

# Fontana Unified School District Board of Education

An Introduction to the Affordable Care Act  
and Keenan & Associates  
February 6, 2013

*Presented by:*

Claudia Ross, Sr. Vice President  
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# Meeting Keenan & Associates

- H&W Benefits Consulting Partner for 17 years
  - First hired by USW
  - District made it official
- Property/Casualty Since 2004
- SERP Client – Retirement Planning
  - Focus 2001-2010

# Meeting Keenan & Associates

- Annual Stewardship Report Results
  - 11-12 Initial Blue Shield Renewal + 12.77%
    - \$1,565,058 Increase Over Current Costs
    - Comprehensive Market RFP
  - 11-12 Final Renewal – Aetna Life & Casualty (-14.36%)
    - \$1,9084,633 Savings Under Current
  - 12-13 - 2<sup>nd</sup> year Rate Cap/Guarantee – 7%
    - Savings of \$877,560

**Fontana Unified School District**  
**3 Year Medical Plan**  
**Negotiated Savings Summary & ROI**

**Blue Shield/Aetna**

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**2012-13 Aetna Total Annual Premium** **\$12,994,098**

**Negotiated Renewal Savings** **\$877,560**

**2011-12 Aetna Total Annual Premium** **\$13,442,190**

**Negotiated Renewal Savings** **\$1,984,633**

**2010-11 Blue Shield Total Annual Premium** **\$14,169,907**

**Negotiated Renewal Savings** **\$735,810**

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***Total 3 Year Savings*** ***\$3,598,003***

# Fontana Unified School District 3 Year Medical Plan Negotiated Savings Summary

## Kaiser

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2012-13 Total Annual Premium \$25,779,144

Negotiated Renewal Savings \$1,587,384

2011-12 Total Annual Premium \$26,656,027

Negotiated Renewal Savings \$629,389

2010-11 Total Annual Premium \$20,817,754

Negotiated Renewal Savings \$53,784

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*Total 3 Year Savings* \$2,270,557

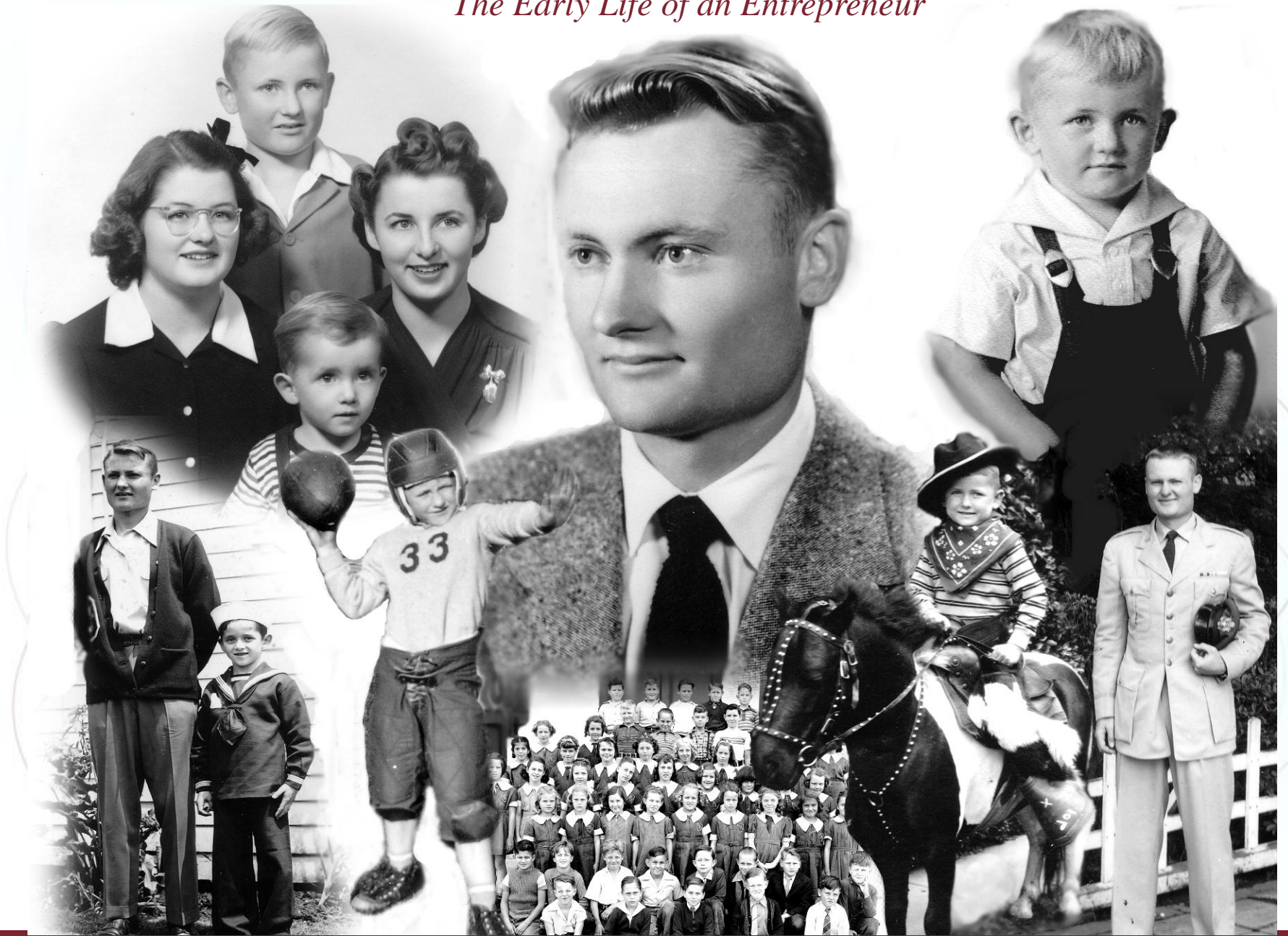
# Fontana USD – Return on Investment

- Dental & Vision – Self-Funded in REEP JPA
- FUSD Equity Rebates:
  - \$1,709,254 Equity Return to Date
  - \$618,000 Current Equity to be Distributed

# Return on Investment

- SERP – Early Retirement Incentive Programs
  - 2000/ 2001/ 2002/ 2003/ 2004/ 2008/2009 & 2010
- Savings:
  - 2008: 150 retirees; \$2,492,139 net savings
  - 2009: 90 retirees; \$9,168,827 net savings
  - 2010: 72 retirees: \$4,713,975 net savings
- **3 Year Program Savings: \$16,374,941**

*The Early Life of an Entrepreneur*







# Made in the USA

- Largest Privately Held Insurance Consultant in California
- Representing 950 California Public Agencies
- Providing Insurance Services to 80% of California Schools
  - 227,500 Teachers
  - 161,000 Support Professionals
  - 69,000 Administrators
- Finite Focus – Resources Dedicated to Public Agencies
- Recognized as California’s Schools Insurance Leader
- 45% Employee Owned

# The Affordable Care Act (ACA)

# Legislative History

- Name: Patient Protection and Affordable Care Act (PPACA)
- Common Name: Affordable Care Act (ACA)
- Enacted: March 23, 2010
- Because of ACA, California enacted California “PPACA” to form the California Health Benefit Exchange – January 1, 2011:
  - California Senate Bill 900
  - California Assembly Bill 1602

# Six Primary Principles of The Affordable Care Act

- Individual Mandate
- Employer Shared Responsibility
- ACA Full Time Employee
- Government Subsidies to Purchase Exchange Coverage
- California Health Care Exchange
- “Cadillac Tax”

# The Individual Mandate

*“Every individual must have “Minimum Essential Coverage” (MEC) starting in 2014 or pay a tax”*

- If employees and family members have no MEC, the tax for 2014 is:
  - the greater of \$95 per adult/\$47.50 per child or 1% of household income above filing threshold (\$19,000 – 2011)
- In 2016, the penalty is:
  - the greater of \$695 per adult or 2.5% of household income above filing threshold.

# Employer Shared Responsibility

*“An employer is responsible to provide “affordable” MEC with a “minimum value” to its ACA Full-Time employees and their dependent children starting in 2014 or risk paying a tax”*

- **Affordable:** Lowest cost single-only coverage offered by the employer must cost the employee no more than 9.5% of his/her Household Income.
- **Minimum Value:** The employee cost of a plan (all in) cannot be greater than 40%
- Tax \$2000 per employee (over 30 employees) if MEC is not offered to 95% of Full-Time employees, or: \$3000 per employee who declines employer coverage, purchases coverage on the Exchange, and receives government subsidy.

# ACA Full-Time Employee

*“An ACA Full-Time employee is an employee who earns, on average, 30 hours of service per week or 130 hours in a month”*

- Must be tracked on a monthly basis
- Excludes part time employees working less than 30 hours per week on average
- Includes part time employees earning over 30 hours of service per week, *on average in any month*, and seasonal / temporary employees who inadvertently satisfy the definition of FTE following an IRS permitted period of time.

# Government Subsidies to Purchase Exchange Coverage

*“An ACA FTE whose employer does not provide ‘affordable coverage’ or coverage with a ‘minimum value’ may purchase coverage on the Exchange and receive a subsidy from the Federal Government which triggers the employer’s tax obligation.”*

- Subsidies can cover as much as 100% of the cost of ‘Bronze level’ coverage purchased on the Exchange.



# California Health Care Exchange

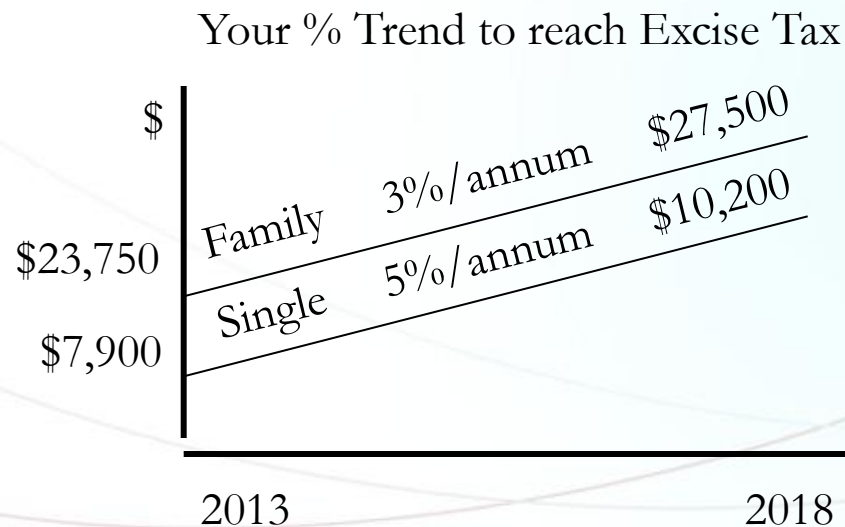
*“California is actively pursuing implementation of a state health benefit exchange “ Covered California.”*

- Initially available to individuals and small groups. Expect to open for large groups in 2017.
- Only vehicle available to access Federal subsidies for coverage of low paid employees.
- Has defined Bronze, Silver, Gold, and Platinum levels of benefits, along with a catastrophic option as a single “Plan.”
- Anticipate options may include commercial health plans [narrow networks], MediCal provider networks, Kaiser, and two “multi-state plans.”
- Plan options and rates will likely vary across 19 regions in the state.

# Cadillac Tax

*“An excise tax will be levied on ‘rich’ or ‘Cadillac’ employer sponsored medical benefit programs.”*

- A 40% excise tax will be imposed on “rich” plans starting 2018.
- “Rich plans” are defined as exceeding \$10,200 (single) or \$27,500 (family) in 2010 dollars, with a limited inflation adjustment factor.



# Putting It All Together – The Future

## *Re-thinking Your Benefits Philosophy and Approach*

- Assess & confirm benefits philosophy for 2014-2018
- Establish a Benefits Mission Statement w/representatives of all constituents
- Conduct a workforce analysis to identify current exposure
  - Employees eligible for the Exchange subsidy
  - Full-time vs. Part-time
  - Cadillac tax
  - District Penalties
  - And more

# Putting It All Together – The Future

## *Re-thinking Your Benefits Philosophy and Approach*

- Evaluate several benefit scenarios and compare to current baseline/Mission Statement
  - Identify the best Employee impact
  - Cost
  - Other implications still to be determined
- Identify the best fit approach for your organization
- Engage: Knowledge & Training
  - K& A has developed four modules for our clients to Educate, Evaluate and Implement

# ACA Timeline – Key Events

2013	2014	2015 +	2018
<ul style="list-style-type: none"> <li><input type="checkbox"/> Mass marketing begins for California Exchange (1/1/13)</li> <li><input type="checkbox"/> Notice of Exchange (3/1/13)</li> <li><input type="checkbox"/> 2014 Planning</li> <li><input type="checkbox"/> Open Enrollment for California Exchange begins October 1</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Individual Mandate</li> <li><input type="checkbox"/> Premium subsidies for low paid employees</li> <li><input type="checkbox"/> Employer Responsible to provide affordable coverage of minimum value</li> <li><input type="checkbox"/> New definition of FTE</li> <li><input type="checkbox"/> Exchange Goes Live</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Automatic Enrollment</li> <li><input type="checkbox"/> Employer reporting to IRS about employee coverage (copy to employees)</li> <li><input type="checkbox"/> Tax penalties assessed on employers who do not offer any medical coverage or affordable coverage of minimum value in 2014</li> <li><input type="checkbox"/> Discrimination rules issued on insured executive medical plans</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Excise tax on “rich” plans</li> </ul>

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**Thank you! Any questions?**