

# **Health Care Reform (HCR), Affordable Care Act (ACA), Mandates, Regulations, Health Insurance Marketplace, Health Insurance Exchanges, Penalties**

## **What does all this mean to you in 2014?**

There are many health care reform changes that are part of the Affordable Care Act (ACA) that go into effect beginning January 1, 2014. These changes are requirements for health care providers, health insurance companies, medical device companies, pharmaceutical companies, employers and individual people. For this purpose, the focus of the information is on the requirements for you (individual) and of employers (DoD NAF). Below is a summary of the health care reform mandates and what the individual responsibility and employer responsibility means to you.

### **INDIVIDUAL RESPONSIBILITY**

#### **Individual Mandate**

The Affordable Care Act (ACA) requires ALL U.S. citizens, all permanent residents and all foreign nationals who are in the United States long enough during a calendar year to qualify as resident aliens for tax purposes to have health insurance by January 1, 2014 or pay a tax penalty. If you're eligible and enroll in the Marine Corps NAF Health Benefit Program (HBP), these coverages meet the requirement to have health insurance coverage. The Marine Corps NAF employers pay 70% of the cost of the premiums for NAF HBP plans offered.

For those of you that are not eligible to participate in the Marine Corps NAF HBP, you would need to have health insurance from another employer, be covered (up to age 26) on parent's plan or purchase health insurance from the private exchanges or health insurance "marketplace". If you choose to not have health insurance, you will pay a tax penalty. In 2014, the tax penalty for not having health insurance coverage is the greater of \$95 or 1 percent of income for an adult (e.g. \$400 for someone making \$40,000). For children under 18, the penalty is half the adult amount. The penalty increases each year, up to the greater of \$695 or 2.5 percent of household income for an individual adult in 2016. A family would pay a maximum of the greater of \$2,085 or 2.5 percent of income.

If you are purchasing health insurance in the Health Insurance Marketplace, premium tax credits (many times referred to as subsidies) generally are available to help pay for coverage for employees who:

- are between 100% and 400% of the federal poverty level and enroll in coverage through an Affordable Insurance Marketplace (currently \$45,960 for an individual or \$94,200 for a family of four)
- are not eligible for coverage through a government-sponsored program like Medicaid or CHIP, and

- are not eligible for coverage offered by an employer or are eligible only for employer coverage that is unaffordable or that does not provide minimum value.

If you qualify for this tax credit, it is applicable only if you purchase coverage from the Health Insurance Marketplace and will be paid directly to the insurance carrier for the health insurance you purchase. These tax credits/subsidies do NOT apply to health insurance purchased in private health insurance exchanges or toward your payroll contributions for coverage under the DoD NAF HBP.

WHAT THIS MEANS TO YOU: If you are not eligible for participation in the Marine Corps NAF HBP, you are required to have health insurance in 2014. U.S. citizens who live abroad (OCONUS) for a calendar year (or at least 330 days within a 12 month period) are treated as having minimum essential coverage for the year so they would not be required to have health insurance under the individual mandate of the Affordable Care Act. There are just a few exceptions such as this so please refer to IRS web link below for more detail).

If you are eligible for the DoD NAF HBP and you choose to enroll in this coverage, you have met the requirement of having health insurance. If you're a pre-65 retiree with NAF HBP Post-Retirement Medical Benefits, you may drop your coverage to enroll in a plan offered in the Health Insurance Marketplace. Based on your income, you may be able to receive a tax subsidy for insurance provided by the state marketplace insurance. Please note: The Health Insurance Marketplace does not have plans for those that are Medicare primary (typically a post-65 retiree). If you drop your NAF HBP Post-Retirement Medical Benefits, you will no longer receive the employer paid share of your PRM benefit. **You will not be permitted to re-enroll in the NAF HBP Post-Retirement Medical Benefits if you discontinue coverage.**

U.S. citizens who live abroad for a calendar year (or at least 330 days within a 12 month period) are treated as having minimum essential coverage for the year (or period). These are individuals who qualify for an exclusion from income under section 911 of the Code. See [Publication 54](#) for further information on the section 911 exclusion. They need take no further action to comply with the individual shared responsibility provision

For more information on how the individual shared responsibility provision affects individuals, please visit the IRS website at:

[www.irs.gov/uac/Questions-and-Answers-on-the-Individual-Shared-Responsibility-Provision](http://www.irs.gov/uac/Questions-and-Answers-on-the-Individual-Shared-Responsibility-Provision)

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**What is the "Health Insurance Marketplace" and is that the same as "Health Insurance Exchanges"?**

The Health Insurance Marketplace, where individuals can purchase health insurance, will open up October 1, 2013 for health insurance purchasers to view plan costs and options based on the state you reside in, for health insurance coverage that becomes effective January 1, 2014. If you are not eligible for coverage under the Marine Corps NAF HBP, you can purchase health insurance in the Health Insurance Marketplace. The Health Insurance Marketplace does not have plans for those that are Medicare primary (typically a post-65 retiree)

The Health Insurance Marketplace has three models:

- A state can decide to run its own Health Insurance Marketplace
- A state may decide to partner with the federal government to run its Health Insurance Marketplace
- The state may default to the Health Insurance Marketplace that will be run by the federal government

You may see information on healthcare exchanges. Exchanges was the term used when these were created as part of the original Affordable Care Act (ACA) but the naming has since changed to Health Insurance Marketplace; however, you may still see both terms used interchangeably.

Each state, regardless of what model it is using, can create a marketing name for its Health Insurance Marketplace. For example, Connecticut's public Health Insurance Marketplace is called "Access Health CT" and California's marketplace is "Covered California". Bottom line, you'll see both terms used somewhat interchangeably.

A note on private Health Insurance Marketplaces: Private health insurance marketplaces are similar in concept to public Health Insurance Marketplaces. However, these are run by third parties, such as health insurance carriers, brokers, and others. You may also see private Health Insurance Marketplaces referred to as both "exchanges" and "marketplaces".

Please note: There are no subsidies for purchasing health insurance from private Health Insurance Exchanges.

WHAT THIS MEANS TO YOU: If you are not eligible for the Marine Corps NAF HBP plans, you will want to understand the Health Insurance Marketplace as this is where you will purchase health insurance for 2014. Information on the Health Insurance Marketplace can be found at [www.healthcare.gov](http://www.healthcare.gov).

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### **Health Insurance Marketplace Employer Notification Requirement**

Under the Affordable Care Act, employers will be required to provide their employees with notice of the existence of the Health Insurance Marketplace. Employers are required to post a Department of Labor

(DOL) Marketplace notice by October 1<sup>st</sup>, 2013. This notice is posted to the DoD NAF HBP website: [www.nafhealthplans.com](http://www.nafhealthplans.com)

WHAT THIS MEANS TO YOU: The DOL marketplace notice will provide information on who is eligible for Marine Corps NAF HBP. If you are not eligible for the Marine Corps NAF HBP, the DOL marketplace notice on the DoD NAF Health Benefits Program website will direct you to [www.healthcare.gov](http://www.healthcare.gov) for additional information on the Health Insurance Marketplace. All inquiries on the Health Insurance Marketplace need to be directed this website. Your employer will NOT provide additional information or guidance on the private or Health Insurance Marketplace.

## **EMPLOYER RESPONSIBILITY**

We have reviewed health insurance reform requirements for individuals. For January 1, 2014, there are many requirements of employers that offer health insurance coverage to their eligible employees. Below is a summary of these and what they mean to you.

### **Maximum Out-of-Pocket Limits on Essential Health Benefits**

Effective January 1, 2014, there is a plan coverage requirement which requires a maximum out-of-pocket (OOP) limit that includes **all in-network medical, behavioral health and pharmacy deductibles, copays and coinsurance amounts apply toward the OOP limit; a plan's out-of-network limit(s) may be higher.** Another change effective January 1, 2014 is that all **in-network** medical, behavioral health and pharmacy member cost-sharing must apply toward the out-of-pocket (OOP) maximum. This means that the following costs will now count toward your OOP limit: PCP and specialist copays, emergency room copay, inpatient per confinement fee, pharmacy copays and 3rd tier pharmacy coinsurance.

You will still be responsible for the deductible, copays and confinement fees, but the costs will go toward your total annual OOP maximum. Once your share of the cost for in-network copays, coinsurance and per confinement fees reaches the applicable OOP maximum, the plan pays the covered expenses at 100% for the remainder of the calendar year.

Please note that the (Aetna PPO/Indemnity) \$150 prescription eyewear allowance, bariatric surgery coinsurance, premiums, balance billing amounts from non-network providers and non-covered services do not count towards your OOP maximum. If you are enrolled in another employer sponsored health plan contact that plan directly for additional information.

WHAT THIS MEANS TO YOU: The Marine Corps NAF medical plans for 2014 and going forward will include this change. You will still be responsible for the deductible, copays and confinement fees, but the costs will go toward your total annual In-Network Out of Pocket maximum. Once your share of the cost for in-network copays, coinsurance and per confinement fees reaches the applicable In-Network Out of Pocket maximum, the plan pays the covered expenses at 100% for the remainder of the calendar year.

**If you are enrolled in a Marine Corps sponsored Health Maintenance Organization (HMO) please contact your HMO to verify how all mandatory plan changes will impact your benefits.**

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### **Essential Health Benefits**

For January 1, 2014, it is a requirement to eliminate annual dollar limit on ten identified categories of essential health benefits. Currently, under the DoD NAF sponsored Aetna PPO/Indemnity plans there are no dollar limits on nine of these ten categories. The only essential health benefit categories that currently has a dollar limit is pediatric vision. Currently, the DoD NAF sponsored Aetna plans covers prescriptive eyewear with up to 100% up to \$150 maximum benefit per person per calendar year. Since this benefit has a dollar limit and the mandate requires the elimination of the dollar limit, a new benefit is being added for pediatric vision beginning January 1<sup>st</sup>, 2014.

WHAT THIS MEANS TO YOU: Covered dependent children up to age 22 will have one pair of basic frames and lenses covered at 100% with no copay (in and out of network). Basic frames and lenses covered under this new benefit have very specific vision codes associated with them called V Codes and the V Codes covered under this benefit are noted along with “NEW” on the Summary of Benefits on the website. In order to have this benefit paid at 100%, you may have to pay for the frames and lenses out of pocket and submit a claim to Aetna for reimbursement of the covered charges.

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### **No pre-existing condition exclusions**

In 2014, individual and group health plans may no longer impose a pre-existing exclusion on individuals of any age. This is an expansion of the requirement that was applicable beginning September 23, 2010 to individuals under 19 years of age. DoD NAF sponsored Aetna plans did NOT have a pre-existing exclusion so there is no change to those plans. This change affects individual policies that will be available in the Health Insurance Marketplaces/Exchange.

WHAT THIS MEANS TO YOU: There is no change to your current DoD NAF HBP as these plans currently do not have pre-existing exclusions. If you are purchasing health insurance from Health Insurance Marketplaces, pre-existing condition exclusions will NOT be on the policies you are purchasing.

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### **Employer Penalty**

One of the new health care reform mandates is called the Employer Responsibility Penalty. This Employer Penalty requires that employers must offer affordable health coverage that provides minimum value, beginning effective January 1, 2014. It also included a provision that employers had to offer this coverage to all employees that work an average of 30 or more hours in a 12 month period or pay a

penalty. The requirement to offer to all employees that work an average of 30 hours or more in 12 months has been delayed and will not be effective in 2014 as originally planned.

**How is “affordable coverage” determined?**

If an employee’s share of the premium for employer-provided coverage would cost the employee more than 9.5% of that employee’s annual household income, the coverage is not considered affordable for that employee. Because your employer generally will not know their employees’ household incomes, employers will follow one of the affordability safe harbors. This safe harbor assumes the cost of the coverage to the employee would not exceed 9.5% of the wages that your employer pays you, the employee, during that tax year.

**How is it determined whether the coverage it offers provides minimum value?**

A plan provides minimum value if it covers at least 60 percent of the total allowed cost of benefits that are expected to be incurred under the plan. Health and Human Services (HHS) and Internal Revenue Service (IRS) developed a “minimum value calculator” that is used for this determination. The DoD NAF HBP plan exceeds minimum value. It is estimated the DoD NAF HBP with Aetna will pay 85.8 percent of the total allowed cost of benefits in 2014. This would be considered a Gold Plan when looking to compare it to Health Insurance Marketplace plans.

WHAT THIS MEANS TO YOU: For those employees that are currently eligible for health insurance with the Marine Corps NAF HBP, there is no change to you. You can continue to elect your health plan for 2014 during Open Enrollment. Remember that ALL individuals must have health insurance beginning January 1<sup>st</sup> 2014 or you’ll pay a tax penalty so be sure that you cover your dependents with the DoD NAF HBP or through other health insurance options.

For those employees that that are not or will not be eligible for the Marine Corps NAF Health Benefits Plan, your options are to purchase health insurance from the Health Insurance Marketplace, have other employer coverage that may be offered to your spouse or SSDP or have coverage under your parent’s plan (up to age 26). There is no employer contribution toward the cost of purchasing from the Health Insurance Marketplace.

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## **ADDITIONAL RESOURCES ON HEALTH CARE REFORM**

**Be sure to go to the DoD NAF HBP website for any additional information on Health Care Reform. The website is: [www.nafhealthplans.com](http://www.nafhealthplans.com).** The website has been updated so that Health Care Reform is on the navigation bar, making it easier for you to access the information and resources related to health insurance reform.

- For information on the Health Insurance Marketplace and the available plans, costs and other important information, please go to [www.healthcare.gov](http://www.healthcare.gov).
- The Internal Revenue Service (IRS) is responsible for tax provisions of the Affordable Care Act that will be implemented during the next several years. A list of these provisions now in effect, and additional information soon to be added, can be found at [www.irs.gov](http://www.irs.gov). A more direct link is:

[www.irs.gov/uac/Questions-and-Answers-on-the-Individual-Shared-Responsibility-Provision](http://www.irs.gov/uac/Questions-and-Answers-on-the-Individual-Shared-Responsibility-Provision)

- Health and Human Services website provides an overview of the law, link to the Health Insurance Marketplace, and fact sheets. Visit their website at [www.hhs.gov/healthcare/index.html](http://www.hhs.gov/healthcare/index.html).
- The Center for Consumer Information and Insurance Oversight (CCIIO) oversees the implementation of Affordable Care Act provisions that are related to private health insurance. Link to fact sheets on this website: <http://cciio.cms.gov/resources/factsheets/index.html>