



Health Care Reform in Indian Country

Self-Governance Communication & Education

Self-Governance Tribes Striving Towards Excellence in Health Care

Advancing Sovereignty

Employer Options, Matched with Tribal Sponsorship,
under Affordable Care Act (ACA)

-- Case Study #8--

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Tribal Self-Governance
Advisory Committee

National Congress
of American Indians



Goals

- **Goal of DST – SGT (Direct Serve Tribes and Self-Governance Tribes) Joint Initiative**
 - Facilitate decision-making and implementation of Tribal Sponsorship
 - Meet employer requirements under the Affordable Care Act
 - Identify preferred options to generate additional resources to meet the health care needs of Tribal members
- **Goal of today's presentation**
 - Identify the estimated costs and overall financial impact of different approaches to meeting the ACA's employer requirements
 - Consider matching options for Tribal Sponsorship with Employer Options
 - Use of Case Study #8



Disclaimer

- *This analysis is for informational purposes only and is not intended as tax or legal advice.*
- *Please talk with your accountant or attorney for specific tax or legal questions related to your Tribe, Tribal entities, and individual tribal members.*

Funding

- *Funding for segments of the analysis contained in this presentation provided by Indian Health Service, National Congress of American Indians, and Tribal Self-Governance Advisory Committee.*



- Section 1: Background:**
- **Demographics of Tribe**
 - **Number of Employees**
 - **Impact of Tribal Sponsorship (Case Study #7)**



Current Insurance Status of Active User Population

- Nearly 45% of Active User population is uninsured
 - Health services for this population are funded out of the limited congressional appropriation to Tribe / Service Unit

Insurance Status, Active User Population, Case Study #8, April 2015		
	#	%
Medicaid	1,657	33.7%
Medicare	377	7.7%
Private / Other	689	14.0%
Uninsured	2,198	44.7%
Total	4,920	100%

Source: IHS Active User Pop 2015-04



Income Distribution of Uninsured Active Users

Uninsured, by Income, IHS User Population, Case Study #8		
	#	%
0 - 138%	901	41%
139 - 400%	923	42%
401%+	374	17%
Total	2,198	100%

Source: Census data on statewide income distribution % for uninsured AI/AN applied to Tribe's uninsured numbers from IHS Active User Pop 2015-04

- Of the 2,198 uninsured Active Users, approximately 900 are expected to be Medicaid eligible
- The remaining uninsured are candidates for Marketplace enrollment
 - Those with income 138% - 400% FPL eligible for premium tax credits
 - Those of any income level who meet the definition of Indian are eligible for comprehensive cost-sharing protections



Current Insurance Status of Active User Population

- Moving some or all of the currently uninsured individuals under other coverage categories will result in a substantial increase in health service resources

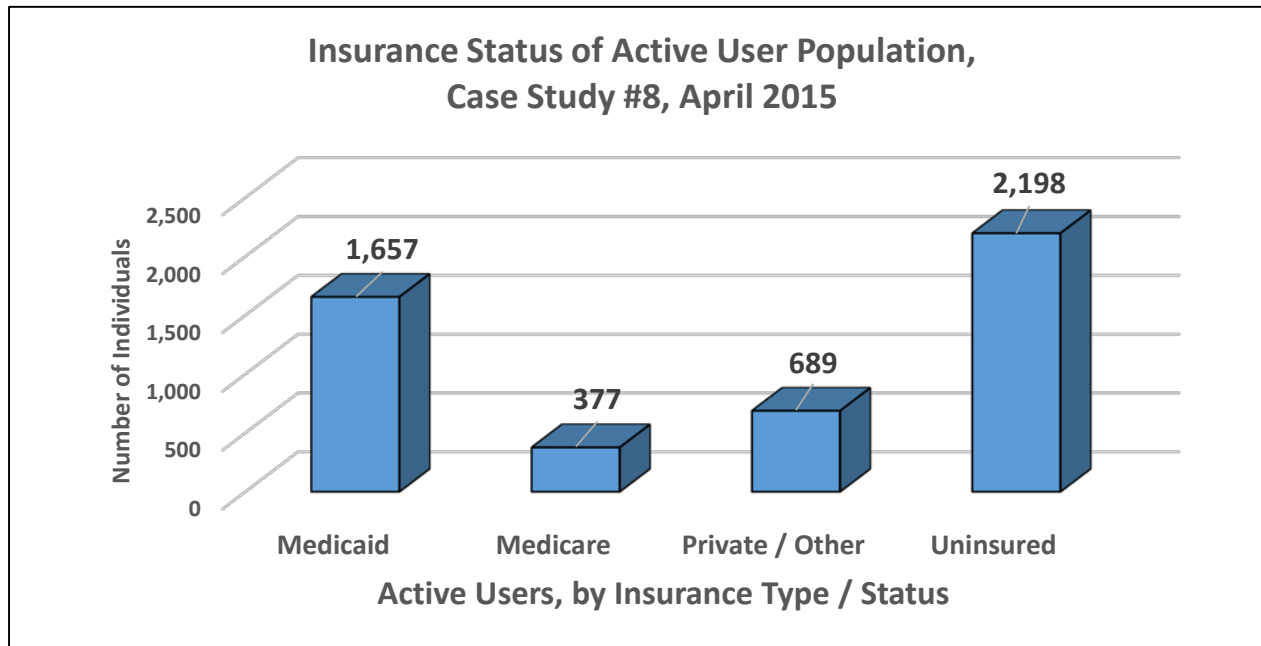


Illustration of Coverage of IHS Beneficiaries: Funding Source, by Insurance Type

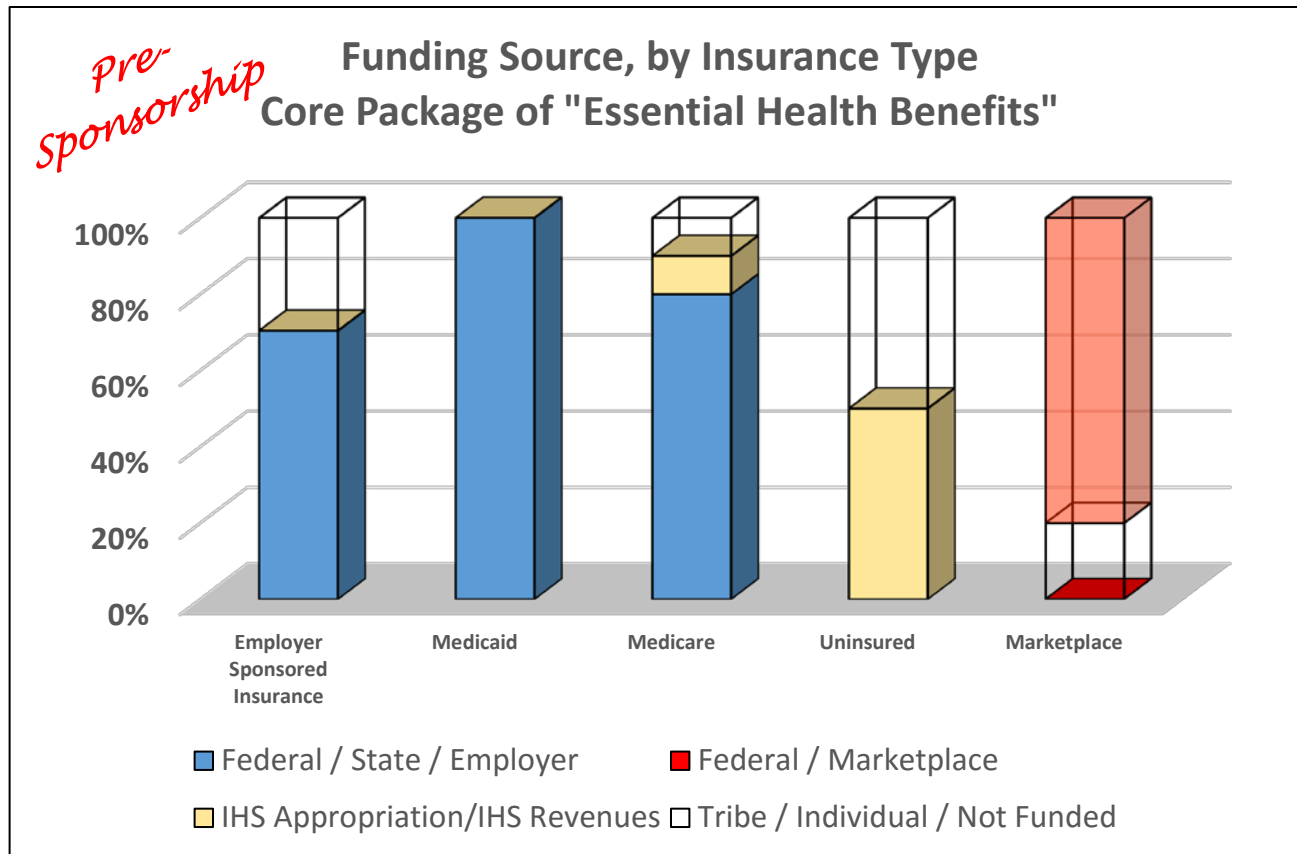
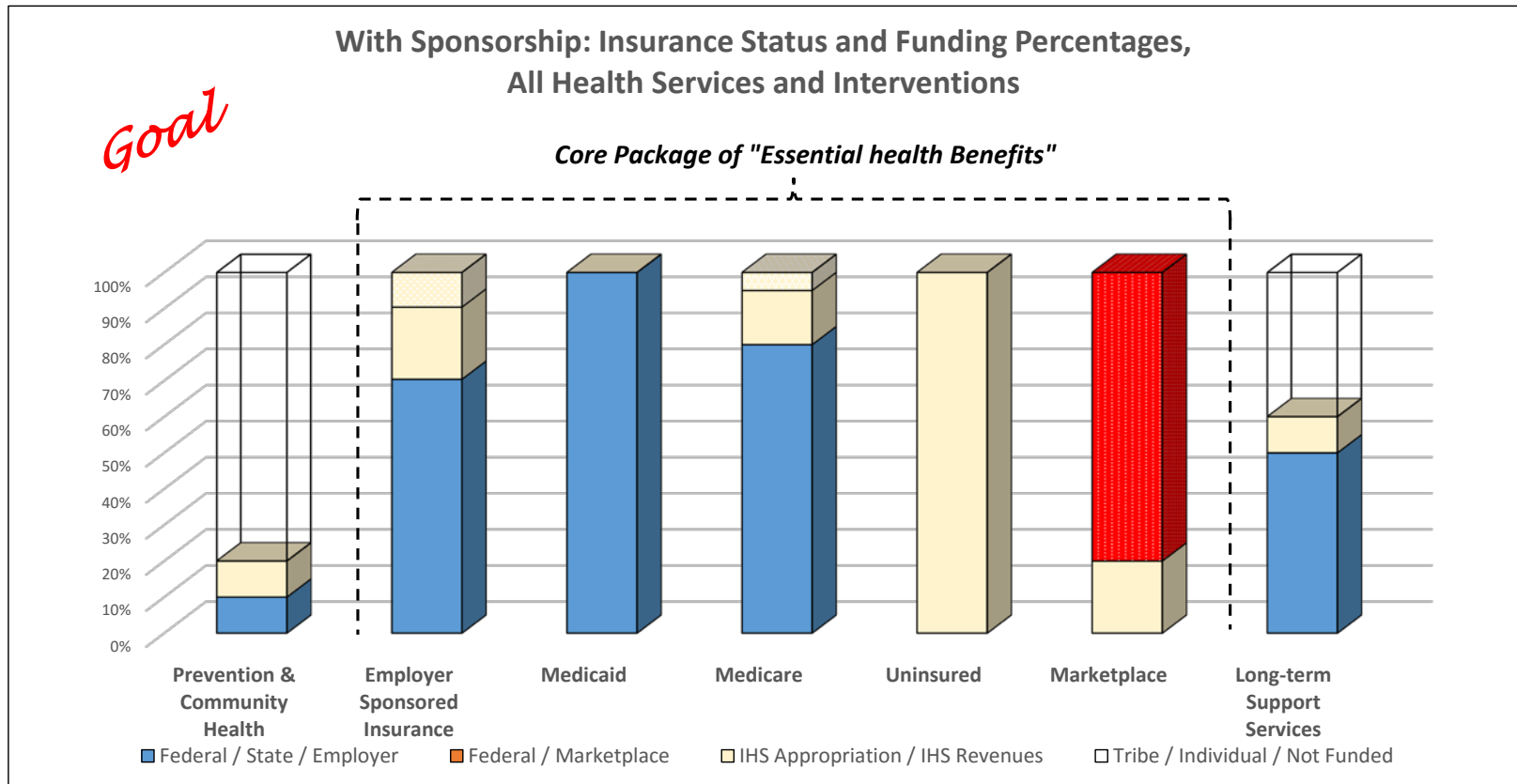


Illustration of Potential Impact of Sponsorship through Marketplace: Insurance Coverage and Funding Sources



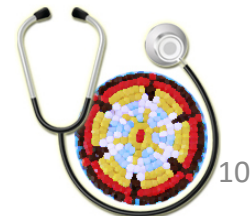
Under Modeling of Sponsorship, Broad Income Eligibility Generates Greatest Net Gain in Health Service Resources

- Tribes have the authority to set the eligibility criteria for Sponsorship programs

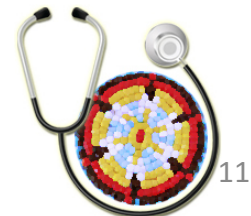
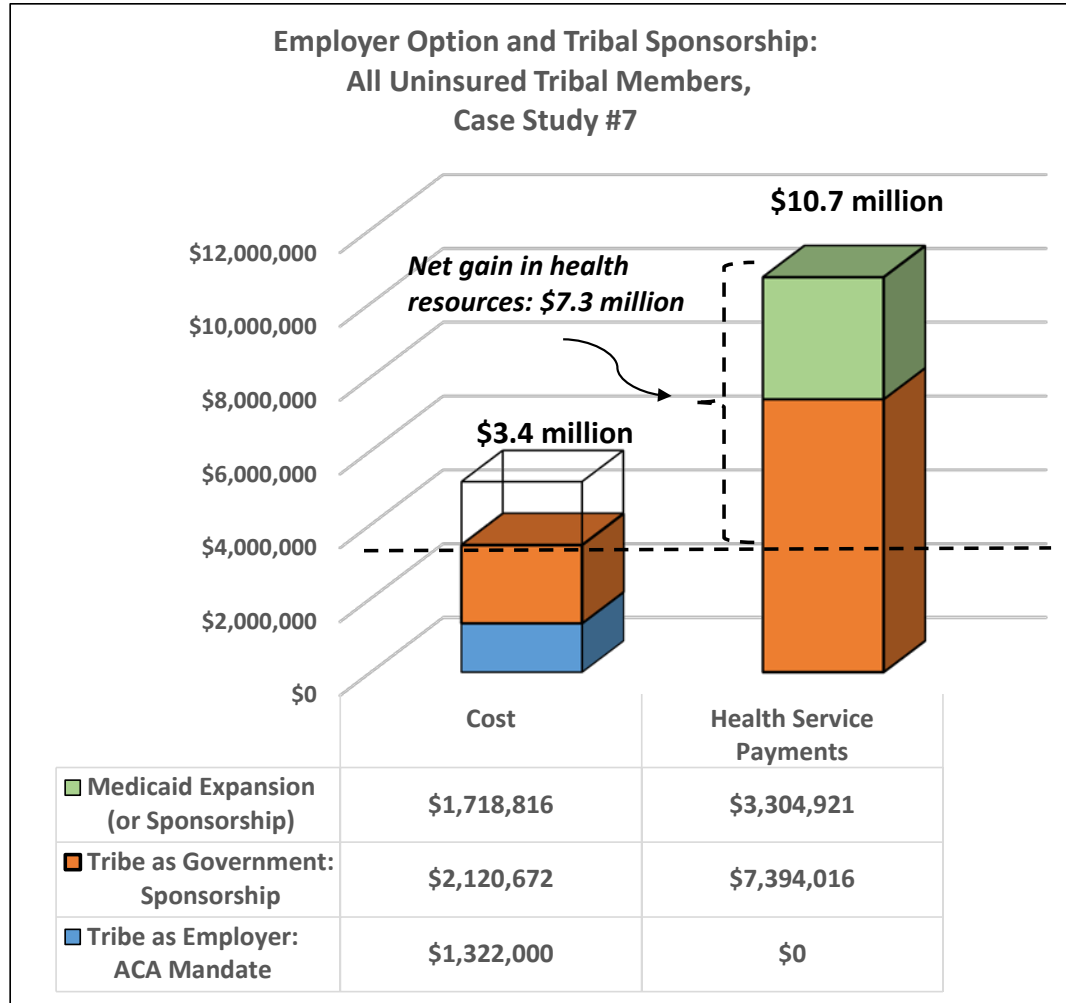
Sponsorship Eligibility Scenarios: Net Gain in Health Service Resources								
Case Study #7; 2016								
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	Household Income Eligibility Scenarios	Uninsured Tribal Members	Average Per Enrollee Premium Contributions	Aggregate Premium Sponsorship Costs (no Medicaid Expansion)	Aggregate Premium Sponsorship Costs (w/ Medicaid Expansion)	Estimated Health Service Payments	Net Gain in Health Service Resources (no Medicaid expansion)	Net Gain in Health Service Resources (w/ Medicaid expansion)
Optio n 1:	\$0 - \$60,000	1,651	\$1,709	\$2,423,078	\$704,262	\$8,037,999	\$5,614,922	\$7,333,738
Optio n 2:	\$20,000 - \$40,000	700	\$499	\$341,931	\$341,931	\$3,409,062	\$3,067,131	\$3,067,131
Optio n 3:	\$20,000 - \$60,000	972	\$937	\$704,262	\$704,262	\$4,733,078	\$4,028,816	\$4,028,816
Optio n 4:	All Uninsured	2,198	\$989	\$3,891,911	\$2,173,095	\$10,698,937	\$6,807,026	\$8,525,842
Optio n 5:	\$20,000 - \$80,000+	1,519	\$1,571	\$2,173,095	\$2,173,095	\$7,394,016	\$5,220,920	\$5,220,920
	Potential Medicaid Expansion Eligible	679	\$2,739	\$1,718,816	\$0	\$3,304,921	\$1,586,105	\$3,304,921

* Table drawn from Preliminary Sponsorship Analysis - Case Study #7 - DM 2015-12-05a

** \$40,000 equates to between 200% and 300% federal poverty level depending on family size.



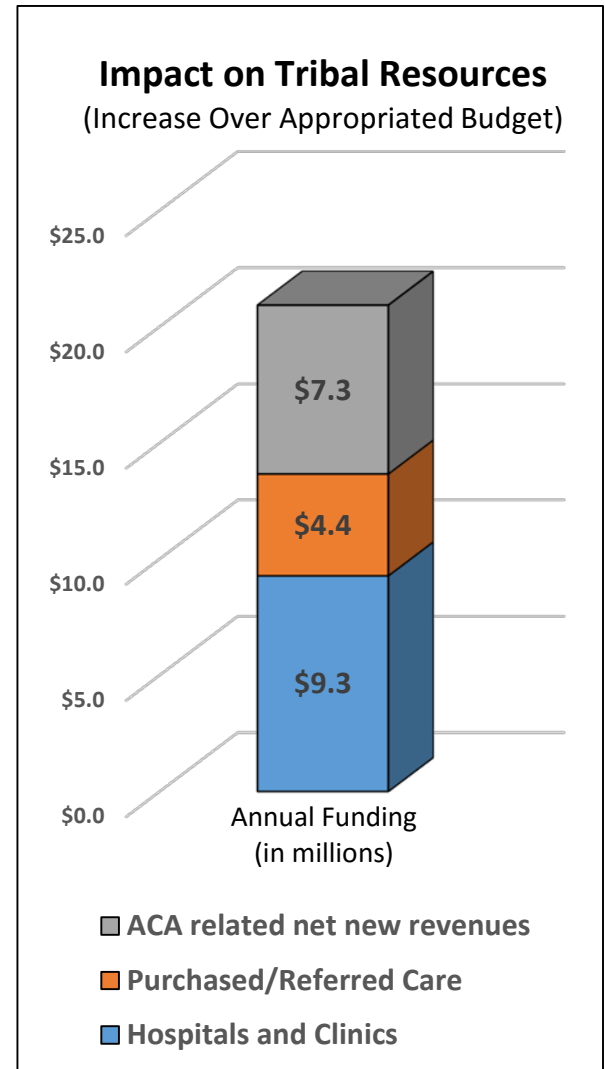
Net Impact: Employer & Sponsorship Costs versus Increased Health Service Payments



Matched Policies Result in Substantial Increases in Resources

- Meeting employer requirements and undertaking broad sponsorship results in --
 - Near universal insurance coverage of Active Users
 - 53% (or \$7.3 million) increase in funding over appropriated funding levels

Case Study #7: Increase over IHS Appropriation (excluding public health functions)		
Program Component	Appropriated Funds (millions; estimated)	Percentage Increase over Appropriation
Hospitals & Clinics	\$9.3	
Purchased / Referred Care	\$4.4	
Total IHS Appropriated Budget	\$13.7	
ACA Related Net New Revenues	\$7.3	53%
Total	\$20.9	



Creating a Hybrid Approach: Employer Option Matched with Sponsorship Option

HYBRID APPROACH:

- **As Employer –**
 - Select preferred employer option (by Tribal employer for Tribal employees)
- **As Tribal Government –**
 - Design and implement Sponsorship program (by Tribal government for Tribal members)

GOALS:

- Minimize costs to Tribe
- Maximize health service resources to Tribal health system and Tribal members



Section 2: Employer Requirements under Affordable Care Act



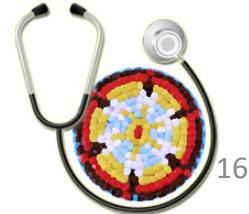
ACA Established New Requirements on Employers

- All employers, including Tribal governments, with 50 or more full-time equivalent employees have coverage and reporting requirements under the ACA
 - Coverage requirements started January 1, 2015
- Employers are required to:
 - (1) Offer and pay for a portion of coverage --
 - (a) For full-time employees (persons who work 30 or more hours per week), offer and pay for a portion of coverage if employee enrolls in employer-provided insurance
 - (b) For dependents of full-time employees, offer coverage but no requirement to pay for coverage
 - (c) For spouses of full-time workers, no requirement to offer coverage
 - OR --
 - (2) Pay \$2,000 to federal government for each FT employee
 - Calculated monthly at 1/12th of \$2,000 (or \$167 per month)



Miscellaneous Rules

- Different business units of Tribe may take different approaches to meeting ACA requirements and employee health care needs
- Definition of Full-Time (FT) employee subject to requirements starts with employees who work an average or 30 hours per week
 - Additional rules apply that may reduce the number of employees (or number of months) that are considered “FT” for ACA employer requirements purposes, for example:
 - Special rules apply for seasonal workers
 - A three month waiting period for insurance may be imposed for new hires (and up to an additional month if an acceptable “probationary” period)
 - Two methods of categorizing employees:
 - 1) Monthly measurement method; and
 - 2) Look-back measurement method
 - Employer may elect either approach
- An employee offered “unaffordable” coverage by an employer can decline offer and purchase Marketplace coverage with PTCs
 - Employer would pay \$3,000 to federal government for each employee accessing premium tax credits and/or cost-sharing protections through Marketplace



ACA Employer Reporting Requirements

- TSGAC memo on [TribalSelfGov.org](http://tribalselfgov.org)
 - “Extension of Due Dates for Employer and Issuer 2015 Information Reporting Under Internal Revenue Code Sections 6055 and 6056”
 - <http://tribalselfgov.org/wp/wp-content/uploads/2016/01/TSGAC-Memo-Extension-of-Due-Dates-for-2015-Information-Reporting-201....pdf>



Options for Tribes, as Employers and Tribal Governments

Tribal Employer: ACA Requirements / Options

For Full-Time *Employees*:

Option 1: “PLAY”

- Offer and pay for health insurance for full-time (FT) employees
- Offer health insurance for dependents
 - No requirement to contribute
- No requirements for spouses

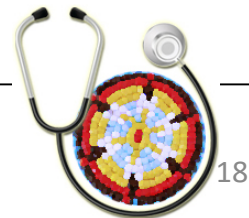
Option 2: “PAY”

- Pay \$2,000 for each FT employee to federal government

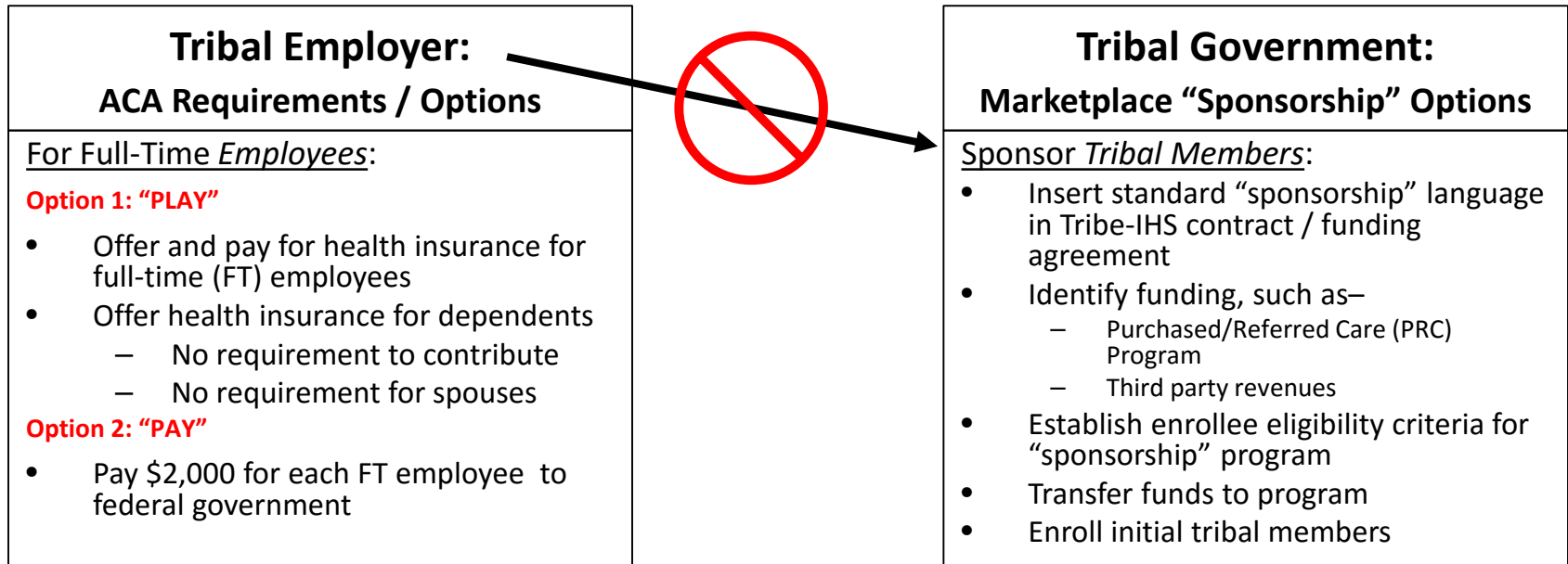
Tribal Government: Marketplace “Sponsorship” Option

For *Tribal Members*:

- Compact or contract to conduct sponsorship
- Identify funding, such as—
 - Purchased/Referred Care (PRC) Program
 - Third party revenues
- Establish enrollee eligibility criteria for “sponsorship” program
- Transfer funds to program
- Enroll initial tribal members



Prohibition on Meeting Employer Requirements by Paying Premiums of Employees in Marketplace



- Tribal employers and other employers are not permitted to meet their requirements as employers by paying for premiums of employees – as employees—enrolled in coverage through a Marketplace
 - Potential fine of \$100 per day per employee if employer sponsoring Marketplace enrollees
- Tribes, as employers, have option to "play" or "pay" for FT *employees*
- Tribes, as governments, have option to "sponsor" tribal *members*



Section 3: Analysis of Employer Options under Affordable Care Act



Steps of Analysis

- Identify employer requirements, prohibitions, goals, and options under Affordable Care Act (ACA)
- Identify Employer Options
 - “Play” options
 - “Pay” options
- Estimate costs and revenues under each Employer Option
- Review Sponsorship options
 - Estimate costs and revenues under different eligibility criteria
- Consider matching Employer Options with Sponsorship
 - Determine preferred Employer Option (as Tribal employer)
 - Consider optimal Sponsorship eligibility criteria (as Tribal government)
- Identify funding for preferred approach
 - Employer Options
 - Sponsorship



Tribe-Specific Goals

Tribe-Specific Goals:

- Meet requirements of federal law (ACA)
- Minimize costs to Tribe as an employer
- Maximize resources available to meet health care needs of Tribal members
- [Ensure Tribal employees (and family members) have affordable options to secure comprehensive health insurance coverage]
- _____
- _____



Employer Options Analyzed

- **Under the Affordable Care Act, employers are required to:**
 - (A) Offer and pay for a portion of coverage for full-time employees **(Play)**
 - OR --
 - (B) Pay \$2,000 to federal government for each FT employee **(Pay)**
- **Employer options analyzed are:**
 - (A) Offer Employer-sponsored coverage (Play)
 - Option 2: Offer coverage to FT employees with low/no premiums
 - Option 3: Offer coverage to FT employees that is technically “affordable” (e.g., employee contributes under 9.66% (2016) of employee income, up to full cost of employer-offered health insurance)
 - Option 4: Offer coverage to FT employees but coverage offer is “unaffordable” (i.e., over 9.66% of household income)
 - (B) Pay federal government (Pay)
 - Option 5: Pay \$2,000 for each FT employee



Coverage Approaches under “Play” Option

- Self-insured plan
 - A TPA (third party administrator) may be hired to operate plan
 - Employer has ability to control plan rules
 - Employer accepts risk of covered individuals
- 3rd party (fully-insured) insurance
 - Request bid from issuer (Blue Cross, etc.)
 - With low participation rate, might be difficult to secure fully-insured plan
- Federal Health Employee Benefit (FEHB) program
 - Option became available to Tribes and associated entities as part of the ACA
 - If opting for FEHB, not all (business) units of a Tribe must enroll
 - For example, the central government employees might enroll and the resort employees might not
 - Broad range of health plans, with some insurance premiums based on local costs and others based on national averages
 - Restrictions on premium contributions:
 - 1) Both self-only and family plan (and self+one in 2016) must be available to employees
 - 2) Based on a formula in FEHB, employer must pay at least 68%-75% of self-only or family coverage, but can pay more
- None of these options access premium tax credits (PTCs) or cost-sharing reductions (CSRs) that are available only through the Marketplace



Overview of Employer Options

1. CURRENT APPROACH:

- No offer of employer coverage for FT employees

“PLAY” EMPLOYER OPTIONS:

2. Full Coverage Offering

- Offer coverage to FT employees with low/no premiums

3. Minimize Cost to Tribal Employer: Scenario One

- Offer coverage to FT employees that is technically “affordable” (*e.g.*, employee contributes under 9.66% (2016) of employee income, up to full cost of employer-offered health insurance)

4. Minimize Cost to Tribal Employer: Scenario Two

- Offer coverage to FT employees but coverage offer is “unaffordable” (*i.e.*, over 9.66% of household income)

“PAY” EMPLOYER OPTIONS:

5. Make Payment to Federal Government for Each FT Employee



Case Study #8: Current Approach to Employer Requirements and Employee Health Care

1. Current Approach

As Employer:

- No offer of employer-sponsored health insurance coverage
- Employees who are Tribal members secure health care services from IHS facilities and/or are referred for care under Purchased/Referred Care (PRC)
 - Funding is provided through federal appropriation to/through HIS
- No offer of coverage or health services for non-Tribal member employees
 - Approximately forty employees who are non-IHS beneficiaries are provided a stipend (for health care costs / insurance) of \$500 per month (\$6,000 per year)



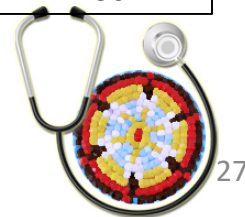
Full-Time Employee Counts and Tribal Employer Approach in 2015

- In 2015, no offer of employer-sponsored coverage
- Employees relied on IHS / Tribal health services
 - Some non-Tribal member employees were paid stipends by employer

FT Employee Counts and Current Approach to Meeting ACA Employer Coverage Requirements

(Approach in 2015 applied to 2016)

	<u>2015</u>	<u>Projected 2016</u>
Total FT employees as of September 2015 (excludes seasonal FT)	691	691
Number of FT employees meeting ACA's definition of Indian	631	631
Number of FT employees <u>not</u> meeting ACA's definition of Indian	60	60
Number of FT employees <u>not</u> IHS eligible	60	60
Number of FT employees receiving stipend (for health care costs/insurance)	50	60
Annual amount of stipend (for health care costs / insurance)	\$6,000	\$6,000
Number of FT employees offered employer-sponsored coverage	0	0
ACA FT employee discount for shared responsibility payment calculations	80	30



Current Approach to Employer Requirements and Employee Health Care

1. Current Approach (continued)

As Employer:

- For 2016 (and 2015), Tribe (as an employer) will be required to make a payment of \$2,000 (or 1/12th of \$2,000 for each applicable month) for each FT employee not offered coverage
 - The \$2,000 per FT employee payment is owed if at least one FT employee receives a premium tax credit through Marketplace

As Tribal Government:

- No current sponsorship by Tribe of Tribal members through Marketplace



“Play” Option: Full Coverage Offering

2. Full Coverage Offering (“Play”)

- Goal under the “Full Coverage Offering” is to achieve high enrollment of employees in insurance coverage
- Employer offers coverage to FT employees and dependents
 - Self-insured plan; FEHB program; or other 3rd party insurance
 - Employees eligible for Medicaid, Medicare or spouses coverage could elect that coverage
- For FT employees, charge low or no health insurance premiums
 - Set premium as a low fixed amount (*e.g.*, \$0; \$10 per month; *etc.*); or
 - Set premium as a low percent of wages amount (*e.g.*, 0%; 2% of wages);
 - Set premium as a low percent of total premium (*e.g.*, 0%; 5%; *etc.*)
- No cost-sharing when served by Indian health care providers
- Use PRC program to pay cost-sharing at non-Indian health care providers
- Because meeting ACA’s employer requirement by offering and paying for coverage, no further employer obligations
 - No requirement to pay for dependent coverage



“Play” Option: Minimize Employer Costs

Scenario One: “Affordable offer”

3. Minimize Costs to Tribal Employer: Scenario one (“Play”)

- Goal under this approach is to minimize costs to employer while meeting the ACA’s employer coverage requirements
- Offer coverage to FT employees that charges employee maximum amount but is technically affordable
 - 2016: <9.66%; 2015: <9.56%
 - FEHB only partially allows this scenario
- Assumed that few FT employees enroll because of costs
 - At \$8.05 / hour in wages, pay \$1,590 / year (9.5% of income)
 - At \$25 / hour in wages, pay up to \$4,910 per year (9.5% of income)
- Because employer option is technically “affordable”, no further employer obligations (*i.e.*, no \$3,000 per FT employee owed)
- A downside to this approach is that:
 - Few FT employees with coverage
 - FT employees, dependents (and possibly spouses) likely to be prevented from securing a premium tax credits through Marketplace because the FT employees have an offer of “affordable” coverage



“Play” Option: Minimize Employer Costs

Scenario Two: “Unaffordable offer”

4. Minimize Costs to Tribal Employer: Scenario two (“Play”)

- Goal under this approach is to minimize upfront costs to employer, although employer pays assessable payment for some employees
- Offer health insurance coverage to FT employees but coverage offer is structured to be “unaffordable” (*i.e.*, requires more than 9.66% of household income for FT employee premium)
- Assumed that few employees enroll because of costs
- Benefit of this approach is most employees (and dependents) would decline employer offer and be able to secure PTCs through Marketplace
- Employer required to make payment to federal government for each FT employee that goes into Marketplace and accesses PTCs and/or CSRs
 - No cost to employer for those not enrolling in Marketplace
 - Payment of 1/12th of \$3,000 for each “applicable month”
 - Employer payments capped at \$2,000 * # of FT (minus 30 in 2016)
- FEHB does not permit this contribution structure
 - Other than a self-insured plan, it may be difficult to find a plan : coverage under this scenario



“Pay” Option

5. Make per FT Employee “Assessable Payment” (“Pay”)

- Employer makes no offer of employer coverage to FT employees or dependents
- Employer makes payment of \$2,000 per FT employee to federal government
 - Obligation is 1/12th of \$2,000 for each applicable month for a FT employee
 - No payment owed for first 80 FT employees in 2015; no payment owed for first 30 FT employees in 2016+
 - Other rules might enable employer to reduce total owed
- Employer payment to federal government not due until mid-year following year (*i.e.*, possibly June 2016, for 2015 obligation)
- Employees (and dependents) would be eligible to receive premium tax credits through Marketplace
 - Employer would have no additional obligations as an employer to make any additional payments to federal government (after \$2,000 payment) if an employee secures coverage (and premium tax credits) through Marketplace



Preferred Approach

- Match preferred employer option (as Tribal employer) with Sponsorship approach (as Tribal government) in order to, to the greatest extent possible:
 - Minimize costs to Tribe
 - Maximize resources for health services to tribal members and tribal health system
 - Maximize payments for health care and health insurance for Tribal members out of IHS appropriation (& 3rd party revenues) for health care

AS EMPLOYER:

- Tribe selects preferred Employer Option

AS TRIBAL GOVERNMENT:

- Tribe establishes eligibility criteria for Sponsorship program, paying premiums of Tribal members (including Tribal members who are employees)
- Eligibility criteria would be non-employee specific



Projected Take-up Rates under Employer Options (No Marketplace Sponsorship)

Summary of Employer Options: # of Insured and Uninsured Employees				
Employer Options		Estimated % of Insured Employees ¹	Estimated # of Insured Employees ¹	Estimated # of Uninsured Employees
Total number of employees:	691			
1. Current Approach (2015): No coverage		0%	0	691
2. Full Coverage Offering		100%	691	0
3. Minimize Cost to Tribal Employer: Scenario one ("affordable offer")		20%	138	553
4. Minimize Cost to Tribal Employer: Scenario two ("unaffordable" offer)		20%	138	553
5. Make Payment of \$2,000 for Each FT Employee		20%	138	553

¹ Individuals receiving a stipend (approximately 60 in 2016) are not included in the insured counts.



1. Calculating Employer Options: Current Approach

1. Calculations for Current (2015) Approach			
a. Current Health Services Appropriated Budget for Tribal Employees (2015) ¹			
	Direct Health Services (non-public health functions)	Purchase / Referred Care (PRC) Program	Totals
FT EMPLOYEES AS PERCENTAGE OF TOTAL USER POPULATION			
Total Active User population			4,920
Total number of FT employees who are Active Users			631
FT employees as % of total Active User population			12.8%
IHS HEALTH SERVICES BUDGET FOR FT EMPLOYEES (FY2015; dollars and as a percentage of total)			
Total IHS appropriation for IHS Area (non-public health functions)	\$136,453,000	\$64,662,000	\$201,115,000
Rocky Boy Active Users as % of Total IHS Area Active User Population	6.8%	6.8%	
Total appropriation (non-public health functions) Service Unit: IHS and Tribe (est.)	\$9,229,177	\$4,373,499	\$13,602,675
FT employees as % of total Chippew Cree Active User population	12.8%	12.8%	
Allocation of Service Unit IHS health service appropriation: FT Employees	\$1,183,661	\$560,910	\$1,744,571



1. Calculating Employer Options: Current Approach

b. Calculation of Employer "Assessable Payment" for FT Employees (Partial "Pay" Option)		
Total number of FT employees w/out offer of employer coverage		691
Number of FT employees payment waived (portion of 30)		-30
Applicable FT employees		661
Per FT employee assessable payment amount (12 months)		\$2,000
Total "assessable payment" for FT employees	(assuming 12 months / FT employee)	\$1,322,000

Combined Obligations / Resources under Current Approach (2015 Baseline)	
Total cost of employer offer of coverage	\$0
Cost of stipends to non-Active User employees	\$300,000
Cost of Tribal employer payment of Marketplace premiums for Tribal members who are employees ¹	\$0
Total "assessable payment" for FT employees	\$1,322,000
Total direct costs of employer coverage requirements: FT employees	\$1,622,000
Allocation of IHS health services funding: FT Employees	\$1,744,571
Total Annual Obligations / Resources for Health Insurance and Health Services for FT Employees of Tribe: Current Approach	\$3,366,571

¹ See IRS Notice 2015-17 regarding guidance on the application of rules and restrictions under § 4980D to certain types of health coverage reimbursement arrangements.



Calculating Employer Options:

2. Full Coverage Offering

- Offer of coverage to FT employees with low/no premiums and low/no cost-sharing
 - Benefits are structured to maximize enrollment in employer plan
 - To estimate potential costs to Tribe under this option, three benchmark plans are shown in the table on next slide
 - Commercial 3rd party bid
 - FEHB premium costs
 - Average private employer-sponsored plans
- A bid by a third party insurer or actual costs for a tribe's self-insured plan would generate additional estimates
- This “Full Coverage Offering” employer option serves as a comparison for other employer options
- In estimating costs, 31% of FT employees assumed to be Medicaid eligible or otherwise insured (zero costs to employer)



Calculating Employer Options:

2. Full Coverage Offering

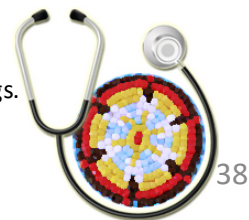
Calculation of "Full Coverage" Option: Employer Offer of Coverage with Low-to-No Premiums and Cost-Sharing				
Per FT Employee Costs	Commercial 3rd Party Health Plan Offering ¹	FEHB Plan as Benchmark ²	National Average of Employer- Sponsored	Average of Reference Plans
Annual premiums (total)	\$9,600	\$7,619	\$6,025	\$7,748
Calculated cost-sharing amounts	\$1,440	\$1,447	\$752	\$1,213
Total premiums and cost-sharing: per FT employee	\$11,040	\$9,067	\$6,777	\$8,961
Number of FT employees	691	691	691	691
Total premium costs: all FT employees	\$6,633,600	\$5,264,757	\$4,163,275	\$5,353,877
Total cost-sharing costs: all FT employees	\$995,040	\$1,000,215	\$519,824	\$838,360
Total health insurance costs: all FT employees	\$7,628,640	\$6,264,972	\$4,683,099	\$6,192,237
Total health insurance costs: FT employees less Medicaid-eligibles (31%)⁴	\$5,272,008	\$4,329,603	\$3,236,401	\$4,279,338

¹ This per employee amount was taken from a quote shown for a different Tribe with 600 FT employees in 2015.

² Estimate under FEHB program is solely for FT employee coverage (no family members)

³ Kaiser Family Foundation Survey of Employers, 2014. <http://files.kff.org/attachment/ehbs-2014-abstract-summary-of-findings>.

⁴ 31% of FT employees assumed eligible for Medicaid or other insurance coverage



Calculating Employer Options:

3. Minimize employer costs – scenario one

Minimize Costs to Tribal Employer: Scenario one (“Play”)

- Offer coverage to FT employees that is technically “affordable” (*e.g.*, employee contributes 9.5% or less of the FT employee’s income; option to use one of three “safe harbors” to ensure coverage is considered “affordable”) but still require substantial contribution
 - FEHB only partially allows this scenario because of restrictions on premium costs for enrollees
- Expectation that few employees take insurance because of costs
 - For one Tribe with shared premium contributions, take-up rate was 10 percent of all FT employees offered coverage
- Because employer option is technically “affordable”, no further employer obligations (*i.e.*, no \$2,000 per FT employee owed)
- A downside to this approach is that FT employees and dependents (and spouses, if using FEHB) could be prevented from securing PTCs through Marketplace because the employer offer of coverage is considered “affordable”



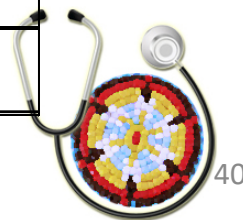
Calculating Employer Options:

3. Minimize employer costs – scenario one

Employer Option: Minimize Costs to Tribal Employer - Scenario One: Offer Coverage to FT Employees that Is "Affordable" (Use of Federal Employees Health Benefit (FEHB) Program as Employer Coverage Offering)				
Premiums for Lowest Cost Plan Offering under FEHB Program (2016)				
Lowest Cost FEHB Offering: APWU* Plan	Enrollee Premium	Employer Premium (minimum)	Total Annual Premium	Employee Contribution as a % of Total Premium
Annual Contribution (\$s)				
Self-only coverage	\$1,350	\$4,051	\$5,402	25%
Family coverage	\$3,241	\$9,723	\$12,964	25%

Employer Option: Minimize Costs to Tribal Employer - Scenario One: Offer Coverage to FT Employees that Is "Affordable"				
Cost of Enrollee Election of Employer-Offered Coverage				Potential Employer Liability for Employees in Marketplace
Total FT employees	691			No additional liability to federal government if coverage offered is "affordable" according to a safe harbor option.
% of FT employees electing employer offer of coverage	20%			
Number of FT employees electing employer-offered coverage	138			
FT employees electing employer-offered coverage: self-only coverage	69.1	\$4,051	\$279,946	
FT employees electing employer-offered coverage: family coverage	69.1	\$9,723	\$671,868	
Total Employer Costs of Employer-Offered Coverage			\$951,814	\$0

* American Postal Workers Union (APWU) plan is open to all FEHB enrollees.



Calculating Employer Options:

4. Minimize employer costs – scenario two

Minimize Costs to Tribal Employer: Scenario two (“Play”)

- Offer health insurance coverage to FT employees but coverage offer is structured to be “unaffordable” (*i.e.*, requires more than 9.66% of household income for FT employee premium)
 - FEHB does not permit this contribution structure
 - **Uncertain if health plan is available to make this type of offer**
 - Employer self-insured plan could be structured this way, although there would be a cost of operating self-insured plan
- Expectation that few employees will take offer of coverage
- If employer offer is “unaffordable” to employee, employee is able to secure PTCs through Marketplace
 - Whether offer is “unaffordable” depends on household income (not just employee income) and as such whether offer is unaffordable cannot be known for certain by the employer
- Employer required to make a payment of 1/12th of \$3,000 for each applicable month for each FT employee that secures a PTC/CSRs through Marketplace, but no payment is required for those not enrolling through Marketplace



Calculating Employer Options:

4. Minimize employer costs – scenario two

Employer Option: Minimize Costs to Tribal Employer - Scenario Two: Offer Coverage to FT Employees that Is “Unaffordable”				
Cost of FT Employee Enrolling in Employer-Offered Coverage				Potential Employer Liability for Employees in Marketplace
Total FT employees	691			
% of FT employees electing employer offer of coverage	5%			Maximum liability = \$3,000 x each employee w/ PTC / CSRs in Marketplace. Exclude employees with Medicaid, Medicare, other private insurance, or who remain uninsured.
Number of FT employees electing employer-offered coverage	35			
FT employees electing employer-offered coverage: self-only coverage*	17	\$2,701	\$46,658	
FT employees electing employer-offered coverage: family coverage*	17	\$6,482	\$111,977	
Total Employer Costs of Employer-Offered Coverage			\$158,635	
Cost to Employer from FT Employees Enrolling in Marketplace**				Capped at \$2,000 x (# of FT employees - 30)
% of employees electing Marketplace coverage	15%			Potential additional liability: \$1,011,050
# of employees electing Marketplace coverage	104	\$3,000	\$310,950	
TOTAL EMPLOYER COSTS	138		\$469,585	

* For modeling purposes, premiums for FEHB's lowest cost plan offering used as a proxy for cost of employer-sponsored insurance. FEHB rules do not permit employer share of premium to drop below published levels (approximately 70-75%). Employer shown to contribute 50% of cost of employer-offered coverage.

** In this scenario, no premium assistance from Tribe for coverage through Marketplace.



Calculating Employer Options: Minimize costs -- Comparison of scenarios one and two

- **Ramifications of Offering “Affordable” Coverage (option 3)**
 - Tribe meets ACA requirements: initial direct cost of \$951,814 (est.)
 - No further employer coverage obligations (*i.e.*, no obligation to pay \$2,000 per FT employee)
 - Employees can not access PTCs (in most cases) through Marketplace because of having an offer of “affordable” coverage from an employer
- **Ramifications of Offering “Unaffordable” Coverage (option 4)**
 - Tribe offers coverage: initial direct cost of \$469,585 (est.)
 - Employees can access PTCs through Marketplace coverage
 - Potential additional liability to Tribal employer because coverage does not meet affordability requirement
 - Employer payment (of 1/2th of \$3,000) for each employee month claiming PTC/CSRs through Marketplace
 - No employer payment if employee does not access PTCs
 - Up to \$1 million in additional liability to employer



Calculating Employer Options:

5. “Pay” Option

5. Make per FT Employee Payment (“Pay”)

- Employer makes no offer of employer coverage to FT employees
- Employer makes payment of \$2,000 per FT employee to federal government
 - Obligation is $1/12^{\text{th}}$ of \$2,000 for each applicable month for a FT employee
 - No payment owed for first 80 FT employees in 2015; no payment owed for first 30 FT employees in 2016+
 - Other rules may narrow number of “applicable months” employer liable for payment
- Because no offer of affordable coverage, employees (and dependents) eligible to receive PTCs through Marketplace
 - Employer would have no additional obligations as an employer to make any additional payments to federal government if an employee secures coverage (and PTCs and CSRs) through Marketplace



Calculating Employer Options:

5. "Pay" Option

Calculation of Employer Options: "Pay" Option	
No employer offer of coverage; employer payment of shared responsibility payment (Payment of 1/12th of \$2,000 for each "applicable month")*	
2016	Total of Employees with FT Status
Full-time Employees	691
# of FT Employees Payment Waived	-30
Applicable FT Employee Count	661
Total number of "applicable months" (review for month-to-month obligations)	7,932
Per FT employee shared responsibility payment (monthly): 1/12th of \$2,000 (2015)*	\$167
Total employer shared responsibility payments (annual)*	\$1,322,000

* Per FT payment amount is subject to an inflation factor that has not yet been announced by IRS.



Review of Employer Options

- **Current Approach (2015)**

- No employer offer of coverage
- Employees who are Tribal member secure health services from IHS facilities and/or through PRC
 - Funding from IHS appropriation

“PLAY” OPTIONS:

- **Full Coverage Offering**

- Offer coverage to FT employees with low/no premiums

- **Minimize Cost to Tribal Employer: Scenario One**

- Offer coverage to FT employees that is technically affordable (*e.g.*, employee contributes 9.66% or less of employee income, up to full cost of employer-offered health insurance)

- **Minimize Cost to Tribal Employer: Scenario Two**

- Offer coverage to FT employees but coverage offer is “unaffordable” (*i.e.*, over 9.66% of household income)

“PAY” OPTIONS:

- **Make Payment of \$2,000 for Each FT Employee**



Summary of Employer Options: Estimated Costs

Summary of Employer Options: Initial Costs and Potential Liability			
Employer Options: Potential Costs	Cost of Employer-Sponsored Coverage	Payments to Federal Government ²	Total Estimated Costs
1. Current Approach (2015): No coverage ¹	\$0	\$1,322,000	\$1,322,000
2. Full Coverage Offering	\$4,279,338	\$0	\$4,279,338
3. Minimize Cost to Tribal Employer: Scenario one ("affordable" offer)	\$951,814	\$0	\$951,814
4. Minimize Cost to Tribal Employer: Scenario two ("unaffordable" offer)	\$469,585	\$1,011,050	\$1,480,635
5. Payment of \$2,000 for Each FT Employee (refine calculation of "applicable months")	\$0	\$1,322,000	\$1,322,000



Summary of Employer Options: # Insured / Uninsured (no Sponsorship)

Summary of Employer Options: # of Insured and Uninsured Employees				
Employer Options		Estimated % of Insured Employees ¹	Estimated # of Insured Employees ¹	Estimated # of Uninsured Employees
Total number of employees:	691			
1. Current Approach (2015): No coverage		0%	0	691
2. Full Coverage Offering		100%	691	0
3. Minimize Cost to Tribal Employer: Scenario one ("affordable offer")		20%	138	553
4. Minimize Cost to Tribal Employer: Scenario two ("unaffordable" offer)		20%	138	553
5. Make Payment of \$2,000 for Each FT Employee		20%	138	553



Summary of Employer Options: Net Costs (no Sponsorship)

Health Care Resources Generated			
Employer Options	Average health care payments per insured employee ¹	# of insured employees	Total health care payments for insured employees
1. Current Approach (2015): No coverage	\$0	0	\$0
2. Full Coverage Offering	\$4,913	691	\$3,394,724
3. Minimize Cost to Tribal Employer: Scenario one ("affordable offer")	\$2,685	138	\$371,074
4. Minimize Cost to Tribal Employer: Scenario two ("unaffordable" offer) ²	\$3,799	138	\$525,009
5. Make Payment of \$2,000 for Each FT Employee ²	\$4,913	138	\$678,945

Net Resources Generated			
Employer Options	Total health care payments for insured employees ¹	Cost of Employer Option	Total <u>net</u> health care payments for insured employees
1. Current Approach (2015): No coverage	\$0	\$1,322,000	-\$1,322,000
2. Full Coverage Offering ¹	\$3,394,724	\$4,279,338	-\$884,613
3. Minimize Cost to Tribal Employer: Scenario one ("affordable offer")	\$371,074	\$951,814	-\$580,740
4. Minimize Cost to Tribal Employer: Scenario two ("unaffordable" offer)	\$525,009	\$1,480,635	-\$955,626
5. Make Payment of \$2,000 for Each FT Employee	\$678,945	\$1,322,000	-\$643,055



Section 4: Hybrid Approach: Matching Employer Options with Sponsorship



Summary Findings: Hybrid Approach

-- Calculating Net Impact of Employer-Offered Coverage Plus Sponsorship of Uninsured Employees in Marketplace--

TRIBAL EMPLOYER PERSPECTIVE -- Summary Impact: Matching Employer Options with Sponsorship							
Employer Options Sponsorship Option: 4 (Full Coverage for Uninsured Active Users)	Costs			Health Service Resources			Net Impact
	Employer Costs: Coverage and Payment to Fed Gov't ¹	Sponsorship Costs	Total Costs	Health Care Payments from Insurance for FT Employees ²	Health Care Payments on Behalf of Sponsored FT Employees ²	Total: Health Service Resources for FT Employees	Health Service Resources for FT Employees Less Employer Costs
1. Current Approach: no coverage	\$1,682,000	--	\$1,682,000	\$0	--	\$0	-\$1,682,000
2. Full Coverage Offering	\$4,279,338	\$0	\$4,279,338	\$3,394,724	\$0	\$3,394,724	-\$884,613
3. Minimize Cost to Tribal Employer: Scenario one ("affordable offer") ³	\$1,311,814	\$1,900,979	\$3,212,793	\$371,074	\$2,715,779	\$3,086,853	-\$125,940
4. Minimize Cost to Tribal Employer: Scenario two ("unaffordable" offer)	\$1,840,635	\$358,058	\$2,198,694	\$525,009	\$2,715,779	\$3,240,788	\$1,042,095
5. Make Payment of \$2,000 for Each FT Employee	\$1,682,000	\$358,058	\$2,040,058	\$678,945	\$2,715,779	\$3,394,724	\$1,354,666

¹ The cost of stipends paid to approximately 60 FT non-Tribal member employees (\$360,000 total) are included under Options 1, 3, 4, 5.

² Total health care payments may be under-estimated as health service payments are standardized on average payments for the general population under Marketplace coverage.

³ Sponsorship costs include marginal costs of loss of PTCs for FT employees and their family members due to employer offer of "affordable" coverage.



Summary Findings: Hybrid Approach

-- Calculating Net Impact of Employer-Offered Coverage Plus Sponsorship of All Uninsured Tribal Members --

CONSOLIDATED TRIBAL PERSPECTIVE (Government and Employer) -- Summary Impact: Matching Employer Options with Sponsorship							
All Uninsured Active Users Sponsorship Option: 4 (Full Coverage for Uninsured Active Users)	Costs			Health Service Resources			Net Impact
	Employer Costs (Direct & Potential) for FT Employees, includes stipends ¹	Sponsorship Costs (all uninsured active users)	Total Costs (all Tribe)	Health Care Payments from Employer Insurance for FT Employees ²	Health Care Payments on Behalf of Sponsored Tribal Members ²	Total: Health Service Resources for "Uninsured" Tribal Members ³	Health Service Resources for All Uninsured Active Users Less Tribal Costs
1. Current Approach: No coverage	\$1,682,000	--	\$1,682,000	\$0	--	\$0	-\$1,682,000
2. Full Coverage Offering	\$4,279,338	\$2,173,095	\$6,452,433	\$3,394,724	\$6,509,896	\$9,904,621	\$3,452,188
3. Minimize Cost to Tribal Employer: Scenario one ("affordable offer")	\$1,311,814	\$3,716,016	\$5,027,830	\$371,074	\$10,289,460	\$10,660,533	\$5,632,703
4. Minimize Cost to Tribal Employer: Scenario two ("unaffordable" offer)	\$1,840,635	\$1,815,037	\$3,655,672	\$525,009	\$10,097,040	\$10,622,049	\$6,966,377
5. Make Payment of \$2,000 for Each FT Employee	\$1,682,000	\$1,815,037	\$3,497,037	\$678,945	\$10,074,357	\$10,753,302	\$7,256,265

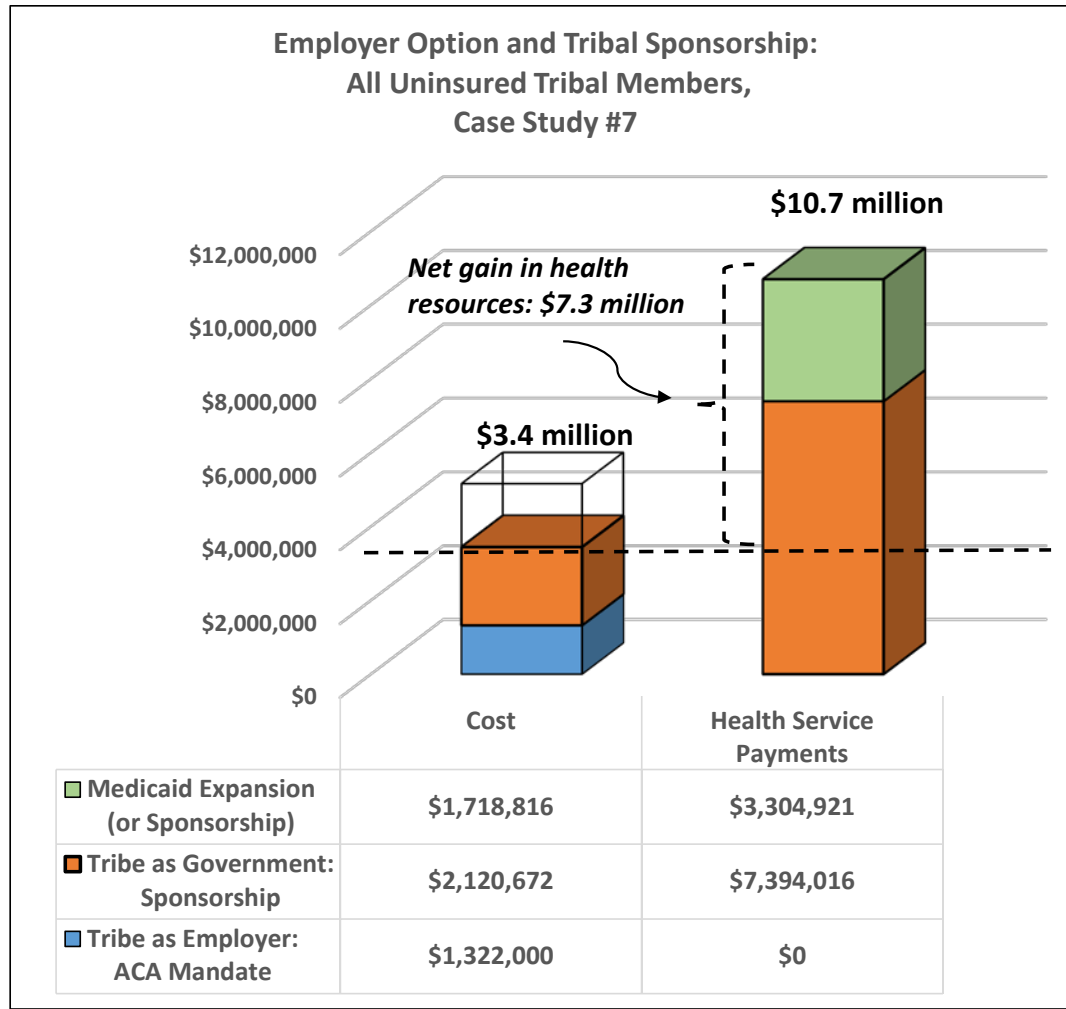
¹ The cost of stipends paid to approximately 60 FT non-Tribal member employees (\$360,000 total) are included under Options 1, 3, 4, 5.

² "Health care payments for sponsored employees" includes payments made on behalf of Medicaid-enrolled FT employees.

³ Total health care payments may be under-estimated as health service payments are standardized on average payments for the general population under Marketplace coverage.



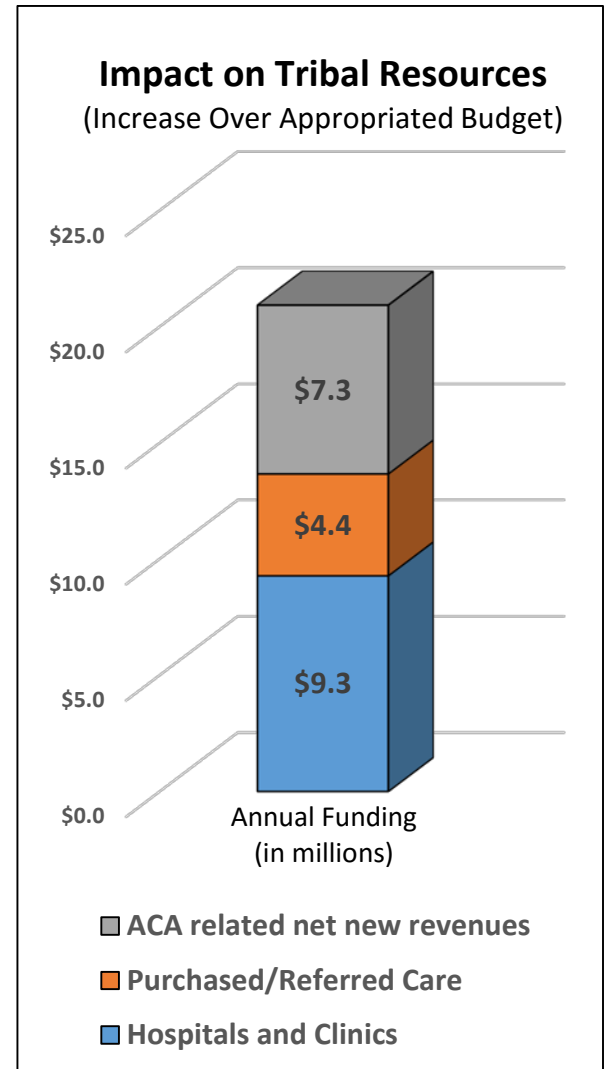
Net Impact: Employer & Sponsorship Costs versus Increased Health Service Payments



Matched Policies Result in Substantial Increases in Resources

- Meeting employer requirements and undertaking broad sponsorship results in --
 - Near universal insurance coverage of Active Users
 - 55% (or \$7.3 million) increase in funding over appropriated funding levels

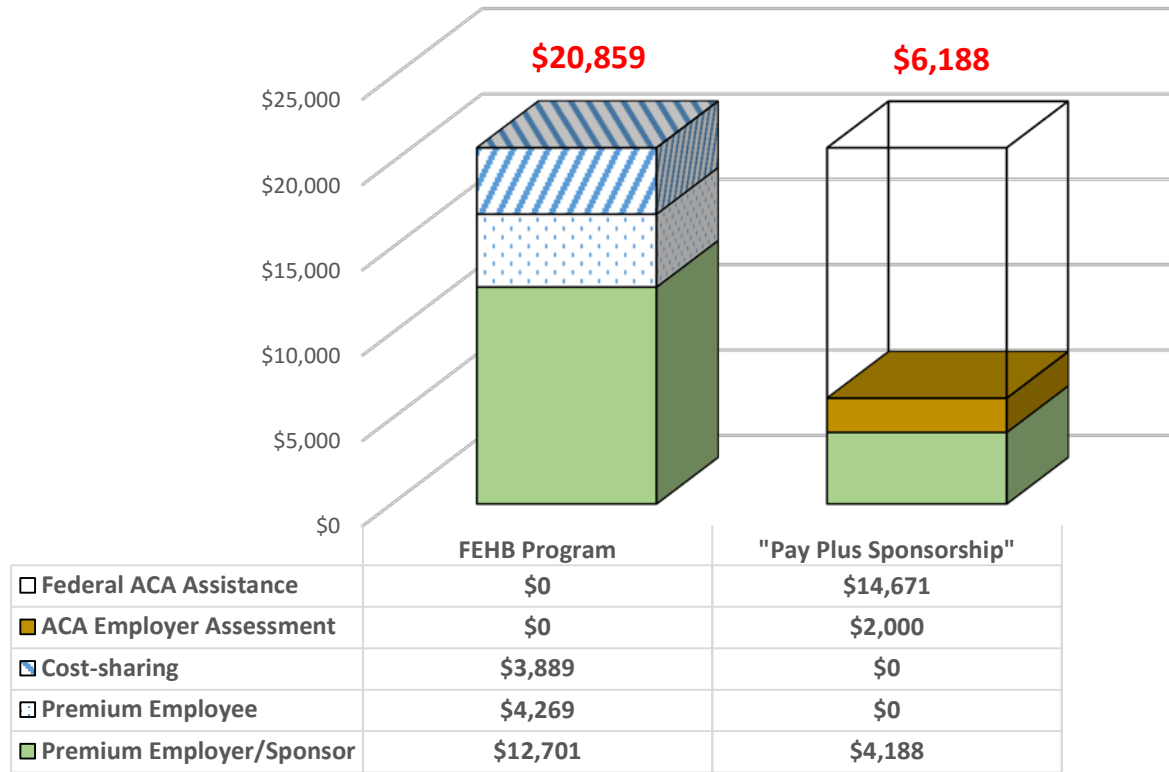
Case Study #7: Increase over IHS Appropriation (excluding public health functions)		
Program Component	Appropriated Funds (millions; estimated)	Percentage Increase over Appropriation
Hospitals & Clinics	\$9.3	
Purchased / Referred Care	\$4.4	
Total IHS Appropriated Budget	\$13.7	
ACA Related Net New Revenues	\$7.3	53%
Total	\$20.9	



Review of FEHB Program Option: Comparison to Marketplace Enrollment

Comparison of Combined Employer/Employee/Tribe Costs: FEHB versus "Pay Plus Sponsorship" Option

One Family of Three; \$70,000 Annual HH Income (350% FPL); 3 Enrollees¹



¹Family of three: two 46 year-olds; one 21 year-old; Case Study #5 county



Review of FEHB Program Option: Comparison to Marketplace Enrollment

Case Study #5: Tribal Employer "Pay" Option vs. Offering FEHB Coverage								Table 1 of 2
FT Employee Demographics (46 year old)		(1) "Pay" Option	(2) Offer FEHB Coverage					
a	b	c	d	e	f	g	h	i
Family Income	# in Household	Assessable Payment per FT Employee	Plan Chosen	Electing Coverage?	Premium: employer	Premium: employee	Cost- Sharing (average)	Total
Family: \$28,000 (140% FPL)	3-person HH	\$2,000	Lowest Cost (APWU)	FT Employee (1 enrollee)	\$4,051	\$1,350	\$1,186	\$6,588
Family: \$28,000 (140% FPL)	3-person HH	\$2,000	Lowest Cost (APWU)	FT Employee Plus One (2 enrollees)	\$8,913	\$2,971	\$2,372	\$14,256
Family: \$28,000 (140% FPL)	3-person HH	\$2,000	Lowest Cost (APWU)	FT Employee and Family (3 enrollees)	\$9,723	\$2,971	\$2,846	\$15,540
Family: \$70,000 (350% FPL)	3-person HH	\$2,000	BCBS: Basic	FT Employee (1 enrollee)	\$5,342	\$1,781	\$1,447	\$8,569
Family: \$70,000 (350% FPL)	3-person HH	\$2,000	BCBS: Basic	FT Employee Plus One (2 enrollees)	\$11,987	\$4,179	\$2,894	\$19,060
Family: \$70,000 (350% FPL)	3-person HH	\$2,000	BCBS: Basic	FT Employee and Family (3 enrollees)	\$12,701	\$4,269	\$3,889	\$20,859
Individual: \$16,500 (140% FPL)	1-person HH	\$2,000	Lowest Cost (APWU)	FT Employee (1 enrollee)	\$4,051	\$1,350	\$1,186	\$6,588
Family: \$110,495 (550% FPL)	3-person HH	\$2,000	BCBS: Basic	FT Employee and Family (3 enrollees)	\$12,701	\$4,269	\$3,889	\$20,859



Review of FEHB Program Option: Comparison to Marketplace Enrollment

Case Study #5: Tribal Employer "Pay" versus FEHB; FEHB versus "Pay" Plus Sponsorship Options						Table 2 of 2	
FT Employee Demographics (46 year old)		(3) Tribal Employer and Tribal Government Option: "Pay Plus Sponsorship" through Marketplace				Comparing Total Insurance Costs	
j	k	l	m	n	o	p	q
Family Income	# in Household / # of Enrollees	"Pay"	Premium (total)	Cost-Sharing	Total	"Pay" vs. FEHB (1) vs. (2) (c vs. i)	FEHB vs. "Pay Plus Sponsorship" (2) vs. (3)
Family: \$28,000 (140% FPL)	3-person HH / 1 enrollee	\$2,000	\$0	\$0	\$2,000	-\$4,588	\$4,588
Family: \$28,000 (140% FPL)	3-person HH / 2 enrollees	\$2,000	\$0	\$0	\$2,000	-\$12,256	\$12,256
Family: \$28,000 (140% FPL)	3-person HH / 3 enrollees	\$2,000	\$0	\$0	\$2,000	-\$13,540	\$13,540
Family: \$70,000 (350% FPL)	3-person HH / 1 enrollee	\$2,000	\$3,504	\$0	\$5,504	-\$6,569	\$3,065
Family: \$70,000 (350% FPL)	3-person HH / 2 enrollees	\$2,000	\$4,824	\$0	\$6,824	-\$17,060	\$12,236
Family: \$70,000 (350% FPL)	3-person HH / 3 enrollees	\$2,000	\$4,188	\$0	\$6,188	-\$18,859	\$14,671
Individual: \$16,500 (140% FPL) ¹	1-person HH / 1 enrollee	\$2,000	\$0	\$0	\$2,000	-\$4,588	\$4,588
Family: \$110,495 (550% FPL) ¹	3-person HH / 3 enrollees	\$2,000	\$9,360	\$0	\$11,360	-\$18,859	\$9,499

¹ The annual premium through the Marketplace for a 1-person HH applies for one 46-year-old. The annual premium through the Marketplace for a 3-person HH applies for two 46-year-olds and one 21-year-old.

² The annual premium through Marketplace for a 3-person HH (two 46 yr olds; one 21-year old) without PTCs is \$15,672 for BCBS gold metal level. The annual premium through Marketplace for a 2-person HH (two 60 yr olds) without PTCs is \$21,264 for BCBS gold metal level (MSP).



Review of FEHB Program Option: Comparison to Marketplace Enrollment

Case Study #5: Employer Coverage Options										
Comparison of Cost of FEHB Enrollment to Marketplace Enrollment, 2016										
Insurance Source (FEHB or Marketplace)	HH Size	# of Enrollees	Premiums			Out-of- Pocket Costs: Average	Employer Assessable Payment	Total Costs	Difference from Lowest Cost FEHB	Difference from National
			Employee	Employer / Sponsor	Total					
FEHB Program										
<u>Lowest Cost Offering: APWU</u>										
Self	--	1 enrollee	\$1,350	\$4,051	\$5,402	\$1,186	\$0	\$6,588	--	-\$1,982
Self Plus One	--	2 enrollees	\$2,971	\$8,913	\$11,884	\$2,372	\$0	\$14,256	--	-\$4,804
Self and Family	--	3 enrollees	\$3,241	\$9,723	\$12,964	\$2,846	\$0	\$15,810	--	-\$5,049
<u>Nationwide BCBS: Basic</u>										
Self	--	1 enrollee	\$1,781	\$5,342	\$7,122	\$1,447	\$0	\$8,569	\$1,982	--
Self Plus One	--	2 enrollees	\$4,179	\$11,987	\$16,166	\$2,894	\$0	\$19,060	\$4,804	--
Self and Family	--	3 enrollees	\$4,269	\$12,701	\$16,970	\$3,889	\$0	\$20,859	\$5,049	--
Marketplace¹										
<u>Case Study #5 County</u>										
Individual: 140% FPL (\$16.5K)	1-person HH	1 adult enrollee		\$0	\$0	\$0	\$2,000	\$2,000	-\$4,588	-\$6,569
Family: 140% FPL (\$28K)	3-person HH	3 adult enrollees		\$0	\$0	\$0	\$2,000	\$2,000	-\$13,810	-\$18,859
Family: 350% FPL (\$70K)	3-person HH	3 adult enrollees		\$4,188	\$4,188	\$0	\$2,000	\$6,188	-\$9,622	-\$14,671
Individual: 401% FPL (\$47K)	1-person HH	1 adult enrollee		\$3,504	\$3,504	\$0	\$2,000	\$5,504	-\$1,084	-\$3,065
Family: 401% FPL (\$80.5K)	3-person HH	3 adult enrollees		\$9,360	\$9,360	\$0	\$2,000	\$11,360	-\$4,450	-\$9,499

¹ The annual premium through the Marketplace for a 1-person HH applies for one 46-year-old. The annual premium through the Marketplace for a 3-person HH applies for two 46-year-olds and one 21-year-old.



Tax Consequences of Payment of Stipends

1. FICA (Federal Insurance Contributions Act) taxes:

- Employee pays (withholding from wages):
 - 6.2 percent Social Security tax
 - 1.45 percent Medicare tax (the “regular” Medicare tax)
 - beginning in 2013, a 0.9 percent Medicare surtax when the employee earns over \$200,000
- Employer pays (in addition to wages):
 - additional 6.2 percent Social Security tax
 - Additional 1.45 percent Medicare tax
- Total:
 - 15.3 percent

2. Income taxes

- Federal income taxes
- State income taxes, if any



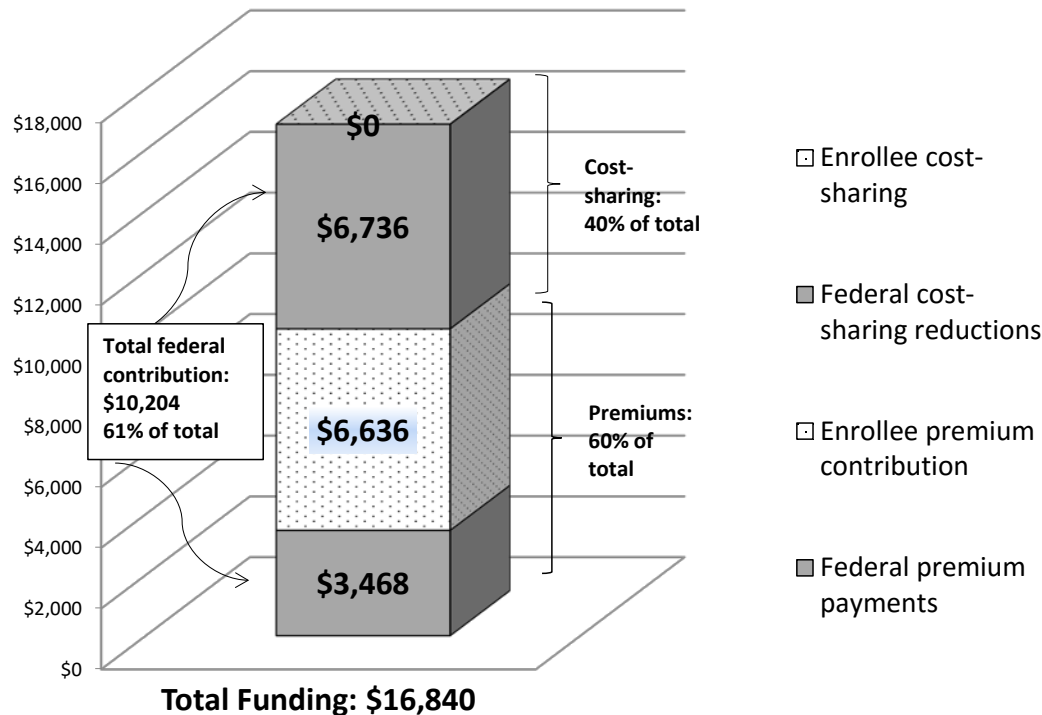
New Resources Made Available through Marketplace

(Example of family of three; \$70,315 in household income)

Source and Distribution of Funding for Marketplace Coverage, 2016
 - American Indian or Alaska Native Family -

Three-person household; annual income of \$70,315 (350% FPL)

(3 enrollees; Green Bay, Brown County, Wisconsin; bronze-level coverage)



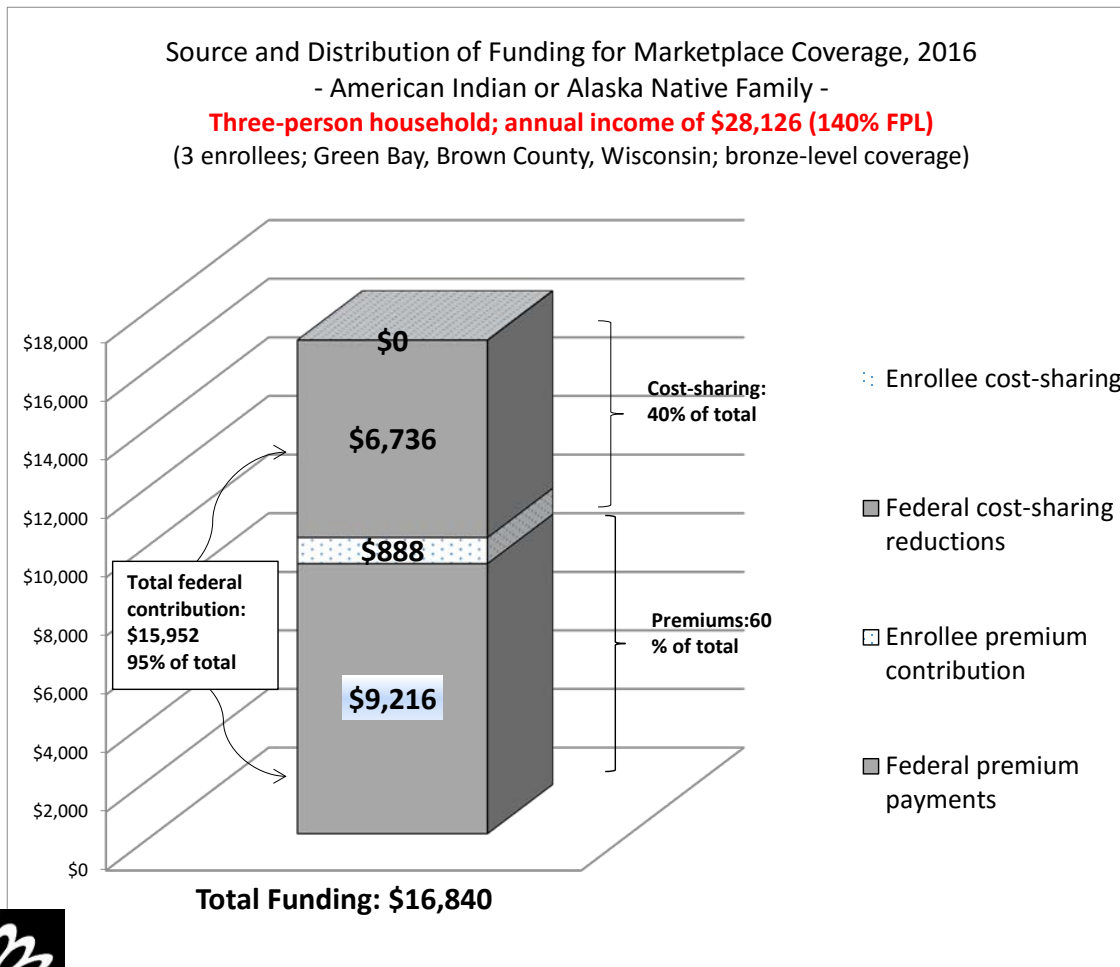
Two types of Federal government assistance through the Marketplace

- Premium tax credits
- Cost-sharing reductions (CSRs)
 - General CSRs
 - Two Indian-specific CSRs
 - No cost-sharing (“zero”)
 - No cost-sharing with referrals (“limited”)



New Resources Made Available through Marketplace

(Example of family of three; \$28,126 in household income)



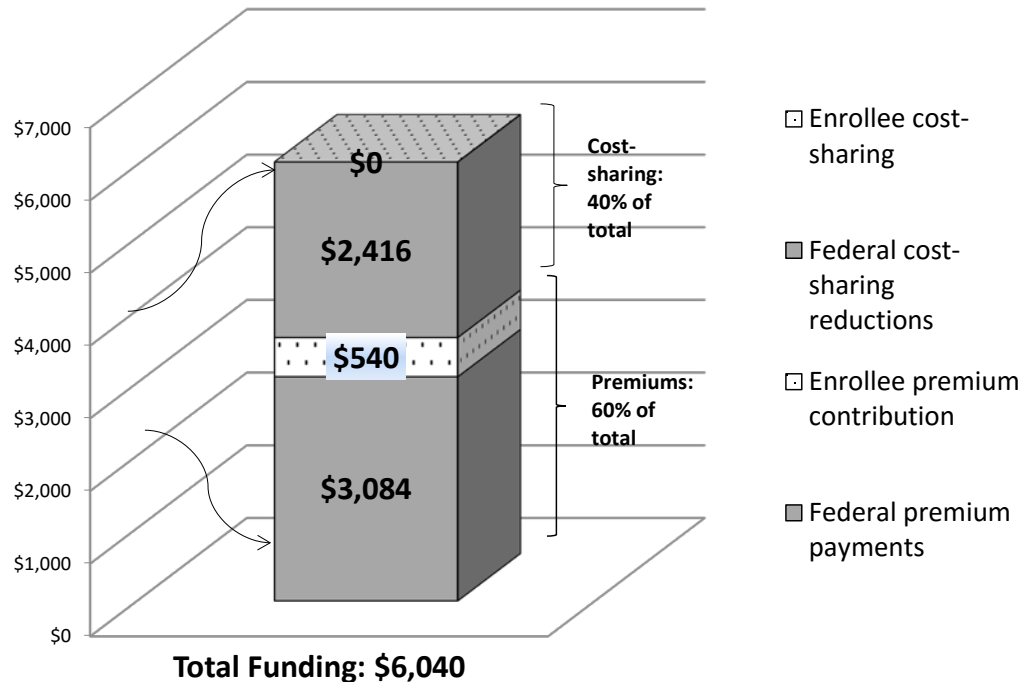
- AI/ANs are encouraged to enroll in bronze level plans
 - Premiums are lowest
 - Federal contribution for CSRs is greatest
- Families with AI/AN and non-AI/AN members enroll in separate plans to maximize cost-sharing protections



New Resources Made Available through the ACA

(Example of individual; \$16,478 in household income)

Source and Distribution of Funding for Marketplace Coverage, 2016
 - American Indian or Alaska Native Family -
One-person household; annual income of \$16,478 (140% FPL)
 (Green Bay, Brown County, Wisconsin;
bronze-level coverage; one 40-year-old enrollee)



- For households with income over 400% FPL, premium tax credits are not available
 - \$97,000 family of four
 - 47,080 for individual
- AI/AN households of any income level are eligible for comprehensive cost-sharing protections

