

To: Commissioners Court

From: Cynthia Jacobson, Human Resources

Re: Affordable Care Act Changes

The Affordable Care Act requires a change to how the County processes payments made under our medical plan. Our plans have a deductible and an out of pocket maximum associated with them. Currently, the out of pocket maximum payment does not include doctor copays, prescription copays or the deductible. Under the new Affordable Care Act requirements, these payments must be counted towards the out of pocket maximum. This has been confirmed through legal counsel.

We had United Health Care calculate actuarially the change needed to the out of pocket maximum required to keep the County in the exact same financial position given the changes associated with the Affordable Care Act. Their calculation is that we would have to change the out of pocket maximum for the Advantage plus plan from \$2,000 per person and \$4,000 for family to \$3,000 per person and \$6,000 per family. For the Advantage Plan the change would be from \$3,000 per person and \$6,000 for family to \$4,500 per person and \$9,000 per family.

If we do not make this change the County will incur the additional expenses for those we insure who reach the out of pocket maximum. If all insureds incur expenses to the maximum the result would be an approximate \$3 million of additional expense. In reality, not all employees will hit the out of pocket maximum so the actual cost to the County would be less and the impact to employees depends on their medical situation for the year. For example:

Employee A has two monthly prescriptions for which she pays \$100 per month, two doctor visits per year for which she pays copays of \$40 and one physical for which she pays no copay. Under the current plan, none of these expenses count toward her out of pocket maximum. Under the new Affordable Care Act Rules all \$1,280 counts toward her out of pocket maximum. For Employee A there is no change to either her or the county from an expense standpoint due to Affordable Care Act changes.

Employee B has the same situation as above except that she also had a minor day surgery which required an MRI with a copayment of \$400 and doctors surgical costs of \$1,000. Under our current plan she has \$1,280 in expenses which do not apply to her out of pocket maximum and \$1,400 which does apply to her out of pocket maximum. Under the Affordable Care Act, this employee will have \$2,680 of expenses which apply to her out of pocket maximum. If we leave the out of pocket maximum at \$2,000 the County will incur an additional expense of \$680 that would not have been incurred except for the changes required under the Affordable Care Act and the employee will have her cost reduced by \$680.