

THE HORN



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Automotive Aftermarket Association of the Carolinas & Tennessee, Inc.
Serving the Automotive Aftermarket in North Carolina, South Carolina, and Tennessee
1720 Hillsborough St., Ste. LL One
Raleigh, NC 27605-1657
Phone: 800-849-8037 – Fax: 919-821-0753 – E-mail: apac219@aol.com

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INSURANCE NEWS

Repeal of Small Group Market Expansion Signed Into Law

Amendment to the Affordable Care Act has big implications for employers with 51-100 workers
Edited version by Sherry Robertson, PHR, SHRM-CP, original article by Stephen Miller, CEBS, 10/5/2015, Permissions, updated 10/8/2015

On October 7, 2015, President Barack Obama signed into law The Protecting Affordable Coverage for Employees (PACE) Act, a measure to rescind the Affordable Care Act's (ACA's) expanded definition of a small employer subject to the rules of the small group insured market in all 50 states.

The ACA, as enacted in 2010, held that effective January 1, 2016, the definition of a small group employer would increase nationally and would henceforth apply to organizations with 1 to 100 employees. As a result, midsize fully insured employers would only have been able to purchase small group plans (unless they were renewing plans that had grandfathered status).

"Under current law in most states, employers with 1 to 50 employees are considered small employers while employers with 51 to 100 employees are considered large employers," Chatrane Birbal, senior advisor, government relations at SHRM, told SHRM Online. "The PACE Act leaves the 1 to 50 definition in place, although states have the option of expanding the definition of small employer to cover employers with up to 100 employees."

Advocates of expanding the small group market under the ACA argued the move would make insurance more affordable for the smallest employers by expanding the risk pool to include mid-sized companies, and that it would help stabilize the ACA's Small Business Health Options Program (SHOP) marketplace by bringing in more participants.

"This change is important. Small employers are treated very differently under the ACA than large employers for purposes of insurance regulation," explained Timothy Jost, a professor at the Washington and Lee University School of Law in Lexington, VA. For example, small group market plans must:

- Cover 10 essential health benefits.
- Fit into the actuarial value levels (platinum, gold, silver and bronze) defined by the ACA.
- Participate in the risk adjustment program and be part of a single risk pool for setting premiums.
- Only consider age, geographic location, family composition and tobacco use in setting rates.

Large group plans are not bound by any of these requirements.

Unlike midsize employers, however, organizations with fewer than 25 full-time equivalent employees (FTEs) may be able to take advantage of the ACA's Small Business Health Care Tax Credit for group coverage purchased through the SHOP marketplace.

The American Academy of Actuaries, predicted that increasing the size of small groups would have meant midsize employers would "face additional benefit and cost-sharing requirements, which could reduce benefit flexibility and increase premiums." It also raised the concern that midsize employers with mostly healthy workforces might self-insure, leaving primarily unhealthy groups in the small group market, raising costs for small employers.

Changing the definition of small group would have eliminated many of the plan choices currently available to midsize employers and made coverage "less affordable and more administratively complex," said Janet Trautwein, CEO of the National Association of Health Underwriters, in a statement.

In March of 2014, the administration issued guidance allowing state regulators to permit employers in the 51 to 100 market to renew existing large group coverage for policy years beginning on or before October 1, 2016, said Jost. "Most states followed suit. But midsize employers who did not have coverage as of January 1, 2016, and who purchased it thereafter (as they would have to do to avoid the employer mandate tax if one of their employees received marketplace coverage), would have to purchase coverage in the small group market," Enacting the PACE Act has effectively made the transition policy permanent and extended its protection to midsize employers purchasing coverage in the future.

Hodges Insurance Agency: Medical Insurance

The AACT would like to remind you that we do recommend a company to help everyone negotiate the complicated medical insurance and employee benefits market. Hodges Insurance Agency of Louisburg (NC) offers their 25+ years of experience and market knowledge to all AACT members. Hodges Insurance Agency will be happy to help companies of all sizes review medical plans and offer competitive options to manage costs. Hodges Insurance Agency is also a certified marketplace intermediary helping individuals navigate the federal health insurance exchange and obtain premium subsidies. Please call Chris, Traci or Bryan at Hodges Insurance Agency at 1-800-257-3803 or email Chris Perdue at chris@hodgesinsurance.com.

MANAGEMENT NOTES

Either You Have It, or You Don't

Business owners planning for a successful future should always begin by identifying and understanding their primary objectives for themselves, their families, their ownership and their businesses. In this exercise, you might include, among other things.

- The date you wish to exit;
- The amount of cash you want upon exit; and
- Your choice of successor.

Today, let's look carefully at that second objective: How much cash must your ownership of the business deliver in order to enjoy a financially secure post-business life? For most owners, this is a great starting point for determining when, or if, they can leave their businesses on their own timeline and on their own terms.

THE ISSUES

Paula Davis was the 58-year old owner of Davis Data Analytics, Inc. She had engaged her financial advisor to:

- *Set a realistic assumption for a rate of return on Paula's investments;*
- *Research actuarial information to determine average life expectancies for both she and her spouse; and*
- *Help her and her spouse agree on and establish an acceptable post-exit annual income amount.*

As part of this process, Paula and her advisor reached the critical question whose answer would determine Paula's ability to retire on her terms: What must the value of Paula's business be if Paula is to leave, as she desires, at age 63?

Like Paula, your resources are likely both in the business and outside of it. You need to know the value of both so you can determine if there is a gap between the amount of money you will need in the future and the amount you have today. If you have enough to secure for complete financial freedom, your planning will go in another

direction. Both scenarios are fine, but you'll want to know which one fits your situation. Any gap must be quantified and -- to exit successfully -- you must create and implement strategies to close that gap. Most owners retain an experienced financial planner to help with this project.

THE PROCESS

Paula and her advisor used the following process:

First: Paula and her spouse agreed on their future annual income needs.

Second: Paula and her advisor, using their agreed-upon estimate of a projected rate of return, calculated how much Paula's non-business investment assets would be worth at Paula's desired exit date.

Third: Paula's advisor calculated the amount of investment capital needed to pay Paula and her spouse the target income per year for the duration of their lives (based upon current actuarial tables and assumed reasonable, maybe even conservative, investment returns). This amount needed to be net of taxes, since Paula intended to use it for spending.

THE BOTTOM LINE

When the business falls short of the value needed to achieve your financial targets, you need to work with your advisors to build business value to achieve your goals. When the business value meets your needs, you turn your attention to other goals and objectives, such as taking care of loyal employees, leaving a legacy in your industry and your community, focusing on the "What's next?" question. You either have it or you don't. Keep in mind that neither circumstance eliminates the need for planning.

Contact our firm [Carl Rogers, Rogers & Associates -- E-mail: cerogers@aicinvest.com] for help in organizing the right advisors to determine your business's current value and the gap (if any) between what you have today and what you'll need in order to exit on your terms. We can help you to understand your ultimate objectives and what you must have (and must do) to reach them. Contact us today if you'd like help taking the next step.

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LEGAL / LEGISLATIVE

Congress Passes Bill Encouraging Feds to Use Remanufactured Parts

On Monday, September 28, 2015, the House approved the Senate-passed Federal Vehicle Repair Cost Savings Act of 2015 (S. 565). Originally introduced by Sen. Gary Peters, D-Michigan, the bill encourages federal agencies to use remanufactured parts to service the fleet of vehicles owned by the federal government. While using remanufactured parts was not prohibited in the past, this new law sends a clear signal to agencies and the broader public that there are significant cost and time savings to be had by using such parts.

The bill makes clear that agencies are to determine whether there is a cost savings, no decrease in quality and no delay in service before using remanufactured parts. The bill now goes to the President for his signature.

Anti-Competitive Issues in Vehicle Cybersecurity Draft Bill?

The Auto Care Association sent a letter to a U.S. House of Representatives subcommittee warning that provisions in draft vehicle cybersecurity legislation could allow car companies to take "full control over who has access to key vehicle systems, many of which are needed for repair purposes."

The association's letter states that "such action could have several anti-competitive impacts on our industry and car owners and who depend on independent repair shops for about 80% of post-warranty repairs."

The provision being questioned by the Auto Care Association was included in a "discussion draft" issued by the House Subcommittee on Commerce, Manufacturing & Trade. According to the association, the provision would make it "unlawful for any person to access, without authorization, an electronic unit (ECU) or critical system of a motor vehicle or other system containing driving data for such motor vehicles, either wirelessly or through a wired connection."

In its October 19, 2015 letter, the Auto Care Association called the provision vague, noting that shops need access to the ECU to diagnose and repair a vehicle. "The Auto Care Association believes that when a consumer purchases a vehicle, they own not only the sheet metal and mechanical parts, but the software, as well," the letter reads. "While the design of the software might be the property of the developer, ownership and the access to that software should be controlled by the owner of that vehicle and not by the vehicle manufacturer."
(Source: The Greensheet Issue #38-15)

INDUSTRY NEWS

Auto Care Association Signs Heavy Duty Right to Repair MOU with Engine Manufacturers

The Auto Care Association, together with the Commercial Vehicle Solutions Network, Equipment and Tool Institute and Heavy Duty Aftermarket Canada, announced on September 14, 2015 the signing of a Memorandum of Understanding (MOU) with the Truck and Engine Manufacturers Association regarding access to service information for heavy duty vehicles in the United States and Canada.

Similar to the light-duty MOU signed by the Auto Care Association and Coalition for Auto Repair Equality in 2014, this agreement requires that engine manufacturers provide access at a "fair and reasonable price" to all the service information, tools and software they provide their new truck dealers. This heavy duty MOU is applicable to 2010 and later vehicles and requires that manufacturers make "as-built parts information" available to independents in order to ensure that correct replacement parts are being used for truck repairs.

"The Auto Care Association is very pleased to be one of the signatories of a Memorandum of Understanding (MOU) on access to heavy-duty vehicle service information," said Kathleen Schmatz, President and CEO, Auto Care Association. "High repair costs, or failure to obtain timely repairs for out of service vehicles, can have a major economic impact on businesses owning and operating heavy duty vehicles. It is therefore critical that these commercial enterprises have access to affordable, convenient and effective repairs which is the goal of this MOU."

AAACT NEWS

In Memoriam

We were saddened to learn of the recent death of Sarah Rye, 37 years old, of Newport, NC. Our sincere condolences go out to Buddy Kittrell, Morehead City, NC and all family and friends of Sarah.

The GAAS Scholarship Fund Is Now "Open For Business"

The GAAS Scholarship Fund is now "open for business," taking applications for 2016 scholarships online at www.automotivescholarships.com. GAAS, the University of the Aftermarket (UAF) and more than 30 donors and participating organizations collaborate to give scholarship awards to applicants who apply at this site. For a full list, see the tabs on the right side of the home page. Each tab shows that organization, its awards and eligibility requirements.

Each application at this website will be considered by all the donors and organizations where the applicant meets their qualifications. Some students are considered by as many as seven groups. "It's great for the students -- one application gets it done. And, it's great for the donors, as all get to see a large group of well-qualified applicants," said Pete Kornafel, GAAS Scholarship program chairman.

New for 2016, the Automotive Service Councils Education Foundation has joined the group, and will award its 2016 scholarships to California students who apply at www.automotivescholarships.com. See the ASCEF tab on the home page for more details.

GAAS, UAF, donors and participating organizations awarded a record 370 scholarships totaling \$405,450 in 2015. This includes:

- 67 GAAS awards for \$69,700 to U.S. students and 7 Canadian awards for \$7,000.
- 211 UAF awards for \$230,000.
- 85 awards for \$98,750 funded directly by collaborating organizations

57 students received 2 awards, and 5 students received 3 awards. Perla Veloz, attending Ferris State University and majoring in Automotive Engineering Technology, was a record-setter, with 3 awards for \$8,250 (Women's Board - \$5,000; Fisher - \$2,500; and CAWA - \$750).

The academics of 2015 recipients are outstanding. Here are percentages of applicants whose transcripts showed GPA and class rank:

<u>GPA</u>	<u>High School</u>	<u>Post-Secondary</u>	<u>High School Class Rank</u>
3.5 or greater	43%	59%	Top 1/4 - 32%
3.0 or greater	75%	88%	Top 1/2 - 71%

80% of recipients are in or are entering post-secondary programs to become technicians in automotive mechanical, collision or HD/Diesel programs. Another 7% are in four-year programs majoring in engineering, and 7% are majoring in business management. State wholesaler associations consider their scholarships as "member service" and do not require automotive careers. Because of this, their scholarship recipients are sons or daughters of industry companies, but are majoring in other fields of study, said Kornafel.

For more information on the GAAS scholarship program, visit www.AutomotiveScholarships.com.

2016 Vacation Schedules

For many years, your Association has provided Vacation Schedules for members. We have attached a 2016 Vacation/Leave Schedule that Rita has created for your use.

AAACT Office Holiday Schedule

The AAACT office will be closed the following days during the upcoming holiday season:

- **Christmas** – Thursday, December 24th and Friday, December 25th.
- **New Years** – Friday, January 1, 2016.

MERRY CHRISTMAS!!!

***Randy Lisk, Executive Vice President; and
Rita Wieskamp, Member Services Coordinator***