

## Time to Look Ahead to Employee Benefits Changes

It's hard to believe that we have only just begun the new school year and put in new health insurance plans for this employee benefits year, but yet we are already looking at 2017 and beyond!

As the spouse of a teacher, I hear and see both sides of the annual struggle from larger classrooms, educator effectiveness, professional proactive goals, student learning objections, to new compensation models. No one envies school administration or school boards these days.

The districts we work with, like most districts in the state, are under constant financial pressure, and the only way to work with this is to plan and budget ahead. We prefer to create a "working" three-year employee benefits strategy. However, we have seen as many changes recently as when ACT 10 was introduced.

As we look ahead, the Department of Health and Human Services (HHS) provides a glimpse of some possible future changes. As I have often heard – "ACA" stands for "Always Changing Act". HHS may make changes to the proposed rule before finalizing it. However, the proposed rule is a good indicator of benefit and payment parameters that may be adopted for 2018.

On August 29, 2016, HHS released its proposed Notice of Benefit and Payment Parameters for 2018. This proposed rule describes numerous benefit and payment parameters under the Affordable Care Act (ACA), applicable for the 2018 benefit year. I want to highlight those that would be of the most interest to your school district, including updated standards relating to:

- Annual limitations on cost-sharing;
- The individual mandate's affordability exemption; and
- Child age rating.

### Annual Limitations on Cost-sharing

Effective for plan years beginning on or after Jan. 1, 2014, the ACA requires non-grandfathered plans to comply with an overall annual limit—or an out-of-pocket maximum—on essential health benefits (EHB).

The ACA requires the out-of-pocket maximum to be updated annually based on the percent increase in average premiums per person for health insurance coverage.

- ✓ For 2017, the out-of-pocket maximum is **\$7,150 for self-only coverage** and **\$14,300 for family coverage**.
- ✓ Under the proposed rule, the out-of-pocket maximum would increase for 2018 to **\$7,350 for self-only coverage** and **\$14,700 for family coverage**.

### Individual Mandate's Affordability Exemption

Under the ACA, individuals who lack access to affordable minimum essential coverage (MEC) are exempt from the individual mandate penalty. For purposes of this exemption, coverage is considered affordable for an employee if the required contribution for the lowest-cost, self-only coverage does not exceed **8 percent of household income**.

This required contribution percentage is adjusted annually after 2015, as follows:

- ✓ For 2016, the required contribution percentage is **8.13 percent of household income**.
- ✓ For 2017, the required contribution percentage is **8.16 percent of household income**.

Under the proposed rule, the required contribution percentage would **decrease in 2018**. The proposed rule would provide that, for 2018, an individual is exempt from the individual mandate penalty if he or she must pay more than **8.05 percent of his or her household income** for MEC.

### Child Age Rating

The ACA allows premium rates to vary based on age within a ratio of 3 to 1 for adults. In addition, the ACA provides for uniform age bands, including a single age band for individuals age 0 through 20. However, this age rating structure for children has proved to be problematic, particularly when individuals reach age 21 (often resulting in significant premium increases at that time).

The proposed rule would update the child age rating structure in an effort to better reflect the health risk of children and to provide a more gradual transition when individuals move from age 20 to 21. Specifically, effective for plan or policy years beginning on or after Jan. 1, 2018, the proposed rule would establish:

- ✓ One age band for individuals age 0 through 14; and
- ✓ Single-year age bands for individuals age 15 through 20.

In addition, the proposed rule would establish child rating factors that, overall, are higher than the current child factor, and are intended to more accurately reflect health care costs for children.

Source: Zywave - For those of you who want to review these changes in their entirety please visit <https://www.federalregister.gov/articles/2016/09/06/2016-20896/patient-protection-and-affordable-care-act-hhs-notice-of-benefit-and-payment-parameters-for-2018>

I will warn you before you print it; it's over 160 pages long.

Wishing you a fantastic school year.



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