Key Updates to the Affordable Care Act for 2015

Below is an overview of the key updates to the Affordable Care Act (ACA), which will affect the 2015–2016 policy year. As always, we will provide further details and guidance during the renewal and implementation process to enable your Student Health Insurance Plan to comply with these regulations.

ADMINISTRATIVE

RATING STRUCTURES

Rates will now be the same for all eligibility classes under the same policy; graduate and undergraduate, mandatory and voluntary, and online-only students are included as eligible.

Student and dependent rates are required to be the same, with a maximum dependent rate of five (5) times the student rate. Although carrier interpretation may vary slightly, here is an example of an annual premium cost per family:

INSURED PERSON	TOTAL COST PER FAMILY
Student Only	$1,000
Student + 1 Dependent	$2,000
Student + 2 Dependents	$3,000
Student + 3 Dependents	$4,000
Student + 4 or More Dependents	$5,000

In this example, the cost per family could not exceed $5,000, or five times the student rate.

REQUIRED BENEFITS

PREVENTIVE SERVICES

ACA now mandates coverage under the USPSTF list of "B" recommendations for:

- Medications for risk reduction of primary breast cancer in women, such as tamoxifen or raloxifene; coverage for such medications for applicable women without cost sharing subject to reasonable medical management.

Effective for policy years beginning on or after September 24, 2014.

LIMITING OUT-OF-POCKET MAXIMUM

The law requires health plans to limit the out-of-pocket maximum (for in-network only) to $6,600 for individuals and $13,200 for family coverage, including copayments, coinsurance, and deductibles. There is no requirement for a lower existing out-of-pocket maximum to be increased to these new maximum limits.

Policy years beginning on or after January 1, 2015 will have to comply with these maximum limits.

As we are seeing the results of 2014-2015 claim utilization under the new unlimited maximum benefit, the need for a greater focus on cost containment features will be a primary discussion point for this upcoming renewal season.

TAX INFORMATION

TAX CREDITS FOR INDIVIDUALS

Tax credits that make it easier for individuals and families to afford insurance are available for people with an annual income between 100% and 400% of the federal poverty level who are not eligible for other affordable coverage. States that have expanded Medicaid eligibility are at a threshold of 138% of the federal poverty level. The tax credit is advanceable, so it can lower premium payments each month. It's also refundable, so even moderate-income families can receive the full benefit of the credit. Individuals at the lower end of the income spectrum (up to 250% of the federal poverty level) may also qualify for reduced cost-sharing for copayments, coinsurance, and deductibles.

If household income is less than the FPL, a federal subsidy (tax credit) is not available; however, Medicaid would be available to families that fall in this category.

In states that have expanded Medicaid, if household income is more than 100% but less than 138% of FPL, a federal subsidy (tax credit) is not available; however, Medicaid would be available to families that fall in this category. (In states that do not have expanded Medicaid, neither a tax subsidy nor Medicaid would be available to families that fall in this category.)

If household income is more than 400% of FPL, a federal subsidy (tax credit) is not available.

Current Federal Poverty Levels (FPL)

PERSONS IN HOUSEHOLD	FPL	138% OF FPL	400% OF FPL
1	$11,670	$16,105	$46,680
2	$15,730	$21,707	$62,920
3	$19,790	$27,310	$79,160
4	$23,850	$32,913	$95,400

Updated federal poverty level amounts are effective January 1, 2015.

TAX PENALTIES FOR INDIVIDUALS

Under the law, most individuals who can afford it will be required to obtain basic health insurance coverage or pay a fee to help offset the costs of caring for uninsured Americans. If affordable coverage is not available to an individual, he or she will be eligible for an exemption. Each individual in a family is subject to the tax penalty.

Tax Penalty Table

TAX YEAR	FLAT DOLLAR AMOUNT	PERCENTAGE OF INCOME
2014	$95	1.0%
2015	$325	2.0%
2016	$695	2.5%
Beyond	$695	2.5%

The total family penalty is capped at 300% of the annual flat dollar amount.

The penalty for children under the age of 18 is one-half the above amount.

Updated amounts are effective January 1, 2015, and would be included on taxes filed in 2016.

INSURER TAXES AND FEES

Patient-Centered Outcomes Research Institute (PCORI) Fee

Insurers are responsible to pay this fee to support research of effective and efficient medical prevention, treatment and care options. The cost will be included in the premium charged to policyholders.

Annual cost of $2.08 per covered life for policy years ending October 1, 2014 through October 1, 2015; adjusted annually for inflation.

Transitional Reinsurance Assessment Fee

Insurers are responsible to pay this fee to help stabilize premiums in the individual market as new high-cost individuals begin to access health insurance. The cost will be included in the premium charged to policyholders.

Annual cost of $43 per covered life for the 2015 calendar year.

Health Insurer Fee

Insurers are responsible to pay this fee to help support the cost of healthcare reform. The amount will vary by insurer based upon their market share. The cost will be included in the premium charged to policyholders.

Estimates range from 1% - 3% of premium each year.

REPORTING REQUIREMENTS

REPORTING RULES

The ACA created new reporting requirements under Internal Revenue Service Code Section 6055 for student health insurance plans. Under these new reporting rules, information must be provided to the IRS about health plan coverage for individuals. This information must also be sent to the covered individual. The additional reporting is intended to provide the government with data to administer certain ACA requirements, such as the individual mandate (that is, the requirement that individuals obtain acceptable health insurance coverage for themselves and their family members or pay a penalty).

EFFECTIVE DATE

Reporting requirements will become effective for the 2015 tax year. The first returns will be due in 2016 for coverage provided during the 2015 *calendar* year. Although students may be enrolled for all or part of the 2014–2015 or 2015–2016 policy years, only the coverage information for 2015 is included in the 2015 reporting.

REPORTING RESPONSIBILITY FOR THE STUDENT

The responsible individual (in this case, the student) will be required to provide evidence of health coverage on a federal tax return, whether they are filing individually, jointly, or as a tax dependent on a parent's plan. Because IRS will be matching the data submitted from the health insurance issuer to each individual's federal tax return, the social security number is the primary identifier. If an individual cannot provide evidence of health coverage, they (or their family member that is the primary taxpayer) will be charged a tax penalty. Each family member must provide evidence of health coverage to avoid a tax penalty.

REPORTING RESPONSIBILITY FOR ISSUER

Issuers for student health insurance plans are generally the insurance companies or carriers. All health insurance issuers that provide minimum essential coverage (MEC) will be required to file an annual return with the IRS to report information for each individual who is provided with this coverage. Students and dependents would be on the same form. Related statements must also be provided to individuals.

Form 1095-B, also known as the *Responsible Individual Statement*, is the information sent to the covered student.

Form 1094-B, the *Transmittal*, is the aggregated information sent to IRS. The reporting is required to be submitted for all covered individuals.

REPORTING RESPONSIBILITY FOR SCHOOL

Although there is no reporting responsibility for the school, social security numbers for all covered students and dependents will be requested to complete the IRS reporting forms. School administrators may want to update their records to include social security numbers in the eligibility data provided to the plan administrator and/or issuer, for the convenience of the student.

COST CONTAINMENT RECOMMENDATIONS

OUT-OF-POCKET MAXIMUM

As noted above, the ACA requires health plans to limit the out-of-pocket maximum for in-network services only. There is no limit mandated for out-of-network services; if not already implemented, consider increasing it to a higher amount than the in-network maximum, or removing the out-of-pocket maximum for out-of-network services.

PRESCRIPTION DRUGS

For schools offering a low copayment for generic drugs and a slightly higher copayment for *any* brand drugs, there is no incentive to use a lower cost brand drug. Costs vary dramatically and could be impacting claims utilization. Consider a 3-tier prescription drug model for:

- Generic
- Preferred (formulary) brand
- Non-preferred (non-formulary) brand

The brand tiers should be at least a $25 price difference between preferred and non-preferred.

PRE-CERTIFICATION PROVISION

Pre-certification is a process to notify the claims administrator/ insurer of an upcoming hospitalization or medical procedure and to ensure the policy provisions are being following before the expense is incurred. Certain penalties may apply for non-compliance, such as a higher deductible or reduction of benefits. This process may be required for hospitalization; complex radiology; durable medical equipment; other services.

Implementing some or all of these cost containment features could result in an allowance for possible rate credit(s) at renewal; the ability to better control claims utilization now and over time; and encouraging students/ dependents to be smart consumers so they have the most cost effective coverage.

REFERRAL REQUIREMENT FOR PEDIATRIC DENTAL/VISION

For schools that require a referral from the student health center to see an outside provider, it should be noted that, in most cases, pediatric dental/ vision would fall under the exceptions to that requirement. Unless specifically requested by the school to require a referral, pediatric dental and vision for persons under age 19 should be added to the list of exceptions to the referral requirement.

This is a brief summary including federal health care reform for student health insurance plans. This information is interpreted as current at the time of publication, is not all encompassing, and may change in the future.

Ascension Collegiate Solutions

CALIFORNIA

12121 Wilshire Blvd., Suite 1001
Los Angeles, CA 90025
Phone: (800) 537-1777

1277 Treat Blvd, Suite 650
Walnut Creek, CA 94597
Phone: (800) 404-4969

KANSAS

9225 Indian Creek Pkwy, Suite 700
Overland Park, KS 66210
Phone: (800) 955-1991

UTAH

2180 South 1300 East, Suite 520
Salt Lake City, UT 84106
Phone: (800) 955-1991