

ASSOCIATION OF EMPLOYEE BENEFIT
PLANNERS OF NEW ORLEANS

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**AFFORDABLE CARE ACT PLANNING FOR 2014:
WILL EMPLOYERS CONTINUE TO
OFFER GROUP HEALTH COVERAGE?**

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I. What is the Future for Employer-Sponsored Group Medical Plans?

A. Large Cost Increases.

1. Medical plan costs have been skyrocketing for years.
2. Increases regularly exceed the general inflation rate.
3. Medical plans generally are the most expensive employer-provided benefit.
4. Even before the PPACA, employers could have realized large savings by eliminating employee medical coverage.

B. Why Do Employers Sponsor Medical Plans?

1. Altruism?
2. Recruiting employees.
3. Retaining employees.

4. Medical benefits are often ranked as the most important benefit to employees.
5. Medical benefits are an important reason why many people work.
6. Competing employers offer medical coverage.

II. Will PPACA Prompt Employers to Stop Sponsoring Medical Plans?

A. Changes Beginning in 2014. Numerous provisions of the Patient Protection and Affordable Care Act (PPACA) become effective in 2014, including:

1. Exchanges.
2. Individual mandate.
3. Premium assistance tax credit and cost sharing reductions.
4. Numerous employer mandates.
5. Employer free-rider penalties.

B. American Health Benefit Exchanges.

1. Exchanges Established.
 - a. Beginning in 2014, states will begin to operate health insurance exchanges for both the individual and the small group market.
 - b. Exchanges are intended to facilitate the purchase of health insurance coverage for the individual and small group markets.
 - c. Exchanges will serve as portals for consumers and provide information to enrollees and prospective enrollees.
 - d. Exchanges will certify that insurance offered through them complies with the new federal standards for “essential health benefits.”
 - e. States may combine individual and SHOP Exchanges.
2. PPACA envisions states will also create Small Business Health Options Program (SHOP) Exchanges.

- a. To be eligible for the SHOP Exchange, a small employer must have no more than 100 employees.
- b. Until 2016, states may limit the small group market to employers with no more than 50 employees.
- c. Beginning in 2017, states may allow employers with more than 100 employees to participate in the exchanges.

III. Individual Mandate. PPACA §§1501, 10106(b), HCERA §1002, IRC §5000A.

- A. All individuals must obtain qualifying coverage or pay a penalty, except:
 1. Prisoners;
 2. Undocumented aliens;
 3. Health care sharing ministry members; and
 4. Those who qualify for the religious conscience exemption. Code §5000A(d).
- B. The penalty does not apply to the following individuals:
 1. Those for whom coverage is unaffordable (for whom their required contribution exceeds 8% of household income);
 2. Those whose income is below the filing threshold;
 3. Members of Indian tribes;
 4. Short lapses (individuals who lack minimum essential coverage for less than three months);
 5. Individuals who HHS determine have suffered a hardship with respect to the capability to obtain coverage under a qualified health plan for the month;
 6. Dependents (the penalty for dependents is imposed on the taxpayer who claims the dependency exemption); and
 7. Individuals who reside outside the United States or in a U.S. territory. Code §5000A(e).
- C. Penalty. Code §5000A(c).
 1. The penalty is the greater of:

- a. \$95.00 in 2014, \$325.00 in 2015, and \$695.00 in 2016; or
 - b. 1% of income in 2014, 2% of income in 2015, and 2.5% of income in 2016.
2. The maximum penalty is the national average “bronze plan” premium.
 3. One-twelfth of the penalty is imposed for each month in which the applicable individual does not have minimum essential health coverage.
 4. Dependents.
 - a. The penalties are 50% for children up to a cap of \$2,085.00 (3 x \$695) for the entire family.
 - b. If a taxpayer claims an applicable individual as a dependent, the taxpayer (rather than the dependent) is liable for the penalty that otherwise would be imposed on the dependent.
 - c. Married taxpayers who file a joint return are jointly liable for the penalty that is imposed on either one of them.
 5. The penalty is included with the taxpayer’s income tax return for the year that includes the month for which the penalty is imposed.
 6. These dollar amounts are indexed to the Consumer Price Index after 2016.

D. Administration. Code §5000A(g)(2).

1. Taxpayers are not subject to any criminal prosecution or penalty for failing to pay timely the penalty for failure to maintain coverage.
2. The IRS is prohibited from using liens or levies to collect unpaid penalties for failure to maintain coverage.

E. “Minimum essential coverage” means coverage under any of the following:

1. A government sponsored program (Medicare, Medicaid, the Childrens Health Insurance Program [CHIP], TRICARE for Life, the Veteran’s Health Care Program, or the health plan for Peace Corps volunteers);
2. An “eligible employer-sponsored plan”;
3. A health plan offered in the individual market within a state;
4. A grandfathered health plan; or
5. Other health coverage such as a state health benefit risk pool that HHS, in coordination with the IRS, recognizes. Code §5000A(f)(1).

- F.** An “eligible employer-sponsored plan” is a group health plan or group health insurance coverage offered by an employer to the employee that is a governmental plan or any other plan offered in the small or large “group market” within a state.
1. This includes a grandfathered health plan offered in a “group market.”
 2. Governmental plans generally include health plans for employees of governments, certain international organizations, Indian tribal governments and plans governed by the Railroad Retirement Act. Code §5000A(f)(2).
- G.** “Group market” is the health insurance market under which individuals obtain health insurance coverage, directly or through an arrangement, on behalf of themselves and their dependents through an employer-sponsored group health plan. PPACA §1304(a)(2).
1. “Large group market” means health plans maintained by large employers (generally those with more than 100 employees);
 2. “Small group market” means health plans maintained by small employers (generally those with no more than 100 employees; however, each state may choose to reduce this threshold to 50 employees). PPACA §1304(a)(e) and (b).
- H.** “Minimum essential coverage” does not include health insurance coverage that consists of excepted benefits:
1. Accident or disability income insurance coverage;
 2. Liability insurance, including general liability insurance and automobile liability insurance, and coverage issued as a supplement to liability insurance;
 3. Worker’s compensation or similar insurance;
 4. Automobile medical payment insurance;
 5. Credit only insurance;
 6. Coverage for on-site medical clinics and other similar insurance coverage under which benefits for medical care are secondary or incidental to other insurance benefits.
 7. If benefits are provided under a separate policy, certificate or insurance contract, excepted benefits also include:

- a. Limited scope dental or vision benefits,
 - b. Benefits for long-term care,
 - c. Nursing home care,
 - d. Home health care,
 - e. Community-based care, or
 - f. Any combination of those.
8. Coverage only for a specific disease or illness,
 9. Hospital indemnity or other fixed indemnity coverage,
 10. Medicare supplemental health insurance,
 11. Coverage supplemental to the medical and dental coverage provided to the military, and
 12. Similar supplemental coverage provided under a group health plan.

IV. Premium Assistance Tax Credit and Cost Sharing Reductions.

- A. In general, qualifying taxpayers who obtain health insurance coverage by enrolling in a qualified health plan may receive a refundable tax credit. Code §36B.
 1. The tax credit is refundable and payable in advance directly to the insurer to subsidize the purchase of health insurance plans through an exchange.
 2. “Applicable taxpayers” generally means individuals whose household income is at least 100% but not more than 400% of the federal poverty level who are not eligible for Medicaid, employer-sponsored insurance (required contribution cannot exceed 9.5% of household income and plan’s share of total cost cannot be less than 60%) or other acceptable coverage.
- B. Mechanics of credit.
 1. Eligible individual enrolls in a plan offered through an exchange and reports his or her income to the exchange.
 2. The credit, which is based on income, is paid directly to the insurance plan in which the individual is enrolled.
 3. The individual pays the plan the difference between the premium assistance credit amount and the total premium charged for the plan.

4. The individual is given a mandatory three month grace period before coverage is involuntarily terminated for failure to pay the premium.
 5. For employed individuals, their portion of the premium will be made through payroll deductions. (Joint Committee on Taxation Report.)
- C. Premium assistance amount. Prop. Treas. Reg. §1.36B-3.
1. In general, the premium assistance amount is the excess (if any) of:
 - a. The adjusted monthly premium for the month of the applicable second lowest cost silver plan for the taxpayer over
 - b. An amount equal to one-twelfth of the product of the “applicable percentage” times the taxpayer’s household income for the year.
 2. Tiers of qualified health plans refer to the percent of the full actuarial benefits provided under the plan:
 - a. Bronze: 60% of the full actuarial benefits.
 - b. Silver: 70% of the full actuarial benefits.
 - c. Gold: 80% of the full actuarial benefits.
 - d. Platinum: 90% of the full actuarial benefits.
 3. Applicable percentage. Prop. Treas. Reg. §1.36B-3(g).
 - a. The applicable percentage for any taxable year is the percentage that the applicable percentage for any taxpayer whose household income is within an income tier specified in the following table increases, on a sliding scale in a linear manner, from the initial premium percentage to the final premium percentage specified in that table for that income tier.

- b. Percentages are determined using the following table:

Household Income relative to FPL	Initial Premium Percentage	Final Premium Percentage
Up to 133%	2.00%	2.00%
133% up to 150%	3.00%	4.00%
150% up to 200%	4.00%	6.30%
200% up to 250%	6.30%	8.05%
250% up to 300%	8.05%	9.50%
300% up to 400%	9.50%	9.50%

4. Federal poverty level. The federal poverty level is based on family size. For example, the following was the federal poverty level for 2011.

Family Size	2011 Federal Poverty Level
1	10,890.00
2	14,710.00
3	18,530.00
4	22,350.00
5	26,170.00
6	29,990.00
7	33,810.00
8	37,630.00

5. Examples.

- a. Employee A.

	Employee A
Type of Coverage	single
Household Income	43,560.00
Percentage of FPL	400%
Applicable Percentage	9.50%
Affordable Premium Amount	4,138.20
2nd Lowest Cost Silver Plan	4,500.00
Premium Assistance Credit	361.80
After Tax Cost of ER Plan	578.66
Additional Cost to Employee	3,559.54

b. Employee B.

	Employee B
Type of Coverage	single
Household Income	27,225.00
Percentage of FPL	250%
Applicable Percentage	8.05%
Affordable Premium Amount	2,191.61
2nd Lowest Cost Silver Plan	4,500.00
Premium Assistance Credit	2,308.39
After Tax Cost of ER Plan	578.66
Additional Cost to Employee	1,612.95

c. Employee C.

	Employee C
Type of Coverage	single
Household Income	10,890.00
Percentage of FPL	100%
Applicable Percentage	2.00%
Affordable Premium Amount	217.80
2nd Lowest Cost Silver Plan	4,500.00
Premium Assistance Credit	4,282.20
After Tax Cost of ER Plan	578.66
Additional Cost to Employee	(360.86)

d. Employee D.

	Employee D
Type of Coverage	Family of 4
Household Income	44,700.00
Percentage of FPL	200%
Applicable Percentage	6.30%
Affordable Premium Amount	2,816.10
2nd Lowest Cost Silver Plan	13,800.00
Premium Assistance Credit	10,983.90
After Tax Cost of ER Plan	3,441.71
Additional Cost to Employee	(625.61)

e. Employee E.

	Employee E
Type of Coverage	Family of 4
Household Income	55,875.00
Percentage of FPL	250%
Applicable Percentage	8.05%
Affordable Premium Amount	4,497.94
2nd Lowest Cost Silver Plan	13,800.00
Premium Assistance Credit	9,302.06
After Tax Cost of ER Plan	3,441.71
Additional Cost to Employee	1,056.23

f. Employee F.

	Employee F
Type of Coverage	Family of 4
Household Income	89,395.00
Percentage of FPL	400%
Applicable Percentage	9.50%
Affordable Premium Amount	8,492.53
2nd Lowest Cost Silver Plan	13,800.00
Premium Assistance Credit	5,307.48
After Tax Cost of ER Plan	3,441.71
Additional Cost to Employee	5,050.82

D. Cost sharing. The cost sharing (e.g., deductibles and copayments) that may be required under a qualified health plan is reduced for individuals at or below 400% of the poverty line. The standard out-of-pocket maximum limits will be reduced by:

1. Two-thirds for individuals with household income of more than 100% but not more than 200% of the poverty line;
2. One-half for individuals between 201% and 300% of the poverty line; and
3. One-third for individuals between 301% and 400% of the poverty line.

E. Effective for tax years ending after December 31, 2013.

V. Shared Responsibility For Employers (“Free Rider Penalty”).

A. Large employers not offering health coverage. Code §4980H(a).

1. If:

- a. An “applicable large employer” fails to offer its full-time employees (and their dependents) the opportunity to enroll in minimum essential coverage under an eligible employer-sponsored plan, and
- b. At least one full-time employee (employed an average of at least 30 hours per week) has been certified as having enrolled for the month in a qualified health plan for which a premium tax credit or a cost-sharing reduction is allowed or paid with respect to the employee,
- c. The tax imposed for that month is equal to one-twelfth of \$2,000.00 (adjusted for inflation after 2014) times the number of full-time employees during that month (less 30 employees).

B. Large employers offering health coverage. Code §4980H(b).

- 1. If:
 - a. An “applicable large employer” offers its full-time employees (and their dependents) the opportunity to enroll in minimum essential coverage under an eligible employer-sponsored plan for any month, and
 - b. One or more full-time employees is certified as having enrolled for such month in a qualified health plan with respect to which an applicable premium tax credit or cost sharing reduction is allowed or paid with respect to the employee,
 - c. Then there is imposed a tax equal to the number of full-time employees who receive the credit or cost sharing reduction for that month times one-twelfth of \$3,000.00 (adjusted for inflation after 2014).
- 2. The maximum tax for an employer that offers minimum essential coverage is the product of:
 - a. One-twelfth of \$2,000.00 (adjusted for inflation after 2014) times
 - b. The number of full-time employees during that month (minus 30).
- 3. Affordable Coverage.

- a. An individual is ineligible for a premium tax credit and cost sharing reductions for health insurance purchased through an exchange if the individual is offered minimum essential coverage that is affordable.
 - b. An employee is eligible for a premium tax credit or cost sharing reductions if the employee is offered minimum essential coverage that either:
 - i Consists of a plan under which the plan's share of the total allowed cost of benefits is less than 60%; or
 - ii Is unaffordable, i.e., the employee's share of the premium is more than 9.5% of the employee's household income.
 - (a) This percentage is indexed to the per capita growth in premiums for the insured market as determined by HHS.
 - (b) The employee must seek an affordability waiver from the exchange and provide information of family income and the lowest cost employer option offered to the employee.
 - (c) If the exchange provides the employee an affordability waiver, the penalty applies with respect to that employee.
4. An employer must be notified if one of its employees is determined to be eligible for premium assistance credit or a cost sharing reduction.
- a. The notice must include information about the employer's potential liability for the penalty.
 - b. It must also notify the employer of the appeals process established for employers notified of potential liability for the penalty.
 - i An employer generally is not entitled to information about its employees who qualify for the premium assistance credit or cost sharing reductions.
 - ii During the appeals process the employer has the opportunity to access the data used to make the determination of the employee's eligibility.
5. An individual who chooses to enroll in Medicaid does not cause an employer to become liable for the penalty.

- C.** “Large employer” means one with over 50 full-time equivalent employees.
1. For the construction industry, “large employer” means one with five full-time equivalent employees if prior year payroll expenses exceed \$250,000.00.
 2. Part-time employees (on a full-time equivalent basis) are included when determining if an employer has 50 employees by dividing their aggregate monthly hours by 120.
 3. Exemption for seasonal workers: If the employer employed over 50 employees for 120 or fewer days and the employees in excess of 50 employees during that 120 day (or fewer) were seasonal workers.
 4. Employees of all controlled group members are aggregated.
 5. If the employer was not in existence throughout the preceding calendar year, the determination of whether the employer is an applicable large employer is based on the average number of employees reasonably expected to be employed on business days in the current calendar year.
- D.** “Seasonal worker” is one who performs labor or services on only a seasonal basis and retail workers employed exclusively during holiday seasons.
1. Labor is performed on a seasonal basis if the employment pertains to or is a kind exclusively performed at certain seasonal periods of a year, and which, by its nature, may not be continuous or carried on throughout the year.
 2. A worker who moves from one seasonal activity to another, while employed in agriculture or performing agricultural labor, is employed on a seasonal basis, even though he may continue to be employed during a major portion of the year.
- E.** These shared responsibility excise taxes are not deductible for federal income tax purposes.
- F.** Example 1. Employer that offers no coverage to 500 employees.
1. Assumptions.

Percentage of EE’s Covered	75%
EE Share of EE Only Cost	25%
EE Share of Dependent Cost	60%
 2. Cost of coverage.

Group Plan	ER & EE Total Annual Cost	EE Part of Annual Cost	ER Part of Annual Cost
Employee Only	3,900.00	975.00	2,925.00
Employee & Spouse	8,700.00	3,855.00	4,845.00
Employee & Child	8,300.00	3,615.00	4,685.00
Family	11,940.00	5,799.00	6,141.00

3. Employer cost of health plan.

Group Plan	ER Part of Annual Cost	EE #	Totals
Employee Only	2,925.00	164	479,700.00
Employee & Spouse	4,845.00	66	319,770.00
Employee & Child	4,685.00	47	220,195.00
Family	6,141.00	<u>98</u>	<u>601,818.00</u>
Total Pre-Tax Cost		375	1,621,483.00
Full Time Employees		500	
Value of Tax Deduction @ 35%			<u>(567,519.05)</u>
After Tax Cost			1,053,963.95

4. Employer Penalty for having no plan.

Group Plan	ER Part of Annual Cost	EE #	Totals	Free Rider Penalty
Employee Only	2,925.00	164	479,700.00	
Employee & Spouse	4,845.00	66	319,770.00	
Employee & Child	4,685.00	47	220,195.00	
Family	6,141.00	<u>98</u>	<u>601,818.00</u>	
Total Pre-Tax Cost		375	1,621,483.00	
Full Time Employees		500		1,000,000.00
First 30 Employees				(60,000.00)
Value of Tax Deduction @ 35%			<u>(567,519.05)</u>	<u>0.00</u>
After Tax Cost			1,053,963.95	940,000.00
Difference				(113,963.95)

5. Effect on employee earning over 400% of federal poverty level.

	Employee Only	Employee & Spouse	Employee & Child	Family	Total
Annual EE Portion of Group Plan Cost	975.00	3,855.00	3,615.00	5,799.00	
Net After-Tax EE Cost @ 40.65% Fed-State Tax %	578.66	2,287.94	2,145.50	3,441.71	
Estimated Annual Individual Policy Cost	5,850.00	10,800.00	9,000.00	13,800.00	
Additional After-Tax Cost to EE	5,271.34	8,512.06	6,854.50	10,358.29	
Additional Cost to EE With Tax Gross-Up	8,881.78	14,342.14	11,549.28	17,452.90	
EE's Earning over 400% of FPL	22	9	6	13	50
Total Added EE Cost with Gross-Up	195,399.20	129,079.22	69,295.68	226,887.64	620,661.74
Savings Used to Cover Added EE Cost	35,878.58	23,701.12	12,723.85	41,660.39	113,963.95
Pay increase from Savings per person	1,630.84	2,633.46	2,120.64	3,204.65	
Additional Cost to EE not covered by Savings	7,250.94	11,708.68	9,428.64	14,248.25	

6. Employer cost with make-up payments to employees earning over 400% of federal poverty level.

Group Plan	EE #	Totals	Free Rider Penalty
Total Pre-Tax Cost	375	1,621,483.00	
Full Time Employees	500		1,000,000.00
First 30 Employees			(60,000.00)
Value of Tax Deduction @ 35%		<u>(567,519.05)</u>	<u>0.00</u>
After Tax Cost		1,053,963.95	940,000.00
Difference			(113,963.95)
Make-Up Pay Increases for Employees Earning Over 400% of FPL			620,661.74
Value of Tax Deduction @ 35%			(217,231.61)
Net Additional Cost			289,466.18
Total Cost		1,053,963.95	1,343,430.13

- G. Example 2. Non-Profit employer that offers no coverage to 500 employees.

1. Employer penalty for having no plan.

Group Plan	ER Part of Annual Cost	EE #	Totals	Free Rider Penalty
Employee Only	2,925.00	164	479,700.00	
Employee & Spouse	4,845.00	66	319,770.00	
Employee & Child	4,685.00	47	220,195.00	
Family	6,141.00	<u>98</u>	<u>601,818.00</u>	
Total Pre-Tax Cost		375	1,621,483.00	
Full Time Employees		500		1,000,000.00
First 30 Employees				(60,000.00)
Value of Tax Deduction @ 35%			<u>0.00</u>	<u>0.00</u>
After Tax Cost			1,621,483.00	940,000.00
Savings				(681,483.00)

2. Effect on employees earning over 400% of federal poverty level.

	Employee Only	Employee & Spouse	Employee & Child	Family	Total
Annual EE Portion of Group Plan Cost	975.00	3,855.00	3,615.00	5,799.00	
Net After-Tax EE Cost @ 40.65% Fed-State Tax %	578.66	2,287.94	2,145.50	3,441.71	
Estimated Annual Individual Policy Cost	5,850.00	10,800.00	9,000.00	13,800.00	
Additional After-Tax Cost to EE	5,271.34	8,512.06	6,854.50	10,358.29	
Additional Cost to EE With Tax Gross-Up	8,881.78	14,342.14	11,549.28	17,452.90	
EE's Earning over 400% of FPL	22	9	6	13	50
Total Added EE Cost with Gross-Up	195,399.20	129,079.22	69,295.68	226,887.64	620,661.74
Savings Used to Cover Added EE Cost	195,399.20	129,079.22	69,295.68	226,887.64	620,661.74
Pay increase from Savings per person	8,881.78	14,342.14	11,549.28	17,452.90	
Additional Cost to EE not covered by Savings	0.00	0.00	0.00	0.00	0.00

3. Employer cost with make-up payments to employees earning over 400% of federal poverty level.

Group Plan	EE #	Totals	Free Rider Penalty
Total Pre-Tax Cost	375	1,621,483.00	
Full Time Employees	500		1,000,000.00
First 30 Employees			(60,000.00)
Value of Tax Deduction @ 35%		<u>0.00</u>	<u>0.00</u>
After Tax Cost		1,621,483.00	940,000.00
Savings			(681,483.00)
Make-Up Pay Increases for Employees Earning Over 400% of FPL			620,661.74
Value of Tax Deduction @ 35%			0.00
Net Additional Cost			(60,821.26)
Total Cost		1,621,483.00	1,560,661.74

H. Example 3. Employer that offers no coverage to 100 employees.

1. Employer penalty for having no plan.

Group Plan	ER Part of Annual Cost	EE #	Totals	Free Rider Penalty
Employee Only	2,925.00	25	73,125.00	
Employee & Spouse	4,845.00	5	24,225.00	
Employee & Child	4,685.00	15	70,275.00	
Family	6,141.00	<u>15</u>	<u>92,115.00</u>	
Total Pre-Tax Cost		60	259,740.00	
Full Time Employees		100		200,000.00
First 30 Employees				(60,000.00)
Value of Tax Deduction @ 35%			<u>(90,909.00)</u>	<u>0.00</u>
After Tax Cost			168,831.00	140,000.00
Savings				(28,831.00)

2. Effect on employees earning over 400% of federal poverty level.

	Employee Only	Employee & Spouse	Employee & Child	Family	Total
Annual EE Portion of Group Plan Cost	975.00	3,855.00	3,615.00	5,799.00	
	578.66	2,287.94	2,145.50	3,441.71	
Net After-Tax EE Cost @ 40.65% Fed-State Tax %	5,850.00	10,800.00	9,000.00	13,800.00	
Estimated Annual Individual Policy Cost	5,271.34	8,512.06	6,854.50	10,358.29	
Additional After-Tax Cost to EE	8,881.78	14,342.14	11,549.28	17,452.90	
Additional Cost to EE With Tax Gross-Up	4	2	1	3	10
EE's Earning over 400% of FPL	35,527.13	28,684.27	11,549.28	52,358.69	128,119.36
Total Added EE Cost with Gross-Up	7,994.75	6,454.89	2,598.96	11,782.40	28,831.00
Savings Used to Cover Added EE Cost	1,998.69	3,227.44	2,598.96	3,927.47	
Pay increase from Savings per person	6,883.09	11,114.69	8,950.32	13,525.43	40,473.53
Additional Cost to EE not covered by Savings	35,527.13	28,684.27	11,549.28	52,358.69	128,119.36

3. Employer cost with make-up payments to employees earning over 400% of federal poverty level.

Group Plan	EE #	Totals	Free Rider Penalty
Total Pre-Tax Cost	60	259,740.00	
Full Time Employees	100		200,000.00
First 30 Employees			(60,000.00)
Value of Tax Deduction @ 35%		<u>(90,909.00)</u>	<u>0.00</u>
After Tax Cost		168,831.00	140,000.00
Savings			(28,831.00)
Make-Up Pay Increases for Employees Earning Over 400% of FPL			128,119.36
Value of Tax Deduction @ 35%			(44,841.78)
Net Additional Cost			54,446.59
Total Cost		168,831.00	223,277.59

I. Employer that offers no coverage to 60 employees.

1. Employer penalty for having no plan.

Group Plan	ER Part of Annual Cost	EE #	Totals	Free Rider Penalty
Employee Only	2,925.00	16	46,800.00	
Employee & Spouse	4,845.00	6	29,070.00	
Employee & Child	4,685.00	5	23,425.00	
Family	6,141.00	<u>9</u>	<u>55,269.00</u>	
Total Pre-Tax Cost		36	154,564.00	
Full Time Employees		60		120,000.00
First 30 Employees				(60,000.00)
Value of Tax Deduction @ 35%			<u>(54,097.40)</u>	<u>0.00</u>
After Tax Cost			100,466.60	60,000.00
Savings				(40,466.60)

2. Effect on employees earning over 400% of federal poverty level.

	Employee Only	Employee & Spouse	Employee & Child	Family	Total
Annual EE Portion of Group Plan Cost	975.00	3,855.00	3,615.00	5,799.00	
Net After-Tax EE Cost @ 40.65% Fed-State Tax %	578.66	2,287.94	2,145.50	3,441.71	
Estimated Annual Individual Policy Cost	5,850.00	10,800.00	9,000.00	13,800.00	
Additional After-Tax Cost to EE	5,271.34	8,512.06	6,854.50	10,358.29	
Additional Cost to EE With Tax Gross-Up	8,881.78	14,342.14	11,549.28	17,452.90	
EE's Earning over 400% of FPL	3	1	1	2	7
Total Added EE Cost with Gross-Up	26,645.35	14,342.14	11,549.28	34,905.79	87,442.55
Savings Used to Cover Added EE Cost	12,330.91	6,637.24	5,344.77	16,153.68	40,466.60
Pay increase from Savings per person	4,110.30	6,637.24	5,344.77	8,076.84	
Additional Cost to EE not covered by Savings	4,771.48	7,704.89	6,204.51	9,376.06	28,056.94

3. Employer cost with make-up payments to employees earning over 400% of federal poverty level.

Group Plan	EE #	Totals	Free Rider Penalty
Total Pre-Tax Cost	36	154,564.00	
Full Time Employees	60		120,000.00
First 30 Employees			(60,000.00)
Value of Tax Deduction @ 35%		<u>(54,097.40)</u>	<u>0.00</u>
After Tax Cost		100,466.60	60,000.00
Savings			(40,466.60)
Make-Up Pay Increases for Employees Earning Over 400% of FPL			87,442.55
Value of Tax Deduction @ 35%			(30,604.89)
Net Additional Cost			16,371.06
Total Cost		100,466.60	116,837.66