HEALTHCARE REFORM BILL
Summary of Changes for Employers

With the passage of the Patient Protection and Affordable Care Act as well as the Health Care and Education Reconciliation Act, health care reform is officially upon us. While the legislative process may be considered over for some, for **Conrad Siegel** *Actuaries* and our clients, this simply marks the beginning of a long series of compliance and implementation.

As our many years of experience have shown, legislation of this magnitude will certainly be followed by a steady flow of guidance, clarifications, and updates. While many of the specific details are still unknown, and many aspects of the legislation are not implemented until several years down the road, **Conrad Siegel** *Actuaries* provides this initial summary to help our clients understand the major components of the legislation, focusing on the items that may impact employer plans.

As more guidance and details become available, **Conrad Siegel** *Actuaries* will continue to provide you with any updates regarding this legislation. In the meantime, if you have any questions, please do not hesitate to contact us at (717)652-5633, or email us at hwcompliance@conradsiegel.com.

ITEMS THAT MAY BEGIN IN 2010

Date	Subject	Details
90 days after enactment	Early Retiree Reinsurance Program	Program reimburses the employer plan or the insurer for 80% of retiree claims between $15,000 and $90,000 for retirees 55 to 64 (and not yet eligible for Medicare). Payments must be used to lower retiree costs for enrolling in the plan. Program ends 1/1/2014 or when $5 billion appropriation is spent.
2010	Rebate for Medicare Part D Coverage Gap	Medicare Part D Beneficiaries who reach the coverage gap, or "donut hole", during 2010 will receive a $250 rebate.
Plan Years Beginning After 9/23/2010 **(**1/1/2011 for calendar year plans**)**	Coverage for Adult Children	Grandfathered plans must cover children up to age 26 (regardless of tax dependent status) who are not eligible for coverage under another employer's health plan. Non-grandfathered plans must cover children up to age 26 regardless of whether or not they have health coverage available through another employer's plan. This coverage is not taxable for children up through age 26.
	Lifetime and Annual Max	Lifetime Maximums are no longer allowed, and Annual Maximums are restricted. By 2014, Annual Maximums will not be permitted.
	Preventive Care	Requires qualified non-grandfathered health plans to cover certain preventive services (as determined by U.S. Preventive Services Task Force) without cost-sharing. This provision does not apply to grandfathered plans.
	Expanded Nondiscrimination	All plans (including insured plans) must now satisfy the nondiscrimination requirements of IRC Section 105(h), previously relating only to self-insured plans. **Update: This provision will not go into effect until further guidance is issued.**
	Employer tax treatment of Medicare Part D RDS	While the change isn't made until 2013, the full extent is required to be recognized in the accounting period when the law is signed. Beginning in 2013, an employer's tax deduction will be reduced to the extent that the employer's drug expenses are reimbursed by the RDS program.

ITEMS THAT TAKE EFFECT IN 2011

Date	Subject	Details
January 1, 2011	FSA/HRA/HSA Changes	Over the counter medicines will not be eligible for reimbursement through these plans. Also, the tax penalty for withdrawals from an HSA that are not eligible healthcare expenses increases to 20%
	Medicare Part D Drug Coverage	Drug manufacturers will be required to provide a 50% discount on Brand drugs in the "donut hole". The donut hole is phased out by slowly reducing the plan coinsurance in the coverage gap until it reaches the standard 25% coinsurance by 2020. Also beginning in 2011, Medicare Part D premiums will be increased for incomes above $85,000/individual and $170,000/couple.
	Medicare Advantage Plans	Payments to Medicare Advantage plans will be set as a percentage of Medicare Fee-For-Service (FFS), and the percentages will differ for areas with low FFS rates (115%) and areas with high FFS (95%). Revised payments will be phased in over a 3 year period for most areas. Bonus payments will be made to MA plans based on financial and quality performance.
	Form W-2 reporting	Beginning with the form for 2011, employers are required to disclose the value of each employee's health coverage on the employee's annual Form W-2. **Update: This provision's implementation was delayed and will not be effective until 2012.**
	Fees on Pharmaceutical Manufacturers	Pharmaceutical manufacturers will be required to pay the federal government between $2.5 billion and $4.1 billion annually. These fees are expected to be passed on to employers and other payers.
Prior to March 23, 2012	Uniform Benefit Summary	New standards for providing summary of benefits are to be developed by HHS within 12 months. Plans are expected to comply within 24 months. Plans also must notify enrollees of material changes in coverage no less than 60 days prior to the change.

ITEMS THAT TAKE EFFECT IN 2013

Date	Subject	Details
January 1, 2013	Health FSA	Pre-tax contributions by salary reduction will be capped at $2,500 per year, indexed by CPI.
	Medicare Hospital Insurance tax base	Taxpayers earning above $200,000 (individual) or $250,000 (joint) will be subject to an additional 0.9% tax on wages in excess of those amounts. Employers will NOT be required to match this increased amount. In addition, a 3.8% tax will apply to unearned income (e.g. investment income) for those above this income level.
	Tax on Medical Device Manufacturers	An excise tax of 2.3% on medical devices (with exceptions). This tax is expected to be passed on to employer plans and other payers.
March 1, 2013	Employee Notice Requirement	Employers are required to notify employees about Health Insurance Exchanges and whether the employer's plan meets minimum coverage requirements.

ITEMS THAT TAKE EFFECT IN 2014

Date	Subject	Details
January 1, 2014	Employer Fees	Employers with over 50 full-time equivalent employees (counting full-time and part-time employees) would be required to pay a fee for each employee that receives coverage in an Exchange. If the plan offers coverage, but at least one full-time employee (>30 hours/week) receives coverage in the Exchange, the employer would pay lesser of (i) $3,000 times #full-time employees covered in the Exchange, or (ii) $2,000 times #full-time employees. If the plan does not offer coverage, the employer would pay $2,000 times #full-time employees.
	Employer Free Choice Vouchers	For certain low-income employees, employees will have the choice to enroll in the employer plan or receive a voucher from the employer (equal to the largest cost-sharing contribution to any of the employer plan options) to enroll in an Exchange.
	Wellness Incentives	The HIPAA related limit on total financial incentives will increase from 20% to 30% of plan costs for participation in a wellness program that is part of an employer group health plan.
	Employer health coverage reporting	Employers will be required to report annually on: 1) whether they offer minimum essential coverage 2) the length of a waiting period for eligibility 3) the lowest cost option 4) employer's share of total allowed costs 5) the number and names of full-time employees receiving coverage
	Employee Notice Requirement	Employers are required to notify NEW employees about Health Insurance Exchanges and whether the employer's plan meets minimum coverage requirements.
	Automatic Enrollment	Employers with more than 200 full-time employees are required to automatically enroll employees in health coverage. Employees will have the opportunity to opt out.
	Fees on Health Insurers	Health Insurers will pay the Federal Government between $8 billion (in 2014) and $14.3 billion (in 2018), allocated according to market share. This amount will be indexed at the rate of premium growth. This fee is expected to be passed through to employer plans and policyholders
	Waiting Periods	Waiting Periods for new employees to enroll in healthcare cannot be more than 90 days.

ITEMS THAT TAKE EFFECT IN 2018

Date	Subject	Details
January 1, 2018	Excise Tax on High-Cost Health Plans	A nondeductible 40% excise tax will apply to the cost of employee health coverage that exceeds $10,200 ($850/month) for an individual and $27,500 ($2,292/month) for a family. There are separate amounts for retirees and designated high-risk professions. Dental and Vision coverage is excluded from this, however the cost of an FSA/HRA/HSA contribution is included.

ADDITIONAL IMPORTANT ITEMS THAT AFFECT INDIVIDUALS

Date	Subject	Details
Plan Years Beginning after 9/22/2010	Pre-existing Conditions	May not exclude children under 19 for pre-existing conditions. Beginning in 2014, no one can be excluded for pre-existing conditions.
Beginning in 2013	Itemized deductions for unreimbursed medical expenses	For those seeking to itemize their unreimbursed medical expenses on their tax return, they can only deduct the amount above 10% of income, up from 7.5% today. This is deferred until 2017 for those 65 and older.
Beginning in 2014	Individual Health Coverage Mandate	Individuals that do not enroll in a “minimum essential coverage” plan will pay a penalty.
	Health Benefit Exchanges	States will be required to establish an Insurance Exchange, and insurers in the individual and small group market will be required to offer coverage via new state-based Exchanges.
	Federal Premium Subsidies	Federal premium subsidies will be available to those that earn less than 400% of the federal poverty level and enroll in an Exchange.
	Medicaid Eligibility Expansion	Medicaid will be expanded to those with incomes up to 133% of the federal poverty level. The federal government will pay for 100% of the cost of these newly eligible people in year 1, phasing down to 90% by 2020.

This summary does not address, in detail, all of the PPACA provisions; rather it summarizes the major pieces within the legislation that impact employer sponsored healthcare plans. While our organization goes to great lengths to ensure that only accurate and timely information is provided, we recommend that you consult with an attorney for professional assurance that our information, and your interpretation of it, is appropriate for your particular situation. Nothing provided herein should be construed as legal or tax advice.