

The Best Kept Secret of Health Reform Free Health Insurance Subsidies



How to Save Money on Health Insurance in 2014

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One of the challenges with Health Care Reform is the way health insurance subsidies are determined. Most small employers in California who offer health insurance to their employees only pay a percentage of the employee cost. In most instances they do not pay any of the employee's dependent cost.

The fact that they offer and pay a portion of the employee cost keeps their employees from obtaining any health insurance subsidies. The concept discussed in this whitepaper will allow an employer to continue to help support their employees and at the same time allow their employees to obtain subsidies.

Cloud, Minturn & Associates, as certified agents for Covered California, works with businesses, their employees and their families to help them obtain the health insurance subsidies discussed in this whitepaper.

First we will help the employee determine if they can receive a subsidy and approximately how much it would be.

Next we will help them decide which of the many plans fits their family budget.

Finally, we will help them apply and obtain both the subsidy and the required health insurance coverage.

Implementing this concept takes the employer out of the decision making or driver's seat and lets their employees make their own individual family decisions regarding their health care.

**To find out what your employee's subsidy would be,
contact us at:**

(310) 316-3662

Or

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The following report was developed by Zane Benefits, a leader in the defined contribution field.

Cloud, Minturn & Associates and Zane Benefits have partnered together in order to help employers and their employees obtain more cost effective health care benefits.

Introduction

The best kept secret of the Affordable Care Act (aka Health Reform or ObamaCare) is the availability of the individual health insurance subsidies. The health insurance subsidies will be available to the majority of employees starting January 1, 2014.

That's right -- the federal government is providing free money to employees to lower their annual health insurance expenses.

This quick guide reviews five key facts employees and employers need to know in order to take advantage of these discounts.

- ✓ **Employees** will learn if they are eligible for the discounts, and how to access them.
- ✓ **Employers** will learn how to help employees get access to the discounts with a defined contribution health approach.

What are the health insurance subsidies (discounts)?
pg. 4

Who is eligible?
pg. 4

How much are the discounts?
pg. 5

Where do I access discounts?
pg. 6

How can my employer help?
pg. 6

A real-life example... Amy's story
pg. 7

Q: What are the health insurance subsidies (discounts)?

A: Free discounts applied to your health insurance

Starting in 2014, the federal government is providing discounts for health insurance to eligible individuals and families. The discounts, called “health insurance tax subsidies”, will help you buy affordable individual or family health insurance coverage through the new state health insurance marketplaces.

Q: Who is eligible?

A: Majority of Americans

If you meet certain income requirements, and do not have access to affordable health insurance through your employer or another government program, then you are most likely eligible for a discount.

Eligibility is based on a standard called the “federal poverty level” (FPL). Your subsidy will cap the cost of health insurance between 2% and 9.5% of your annual income, depending on how much money you make relative to the FPL.

Individuals and families who earn up to 400 percent of FPL may be eligible. This translates to an individual earning up to \$45,960 in 2013 and a family of four earning up to \$94,200 in 2013.

| | Percent of FPL (2013) | | | | | |
|------------------------------|-----------------------|---------|--------|--------|--------|--------|
| | 100% | 133% | 150% | 200% | 300% | 400% |
| Premium as Percent of Income | 0% - 2% | 0% - 3% | 4% | 6.3% | 9.5% | 9.5% |
| Family Size | | | | | | |
| 1 | 11,490 | 15,282 | 17,235 | 22,980 | 34,470 | 45,960 |
| 2 | 15,510 | 20,628 | 23,265 | 31,020 | 46,530 | 62,040 |
| 3 | 19,530 | 25,975 | 29,295 | 39,060 | 58,590 | 78,120 |
| 4 | 23,550 | 31,322 | 35,325 | 47,100 | 70,650 | 94,200 |

To summarize, you are likely eligible for a discount if:

- ☐ Your household income is up to 400% FPL.
- ☐ Your employer does not offer affordable group health insurance.

How does this work in real-life?

See page 7 for Amy's story

Q: How much are the discounts?

A: It depends on your income level

The discounts will cap the cost of your health insurance at 2% - 9.5% of your household income, if your household income is up to 400% above the federal poverty line (FPL).

| Household Size | 100% of FPL (2013) | 400% of FPL (2013) | Premium Max Range |
|----------------|-----------------------|-----------------------|--------------------------|
| 1 | \$11,490 | \$45,960 | \$0 - \$363.85 / month |
| 2 | \$15,510 | \$62,040 | \$0 - \$491.15 / month |
| 3 | \$19,530 | \$78,120 | \$0 - \$618.45 / month |
| 4 | \$23,550 | \$94,200 | \$0 - \$745.75 / month |
| 5 | \$27,570 | \$110,280 | \$0 - \$873.05 / month |
| 6 | \$31,590 | \$126,360 | \$0 - \$1,000.35 / month |
| 7 | \$35,610 | \$142,440 | \$0 - \$1,127.65 / month |
| 8 | \$39,630 | \$158,520 | \$0 - \$1,254.95 / month |

Example

| Household Size | Annual Income | Estimated Annual Cost of Health Insurance (without subsidy) | Annual Federal Government Subsidy | Actual Cost of Health Insurance |
|----------------|---------------|----------------------------------------------------------------|-----------------------------------|---------------------------------|
| 4 | \$31,900 | \$12,300 | \$11,100 | \$1,200 (\$100 / month) |
| 4 | \$88,800 | \$12,300 | \$3,900 | \$8,400 (\$700 / month) |
| 1 | \$27,000 | \$4,548 | \$2,460 | \$2,100 (\$175 / month) |

Q: Where do I access the discounts?

A: Through your state's "marketplace"

The discounts will **only** be available when you purchase health insurance through your state's health insurance marketplace.

Cloud, Minturn & Associates will help employees compare policies, enroll in a plan, and receive the discount.

Q: How can my employer help?

A: Your employer can offer a defined contribution health plan

Your employer can provide you both a valued employee health benefit, and allow you to be eligible for the health insurance subsidies, by:

- ☐ Not offering a group health insurance plan (just offering group health insurance disqualifies you from the subsidies).
- ☐ Offering a defined contribution health plan. With a defined contribution health plan:
 - ✓ Your employer gives you a healthcare allowance you can use on health insurance.
 - ✓ You enroll in health insurance through your state's marketplace, and receive a discount via a health insurance subsidy (if eligible).
 - ✓ You receive tax-free reimbursement from your employer for your health insurance (up to the amount of your defined contribution allowance).

How does this work in real-life?

See page 7 for Amy's story

A Real-Life Example:*Amy's Story*

In 2014, Amy's employer decides not to offer traditional healthcare coverage. Instead, Amy's employer offers a defined contribution plan which lets Amy, and other employees, take advantage of the health insurance subsidies.

Amy and her husband earn \$63,000. She is a HR Manager at a software start-up company in California and he is self-employed. Amy is 36 years old, her husband is 39 and they have two children.

Because a traditional group health insurance plan is not offered at her 22-person company, Amy's family is eligible for a health insurance subsidy based on their income and family size.

Amy purchases health insurance for her family from Covered California for a discounted price of \$492/month. This includes a government subsidy of \$327/month.

Amy's company contributes \$200/month pre-taxed through her defined contribution plan. After the government discount and her employer's contribution, Amy's total out-of-pocket amount is only \$292/month for family coverage.

How does this type of benefit approach save Amy money without increasing her employer's cost?



Let's crunch the numbers...

| Cost of Amy's Health Insurance with Defined Contribution & Health Insurance Subsidies | |
|------------------------------------------------------------------------------------------|-------------|
| Amy's Household Income (2 Adult, 2 Children) | \$63,000 |
| Family Health Insurance Premium (through her state's marketplace) * | \$819/month |
| Who Pays? | |
| Government Subsidy (Discount) | \$327/month |
| Amy's Employer's Contribution * (her defined contribution allowance) | \$200/month |
| Amy's Contribution | \$292/month |

If Amy's employer offered a group health insurance plan, they would have paid...

| Cost of Amy's Health Insurance with Traditional Group Health Insurance | |
|---------------------------------------------------------------------------------|---------------|
| Group Health Insurance Premium (through her employer's group plan) ** | \$1,161/month |
| Who Pays? | |
| Amy's Employer's Contribution (based on 60% contribution for Amy's coverage) | \$200/month |
| Amy's Contribution | \$961/month |

* Covered California Tax Subsidy Calculator.

** Based on United Healthcare \$30 co-pay HMO plan in Los Angeles County.

Because Amy's employer offered health insurance coverage through defined contribution paired with the health insurance subsidies (instead of a traditional group health plan), **her company had no increase in out of pocket expense and Amy was able to save \$8,028 per year.**

- ✓ Amy's company has no increase...\$200/month... **\$2,400 / year**
- ✓ Amy saves \$669/month... **\$8,028 / year**