



Key Health Reform Components and Timeline For Employers and Group Health Plans

2010

Coverage Changes effective for new business and renewals on or after September 23, 2010 (as applicable to plan designs)

Grandfathered Plans: Grandfathered Plans are group health plans in effect as of March 23, 2010, that do not have any benefit changes other than federal requirements noted above; not entirely clarified, and subject to further reform guidance and regulation

- ❑ Removal of Pre-Ex for children under age 19
- ❑ Adding coverage for dependent children to age 26
- ❑ Removing any lifetime dollar benefit maximums
- ❑ Some restrictions on annual dollar benefit maximums for “essential benefits” (yet to be defined by HHS)

Non-Grandfathered Plans:

- ❑ Removal of Pre-Ex for children under age 19
- ❑ Adding coverage for dependent children to age 26
- ❑ Removing any lifetime dollar benefit maximums
- ❑ Some restrictions on annual dollar benefit maximums for “essential benefits” (yet to be defined by HHS)
- ❑ No copayment allowed for defined preventive care services
- ❑ Out of network ER member cost-share must be same as in network

Small Business Tax Credits effective for health insurance premiums paid in 2010 (January 1- December 31)

Tax credit designed to encourage small businesses to offer health insurance or maintain existing health insurance.

According to the IRS site:

Eligibility Rules:

- ❑ Employer must have less than the equivalent of 25 FTEs
- ❑ Employer must pay at least 50% of the Single Premium
- ❑ Employer must pay average wages of \$50,000 or less per employee per year
- ❑ Business can be taxable or tax-exempt

Amount of Credit:

- ❑ Maximum Credit for 2010: up to 35% of the premium costs paid by eligible small businesses in 2010 (or maximum of 25% for tax-exempt organizations)
- ❑ The Maximum Credit goes to smaller employers – those with 10 or fewer FTEs, paying average annual wages of \$25,000 or less

Eligible small businesses can claim the credit as part of the general business credit starting with the 2010 income tax return they file in 2011.

More information at IRS Web site:

<http://www.irs.gov/newsroom/article/0,,id=220809,00.html>

Early Retiree Reinsurance Program

HHS Secretary establishes temporary retiree reinsurance program for employers providing health insurance coverage to retirees over age 55 who are not entitled to Medicare. This program would reimburse employers retrospectively 80% of claims between \$15,000-90,000, which will be indexed for inflation. It will end on January 1, 2014.

Federal Review of Health Insurance Rates

HHS Secretary and States create new rate review process. HHS will have new authority to monitor health insurance carrier premium increases beginning in 2010 to prevent unreasonable increases and publicly disclose such information.

National High Risk Pool for Individuals with Pre-Existing Medical Conditions

HHS Secretary establishes a new high risk pool for individuals with pre-existing conditions that have not been able to obtain health insurance.

2011

Mandatory Minimum Loss Ratio Requirement for Health Insurance Carriers

Minimum loss ratio requirements will be established for insurers in all markets. The MLR is 85% for large group plans and 80% for individual and small group plans (100 and below). The calculation is independent of federal or state taxes and any payments as a result of the risk adjustment or reinsurance provisions. Carriers will

have to issue a premium rebate to individuals for plans that fail to meet the minimum MLR requirements. Would also apply to grandfathered plans.

HHS and the National Association of Insurance Commissioners (NAIC) will begin the regulatory process in 2010, with the standards and any potential rebates to policyholders being applied to the 2011 plan year.

Elimination of Employer Subsidy for Medicare Part D (Prescription Drugs)

This law eliminates the tax deduction currently available to employers for prescription drug coverage provided to Medicare-eligible retirees, and requires affected employers to account for the additional expense resulting from this change in the first quarter of 2010, even though the change in law occurs in later years.

Employer Reporting Cost of Benefits on W-2s

Employers are required to disclose costs of employer-sponsored health coverage on W-2.

For benefits payable during taxable years beginning after December 31, 2010, all employers are required to include in W-2s the aggregate cost of employer-sponsored health benefits. If 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 HSAs and Archer MSAs and salary reduction contributions to FSAs.

FSA Medical Contribution Limited to \$2500 per year

Flexible Spending Accounts ("FSAs"), which allow users to pay for many medical expenses with pre-tax income, will limit contributions to a maximum \$2,500 per year for medical expenses, for taxable years beginning after December 31, 2010, and indexes the cap for inflation.

Exclusion of OTC Drugs from FSA, HRA, and HSA eligible medical expense

Flexible Spending Accounts, Health Reimbursement Accounts and Health Savings Accounts, will no longer be able to make non-taxable reimbursements to accountholders for over the counter ("OTC") medicines, except for insulin, without a doctor's prescription.

CLASS ACT

The CLASS Act establishes a national, voluntary insurance program for purchasing community living assistance services and supports (CLASS program). Following a five-year vesting period, the program will provide individuals with functional limitations a cash benefit of not less than an average of \$50 per day to purchase non-medical services and supports necessary to maintain community residence. The program is financed through voluntary payroll deductions; all working adults will be automatically enrolled in the program, unless they choose to opt out. (Effective January 1, 2011.)

Grants for Small Businesses to Establish Wellness Programs

The law creates grants for up to five years for small employers that establish wellness programs, with funds appropriated beginning in fiscal year 2011. Technical assistance will be provided under the law to evaluate employer-based wellness programs. Within two years of enactment, the law calls for a national policy and programs survey to be conducted to assess employer-based wellness programs.