



Health Care Reform Bill Implementation Timeline for 2010 thru 2020

The healthcare bill passed by the Senate and House will slowly be implemented over the next several years. This article will cover just a short timeframe from 2010 thru 2012 as we know it at this time. The first four years, for the most part involves plan designs and setting up of new taxes and obligations. 2014 and going forward is when the healthcare systems changes are taking place as well as other implementation aspects of the bill.

Please keep in mind that this is meant to be informative but should not be considered as legal guidance. HHS and other agencies will be issuing multiple regulations and bulletins elaborating and clarifying more of what we know at this time.

2010

Insurance Reforms: As of the signing of the Health Care and Education Affordability Reconciliation Act of 2010, all existing health insurance plans are now subject to new regulations that prohibit lifetime limits, rescissions, and excessive waiting periods. Compliance must be met within six months (Oct. 2010). Also there is a requirement to provide coverage for non-dependent children as well as dependent children that will allow them to stay on their parent's policies until age 26. Prior to 2014, the requirement is limited to those adult children without an offer of employer sponsored coverage. The bill also restricts any annual limits for group health plans and requires all plans (individual and employer sponsored) to provide first dollar coverage for preventive services (services are not yet defined).

Small Business Health Tax Credit: Eligible small businesses (those that have no more than 25 full time EE's, pay an average annual wage of less than \$50,000 excluding owners, and provide qualified coverage as defined by HHS) are eligible for phase one of the small business premium tax credit. Starting this year (all of 2010) Small employers will receive a maximum credit, based on the number of employees, of up to 50% of premiums for up to two years if the employer contributes at least 50% of the total premium costs.

(A calculation form is available at www.ebxaz.com/health-care-reform.htm)

State Tax Credit: Monies are still available for the State of Arizona DOR to eligible small groups. Companies of less than 25 employees who have been in business for at least 1 year and have not offered a formal group medical program can apply for direct premium credits of an annual amount equal to \$1,000 per single employee and \$3,000 per employee and dependents.

Medicare Cuts: After October 1, 2010 physicians Medicare reimbursement will be cut by more than 20 percent unless Congress enacts the so called "doc-fix" to preserve or increase their payment levels.

Medicare Part D: Employers that provide a Medicare Part D subsidy to retirees will have to account for the future loss of the deductibility of this subsidy in 2013. This will be done on liability and income statements. While the elimination of the deductibility does not take effect until 2013, there could be an immediate accounting impact. The bill also creates a temporary reinsurance program for employers that provide retiree health coverage for employees over age 55 within the next 90 days.

High Risk Pool Program: Creates a temporary high-risk pool program for people who cannot obtain individual coverage due to preexisting conditions within 90 days of enactment. Employers are prohibited from sending individuals to the high-risk pool, with associated fines.

Management Only Plans: Group plans will be required to comply with IRS 105(h) rules that prohibit discrimination in favor of highly compensated individuals within six months of enactment.

Preexisting Conditions: All group and individual health plans, including self-insured plans, will have to cover preexisting conditions for children 19 and under for plan years beginning on or after six months after the date of enactment. Grandfathered status applies for group health plans.

Rescissions: Health coverage rescissions by Health Carriers, within six months of enactment, will be prohibited for all health insurance markets, including self-insured plans and grandfathered plans, except for cases of fraud or intentional misrepresentation.

2011

W-2 Reporting: All employers must include on W2's the aggregate cost of employer sponsored health benefits, for informational purposes at this time. If an employee receives health insurance coverage under multiple plans, the employer must disclose the aggregate value of all such health coverage, but exclude all contributions to H.S.A.'s and Archer M.S.A.'s and salary-reduction contributions to FSA's. Applies to benefits provided during taxable years after December 31, 2010.

H.S.A Penalty: The penalty for making non-qualified purchases with an H.S.A. account increases to 20% OTC drugs will no longer be reimbursable under H.S.A.'s, medical FSA's and HRA unless they are prescribed by a doctor.

Federally Subsidized Long Term Care: Voluntary payroll deductions begin for CLASS long term care program. Working adults may be automatically enrolled in this program unless they choose to opt out. If they do not opt out, they will be automatically enrolled. This will certainly change in the coming year as it has been called a large unfunded mandate.

Brand-name Drug Tax: An annual fee will be imposed on manufacturers and importers of brand-name drugs. The amount is set at \$2.5 billion for 2011, \$2.8 billion per year for 2012 and 2013, \$3 billion per year for 2014 through 2016, \$4 billion for 2017, \$4.1 billion for 2018, and \$2.8 billion for 2019 and thereafter. This cost will be passed on to the consumers.

Physician Ownership Referral: Physicians are prohibited from self-referring to hospitals in which they have an ownership interest. There are limited exceptions, including an exception to the growth restrictions for grandfathered physician owned hospitals that treat the highest percentage of Medicaid patients in their county (and are not the sole hospital in the county).

2012

1099 Reporting: Business will have to complete 1099 forms for every business - to - business transaction of \$600 or more. This will be a tremendous paperwork burden for all businesses.

Medicare Advantage (MA): MA payments are frozen for 2011. Beginning in 2012, a new system of blended benchmarks will be phased in.

2013

Elimination of Deduction for Part D Subsidy: The existing employer tax deduction for the Part D subsidy is eliminated.

Fewer Deductible Medical Expenses: New limits are placed on the deductibility of medical expenses on individual income tax returns. This provision raises the 7.5% AGI floor on medical expenses deductions to 10%. The AGI floor for those 65 and older and their spouses remains at 7.5% through 2016.

Medicare Payroll Taxes: The Medicare payroll tax on wages and self-employment income in excess of \$200,000 or \$250,000 joint will increase by 0.9% and also applies for the first time to net investment income. Earners in excess of these amounts will pay an additional 3.8% Medicare tax on investment income. This tax marks the first time that funds designated for Medicare will be diverted to specifically pay for the insurance policies of people under the Medicare age. It also establishes a precedent for treating the payroll tax as a revenue raiser for other purposes.

Premium Tax: New federal premium tax on fully insured and self-insured group health plans to fund comparative effectiveness research program. It imposes an annual fee on private insurance plans equal to two dollars for each individual covered.

FSA's: Contributions for medical expenses will be limited to \$2,400 per year with the cap annually indexed for inflation.

Medical Device Tax: A 2.3% excise tax on manufacturers and importers of certain medical devices will begin. These costs will most likely be passed on to the consumer.

2014

Health Insurance Exchanges: Up until 2012 the bill collects a great amount of taxes, but most of the insurance reforms are not implemented until 2014. This is when change begins with the opening of insurance exchanges. States must establish an American health benefit exchange (A.H.B.E) that will facilitate the purchase of "qualified health plans" and includes a SHOP exchange for small businesses. Individuals can enroll in a plan through the state exchange and small employers can offer a choice of plans to their employees through the exchange.

Benefits Package: Federal government defines essential benefits package. All qualified health plans must offer the essential health benefits package.

Individual Mandates: Starting in 2014, all U.S. citizens and legal residents must have qualifying health coverage or pay penalties. Other than individuals who meet a hardship exemption, individuals will be required to carry eligible health coverage. Beginning at \$325 the fully phased-in penalty for not having health insurance is the great of \$695 or 2.5% of income.

Employer Mandates: The bill contains a complex employer mandate requiring some firms to provide insurance, pay penalties or both. The penalties are based on a) the number of full time employees, b) whether or not the firm offers coverage and 3) whether or not one or more employees qualify for government subsidies towards the purchase of health insurance. An employee qualifies for subsidy if his or her household income is below 400% of the federal poverty line (\$88,000 for a family of four).

Here are some rules as of today:

1. Employer has more than 50 full time employees. It does not offer insurance. It has one or more employees receiving premium subsidies. The first 30 workers would be subtracted from the calculation. Penalty is equal to \$2,000 per employee (20 employees).
2. Employer has more than 50 full time employees. It offers insurance. It has one or more employees' receiving premium subsidies. Penalty is equal to the lesser of \$3,000 per subsidized employee or \$2,000 per employee.
3. Employer has more than 50 full time employees. If offers insurance. It has no employees receiving premium subsidies. There is no penalty.
4. Employer has 50 or fewer full time employees. There is no penalty.

Premium Credits: The federal government begins subsidizing individuals up to 400% of the federal poverty level. These credits will subsidize individuals purchasing in exchanges, but for the most part, will not be available to those with traditional employer-sponsored plans. Subsidies will be paid directly to insurers, not individuals.

Employee Free Choice Voucher Program: This requires employers that provide and contribute to health coverage to give vouchers to each employee who is required to contribute between 8-9.8% of their household income toward the cost of coverage. If such employee's household income is less than 400% of FPL and the employee does not enroll in a health plan sponsored by the employer, the value of the vouchers would be adjusted for age and the vouchers would be used in the exchanges to purchase coverage that would otherwise be unsubsidized.

Medicaid Eligibility Expands: The income level for Medicaid eligibility rises so that tens of millions of people are now eligible for Medicaid. This expansion will account for around half of the total increase in insurance coverage and will place financial pressures on the states to fund this mandate.

Reforms to Group Health Plans: Bill prohibits pre-existing condition exclusions for group plans as well as guaranteed-issue. Annual limits are prohibited as well as lifetime limits. The size of a small employer will be redefined to 1 to 100 employees. These small groups will have to abide by strict modified community rating standards with premium variations only allowed for age (3:1), tobacco use (1.5:1) and family and geographic compositions. Experience rating would be prohibited. Wellness discounts will be allowed.

Annual Fee on Health Insurance Providers: Fees will be \$8 billion in 2014, \$11.3 billion in 2015 and 2016, \$13.9 billion in 2017, and \$14.3 billion in 2018. Thereafter it is an indexed growth.

Benefit Waiting Period: Form employers that have a waiting period for coverage for new employees, waiting periods of more than 90 days are prohibited for all plans, including any grandfathered plans.

Cooperative Plans Will Be Allowed To Be Sold: Multistate national plans will be offered to individuals and small employers through the state-based exchanges.

2015

IPAB: Establishes an Independent Payment Advisory Board charged with recommending reductions in Medicaid spending. Congress must either adopt the IPAB's proposed cuts or pass an alternative with equivalent savings. The IPAB will first propose cuts in 2014 for implementation in 2015.

2016

Interstate Health Choice Compacts: Under these compacts, qualified health plans could be offered in all participating states, but insurers would still be subject to consumer protection laws of the purchaser's state.

2017

Large Employers in the Exchange: States may choose now to permit large employers to offer coverage to their employees through the exchanges.

2018

Cadillac Tax: The government will collect a so-called "Cadillac tax" which is a 40% excise tax on health coverage in excess of \$10,200 annually for individuals or \$27,500 annually per family with increased thresholds for certain high-risk professions and retirees over the age of 55. This is similar to the alternative minimum tax, but it is estimated to reach further into the middle earners.

2019 / 2020

Indexing of Premium Subsidies: To slow the growth of premium subsidies, beginning in 2019, the indexing of these subsidies are adjusted if premiums are growing faster than CPI.

Indexing of the "Cadillac Tax" Thresholds: Beginning in 2020, the thresholds for the high premium tax will be indexed to the general rate of inflation.



Healthcare reform is here to stay. No one really knows what changes or additions will be made when the Federal Government and the States start to work out the financing of the mandates. These and many more questions will be the subjects for discussion in the coming years.

Right now, what we do know is that Employee Benefit Exchange, Corp. will be engaged in discussions, study, and voicing our opinions on behalf of our clients and the Small Business Community in the states we service. Reform, in our opinion, must be of help to the small business community, the owners as well as the employees. It must allow individuals and employers to purchase insurance for the lowest cost while maintaining a high level of coverage. It must overall remain affordable and not be a burden to the business owners who are already meeting the high demands of taxes and other overhead costs.

Our company philosophy is to be of service to these independent businesses with regard to negotiating on behalf of the business owner to Insurance Carriers, explaining benefit programs to employees, working with H.R. personnel to service these benefit programs, and providing service to add, and remove employees from their plans. We also offer claims administration as a value added service. These "Value Added Services" have proven to save employers thousands of dollars in administrated overhead costs.

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