

# Health Care Reform Implications for ABC Company

	Provision	Effective Date	<i>Implications for Large Employers</i>
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## Employer Mandate

1	<b>Play or Pay Penalty for not offering coverage</b>	\$2,000 per FTE, indexed. FTE defined as 30 or more hours per week. No requirement for PTE coverage. No minimum employer subsidy required.	2014	<i>This penalty for not offering coverage might be so low as to encourage some employers to drop coverage.</i>
2	<b>Minimum Value of Employer Coverage</b>	If actuarial value of the plan is below 60%, employees under 400% FPL are eligible for subsidized Exchange coverage and if elected, employer is assessed the play and pay penalty.		<i>To avoid penalties employers will need to provide plan with actuarial value of at least 60%.</i>
3	<b>Pay and Play Penalty for opt-outs electing coverage through the Exchange</b>	\$3,000 (indexed) for FTEs who enroll in Exchange and receive subsidy; aggregate cap of \$2,000 times total number of FTEs.		<i>Even employers who offer a qualifying plan can be subject to penalties for opt-outs; Limited to low-income waivers.</i>
4	<b>Employee Vouchers for Exchange</b>	Employers must offer cash vouchers to employees under 400% of federal poverty level with contributions between 8.0% to 9.8% of household adjusted gross income (AGI).		<i>Increases potential of anti-selection. However, limited number of employees may be eligible.</i>
5	<b>Employer Reporting Requirements</b>	Reporting to both Secretary and employees regarding minimum essential coverage.		<i>Similar to Part D Creditable Coverage notices; increased administrative burden.</i>

## Individual Mandate

6	<b>Play or Pay Penalty</b>	Greater of 1.0% of AGI or \$95/person in 2014, 2.0% or \$325/person in 2015, 2.5% or \$695/person in 2016; indexed. Family dollar amount capped at 300% of individual penalty.	2014	<i>Employer cost will increase with higher enrollment with fewer waivers.</i>
7	<b>"Unaffordable" Employer Coverage for Employees Under 400% of FPL</b>	If employee contributions are above 9.5 % of AGI – the employee is eligible for subsidized Exchange coverage and employer is assessed the play and pay penalty.		<i>If the required employee contribution is above this limit, employees under 400% FPL are eligible for subsidized Exchange coverage.</i>

## Provisions Applying to Employer Plans

8	<b>Expansion of Child Coverage</b>	Up to age 26 if not eligible for other group coverage.	Plan years beginning on or after Sept. 23, 2010	<i>Increased enrollment and costs for covering more dependents.</i>
9	<b>Income Tax Exclusion of Employer Health Benefits</b>	Expanded to include adult children through year in which child turns 26.		<i>Simplifies payroll administration</i>
10	<b>Lifetime Limits</b>	Lifetime limits prohibited for essential benefits.		<i>Plans might need to be improved; stop-loss would become more important.</i>
11	<b>Restricted Annual Limits</b>	Unreasonable annual limits prohibited for essential benefits.		<i>Plans might need to be improved; stop-loss would become more important.</i>
12	<b>Cost Reporting and Rebates</b>	Rebates to enrollees for insured plans with loss ratio below 85%.		<i>Employers may need to establish refund mechanism.</i>
13	<b>Uniform Explanation of Coverage</b>	Federally prescribed appearance, content, language and timing. Notice due within two years of enactment.		<i>Will need to be coordinated with other employee communications materials.</i>
14	<b>Pre-existing Condition Exclusions for Children</b>	Pre-existing exclusions prohibited for children under 19.		
15	<b>Reporting Plan Value on W-2</b>	Yes.		<i>Value of coverage is disclosed but not taxed directly to employees.</i>
16	<b>Standardize Definition of Medical Expenses</b>	Prohibits reimbursement of over the counter drugs from FSAs, HRAs and HSAs.	2011	<i>May require amendments to spending account programs.</i>
17	<b>HSA Nonqualified Withdrawals</b>	Penalty for increased from 10% to 20%.		<i>Plan sponsors may want to communicate.</i>
18	<b>Health FSA Cap</b>	Capped at \$2,500 in 2013; indexed	2013	<i>Employer redesign required.</i>
19	<b>Pre-existing Condition Exclusions for all Enrollees</b>	Pre-existing exclusions prohibited for all enrollees.	Plan years beginning on or after January 1, 2014	<i>Reduced job lock might spur higher turnover.</i>
20	<b>Annual Limits</b>	Annual limits prohibited for essential benefits.		<i>Plans might need to be improved; stop-loss would become more important.</i>
21	<b>Auto Enrollment</b>	Auto enrollment required with employee having ability to opt out of coverage. Effective date not clear.		<i>Increased cost due to higher enrollment and more complex administration.</i>
22	<b>Waiting Periods</b>	Waiting periods over 90 days not permitted.		<i>A critical provision for high-turnover firms.</i>
22	<b>"Cadillac Plan" Excise Tax</b>	40% tax on value above \$10,200/individual and \$27,500/family (Indexed at CPI-U+1% for 2019, CPI-U only after 2019). Higher indexing based on retirees, high risk industry, age and gender. Excludes dental and vision. For multiemployer plans all coverage is considered family.	2018	<i>Deferral of excise tax to 2018 mitigates impact. However, in 2018 the tax will apply to many employer plans. Elimination of executive programs.</i>

## Provisions that do not apply to Grandfathered Employer Plans

23	<b>Preventive Care</b>	Preventive care services covered at 100%.	Plan years beginning on or after Sept. 23, 2010	
24	<b>Discrimination Requirements</b>	No discrimination in favor of highly compensated employees under insured plans.		
25	<b>OB/GYN, Pediatrician, ER Services</b>	No preauthorization or referral can be required.		
26	<b>Appeals Process</b>	Mandatory internal and external appeals process.		<i>Similar to current ERISA requirements.</i>
27	<b>HIPAA Wellness Incentives</b>	Codifies HIPAA Wellness incentives, but with a maximum differential of 30%; Secretary can raise to 50%.	Plan years beginning on or after January 1, 2014	<i>May be drafting error that this provision does not apply to grandfathered plans.</i>
28	<b>Required Service Categories &amp; Coverage</b>	Mandatory statutory list, to be supplemented by Secretary of HHS. Limited to insured plans.		
29	<b>Maximum Out-of-pocket Limit</b>	Cannot exceed the OOP limit for HSA-compatible HDHP; indexed.		

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## Retiree Health

30	<b>Reinsurance Program for Early Retirees (55-64)</b>	\$5B to subsidize 80% of costs between \$15K-\$90K. Terminates December 31, 2013 or when funds expended.	June 21, 2010	<i>Temporary bridge to support employer retiree plans until Exchange is effective; administration appears similar to RDS.</i>
31	<b>Application of Plan Requirements to Retiree Plans</b>	Review of retiree programs for compliance with plan requirements.	Various	<i>Could have significant FAS/GASB implications.</i>
32	<b>Phase out of Donut Hole</b>	\$250 rebate in 2010 for beneficiaries who reach donut hole. Phases out donut hole by 2020 in combination with brand drug discount.	2010	<i>Makes participation in Part D more attractive to employers relative to RDS. May result in plans falling actuarial equivalence.</i>
33	<b>Brand Drug Coverage in Part D Donut Hole</b>	Drug manufacturers required to discount brand drugs in donut hole by 50%.	2011	<i>Makes participation in Part D more attractive to employers relative to RDS.</i>
34	<b>Means Based Medicare Part D Premiums</b>	Increased for higher income retirees.		<i>Makes employer-provided Rx that much more attractive to high income retirees.</i>
35	<b>Medicare Advantage Plan Funding</b>	Payments frozen in 2011; reduced benchmarks starting in 2012.		<i>Increased retiree premiums for Medicare Advantage plans; reduced enrollment.</i>
36	<b>Taxability of RDS Payments to Employers</b>	Yes. While taxability is not effective until 2013, non-public employers will need to reflect impact in first quarter 2010.	2013	<i>Increases retiree plan costs; makes employer Part D (EGWP) plans more attractive.</i>

## Insurance Market Reform for Individuals and Small Groups

37	<b>Minimum Benefit Package</b>	Bronze, Silver, Gold and Platinum with actuarial values of 60% - 90%.	2014	<i>Sponsors would retain some (but not complete) latitude in setting plan design for programs offered through the Exchange.</i>
38	<b>Guaranteed Issue and Renewability</b>	Yes. Also includes interim high risk pool for currently uninsured (starting 90 days after enactment).		<i>More robust individual market is especially valuable to former employees and retirees.</i>
39	<b>Community Rating – Limits on Age Rating</b>	3 to 1 ratio maximum (50% surcharge also permitted for tobacco use).		<i>The need for COBRA declines but adverse selection worsens.</i>
40	<b>Medical Loss Ratios - Minimum Standards</b>	80% individual market and small groups; 85% Group market.	Plan years beginning on/after March 23, 2010	<i>More robust individual market is especially valuable to former employees, particularly early retirees.</i>
41	<b>Small Employer Subsidies</b>	Yes, up to 25 employees.	2010	<i>Will some large employers now be at a competitive disadvantage?</i>

## Purchasing Exchanges

42	<b>Exchanges</b>	State-based exchanges for individuals and small employers. In 2017 states can make available to large employers.	2014	<i>Similar to the Massachusetts Connector. Initially, not available to large employers.</i>
43	<b>Low Income Premium Subsidy in the Exchange</b>	Affordability credits up to 400% of the federal poverty level.		<i>With generous subsidies to low income, employers might not want to duplicate these efforts with salary-based cost-sharing.</i>

## Taxes

44	<b>Tax on Indoor Tanning Services</b>	10% tax on indoor tanning services, starting in July, 2010.	July, 2010	<i>Generally will not impact employer plans.</i>
	<b>Pharmacy Manufacturer Tax</b>	\$2.5B in 2011 increasing to \$4.2B in 2018; \$2.8B in 2019+	2011	<i>Increased cost-shifting.</i>
45	<b>Comparative Effectiveness Research</b>	Tax on insured and self-funded plans of \$1/ee/yr first year; \$2 second year; indexed thereafter.	Plan years ending after Sept. 30, 2012	<i>Potential for increased or additional taxes in the future.</i>
46	<b>Income Tax Provisions</b>	Itemized medical deduction threshold increased from 7.5% to 10%.	2013	<i>Even greater pressure on employers to offer tax-advantaged compensation and benefits.</i>
47	<b>Medicare Hospital Insurance Tax</b>	Tax rate increased from 1.45% to 2.35% starting for high income earners. A new 3.8% tax on net investment income. (Income in excess of \$250K joint filers; \$200K others)		<i>Payroll tax increase only applies to employees, not employer. Increased interest by high paid employees in tax deferrals.</i>
	<b>Medical Device Excise Tax</b>	2.3% excise tax.		<i>Increased cost-shifting.</i>
48	<b>Health Insurance Industry Tax</b>	\$8B in 2014 increasing to \$14.3B in 2018; trended after 2018	2014	<i>Increased cost-shifting.</i>
49	<b>Exchange Reinsurance Program</b>	\$25B tax on insurers and TPAs from 2014 to 2016 for Exchange reinsurance program		<i>Potential for increased cost-shifting.</i>

## Collective Bargained Coverage

50	<b>Coverage Maintained Under CBA</b>	For coverage maintained under a CBA ratified before March 23, 2010, all new coverage and cost-sharing rules apply upon the termination of the last CBA relating to the coverage.	March 23, 2010	<i>Provides needed flexibility for CBA plans.</i>
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## CLASS Act

51	<b>Voluntary Long-term Care Program</b>	Government run long-term care program. Employers are expected, but not required, to allow for payroll deductions and automatically enroll employees.	2011	<i>Employers may want to provide supplemental long term care programs</i>
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