

Health Care Reform

A Timeline & Perspective
For Big “I” Members

Health Insurance Market Reforms, Mandates, Tax Credits, Taxes, and Revenue Raisers



2010

Insurance plans prohibited from imposing lifetime benefit limits and restricted annual limits.

Insurance plans required to carry dependents up to the age of 26.

Insurance plans required to cover preventive services without cost sharing.

Insurance plans prohibited from denying coverage to individuals under the age of 19 based on pre-existing conditions.

Temporary high risk pool established for individuals (older than 19) who are denied coverage based on pre-existing conditions.

Insurance plans required to report proportion of premium dollars spent on non-medical care.

Insurance plans prohibited from rescinding coverage except in cases of fraud.

2010 Cont'd

Temporary reinsurance program created for employers providing coverage to retirees over 55 who are not eligible for Medicare.

States begin reviewing premium trends and companies must justify increases. Plans may be potentially blocked from Exchange for unwarranted increases.

First Phase of Small Business Tax Credit:
Small businesses with less than 25 employees and average annual wages of less than \$50,000 are eligible for tax credits of up to 35% of the employer's contribution toward the employee's health insurance premium. Employers must subsidize at least 50% of their employees' premiums in order to be eligible for the tax credit. Credit only available through 2013.

Create the Consumer Operated and Oriented Plan (Co-Op) program to foster the creation of non-profit, member-run health insurance companies in all 50 states. \$6 billion is appropriated to finance the program and award loans and grants to establish Co-Ops by July 1, 2013.

Establish state websites to help residents identify health coverage options (effective July 1) and develop a standard format for presenting information on coverage options (60 days after enactment).

2010 Cont'd

Executive and employee compensation deductibility limited to \$500,000 for health insurance providers.

10% tax on indoor tanning services.

\$2.3 billion annual tax on pharmaceutical industry (increasing to \$4.0 billion in 2017 and back to \$2.8 billion in 2019 and after).

\$2 billion annual tax on medical device industry. Annual tax is increased to \$3 billion in 2017.

2011

“CLASS Act”: A national long term care assistance/disability insurance plan is established. The benefit amount is varied based on the “scale of functional ability” with a \$50-75/day cash benefit. All working adults will be automatically enrolled in the program unless they choose to opt-out.

Insurance plans must comply with the new medical loss ratios (MLR): 80% for individual and small group plans and 85% for large group plans. Companies required to provide rebates to consumers if they fail to comply with the MLRs.

Funding available for states to begin establishing Exchanges until January 1, 2015.

Provides grants for up to five years to small employers that establish wellness programs.

2011 Cont'd

States have the option to expand Medicaid to 133% of federal poverty level (must be completed by 2014).

\$2 billion annual tax on health insurance companies. The tax will increase each year until reaching \$14.3 billion in 2018. For subsequent years the fee shall increase based on the previous year's premium growth.

Over-the-counter drugs not prescribed by a doctor may not be reimbursed through an FSA nor on a tax free basis through an Archer MSA or HSA.

Tax increase on distributions for non-qualified medical expenses from and HSA (from 10% to 20%) or an Archer MSA (15% to 20%).

2012

Impose an excise tax of 2.3% on the sale of any taxable medical device.

2013

Increase Medicare tax rate on employee wages by 0.9% (from 1.45% to 2.35%) on earnings over \$200,000 (\$250,000 family) for individual taxpayers – not indexed for inflation.

Impose a new 3.8% tax on unearned income for higher-income taxpayers (\$200,000/\$250,000 threshold) – not indexed for inflation.

\$2.6 billion tax on insured and self insured plans to fund comparative effectiveness research.

Contributions to FSAs limited to \$2,500 per year.

2014

State-based American Health Benefit Exchanges and Small Business Health Options Program (SHOP) Exchanges are implemented and open to individuals and small businesses (2-100 employees). Exchanges will include four tiers of private plans, OPM multi-state plans and co-op plans.

Premium credits available via exchanges for individuals/families with incomes up to 400% of federal poverty level who do not receive employer based coverage or whose employer-based premiums exceed 9.5% of their income.

Insurance plans required to abide by guarantee issue, minimum benefit standards, revised rate bands for individual and small group market (2-100 employees).

Employers with more than 200 employees would be required to automatically enroll employees into health insurance plans offered by employer (employees may opt-out).

2014 Cont'd

Phase II of Small Business Tax Credit: Small businesses with less than 25 employees and average annual wages of less than \$50,000 are eligible for tax credits of up to 50% of the employer's contribution toward the employee's health insurance premium. Employers must subsidize at least 50% of their employees' premiums in order to be eligible for the tax credit. Credit only available for two years.

Employers with more than 50 employees who do not offer their employees health insurance will be subject to a \$2,000 tax penalty/per full-time employee (per year) if one of their employees is eligible for a tax credit subsidy (first 30 employees exempted from calculation).

Individuals required to purchase health insurance or face a tax penalty of up to \$695/year (capped at 2.5% of income).

2014 Cont'd

States must expand Medicaid to 133% of federal poverty level. States will receive 100% federal financing from 2014-2016, 95% financing in 2017, 94% financing in 2018, 93% financing in 2019, and 90% financing in 2020 and beyond.

Allow states the option of merging the individual and small group markets.

Limit any waiting period for coverage to 90 days.

2016

Permits states to form health care choice compacts and allow insurers to sell policies in any state participating in compact. Insurers selling policies through a compact would only be subject to laws of the state where policy is written (except consumer protection laws). Compacts will only be approved if it is determined the coverage will be at least as comprehensive and affordable as coverage through Exchanges.

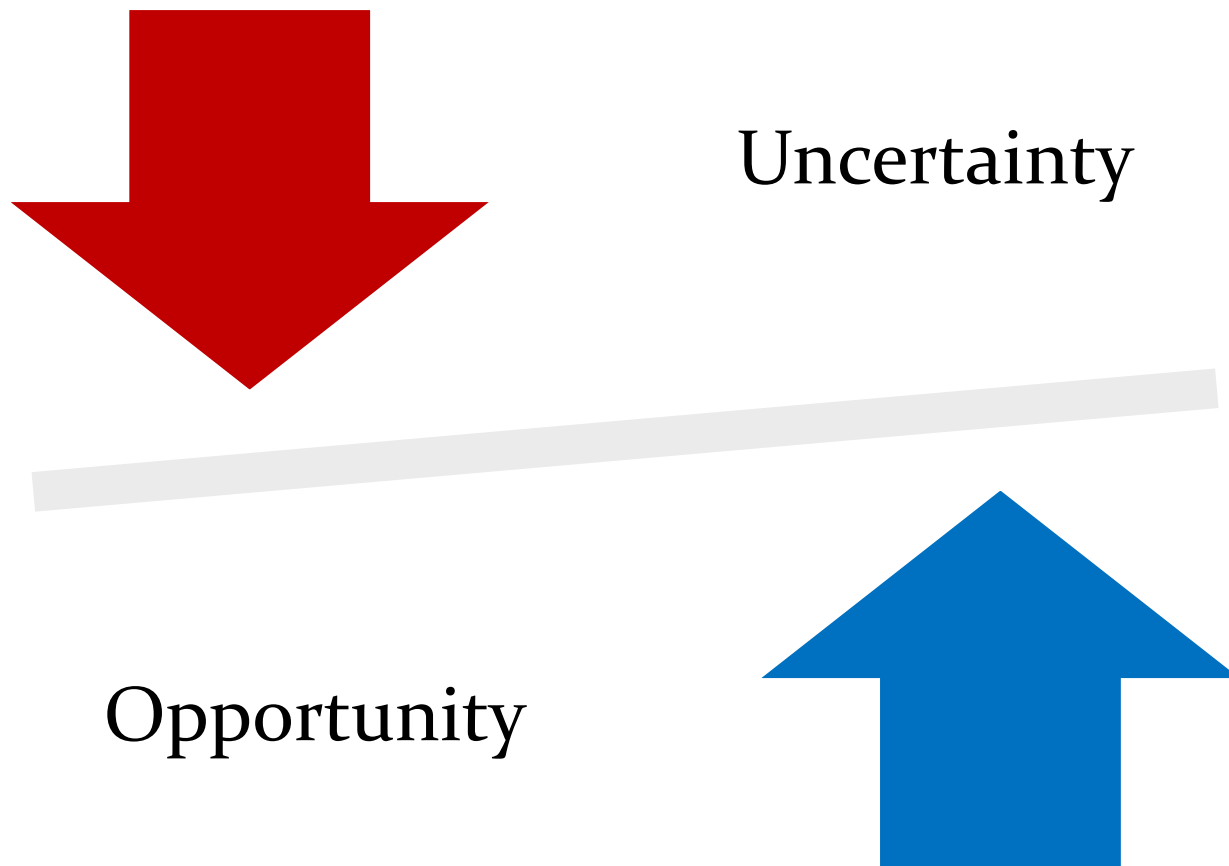
2017

States are permitted to allow businesses with more than 100 employees to purchase coverage in SHOP Exchanges.

2018

“Cadillac Tax” takes effect. A 40% excise tax is administered to insurers of employer-sponsored health plans with aggregate values that exceed \$10,200 for individuals and \$27,500 for families. The tax is applied to the amounts that exceed the threshold and it will be indexed for inflation.

Perspective on Health Insurance in the Future



Implications on the bottom line for the Industry

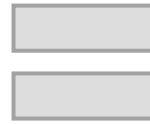
Medical
Loss Ratio
(MLR)
Squeeze



New
Insurance
Plan
Requirements



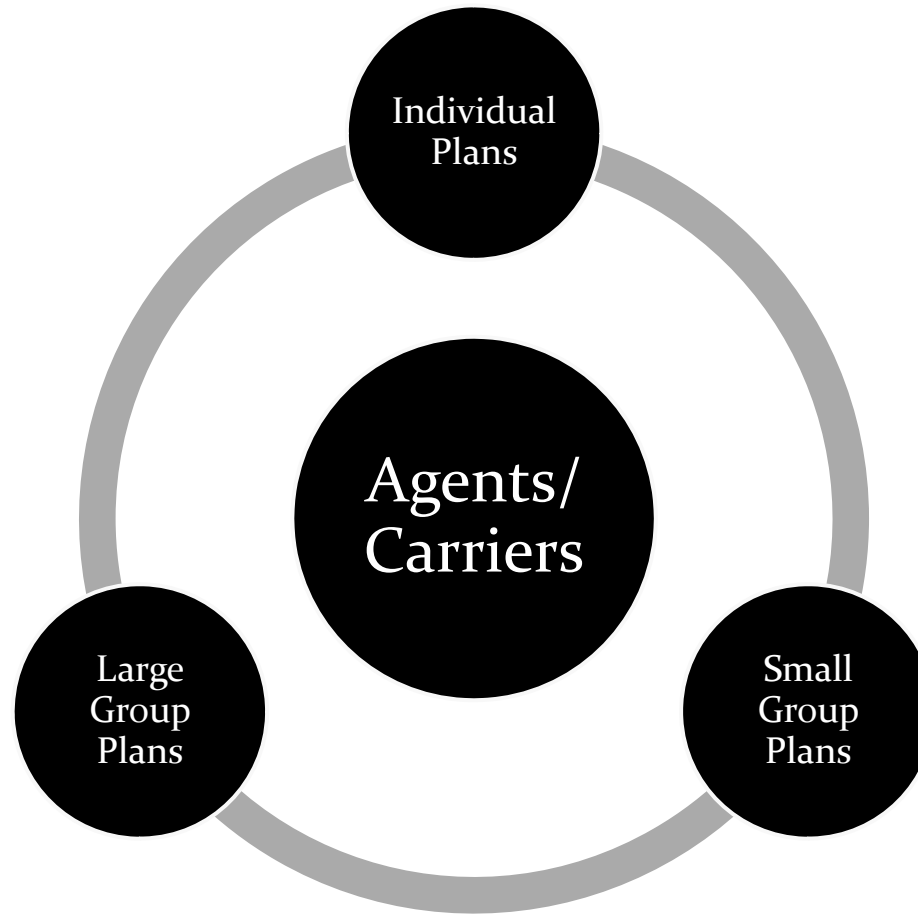
New Fees on
Insurance
Companies
(\$14.3 billion
by 2018)



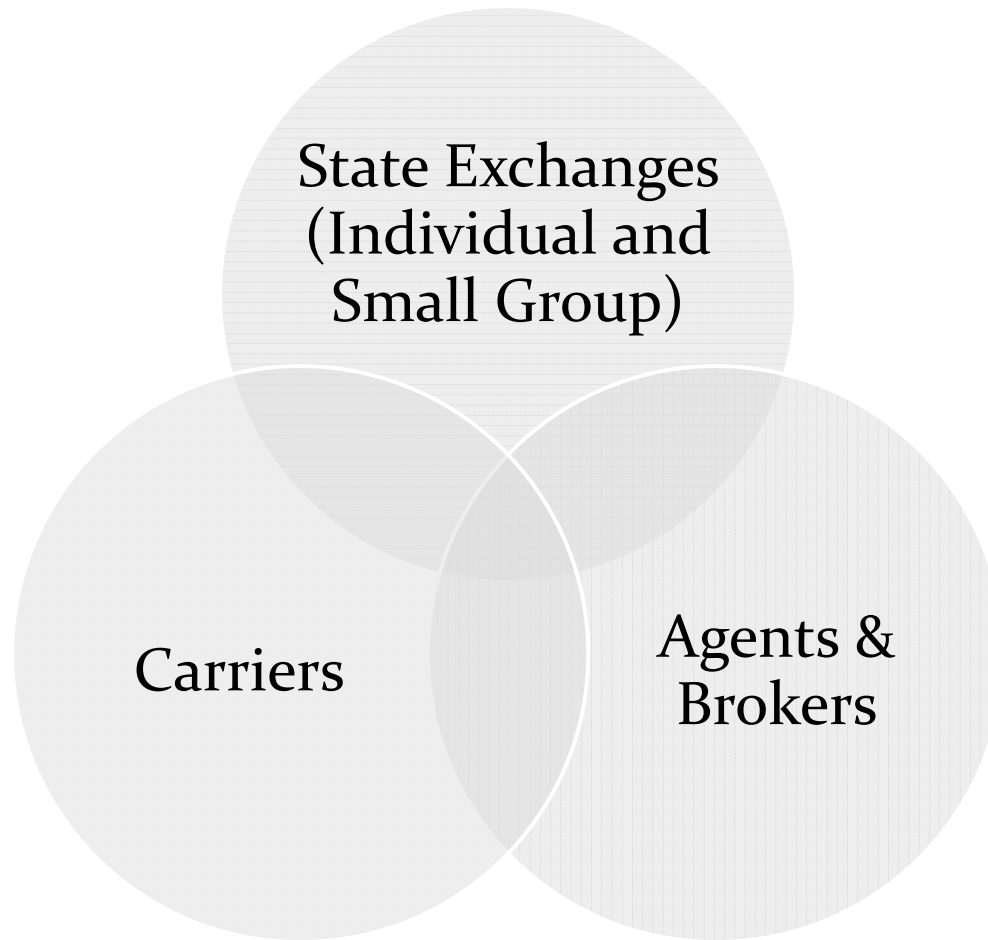
Thin Margins for
Insurance
Industry

Status Quo

Health Insurance Delivery



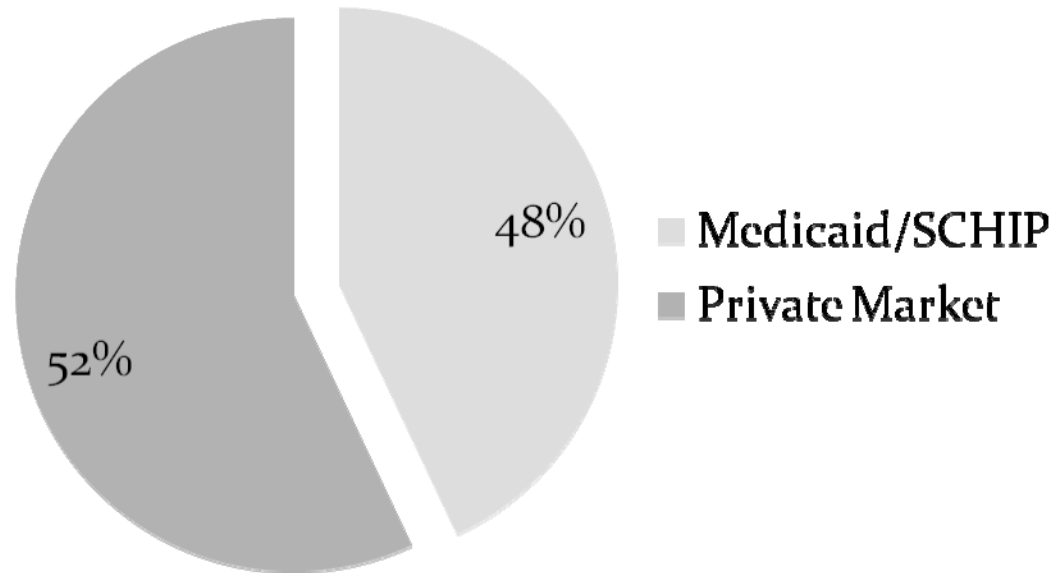
2014 – A New Marketplace & New Competition



2019 – 32 Million Newly Insured

Where do they go?

Estimated Net Share of Newly Insured



Opportunity

Existing Large Group
Marketplace

**16-18
Million**
Newly
Insured
Private
Plans

New
Individual Exchange
Marketplace

New
Small Group Exchange
Marketplace

Impact on Employers

- ❖ Employers with 50-plus full-time (30 hours per week or more) employees are subject to the following:
 - ❖ If an employer does not offer health insurance and has at least one employee who qualifies for a tax credit, the employer is subject to an annual fine of \$2000 for each full-time employee (first 30 employees are excluded).
 - ❖ If an employer does offer health insurance coverage but has an employee who goes to an exchange (because the employee's share of the premium exceeds 9.8% of their annual income) or if the employer fails to offer the minimum health insurance coverage, the employer is subject to an annual fine of \$3,000 per employee going to an exchange (maximum penalty is \$2,000 for each full-time employee in your total workforce).
 - ❖ If an employer does offer health insurance coverage, the employer is required to offer a voucher to employees with incomes less than 400% FPL and whose share of the premium exceeds 8% but is less than 9.8 of their annual income who decide to enroll on a plan in an exchange. The voucher is equal to what the employer would have paid for the employee's health insurance coverage. (CBO: 1-2 million employees would jump from employer coverage to the exchange.)
- ❖ If an employer imposes a waiting period before their employees can enroll in coverage, the employer is subject to a one-time fine of \$400 for a full time employee for a 30-60 day waiting period and \$600 for a 60-90 day waiting period.
- ❖ Employers with 200-plus full-time employees must automatically enroll their employees into health insurance plans.

Confusion for Employers – Where do they turn for help?

