UNIVERSITY OF MAINE SYSTEM
Medical Benefit Program

Compliance with the Accountable Care Act (ACA)

Policy Statement

Background:

Consistent with the Patient Protection and Affordable Care Act (PPACA), the University of Maine System (UMS) has taken steps to ensure compliance with the regulations related to the medical benefits program.

It is the policy of UMS to (1) remain compliant with PPACA provisions, and to (2) pursue opportunities to reduce and eliminate potential PPACA taxes and penalties. The purpose of this document is to outline the specifics of UMS’s PPACA policy.

Compliance with PPACA Provisions

The UMS has adopted several significant medical plan design changes to comply with PPACA, and will continue to incorporate any required plan design changes. In addition to plan designs, there are several operational practices that UMS will adopt to remain in compliance, as follows:

- **Tax Filings**: UMS is required to submit several tax filings to the IRS. These include the PCORI fee ($2 PMPY, due 7/31 each year to the IRS) and the transitional reinsurance fee ($63 PMPY) for 2014, payable to the IRS in January 2015; $44 PMPY for 2015, payable to the IRS in January, 2016; and $27 PMPY for 2016, payable to the IRS in January, 2017.

- **Reporting**: UMS is required to provide reporting for several PPACA provisions, including:
  - Providing the cost of employer provided healthcare on each employee’s Form W-2.
  - Beginning in 2015, UMS will need to track the number of employees who are on the medical plans for each month and submit to the government at the beginning of 2016. This information will be used to determine if UMS is subject to any “pay or play” penalties.
  - Beginning in 2016, UMS will provide Forms 1095-C to individuals and Form 1094-C to the IRS as required.

- **Administration and Communication**: UMS will need to continue providing participants with “Summaries of Benefits and Coverage”, an 8 page summary of UMS’s medical plan provisions.

Opportunities to Reduce and Eliminate Potential PPACA Taxes and Penalties

In addition to the mandatory PPACA taxes and fees (PCORI, Traditional Reinsurance Fee), there are two potential PPACA penalties that employers may be subject to:
Pay or Play

The “Pay or Play” Regulations require employers to offer full time employees with affordable medical coverage or to pay a penalty. In 2015, employers must offer affordable coverage to at least 70% of full time employees, and in 2016, this threshold increases to 95% of full time employees.

UMS has two areas of concern to comply with these regulations:

1) **Definition of Full Time Employees.** For the purpose of these regulations, a “full time employee” is an individual who works 30 hours per week on a regular basis. UMS provides benefits to the majority of employees, there are several categories of employees who may work 30 hours per week but are not offered benefits, including Adjunct Faculty and Student Employees.

2) **Coverage Affordability:** The employee only cost of the least expensive medical plan offering cannot exceed 9.5% of an employee’s household income. This would impact employees who work 30 or more hours per week and earn more than 100% of the Federal Poverty Level (approximately between $11,490 and $15,444/year).

To reduce liability stemming from both of these areas of concern, UMS will be offering a new medical plan, the “Choice Plan”, in 2015. This plan will be offered to all employees who work more than 30 hours per week and Adjunct Faculty working 10 credit hours or more. UMS will utilize a 12-month evaluation (look-back or measurement) period (October 6 - October 5). The administration period will be October 7 – December 31. The stability period will be the following calendar year - January 1 – December 31.

For employees that work in a role that is scheduled to work in excess of 30 hours per week, coverage will be offered after a 90-day waiting period. For employees with a variable hour schedule, eligibility will be determined through the use of a 12 month measurement period. The measurement period will be conducted at each open enrollment for employees with at least 12 months of tenure, and will be conducted at an employee’s first anniversary of their hire date (for employees hired after 11/1/14). Variable hour employees that qualify for coverage based on the measurement period will be offered coverage for no less than 12 months (stability period) following an administrative period. Coverage will be available to employees throughout the stability period regardless of hours worked during the stability period, provided the employee remains employed by UMS in the same role.

The Choice Plan will have higher “out of pocket” costs relative to the other plans, but will have lower “per paycheck” premium contributions (which ensures that it will be affordable for all full time employees).

Cadillac Tax

The Cadillac Tax is an excise tax that will apply to “high value” medical plans effective 1/1/2018. Medical plans with costs in excess of specified thresholds ($10,200/single,
$27,500/family) will be subject to a 40% excise tax for amounts in excess of the stated thresholds.

The new Choice Plan will help UMS mitigate potential Cadillac Tax liability.

Additional Consideration:

PPACA rules and regulations continue to be refined and updated. UMS will continue to monitor these changes to ensure compliance with the regulations.