relief for large employers and all employers should carefully evaluate their options.

## Administrative Issues

Employers will have several administrative changes as a result of ACA, as well phasing in from 2010 through 2014:

| Date Effective | Administrative Change* |
|---|---|
| **2010** | To maintain grandfathered status (if a plan or policy chooses), the insurers or group health plans must include a statement in any materials provided to enrollees describing the policy or plan benefits that are believed to be grandfathered. |
| **No later than March 23, 2012** | Self-insured plan sponsors and insurers must provide participants with a uniform summary of benefits and coverage explanation that includes standardized information. This must be provided at initial and annual enrollment. |
| **January 2013 (for tax year 2012)** | Employers issuing 250 or more W-2's must report the value of benefits on each employee's W-2 form. |
| **October 2013** | Employers must provide information to employees about the Exchange |
| **2016** | Employers that do not offer health insurance coverage must file a return stating that they do not offer coverage, the number of full-time equivalent employees, and any other information that is specified by HHS. |
| **2016** | Employers providing minimum essential coverage must report to the IRS annually information about coverage offering. |
| **2016** | Employers providing minimum essential coverage must provide written statements with information to each covered individual listing the information above and contact information of the employer's insured. |

*Not an exhaustive list.

## Future Outlook

Despite the effort by the federal government to preserve the employer-based health insurance system, there are concerns that remain. Because ACA does not have many provisions that control health care costs coupled with some of the new requirements described above, some studies have predicted doomsday-type mass dumping of employer sponsored coverage. However, other studies have suggested that the ACA may actually help employers maintain coverage who otherwise would not have.

Employers have a unique position in the health care industry to encourage employees to participate in wellness and disease management programs through discounted premiums and other incentives. Additionally, benefits such as health medical coverage can play a key role in recruitment and retention of employees.

## BCBSNC Views

Blue Cross and Blue Shield of North Carolina (BCBSNC) supports efforts to maintain the current, employer-based health insurance system. We recognize the strong contributions that employers make and this system aids stability in the marketplace while creating greater access to coverage for many. Employers are the primary customers of BCBSNC, making up about 86 percent of our total membership. As medical costs continue to rise, we are concerned that smaller employers will not be able to afford to enter the market and larger employers will stop offering coverage. The administrative requirements facing employers (and BCBSNC as we try to support our employer customers) are especially burdensome and will add costs to the system. We believe that more cost controls should be put in place to stem the root of the problem, decreasing the chance of employer dumping and making insurance more affordable for everyone.

**For More Information**

Center for American Progress on Employer Impacts: http://www.americanprogress.org/issues/2010/05/health_employers.html
HealthReform.gov on Employer Sponsored Insurance: http://www.healthreform.gov/reports/insurance/index.html