



Major Changes from Health Care Reform Act

March 23, 2010

To help our clients better understand the major changes from the recently passed legislation on health care reform, here is a brief summary of changes affecting employers.

- All individuals will be required to have health insurance, with some exceptions, beginning in 2014. Those who do not have coverage will be required to pay a yearly financial penalty of the greater of \$695 per person (up to a maximum of \$2,085 per family), or 2.5% of household income
- There is no employer mandate but employers with more than 50 employees will be assessed a fee of \$2,000 per full-time employee (excluding the first 30 employees from the assessment) if they do not offer coverage and if they have at least one employee who receives a premium credit through an Exchange.
 - Large employers (more than 200 employees) that offer coverage will be required to automatically enroll employees into the employer's lowest cost premium plan if the employee does not sign up for employer coverage or does not opt out of coverage.
 - No employer may impose a waiting period that exceeds 90 days.
- Health insurers will be prohibited from denying coverage to people for any reason, including their health status, and from charging people more based on their health status and gender.
- These new rules will also require that all new health plans provide comprehensive coverage that includes at least a minimum set of services, caps annual out-of-pocket spending, does not impose cost-sharing for preventive services, and does not impose annual or lifetime limits on coverage (existing individual and employer-sponsored plans do not have to meet the new benefit standards).
- Young adults will be allowed to remain on their parent's health insurance up to age 26.
- New taxes
 - "Cadillac Tax"-- Imposes a 40% tax on insurers of employer sponsored health plans with aggregate values that exceed certain levels, beginning in 2018.
 - Non-Wage Medicare Tax- starting in 2013, households with incomes above \$200,000 (\$250,000 for married couples) will have a new, 3.8 percent tax applied to their income from interest, dividends, capital gains, and some profits from investments in partnerships and S corporations.
 - 0.9% Medicare Tax Increase- starting in 2013, households with incomes above \$200,000 (\$250,000 for married couples) will have a 0.9% increase to their Medicare taxes on their wages.
 - Fee on health insurers and self-insured plans of \$2 per covered beneficiary to fund comparative research initiatives.
- The amount of contributions to FSA's for medical expenses would be limited to \$2,500 per year, adjusted for inflation, beginning in 2013.
- Provides a two year tax credit to small businesses (less than 25 employees) with average annual wages of less than \$40,000 that purchase health insurance with the tax credit.
 - For tax years 2010 to 2013, the tax credit would be up to 35% of the employer's contribution toward the employee's health insurance premium if the employer contributes at least 50% of the total premium cost.
 - The full credit will be available to employers with 10 or few employees and average annual wages of \$25,000 and less, the credit phases out as firm size and wages increase.
- Permit employers to offer employees rewards for wellness—in the form of premium discounts, waivers of cost-sharing requirements, or benefits that would otherwise not be provided—of up to 30% of the cost of coverage for participating in a wellness program and meeting certain health-related standards. Employers must offer an alternative standard for individuals for whom it is unreasonably difficult or inadvisable to meet the standard. The reward limit may be increased to 50% of the cost of coverage if deemed appropriate.
- There is no public option in the legislation, and the eligibility for participation in exchanges by employers with 25 or more employers is unclear at this stage.

Health Care Reform Bill Timeline (as revised by the House Reconciliation Bill) *

SUMMARY OF SELECT REQUIREMENTS

State grants to establish or expand ombudsman programs are awarded

New federal rate review process is established

National risk-pool is created

Temporary retiree reinsurance program is established

Small business tax credits established

Prohibits lifetime benefit limits

Allows restricted annual limits for essential benefits (as determined by HHS)

Revisions are prohibited (except for fraud or intentional misrepresentation)

Cost-sharing obligations for preventive services are prohibited

Dependent coverage up to age 26 is mandated

Internal and external appeal processes must be established

Nondiscrimination based on salary is prohibited

Internet portal to facilitate consumer and small employer shopping is created

Coverage for emergency services at in-network cost-sharing level with no prior-authorization is mandated

Pre-existing condition exclusions for dependent children (under 19 years of age) are prohibited

New health plan disclosure and transparency requirements are created

GRANDFATHERED PLANS

Prohibits lifetime benefit limits

Revisions are prohibited (except for fraud or intentional misrepresentation)

Dependent coverage up to age 26 is mandated

Pre-existing condition exclusions for dependents are prohibited

Allows restricted annual limits for essential benefits (as determined by HHS)

Health insurance exchange is established

Guarantee issue is required

Rating restrictions that among other things, limits use of age as a rating factor, are imposed

Individual and employer responsibility requirements are established

Individual affordability tax credits are created and small business tax credits are expanded

Essential benefit plan is created

Pre-existing condition exclusions are prohibited

CO-OPs are established

Lifetime and annual dollar limits are prohibited for essential benefits

Coverage for approved clinical trials is mandated

Multi-state qualified health plans are created and offered through the Exchange

GRANDFATHERED PLANS

Pre-existing condition exclusions for dependents are prohibited

Prohibits annual benefit limits

Uniform coverage documents and standard definitions are developed by HHS (in consultation with NAIC)

85% MLR for large group (with refund) is mandated

80% MLR for individual and small group (with refund) is mandated

Health insurance fee to fund Comparative Effectiveness is imposed

Health insurance provider fee imposed \$4 billion

Health insurance provider fee increased \$11.3 billion

Health insurance provider fee increased \$11.3 billion

Health insurance provider fee increased \$13.9 billion

Health insurance provider fee increased \$14.3 billion**

High-cost insurance excise tax is established



Health plans develop and file new rates

States approve (or disapprove) new rate filings

HHS Secretary and states create new rate review process

HHS Secretary establishes new national risk-pool

HHS Secretary establishes temporary retiree reinsurance program

Health plans create and file new policy forms

Health plans develop and file new rate filings

States approve (or disapprove) new policy forms

States approve (or disapprove) new rate filings

HHS Secretary and states approve (or disapprove) premium rate increase requests

HHS Secretary establishes new internet portal

Health plans develop and file new rates

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State approve (or disapprove) new rate filings

HHS Secretary and states approve (or disapprove) premium rate increase requests

States (and/or HHS Secretary) establish exchanges

IMPACT

*Assumes April 1, 2010 enactment

**In years following 2018, the tax amount would increase in an amount proportionally equal to overall premium growth.