National Retail Federation
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Affordable Care Act Implementation
Large Self-Insured Employer Considerations

- Higher wages, less turnover, more full-time employees
- Competitive market for skills and talent
- More generous health benefits

- Lower wages, high turnover
- Large number of part-time, temporary or seasonal employees
- More basic or limited benefits

*See additional considerations below

Offer coverage	Public Exchange	Not offer coverage
Continue to offer coverage directly to employees and dependents	Move full-time employees to the small employer exchange (known as the "SHOP Exchange")	• Pay penalty • Employees purchase coverage in exchange, particularly if subsidy available
Challenges and Opportunities to Each Situation		
Likely greater flexibility in benefit design, ability to integrate benefits	Not available to large employers (>100 employees) until at least 2017	Generally more predictable, fixed cost [1], though indexed for inflation and subject to change; escapes potential liability for "unaffordable" coverage[2]
Uncertainty as to future costs and changing regulatory requirements. Reinsurance assessments and health insurance tax add cost.	National coverage will not be available – will be subject to state variation/benchmarks	Penalty is not tax deductible
Potential "unaffordable coverage" penalties based on family income or W-2 wages and minimum value offered	SHOP Exchange success uncertain as to cost, coverage, employee satisfaction. Difficult for employers to administer across multiple exchanges.	Administrative expense of tracking part-time, temporary or seasonal employees continues
High-dollar plan tax may apply after 2018	Ability to integrate health, wellness, other benefits uncertain	
Administrative expense of tracking part-time, temporary or seasonal employees continues	Administrative expense of tracking part-time, temporary or seasonal employees continues. Definition of "small employer" may vary by state.	

1) Penalty is $2,000 per employee, minus the first 30. Indexed annually to CPI and subject to later change.
2) Penalty is lesser of $3,000 x applicable full-time employees (employee cost exceeds family income threshold and receives subsidy) or $2,000 x every full-time employee, minus the first 30.

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*Additional Points to Consider re: Coverage Decision

Penalties may increase as more employers choose to pay penalties rather than provide coverage.
Penalties do not fully offset coverage costs in exchange, adding incentive for increases in penalty amounts.
If employer increases salary to make up for lost benefits, employer FICA tax obligations will also increase; employer-sponsored benefits are excluded from income.
If employees choose to remain uninsured rather than seek coverage: 1) Increased absenteeism and presenteeism may result. 2) Workers Compensation cost may go up for what are actually non-work related health costs.
Competitors may seek advantage by continuing to offer coverage.
Coverage through the exchange may be more expensive due to the rating requirements and essential health benefits coverage.
Subsidies phase out rapidly: subsidies will be significantly less for those at three and four times the poverty level than for those at two times and below.
Some employees may not be eligible for subsidies at all and will bear the cost entirely on their own. 1) These employees may depart to seek employment with coverage elsewhere.

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