Let’s Talk SHOP

Health Insurance Options for Small Businesses

Insurance Division
June 6, 2014
Questions

Submit your questions throughout the presentation using #talkSHOPHI
Insurance Commissioner
Gordon Ito
Let’s Talk SHOP

Health Insurance Options for Small Businesses
Health Insurance Mandates

- Individual (ACA)
- Employer (PHCA)

**Reason for Mandate**
- Increase coverage
- Reduce adverse selection
- Lower premiums
Prepaid

- Passed 40 years ago in 1974
- Guarantee issue of coverage
- Employer mandate
  - 20 hours or more per week
  - Monthly wage of at least 86.67 times Hawaii’s minimum hourly wage
- Exemptions for employees covered by Federally established health insurance, those covered as dependents, recipients of government medical assistance.
- Employee’s contribution cannot exceed 1.5% of employee’s monthly wages
- Prevalent plans – 7a & 7b
  - Benefits must meet Prevalent plan standards
    - Does not contain all of ACA’s 10 EHB
- Prescription drugs, pediatric dental and vision and habilitative services not included

ACA

- Guarantee issue of coverage
- ACA has no small business purchase mandate, PHCA controls
- Metal level plans – Platinum, Gold, Silver, and Bronze
  - Does not apply to small business employees subject to PCHA, only individuals and non-PHCA
- ACA 2014 Individual & Small Group Plans
  - 10 Essential Health Benefits (EHB) and the Benchmark Plan
    - Prescription drugs, pediatric dental and vision and habilitative services
    - Maximum Out of Pocket Expenses (MOOP)
  - Premium and cost sharing subsidies
Dual Rules Environment

- Employees that are eligible for coverage under the Prepaid Health Care Act (PHCA) must have the option of a 7(a) or 7(b) plan, no metal levels as set forth under ACA.
- Employees that do not qualify for coverage under PHCA can be offered coverage that conforms to a metal level under the Affordable Care Act.
Transitional Plans “grandmother”

- Small businesses with coverage in effect on October 1, 2013, may renew their coverage through 2016.
- PHCA controls when coverage of an employee has to occur – 20 hours or more
- Once an employer changes to an ACA plan or switches insurers, they are not able to go back to their old “transitional” plan
- Cannot purchase a transitional plan from another insurer, only an ACA plan
Transitional vs. ACA Plans

“Transitional” Plans
- Loss rating
  - Rates go up or down depending on medical loss experience of your company
- Coverage up to Prevalent Plan standards
- 2014 and 2015, not eligible for tax credits

ACA Plans
- Rating factors - Age, tobacco use, family
  - No loss experience
- Coverage of all 10 Essential Health Benefits (EHB)
  - Compliance with Prevalent plan
    - Plus - Prescription drugs, pediatric dental and vision and habilitative services
  - Eligible for tax credits if purchase through SHOP
## 2014 ACA Small Group Rates

### Hawaii Health Plans

2014 ACA Plan Premium Comparisons

#### Non-Smoker Small Group Rates

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### Notes:

(i) Before any small group tax credits

(2) Includes Children’s Dental; all other HMSA plans exclude Children’s Dental

(3) Includes Dental; all other Kaiser plans exclude Dental

cca.hawaii.gov/ins/health-insurance-premium-comparison
Best of Both Worlds

- Hawaii’s small businesses have the greatest selection of choices:
  - Transitional (Grandmother) Plans
  - 2014 ACA Plans
  - Grandfather Plans
Small Business Health Insurance Options Program

For 2014 and 2015, employers with 50 or fewer employees new options for purchasing coverage through SHOP

Coverage purchased through the Hawaii Health Connector

Eligible for tax credits to offset up to 50% of their premium costs

Employee choice
Tax Credits

• **For Private, For-profit Small Employers**
  • From 2010-2013, private, for-profit Small Employers may be eligible for a tax credit up to 35% of premiums. Even if you have not filed for the tax credits for 2010, 2011 or 2012, you may be able to file retroactively.
  • From 2014, private, for-profit Small Employers may be eligible for a tax credit that goes up to 50% for up to 2 years.

• **For Tax Exempt Small Employers**
  • From 2010-2013, tax exempt Small Employers may be eligible for a maximum tax credit of up to 25%
  • From 2014, tax exempt Small Employers may be eligible for a maximum tax credit of up to 35%.
Why Healthcare Reform?
Growth of health insurance premiums far outpaces workers' earnings and overall inflation

Growth rate index of family health insurance premiums, workers' earnings, and overall inflation, 1999-2009

* Workers' earnings as measured by average hourly earnings for private sector production workers.
** Overall inflation as measured by the Consumer Price Index for All Urban Consumers (CPI-U).

Escalating Costs

• Prepaid Healthcare Law passed in 1974
  • Goals – Reduce uninsured population, cover major medical to avoid financial hardship, cover preventive care, control healthcare cost increases
    • In 1975, average wage in the private sector was $8,300, medical & drug premium was $17.50 per month ($210 per year), 2.5% of wages
    • 1995 - Average wage in Hawaii was $26,982, medical & drug premium was $158.36 per month ($1,900 per year); 7.04% of wages
    • 2008 - Average wage in Hawaii was $40,687, medical & drug premium was $371.70 per month ($4,460 per year); 10.96% of wages
    • 2012 – Average wage in Hawaii in 2012 was $44,024, medical & drug was $479.18 per month ($5,750 per year); 13.06% of wages
• Average medical and drug premiums have risen steadily due to increases in the cost of care.
• In 1974, medical and drug premiums totaled $17.50. As of 2013 the cost of medical and drug premiums have increased to $511.28.
Hawaii Average Premium Costs - 2010

- Home: $938
- Auto: $765
- Health: $5,408
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