

Strategies for Implementing the New Health Care Reform Law

To Insure or Not To Insure?



Healthcare Reform Guidance + Solutions from UnitedHealthcare:

Guidance: The NRA are committed to helping you understand what the regulations mean to your business and what you need to do to comply.

Solutions: The NRA trusts UnitedHealthcare to craft health care reform compliant solutions for the hospitality industry.

To discuss UnitedHealthcare's solutions for your business contact:
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The Affordable Care Act

Making Lemonade out of Lemons

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with

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It's the Law

- Time to focus on implementation
 - Exchanges likely to open on Oct 1
 - Employers must likely announce their intention on Oct 1
 - July 1 is a critical date



Your Decision Tree

- Large or Small Employer?
 - 50 FTE's or greater: LARGE
 - Less the 50 FTE's : SMALL



Large Employer Formula

- Measured Monthly
 - Count up full time employees
 - Add up hours of all part timers and divide by 120
 - Add the two numbers
- For 2014 determination, use any consecutive 6 months from 2013



Firehouse Subs Example

- \$800K AUV
- \$100K EBITDA
- 17 employees
 - 1 manager
 - 16 hourly
 - 3 full time
 - 13 part time



Firehouse Subs Example

- 5 + restaurants: almost certainly large
- 3-4 restaurants: run the formula
- 1-2 restaurants: almost certainly small



Small Employer

- If you are *not* going to offer insurance, have a nice day
- If you *are* going to offer insurance, you can do so with little fear of making mistakes



Large Employer

- Critical moment in your decision tree:
 - Offer insurance
 - Do not offer insurance, and face the penalties
 - Offer non-qualifying insurance and face the penalties



Large Employer Options

- If no insurance is offered:
 - \$2K penalty per full time employee
 - Exemption for the first 30 full time employees



Large Employer Options

- Wish (or need) to avoid the penalty?
 - *Don't have more than 30 full time employees*



Large Employer Options

- Offering insurance?
 - Treat it like an investment
 - Understand your business objective
- Establish a budget



Establishing a Budget

- Cost of the policy to the Employer
 - Insurance carriers have not issued quotes yet
 - Working assumption: \$5K per year
 - Employer can charge the employee up to 9.5% of their W2 wages for the employee's share of the premium
 - You will face penalties if you charge more than 9.5% (\$3K per employee who secures insurance through the exchange)



Establishing a Budget

- Variables:
 - Employer portion of the premium
 - Number of full time employees
 - % of full time employees who will accept



Impact on the Employee

- Cost of the policy to the employee
 - Minimum safe harbor:
 - $\$7.25 \times 30 \text{ hours} = \$20.66 \text{ per week} \dots \$1,074 \text{ per year}$
- In essence, a 9.5% tax for those currently without insurance



Impact on the Employee

- Willingness to pay is limited
- Have to consider whether to get insurance of pay penalty
- What if the employee turns down the policy?
 - \$95 penalty, or 1% of their taxable income...whichever is greater.



Large Employer Options

- So the BIG question is:
 - How many of your full time employees will accept the insurance?



Making it Actionable

- Regardless of the choices you make, you will have to examine your employee scheduling practices



Making it Actionable

- You have to avoid several minefields related to ACA implementation:
 - Employees drifting above and below 30 hours, creating unbudgeted risk
 - Cutting employees hours due to poor planning
 - Lawsuits and partial unemployment claims



Here's the Lemonade

- We have an opportunity to use an external event to make a dramatic shift in workplace culture



Here's the Lemonade

- As an industry, we do not do a particularly good job of managing hourly employee work schedules
 - We do a good job coaching people up for more hours
 - We do a poor job counseling people in advance of reducing hours
- We have an opportunity to fix that



Employee's Perspective

- The two most important days of the week:
 - Pay Day
 - Schedule Post Day
- Schedule flexibility is great, but stability in hours is of greater importance
- Health care is a secondary concern for most, trumped by earning more money



Creating the Win-Win

- Our answers lies in creating clearly defined job descriptions that define the rules for the hours the employee will be scheduled
 - Employer wins
 - Employee wins



Managing Expectations

- A Crew
 - Full time, 40 hours, fixed weekly schedule
- B Crew
 - Part time, 20-29 hours per week
- C Crew
 - Part time, 0-19 hours per week



A Crew

- Fixed schedule is a requirement of the job
 - Employee earns the job based upon merit...your top performers (they will be coveted)
- Establish the number of A Class positions based upon your ACA budget and assumptions, and the operational needs of the business



B Crew

- Job description defines projected hours as averaging between 20 and 29 per week during a trailing period (equivalent to your look back)
- The employee will still have an opportunity to work more than 30 hours on occasion
- You should commit to communicating any reason for hour being scheduled below 20



C Crew

- Primarily for entry level employees or those who have not reached levels of performance that merit B status
- An experienced employee may be assigned C class status if they wish to work part time



The Benefits

- Clearer expectation on hours to be worked
- Incentive to earn A Crew positions
- Incentive to earn B Crew positions
- Management has an incentive to do proactive coaching and counseling for improvement
- Team has incentive to increase sales and generate more A Crew positions



What to do next?

- Determine your status
- Decide whether to offer health insurance or not
- Design scheduling protocols that support your decision
- Start talking to your employees



The Wild Cards

- How will your employees react to your decisions?
- How will your customers react?
- How will the media react?



The Wild Cards

- If on October 1st, you have to announce your decision to your employees. What do you think the atmosphere will be like in your restaurant on October 2nd?
- All your employees will be comparing notes...in your restaurant, and at the dinner table with their families.



The Wild Cards

- *Assume EVERYONE will be aware of your policy on ACA implementation*
- If you are not proud and transparent about your decision, you may want to rethink it



Thank You!

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