Preparing Your Firm for
Health Care Reform

Deadlines are fast approaching – this Q&A reveals whether your firm is ready

For law firm Kegler Brown Hill & Ritter, LPA, almost one dozen employees have a say in the decisions made about their health care benefits. In addition to the HR Manager, Chief Financial Officer and the Chief Operating Officer, attorneys who practice or are knowledgeable in the areas of health care, business and tax all sit on a health and wellness committee together – an initiative they launched three to four years ago. While the sheer size and cost of the budget item was one reason for starting the committee, another reason also brought on its development. “The fact that we have a health and wellness committee was probably spurred on because of health care reform, the magnitude of the changes taking place and the impact that these changes could potentially have on the firm,” said its HR Manager Cara Tammaro.

Tammaro is not the only ALA member dealing with the impact of U.S. health care reform, otherwise known as the Affordable Care Act (ACA). The law was upheld by the Supreme Court in June, and law firms and businesses across the country must start – if they haven’t already – implementing a long list of government requirements to avoid penalties.
Law firms will have the ability to make choices when it comes to the future of health insurance for their employees, but there are still a lot of factors to consider and rules to follow. So where should law firm leaders begin? We caught up with Paul Shaheen, Vice President and Chair of The Horton Group’s Law Professionals Practice, to find out. Read on to learn what he had to say about grandfathered plans, what the ACA will cost businesses and the first steps administrators should take.

**ALA:** The Affordable Care Act (ACA) can be difficult to understand, both for individuals and for their employers, and there is a lot coming down the pipe for firms in a short period. What do employers — specifically law firms — need to know about them?

**Shaheen:** Starting later this year, every employer needs to provide its employees with a very simplified explanation of coverage. The ACA wants no more than four pages, double spaced, with glossary terms and claim examples. That’s something you usually don’t see on an insurance carrier-created benefit form or benefit explanation sheet. The insurance carriers will be the ones responsible for providing those documents to you, but what the firms need to be careful of is making sure they get them to employees. If they forget to do that, there can be penalties, and they can be heavy.

In 2013, groups that issue 250 or more W-2s will have to report the value of their insurance plans on them. There are a lot of weeds in this, but let me try to give you the basics. That amount is not taxable. On that W-2, they are going to report the [cost of the] health care premium, primarily for medical. It could also include dental and things like health reimbursement. If the employer is providing an employee assistance plan, the value of the cost of that plan needs to be included. If employees purchase pre-tax voluntary benefits that are directly tied to their medical insurance plan, the value of that has to be reported, too, even though the employee is paying it.

**ALA:** What about for 2014?

**Shaheen:** If you have fewer than 50 [employees], then we move in one direction. You are under no obligation to keep a group insurance plan — but do you want to keep a plan? More often than not in the law firm space the answer is yes. In 2014, if you’re a group of 50 or more, you either have to offer insurance to employees or pay a penalty to the government, which allows [employees] to buy their own insurance, possibly with subsidies through these so-called insurance exchanges. Because these exchanges are supposed to go live in 2014, the theory is by March 2013, employers are obligated to inform their employees of these exchanges and what they are, what they do and how people might be able to use them. This is like that requirement for later this year where employers have to distribute explanations of benefits that are created by the carriers. All they need to do is make sure they’re distributed. Most law firms seem to be at the opinion that they want to keep benefits, so we need to make sure they’re offering the type of benefits that will allow them to avoid any penalties for not offering “affordable coverage.”

**ALA:** Based on what you have seen, how is health care reform affecting the types of plans law firms are offering their employees? Are we already starting to see changes on the horizon?

**Shaheen:** You are absolutely seeing them. The overwhelming majority of companies and law firms are probably going to drop their grandfathered status, which means a lot of new benefits are kicking in. Now preventative care under non-grandfathered plans is greatly expanded. First, preventative care no longer costs anything – not even a $10 or $20 or $30 co-pay. And the whole list of what is covered under preventative care has grown. Maybe the carrier built an increase into your plan, but now you have nice preventative care benefits. If a firm is just not getting with it when it comes to wellness, you have every reason to promote it to your people, because now there is no excuse.
**Your Health Care Dictionary:**

**Terms to Learn**

**Affordable Care Act (ACA):** The term to describe the final version of the U.S. health care reform law. Before it was amended, it was called the Patient Protection and Affordable Care Act, a name that is still used by the media.

**Grandfathered status:** This refers to existing health care plans that are remaining a part of their firm’s benefit program without incurring drastic changes. As long as benefits are not significantly reduced or costs increased, law firms may choose to keep their current health care plans. Minor or routine changes are allowed, such as offering new benefits.

**Exchange:** Also called an Affordable Insurance Exchange, this is a place where individuals and small businesses will be able to shop around for health care plans starting in 2014. Exchanges will be formed by the states, but consumers can have access to private health insurance plans through them.

---

**ALA: How have your clients’ concerns changed since the U.S. Supreme Court announcement in June to uphold the Affordable Care Act?**

**Shaheen:** Many of our groups have been asking questions about health care reform, but some people have put it off because, to be truthful, many people thought that it was going to be overturned. I think the reality has now set in. People now realize that it’s here to stay, and now they are asking more questions. Now they really want to start getting into the weeds and some of the mechanics of it, though some are waiting until after the November elections.

**ALA: Is it more beneficial for employers to not provide the insurance and to take the penalty than it would be fall into compliance?**

**Shaheen:** As much as we may believe it’s best to stay in the game, you can’t make that statement for everybody. There could be a small, 10-life firm, maybe with two or three attorneys, and for them, [due to] the expense and the headache of dealing with the administration of benefits, it might make more sense to drop benefits and let people buy them individually. But the only thing to keep in mind is this: When [employees] have a problem, they’re going to come to somebody at the office looking for help. Suddenly, all of the problems and headaches that you thought were gone are still there, and they’re still a responsibility, and it’s not even for a plan that you’re dealing with. When health care reform was passed in 2010 and people started looking at the numbers, an overwhelming majority said, “We are probably going to bail,” but that number really changed once they started to evaluate and think about what the consequences of that could be.

**ALA: What is the number one question or concern that law firm administrators have raised about the health care law?**

**Shaheen:** Law firms are in a unique position. Law firms – as a general rule and to their credit – pay their employees well. They treat them well from a benefit standpoint. They want to maintain good loyal employees, and there is no substitute for good, loyal employees. In fact, studies overwhelming suggest that if employees like their benefits, they are far and away more likely to stay loyal to their employers. And that’s what employers and executive directors want to hear, because the cost of replacing somebody is very high, whether it is a rank-and-file employee or a paralegal or an attorney. So the biggest questions they’re asking are: What is necessary to be in compliance and what is going to be the cost?

For more expanded definitions and more details about these terms and health care requirements, visit [www.healthcare.gov](http://www.healthcare.gov) or The Center for Consumer Information & Insurance Oversight at [www.cciio.cms.gov](http://www.cciio.cms.gov).

---

WWW.ALANET.ORG
Some law firms may not want to cough up the cash to pay for employee health care premiums. Some may decide to make significant changes to their plans to bring down overhead. And others just may be slow to adapt. However, under the Affordable Care Act, any of these scenarios may come with a price. Below are several penalties that Paul Shaheen, Vice President and Chair of the Horton Group’s Law Professionals Practice, said law firms could potentially face.

Firms with more than 50 full-time employees could pay $2,000 per employee for not providing health insurance. This penalty would not apply to the firm’s first 30 employees, but that means a firm with 50 employees could owe $40,000 to the government for not providing health care. This penalty will kick in if any one of the firm’s employees buys insurance from an exchange and receives a subsidy for it.

Are Employers Prepared to Deal with Health Care Reform?

According to a survey report on U.S. employers by the Deloitte Center for Health Solutions, almost half of employers have either a good or excellent understanding of the Affordable Care Act and its employee health care requirements. But larger companies seem to have more confidence in their knowledge than smaller companies. See more on how they differ below:


BEWARE OF PENALTIES

Some law firms may not want to cough up the cash to pay for employee health care premiums. Some may decide to make significant changes to their plans to bring down overhead. And others just may be slow to adapt. However, under the Affordable Care Act, any of these scenarios may come with a price. Below are several penalties that Paul Shaheen, Vice President and Chair of the Horton Group’s Law Professionals Practice, said law firms could potentially face.

Firms with more than 50 full-time employees could pay $2,000 per employee for not providing health insurance. This penalty would not apply to the firm’s first 30 employees, but that means a firm with 50 employees could owe $40,000 to the government for not providing health care. This penalty will kick in if any one of the firm’s employees buys insurance from an exchange and receives a subsidy for it.
ALA: Along those lines, you mentioned that premiums could increase due to changes in the plan like preventative care. Will health care reform cost or save money for firms over time?

Shaheen: I do foresee some short-term increases, but potentially over the long haul, savings. If you are not careful, it can cost you money. There is going to be a lot of pressure to raise costs beyond your control, but there will be opportunities to lower costs. Employers are trying to continue to push wellness and now [can] say, “If you participate in our wellness plan, we can provide you up to an additional 30 percent of reduction in premium,” or conversely, “Here is your premium. It’s a great plan, but if you don’t participate in our wellness plan, you could potentially pay an extra 30 percent more of your cost.”

As costs continue to rise, more employers may be weighting their benefits heavily toward single costs and covering less for families. It just depends on the firm and its philosophy. If that happens, you’ll probably see many employees drop coverage for their spouses and kids, and [their families will] either go on a spouses plan or they will get individual coverage.

ALA: After reading this, what is the first thing law firm administrators should do to put required measures in place?

Shaheen: Be proactive. Don’t wait for the questions to come. Get them out there ahead of time. Right now, you are either grandfathered or you’re non-grandfathered. You want to make sure that you have communicated that properly to your employees. If you are a firm that is grandfathered, you don’t have those free preventative care benefits. You may have a lot of employees say, “I heard that preventative care is free now.” I would get out ahead of that and make sure people are aware of what you have.

ALA: And finally, what advice would you give to law firm administrators who are still in the early stages of navigating the reform?

Shaheen: It’s time to get going. We are only 14 months out now from 2014, so there is a lot to learn quickly. That being said, if you sit down and have a good 30-minute or hour-long conversation, you can get through the guts of what you need to know. Understand the positives. Understand the pitfalls. Understand what you need to look out for.

About the author

Kelly F. Zimmerman is the Associate Editor of Legal Management magazine at the Association of Legal Administrators. Contact her at kzimmerman@alanet.org.

Firms with more than 50 full-time employees could pay $3,000 per employee for offering coverage that does not meet minimum requirements and costs employees too much money. This fine will come into effect if employees decide to leave their firms’ plans to purchase cheaper insurance through an exchange and if they receive a subsidy. The employer will pay the fee for every employee who does that.

Large firms that contribute more to premiums for higher compensated employees are subject to fines. This means a firm cannot ask an associate to cover more of his/her premium costs than a managing partner or another employee who may have a higher income.

Firms that are late distributing required benefit explanations are also subject to penalties. Be mindful of deadlines to help avoid this type of situation.