

Health Care Reform At-A-Glance

	Provision	Effective Date	Implications for Large Employers
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Employer Mandate

1	Play or Pay Penalty for not offering coverage	\$2,000 per FTE, indexed. FTE defined as 30 or more hours per week. No requirement for PTE coverage. No minimum employer subsidy required.	<p><i>This penalty for not offering coverage might be so low as to encourage some employers to drop coverage.</i></p> <p><i>To avoid penalties employers will need to provide plan with actuarial value of at least 60%.</i></p> <p><i>Even employers who offer a qualifying plan can be subject to penalties for opt-outs; Limited to low-income waivers.</i></p> <p><i>Increases potential of anti-selection. However, limited number of employees may be eligible.</i></p> <p><i>Similar to Part D Creditable Coverage notices; increased administrative burden.</i></p>
2	Minimum Value of Employer Coverage	If actuarial value of the plan is below 60%, employees under 400% FPL are eligible for subsidized Exchange coverage and if elected, employer is assessed the play and pay penalty.	
3	Pay and Play Penalty for opt-outs electing coverage through the Exchange	\$3,000 (indexed) for FTEs who enroll in Exchange and receive subsidy; aggregate cap of \$2,000 times total number of FTEs.	
4	Employee Vouchers for Exchange	Employers must offer cash vouchers to employees under 400% of federal poverty level with contributions between 8.0% to 9.8% of household adjusted gross income (AGI).	
5	Employer Reporting Requirements	Reporting to both Secretary and employees regarding minimum essential coverage.	

Individual Mandate

6	Play or Pay Penalty	Greater of 1.0% of AGI or \$95/person in 2014, 2.0% or \$325/person in 2015, 2.5% or \$695/person in 2016; indexed. Family dollar amount capped at 300% of individual penalty.	<p><i>Employer cost will increase with higher enrollment with fewer waivers.</i></p> <p><i>If the required employee contribution is above this limit, employees under 400% FPL are eligible for subsidized Exchange coverage.</i></p>
7	"Unaffordable" Employer Coverage for Employees Under 400% of FPL	If employee contributions are above 9.5 % of AGI – the employee is eligible for subsidized Exchange coverage and employer is assessed the play and pay penalty.	

Plan Requirements Applying to Employer Plans

8	Expansion of Child Coverage	Up to age 26 if not eligible for other group coverage.	<p><i>Increased enrollment and costs for covering more dependents.</i></p> <p><i>Simplifies payroll administration</i></p> <p><i>Plans might need to be improved; stop-loss would become more important.</i></p> <p><i>Plans might need to be improved; stop-loss would become more important.</i></p> <p><i>Employers may need to establish refund mechanism.</i></p> <p><i>Will need to be coordinated with other employee communications materials.</i></p>
9	Income Tax Exclusion of Employer Health Benefits	Expanded to include adult children through year in which child turns 26.	
10	Lifetime Limits	Lifetime limits prohibited for essential benefits.	
11	Restricted Annual Limits	Unreasonable annual limits prohibited for essential benefits.	
12	Cost Reporting and Rebates	Rebates to enrollees for insured plans with loss ratio below 85%.	
13	Uniform Explanation of Coverage	Federally prescribed appearance, content, language and timing. Notice due within two years of enactment.	
14	Pre-existing Condition Exclusions for Children	Pre-existing exclusions prohibited for children under 19.	<p><i>Reduced job lock might spur higher turnover.</i></p> <p><i>Plans might need to be improved; stop-loss would become more important.</i></p> <p><i>Increased cost due to higher enrollment and more complex administration.</i></p> <p><i>A critical provision for high-turnover firms.</i></p>
15	Pre-existing Condition Exclusions for all Enrollees	Pre-existing exclusions prohibited for all enrollees.	
16	Annual Limits	Annual limits prohibited for essential benefits.	
17	Auto Enrollment	Auto enrollment required with employee having ability to opt out of coverage. Effective date not clear.	
18	Waiting Periods	Waiting periods over 90 days not permitted.	

Plan Requirements that do not apply to Grandfathered Employer Plans

19	Preventive Care	Preventive care services covered at 100%.	<p>Plan years beginning on or after Sept. 23, 2010</p>
20	Discrimination Requirements	No discrimination in favor of highly compensated employees under insured plans.	
21	OB/GYN, Pediatrician, ER Services	No preauthorization or referral can be required.	
22	Appeals Process	Mandatory internal and external appeals process.	<p>Plan years beginning on or after January 1, 2014</p>
23	HIPAA Wellness Incentives	Codifies HIPAA Wellness incentives, but with a maximum differential of 30%; Secretary can raise to 50%.	
24	Required Service Categories & Coverage	Mandatory statutory list, to be supplemented by Secretary of HHS. Limited to insured plans.	
25	Maximum Out-of-pocket Limit	Cannot exceed the OOP limit for HSA-compatible HDHP; indexed.	

Retiree Health

26	Reinsurance Program for Early Retirees (55-64)	\$5B to subsidize 80% of costs between \$15K-\$90K. Terminates December 31, 2013 or when funds expended.	June 21, 2010	<i>Temporary bridge to support employer retiree plans until Exchange is effective; administration appears similar to RDS.</i>
27	Application of Plan Requirements to Retiree Plans	Review of retiree programs for compliance with plan requirements.	Various	<i>Could have significant FAS/GASB implications.</i>
28	Brand Drug Coverage in Part D Donut Hole	Drug manufacturers required to discount brand drugs in donut hole by 50%.	2011	<i>Makes participation in Part D more attractive to employers relative to RDS.</i>
29	Phase out of Donut Hole	\$250 rebate in 2010 for beneficiaries who reach donut hole. Phases out donut hole by 2020 in combination with brand drug discount.	2010	<i>Makes participation in Part D more attractive to employers relative to RDS. May result in plans failing actuarial equivalence.</i>

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Insurance Market Reform for Individuals and Small Groups

30	Minimum Benefit Package	Bronze, Silver, Gold and Platinum with actuarial values of 60% - 90%.	2014	<i>Sponsors would retain some (but not complete) latitude in setting plan design for programs offered through the Exchange.</i>
31	Guaranteed Issue and Renewability	Yes. Also includes interim high risk pool for currently uninsured (starting 90 days after enactment).		<i>More robust individual market is especially valuable to former employees and retirees.</i>
32	Community Rating – Limits on Age Rating	3 to 1 ratio maximum (50% surcharge also permitted for tobacco use).		<i>The need for COBRA declines but adverse selection worsens.</i>
33	Medical Loss Ratios - Minimum Standards	80% individual market and small groups; 85% Group market.	Plan years beginning on/after March 23, 2010	<i>More robust individual market is especially valuable to former employees, particularly early retirees.</i>
34	Small Employer Subsidies	Yes, up to 25 employees.	2010	<i>Will some large employers now be at a competitive disadvantage?</i>

Purchasing Exchanges

35	Exchanges	State-based exchanges for individuals and small employers. In 2017 states can make available to large employers.	2014	<i>Similar to the Massachusetts Connector. Initially, not available to large employers.</i>
36	Low Income Premium Subsidy in the Exchange	Affordability credits up to 400% of the federal poverty level.		<i>With generous subsidies to low income, employers might not want to duplicate these efforts with salary-based cost-sharing.</i>

Financing

37	Tax on Indoor Tanning Services	10% tax on indoor tanning services, starting in July, 2010.	July, 2010	<i>Generally will not impact employer plans.</i>
38	Reporting Plan Value on W-2	Yes.	2011	<i>Value of coverage is disclosed but not taxed directly to employees.</i>
39	Standardize Definition of Medical Expenses	Prohibits reimbursement of over the counter drugs from FSAs, HRAs and HSAs.		<i>May require amendments to spending account programs.</i>
40	Means Based Medicare Part D Premiums	Increased for higher income retirees.		<i>Makes employer-provided Rx that much more attractive to high income retirees.</i>
41	Pharmacy Manufacturer Tax	\$2.5B in 2011 increasing to \$4.2B in 2018; \$2.8B in 2019+		<i>Increased cost-shifting.</i>
42	Medicare Advantage Plan Funding	Payments frozen in 2011, reduced benchmarks starting in 2012.		<i>Increased retiree premiums for Medicare Advantage plans: reduced enrollment.</i>
43	HSA Nonqualified Withdrawals	Penalty for increased from 10% to 20%.	Plan years ending after Sept. 30, 2012	<i>Plan sponsors may want to communicate.</i>
44	Comparative Effectiveness Research	Tax on insured and self-funded plans of \$1/ee/yr first year; \$2 second year; indexed thereafter.		<i>Potential for increased or additional taxes in the future.</i>
45	Income Tax Provisions	Itemized medical deduction threshold increased from 7.5% to 10%.	2013	<i>Even greater pressure on employers to offer tax-advantaged compensation and benefits.</i>
46	Medicare Hospital Insurance Tax	Tax rate increased from 1.45% to 2.35% starting for high income earners. A new 3.8% tax on net investment income. (Income in excess of \$250K joint filers; \$200K others)		<i>Payroll tax increase only applies to employees, not employer. Increased interest by high paid employees in tax deferrals.</i>
47	Medical Device Excise Tax	2.3% excise tax.		<i>Increased cost-shifting.</i>
48	Health FSA Cap	Capped at \$2,500 in 2013; indexed.		<i>Employer redesign required.</i>
49	Taxability of RDS Payments to Employers	Yes. While taxability is not effective until 2013, non-public employers will need to reflect impact in first quarter 2010.	2014	<i>Increases retiree plan costs; makes employer Part D (EGWP) plans more attractive.</i>
50	Health Insurance Industry Tax	\$8B in 2014 increasing to \$14.3B in 2018; trended after 2018		<i>Increased cost-shifting.</i>
51	Exchange Reinsurance Program	\$25B tax on insurers and TPAs from 2014 to 2016 for Exchange reinsurance program		<i>Potential for increased cost-shifting.</i>
52	"Cadillac Plan" Excise Tax	40% tax on value above \$10,200/individual and \$27,500/family (Indexed at CPI-U+1% for 2019, CPI-U only after 2019). Higher indexing based on retirees, high risk industry, age and gender. Excludes dental and vision. For multiemployer plans all coverage is considered family.	2018	<i>Deferral of excise tax to 2018 mitigates impact. However, in 2018 the tax will apply to many employer plans. Elimination of executive programs.</i>

Collective Bargained Coverage

51	Coverage Maintained Under CBA	For coverage maintained under a CBA ratified before March 23, 2010, all new coverage and cost-sharing rules apply upon the termination of the last CBA relating to the coverage.	March 23, 2010	<i>Provides needed flexibility for CBA plans.</i>
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CLASS Act

52	Voluntary Long-term Care Program	Government run long-term care program. Employers are expected, but not required, to allow for payroll deductions and automatically enroll employees.	2011	<i>Employers may want to provide supplemental long term care programs</i>
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