

Affordable Care Act
and
Public School Employees
Health Insurance

November 1, 2012

Affordable Care Act

- Individuals required to have insurance
- Employers required to offer insurance
- Health Benefits Exchange
- Medicaid expansion

Health Benefits Exchange

- Begins Jan. 1, 2014.
- Only for individuals or small businesses (In AR, 50 or fewer FTEs for 2014 and 2015; 100 or fewer in 2016).
- States can allow large employers (more than 100 employees) to purchase insurance through the exchange beginning in 2017.
- Impact on districts:
 - All districts have at least 50 FTEs; 52 districts have between 50 and 100 FTEs.
 - Still, qualified districts are unlikely to purchase insurance through exchange even when eligible.

Employer Requirements

- Large employers (more than 50 FTEs) must offer coverage to full time employees
- Penalty: \$2,000 for not offering coverage; \$3,000 for not offering minimum coverage
- Employers offering coverage are protected from \$3,000 penalty if:
 1. The employee's share of the premium for employee-only coverage is less than 9.5% of individual's household income AND
 2. The plan pays at least 60% of covered expenses

Employer Requirements: Impact on Districts

- All districts are considered large employers and are, therefore, subject to the requirement.
- Districts generally will not be subject to penalties; Public School Employees' plan offers employee-only bronze coverage (60% actuarial value) for \$10 a month.

Individual Mandate

- Most people will be required to have health insurance (some very low income people will be exempted).
- Penalty: \$95, up to \$285 for family in 2014; increases in 2015 and 2016.
- Premium credits and cost sharing subsidies will be available through the exchange, based on family income between 100% and 400% of federal poverty level.

Individual Mandate: Impact on District Employees

- Some employees may leave the state plan, choosing to receive coverage through:
 - Medicaid: If AR expands Medicaid, some public school employees making less than 133% of poverty (\$14,857 for one-person household in 2012) may enroll in Medicaid.
 - Exchange: Employees may qualify for premium credits through the exchange if:
 1. Household income is less than 400% of poverty AND
 2. State plan requires them to spend 9.5% of their household income to purchase insurance or employer-sponsored insurance covers less than 60% of the cost of services.

Scenario

- Teacher who earns the state minimum salary of \$29,244 and supports a spouse and a child.
- Household income is about 150% of poverty.
- Employee portion of state plan premium for Employee & Family coverage is \$2,940/yr., or about 10% of household income.
- Qualifies for credit for premium costs above 4% of income; maximum individual contribution for silver plan is about \$1,170/yr.

Employee Premium Cost for State Plan	Premium Cost for Coverage Through Exchange with Premium Credits
\$2,940/yr.	\$1,170/yr.

Individual Mandate: Impact on District Employees

- Some employees will join the state plan.
 - Employees who are currently uninsured will have greater incentive to become insured.
 - It's unclear who is uninsured vs. who is insured in other plans (e.g., spouse's plan).

Projections are challenging because:

Neither EBD nor school districts know:

- Whether nonparticipating employees are:
 1. Insured through other plan (spouse) or
 2. Uninsured
- Employees' household income and family size

Other Issues: Auto Enrollment

- ACA requires employers with 200+ full-time employees to automatically enroll new full-time employees in a health plan.
- Employees can opt out.
- In 2012, 95 of the 239 districts had more than 200 FTEs.

Auto Enrollment

- One concern is that new employees enrolled in other insurance plans (i.e., a spouse's plan) may not realize they are enrolled in two plans or may choose to enroll in a second plan because it costs just \$10/mo. District then pays \$131/mo. for those employees.
- Implementation of the provision has been delayed. The Department of Labor has announced that its guidance will not be ready to take effect in 2014. Until final regulations are issued, employers are not required to comply.

Resources

Bureau Health Reform Research

<http://www.arkleg.state.ar.us/healthcare/Pages/home.aspx>

Kaiser Family Foundation

<http://healthreform.kff.org/>

National Conference of State Legislatures

<http://www.ncsl.org/issues-research/health.aspx?tabs=831,139,1156>

National Academy for State Health Policy

<http://www.statereforum.org/>