

Overview

President Obama signed into law on March 23, 2010 **HR 3590** and a follow up reconciliation bill, **HR 4872** on March 29, 2010. These measures are the most sweeping reform of the health insurance system in the history of the United States. Together, the legislation contains over 2,700 pages of language and will require regulatory guidance from Federal and State agencies.

We believe that there are a number of positive provisions of the legislation which will **help consumers gain access** to health insurance coverage. At the same time, **there are also provisions which we believe may increase the cost of coverage for both individuals and businesses in future years (we have highlighted these in RED)**. You should expect that the rules and regulations applicable to this law will be generated over the next seven to ten years.

This pamphlet is an attempt to provide our clients with some basic idea of **what** is in the law and **when** it will be implemented. It is a very high level look at the legislation and is not intended to provide legal or accounting advice.

In 2010

- Enacts the 1st phase of a **small business premium tax credit** if they pay for at least 50% of the cost of coverage for employees;
- Within 6 months of becoming law:
 - ◆ Prohibit **lifetime benefit limitations** on ALL health insurance plans;
 - ◆ Require ALL plans to **cover dependents up to age 26** regardless of marital or educational status;
 - ◆ Prohibit **coverage rescissions** except in cases of fraud or intentional misrepresentation (*already enacted in California*);
 - ◆ Require ALL plans to **cover pre-existing conditions for children under age 19**;

- ◆ Require ALL group plans comply with **non-discrimination rules** which prohibit favoring highly compensated employees;
- Creation of a **“high-risk” pool** for people who cannot obtain insurance due to a pre-existing condition (*already exists in California*);
- The Dept. of Health and Human Services (DHHS) will create an **internet portal** by July 1, 2010 to provide information on public/private health insurance options (*already exists in California*);
- Requires that **emergency services** be covered as an in-network benefit, regardless of provider, and that any network doctor may be designated as a primary care physician (PCP);
- Implements a Federal grant program for **small employers** to provide a **wellness program**;
- Requires that specific **preventive services** no longer have a cost sharing provision (deductibles, copays, etc.), and specifies certain minimum covered preventative care services for ALL plans;
- Enacts **Federal oversight of health insurance premium rates** (formerly handled exclusively by the States);
- Enacts a **minimum loss ratio** rule for health insurers which in turn requires a **premium rebate** to individuals if insurers fail to meet that requirement.

In 2011

- Increases the **tax on non-qualified distributions** from an H.S.A. from 10% to 20%;
- **Over-The-Counter (OTC) drugs** are no longer reimbursable under an H.S.A., F.S.A. or H.R.A. unless specifically prescribed by a physician;
- Creates a new **public Long Term Care program** and requires all employers to enroll employees unless the employee elects to opt out.

In 2012

- Implements a **\$2.00 per enrollee tax** to fund **Federal comparative effectiveness research**;
- Employers must include **the aggregate cost** of employer-sponsored health benefits on an Employee’s annual **W-2 form**;
- Employers and Insurers must provide enrollees with a **summary of benefits/coverage explanation** at various times or be fined \$1,000 for willful failure to do so.

In 2013

- Implements an **additional 0.9% Medicare Hospital Insurance tax** on self employed individuals and employees with respect to earnings and wages above \$200,000 for individuals (\$250,000 for joint filers):
 - ◆ Self employed individuals are not permitted to deduct any portion of the additional tax;
- Implements a **new 3.8% Medicare contribution** on certain **unearned income** from individuals with Adjusted Gross Income (AGI) over \$200,000 (\$250,000 for joint filers);
- Increases the **threshold for the itemized deduction for unreimbursed medical expenses** from 7.5% to 10% of AGI for regular tax purposes;
- Places an indexed cap of \$2,500 on contributions into a Medical Flexible Spending Account (FSA).

In 2014

- Implements an annual **tax on private health insurers** based on net premiums (in addition to any State premium or other taxes they now pay);

- All health insurance coverage must be “**guaranteed issue**” and “**guaranteed renewable**” for all persons;
- All exclusions for **pre-existing conditions** will be prohibited in all markets;
- Implements a full **prohibition of any annual limits or lifetime limits** in all group and individual plans (including self funded plans);
- Requires that all Individual and Small Group plans (1-100 employees) use a **community rating system** which prohibits experience rating, and permits price variations for age (3:1 ratio), tobacco use (1.5:1 ratio), family composition and geographic regions;
- Requires that each State creates a **Health Insurance Exchange** to facilitate the sale of qualified plans to **individuals**:
 - ◆ States must also create “SHOP Exchanges” for small businesses to purchase coverage (large employers may join in 2017);
- Enacts an “**Employer Responsibility**” provision for companies who employ more than 50 full time employees – they must provide benefits:
 - ◆ Must meet an “**essential benefit**” requirement;
 - ◆ Must pay at least **60%** of the “**actuarial value**” of the cost of coverage;
 - ◆ Fine of **\$2,000 per non-covered employee** (waived on the first 30 employees) if non-compliant;
 - ◆ **Alternative fine of \$3,000** per FTE receiving a premium assistance tax credit or **\$750** per employee;
 - ◆ Implements a **Premium Assistance Tax Credit** for employees who contribute more than 9.5% of income for cost of coverage or if employers contribution is less than 60% of “actuarial value”;

- ◆ Prohibits waiting periods of more than **90 days** to obtain coverage in a group insurance plan;
- ◆ Requires **Employers to provide a voucher** to employees to use to purchase individual coverage if a group plan is not available;
- Enacts an “**Individual Mandate**” whereby all Citizens and Legal Residents must purchase qualified health insurance with some exceptions:
 - ◆ **Penalty for non-compliance** either flat \$ amount or % of income, capped at “Bronze Level” Exchange plan;
 - ◆ Implements a sliding scale tax credit for non-Medicaid individuals with incomes up to 400% of FPL to buy coverage through an Exchange.

Beyond 2014

- In 2018, enacts a **40% excise tax** on insurers of employer sponsored plans with aggregate values that exceed **\$10,200/single** or **\$27,500/family**.

For additional information on the Small Employer Tax Credit for the purchase of health insurance please go to:

<http://www.irs.gov/newsroom/article/0,,id=220839,00.html>

Please visit our **online quoting system** for Individual and Small Group Medical, Dental, Vision and Life Insurance products at
www.fearcorp.com

The Implementation of Health Reform Legislation

-Clients Guide-



Offices Located At:

457 Grass Valley Highway, Suite 4
Auburn, CA 95603

Mailing Address:

P.O. Box 7108, Auburn, CA 95604

Telephone: 1-877-NO-FEAR3

Telefax: (530) 886-1302

Internet: www.fearcorp.com

Proud Members of



NAHU researched the information contained in this publication