

BenAlert

BENEFIT TRENDS AND LEGISLATIVE UPDATES

AUGUST 2010



HOWITT
Benefit Services

Howitt Benefit Services is pleased to provide you with periodic updates on benefit trends and legislative updates. As part of our valuable services, we want to ensure that you are in compliance and well-informed of the ongoing changes in our industry.

In this BenAlert:

- Health Care Reform Update: The Next Rules Take Effect September 23, 2010

Watch for your invitation to the HOWITT Health Care Reform webinar
September 29, 2010

Overview

PATIENT PROTECTION & AFFORDABLE CARE ACT

There is so much happening with Healthcare reform - it can be difficult to keep it all straight. With that in mind, we have put together a list of key points that can affect Employers in the coming years. We are listing the change or requirement; the proposed effective date; some comments about who may be the responsible party (employer or carrier, etc), and when it may actually effect you and your group – mid-plan year or at renewal. Some rules have a 'true' effective date, and some are due at the first renewal AFTER the rule goes into effect.

It is important to note that we are not able to provide either tax or legal direction and instructions. We are making every effort to inform you of all employer obligations under the current health care reform package. It is also important to understand that this package of information is literally changing and evolving every day. These are some main points but many of the underlying details have yet to be written.

What happens in 2010

- **7/1/10:** Web-based health care site, information for plans in all 50 states, online as of 7/2/10 at www.healthcare.gov.
- Small Employer Tax Credit available (for tax year 2010) for the following groups who sponsor group health insurance:
 - 25 or fewer employees, average wage \$50,000 or less.
 - 10 or fewer employees, average wage \$25,000 or less.
- **9/23/10:** Prohibits rescissions of plan coverage unless fraud is committed.
- Pre existing limitations and exclusions will no longer apply to dependent children under age 19 (Effective 1st day of plan year beginning after 9/23/10).
- Cover dependents up to age 26 (Can be effective at 6/1/10 & at renewal, by carrier, not grandfathered).
- Lifetime & Annual plan maximums removed (Effective 1st day of plan year beginning after 9/23/10, by carrier, not grandfathered).
- Certain Preventive coverage with no cost sharing. (grandfather status applies; typically already covered under most plans; carrier can change at renewal).
- 10/1/10: Grants created for small group wellness plans in force for 2011 & future.

What happens in 2011

- **1/1/11:** Public long-term care program; employers are required to enroll all employees (employees may opt out).
- **1/1/11:** Employers must include on the W-2s for the tax year 2011 the aggregate cost of employer sponsored health plans, for informational purposes only.
- **1/1/11:** Many over the counter (OTC) drugs are no longer eligible expensed unless they are by prescription.
- Designate any in network physician as PCP (Primary Care Provider).
- Emergency services provided at in network benefit level.

What happens in 2012

- **1/1/12:** 1099 Reporting/Business Tax Forms reporting obligations broadened (for any contractors you have...).
- **3/1/12:** Summary of Benefits and coverage explanation must be provided to all applicants at time of application; plan modification notifications must be issued (you will need to hand these out to your enrollees; carrier must create the documents).
- **3/23/12:** Quality Information Reporting (Department of Health & Human Services must develop standards; carrier to provide information, may require input from employers).

What happens in 2013

- **1/1/13:** FSA limits maximum at \$2500. (You must amend your plan document and distribute info to employees).
- **1/1/13:** Medicare Payroll Tax Increase. Additional .9% on Medicare Hospital Insurance tax (HI tax) on individuals with earnings & wages above \$200,000, and \$250,000 for joint filers. Does not change employer HI tax obligations.
- **1/1/13:** New 3.8% contribution tax on certain unearned income for individuals with AGI over \$200,000 and \$250,000 for joint filers.
- **3/1/13:** Employers must notify employees of the existence of a Medical Exchange.

What happens in 2014

- **1/1/14:** Pre-existing conditions limitations and exclusions will no longer apply to any enrollees.
- Group sizes are redefined into categories; small group will be 1 to 100 employees.
- Employers must provide vouchers to all employees who are required to contribute between 8% & 9% of their household income towards the total cost of their coverage if employee's household income is less than 400% of the Federal Poverty Level and the employee DOES NOT enroll in the employer's health plan.
- **1/1/14:** Minimum levels of plan benefits must be offered (insurance carrier plan designs).
- Premium Assistance offered by states. May require input from employers.
- **1/1/14:** Employee waiting period can be no greater than 90 days. (Employers must amend Employee Handbook and related documents)
- **1/1/14:** Employers are not required to offer insurance, but if they do not, and have more than 50 employees and any employee receives premium assistance, the employer is subject to fines.
- Health plans must provide coverage documentation to covered people and the IRS.
- Employer wellness plans will have new rules: increases the value of workplace wellness incentives to 30% of the premiums, and can be increased to a maximum of 50% incentives.

What happens in 2017

- **1/1/17:** Imposition of a 40% excise tax on employer sponsored plans with aggregate values of \$10,200 for individual and \$27,500 for family coverage.

What Else is Happening?

- Employers with 200 or more employees must automatically enroll new employees in available plans. No time frame has been set yet, **potentially in 2017**.
- ERISA Documentation must be updated to show certain plan changes (waiting period, etc). Some new guidelines are expected **August-September, 2010**. Will apply to new plans after September 23, 2010. Unknown impact of penalties for non-compliance as rules are unclear at this time.
- For groups renewing health plans in the future, you will have the choice of maintaining a "Grandfathered Status". Grandfather Status means that you will (presently) not have to adhere to certain mandates as specified within the health reform legislation. You can go to www.Healthcare.gov for the most current information about Grandfathered Status. At renewal time, or anytime you are considering making changes, **HOWITT** will inform you, and guide you as to benefits of staying a 'grandfathered plan'. A few 'changes' that will jeopardize your 'grandfathered status' are:
 - Insurance carriers or co-insurance levels are changed.
 - Significant changes that reduce benefits (deductibles that are more than the rate of medical inflation + 15% OR co-pays that are greater of \$5, adjusted for medical inflation, or the medical inflation percentage rate plus 15%), or increase costs to consumers.
 - Reduction of the employer contribution level by more than 5%

Additional Resources Available to You

For complete information and definitions of the interim regulations, please visit the official U.S. Government site at: www.Healthcare.gov .

Additional key websites:

[The White House - Health Care](#) [Health Reform: Social Security & Medicare](#)

[SBA & Health Care Reform](#) [U.S. Department of Labor](#)

Visit the [HOWITT Health Care Reform 2010 website](#)

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