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Insure over 1,600 groups and 1,000 individuals

Today most employers who offer insurance contribute around 80% of the single premium. Employees are left with about 20% of the cost. Typically an employee pays $70-100 for their share. I have found that when an employee makes around $35,000 per year, the ability to spend $70 per month on health insurance premiums is very difficult. If an employee makes less than $30,000, they usually will opt out of the employer sponsored plan and go without. The typical plan design today is a $1,000 deductible with an additional $2,000 out-of-pocket, for a total expense of $3,000.

Going forward, most employers have indicated that they will continue funding employee premiums at the current levels. That level will be around $275-300 per month, or they will offer insurance at the levels outlined by Healthcare Reform. The new guidelines are as follows.

Employees eligible for premium credits will have insurance costs on exchange reduced so that premium is no more than X% of employee's household income

2012 Federal Poverty Levels $11,170 (Ind) $23,050 (Fam)	Household Income as % of FPL	Minimum	Maximum (% of total income employees will pay for coverage on exchange)
$0-$14,856 (I) $0-$30,656 (F)	Up to 133%	2%	2%
$14,856-$16,755 (I) $30,656-$34,575 (F)	133% - 150%	3%	4%
$16,756-$22,340 (I) $34,576-$46,100 (F)	150% - 200%	4%	6.3%
$22,341-$27,925 (I) $46,101-$57,625 (F)	200% - 250%	6.3% *	8.05%
$27,926-$33,510 (I) $57,626-$69,150 (F)	250% - 300%	8.05%	9.5%
$33,511-$44,680 (I) $69,151-$92,200 (F)	300% - 400%	9.5%	9.5%

*6.3% of $22,341 = $1,407/12 = $117 per month; after tax dollars = not affordable

If you use the above chart to calculate the premiums employees will have to pay in 2014, you will see that it will be more than the previous mentioned $70-100 per month that employees at lower income levels can't currently afford.

It is predicted by all the major health insurance carriers that small group premiums will increase around 30-50% because of the new community rating systems and all the additional coverage that carriers will now have to cover. That means a new bronze level plan with a $2,000 deductible and an additional out-of-pocket expense of $4,000 for a total of $6,000 could cost as much as $4,500 per year or $375 per month. If the employer offers to continue paying $275 per month, the employee will be burdened with $100 per month for a plan that will have twice the out-of-pocket expense than what is being offered today. This additional liability will cause more employees to drop their coverage. Since the employee is being offered insurance through his employer, he/she will not be eligible for subsidy or the exchange.

Under Scenario #1, employee goes to the exchange and receives subsidy; e.g. $25,000 income pays 6% of salary to exchange.
$25,000
x .06
$1,500/12 = $125 per month

or

Under Scenario #2, where employer limits that amount that the employer contributes towards premium.
$4500 (2014 annual premium for bronze plan)
- $3,300 (employer max contribution)
$1,200/12 = $100 per month

Most lower income level earners will not spend that for bronze coverage, and they will continue to use the emergency room.

Why mandate light.

The plans will be much more affordable because of underwriting and flexibility for individuals to elect the coverage that they need to fit their personal needs. Premiums would be around $100 per month for younger individuals and $250 for older. The premiums would be very similar to that being offered today in the short term medical markets.

If an employer commits to spending up to $250 per employee, that would substantially cover the entire cost for an employee. If an individual chose to buy a product on their own, the premium would still be around $100-250 per month, but the plan design would have a $1,000 deductible and a much lower out-of-pocket expense than the new bronze plan.

Hopefully you can see the need for this option. Not the only option, but just another option for some to have affordable coverage available to them. If an individual buys a mandate policy and determines that it doesn't satisfy their medical needs, then they have to the option of the exchange.