

CASE STUDY: CONSTRUCTION EMPLOYEES UNDER THE AFFORDABLE CARE ACT

The Affordable Care Act (ACA) mandates that every employer with fifty or more full-time equivalent employees in the United States must offer sufficient and affordable health coverage to all employees averaging thirty hours of service per week, or pay a financial penalty.

For employers in the construction industry, the ACA will prove especially troublesome. Traditionally, the workforce in this industry is made up those in the lower income categories, making the affordability provisions of the act daunting for employers. Also, many construction employers look to offer benefits that are simple, affordable, and offer predictable costs. Limited Medical Plans have been attractive in the past as a way to offer a cost effective benefit option to their workforce.

Under the current provisions of the law, however, Limited Medical Plans generally do not meet the criteria of minimum essential coverage. This is causing employers to look for new ways to offer cost-effective benefit plans.

THE SCENARIO

A roofing and construction company located in North Carolina and Virginia bases their benefit plan offerings on whether an employee works in the “office” or “field.” Under the current benefits structure:

- “Office” employees are offered a major medical plan
- “Field” employees are offered a limited medical plan

Working with MMA, the employer pulled together a detailed census to understand the potential cost impacts of reform under their current benefit options.



CONSTRUCTION COMPANY

Total employees: 972
(497 office; 475 field)

**Number of employees below
400% FPL:**
671

**Total impact of reform if no
changes are made:**

\$1,573,356
(\$723,000 penalties)

THE IMPACT

Under this scenario, if no changes are made the employer will be exposed to affordability penalties based on its current contribution strategy. Additionally, the employer will face penalties if the major medical plan is not offered to field employees.

Based on the MMA analysis, the employer would experience an increase of \$1,573,356 in total costs, with \$723,000 of the increase attributed to penalties.

THE REQUIREMENTS

Recognizing the real importance benefits have on employee recruitment and retention, the employer decided to continue to offer benefits to their employees (i.e., “play”). As next steps, MMA identified the criteria that would need to be addressed:

- Eliminate current Limited Medical Plan offering.
- Offer a medical benefit plan that qualifies as minimum essential coverage to at least 95 percent of full-time employees and their dependents.
- Provide affordable and sufficient benefits under the new regulations. These are defined as:
 - Affordable: No more than 9.5 percent of income towards the cost of employee-only coverage for employees earning between 100 percent to 400 percent of the Federal Poverty Level.
 - Sufficient: The plan design needs to have a minimum actuarial value of 60 percent.

OUR APPROACH

To determine how to structure their benefits program going forward, the client needed to figure out what their financial exposure would be for different enrollment assumptions and varying contribution strategies. MMA worked with the client to:

- Assess their financial exposure by leveraging our proprietary modeling tools.
- Analyze and evaluate their various enrollment options.
- Budget and assess various contribution strategy scenarios.
- Establish a consolidated benefit plan offering that meets ACA requirements.
- Identify opportunities to engage employees and create employee accountability.

Our team of benefits and Affordable Care Act specialists were able to secure the right plan that complied with ACA regulations, while addressing the unique needs of this employer.

THE MMA ADVANTAGE

At Marsh & McLennan Agency, our local team of employee benefits and risk management experts is backed by the national resources of MMA and our parent company, MMC. Our dedicated experts across the country monitor and analyze health care reform and create leading-edge benefits strategies to help you better run your business. With MMA, you have the confidence of knowing that we can help you navigate the complexities of today and prepare for the future.

For more information, visit MMAAffordableCareAct.com or contact your local representative.