



# Health Reform



Presented by USI Affinity



# USI Affinity Introduction

- **USI Affinity has been working with Associations and their members for over 50 years.**
  - USI Affinity has offices in Philadelphia, Harrisburg, and Pittsburgh.
  - USI Affinity has dedicated account teams for distinct client segments.
  - USI Affinity helps its associations and their members stay on top of Legislative Issues. Primary issue right now is Health Reform.



# Health Reform

- **Key Components**

- Establishment of State Exchanges where individuals and small businesses will be able to purchase coverage from participating insurers
- A mandate for all Americans to obtain health care coverage
- Subsidies in the form of tax credits to help small businesses and individuals buy coverage under the exchanges
- Encouragement of wellness initiatives
- Gradual phase out of the Medicare Part D doughnut hole



# Health Reform

- **Plan years renewing after 9/23/2010**
  - **Lifetime plan limits.** Group health plans and insurance carriers may not impose lifetime limits on the value of essential benefits for any participant or beneficiary.
  - **Preventive care.** First-dollar coverage must be available for preventive care, which at a minimum includes immunizations and screenings for infants and children.
  - **Adult children coverage.** If a plan covers dependent children, it must continue to do so for unmarried and married children until age 26. The tax exclusion has been adjusted accordingly and the exception ends in 2014.
  - **Nondiscrimination testing.** The Subsection 105(h) tests that previously applied only to self-insured plans (e.g., health reimbursement arrangements [HRAs] and Health FSAs) apply to fully-insured plans.



# Health Reform

- **Changes beginning January 1, 2011**
  - **Over-the-counter drugs.** Over-the-counter medicines or drugs are not eligible for reimbursement under a Health FSA, HRA or HSA without a doctor's prescription.
  - **HSA Excise Tax.** The excise tax for non-medical HSA distributions increases from 10 percent to 20 percent.
  - **Medicare Part D.** Pharmaceutical manufacturers must provide a 50% discount on brand name drugs filled in the Medicare Part D coverage Gap.
  - **Nutritional Information.** Chain restaurants and vending machines will be required to disclose the nutritional content of each item.



# Other Important Changes From 2012-2018

- **State Exchanges (2014)**

- Type of “marketplace” where individuals and small businesses can purchase health insurance coverage.
- Initially open to groups 1-100 but can be restricted to 1-50 at the discretion of each state (up through 2016).
- Private carriers and co-ops will be able to offer plans through the exchange
- Specific levels of coverage have been established:
  - **Bronze**: covers 60% of actuarial value of covered benefits
  - **Silver**: covers 70% of actuarial value of covered benefits
  - **Gold**: covers 80% of actuarial value of covered benefits
  - **Platinum**: covers 90% of actuarial value of covered benefits



# Other Important Changes (cont.)

- **Individual Coverage Mandate (2014)**

- Effective January 1, 2014 all US citizens and legal residents must have health insurance or pay a penalty. The penalty will be phased in as follows:
  - **2014:** greater of \$95 or 1% of taxable income
  - **2015:** greater of \$325 or 2% of taxable income
  - **2016:** greater of \$695 or 2.5% of taxable income
  - **2017 +:** penalty amount will be indexed for inflation
- Certain exemptions apply
  - Financial hardship
  - Individuals with income below the tax filing threshold
  - Individuals without coverage for 3 months
  - Religious objection



# Other Important Changes (cont.)

- **Coverage/Plan Design Requirements (2014)**
  - No pre-existing conditions exclusions
  - No annual limitations on essential benefits
  - Waiting period for new hires cannot exceed 90 days
  - Coverage must be provided to adult children up to age 26, **regardless** of other employer-sponsored coverage
  - Out-of-pocket limitations cannot exceed the limitation imposed on HSA qualified HDHP plans (\$5,950 single/\$11,900 family)\*
  - In small group market, deductibles cannot exceed \$2,000/\$4,000 unless contributions are offered that offset deductible amounts above these limits (i.e. HRA)\*
  - No cost sharing for preventative services\*

\* Applies to “non-grandfathered” plans



# Other Important Changes (cont.)

- **“Cadillac Plan” Tax (2018)**
  - A 40% excise tax will be assessed on the value of health coverage that exceeds certain prescribed thresholds:
    - \$10,200 for single coverage (adjusted for inflation)
    - \$27,500 for family coverage (adjusted for inflation)
    - Increased for group health plans that cover retirees and high-risk professions
  - Health insurance, FSA, HRA, HSA, EAP, and wellness programs will all be counted in determining whether the total value of health care exceeds the threshold
  - Dental, vision, life and disability are not included in this count
  - Carriers (fully insured) or TPAs (self-insured) will be responsible for paying excise tax if applicable. The cost of this tax is expected to be passed along in the form of a rate increase



# Other Important Changes (cont.)

- **Wellness (2011)**

- Small group (under 100 employees)
  - \$200 million in grants will be made available from 2011-2015 to fund comprehensive health promotion programs
  - Eligible programs must include health awareness initiatives, efforts to engage employees and initiatives to change unhealthy behaviors and lifestyle choices
- Large group (100+ employees)
  - Current HIPAA regulations allow for up to 20% premium differential for employees who meet specific health goals as defined by employer
  - New law increases premium differential amount to 30%
  - It provides Health and Human Services with authority to increase this amount to 50% if appropriate.



# Other Important Changes (cont.)

- **Miscellaneous**

- **FSA**

- Annual FSA limits will be capped at \$2,500 (2013)

- **Medicare Part D coverage gap**

- Totally closed by 2020



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# Small Business Health Care Tax Credit

- Health care legislation includes a Small Business Health Care Tax Credit to help small businesses and small tax exempt organizations afford the cost of covering their workers.
- **Eligibility Rules**
  - **Providing health care coverage.** A qualifying employer must cover at least 50 percent of the cost of health care coverage for some of its workers based on the single rate.
  - **Firm size.** A qualifying employer must have less than the equivalent of 25 full-time workers (for example, an employer with fewer than 50 half-time workers may be eligible).
  - **Average annual wage.** A qualifying employer must pay average annual wages below \$50,000.
  - **Both taxable (for profit) and tax-exempt firms qualify.**



# Small Business Health Care Tax Credit

- **Amount of Credit**

- **Maximum Amount**

- The credit is worth up to 35 percent of a small business' premium costs in 2010. On Jan. 1, 2014, this rate increases to 50 percent (35 percent for tax-exempt employers).

- **Phase-out**

- The credit phases out gradually for firms with average wages between \$25,000 and \$50,000 and for firms with the equivalent of between 11 and 25 full-time workers.



# Employer Responsibility

- Employers with 50 or more employees may face penalties if employees receive government assistance through an Exchange
  - Employers with less than 50 employees are exempt from penalties
- 
- Effective January 1, 2014



# Employer Responsibility

- **Employers with 50 or more employees that *do not provide* health insurance coverage:**
  - Face a \$2,000 per year fine per FTE should one or more FTE receive government assistance to purchase health insurance coverage through an Exchange
  - In calculating this assessment, the first 30 FTEs are excluded
  - FTE is an employee who is employed on average at least 30 hours per week

## Example

**Employer with 60 FTEs provides no health coverage. One FTE receives a subsidy to purchase insurance through the Exchange**

**60 employees – 30 employee exemption = 30 employees \* \$2,000 = \$60,000 penalty**



# Employer Responsibility

- **Employers with 50 or more employees that *provide* health coverage to FTEs will face a penalty if a FTE receives government assistance to purchase coverage through an Exchange**
- **The penalty is the lesser of**
  - \$3,000 per FTE receiving government assistance, or
  - \$750 multiplied by the number of FTEs receiving government assistance

## Example

Employer with 60 FTEs provides FTEs with health coverage. Five FTEs receive a subsidy to purchase insurance through the Exchange

60 employees \* 750 = \$45,000 vs. 5 \* \$3,000 = \$15,000 penalty



# Employer Responsibility

- **Free Choice Voucher**

- Employer contribution is converted into a voucher that may be used to purchase coverage through the Exchange in lieu of participating in the employer-sponsored plan
- Available to an employee when:
  - Income is below 400% FPL (Federal Poverty Level)
  - Where the employee's cost under the employer plan exceeds 8% but is less than 9.8% of his income
  - Does not participate in the employer plan
- No penalties will apply to an employer when an employee uses the voucher in the Exchange



# Employer Responsibility

- **Automatic Enrollment**

- Employers with 200 or more employees are required to automatically enroll eligible employees into the group health plan
- Employees may “opt-out”

- Effective January 1, 2014



Questions?



# Contact

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