

Health Care Reform Implementation Timeline

ISMA Insurance Agency

2010

- Tax credit for some small employers who pay at least 50% of the employee only costs with 25 or less employees (part time employees count as a fraction) and an average annual wage of \$50,000 or less
- Effective July 1st, Individuals who are not able to purchase coverage due to health issues/conditions will have access through high risk pools (this provision will expire in 2014)
- The following provisions will be effective on the first day of the plan year after 9/23/10. This means that for calendar year plans the effective date will be January 1, 2011.
 - Limited caps on lifetime and annual maximum
 - Dependent children will be covered to age 26 if not eligible for coverage of their own
 - Insurers will not be able to rescind coverage if an individual gets sick (except for cases of fraud)
 - Children, under the age of 19, cannot be excluded due to pre-existing conditions
- Rescissions of coverage are limited to fraud or intentional misrepresentation of material facts
- Grandfathering
 - A grandfathered group health plan is a plan in which an active participant was enrolled on March 23, 2010. Grandfather status provides limited health care reform exclusions. New enrollments and limited changes are allowed; however, the following changes will cause the loss of grandfathered status:
 - Cannot cut, reduce or eliminate benefits
 - Decrease contribution rate by employers – cannot be more than 5%
 - Cannot implement or reduce an annual limit on what the insurer pays
 - Cannot increase fixed amount cost sharing requirements (i.e. deductibles, co-insurance) more than medical inflation (published by the DOL) plus 15%

Note: Under the initial regulations, one of the ways a plan could lose its grandfather status was if the employer switched from one insurance company to another, even if the benefits stayed the same. An amendment to the regulations was issued that now allows group health plans to switch insurance companies without losing their grandfathered status, assuming the structure of the coverage doesn't violate one of the other rules for maintaining grandfathered plan status.

- What are the advantages of grandfathered plan status?
 - Grandfathered plans are not required to offer "first dollar" preventive care with no participant cost-sharing.
 - Grandfathered plans, like non-grandfathered plans, must allow older dependent children to be eligible until age 26. However, for plan years beginning before 2014, grandfathered plans are not required to offer coverage to an adult dependent child who is eligible for his own employer-sponsored health plan.

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- Grandfathered plans are not subject to the new nondiscrimination rules affecting highly compensated individuals participating in fully-insured group health plans.
- Grandfathered plans are not subject to certain new patient protections. For example, unlike non-grandfathered plans, grandfathered plans may continue to limit the types of health care providers that may be designated as a primary care physician, require preauthorization for emergency services or provide less favorable coverage for non-network emergency care.

2011

- Establishes a national, voluntary insurance program for purchasing community living assistance services and supports, known as the CLASS Act. All working adults will be automatically enrolled in the program unless they choose to opt-out. Benefits under this program will not be available until 5 years after initial enrollment.
- Employers must disclose value of health plans to employees on W2 forms ([the report requirement is not mandatory for Forms W-2 issued for 2011. The IRS expects to issue additional guidance on this requirement by the end of the year](#))
- Costs for over the counter (OTC) medications will no longer be eligible for reimbursement under Flexible Spending Accounts (FSA's) or Health Savings Accounts (HSA's)
- Increase tax to 20% on non-qualified Health Savings Account and Medical Savings Account distributions (previously 10%)
- While high-deductible health plans that are offered in conjunction with HSA's are required to cover adult children up to age 26, HSA's cannot reimburse medical expenses for children on a tax-free basis unless the child otherwise qualifies as a tax dependent of the HSA account holder.
- Insures must spend 80% to 85% of premium dollars on health care (depending on employer size)

2013

- Limits on Flexible Spending Account contributions to \$2,500, indexed to Consumer Price Index
- Threshold for medical expense tax deduction increases from 7.5% to 10% for all but the elderly (who retain the 7.5% level through 2016)
- Medicare payroll tax increase from 1.45% to 2.35% for individuals earning \$200k and families earning \$250k
- Also, 3.8% tax on some investment income for individuals above the same income levels
- The Community Living Assistance Services and Support Act (CLASS Act) is a mandatory long term care insurance program for every employee in America

2014

- Exchanges available (state based) for eligible individuals and small employers – Coverage offered through exchanges will need to meet certain requirements
- New hire waiting periods exceeding 90 days will no longer be allowed
- Credits available to individuals & Families up to 400% (\$22,000 for a single or \$88,000 for a family of four) of the Federal Poverty Level. Insurers not able to exclude anyone from coverage due to pre-existing conditions.

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- Penalties for individuals not having insurance coverage
 - \$95/person, \$285/family or 1% of income
- Employers with 50+ employees who do not offer coverage will be required to pay a penalty of the lesser of:
 - \$3,000 per employee receiving federal premium assistance; or
 - \$2,000 annual fee per employee for each full-time employee (minus the first 30 employees)
- Prohibition on pre-existing condition exclusions and denial of coverage due to pre-existing conditions

2015

- Penalties for individuals not having insurance coverage
 - \$325/person, \$975/family or 2% of income

2016

- Benefits could begin to be received under the CLASS Act (Community Living Assistance Services and Support Act)
- Penalties for Individuals not having insurance coverage can reach 2.5% of income

2018

- 40% excise tax on insurers when aggregate premiums are in excess of \$10,200/\$27,500 (single/family)
- Dental and vision plans are excluded from the above (as are disability, life and post-tax voluntary benefits)

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