

HealthCare Reform Timeline

On March 23, 2010, President Obama signed historic health care reform legislation into law. Although a second reconciliation bill still needs to go to the Senate for approval, the health care reform legislation that was enacted will affect health insurance for all Americans and will have a particularly strong effect on employers who sponsor group health plans. The requirements of the law will take effect over the next few years, with the earliest changes effective the first day of the plan year after 6 months from the passing of the bill as follows:

Within 6 months (September 23, 2010):

- Lifetime caps on coverage are prohibited;
- Plans may not cancel the policies of people who fall ill;
- Children with pre-existing conditions cannot be denied coverage;
- Dependent children must be offered coverage under their parents' plans up to age 26; and
- Small employer tax credits (see "SHOP Exchanges" and Subsidies below).

Within 9 months (December 23, 2010):

- Individuals unable to obtain insurance due to pre-existing conditions will be eligible for subsidized coverage under a new high-risk insurance program. This coverage will continue until 2014, when coverage through Medicaid and new state-run insurance exchanges are expanded to cover more of the population.

In 2013:

- There will be an annual limit on the maximum election amount for Flexible Spending Accounts under Cafeteria Plans of \$2,500.00 per year; and
- Families with annual gross income higher than \$250,000 will have to pay an additional 3.8% tax on all investment income and contribute higher amounts to Medicare through payroll taxes.

In 2014:

Uninsured Penalties

- Individuals will be required to purchase health insurance by 2014 or be subject to a penalty. The first year, the penalty is \$95 or 1% of gross annual income, whichever is greater. Subsequently, the penalty will increase to \$695 or 2% of income.
- Waivers will be available for those who cannot find a policy that costs less than 8% of their income, for families who fall below the income-tax filing thresholds and for individuals with religious objections.
- Individuals who cannot find a plan that costs less than 8% of their income, regardless of age, will also be eligible to purchase catastrophic policy that otherwise would be limited to individuals under age 30.

Medicaid

- Medicaid will be expanded to cover more low-income individuals with incomes up to 133% of the federal poverty level (about \$29,327 for a family of four) who have not reached age 65.

"SHOP Exchanges" and Subsidies (Small Business Health Options Programs)

- States will be required to have Health Care Exchanges where small businesses will be able to pool together to buy insurance. Individuals with income higher than 133% but less than 400% of the federal poverty level (about \$29,327 to \$88,200 for a family of four).
- Small employers (those with 100 employees or less) will have the ability to purchase insurance at lower rates through these exchanges.
- Large employers (those with more than 100 employees) will be able to participate in SHOP.
- Premiums will be capped at a percentage of income from 3% to 9.5%.
- Over the next four years until these state-run exchanges are in place, small employers with 10 or fewer Full Time Equivalent (FTE) employees earning less than \$25,000 will be eligible for a tax credit of 35% of health insurance costs. Companies with 11 to 25 FTE workers earning up to \$50,000 will be eligible for partial tax credits.

- After the exchanges are in place, the credit will be increased to 50% for the first two years the company buys insurance through the exchange.

Employer-Sponsored Coverage

- Group health plans will be prohibited from setting rates or denying coverage based on pre-existing conditions, from placing excessive waiting periods on eligibility for benefits for new hires (90-day maximum, and from placing annual and lifetime dollar limits on benefits. Insurers will only be able to vary premiums based on geographic location, age and tobacco use.
- Group health plans will be required to cover specific services and at least 60% of employee health costs overall. Plans that do not meet these requirements will be subject to additional penalties.
- Employees who pay more than 9.5% of their income on premiums or whose group health plan covers less than 60% of the cost of their benefits will be eligible to purchase coverage through the state-run exchange.
- The reform package does not require employers to provide health insurance to their employees. However, beginning in 2014, tax penalties will be assessed for companies with 50 or more FTE employees that do not provide health insurance of up to \$2,000.00 per employee, with the first 30 employees being exempt.
- Employers with more than 200 FTE employees must automatically enroll employees in their group health plan and allow employees the opportunity to opt out.
- A grant program will be established to encourage small and mid-sized employers to develop workplace wellness programs.

In 2018

- Employers will be taxed on high-end “Cadillac” health plans (those with total premiums of \$10,200 or more for singles and \$27,500 for families) each year. The excess premium will be subject to a 40% tax.

In 2020

- The gap in Medicare prescription drug coverage will be phased out by 2020.

The Next Step:

The reconciliation bill is expected to be debated by the Senate in the next few weeks that contains amendments to the law. SHOP exchanges may start to receive federal funding as early as next year, although states may wait until 2014 to implement them. Rules and guidance on how to implement these requirements are expected as well.

What Employers Should Do Now:

No immediate action is required of employers at this time. IPG is monitoring this law and any amendments that may be passed. Resources and services are being developed as more information is made available. We will continue to provide updates and guidance on this health care reform legislation

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