North Carolina
State Health Plan
FOR TEACHERS AND STATE EMPLOYEES

New Health Benefit Coverage Requirements for Full-time Employees

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A Division of the Department of State Treasurer

Presentation Overview

- Affordable Care Act (ACA) Requirements
- NC Legislation and Statutory Requirements
- Impact on Retirees

ACA Requirements – Coverage of Full-time Employees

Shared Employer Responsibility Provisions

- To avoid tax penalties under section 4980H of the Internal Revenue Code large employers must offer health coverage that is affordable and at least "minimal value" to all full-time employees.

- Employees are considered full-time, and thus required to be offered employer-sponsored health care, if they are reasonably expected to work 30 hours per week.

- The requirement extends health benefit eligibility to non-permanent full-time employees, who traditionally have not been eligible for coverage under the State Health Plan.

ACA Requirements – Eligibility Determination

- Employing units are responsible for determining whether or not an employee is full-time.
- Employers have flexibility in determining an employee’s status through a safe harbor that allows the employer to select “measurement” and “stability” periods for determining eligibility and offering coverage. If the safe harbor is not used then employee status is determined every month.
- The State Health Plan cannot provide legal advice or require employing units to adopt uniform measurement periods for determining eligibility.

Legislation & Statutory Requirements – Alternative Benefit

- Section 35.16 of SL 2014-100 (SB 744 Appropriations Act) establishes a new health benefit eligibility category for full-time employees not otherwise covered by the Plan (e.g. non-permanent full-time employees) to comply with the Affordable Care Act (ACA).
- G.S. 135-48.40(e) requires the Treasurer and Board of Trustees to offer a health benefit coverage option for these "newly eligible" employees that provides minimum essential coverage at no greater than the ACA "Bronze" level and that minimizes the employer contribution in an administratively feasible manner.
- The State Health Plan established a high deductible health plan available January 1, 2015 to meet this requirement.

High Deductible Health Plan Option (HDHP)

Monthly Contributions: Employer = $117.62, Employee = $92.38

Benefit Design	Individual Coverage	Family Coverage
Deductible	$5,000	$10,000
Out-of-Pocket Maximum	$6,450	$12,900
Coinsurance	50%	50%
ACA Preventive Medical	Covered at 100% in-network	
ACA Preventive Pharmacy	Covered at 100% in-network	

- *Non-network benefits will be paid at 40%.*
- *The non-network deductible and out-of-pocket maximum will be 2 times the in-network amounts.*

Meets ACA minimum value standard
Eligible for a Health Savings Account (HSA), which will allow the employee to make 2015 tax-exempt contributions of up to $3,350 ($6,650 for family coverage) to an account that can be used to pay eligible medical expenses

Legislation & Statutory Requirements – Retiree Eligibility

- Section 35.16A of SL 2014-100 (SB 744 Appropriations Act) requires employing units to cover re-hired State retirees as active employees, if they are determined to meet definition of full-time employee.

- G.S. 135-48.41(j) specifies that during the time of their full-time employment, re-hired State retirees are not eligible for retiree health benefit coverage.

- This provision is consistent with prior law requiring employing units to cover re-hired retirees employed in permanent full-time positions (i.e., on a recurring basis and working 30 or more hours per week for nine or more months in a calendar year).

Retiree Termination Process

- If a re-hired retiree meets the eligibility requirements, employing units must offer the retiree coverage.
- While the retiree is not required to enroll in the HDHP, the retiree is no longer eligible for the State Health Plan retiree group coverage under the Retirement Systems as required by state law.
- Therefore, the Plan will terminate the retiree from the State Health Plan retiree group coverage under the Retirement Systems.

Additional resources and information can be found on the State Health Plan's website under the Health Benefits Representative tab.

Retiree Re-enrollment Process

- When a re-hired retiree who enrolled in the HDHP is no longer eligible for the HDHP, they will be offered COBRA coverage.
- Loss of eligibility is a qualifying life event under the State Health Plan enrollment rules and retirees will have 30 days to re-enroll in their State Health Plan coverage under the Retirement Systems.
- If they fail to re-enroll within the 30 days, they will be unable to come back on the Plan until the next enrollment period.

Summary of Coverage Options for 2015

Benefit Plan Options	Active Employees		Retirees	
	Permanent Full-time	Non-Permanent Full-time	Non-Medicare	Medicare Primary
High Deductible Health Plan ***(bronze level option for newly eligibles)***		**X**		
Consumer-Directed Health Plan	X		X	
Enhanced 80/20 Plan	X		X	
Traditional 70/30 Plan	X		X	X
Medicare Advantage Base Plans				
Humana				X
UnitedHealthcare				X
Medicare Advantage Enhanced Plans				
Humana				X
UnitedHealthcare				X

Appendix

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www.shpnc.org

www.nctreasurer.com

ACA Requirements – Benefit Coverage Rules

To avoid Employer Shared Responsibility penalties, large employers must offer full-time employees health benefit coverage that meets the definition of Minimum Essential Coverage:

- **Minimum Actuarial Value:** Provides at least a value of 60% of the cost of services (Bronze level on the Exchange)
- **Affordable:** Costs an employee no more than 9.5% of gross taxable wages for employee-only coverage
  - An employer contribution is needed for low-wage employees to maintain affordability and ensure the avoidance of penalties

ACA Requirements - Penalties for Non-Compliance

"Sledge Hammer" Penalty	"Tack Hammer" Penalty
If employing units do not offer "minimum essential coverage" to at least 70% of full-time employees (and dependent children under age 26) and if one full-time employee receives subsidized coverage on the Exchange: • Penalty is $2,000 (annualized) times the **total # of full-time employees** (minus first 30 workers)	If employing units do offer coverage to 95% of full-time employees (and their dependent children under 26), but the coverage is either not affordable or not of minimum value and one full-time employee receives federally subsidized coverage in the Exchange • Penalty is $3,000 (annualized) times the # of full-time employees getting a tax credit in an Exchange (subject to a penalty maximum)

Additional Resources Available
www.shpnc.org click HBR

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