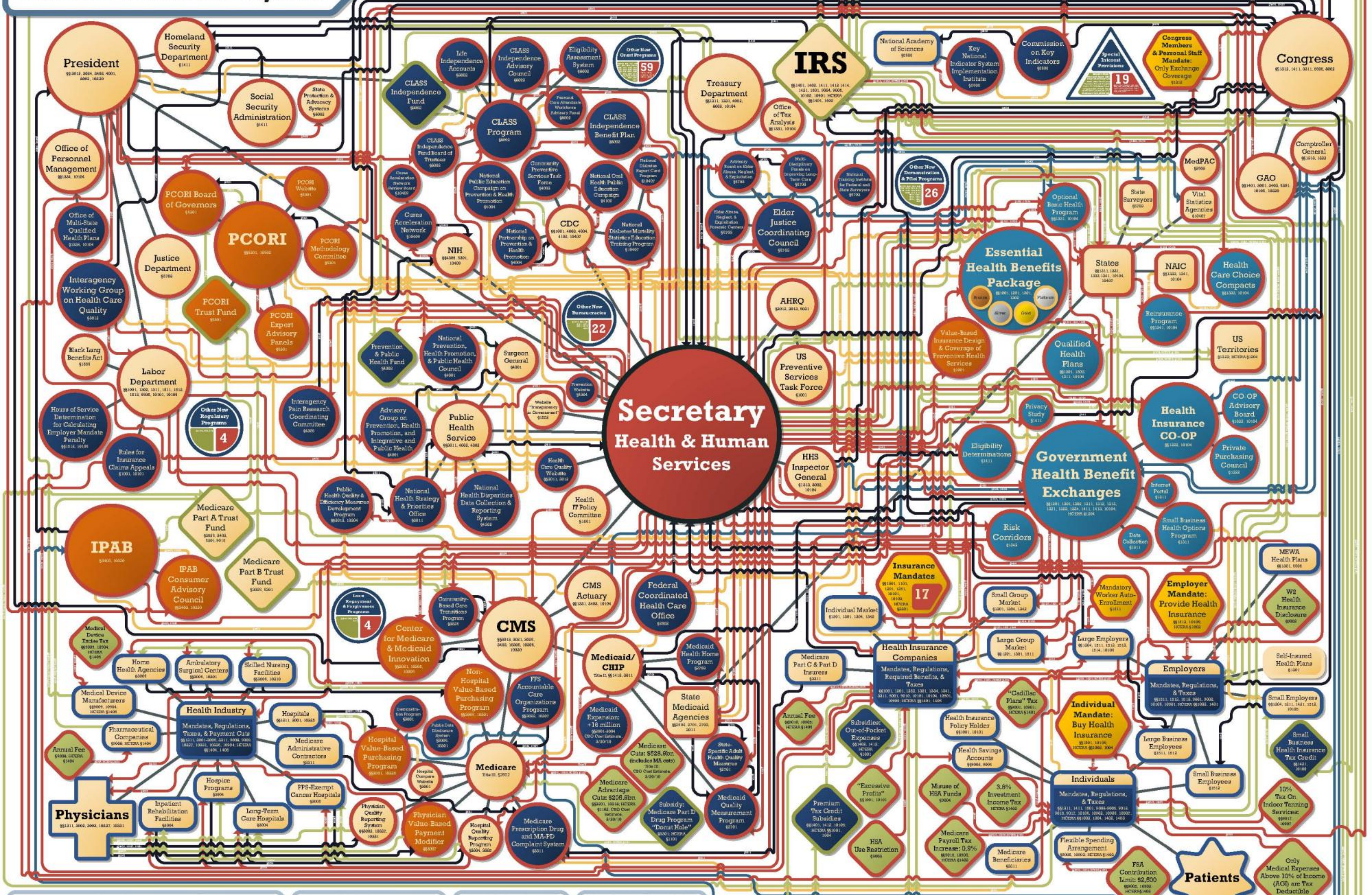
Healthcare Reform Bridge

Disclaimer:

This presentation is intended to convey general information and is not an exhaustive analysis. This information is subject to change as guidance develops.

WizdomTree Benefit Solutions does not provide legal or tax advice.

Your New Health Care System



New Government		Expanded Government	Private	New Relationships
Rationing Potential	Mandates	Government with Expanded Authority/ Responsibility	Private Entity with New Mandates/ Regulations/ Responsibilities	Regulations/ Requirements/Mandates
Involvement in Health Insurance Market	Taxes & Monetary Fees/ Penalties/Cuts	Government Financial Entity with New Inflows/ Outflows	Unchanged Private Entity	Reporting Requirements
Other Expansions	Trust Fund (Rationing Potential)	State/Territory with		Oversight
				Money Flows
				Consultation/Advisory/ Info Sharing

AGI: Adjusted Gross Income
AHRQ: Agency for Healthcare Research and Quality
CDC: Centers for Disease Control & Prevention
CHIP: Children's Health Insurance Program
CLASS: Community Living Assistance Services & Supports
CMS: Centers for Medicare & Medicaid Services
CO-OP: Consumer Operated & Oriented Program
FFS: Fee-for-Service
HSA: Health Savings Account
IPAB: Independent Payment Advisory Board
IRS: Internal Revenue Service
MA-PD: Medicare Advantage Prescription Drug
MedPAC: Medicare Payment Advisory Commission
MERD: Medical Early Risk Detection
EALORS: Executive Auxiliary Linked Office Regional Systems
MEWA: Multiple Employer Welfare Arrangement

Patient Protection & Affordable Care Act, P.L. 111-148;
Health Care & Education Reconciliation Act, P.L. 111-152
Prepared by: Joint Economic Committee, Republican Staff

WIZDOMTREE
Benefit Solutions Inc.

Fringe Benefit Timetable

Every business is different. In our experience, however, the following fringe benefits have been an important aspect of the different stages of our clients' business planning

Phase 1. Start Up/Survival

- Group Medical Plan
- Basic Group Life Insurance
- Buy-Sell Agreement
- Key Person Insurance

Phase 2. Growth and Expansion

- Group Disability Insurance
- Salary Continuation
- Increased Group or Individual Life Insurance
- 401 (k), SIMPLE, SEP IRA

Phase 3. Continued Growth and Maturity

- Executive Bonus Life Insurance
- Split Dollar Life Insurance
- Advanced Estate & Financial Planning for Key Employees
- Qualified Pension & Profit Sharing Plan
- Non-Qualified Deferred Compensation Plan
- Stock Options/Phantom Stock Plan

Phase 4. Transfer or Management and Control

- Gifts of Stock to Family Members
- Recapitalization and/or Reorganization
- Employee stock ownership plan (ESOP)
- Merger, Acquisition, or going public
- Key Person Retirement
- Sale of Business during Life or at Death

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"The Benefits of Experience"

Patient Protection and Affordable Care ACT

- Law was enacted in 2010.
- One of the law's most controversial features is the individual mandate which requires most individuals to purchase a minimum amount of healthcare coverage through state enacted medical exchanges.
- In June, 2012, the Supreme Court upheld the constitutionality of the Affordable Care Act, including the individual mandate, based on the Government's right to tax.
- With President Obama's re-election, the law is here to stay. Employers must be prepared.
- Certain provisions of the Act have already taken effect.

Provisions Already in Effect

- Dependent children are covered until the child reaches the age of 26.
- Individuals cannot be denied coverage, if under age 19, for pre-existing conditions (this provision will be extended to adults beginning in 2014).
- You have the right to designate any primary care provider in the network.
- Cannot rescind health plan coverage except for fraud or misrepresentation and employee has right to appeal.
- Employers must report on an employee's 2012 W-2 forms (to be distributed in 2013) the value of health benefits it provides the employee. These benefits, however, will not be counted towards income for employees. This only applies to employers who 250 W-2 forms for the preceding calendar year.

Individual Mandate

- U.S citizens and legal residents must have health insurance (minimum essential coverage) or pay a tax
- Tax is the greater of the following:
  - In 2014: $95/adult ($285/family) or 1% of household income
  - In 2015: $325/adult ($975/family) or 2% of household income
  - In 2016: $695/adult ($2085/family) or 2.5% of household income
  - Adjusted for inflation thereafter
  - Tax will not exceed national average cost of Bronze level plan
- Exceptions: religious beliefs, undocumented workers, financial hardship

Essential healthcare Benefits

There can no longer be a lifetime limit on the dollar value of Essential Health Care Benefits. Examples of Essential Benefits include:

- Ambulatory patient services
- Emergency services
- Hospitalization
- Laboratory services
- Maternity and newborn services
- Mental health and substance abuse disorder services
- Pediatric services
- Preventative and wellness services/chronic disease management
- Rehabilitative services and devices
- Prescription drugs

Women’s healthcare Services

Since July, 2012, plans must offer preventive care services, without any deductible, for plan years starting after July which will include:

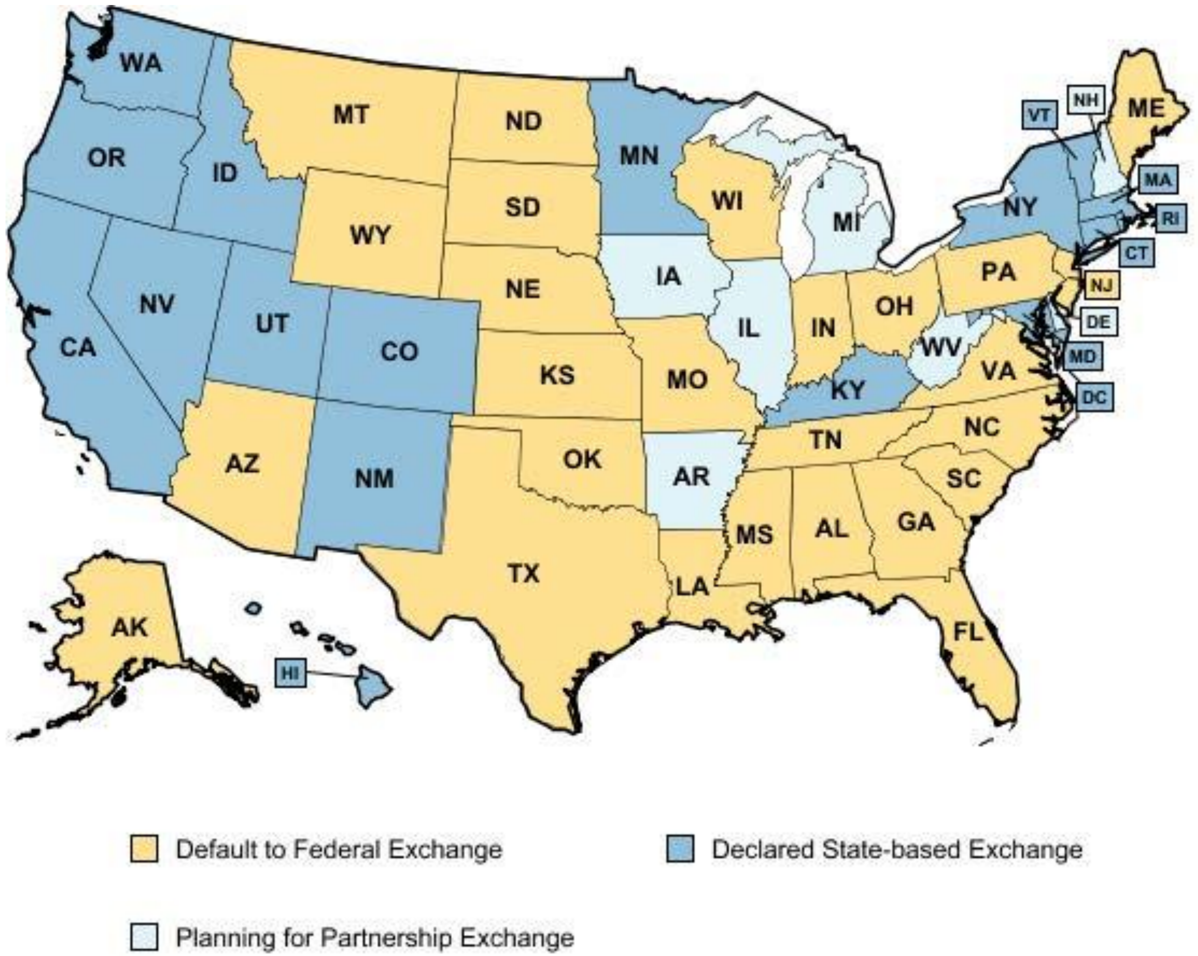
- Contraceptive devices
- Well visits
- Breastfeeding support and supplies
- HPV testing
- HIV screening and counseling
- Genetic counseling
- Domestic violence screening and counseling

Other Provisions Already in Effect Include

- Summary Benefits and Coverage (SBCs)
- Medical Loss Ratio Rebates

What is in Store for 2013?

- Beginning in 2013, annual contributions to health flexible spending accounts (FSA) will be limited to $2,500 per year, which will be adjusted by inflation.
- High Income Taxpayers may be liable for new Medicare taxes.
- In October, 2013, small businesses and individuals will be able to enroll in the State's health exchange for coverage beginning on January 1, 2014.
- The State's have to decide whether they plan to offer their own exchange or allow small businesses and individual's to purchase insurance through the federal exchange. New York State has opted for its own exchange that is still in the planning phase.
- By March 1, 2013, employers must notify their employees in writing about their ability to purchase healthcare insurance through state exchanges.



State Decisions For Creating Health Insurance Exchanges, as of February 15, 2013: Exchange Decision

THE HENRY J. KAISER FAMILY FOUNDATION

statehealthfacts.org

Your source for state health data

WIZDOMTREE BENEFITS

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Medical Loss Ratio Rebates

- Medical loss ratio (MLR) is the percentage of premiums that insurers spend on medical care.
- Insurers are expected to spend at least 80% of premiums received from small employer plans and 85% of premiums received from large employer plans.
- If the thresholds are not met, insurers are obligated to rebate a portion of the premiums received back to the healthcare plans.
- Medical Loss Rebates are calculated on the collective experience in each state in the small and large group markets.
- If insurer has satisfied the medical loss ratio, it must send a letter notifying plan participants that they are not eligible for a rebate.
- For specific rules, please visit http://www.healthcare.gov.

Rebates Must Benefit Plan Participants

Employers must act prudently and solely in the interest of plan participants and have three options:

- Return the rebate to plan participants as a cash payment.
- Apply the rebate as a reduction of future participant contributions - - a “premium holiday”.
- Use the rebate towards the cost of benefit enhancements (the least used option).

When to Distribute Rebate

- The Department of Labor requires a Plan Sponsor (Employer) to distribute rebates within three months of receiving the rebate from its insurance company.

What is Affordable Care?

- Effective January 1, 2014, larger Employers must provide their employees with affordable care.
- Affordable care is defined as health insurance that:
  - Covers at least 60% of covered healthcare expenses and;
  - Does not cost an employee more than 9.5% of his/her family income to participate in the employer's coverage.
- If these thresholds are not met, an employee may receive a premium tax credit to buy coverage through a state or federal sponsored exchange.

Small Employers Are NOT Required to Offer Affordable Care

- A Small employer is defined as an entity which employs less than 50 full time equivalent employees.
- Must determine the number of full-time equivalents by calculating:
  - Each employee times the hours he/she works per year,
  - Add the figures together for all employees,
  - Divide by the yearly hours of one full-time employee (typically 2,080 hrs)
  - Round down the numbers to give you the full-time equivalent.
- Those employers with less than 50 full-time equivalent employees are not subject to penalties for failing to provide affordable health insurance.

Calculating the Number of Full-time Equivalent Employees

Employer XYZ has 51 employees, some of whom work on a part-time schedule:

17 employees x 2,080 hours/year = 35,360

6 employees x 1,560 hours/year = 9,360

16 employees x 1,040 hours/year = 16,640

12 employees x 520 hours/year = 6,240

35,360 + 9,360 + 16,640 + 6,240 = 67,600
(the total hours of work for ALL employees of XYZ per year)

Example Continued

- 67,600 hours divided by 2,080 (the yearly hours for one fulltime employee) = 32.5
- Because the Act allows an employer to round down, XYZ employs 32 FTEs.
- Although Employer XYZ employs 51 individuals, its' full-time equivalent is only 32 employees.
- Employer XYZ is NOT required to provide affordable care or pay penalties for failing to do so because it is considered a small employer.

Penalties for Larger Employers Who Do Not Provide Coverage

- Beginning in 2014, employers who employ 50 or more FTEs but opt not to provide coverage must pay a penalty.
- The penalty is equal to $2,000 per year times the number of full-time equivalents.
- HOWEVER, Employers are not assessed a penalty based on their failure to provide coverage for the first 30 full-time equivalents.
- Example: Employer ABC has 70 full-time equivalent employees. It does not provide affordable care. It must pay a penalty of $2,000 for 40 FTEs (70-30). Employer ABC must pay a penalty of $80,000 per year.

Employers Which Provide Insurance May Still be Assessed a Penalty

- An employer must pay a penalty if it does not offer insurance which is considered “affordable”
- The penalty is $3,000 annually for each full-time equivalent employee receiving a tax credit.

Presenting: Defined Contribution

Consider offering your company's benefits through a partnership between WizdomTree Benefit Solutions Inc. and HealthPass using a defined contribution model. By using multiple cost saving methods, it is a beneficial strategy for both the employer and their employees. Employees receive a higher value for their premium dollars and are given multiple plan designs to choose from. Employers can now set a fixed annual cost that meets their budgetary needs while enhancing benefit packages to their employees.

How this works: Employers offer a fixed dollar contribution amount toward their employees' coverage, allowing employees to "buy up" to the medical plan that fits their needs. In traditional group models, either one or two plan designs are offered, which do not take into account each employee's specific need for medical coverage, budgetary restrictions or preferred doctor networks. Utilizing a "choice model" allows each employee to elect the right coverage for themselves and their families. Adding a defined contribution from the employer allows enrollees multiple options at a defined cost without adding financial burden to the company.

One Example: The employer covers the cost of an HSA plan for$300 a month. Each employee can elect to enroll into the baseline plan at no cost or pay the difference in premium for a richer option. The employee now has the choice to pick the best fitting plan and the employer is contributing the same $300 regardless of the different plans selected.

Benefit to Employer – Fixed annual budget, competitive benefits packages for existing employees as well as potential new hires, increased satisfaction, simple calculation method
(healthcare budget divided by number of enrolling employees = defined contribution).

Benefit to Employee: Employees are empowered and educated on their health plan, while minimizing wasted premium outlay by reducing the purchase of unused benefits.

Various Implementation Options:

- **Baseline Plan:** Employers can choose an affordable health plan design allowing employees to either elect that plan at no cost or to "buy up" and pay the difference in premium for the plan they prefer.

- **Premium Match:** Mimic the contribution paid for their prior plan, eliminating annual plan increases.

- **Set Annual Budget:** Employers can identify a total contribution they can afford a given year, then divide the total into a per employee/per month contribution. This model allows employers to cap their spending, while offering employees a flat dollar amount to purchase insurance with.

- **Tier Driven Contribution:** Employers have the option of offering a flat dollar amount across all employee tiers or to differentiate their contribution based on dependent enrollment.

Note: Adding HealthPass ancillary benefits alongside of a defined contribution model further increases employee satisfaction and overall health. There are many ways to package a suite of benefits, while cutting out wasteful spending and reducing overall cost to employers and employees.

Contact your WizdomTree Benefit Solutions Inc. Account Executive for assistance in preparing your benefits package.

Thank you for your time. For more information contact us at:

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Twitter.com/WizdomTree
www.wizdomtree.com

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BENEFITS

to 22828 to get started