

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.	2014	<i>This penalty for not offering coverage might be so low as to encourage some employers to drop coverage.</i>
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.		<i>To avoid penalties employers will need to provide plan with actuarial value of at least 60%.</i>
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.		<i>Even employers who offer a qualifying plan can be subject to penalties for opt-outs; Limited to low-income waivers.</i>
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).		<i>Increases potential of anti-selection. However, limited number of employees may be eligible.</i>
5	Employer Reporting Requirements	Reporting to both Secretary and employees regarding minimum essential coverage.		<i>Similar to Part D Creditable Coverage notices; increased administrative burden.</i>

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.	2014	<i>Employer cost will increase with higher enrollment with fewer waivers.</i>
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.		<i>If the required employee contribution is above this limit, employees under 400% FPL are eligible for subsidized Exchange coverage.</i>

Plan Requirements Applying to Employer Plans

8	Expansion of Child Coverage	Up to age 26 if not eligible for other group coverage.	Plan years beginning on or after Sept. 23, 2010	<i>Increased enrollment and costs for covering more dependents.</i>
9	Income Tax Exclusion of Employer Health Benefits	Expanded to include adult children through year in which child turns 26.		<i>Simplifies payroll administration</i>
10	Lifetime Limits	Lifetime limits prohibited for essential benefits.		<i>Plans might need to be improved; stop-loss would become more important.</i>
11	Restricted Annual Limits	Unreasonable annual limits prohibited for essential benefits.		<i>Plans might need to be improved; stop-loss would become more important.</i>
12	Cost Reporting and Rebates	Rebates to enrollees for insured plans with loss ratio below 85%.		<i>Employers may need to establish refund mechanism.</i>
13	Uniform Explanation of Coverage	Federally prescribed appearance, content, language and timing. Notice due within two years of enactment.		<i>Will need to be coordinated with other employee communications materials.</i>
14	Pre-existing Condition Exclusions for Children	Pre-existing exclusions prohibited for children under 19.		
15	Pre-existing Condition Exclusions for all Enrollees	Pre-existing exclusions prohibited for all enrollees.	Plan years beginning on or after January 1, 2014	<i>Reduced job lock might spur higher turnover.</i>
16	Annual Limits	Annual limits prohibited for essential benefits.		<i>Plans might need to be improved; stop-loss would become more important.</i>
17	Auto Enrollment	Auto enrollment required with employee having ability to opt out of coverage. Effective date not clear.		<i>Increased cost due to higher enrollment and more complex administration.</i>
18	Waiting Periods	Waiting periods over 90 days not permitted.		<i>A critical provision for high-turnover firms.</i>

Plan Requirements that do not apply to Grandfathered Employer Plans

19	Preventive Care	Preventive care services covered at 100%.	Plan years beginning on or after Sept. 23, 2010	
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.		<i>Similar to current ERISA requirements.</i>
23	HIPAA Wellness Incentives	Codifies HIPAA Wellness incentives, but with a maximum differential of 30%; Secretary can raise to 50%.	Plan years beginning on or after January 1, 2014	<i>May be drafting error that this provision does not apply to grandfathered plans.</i>
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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