



Lawrence J. Burnett is a shareholder and co-chair of the firm's Business Law Practice. For many years, he has created value for his closely held business clients by providing counsel on a wide range of business matters relating primarily to mergers and acquisitions and corporate finance. Larry has a talent for corporate finance and particularly for identifying and solving capital needs problems. In addition to more traditional industrial and service companies, Larry has a special working knowledge of financial products and technology companies. In recent years, he has structured several highly creative deals which have helped his clients to achieve their business goals with maximum financial efficiency and profitability and the minimum of legal and business headaches.



Kristin M. Bergstrom is a shareholder in the firm's Employee Benefits Practice and works closely with the firm's Business Law and Labor and Employment Practices. She serves a wide range of business and nonprofit clients around the nation, particularly mid-sized to large financial services, manufacturing, insurance, and national and regional nonprofit organizations. Kristin was also a past faculty member of the University of Wisconsin-Milwaukee. Kristin has been a frequent speaker at events sponsored by legal and professional organizations.

Gail M. Olsen is a shareholder in the firm's Employee Benefits and International Law Practices. She services a wide range of business clients from small, private concerns to large national corporations. Gail's clients and colleagues describe her style as direct, pragmatic and solution oriented.



Gregory A. Storm is a shareholder in the firm's Employee Benefits Practice and a member of the firm's Executive Compensation team. In addition, Greg serves on the firm's Professional Development Committee and previously served on the Recruiting Committee.

AGENDA

3:30 pm	Attendees Sign On
4:00 pm	Webinar/Seminar
5:00 pm	Questions and Answers

Asking Questions

Throughout the webinar, type your questions using the "send note" button at the top of the screen. Using the drop down box, send your note to **REINHART BOERNER VAN DEUREN**. We will answer as many questions as possible during our Q & A session at the end of the webinar.

Webinar Housekeeping

Viewing the Slides

Today's slide presentation will advance automatically in synch with the live presentation.

Handouts

If you would like a hard copy of the slide presentation, a printable version was e-mailed to you this morning with your registration log-in information.

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Adjusting Your Volume

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Asking Questions

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Information

This webinar provides general information about legal issues. It should not be construed as legal advice or a legal opinion. Attendees should seek legal counsel concerning specific factual situations confronting them.

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Health Care Reform 2014

Are You Ready for the
Challenge?

Partnering for your Success

What's the Rush?

- Fundamental changes to business
 - Legal structure of employer
 - Hiring and staffing
 - Type and cost of health benefits to be offered
- Regulations just issued January 2013
- Employers must be ready by September 2013 for open enrollment

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The Employer Pay or Play Rule

Applicable large employers must offer **full-time employees** and their dependent children **affordable and adequate coverage** or pay a **penalty** for every month in which such coverage is not offered.

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"Applicable Large Employer"

- More than 50 **full-time employees** on most business days in previous calendar year
 - Count **full-time employees**
 - Also count "full-time equivalents" by adding part-time hours and dividing by 120, but only for large employer threshold, not for assessing penalties

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"Applicable Large Employer"

- Controlled group basis
 - Is employer part of controlled group?
 - Coverage offered by each controlled group member?
 - Should structure/ownership be changed?

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"Full-Time Employee"

- Employee who works an average of 30 or more hours per week, measured monthly
 - Is current plan eligibility threshold more than 30 hours?
 - Are classes of employees excluded from coverage?
 - New eligibility measurement rules: lookback and stability periods instead of "real time"

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"Affordable and Adequate"

- **Affordable:** Employee contribution for single coverage is less than 9.5% of employee's wages
- **Adequate:** Coverage is offered to employee and employee's dependent children and pays at least 60% of actuarial cost of plan

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Penalties for Non-Compliance

- **No Coverage Penalty**
 - Annual \$2,000, assessed monthly x total FTEs less first 30 FTEs
 - Triggers if coverage not offered to at least 95% FTEs and one FTE buys coverage on exchange and receives subsidy
 - Nondeductible

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Penalties for Non-Compliance

- **Unaffordable/Inadequate Coverage Penalty**
 - Annual \$3,000, assessed monthly for each affected FTE who buys coverage on exchange and receives subsidy
 - Nondeductible

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Other 2013-2014 Budgeting Concerns

- New plan design mandates (2014)
- New taxes and fees
 - PCORI (\$1 to \$2 annually per covered life)
 - Temporary Reinsurance (\$63 annually per covered life)
 - "HIT" Taxes (estimated 2.5% of premium)

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Why Not Drop Health Coverage?

- Penalties are nondeductible
- Recruitment and retention tool
- Likely increase in taxable wages to offset loss of coverage and cost of purchasing on exchange
- Too much uncertainty about exchanges right now

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Why Not Drop Health Coverage?

- Other options available
 - Reorganize business
 - Reorganize approach to hiring, staffing
 - Remix employee contribution levels
 - Revamp plan eligibility

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Why Not Drop Health Coverage?

- Other options available (cont.)
 - Reduce level/cost of coverage through traditional plan design mechanisms
 - Reduce cost of coverage by improving employee health and quality of care – wellness, disease management, centers of excellence, etc.

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Cadillac Tax - 2018

- To extent that cost of health plan exceeds \$10,200/single or \$27,500/family, 40% nondeductible excise tax on excess
- Solutions:
 - Manage costs
 - Reduce benefits

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Who Should Evaluate?

- All employers!
- Employers at especially high risk include:
 - Those with variable hour employees
 - Those with seasonal employees
 - Those with many part-time employees
 - Those with many low income employees
 - Those with full-time definitions >30 hrs/wk

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Who Should Evaluate?

- Employers at especially high risk (cont.):
 - Health care and long-term care industries
 - Entertainment, restaurant and other hospitality industries
 - Retail industries

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Examples

- M&A Impact
- Controlled Group Challenge
- "High Risk" Employer
- "Vanilla" Employer
- "Cadillac" Tax Challenge

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Action Items

- Determine ALE status – check related companies
- Review health plan eligibility – 30 hours per week as threshold? Excluded employment classes?
- Review employee contribution amounts for employee only coverage
- Assess strategic options – for 2014 and the future

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Questions?

If you have questions after the event, please contact your Reinhart attorney or any one of our presenters.

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Thank You!

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