



Arizona Local Government Employee Benefits Trust  
2014-15 Member County Board of Supervisors Update



## Background

- AZLGEBT formed July 01, 1994
  - Graham
  - Greenlee
  - Santa Cruz
- July 01, 1998 – La Paz joins
- July 01, 1999 – Apache and Gila join
- AZLGEBT provides Medical/Rx, Dental, Vision, Disability, Life insurance and Wellness program benefits to over 4000 employees and dependents throughout Arizona

## **AZLGEBT's Guiding Principle's**

- Give control to counties versus insurance companies
- “Run it like a business”
  - Strike a balance between costs and benefits
  - Encourage healthy behaviors rather than simply paying claims
  - Innovate in financing, technology, programming and anywhere opportunity exists in order to assure the success of the Trust

## **Healthcare has long been complex**

- State and federal regulation & mandates
- “Hidden taxes” of Medicare and Medicaid underpayments
- Medical cost inflation many times higher than CPI

## **Making things even more “exciting”**

- County revenues at sustained and historic lows
- Health Care Reform takes complexity to an entirely new level



## Health Care Reform (HCR)

- Single most sweeping legislation since Medicare passage in 1965
- Includes mandates for employers, individuals, insurance companies and self-insured programs such as AZLGEBT
- Includes additional taxes, fees and penalties as well



## Health Care Reform (HCR)

### Changes for 2014

- Coverage for dependent children to age 26 regardless of coverage option elsewhere
- Maximum waiting periods of 90 days
- Some coverage for clinical trials
- No annual dollar limits on Essential Health Benefits (EHB's)
  - State by state flexibility on EHB's



## Health Care Reform (HCR)

### Changes for 2014

- Annual in-network out of pocket maximums cannot exceed specified limits
  - \$6,350 single
  - \$12,700 family
    - Includes deductibles, co-pays, co-insurance and penalties



## Health Care Reform (HCR)

### **Essential Health Benefits include:**

- Ambulatory services to care site
- Emergency services for true ER
- Prescription drugs
- Lab services
- Preventative Wellness and chronic disease services
- Maternity and newborn care
- In-patient hospitalization
- Mental health, substance abuse services
- Rehabilitative services
- (For insured plans) Pediatric dental and vision



# Health Care Reform (HCR)

## Changes in 2014

- Employer testing for affordability
  - Employee cost or single coverage for least expensive qualified plan cannot exceed 9.5% of W-2 income for employees
    - NOTE: This test is conducted on each individual employee
  - Plan must provide “minimum value” (Bronze Plan) @ 60% actuarial value

## Changes in 2015 and Beyond

- “Pay or Play” provisions for employers of 50 or more Full Time Equivalents (FTE’s)
- FTE = 30 or more hours per week on average
  - Extensive rules and procedures on how to calculate
    - NOTE: This test is conducted on each individual employee
- New hires expected to work more than 30 hours per week are considered full time



## Health Care Reform (HCR)

### Changes in 2015 and Beyond

- Pay or Play Penalties
  - Plan not offered or Plan does not offer EHB's to employees and dependents (no requirement to cover spouses)
    - \$2,000 penalty per FTE (minus first 30) per year
  - Plan is either unaffordable or does not offer "minimum value"
    - Lesser of:
      - \$3,000 per impacted FTE; or
      - \$2,000 penalty per FTE (minus first 30) per year

## **Additional HCR Fees:**

- Patient Centered Outcome Research Institute (PCORI) Fees
  - \$1/\$2 per covered person per year through 2019
- Temporary Reinsurance Fees
  - \$63 per person 2014
  - \$42 per person 2015
  - \$26 per person 2016
    - Goal is \$25 billion. Fees subject to adjustment by federal government
- Traditional insurance companies, pharmaceutical firms and medical appliance taxes imposed elsewhere

## 2018 and Cadillac Taxes

- 40% tax on high value plans
  - \$10,200 single - \$27,500 family
  - \$11,580/\$30,950 high risk and certain pre-Medicare retirees
  - Thresholds adjusted based on increase in Federal Employee Health Benefits Program between 2018 and 2020
    - 2019 – General inflation + 1%
    - 2020 and beyond – general inflation
  - Other adjustments for age/gender mix(?)



# Health Care Reform (HCR)

## 2018 and Cadillac Taxes

- Premium calculation for limits includes:
  - Medical/Rx
  - Flexible Spending Account (FSA) contributions
  - Employer contributions to Health Savings Accounts
  - Employee contributions to Health Savings Accounts

## Health Care Reform (HCR)

- Regulations written as things progress
- Multiple agencies involved
- Coordination between the entities has not been great
- Some degree of confusion on when things are due
  - Is it calendar year or plan year?
  - Period of time when fees are calculated versus when they are due
  - Who does the calculation?
  - Who pays and from what money source?

## **Take-Away Messages**

- Health Care Reform adds both direct and indirect costs
  - Mandated benefits
  - Mandated cost shares
  - Costs for calculation and compliance
  - Taxes and penalties
- Rule making process is done on an “as you go” basis
- Flexibility is key for employers and plans

## **AZLGEBT is Re-Structuring**

- Multi-Year Process:
- Year 1 (2014-15):
  - Change benefit structures to incorporate mandates from Health Care reform
  - Change TPA (for Medical, Vision and Disability) to Gilsbar
  - Move enrollment and open enrollment to a web-based portal (Smartben)
  - Implement processes to verify dependent eligibility (Spouses and children)

## **AZLGEBT is Re-Structuring**

- Update benefit offerings to increase employee choice
  - Add a High Deductible Health Plan with Health Savings Account under Medical/Rx
  - Add a “see any dentist” option under Dental
- Employee and Employer communication
  - Portal transition teams
  - BOS presentations
  - Open enrollment meetings
  - Educational materials
  - Telephone support

## **AZLGEBT is Re-Structuring**

- 2015-16 and beyond
  - Respond to regulatory changes
  - Modify and upgrade portal
  - Add Medical services Flexible Spending Accounts?
  - Add Dependent Care Flexible Spending Accounts?
  - Other benefit changes?
  - Operational changes?



# Questions and Answers