

# WHAT THE NUMBERS TELL US: A BENCHMARK ANALYSIS OF THE AFFORDABLE CARE ACT

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# MEASURING THE COST OF THE AFFORDABLE CARE ACT

With all the uncertainty regarding the Affordable Care Act (ACA), there is one aspect of the Act you can count on — the costs associated with health care will be higher than they are today. Virtually every employer impacted by the ACA will see increases in overall costs, with many facing

significant financial and operational strain as a result of the mandates.

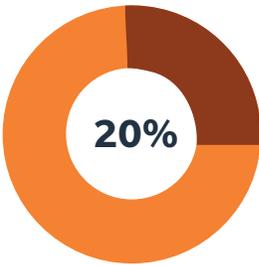
This updated benchmark study provides employers with current and relevant information on what they can expect and how they compare to others in their industry and size segment.

### “Pay or Play” Mandate

Under the provisions, all employers with 100 or more full-time equivalent employees (50 or more in 2016) must decide whether to continue offering benefits or opt to pay a penalty for failing to provide coverage. For employers opting to “play,” they will need to offer benefits to at least 70 percent of their full-time employees (95 percent in 2016), and the coverage must meet both the affordability and sufficiency requirement defined by the ACA in order to avoid potential penalties.

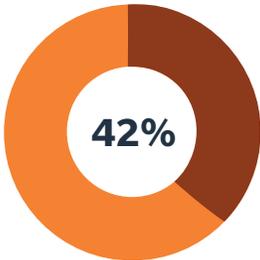
## MMA BENCHMARK DATA AT A GLANCE

A national MMA benchmark study of nearly 600 employers in a range of industries reveals that a significant number will be impacted by penalties.



1 out of 5 will be impacted by eligibility penalties

**ELIGIBILITY PENALTIES:** Employers electing to “pay” by not offering coverage will be subject to a penalty of \$2,000 for every full-time employee (exception for the first 30 employees).



Nearly 1 out of 2 will be impacted by affordability and sufficiency penalties

**AFFORDABILITY AND SUFFICIENCY PENALTIES:** If an employer offers benefits to at least 70 percent of their full-time employees (95 percent in 2016), but the coverage is considered either insufficient or unaffordable, they are subject to a penalty of \$3,000 per affected full-time employee who receives a tax credit.

### Average Employer Penalty

51-99 employees	\$92,640
100-499 employees	\$400,110
500+ employees	\$2,112,476

### Average Employer Penalty

51-99 employees	\$32,265
100-499 employees	\$86,338
500+ employees	\$211,914

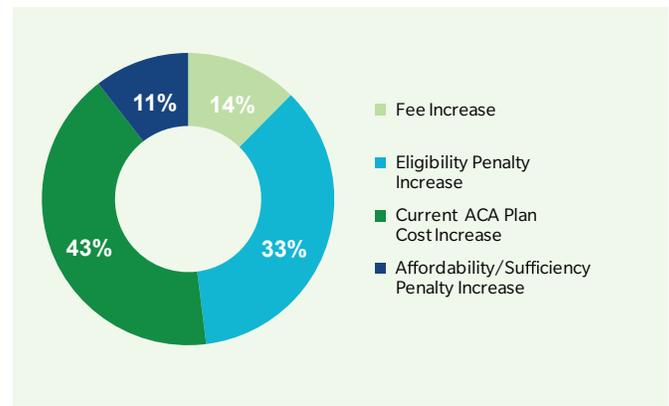
## WHAT'S DRIVING THESE COSTS?

In general, employers that are not offering benefits to large populations of employees are primarily realizing cost increases from the penalties associated with the Pay or Play Mandate.

Employers not experiencing eligibility or sufficiency issues will see general cost increases as a result of fees that are built into the law (e.g., PCORI, Transitional Reinsurance, Health Insurer fee), as well as newly enrolled employees on the employer-sponsored plan.

While cost pressures will vary by employer, businesses that choose not to understand their potential exposures could find the capital they plan to use for other business purposes "taken" by the ACA.

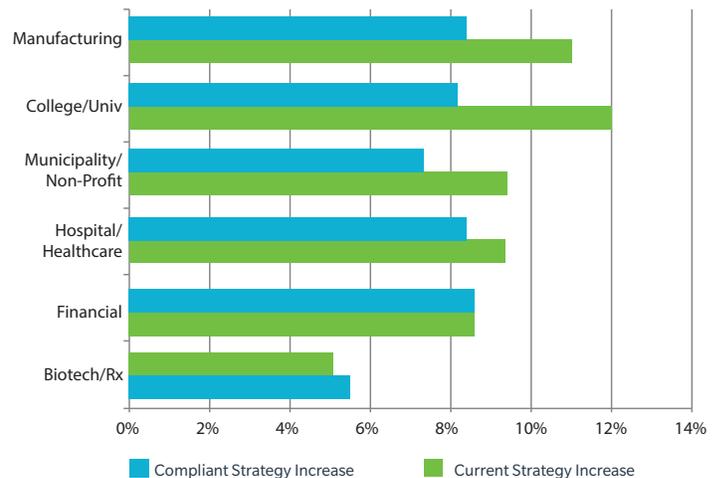
As a blend of all employers across industries, our data indicates the following breakdown of the total cost increases.



## THE COST OF COMPLIANCE

The benchmark study indicates industry-specific rate increases that range from just over 5 percent for those in the Biotech/Pharmaceutical industry to upwards of 12 percent for those in the College/University industries. Employers who are not at high risk for eligibility and sufficiency penalties will begin to see increases as fees kick in and the cost of benefits start to rise. Additional costs will come in the form of more employees enrolling in the plan and newly covered benefits services as specified by the ACA. Employers will also need to account for the unseen costs, in terms of fielding employee questions/concerns, administrative burdens, and new reporting requirements.

Pay or Play Cost Impact to Employers in "Low to Moderate" Risk Category



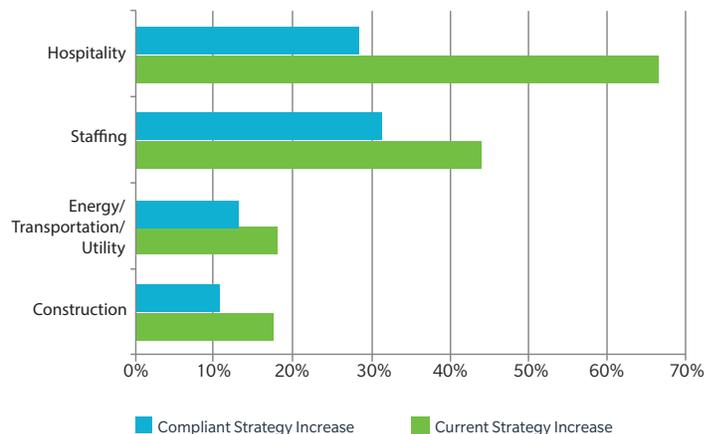
Source: MMA national employer database, November 2012 – December 2013

## IMPACT ON VARIABLE HOUR EMPLOYERS

Industries that typically employ a higher percentage of part-time hourly workers will experience some of the most dramatic cost increases. These employees may be considered full-time under the mandate but historically have not been offered employer-sponsored health coverage or coverage that will be considered affordable and sufficient under the Act.

These businesses fall into a high-risk category and face unattractive options: reduce the number of hours for some employees to less than 30 hours per week; extend coverage; or opt to pay the penalties.

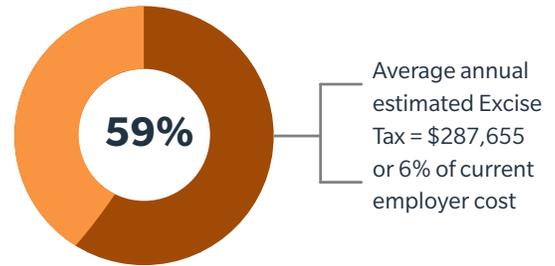
Pay or Play Cost Impact to Employers in "High" Risk Category



Source: MMA national employer database, November 2012 – December 2013

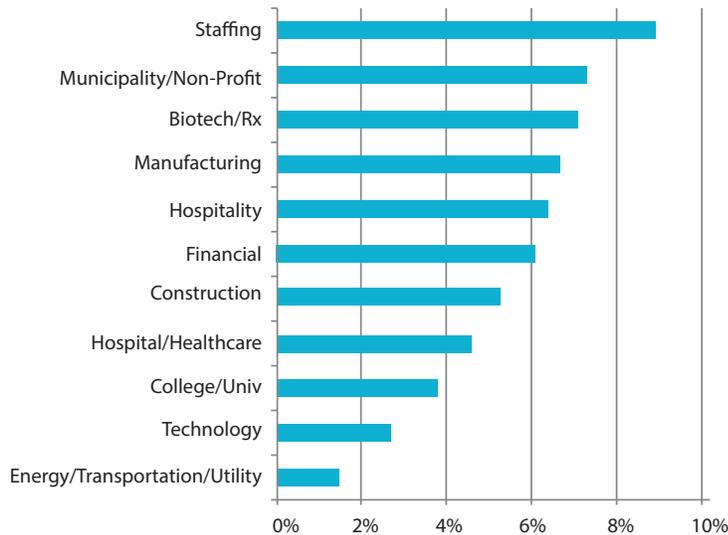
## A LOOK AHEAD TO 2018

Beginning in 2018, employers will be subject to an excise tax in cases where group health coverage exceeds specified premium thresholds. Also referred to as the “Cadillac Tax,” employers are exposed to a potential tax of 40 percent on any excess benefit in which the total cost of an employee’s coverage exceeds defined limits. The tax will be calculated based on the number of months during a calendar year in which the annualized cost of the employee’s coverage exceeds the annual threshold. Under the ACA, the estimated annual thresholds are \$10,200 for “single” coverage and \$27,500 for “employee plus dependent” coverage.



More than half the groups measured have the potential to be impacted by the excise tax

## EXCISE TAX COST IMPACT TO EMPLOYERS BY INDUSTRY



Source: MMA national employer database, November 2012 – December 2013

## EMPLOYERS: PLAN NOW

It is critical for employers to understand that the Excise Tax has the potential to impact organizations across varying industries, and not just those with “rich” benefits.

While still a few years off, employers need to be aware and take action now to avoid this potential burden. Making small benefits-level adjustments and implementing health improvement programs now can help reduce future costs.

## Why Marsh & McLennan Agency

There is nothing affordable about the Affordable Care Act. It’s imperative to start reviewing your strategy now and partner with a specialist who can help you avoid major financial hardship in the future. At Marsh & McLennan Agency, we have the expertise, tools, and industry knowledge to help you navigate the Act. Our industry experts, in conjunction with our compliance and actuarial team, can help you determine the financial impact on your business and put a plan in place to help your company comply with the regulations and manage costs.

Don’t delay, visit [MMAffordableCareAct.com](http://MMAffordableCareAct.com) to learn how we can help you prepare for the changes ahead.

This publication is for information only and does not constitute legal advice. Consult with legal and tax advisors before applying this information to your situation.

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