

A close-up photograph of a silver stethoscope resting on a document that appears to be a financial statement or ledger. The document contains columns of numbers and some text, including company names like 'TITAN CONTINENTAL BUC' and 'XMBBS'. A semi-transparent red rectangular overlay covers the lower portion of the image, serving as a background for the title and date.

ACA Impact on Contingent Labor Providers

February 2014

Executive Summary

Contingent Labor providers are approaching buyers for price augmentation due to the ACA, however these price changes may not be justified based on the supplier's situation.

- **Implementation of Law**– Numerous delays have occurred since the bill was passed and full implementation is now expected to occur in 2016. Contracts should be reviewed to ensure that the most recent timing of the law is taken into consideration.
- **Coverage Requirements**– By 2016, all companies with 50+ FTEs must offer affordable (i.e. cost to employee must be less than 9.5% of family income) healthcare that covers at least 60% of medical costs plus 10 essential benefits to their full time employees or face penalties.
- **Penalties**– Companies will face a penalty of \$2,000 per full time employee minus the first 30 full time employees if they do not offer coverage to their workers and \$3,000 per full time employee that buys insurance off of an exchange, up to a maximum of \$2,000 times the number of full time employees minus 30 if employees can buy coverage on an exchange at a cheaper price.
- **Potential Impact & Analysis Required**– Impact will vary by company and across the board increases in markups should not be accepted. Existing coverage, location, base wages, and employers' projected share of premium costs need to be reviewed to determine if any markup increases are necessary.

Affordable Care Act Quick Facts

▪ ***Companies Impacted:***

- 0-49 FTEs: No impact
- 50-99 FTEs: Must cover full time employees by 2016, or face penalties
- 100+ FTEs: Must cover 70% of full time employees by 2015 and 95% of full time employees by 2016, or face penalties

▪ ***Coverage Required:***

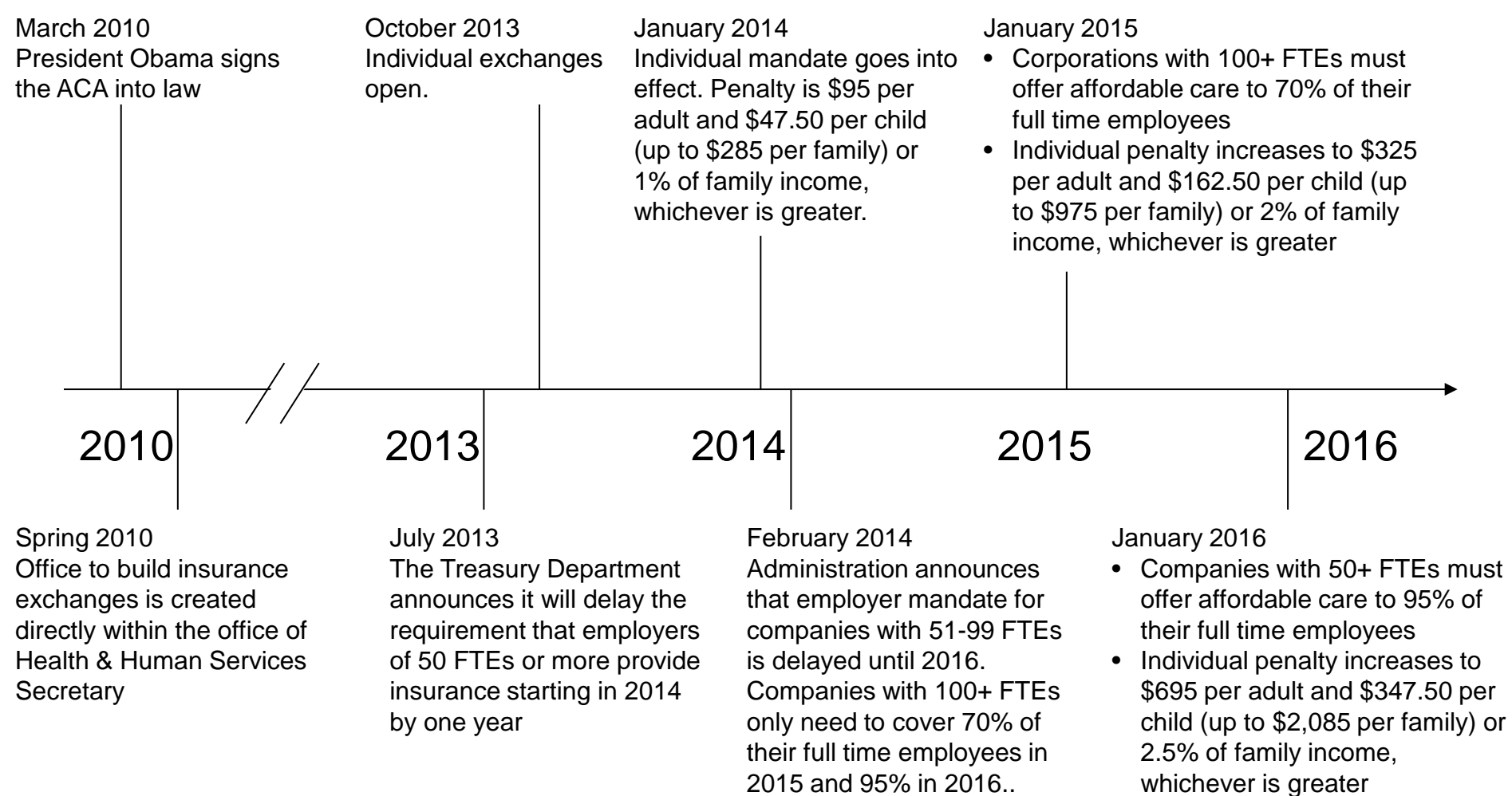
- Employer healthcare must cover at least 60% of Healthcare costs for a typical population
- Health plans must cover 10 'Essential Benefits' (outpatient care, emergency services, hospitalization, maternity and newborn care, mental health and addiction treatments, prescription drugs, rehabilitative services and devices, laboratory services, preventive services, and pediatric services)
- Employee cannot pay more than 9.5% of household income for coverage
- Employees must be allowed to sign up for affordable insurance within 90 days of their start date
- Companies are not required to cover employees who work less than 30 hours per week or 130 hours in a month

▪ ***Penalties***

- If employee refuses coverage, they will pay an individual fine
- Companies pay non tax deductible fines of \$2,000 to \$3,000 per full time employee if coverage is not offered, is not adequate or is too expensive
- Company fines will increase each year with the rate of insurance premium increases

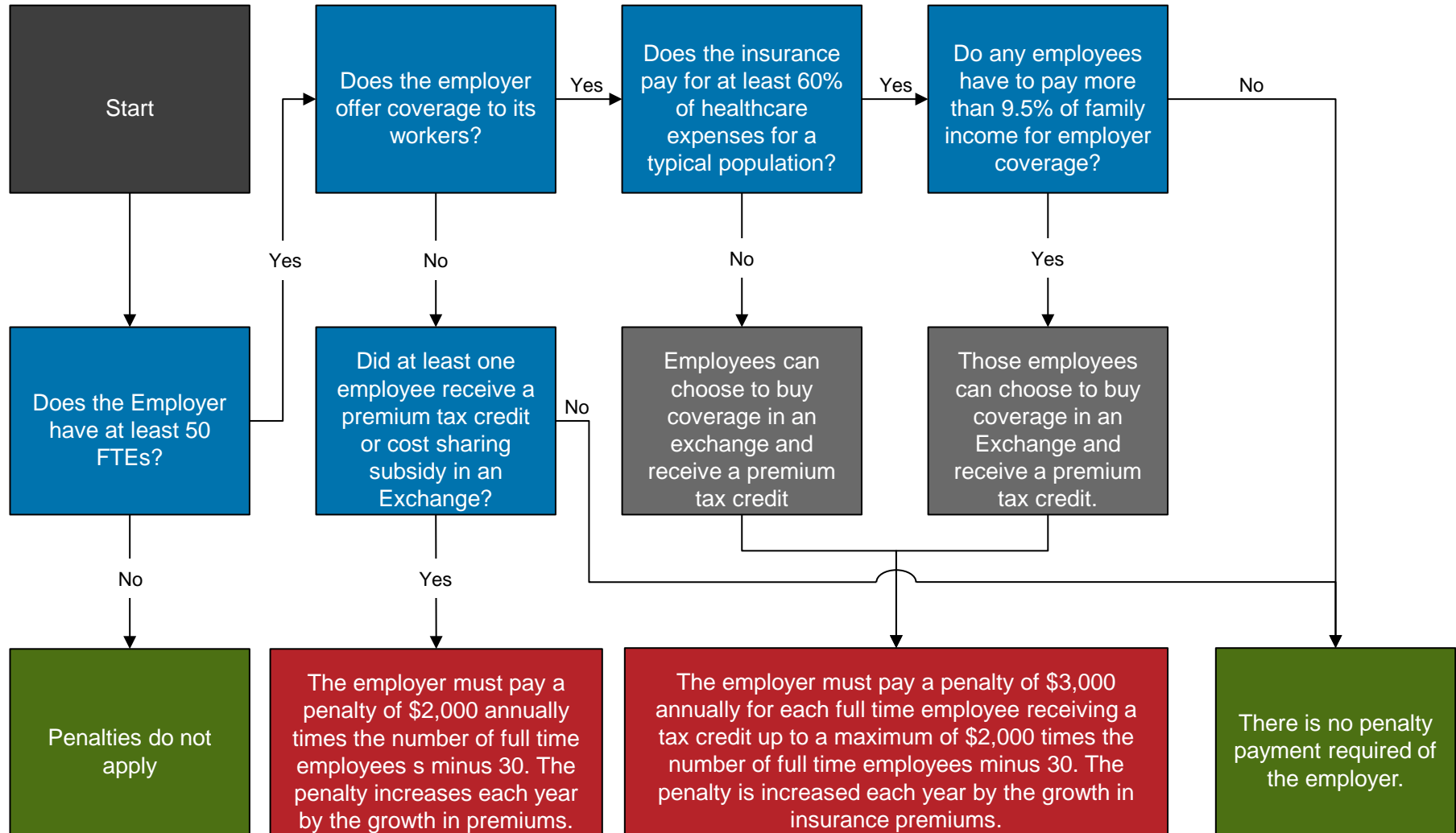
Affordable Care Act Timeline

Numerous delays have occurred since the bill was passed in 2009.



ACA Coverage Requirements and Penalties

Various factors help determine if a company will face a penalty.



Employer Shared Responsibility Assessments

Penalties have been put in place to discourage companies from having their employees receive subsidized insurance on the marketplaces or state exchanges.

Situation	Penalty	No Penalty
Company does not offer healthcare to its employees and their dependents. At least one employee buys coverage from the marketplace and receives a tax credit.	X ¹	
50 – 99 FTEs during 2015		X
50 – 99 FTEs during 2016	X ¹	
100+ FTEs during 2015 (< 70% covered)	X ¹	
100+ FTEs during 2016 (< 95% covered)	X ¹	
Employees sign up for Medicare or Medicaid		X
Company does not offer affordable healthcare to its employees and their dependents. No employees buy insurance on the exchanges and receive tax credits.		X
Company offers healthcare but it is not affordable or does not meet minimum coverage requirements	X ²	
Company offers affordable healthcare to its employees but...		
Employee refuses to sign up for insurance		X
Employee buys coverage for themselves and/ or their dependents from marketplace and does not receive tax credit		X
Employee's spouse buys from marketplace and receives a tax credit		X
Employees sign up for Medicare or Medicaid		X

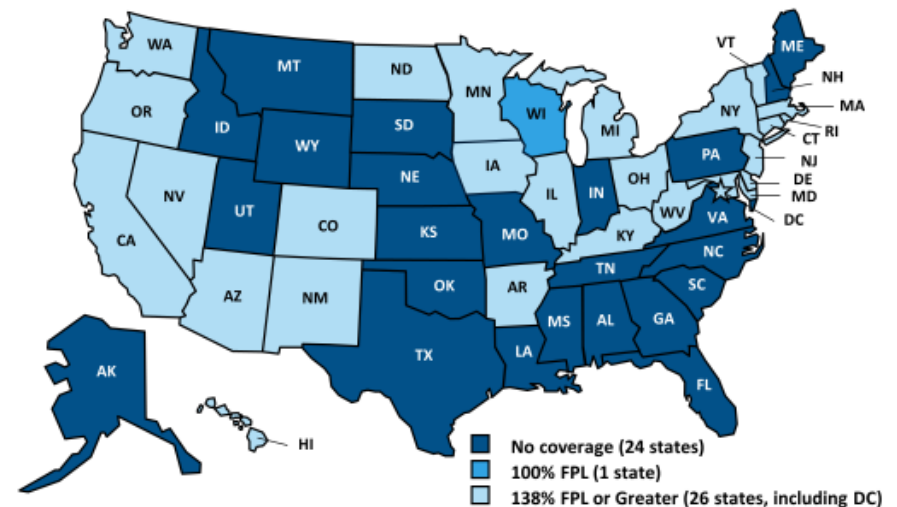
Medicaid Expansion

In 26 states, companies that employ workers who earn ~\$8.00 per hour can place those employees on Medicaid and not face penalties.

Medicaid Coverage

- When the ACA was passed, it included a provision to expand Medicaid eligibility to low income adults
- The Supreme Court struck down this provision in 2012 and 24 states have since refused to expand Medicaid
- Medicaid has been expanded allowing childless adults to gain coverage in 26 states if they earn at least 138% of the Federal Poverty Level (FPL)
 - In 2014, 138% of the FPL is \$16,105 or \$8.05 per hour
 - Minnesota and DC allow Medicaid for individuals earning \$23,924 (\$11.96 / hr) and \$25,091 (\$12.55 / hr) respectively
- Employers are not penalized under the ACA for employees that enroll in Medicaid

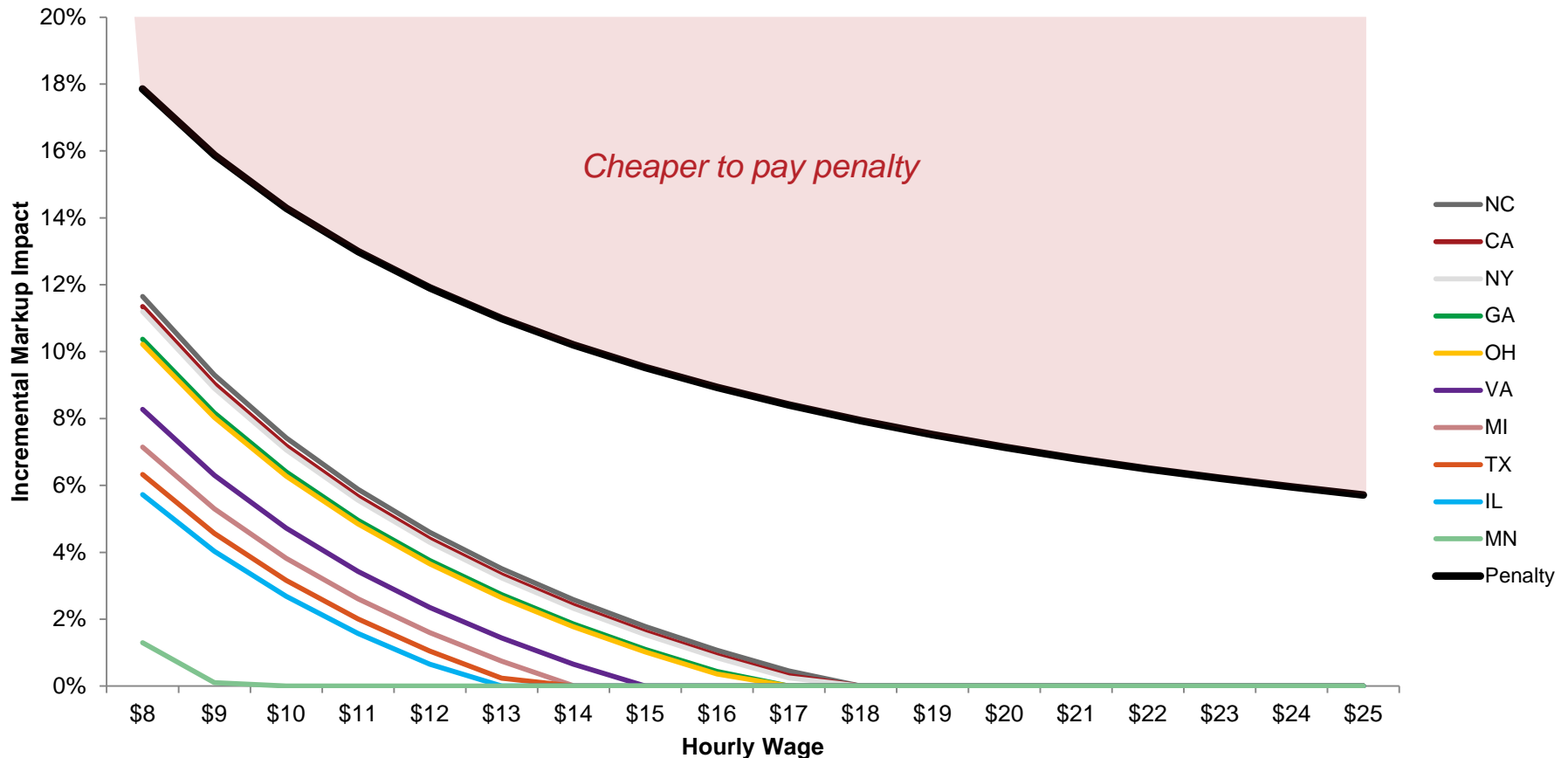
Medicaid Eligibility for Childless Adults



2016 Impact by State if Employees Pay Max¹

In 2016, companies with more than 50 FTEs will need to provide affordable insurance to 95% of their full time employees or face penalties.

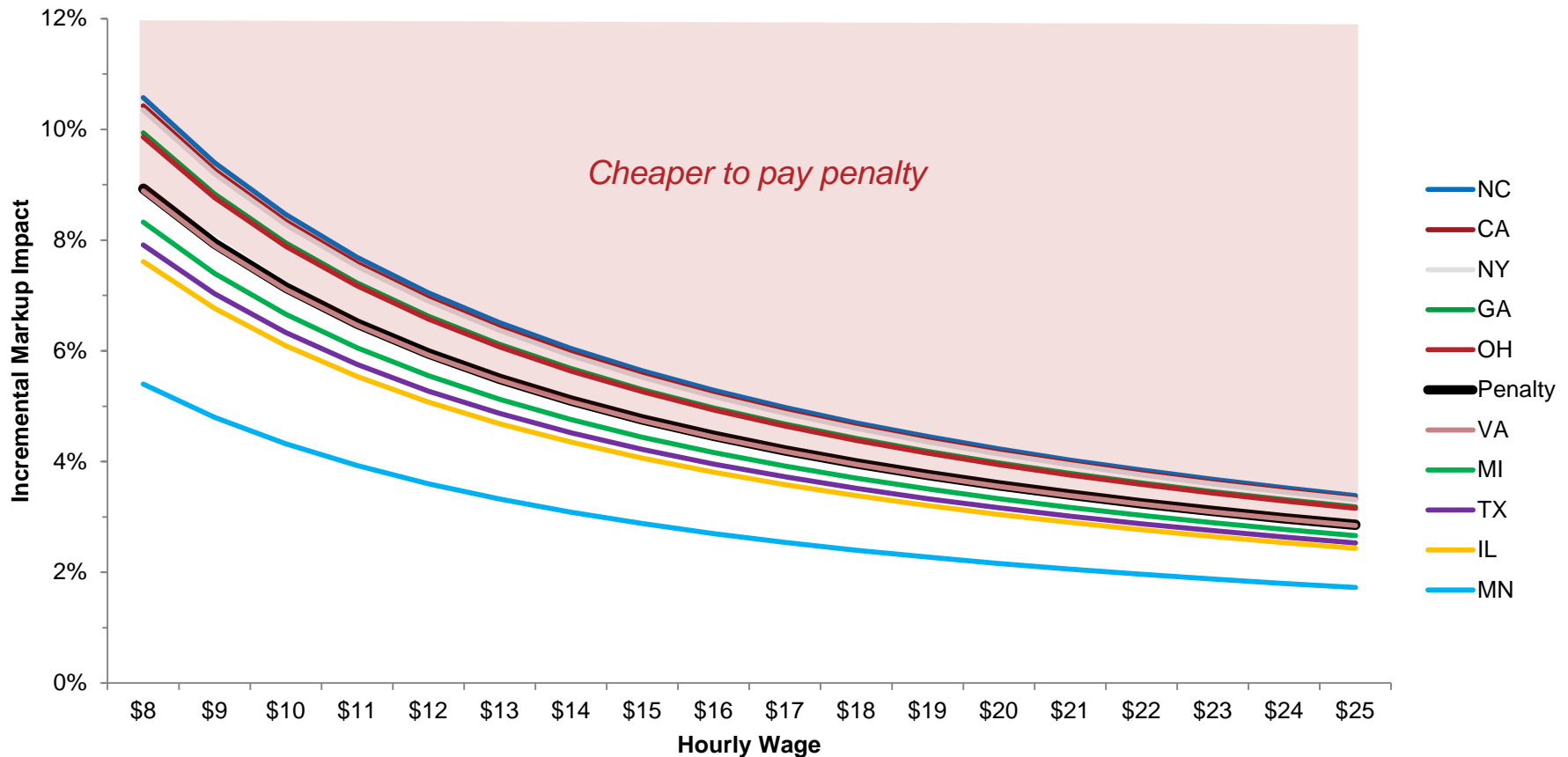
Markup Impact of Bronze Level Plan by State (Employee Pays up to 9.5% of family income)



2016 Impact by State if Employer Pays Half¹

In 2016, companies with more than 50 FTEs will need to provide affordable insurance to 95% of their full time employees or face penalties.

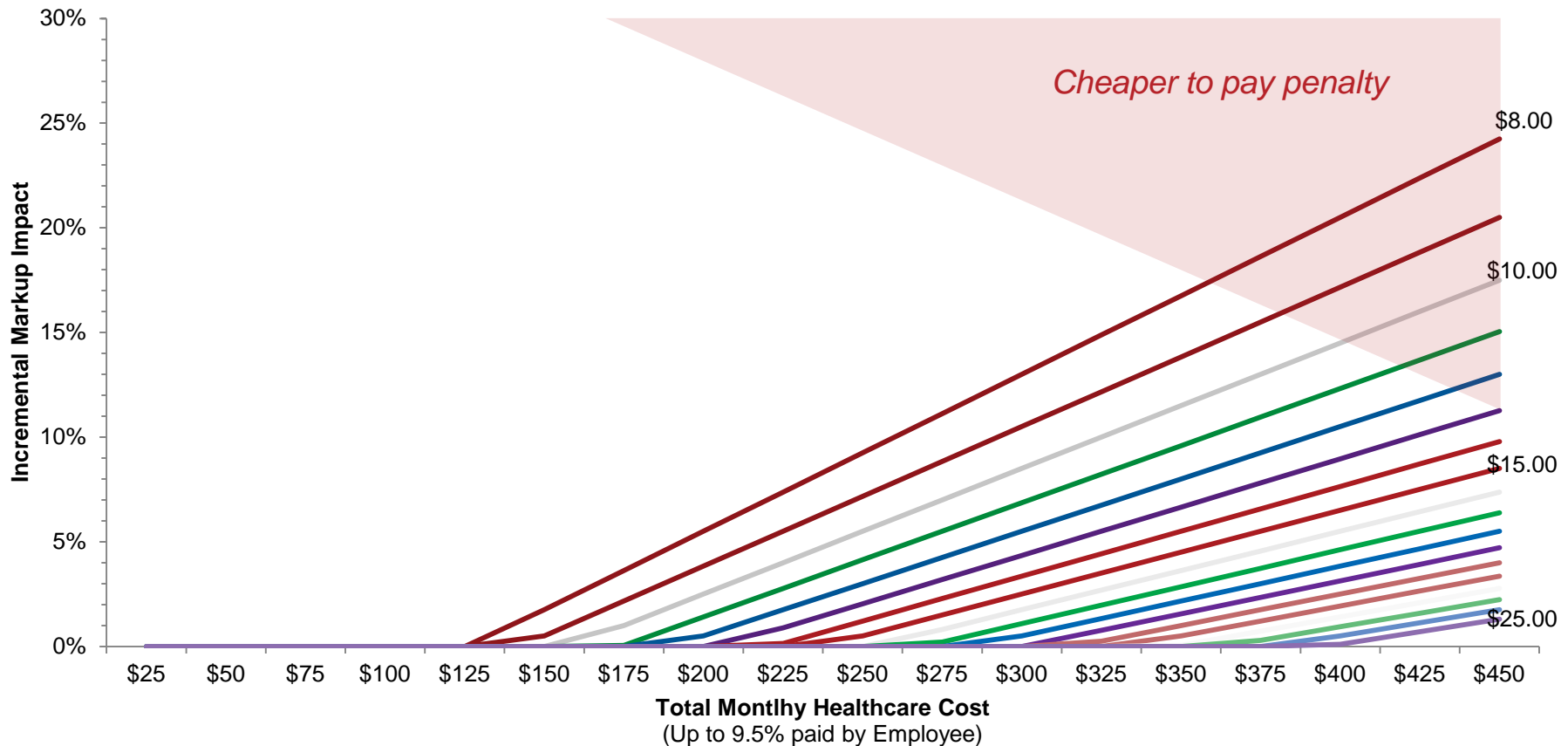
Markup Impact of Bronze Level Plan by State (Employer pays at least 50% of Monthly Cost)



2016 Impact by Monthly Healthcare Cost¹

In 2016, companies with more than 50 FTEs will need to provide affordable insurance to 95% of their full time employees or face penalties.

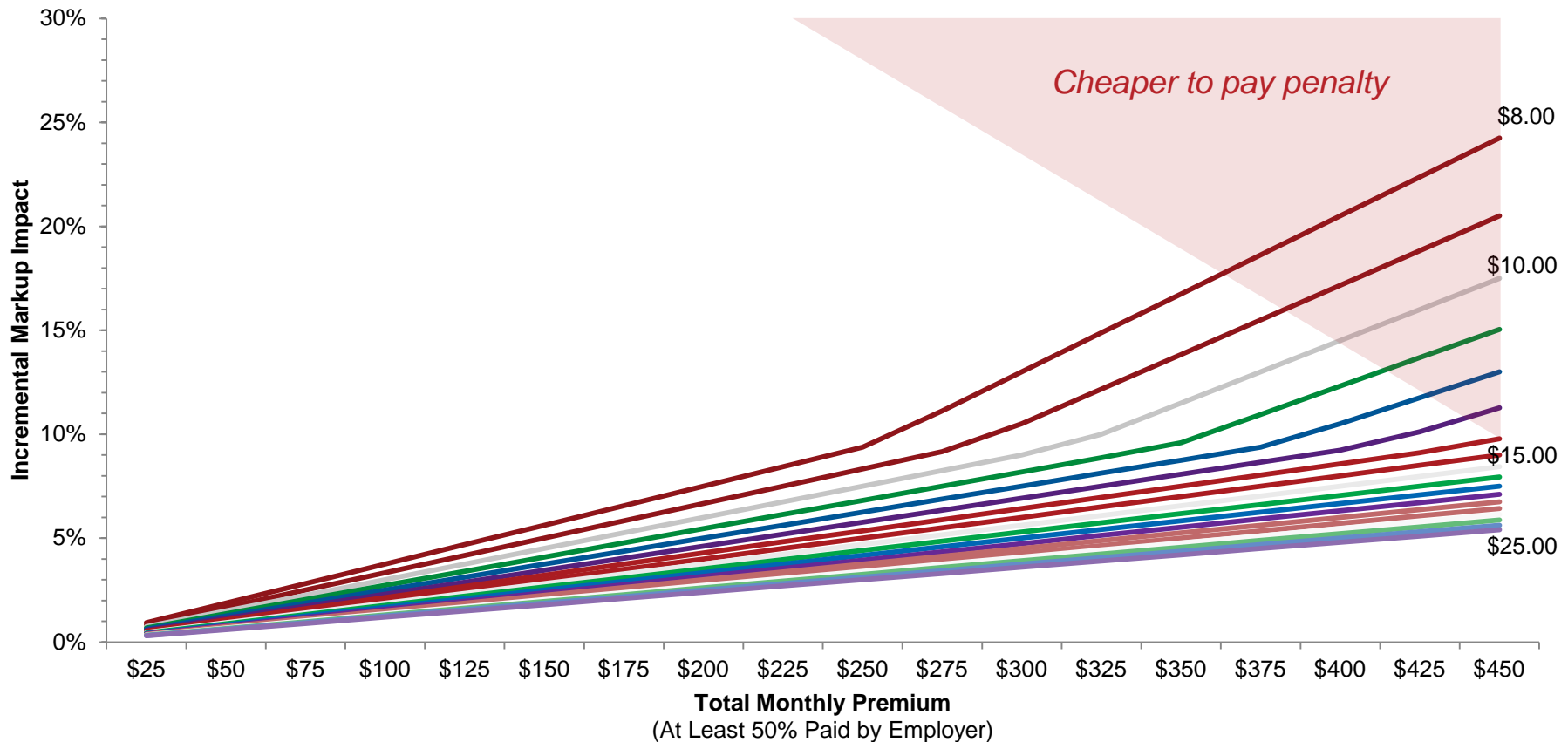
Markup Impact by Wage Level by Monthly Healthcare Cost (Employee pays up to 9.5% of family income)



2016 Impact by Monthly Healthcare Cost¹

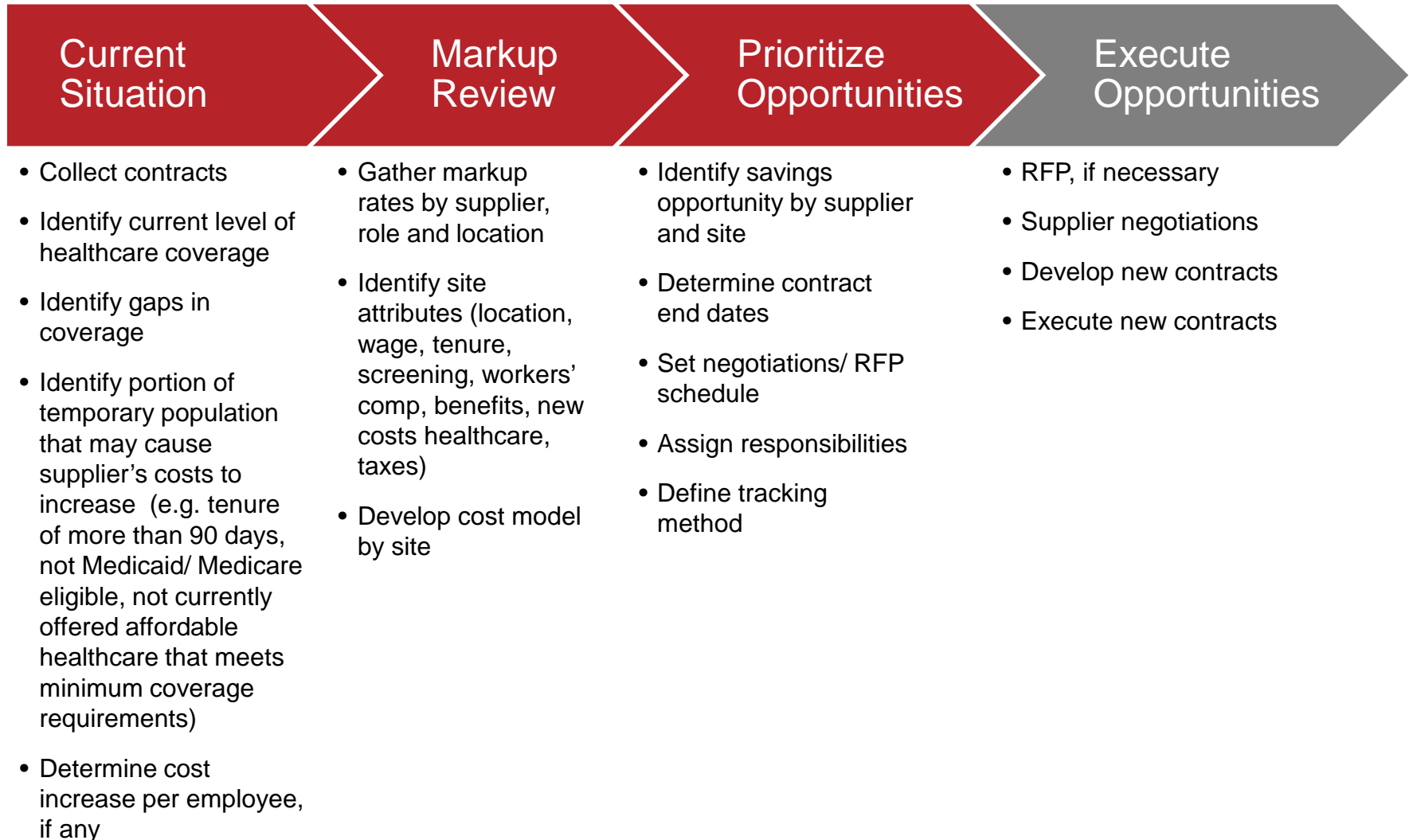
In 2016, companies with more than 50 FTEs will need to provide affordable insurance to 95% of their full time employees or face penalties.

Markup Impact by Wage Level by Monthly Healthcare Cost (Employer pays at least 50% of monthly cost)



Action Required

A review of ACA impact on contingent labor suppliers should include a detailed benchmark study of existing rates.



Cost & Capital

For more information contact:

Tom Bokowy, Partner
(208) 610-0032
Cost & Capital Partners LLC
tbokowy@costandcapital.com