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Employee Benefits Legislative Update

What Northwest Employers Need to Know

February 27, 2018

Presented By

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JUST ONE OF YOUR TPG PARTNERS

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NW Largest Independent Benefits Team

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The Partners Group (TPG) is the largest independent benefits broker in the Northwest with more than 145 employees serving clients from five offices in Washington, Oregon and Montana. TPG's culture puts people first. Whether it's our employees or our customers, we always put the interest of our people and those we serve above all else.

A Unique Mix of Employer Services

A highly consultative approach focused on the specific priorities of each employer.

Agenda

- Federal Updates
- ACA Updates
  - Impacts to Employers
  - Impacts to the Individual Market
- Impact of Tax Plan on Employee Benefits
- EEOC Wellness Rules Updates
- State Legislative Updates

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FEDERAL UPDATES

What’s going on in DC?

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Key messages to legislators

1. Protect tax deduction
2. Simplify administration
3. Adopt policies that address the actual price of health services
4. Stabilize the individual marketplace

Headlines News!

- Federal Headline News
  - Not much legislative activity directly impacting employer sponsored health plans
  - Full repeal efforts were front page news last year
  - Legislative activity has shifted and now is targeting individual components of the Affordable Care Act that impact the individual market
  - How does this impact employer sponsored plans and why should we pay attention?

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Affordable Care Act Updates

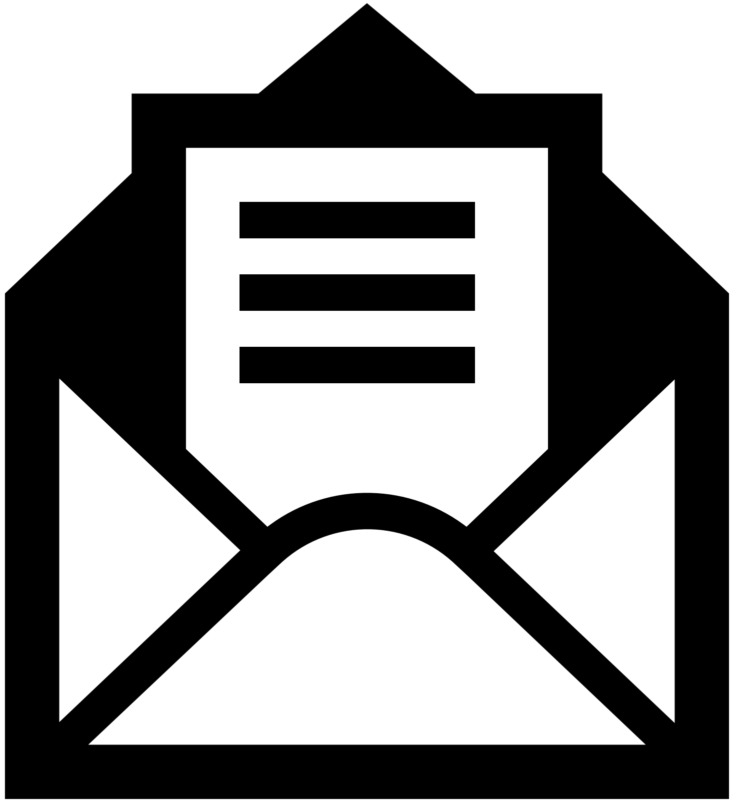
ACA Activity Impacting Employer Market

1 Shared Responsibility Payment Letters

2 Employer Reporting

3 Cadillac Tax Delay

Shared Responsibility Payments



- IRS letters mailed for 2015 penalties
- One ACA FT employee who received a federal subsidy triggered letter
- Employer must respond by due date
- Employer can reply with disagreement
- Don’t ignore the letter!

Employer Reporting

This week marks the deadline for employer reporting for the 2017 calendar year

Changes to the 1094 and 1095 forms for 2017 were very minimal

At this time, Applicable Large Employers who are subject to reporting requirements should remain vigilant in their tracking and reporting processes

Cadillac Tax Delayed

2022

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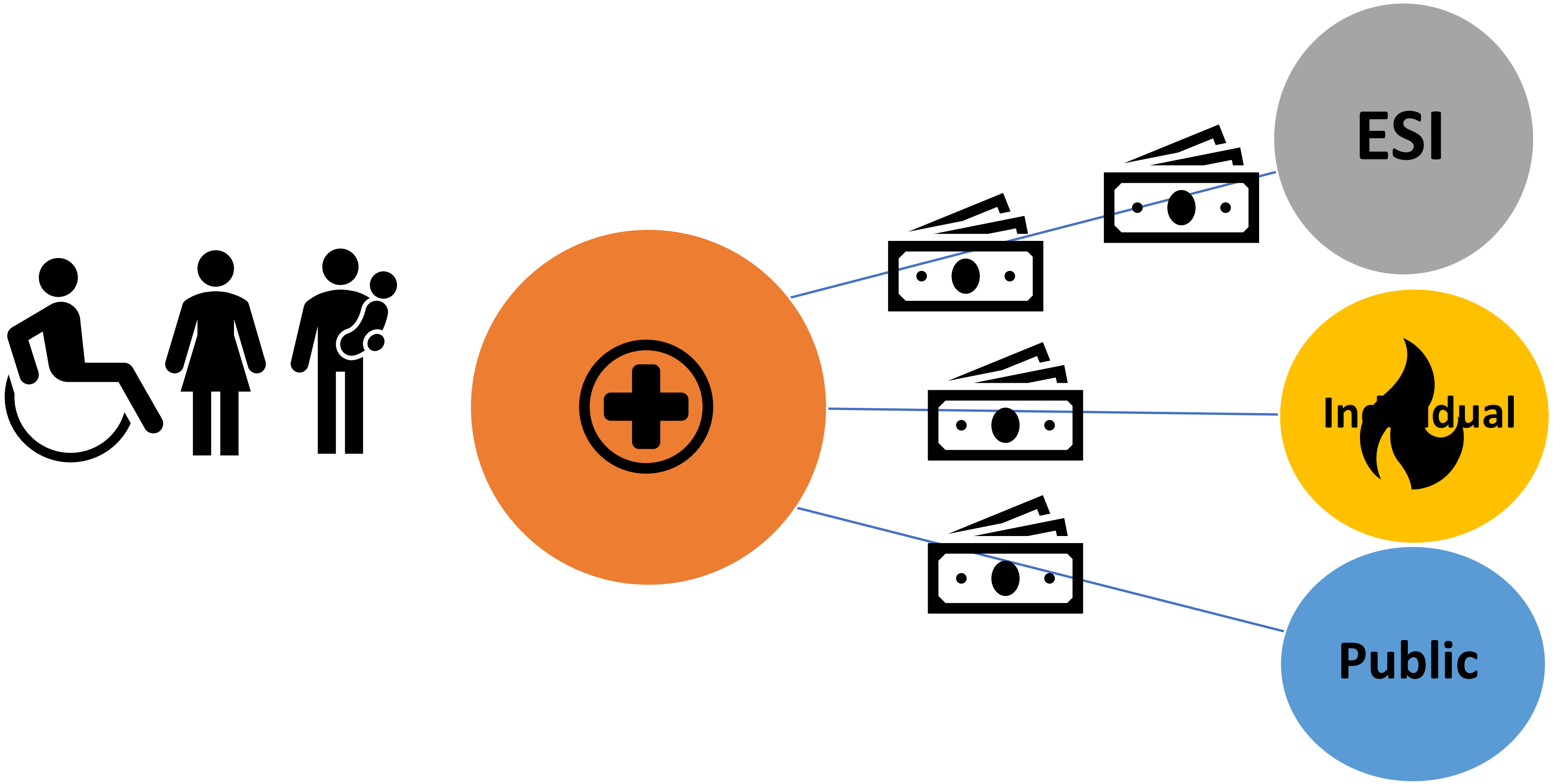
Instability of Individual Market

Making the Connection

- Employer-Sponsored Insurance (ESI) is the most common type of health coverage in the United States
  - 177 million Americans on ESI vs. 20 million on individual plans
- Average premium increase for employer plans rose 3% last year
- Average premium increase for individual plans rose 20% last year
- A strong and stable market for ESI is directly linked to a stable individual market
- If individual market implodes, costs to cover uninsured patients will be shifted to the ESI market

Making the Connection



ACA Activity Impacting Induvial Market

1

Repeal of Individual Mandate

2

Continued Threats to CSR Payments

3

Skinny, Short-Term Plans

Repeal of the Individual Mandate

- Elimination of all tax penalties by 2019, effectively repealed the individual mandate
- Unfortunately, this does not eliminate the reporting requirement
- The IRS still requires self-insured employers and insurers to report individuals covered by their plan or face penalties

What Are CSR Payments?

- The ACA helps lower cost of coverage in two ways for qualified families
- Premium Subsidies (138% - 400% FPL)
  - Difference between cost of second lowest-cost silver plan and affordability
- Cost Sharing Reductions (CSR)
  - Lower deductibles, copayments and out-of-pocket limits
  - Only available on silver-level exchange plans
  - 250% of FPL
  - Nearly 75% of exchange purchasers (6.8 million) qualify for CSR

Executive Order Eliminating CSR Payments, October 12

Cost-sharing reduction payments were expected to total $9 billion in the coming year.

“The government cannot lawfully make the cost-sharing reduction payments,” the White House said in a statement.

“Congress needs to repeal and replace the disastrous Obamacare law and provide real relief to the American people.”

Federal Poverty Chart

		138%	250%	400%
Family of	1	$16,643	$30,150	$48,240
Family of	2	$22,411	$40,600	$64,960
Family of	3	$28,180	$51,050	$81,680
Family of	4	$33,948	$61,500	$98,400
Family of	5	$39,716	$71,950	$115,120
Family of	6	$45,485	$82,400	$131,840
Family of	7	$51,253	$92,850	$148,560
Family of	8	$57,022	$103,300	$165,280

CSR Uncertainty, Nothing New

- 2014: House Republicans sued Obama administration
- 2016: Lower court agreed but allowed payments to continue while government appealed the decision
- 2017: Spending bill did not include permanent appropriations for CSR payments
- August 2017: Trump threatened to eliminate CSR payments
- October 12th: Executive order signed

What's the Impact to Oregonians?

- DCBS issued a statement on October 13th
- Stated that there would be no changes in 2017
- DCBS allowed Oregon carriers to re-file individual silver plan rates for 2018
- Resulted in 7.1% increase to silver level plans approved by DCBS to cover estimated $49M in projected CSR payments
- American Academy of Underwriters warn of unintended consequences of adverse selection, insolvency and weakened protections for individuals with pre-existing conditions

PLOT TWIST!

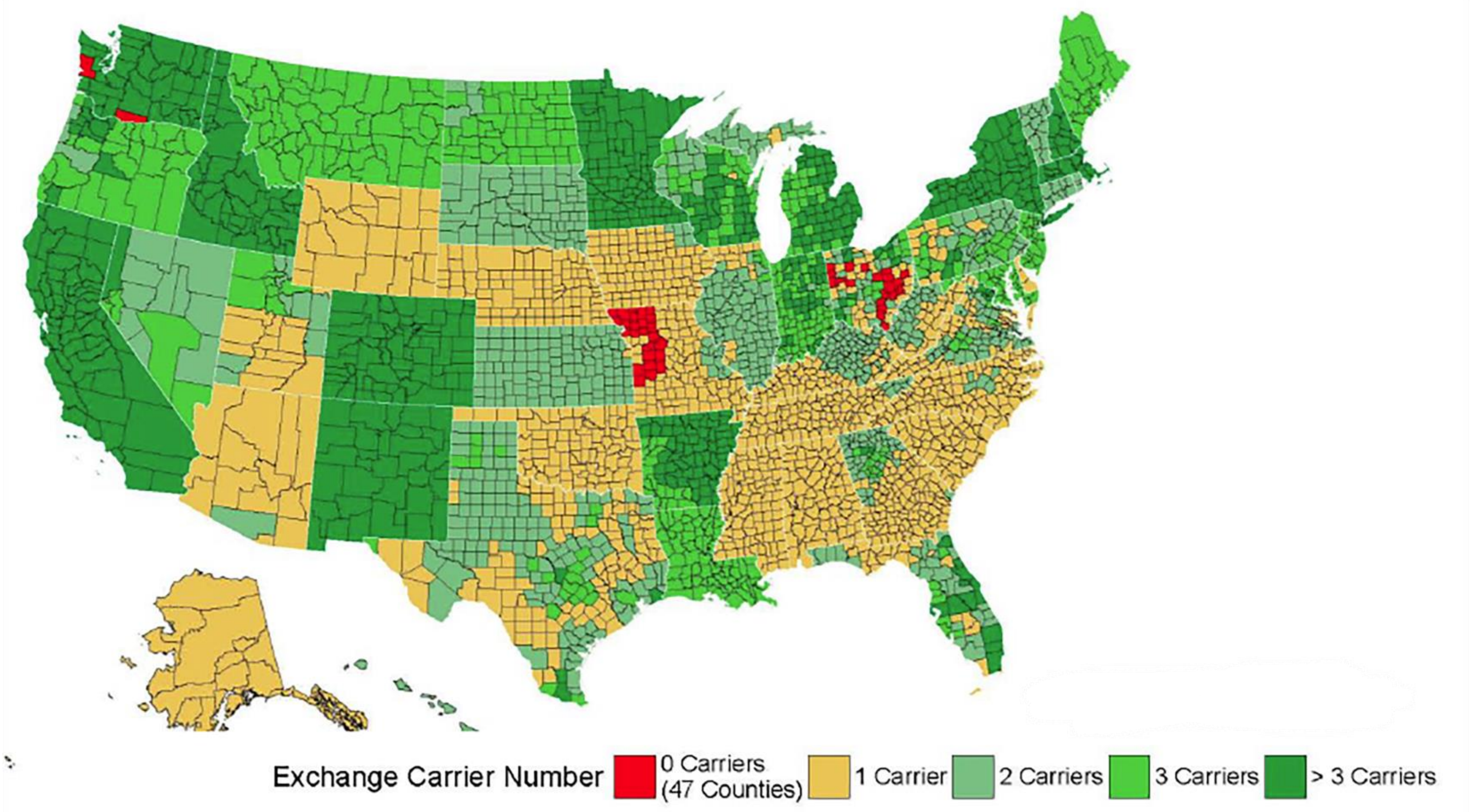
- Cost increases to silver plans actually INCREASE federal premium subsidies for qualified families
    - This increase in subsidies will ***decrease*** costs for bronze and decrease the incremental costs of buying up to gold metal plans
    - May shift enrollment between metal plans
    - May ***increase*** enrollment and ***increase*** federal payments of premium subsidies

Are CSRs Really Dead?

- Apparently not …

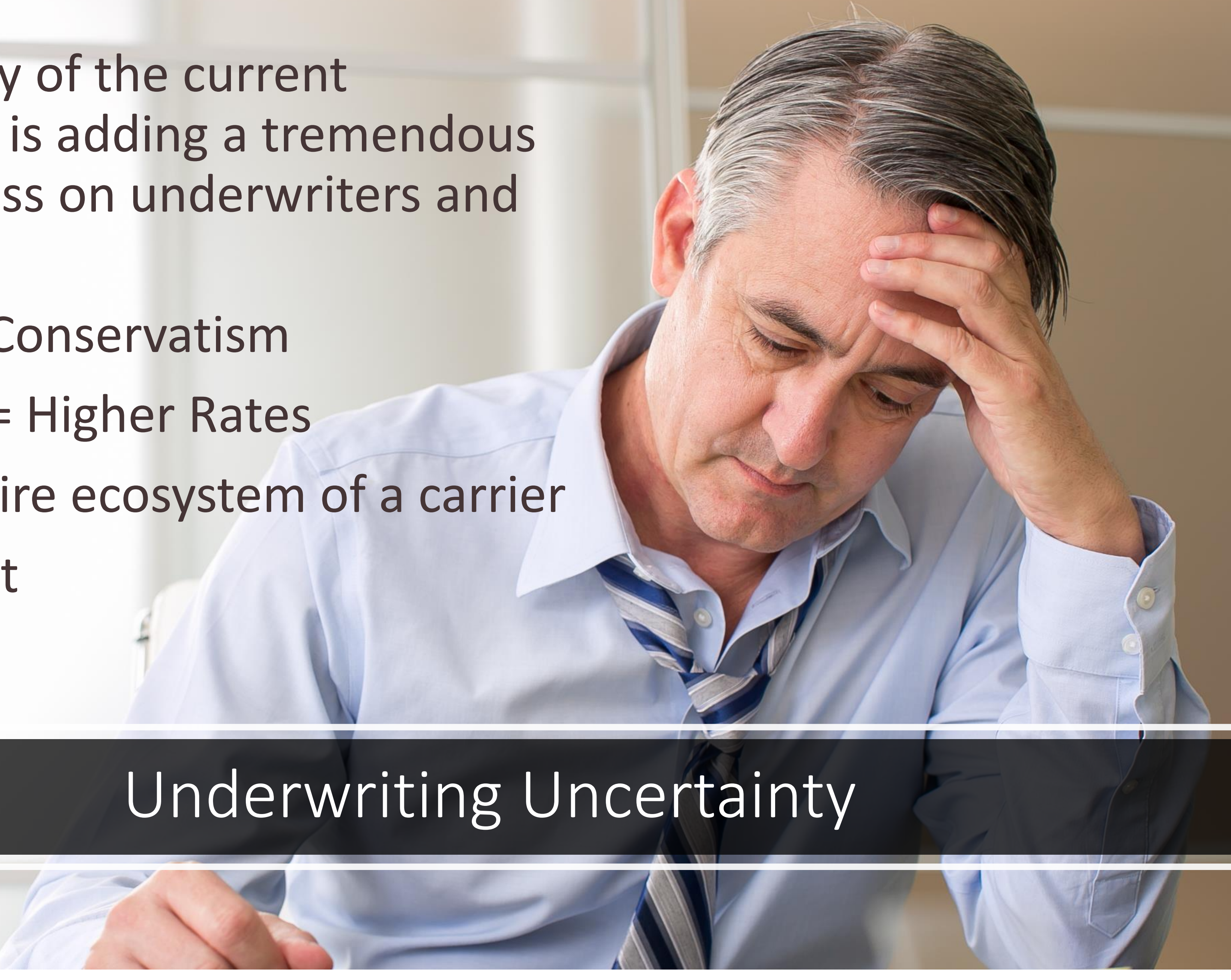
  - Senator Alexander and Senator Patty Murray have reached a deal to fund CSRs in exchange for giving states more regulatory flexibility with the law
  - Trump called it a “good short term solution”
  - The Deal:
    - Two years of subsidy funding (plus balance of 2017)
    - A “copper plan for people older than 30
    - $106M in enrollment outreach for 2018 and 2019
  - So can this deal get enough support and how fast?

County by county analysis of projected insurer participation in health insurance exchanges



Released 6/13/17

- The uncertainty of the current administration is adding a tremendous amount of stress on underwriters and actuaries
- Uncertainty = Conservatism
- Conservatism = Higher Rates
- Affects the entire ecosystem of a carrier
- Spill-over effect



Underwriting Uncertainty

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IMPACT OF TAX PLAN ON EMPLOYEE BENEFITS

Tax Cuts and Jobs Act

- The Act includes the following changes to employee benefits:
- Elimination of deduction for expenses associated with qualified transportation fringe benefit programs
- Employees cannot exclude bicycle commuting reimbursements from their gross income; and
- Moving expense reimbursements are not deductible for employers and cannot be excluded from employees’ gross income
- The Act creates a new temporary tax credit for employers that provide paid family and medical leave to their employees.

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EEOC Final Rules on Wellness Plans

EEOC Wellness Update

- In 2016, the EEOC issued final rules that became effective January 1, 2017 that describe how ADA and GINA apply to employer wellness programs
- Under the EEOC rules, employers could offer wellness incentives valued up to 30% of the self-only premium level
- AARP challenged the rules stating that 30% could create an affordability challenge to some workers thus making the program not voluntary in nature
- Court ruled that the rules should be reconsidered
- AARP continued to push
- Court responded by vacating rules effective January 1, 2019 to give employers time to respond


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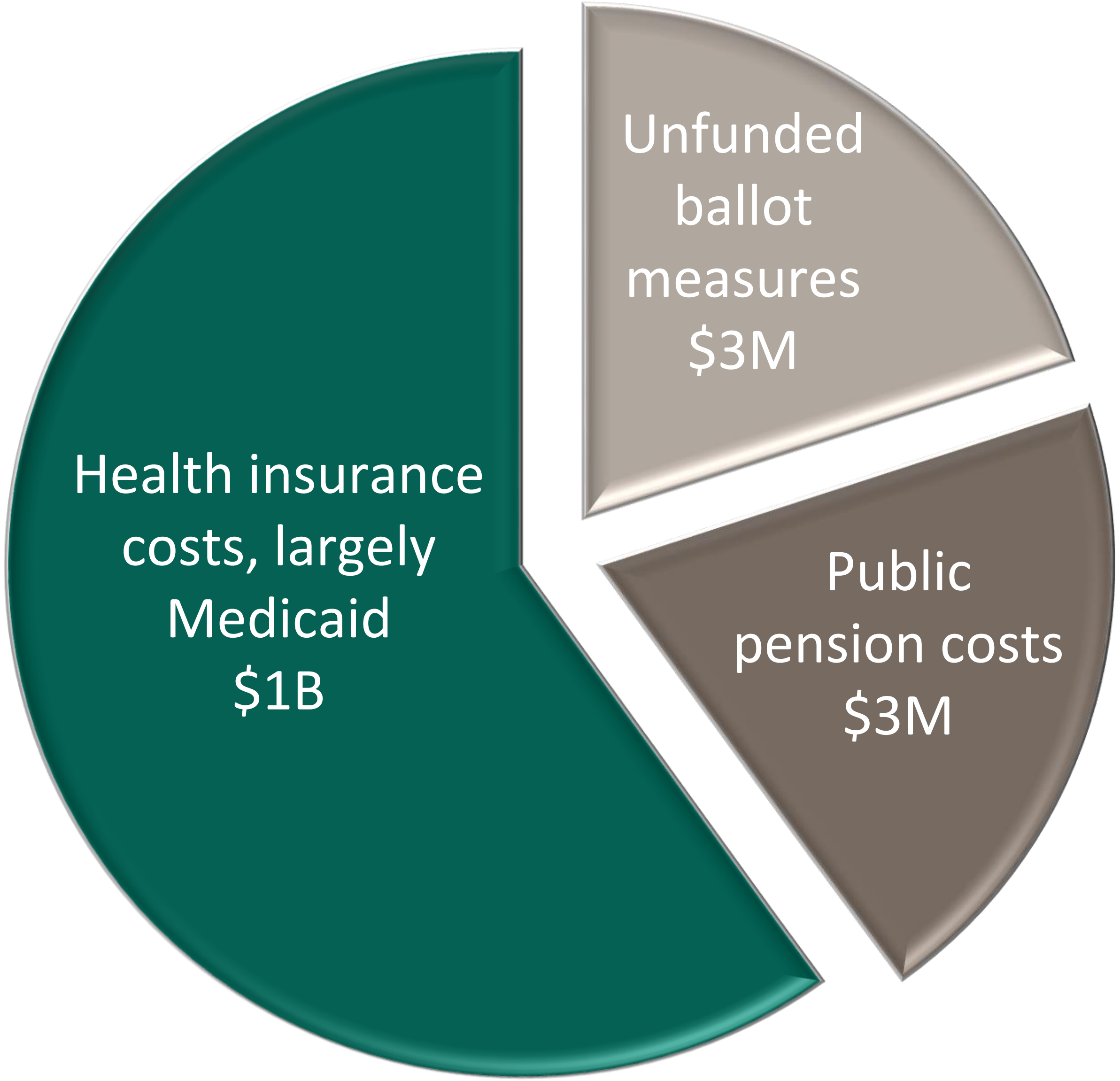
STATE UPDATES
Oregon, Washington and Montana

Oregon – Measure 101

- Oregon legislature passed a $550M health care tax plan they said was necessary to prevent cuts to Medicaid
- Includes a tax increase on hospitals and new taxes on health insurance plans
- Lawmakers attempting to close a $1.4B shortfall in the next two-year budget to maintain current programs and services
- Democrats argued that without this tax increase, risk was eliminating coverage for 350K low income Oregonians
- Republicans argued that a smaller tax could prevent this

Estimates of Oregon's 2017-2019 budget hole



Washington – Paid Family Leave

- Fifth state to pass paid family leave
- Applies to all Washington employers
- Effective January 1, 2020
- Provides between 12-16 weeks of paid leave
- Costs will be shared by employer and employee (37% employer, 63% employee)
- Complex and will require assessment of current plan and planning to ensure compliance and avoid penalties

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Want More Information?

A Unique Mix of Employer Services

A highly consultative approach focused on the specific priorities of each employer.

2018 Webinar Schedule

Month	Topic
Feb	AHA Wellness & ACA update
Mar	TBD
Apr	FMLA Update
May	Benefit Admin Solutions
Jun	TBD
Jul	Retirement Plan Consulting
Aug	Total Absence Management
Sep	Wellness
Oct.	ACA Update
Nov.	Total Absence Management

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