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HEALTH CARE REFORM 2.0
Part 1

April 8, 2014

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OVERVIEW

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Health Care Reform – Overview

- Requires most U.S. citizens and legal residents to have health insurance or face penalties
- Creates state-based American Health Benefit Exchanges ("Exchanges") through which individuals and small businesses (less than 50 full-time employees) can purchase coverage
  - Individuals/families with income between 100% and 400% of the federal poverty level ("FPL") are eligible for federal premium tax credits ("Subsidies") for coverage purchased on an Exchange (unless they are eligible for Medicaid)

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2014 Federal Poverty Level Guidelines – 48 Contiguous States*

FAMILY SIZE	HOUSEHOLD INCOME				
	100%	150%	200%	300%	400%
1	$11,670	$17,505	$23,340	$35,010	$46,680
2	$15,730	$23,595	$31,460	$47,190	$62,920
3	$19,790	$29,685	$39,580	$59,370	$79,160
4	$23,850	$35,775	$47,700	$71,550	$95,400
5	$27,910	$41,865	$55,820	$83,730	$111,640
6	$31,970	$47,955	$63,940	$95,910	$127,880
7	$36,030	$54,045	$72,060	$108,090	$144,120
8	$40,090	$60,135	$80,180	$120,270	$160,360

**Alaska and Hawaii have separate schedules with higher household income numbers*

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Health Care Reform – Affected Benefits

The Patient Protection and Affordable Care Act, known as the Health Care Reform Act ("HCRA"), defines benefits that are covered by the act for most purposes such as:

- Medical – including retiree coverage unless offered under a separate plan
- Prescription Drug
- Dental – if offered as part of, or election is tied to, Medical
- Vision – if offered as part of, or election is tied to, Medical
- Health Reimbursement Accounts – if offered separately from Medical

Health Care Reform – Excepted Benefits

The HCRA defines benefits that are excepted from the act for most purposes such as:

- Accident Only
- Disability Income
- Coverage for a Specific Disease
- Hospital Indemnity or Other Fixed Indemnity – if offered separately, not coordinated with benefits under another group health plan, and pays a per day benefit
- Long-Term Care
- Limited Wrap Around Coverage
- Employee Assistance Plans – that do not provide significant medical benefits

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CADILLAC TAX

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“Cadillac Tax”

- Effective in 2018, HCRA places a nondeductible 40% excise tax on the annual value of employer-sponsored health coverage exceeding $10,200 for single coverage ($11,850 for early retiree) and $27,500 for family ($30,950 for early retiree)
- Tax is assessed on the insurer for fully-insured coverage and on the employer for self-funded coverage

"Cadillac Tax"

- Future premium thresholds will increase using the consumer price index which typically grows at a slower rate than medical inflation, which means plans will age into the tax

  __Example__: If premiums for employee-only coverage are $15,000 in 2018, there would be an excise tax of $1,920 per employee ($15,000 - $10,200 = $4,800 x .40) due by the insurer or employer

- Annual value is determined by adding the employee and employer contribution for group health coverage (COBRA rate – 2%) for essentially all medical benefits and contributions

- If Cadillac Tax is not eliminated from the HCRA, commenters believe that, by 2025, there will be few, if any, employer group health plans offered

EXCHANGES

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Exchanges

- Beginning January 1, 2014, an Exchange was established by or for each state to facilitate the purchase of *qualified health plans* by individuals and small employers – generally employers with 50* or fewer employees
- Each Exchange offers fully-insured individual and family medical insurance offered by various insurance companies
- Exchanges must provide for:
  - An initial enrollment period,
  - Annual open enrollment periods, and
  - Special enrollment periods

** SHOP eligibility is expected to be expanded to employers with 100 or fewer full-time employees no later than January 1, 2016*

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Exchanges

- A **qualified health plan** generally is a health plan certified by the Exchange as providing an *essential health benefits package*
- **Essential health benefits package** for a qualified health plan:
  - Provides *essential health benefits*
  - Limits cost-sharing for coverage
  - Provides 4 levels of coverage (*e.g.*, bronze 60%, silver 70%, gold 80% or platinum 90%)
  - May also include a catastrophic coverage option for individuals under 30

Exchanges

Essential Health Benefits

- Ambulatory patient services
- Hospitalization
- Maternity and newborn care
- Mental health and substance use disorder benefits
- Prescription drugs
- Rehabilitative and habilitative services and devices
- Laboratory services
- Preventive and wellness services and chronic disease management
- Pediatric services, including oral and vision care

Georgia Exchange Plans – Age 21

Rating Area ID	Total # of Issuers	Total # of QHPs	# of Catastrophic QHPs	# of Bronze QHPs	# of Silver QHPs	# of Gold QHPs	# of Platinum QHPs	Lowest Cost Bronze QHP	Lowest Cost Silver QHP	2nd Lowest Cost Silver QHP	Lowest Cost Gold QHP
1	1	15	1	6	5	3	0	$291.30	$360.61	$376.55	$462.74
2	6	67	4	22	24	15	2	$156.15	$187.58	$189.94	$231.97
3	6	73	5	24	25	16	3	$158.03	$179.20	$195.98	$204.40
4	5	40	4	13	12	9	2	$167.00	$203.96	$203.96	$233.99
5	3	25	3	8	7	5	2	$168.14	$198.59	$198.59	$227.83
6	3	25	3	8	7	5	2	$160.49	$189.56	$189.56	$217.47
7	2	21	1	8	7	5	0	$225.09	$262.59	$273.64	$298.42
8	5	67	5	22	23	14	3	$166.74	$189.08	$199.56	$215.66
9	2	21	1	8	7	5	0	$208.34	$257.91	$262.59	$298.42
10	5	46	5	15	13	10	3	$158.03	$179.20	$191.66	$204.40
11	3	25	3	8	7	5	2	$158.10	$186.73	$186.73	$214.22
12	3	25	3	8	7	5	2	$198.33	$234.25	$234.25	$268.75
13	5	46	5	15	13	10	3	$158.03	$179.20	$209.14	$204.40
14	3	25	3	8	7	5	2	$162.91	$192.41	$192.41	$220.74
15	1	15	1	6	5	3	0	$267.00	$330.53	$345.14	$424.13
16	3	25	3	8	7	5	2	$165.76	$195.77	$195.77	$224.60

**QHP – Qualified Health Plan*

Georgia Exchange Plans – Rating Area ID

Rating Area ID	County Name
1	Baker, Calhoun, Clay, Crisp, Dougherty, Lee, Mitchell, Randolph, Schley, Sumter, Terrell, Worth
2	Barrow, Clarke, Elbert, Greene, Jackson, Madison, Morgan, Oconee, Oglethorpe
3	Bartow, Butts, Cherokee, Clayton, Cobb, Coweta, DeKalb, Douglas, Fayette, Forsyth, Fulton, Gwinnett, Henry, Jasper, Lamar, Newton, Paulding, Pike, Rockdale, Spalding, Walton
4	Carroll, Heralson, Heard
5	Burke, Columbia, Emanuel, Glascock, Jefferson, Jenkins, Lincoln, McDuffie, Richmond, Taliaferro, Warren, Wilkes
6	Bacon, Brantley, Camden, Charlton, Glynn, McIntosh, Pierce, Ware, Wayne
7	Catoosa, Dade, Walker
8	Chattahoochee, Harris, Macon, Marion, Meriwether, Muscogee, Quitman, Stewart, Talbot, Taylor Troup Upson, Webster
9	Fannin, Murray, Whitfield
10	Banks, Dawson, Franklin, Habersham, Hall, Hart, Lumpkin, Rabun, Stephens, Towns, Union, White
11	Atkinson, Coffee, Jeff Davis, Johnson, Laurens, Montgomery, Telfair, Toombs, Treutlen, Wheeler
12	Bibb, Bleckley, Crawford, Dodge, Dooly, Houston, Jones, Monroe, Peach, Pulaski, Putnam, Twiggs, Wilcox
13	Chattooga, Floyd, Gilmer, Gordon, Pickens, Polk
14	Appling, Bryan, Bulloch, Candler, Chatham, Effingham, Evans, Liberty, Long, Screven, Tattnall
15	Ben Hill, Berrien, Brooks, Clinch, Colquitt, Cook, Decatur, Early, Echols, Grady, Irwin, Lanier, Lowndes, Miller, Seminole, Thomas, Tift, Turner
16	Hancock, Washington, Wilkinson

Georgia Exchange Plans – Age 40

Rating Area ID	Total # of Issuers	Total # of QHPs	# of Bronze QHPs	# of Silver QHPs	# of Gold QHPs	# of Platinum QHPs	Lowest Cost Bronze QHP	Lowest Cost Silver QHP	2nd Lowest Cost Silver QHP	Lowest Cost Gold QHP
1	1	15	6	5	3	0	$372.28	$460.86	$481.23	$591.38
2	6	67	22	24	15	2	$199.56	$239.73	$242.74	$296.46
3	6	73	24	25	16	3	$201.96	$229.02	$250.46	$261.22
4	5	40	13	12	9	2	$213.43	$260.66	$260.66	$299.04
5	3	25	8	7	5	2	$214.88	$253.80	$253.80	$291.17
6	3	25	8	7	5	2	$205.11	$242.26	$242.26	$277.93
7	2	21	8	7	5	0	$287.67	$335.59	$349.71	$381.38
8	5	67	22	23	14	3	$213.09	$241.64	$255.04	$275.61
9	2	21	8	7	5	0	$266.26	$329.61	$335.59	$381.38
10	5	46	15	13	10	3	$201.96	$229.02	$244.94	$261.22
11	3	25	8	7	5	2	$202.05	$238.64	$238.64	$273.77
12	3	25	8	7	5	2	$253.47	$299.37	$299.37	$343.46
13	5	46	15	13	10	3	$201.96	$229.02	$267.28	$261.22
14	3	25	8	7	5	2	$208.20	$245.90	$245.90	$282.11
15	1	15	6	5	3	0	$341.23	$422.42	$441.09	$542.04
16	3	25	8	7	5	2	$211.84	$250.19	$250.19	$287.04

Georgia Exchange Plans – Age 60

Rating Area ID	Total # of Issuers	Total # of QHPs	# of Bronze QHPs	# of Silver QHPs	# of Gold QHPs	# of Platinum QHPs	Lowest Cost Bronze QHP	Lowest Cost Silver QHP	2nd Lowest Cost Silver QHP	Lowest Cost Gold QHP
1	1	15	6	5	3	0	$790.59	$978.70	$1,021.96	$1,255.88
2	6	67	22	24	15	2	$423.79	$509.09	$515.50	$629.57
3	6	73	24	25	16	3	$428.89	$486.35	$531.89	$554.74
4	5	40	13	12	9	2	$453.24	$553.55	$553.55	$635.05
5	3	25	8	7	5	2	$456.33	$538.97	$538.97	$618.33
6	3	25	8	7	5	2	$435.57	$514.47	$514.47	$590.21
7	2	21	8	7	5	0	$610.89	$712.67	$742.66	$809.91
8	5	67	22	23	14	3	$452.53	$513.16	$541.61	$585.30
9	2	21	8	7	5	0	$565.43	$699.97	$712.67	$809.91
10	5	46	15	13	10	3	$428.89	$486.35	$520.17	$554.74
11	3	25	8	7	5	2	$429.08	$506.79	$506.79	$581.39
12	3	25	8	7	5	2	$538.27	$635.75	$635.75	$729.39
13	5	46	15	13	10	3	$428.89	$486.35	$567.61	$554.74
14	3	25	8	7	5	2	$442.14	$522.20	$522.20	$599.09
15	1	15	6	5	3	0	$724.64	$897.06	$936.71	$1,151.09
16	3	25	8	7	5	2	$449.87	$531.32	$531.32	$609.56

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Exchange Subsidies for Individuals Under FPL

- Based on FPL Guidelines, an individual contributes a certain percentage of his/her income for Exchange Coverage:

Family Modified Adjusted Gross Income	Percentage of Income Payable as Premium
100% – 133%	2%
133% – 150%	3% – 4%
150% – 200%	4.0% – 6.3%
200% – 250%	6.30% – 8.05%
250% – 300%	8.05% – 9.50%
300% – 400%	9.5%

Individuals with incomes up to 250% of poverty are also eligible for reduced cost sharing paid for by the Federal Government.

Premium generally is paid by Federal Government in the form of a tax credit, unless individual can show eligibility for premium assistance at the time of enrollment. If the amount of the tax credit exceeds taxable income, the individual will be eligible for a tax refund

Georgia Exchange Options – Family of 4*

Plan	Monthly Premium	Deductible (Family Total)	Deductible (Per Person)	Out-of-Pocket Maximum (Family)	Out-of-Pocket Maximum (Per Person)	Copayments/Coinsurance
Humana Connect Bronze 6300/6300 Plan *(HMO)*	$587	$12,600	$6,300	$12,600	$6,300	**Primary Doctor:** No charge after deductible met **Specialist Doctor:** No charge after deductible met **Generic Prescriptions:** No charge after deductible met **ER Visit:** No charge after deductible met
Humana National Preferred Bronze 6300/6300 Plan *(POS)*	$617	$12,600	$6,300	$12,600	$6,300	**Primary Doctor:** No charge after deductible met **Specialist Doctor:** No charge after deductible met **Generic Prescriptions:** No charge after deductible met **ER Visit:** No charge after deductible met
KP GA Bronze 5000/30%/HSA *(HMO)*	$624	$10,000	$5,000	$12,700	$6,350	**Primary Doctor:** 30% Coinsurance after deductible met **Specialist Doctor:** 30% Coinsurance after deductible met **Generic Prescriptions:** $20 Copay after deductible met **ER Visit:** 30% Coinsurance after deductible met
Humana Connect Bronze 4850/6350 Plan *(HMO)*	$633	$9,700	$4,850	$12,700	$6,350	**Primary Doctor:** $50 Copay before deductible met and 20% Coinsurance after deductible met **Specialist Doctor:** $75 Copay before deductible met and 20% Coinsurance after deductible met **Generic Prescriptions:** $28 Copay after deductible met **ER Visit:** 20% Coinsurance after deductible met
Humana Connect Silver 4600/6300 Plan *(HMO)*	$666	$9,200	$4,600	$12,600	$6,300	**Primary Doctor:** $25 Copay **Specialist Doctor:** $35 Copay **Generic Prescriptions:** $17 Copay **ER Visit:** 20% Coinsurance after deductible met
KP GA Bronze 4500/50/HSA *(HMO)*	$677	$9,000	$4,500	$12,700	$6,350	**Primary Doctor:** $50 Copay after deductible met **Specialist Doctor:** $70 Copay after deductible met **Generic Prescriptions:** $20 Copay after deductible met **ER Visit:** $500 Copay after deductible met

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**Figures for Fulton County for 2 adults age 35 with two children age 5. Figures are for non-tobacco users*

EMPLOYER MANDATES

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Employer Mandate

- Starting January 1, 2015, *applicable large employers* must:
  - Requirement 1 – offer *minimum essential coverage* to at least 70%* of *full-time employees* and their dependents;** and
  - Requirement 2 – offer *minimum essential coverage* that is:
    - *Affordable*, and
    - Provides *minimum value*
- Compliance determined on an entity (not controlled group basis) for each entity's employees

**This requirement is raised to 95% beginning January 1, 2016*
*** Excluding spouses, foster children, and stepchildren*

Employer Mandate

- **Applicable Large Employer**
  - Any employer with an average of at least 100* *full-time* employees, including *full-time equivalent* employees
  - Controlled group and affiliated service group rules apply – all entities treated as a single employer under Internal Revenue Code Section 414(b), (c), (m) or (o) are treated as a single employer to determine whether an employer is a large employer

** This number is decreased to 50 beginning January 1, 2016*

Employer Mandate

- **Applicable Large Employer**
  - Full-time Employees: Employees who are employed an average of at least 30 hours a week in a calendar month*
  - Full-Time Equivalent Employees: Part-time employees who can be aggregated, based on hours worked, and equal one full-time equivalent employee (*e.g.*, 2 half-time employees who work 15 hours a week equal 1 full-time equivalent employee)
    - This applies only in determining whether an employer is an applicable large employer

**Seasonal workers may be excluded in certain circumstances*

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Employer/Employee Relationship

- Employee/Employer relationship defined by common law standard:
  - "Leased employees" are not considered employees – staffing company and PEO workers require analysis

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Penalties

- Penalty #1: Assessed monthly, and equals $2,000 x number of full-time employees minus 80*, multiplied by 1/12 (or $167 per full-time employee, per month), if:
  - *Minimum essential coverage* not offered to at least 70%** of full-time employees (and their dependents), and
  - A full-time employee gets coverage on an Exchange, and
  - The full-time employee using the Exchange receives a subsidy (only available if the employee's family's income is between 1x and 4x the FPL)

**This number is lowered to 30 beginning January 1, 2016*
***This requirement is raised to 95% beginning January 1, 2016*

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Penalties

- Penalty #2: $3,000 x the number of full-time employees who get a subsidy, multiplied by 1/12 (or $250 per full-time employee who actually receives a subsidy, per month), if:
  - Minimum essential employer coverage offered is unaffordable or lacks minimum value, and
  - A full-time employee gets coverage on an Exchange, and
  - The full-time employee using the Exchange receives a subsidy (only available if (i) the employee is not offered employer coverage with minimum value, or (ii) the employer coverage is unaffordable)
- One penalty per affected individual, and Penalty #1 is a cap

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Minimum Essential Coverage

- *Minimum essential coverage* includes an eligible employer-sponsored group health plan (insured or self-funded) even if grandfathered
- "Employer plans" must provide *minimum value*
- "Employer plans" do not include health insurance that provides excepted benefits, such as hospital indemnity policies, EAPs that do not provide significant medical care benefits, and wrap around coverage

Affordability

- **Affordability** – premium for lowest cost, employee-only option may not exceed 9.5% of family income
  - Does not apply to coverage for spouses or dependents
  - HRA contributions may count toward determining employee's premium if the employee may use amounts in HRA only for premiums or to reduce cost sharing or both
  - Wellness incentives count toward determining affordability only if incentives relate to tobacco use

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Affordability

- **Affordability Safe Harbors** –
  - W-2 Wages: coverage is affordable if premium for employee-only coverage does not exceed 9.5% of the employee's Form W-2 wages
  - Rate of Pay: coverage is affordable if premium for employee-only coverage does not exceed 9.5% of an employee's rate of pay (up to 130 hours per month)
  - Federal Poverty Line: if premium for employee-only coverage does not exceed 9.5% of the federal poverty line ($92.39* per month), the coverage is affordable for all employees
- **Limited Use of Safe Harbors** – These safe harbors determine only affordability, and not whether the employee is eligible for a subsidy on an Exchange

** This is the 2014 FPL amount. It may be used for 2015 if the new 2015 FPL is not released on or before July 1, 2014*

Minimum Value

- Plan must pay at least 60% of the total allowed costs of benefits expected to be incurred
- HHS regulations describe several options for determining minimum value, including a MV Calculator and use of safe harbors
  - MV Calculator may be accessed at: http://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/mv-calculator-final-4-11-2013.xlsm
- Plans with nonstandard features that are incompatible with a safe harbor or MV Calculator may determine minimum value through an actuarial certification
  - Actuary must be a member of the American Academy of Actuaries
  - Analysis must be performed in accordance with generally accepted actuarial principles and methodologies

Employer Mandate

- **Notification and Payment**
  - The employer will be notified if one of its employees is determined to be eligible for an advanced payment of tax credits or cost sharing reductions through an Exchange
    - Employer will be given the right to appeal
  - For employees claiming a credit on their tax returns, the notification will not occur until after the employees' individual tax returns are due for the year the subsidy is received (*e.g.,* after April 15, 2016 for the 2015 calendar year)
  - The employer will be given the opportunity to respond before any liability is assessed, or notice and demand for payment is made

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CALCULATING FULL-TIME STATUS

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Calculating Full-Time Status

- For purposes of determining whether a penalty applies:
  - A Full-Time Employee is an employee who works an average of at least 30 hours of service per week (130 hours per month or 1,560 hours per year)
  - Hours of service include each hour an employee is paid or entitled to be paid for:
    - Performing duties
    - Vacation
    - Holiday
    - Illness or Incapacity*
    - Layoff
    - Jury Duty
    - Military Duty
    - Leave of Absence

** Includes short-term and long-term disability, and workers compensation leave, whether or not insured*

Calculating Full-Time Status

- Hours of service are calculated for:
  - Hourly (*i.e.,* Non-Exempt) Employees – using records of hours worked and hours for which payment is due for vacation, holiday, illness, etc.
  - Non-Hourly (*i.e.,* Exempt) Employees – by any of the following methods:
    - Counting actual hours of service from records of hours worked and hours for which payment is due for vacation, holiday, illness, etc.
    - Using a days-worked equivalency method of 8 hours of service per day for each day the employee would be credited with 1 hour of service as an hourly employee
    - Using a weeks-worked equivalency of 40 hours of service per week for each week the employee would be credited with 1 hour of service as an hourly employee

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Methods for Determining Full-Time Status

- There are 2 methods for determining full-time status
  - Monthly Measurement Method
  - Look-Back Measurement Method

Methods for Determining Full-Time Status

- The same method must be used for all employees in the same category
- Categories of employees include and are limited to:
  - Employees of different entities within the controlled group
  - Salaried/exempt and hourly/non-exempt employees
  - Employees in different states
  - Collectively bargained and non-collectively bargained employees
  - Each group of collectively bargained employees
- For example, an employer could choose to apply the monthly measurement method to all salaried employees (*e.g.*, full-time and part-time) and the look-back method to all hourly employees (*e.g.*, full-time and part-time)

Monthly Measurement Method

- Under the monthly measurement method, full-time status is determined on a monthly basis
- If an employee works an average of 30 or more hours per week, the employee is considered full-time for the month
- This method will only be useful for limited classifications of employees because:
  - Coverage must be offered as of the first of the month to avoid employer mandate penalties, and
  - Full-time status will not be known with certainty until the end of the month

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Monthly Measurement Method

- If an employee is expected to work on average 30 hours per week at the time he is hired, the employer will not be penalized if the employee is offered affordable *minimum essential coverage* that provides minimum value no later than the 1st day of the 4th month after his date of hire
- Other HCRA provisions prevent a waiting period of more than 90 days, but use of a one-month orientation period may be available to extend the 90-day period to the 1st day of the 4th month

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Look-Back Method

- The look-back method:
  - Allows Employers to use a “look-back period” ranging from 3 to 12 months to determine full-time status (rather than a month-by-month determination)
  - Distinguishes between “Existing Employees” (current employees who are employed by the Employer as of the first day of a standard look-back period) and “New Employees”

Existing Employee Standard Look-Back Period

- Employers have the flexibility to determine when the look-back period starts and ends, provided the look-back period is applied consistently to all employees in the same category
- Categories of employees include and are limited to:
  - Employees of different entities within the controlled group
  - Salaried and hourly employees
  - Employees in different states
  - Collectively bargained and non-collectively bargained employees
  - Each group of collectively bargained employees

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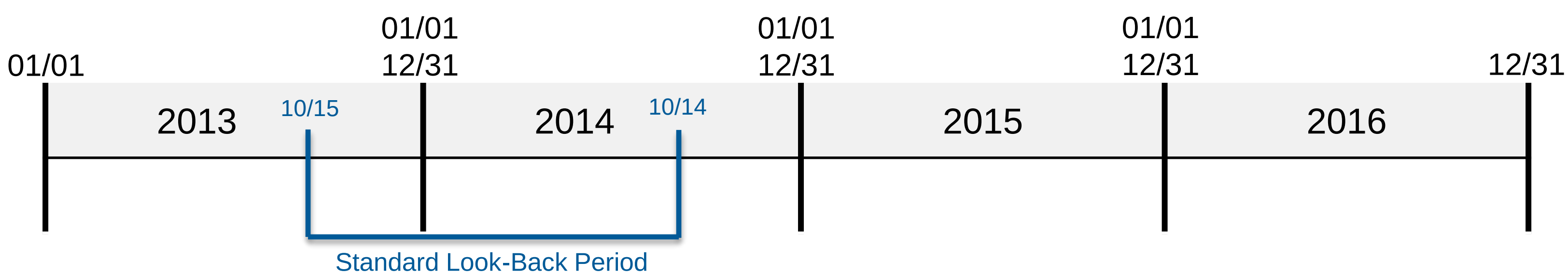
Existing Employee Look-Back Period

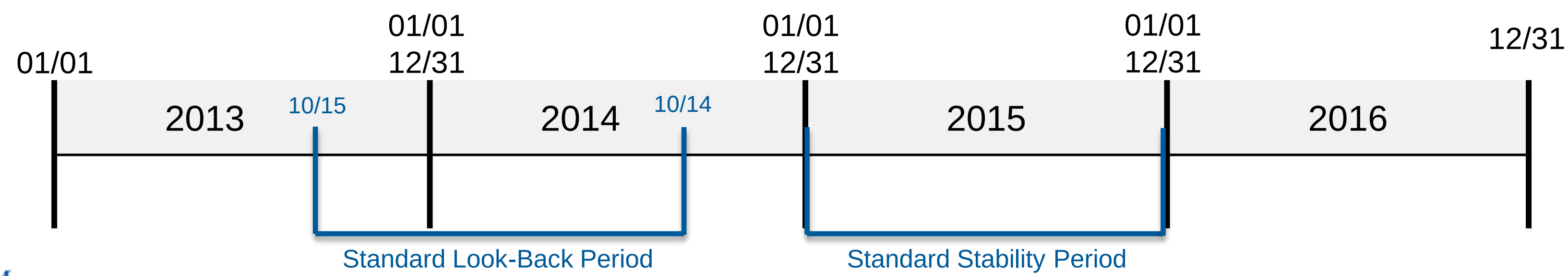
- For classifications of Existing Employees to which an employer chooses to apply the look-back method, the employer will apply the "**standard look-back period**" to determine whether the employee is full-time for 2015



Example of 12-Month Standard Look-Back Period

Existing Employee Stability Period

- If the employee is determined to be full-time during the standard look-back period, coverage must be offered to the employee during a subsequent “standard stability period” commencing January 1, 2015
- The “**standard stability period**” is the period of time during which coverage must be offered to an employee who is determined to be full-time (regardless of the employee’s hours of service during the stability period)
  - Must be at least 6 months but cannot be shorter than the standard look-back period (*i.e.*, if the standard look-back period is 12 months, the standard stability period must be 12 months)



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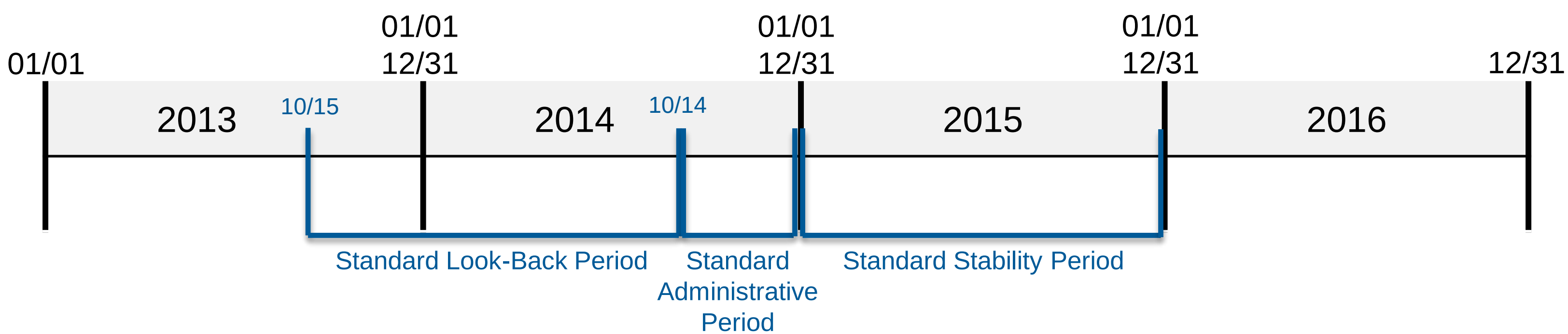
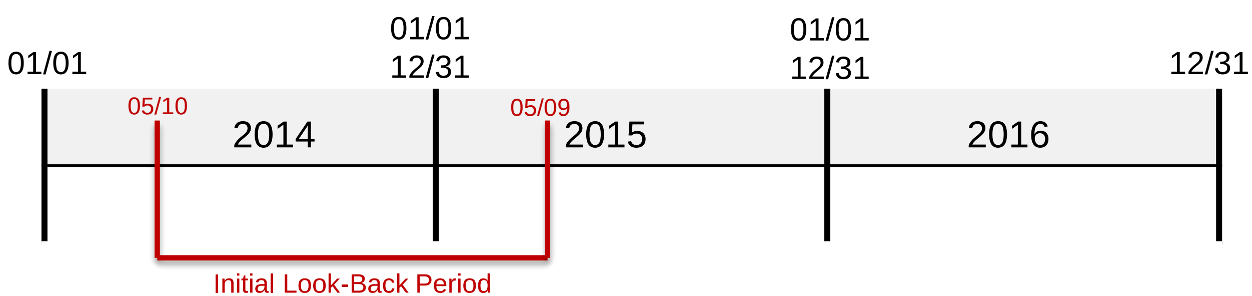
Existing Employee Stability Period

- An **administrative period** of up to 90 days may be imposed before the standard stability period begins
  - Intended to allow employers to determine which employees are eligible for coverage and to notify and enroll those employees
  - Aligning the standard look-back, standard administrative, and standard stability periods with the plan year and open enrollment period may ease administration



New Employees

- The analysis for New Employees is similar to the analysis for Existing Employees, except that:
  - An "initial look-back period" is used, which starts for each new employee on, or soon after his/her date of hire, and
  - Distinctions are made for New Employees who are reasonably expected to be full-time at the time of hire



Example of 12-Month Initial Look-Back Period beginning on date of hire

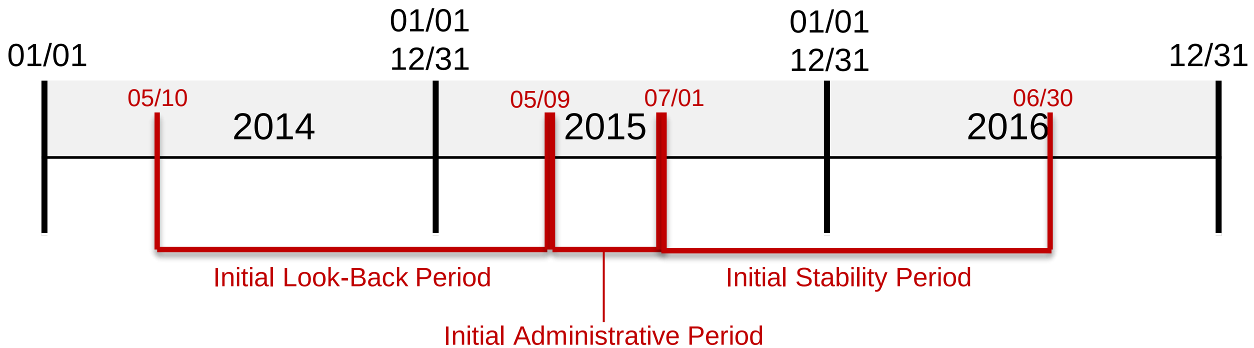
New Full-Time Employees

- If a New Employee is reasonably expected to work on average 30 hours or more per week, then coverage must be offered to the employee by the 1st day of the 4th full calendar month following the date of hire
  - If affordable *minimum essential coverage* that provides minimum value is offered at that time, no penalties will apply to the initial period during which no coverage is offered
  - Initially, until the end of the first standard look-back period and administrative period that begins after the New Employee's date of hire, an employer must apply the monthly measurement method to these employees

** Other HCRA provisions prevent a waiting period of more than 90 days, but use of a one-month orientation period may be available to extend the 90-day period to the 1st day of the 4th month*

New Part-Time, Seasonal or Variable Hour Employees

- If a New Employee is reasonably expected to be a part-time employee, seasonal employee, or variable hourly employee, an employer may apply an initial look-back period to determine whether the employee is full-time
  - If the employee is determined to be full-time during the initial look-back period, coverage must be offered to the employee during the subsequent initial stability period



New Part-Time, Seasonal or Variable Hour Employees

- A "**part-time employee**" is an employee who is reasonably expected to work less than an average of 30 hours per week
- A "**seasonal employee**" is an employee who is hired into a position for which the customary annual employment is 6 months or less
- A "**variable hour employee**" is an employee with respect to whom the employer, based on all facts and circumstances at the employee's start date, cannot determine whether or not the employee will work on average 30 hours per week, because the employee's hours are variable or otherwise uncertain

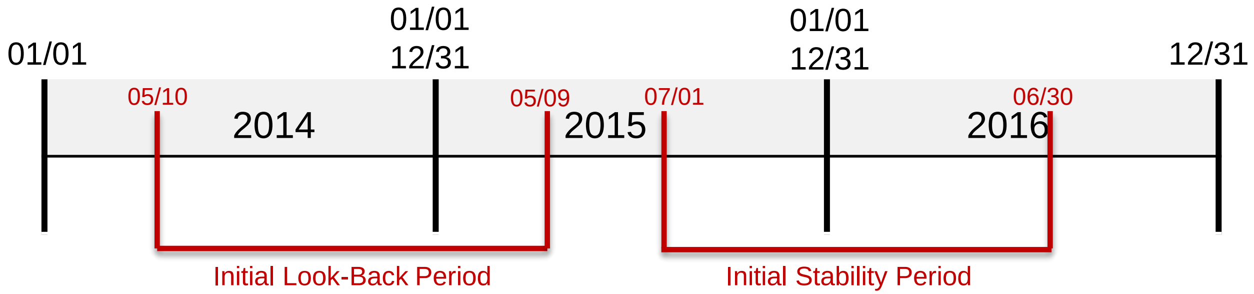
New Full-Time Employees

- If a New Employee, who is a part-time, seasonal or variable hour employee, changes status before the beginning of his initial stability period (see below), such that the employer reasonably expects the New Employee to work on average 30 or more hours per week, then to avoid penalties, he must be offered coverage before:
  - The first day of the 4th full calendar month following the date of his change in status, or
  - If earlier and the New Employee is full-time based on the initial look-back period, the first day of the initial stability period

New Employee Stability Period

- The initial stability period for New Employees must be at least 6 months
  - It cannot be shorter than the standard stability period that applies to Existing Employees

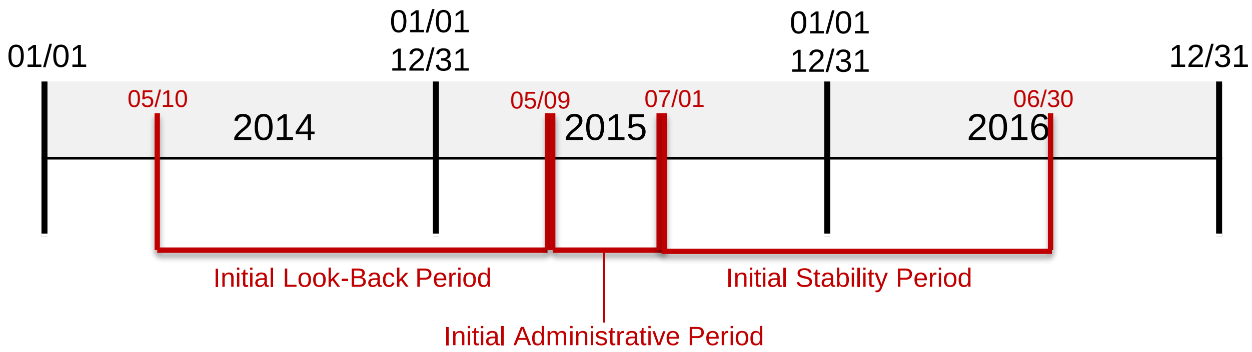
    Example: if the standard stability period for Existing Employees is 12 months, the initial stability period for New Employees must be 12 months



Example of 12-Month Initial Stability Period following Initial Look-Back Period

New Employee Administrative and Stability Period

- An initial administrative period of no more than 90 days may be imposed before the initial stability period begins
  - However, the combined initial measurement period and initial administrative period cannot end later than the last day of the first calendar month beginning on or after the 1-year anniversary of the employee's start date



Transition from New Employee to Existing Employee

- Once a New Employee has been employed for a complete initial look-back period, the employee must be measured for full-time status as an Existing Employee

- An employer would need to include the New Employee (including full-time employees) in the first standard look-back period that begins after the employee's hire date

- This will lead to overlapping look-back periods for New Employees

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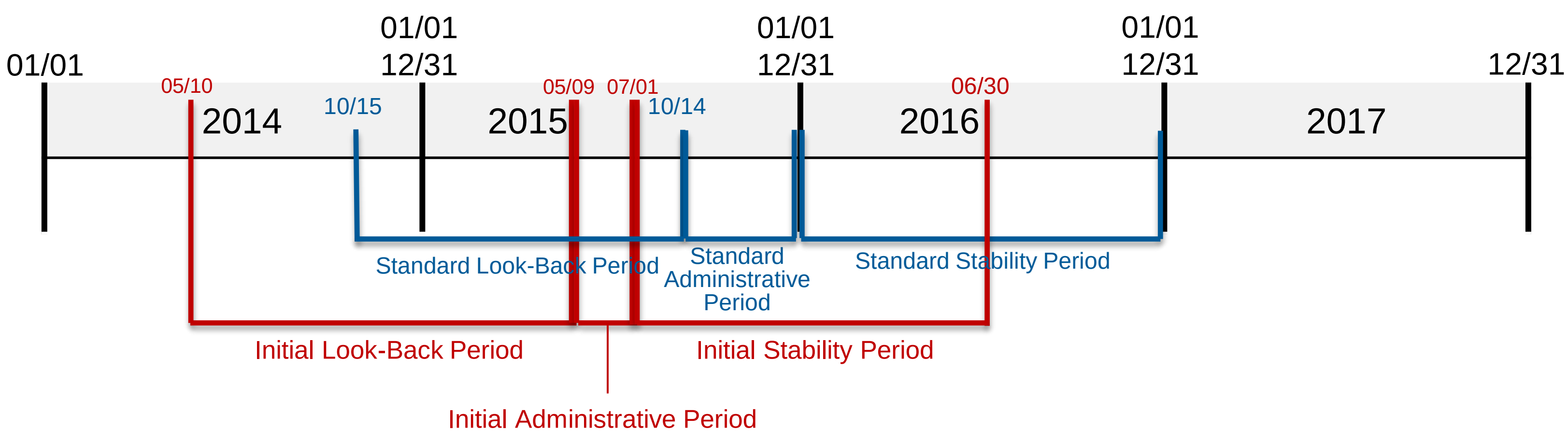
Transition from New Employee to Existing Employee

- Transition Example:
  - Employee hired May 10, 2014. The employee's **initial look-back period** runs from May 10, 2014 – May 9, 2015. The employee must also be included in the **first standard look-back period** that begins on or after his date of hire and runs from October 15, 2014 – October 14, 2015



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Transition from New Employee to Existing Employee

- Time Between Stability Periods:
  - If there is a period of time between the end of the employee's initial stability period and the employee's first standard stability period, the employee's status during the initial stability period continues to apply until the beginning of the first standard stability period
    - This situation is likely to arise when a new employee's date of hire is shortly after the beginning of the standard look-back period

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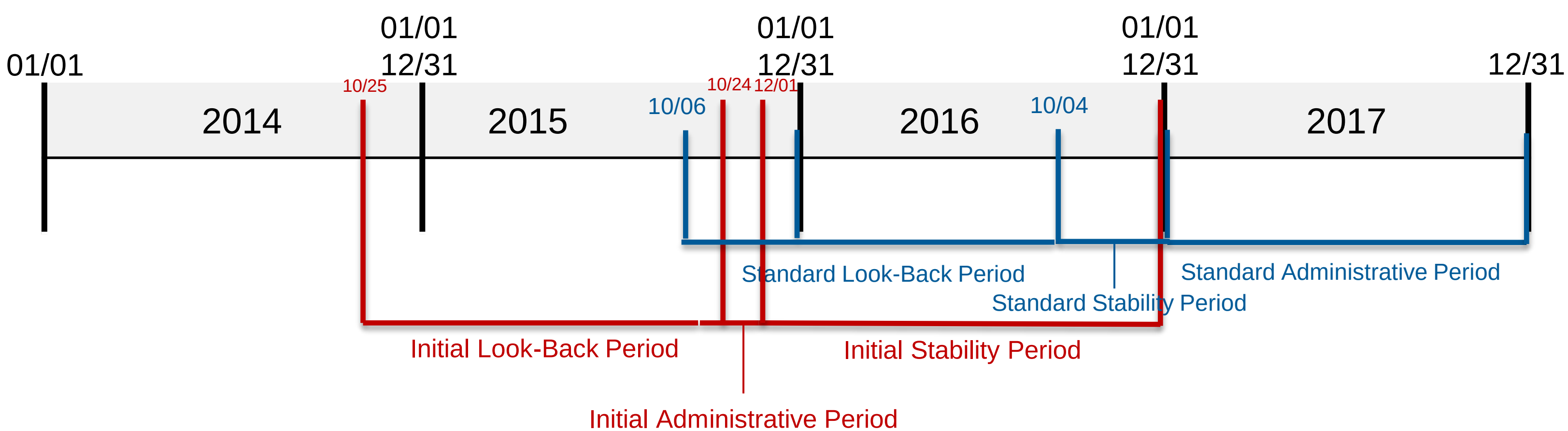
Transition from New Employee to Existing Employee

- Time Between Stability Periods:
  - Employee hired October 25, 2014. The employee's initial look-back period runs from October 25, 2014 – October 24, 2015. The employee must also be included in the standard look-back period that runs from October 6, 2015 – October 4, 2016*



** For example only. These dates may vary based on the employer's payroll cycle*

Rehired Employees/Employees Returning from Unpaid Leave

General Rule:

- If the period for which no hours of service are credited is at least 13 consecutive weeks, an employer may treat an employee who returns to work as having terminated employment and having been rehired as a New Employee

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Rehired Employees/Employees Returning from Unpaid Leave

Rule of Parity: For periods of less than 13 weeks –

- An employee may be treated as having terminated employment and having been rehired as a New Employee if the period with no credited hours of service:
  - Is at least 4 weeks long, and
  - Is longer than the employee's period of employment immediately preceding the period of time with no credited hours of service

Example: If an employee has been employed for 3 weeks, terminates employment and is rehired 10 weeks after termination, the rehired employee is treated as a New Employee, because the employee's 10-week period with no credited hours of service is longer than the preceding 3-week period of employment

Rehired Employees/Employees Returning from Unpaid Leave

- For employees treated as continuing employees (and not as employees terminated and rehired), the look-back and stability periods that would have applied to the employee had the employee not terminated or taken leave will continue to apply upon the employee's resumption of service

- Special unpaid leave rule for employees treated as continuing employees:
  - Special unpaid leave is unpaid leave subject to the Family and Medical Leave Act of 1993 or the Uniformed Services Employment and Reemployment Rights Act of 1994
  - An employee cannot be disadvantaged by taking these leaves