

Health Care Reform at a Glance

	Provision	Effective Date	Implications for Large Employers
--	-----------	----------------	----------------------------------

Employer Mandate

1	Play or Pay Penalty for not offering coverage if at Least One Employee gets Subsidy in Exchange	\$2,000 (indexed) times the number of full time employee (FTE), indexed. (Excludes first 30 FTEs.) FTE defined as 30 or more hours per week. No PTE coverage requirement. No minimum employer subsidy required.		<i>Low penalty may encourage some employers to drop coverage.</i>
2	Minimum Value of Employer Coverage or "Unaffordable" Employer Coverage	If actuarial value of the plan is below 60%, or if employee contributions are above 9.5 % of household adjusted gross income (AGI), employees under 400% of federal poverty level (FPL) are eligible for subsidized Exchange coverage and, if elected, employer is assessed the play and pay penalty.	2014	<i>Employer is not required to offer a plan that satisfies these value or contribution provisions.</i>
3	Play and Pay Penalty for opt-outs electing coverage through the Exchange	\$3,000 (indexed) for each FTE who enrolls in Exchange and receives subsidy; aggregate cap of \$2,000 (indexed) times total number of FTEs (excluding first 30 FTEs).		<i>Penalty is less than typical average employer cost.</i>
4	Employee Vouchers for Exchange	Employers must offer cash vouchers to employees with household AGI under 400% of FPL where employee contributions between 8.0% to 9.8% of household AGI.		<i>Increases potential of anti-selection. However, many employers may have few, if any, employees eligible.</i>
5	Employer Reporting Requirements	Reporting to both Secretary and employees regarding minimum coverage.		<i>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 and fewer waivers.</i>
---	----------------------------	--	------	--

Provisions Applying to Employer Plans

7	Extension of Child Coverage to Age 26	Up to age 26 for medical regardless of marital or student status, residence or support. Excludes stand-alone dental and vision. Cannot charge more than for other similarly situated individuals. Grandfathered plans can exclude children eligible for other employer coverage not through parents		<i>Increased enrollment and costs for covering more dependents.</i>
8	Income Tax Exclusion of Adult Children for Employer Health Benefits	Exclusion through end of calendar year child turns 26. Includes dental, vision and health FSA. Initial 30 day open enrollment period required.	Plan years beginning on or after Sept. 23, 2010	<i>Simplifies payroll administration.</i>
9	Lifetime Dollar Limits	Prohibits in- and out-network lifetime limits on dollar value of essential benefits. Notice required to eligible individuals who previously exceeded limit.		<i>Stop-loss will become more important.</i>
10	Annual Dollar Limits	Annual limits on dollar value of essential benefits permitted if exceed specified thresholds (\$750,000 in first plan year).		<i>Plans might need to be improved.</i>
11	Cost Reporting and Rebates	Rebates made to enrollees in insured plans where loss ratio is less than 85%. (Ratio of claims to premium.)		<i>Employers may need to establish refund mechanism.</i>
12	Uniform Explanation of Coverage	Prescribed appearance, content, language and timing. Notice due within two years of enactment. Notice of coverage change required 60 days prior to effective date. Notice not required until guidance is provided.		<i>Will need to be coordinated with other employee communications materials.</i>
13	Pre-existing Condition Exclusions for Enrollees Under 19	Pre-existing condition exclusions prohibited for employees/dependents under age 19.		<i>Limited impact on most plans.</i>
14	Treatment of OTC drugs as medical expense	Prohibits reimbursement of over-the-counter drugs purchased after December 31, 2010 from FSAs, HRAs and HSAs, unless prescribed by physician.	2011	<i>Bandages and other OTC items will still be eligible</i>
15	HSA Nonqualified Withdrawals	Penalty increased from 10% to 20%.		<i>Communication need.</i>
16	Reporting Plan Value on W-2	Total medical cost on an employee specific basis. Not required for 2011 W-2.	2012	<i>Value is not subject to tax</i>
17	Health FSA Cap	Salary reductions capped at \$2,500; indexed.		<i>Employer redesign required.</i>
18	Exchange Notice	Notice to employees concerning availability of Exchanges. By March 1, 2013.	2013	<i>Additional communications.</i>
19	Extension of Child Coverage to Age 26 – Grandfathered Plans	Grandfathered plans must cover children up to age 26 regardless of eligibility for other employer coverage		<i>May result in increased enrollment</i>
20	Pre-existing Condition Exclusions	Pre-existing condition exclusions prohibited for all enrollees.		<i>Reduced job lock.</i>
21	Annual Dollar Limits	Annual limits on the dollar value of essential benefits prohibited. FSAs, HSAs and integrated HRAs exempt.	Plan years beginning on or after January 1, 2014	<i>Plans might need to be improved.</i>
22	Auto Enrollment	Auto enrollment required with employee having ability to opt out of coverage. Effective date not stated. Will not be effective until after regulations are released.		<i>Increased cost due to higher enrollment and more complex administration.</i>
23	Waiting Periods	Waiting periods over 90 days prohibited.		<i>A critical provision for high-turnover firms.</i>
24	"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). \$11,850/\$30,950 for pre-Medicare retirees. Adjusted for high risk industries, age, gender. Excludes dental and vision. For multiemployer plans all coverage is considered family.	2018	<i>In 2018 the tax will apply to many employer plans. Elimination of FSA and executive programs.</i>

Provisions that do not apply to Grandfathered Employer Plans

25	Preventive Care/Immunizations	Preventive care services must be covered at 100%.		
26	Non-discrimination Requirements	Prohibits discrimination under insured plans. Enforcement is delayed until guidance is released.	Plan years beginning on or after Sept. 23, 2010	<i>Plans that were in effect on March 23, 2010 are grandfathered and are not subject to these health reform requirements. However 2011 plan design and contribution changes must be carefully reviewed to determine whether they would result in loss of grandfathering, and the plan becoming subject to these requirements.</i>
27	OB/GYN, Pediatrician, ER Services	Preauthorization or referral requirements prohibited.		
28	Reporting Requirements	Plan data and quality of care reporting requirements to HHS and enrollees.		
29	Appeals Process	Mandatory internal and external appeals process.		
30	Clinical Trials	Must cover routine patient costs in connection with participation in trials.		
31	Maximum Deductibles and OOP Limits	Deductibles generally limited to \$2,000/\$4,000 (indexed); OOP maximum same as for HSA-compatible HDHP.	Plan years beginning on or after January 1, 2014	
32	Provider Non-discrimination	No discrimination against a provider who is acting within the scope of license.		
33	HIPAA Wellness Incentives	Codifies HIPAA wellness incentives, but differential increased to 30%. Will likely be implemented prior to 2014.		

Health Care Reform at a Glance

	Provision	Effective Date	Implications for Large Employers
--	-----------	----------------	----------------------------------

Retiree Health

34	Reinsurance Program for Early Retirees (55-64) and Dependents	\$5B to subsidize 80% of costs between \$15K-\$90K. Terminates December 31, 2013 or when funds expended.	June 1, 2010	<i>Administration appears similar to RDS.</i>
35	Application of Plan Requirements to Retiree Plans	"Retiree only" programs not subject to market reform requirements such as lifetime dollar limits and adult child coverage. No definition of "retiree only" plan provided.	Various	<i>Opportunity to establish programs to avoid with health reform mandates.</i>
36	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 EGWP more attractive to employers relative to RDS.</i>
37	Brand Drug Coverage in Part D Donut Hole	Drug manufacturers required to discount brand drugs in donut hole by 50%.	2011	
38	Means Based Medicare Part D Premiums	Increased for higher income retirees.		
39	Medicare Advantage Plan Funding	Payments frozen in 2011; reduced benchmarks starting in 2012.	2013	<i>Increased retiree premiums for Medicare Advantage plans; reduced enrollment.</i>
40	Loss of Deduction for Expenses Related to RDS Payments	While loss of deduction not effective until 2013, non-public employers needed to reflect impact in first quarter 2010.		<i>EGWP plans more attractive.</i>

Insurance Market Reform for Individuals and Small Groups

41	Minimum Benefit Package	Bronze, Silver, Gold and Platinum with actuarial values of 60% - 90%. Catastrophic plan for individuals under 30. Plans must cover essential benefits. (No guidance defining essential benefits.)	2014	<i>Sponsors would retain some (but not complete) latitude in setting plan design for programs offered through the Exchange.</i>
42	Guaranteed Issue and Renewability	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>
43	Required Service Categories & Coverage	Mandatory statutory list, to be supplemented by Secretary of HHS. Limited to insured plans.		<i>Only applies to plans offered in Exchange.</i>
44	Maximum Deductibles and OOP Limits	Deductibles generally limited to \$2,000/\$4,000 (indexed); OOP maximum same as for HSA-compatible HDHP		<i>Only applies to plans offered in Exchange.</i>
45	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>
46	Medical Loss Ratios - Minimum Standards	80% minimum loss ratio for individual market and small groups. (Ratio of claims to premium.)	Plan years beginning on/after March 23, 2010	<i>More robust individual market is especially valuable to former employees, particularly early retirees.</i>
47	Small Employer Subsidies	Tax credits of up to 35% available to small employers (up to 25 employees).	2010	<i>May be of value for union funds.</i>

Purchasing Exchanges

48	Exchanges	State-based exchanges for individuals and small employers (under 101 employees). In 2017 states can make available to large employers.	2014	<i>Availability of subsidies and community rating limits need for pre-65 retiree programs.</i>
49	Low Income Premium Subsidy in the Exchange	Medicaid eligibility expanded to 133% of FPL. Subsidies available between 133% and 400% of FPL. Employees are only eligible for subsidies if employer coverage is below minimum value or contributions are unaffordable.		<i>With generous subsidies to low income, employers might not want to duplicate these efforts with salary-based cost-sharing.</i>

Taxes

50	Tax on Indoor Tanning Services	10% tax on indoor tanning services, starting in July, 2010.	July, 2010	<i>No effect on employer plans.</i>	
51	Pharmacy Manufacturer Tax	\$2.5B in 2011 increasing to \$4.2B in 2018; \$2.8B in 2019+	2011	<i>Increased cost-shifting.</i>	
52	Comparative Effectiveness Research	Tax on insured and self-funded plans of \$1/participant/yr first year; \$2 second year; indexed thereafter.	Plan years ending after Sept. 30, 2012	<i>Potential for increased taxes in the future.</i>	
53	Income Tax Provisions	Itemized medical deduction threshold increased from 7.5% to 10%.	2013	<i>Even greater pressure to offer tax-advantaged compensation and benefits.</i>	
54	Medicare Hospital Insurance Tax	Tax rate increased from 1.45% to 2.35% starting for high income earners.			
55	Medical Device Excise Tax	2.3% excise tax.			<i>Increased cost-shifting.</i>
56	Health Insurance Industry Tax	\$8B in 2014 increasing to \$14.3B in 2018; trended after 2018			
57	Exchange Reinsurance Program	\$25B tax on insurers and TPAs from 2014 to 2016	2014	<i>Increased cost-shifting.</i>	

Collectively Bargained Coverage

58	Coverage Maintained Under CBA	Must comply with requirements under <i>Provisions Applying to Employer Plans</i> . For insured coverage maintained under a CBA ratified before March 23, 2010, cannot lose grandfather status until last CBA terminates. No delayed loss of grandfather status for self-funded plans.	Plan years beginning on and after September 23, 2010	<i>Employers required to implement health reform with the same effective dates as non-union plans.</i>
----	--------------------------------------	---	--	--

CLASS Act

59	Voluntary Long-term Care Program	Government run long-term care program. While not required, employers can allow payroll deductions and automatically enroll employees.	2011	<i>Unclear when this program will be implemented.</i>
----	---	---	------	---