

Health Care Reform

Health Plans Overview

Health Care Reform – What is It?

- Patient Protection and Affordable Care Act (PPACA) – signed on March 23, 2010
- Health Care and Education Reconciliation Act (Reconciliation Act) – signed on March 30, 2010
- The health care reform law makes sweeping changes to our nation's health care system

Health Care Reform – Which Plans Must Comply?

- **New plan rules generally apply to group health plan coverage**
- **Exceptions**
 - Excepted benefits (some Health FSAs, dental, vision, etc.)
 - Retiree-only plans
 - Group health plans covering fewer than 2 employees
 - Grandfathered Plans

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GRANDFATHERED PLANS

Grandfathered Plans

- **Existing Plans = Grandfathered Plans**
 - A group health plan or health insurance coverage in which an individual was enrolled on the date of enactment of the health care reform legislation
- **Certain health care reform provisions don't apply to grandfathered plans, even if coverage is later renewed**
 - New employees can still enroll
 - Family members of current enrollees can still join
- **Regulations provide guidance on changes that could take a plan out of “grandfathered” status**
 - **Plans will have to analyze changes at each renewal**

Grandfathered Plans - Which Rules Don't Apply?

- Patient Protections
- Nondiscrimination rules for fully-insured plans
- New appeals process
- Quality of care reporting
- Insurance premium restrictions
- Guaranteed issue and renewal of coverage
- Nondiscrimination based on health status/in health care
- Comprehensive health insurance coverage
- Limits on cost-sharing
- Coverage for clinical trials

Grandfathered Plans - Which Rules Apply?

- **Health Insurance Changes – Prohibitions on:**
 - Lifetime and annual limits
 - Pre-existing condition exclusions
 - Rescissions
 - Excessive waiting periods
- **Required coverage of adult children up to age 26**
- **Summary of benefits and coverage**
- **Reporting medical loss ratio**

Grandfathered Plan Regulations

▶ Permitted Changes

- Cost adjustments consistent with medical inflation
- Adding new benefits
- Modest adjustments to existing benefits
- Voluntarily adopting new consumer protections under the health care reform law
- Changes to comply with state or federal laws

Grandfathered Plan Regulations

- **Prohibited Changes**

- Significantly reducing benefits or contributions
- Significantly raising co-payment charges or deductibles
- Raising co-insurance charges
- Adding or tightening annual limits
- Changing insurance companies (not TPA) - **Changing insurers is now permitted!**

- **Special Rule for Insured Collectively Bargained Plans**

- **Additional Requirements**

- Disclose grandfathered status
- Status can be revoked if try to avoid compliance

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**Effective for Plan Years
Beginning on or after
Sept. 23, 2010**

Age 26 Coverage Rule

- **Coverage must be offered to adult children to age 26**
 - Applies to plans that cover dependent children
 - Includes grandfathered plans, unless child is eligible for employer coverage (before 2014)
- **Children to be covered**
 - Married and unmarried children
 - Not spouses or children of covered adult children
 - Interim final rules give more information
- **Federal tax exclusion applies to coverage**
- **State mandates above this level continue to apply**

Lifetime and Annual Limits

- **No lifetime limits on essential benefits**
- **Restricted annual limits on essential benefits**
 - Allowed for plan years beginning before Jan. 1, 2014
- **Essential benefits generally include:**
 - Ambulatory patient services, emergency services, hospitalization, maternity and newborn care, mental health and substance abuse services, prescription drugs, rehab services, lab services, wellness and disease management, pediatric care
- **Some regulations issued, waiting on others**
- **Rules apply to new and grandfathered plans**

Access to Coverage

- **No rescission of coverage**
 - Applies to group and individual coverage
 - Exception for fraud or intentional material misrepresentation
 - Individual must be given prior notice of cancellation
- **No pre-existing condition exclusions or limitations for children under age 19**
 - This prohibition will apply to everyone in 2014
- **Apply to new and grandfathered plans**

Patient Protection

- **Apply to new plans only**
- **Limits on preauthorization and cost-sharing**
 - No cost-sharing for some preventive care (including well-child care) and immunizations
 - No preauthorization or increased out-of-network cost-sharing for emergency services
 - No preauthorization or referral for ob/gyn care
- **Patients can choose any available participating primary care provider (or pediatrician)**

Nondiscrimination Rules for Fully-Insured Plans

- **Nondiscrimination Requirements**
 - Apply to new fully-insured plans
 - Plan cannot discriminate in favor of highly-compensated employees
 - Eligibility test
 - Benefits Test
- **HCE:**
 - Five highest paid officers, more than 10 percent shareholder, or highest paid 25 percent of all employees
- **Effective date delayed for regulations**

Effective in 2011

- **Employer Reporting**

- Employers will be required to report the aggregate value of employer-sponsored health coverage on employees' Form W-2
- Optional for 2011 tax year; mandatory for later years
- **For small employers – optional for 2012 tax year and beyond**

- **Simple Cafeteria Plans for Small Businesses**

- Small employers with 100 or fewer employees during one of the last 2 years
- Will be treated as meeting nondiscrimination rules
- Contribution, eligibility and participation requirements apply
- Effective in 2011

Effective in 2011

- **Increased Tax on HSAs**

- HSA distributions not used for medical expenses previously subject to tax of 10 percent
- Tax amount increased to 20 percent if funds not used for medical expenses

- **No Reimbursement for OTC Medicine or Drugs without a Prescription**

- Reimbursement only allowed for medicine or drugs with a prescription (or insulin)
- Health FSAs, HRAs, HSAs and Archer MSAs
- Applies to expenses incurred after Dec. 31, 2010

Effective in 2012

- **Uniform Summary of Benefits and Coverage**
 - Applies to new and grandfathered plans
 - HHS to develop standards for uniform summary within 1 year of enactment (March 23, 2011?)
 - Plans to start using within 2 years of enactment (March 23, 2012)
 - Easily understood language
 - Explanation of coverage
 - Four-page limit, 12-point font

Effective in 2013

- **Health FSA Limits: \$2,500 per year**
 - Currently no limit on salary reductions, although many employers impose limit
 - Limit is \$2,500 for 2013; indexed for CPI after that
 - Does not apply to dependent care FSAs
- **New Notification Requirements for Employers**
 - Must notify new employees regarding health care coverage
 - At time of hiring
- **Notice must include information about 2014 changes:**
 - Existence of health benefit exchange
 - Potential for subsidy if employer's contribution is 60% or less.

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2014 Changes

Individual Responsibility

- **Jan. 1, 2014:** individuals must enroll in coverage or pay a penalty
- **Penalty amount:** greater of \$ amount or a % of income
 - 2014 = \$95 or 1%
 - 2015 = \$325 or 2%
 - 2016 = \$695 or 2.5%
 - Family penalty capped at 300 percent of the adult flat dollar penalty or “bronze” level premium
- **Subject of court cases – unconstitutional?**

Health Insurance Exchanges

- **States will receive funding to establish health insurance exchanges**
- **Individuals and small employers can purchase coverage through an exchange (Qualified Health Plans)**
 - In 2017, states can allow employers of any size to purchase coverage through exchange
- **Individuals can be eligible for tax credits**
 - Limits on income and government program eligibility
 - Employer plan is unaffordable or not of minimum value

Employer Responsibility

- Large employers subject to “Pay or Play” rule
- Applies to employers with 50 or more full-time equivalent employees in prior calendar year
- Penalties apply if:
 - Employer does not provide coverage and any FT employee gets subsidized coverage through exchange OR
 - Employer does provide coverage and any FT employee still gets subsidized coverage through exchange

Employer Penalty Amounts

- **Employers that do not offer coverage:**
 - \$2,000 per full-time employee
 - Excludes first 30 employees
- **Employers that offer coverage:**
 - \$3,000 for each employee that receives subsidized coverage through an exchange
 - Capped at \$2,000 per full-time employee (excluding first 30 employees)

Employer Reporting

- **Employers will have to report certain information to the government**
 - Whether employer offers health coverage to full-time employees and dependents
 - Whether the plan imposes a waiting period
 - Lowest-cost option in each enrollment category
 - Employer's share of cost of benefits
 - Names and number of employees receiving health coverage

2014 - A Big Year for Health Care Reform

- **No pre-existing condition exclusions or limitations**
 - Applies to everyone and all plans
- **Wellness program changes**
- **Limits on out-of-pocket expenses and cost-sharing**
- **No waiting periods over 90 days**
- **Coverage of clinical trial participation**
- **Guaranteed issue and renewal**

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THANK YOU