



**McGraw Wentworth**  
*a Marsh & McLennan Agency LLC company*

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## NEWS RELEASE

### ATTENTION: BUSINESS EDITOR

**For immediate release**  
**July 16, 2013**

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### **McGraw Wentworth's Health Care Reform "Play or Pay" Analysis Tool Earns Communications Award**

**Troy, MI – July 16, 2013** – McGraw Wentworth, an employee group benefits firm in Troy, Mich., recently earned a 2013 Renaissance Award of Honor from the Detroit Chapter of the International Association of Business Communicators (IABC) for its Health Care Reform Compass Report. The recognition was earned in the category of Communications Skills: Special Publications.

This is the fourth consecutive year -- and the second time for Health Care Reform-related materials -- in which McGraw Wentworth has earned an IABC Renaissance Award, which honors excellence in business communications designed to promote an organization's image, marketing or specific initiatives.

McGraw Wentworth's Compass Report provides C-suite and human resources executives with a highly detailed and customized analysis of the impact of the 2014 "Play or Pay" mandates at both the organizational and individual employee levels. Derived from an analysis of employer-provided and census data, the report provides each organization with a reasonable estimate of how many and which employees could be impacted positively or negatively by the employer's "Play or Pay" decision.

Designed and written by [McGraw Wentworth](http://www.mcgrawwentworth.com) staff in collaboration with [Brophy Marketing Services](http://www.brophy.com), the Compass report framework and logic are updated as new guidance and regulations are released. The 45-page reports are generated in-house, with information provided primarily in chart and table form. Concise text provides background and context as needed.

“There is no ‘one size fits all’ approach to helping an employer prepare to comply with Health Care Reform. But every employer needs to answer the same questions,” said Thomas P. McGraw, president. “We developed this proprietary tool to educate our clients and guide them through a thoughtful, strategic decision-making process using data specific to their employee base.”

McGraw Wentworth’s 2013 client satisfaction survey indicates that clients value the Compass report, calling it innovative and timely, and rate regulatory compliance and plan design as among the most important elements of the company’s services. The client satisfaction survey is conducted bi-annually by an independent consultant.

Sample images are provided below.

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**About McGraw Wentworth:**

*[McGraw Wentworth](#), a Marsh & McLennan Agency LLC company, is an award-winning group benefits consulting and brokerage firm based in Troy, Michigan. The company counsels clients on how to structure their group benefit programs and provides strategic planning, utilization review, benefit design, employee communications, compliance assistance and related services. The firm is supported by Marsh & McLennan, the premier global provider of advice and solutions in risk, strategy and human capital. Follow McGraw Wentworth on [twitter](#), [LinkedIn](#) and [Facebook](#).*

**About IABC/Detroit**

*[IABC Detroit](#) is one of the largest chapters within the International Association of Business Communicators (IABC). IABC is a global network of more than 15,000 communications professionals and the only multidisciplinary professional association dedicated to both internal and external communications.*



**Excerpts from McGrawWentworth  
Health Care Reform  
Compass Report**

**Corporate Tax Impact**

In all previous calculations, the organizational impact of HCR has been shown in gross dollars without adjusting for corporate tax considerations. The cost of ESI, both currently as well as in a "Stay In" strategy, is a tax-deductible expense, which lowers the net cost of ESI. However, in a "Get Out" approach, these dollars may no longer be a gross expense to the company (depending on where the savings from the health plan is realized). The table below adjusts the expense of both the "Stay In" and "Get Out" approaches for these important tax considerations. The difference in cost between the two approaches are incrementally the same, as is the gross cost results (not shown previously). However, if a "Get Out" approach is being considered, this is a more accurate picture of the funds available to the organization if the plan is eliminated. The federal and state corporate tax rate is assumed to be 34% and 4%, respectively (see Appendix for more details).

	2014	2015	2016
Cost	\$1,465,944	\$1,526,985	\$1,686,902
(Savings)	(857,439)	(898,912)	(841,023)
Net	\$608,505	\$628,073	\$845,879

Cost	\$1,201,665	\$1,526,983	\$1,644,429
(Savings)	(852,233)	(898,960)	(842,483)
Net	\$349,432	\$628,023	\$801,946
Cost	\$1,214,763	\$1,243,216	\$1,414,479
Net	\$305,240	\$344,043	\$349,000

contains 50% of Benefit Value, and 0% of Tax Impact.

Cost	\$637,326	\$752,112	\$814,967
(Savings)	(542,194)	(528,603)	(539,489)
Net	\$95,132	\$223,509	\$275,478
Cost	\$750,475	\$861,543	\$900,613
Net	\$119,830	\$115,530	\$145,260

**Compass Results**

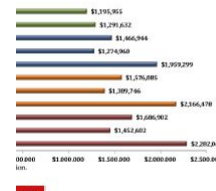
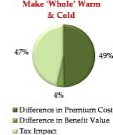
Based on a detailed evaluation of the many aspects of HCR, a three-year comparison of both the "Stay In" and "Get Out" approaches has been developed for ABC, along with a breakdown of employees by income zone and a summary of key points.

**Three-Year Cost Comparison**

The table below shows a three-year cost comparison of the "Stay In" and "Get Out" approaches. The "Get Out" approach includes an estimated cost for making employees "whole" following the loss of group coverage (see "Stay In" and "Get Out" sections for detailed assumptions).

**HCR Compass**

**Currently Enrolled Make Whole Warm & Cold**



**Costs for Making Employees "Whole"**

Employees in the warm or cold zones are negatively impacted if ABC terminates their group medical plan. Given a reduction in their overall compensation, they will likely expect payment for their loss. Employees will directly see the change in their premium costs, while a loss of benefit value or the impact of taxes is less easily seen. ABC may not need to make employees entirely "whole", and a breakdown of the loss is shown in the tables below. Note that there are rating variances (or surcharges) allowed for tobacco use and potentially other wellness-related issues in the Exchange. The Exchange subsidies do not cover the additional costs of these surcharges. The Exchange premiums assumed in the calculations below are non-tobacco rates, and there is no cost included to help make tobacco users "whole" with regard to this additional surcharge.

are all data based on rates. This market data may vary in your zone and made

**Mandate Penalty Costs**

As described in the "Play or Pay Decision Tree - When do Penalties Apply?" diagram on page 6, employers who do not offer a group sponsored plan are charged a \$2,000 penalty per employee per year (for the first 50 employees). This penalty is assessed on all employees, including those currently waiving coverage and those newly eligible under the new 2014 rules and is not tax deductible. The table below calculates the annual penalty for each segment of employees (presented monthly for seasonal employees based on full average monthly workload).

Currently Enrolled (low risk first 50)	EEs	Pre-Tax Penalty	Post-Tax Total Penalty
130	\$3,266	\$415,355	\$2,000
			\$200,000
			\$102,000
			\$30,000
			\$13,333
			\$96,333

**Total Penalty**



Score	Hot	Warm	Cold	Warm & Cold Total
2	56	40	49	89
L065	(\$101,372)	\$44,441	\$403,384	\$486,225
81	(\$46,500)	\$12,373	\$28,511	\$29,384
392	\$25,674	\$99,890	\$356,954	\$456,904
L037	(\$223,457)	\$174,664	\$805,049	\$996,713
L018	(\$1,990)	\$4,367	\$16,463	\$17,019
L065	(\$215,052)	\$46,428	\$474,639	\$596,015
232	(\$4,020)	\$1,741	\$8,674	\$6,395

of Premium Cost, 50% of Benefit Value, & 0% of Tax Impact.

Score	Hot	Warm	Cold	Warm & Cold Total
2	70	54	71	126
L065	(\$224,920)	\$73,611	\$490,102	\$563,714
81	(\$48,548)	\$13,369	\$34,541	\$48,510
392	\$16,864	\$130,746	\$499,676	\$596,226
L037	(\$216,049)	\$124,127	\$984,519	\$1,202,446
L018	(\$1,413)	\$4,043	\$13,714	\$15,344
L065	(\$248,396)	\$80,596	\$507,273	\$587,969
232	(\$1,563)	\$1,493	\$7,047	\$4,666

of Premium Cost, 50% of Benefit Value, & 0% of Tax Impact.

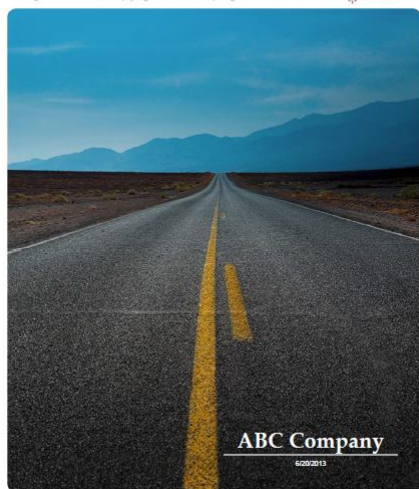
**Types of Exchange Subsidies**

- Premium Subsidies** - Reduces the cost to purchase coverage for households with incomes up to 400% of FPL.
- Benefit Subsidies** - Enhances the benefit levels of coverage for households with incomes up to 200%.

Income at Cap	Premium Subsidy		Benefit Subsidy
	1	4	
0%	\$25	\$12	94%
5%	\$41	\$20	94%
10%	\$57	\$27	93%
15%	\$73	\$35	73%
20%	\$131	\$474	N/A
25%	\$164	\$565	N/A

**HCR COMPASS**

Setting a Course For Complying With and Adapting to Health Care Reform



ABC Company

6/20/2013