Roadmap to Federal Health Care Reform

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Objective

- To provide an overview of health care reform
- To highlight key provisions of health care reforms package
- What’s next?
Overview

• Patient Protection and Affordable Care Act
  • 906 pages
• Health Care and Education Reconciliation Act of 2010
  • 55 pages
• Covers 32 million uninsured Americans currently
• New law represents a major overhaul of the way health care is financed and delivered in the United States
Key Provisions

- **Grandfather Status**
  - Generally allows group health plans or insurance coverage in existence on 3/23/10, to maintain the plan design.
  - Allows small changes to copayments, fixed-price cost sharing and employers’ contributions to employees’ coverage

- **High-Risk Pool**
  - Creates state-based high-risk insurance pools for:
    - Individuals must have a pre-existing condition
    - Individuals who have been without coverage for six months
  - $5 Billion Appropriated
Key Provisions, Cont.

Pre-Existing Exclusions for Children
- Bars health plans from denying coverage to children younger than age 19 due to a pre-existing condition.
- Effective date for plan years on or after September 23, 2010.

Pre-Existing Exclusions for all age groups
- Effective January 1, 2014, prohibition expands to all age groups.
Key Provisions, Cont.

**Lifetime Benefit Limits**

- Prohibits health plans from adopting lifetime limits on the dollar amount of “essential health benefits.”
- Effective date for plan years on or after September 23, 2010.

**Annual Benefit Limits**

- Generally prohibits health plans from adopting annual limits on “essential health benefits.”
- Effective date for plan years on or after September 23, 2010.
- Does not apply to Individual or Grandfather status.
Key Provisions, Cont.

**Rescissions**
- Bars insurers and group health plans from retroactively revoking health insurance coverage except in cases of fraud.
- Effective date for plan years on or after September 23, 2010.

**Patient Protections**
- Guarantees individual and group health plan participants the right to select their PCP of choice.
- Provider must participate in plan and take new patients
- Prohibits prior authorization for women to see an OB/GYN
Key Provisions, Cont.

Patient Protections, Continued

• Prohibits different copays and coinsurance for emergency care received out-of-network.
• Effective date for plan years on or after September 23, 2010.
• Does not apply to Grandfathered plans.

Coverage for children up to age 26

• Requires coverage of children up to age 26.
  • Coverage for spouses of children and children of children is not required.
  • Dependent must not have access to other health insurance coverage.
• Effective date for plan years on or after September 23, 2010.
Key Provisions, Cont.

**Early Retiree Reinsurance Program**
- Sets up a government reinsurance program to reimburse health plans up to 80% of medical claims between $15k and $90k for early retirees, their spouses and dependents.
- $5 billion appropriated.
- Effective June 1, 2010.

**Health Insurance Web Portal Requirements**
- Requires the establishment of an internet website to help individuals and small businesses identify coverage options in their state.
- June 1, 2010 for basic information.
- October 1, 2010 more detail pricing and benefit data.
Key Provisions, Cont.

Preventive Services

- Requires health plans to cover certain in-network preventive care services without cost sharing.
- Effective date for plan years on or after September 23, 2010.
- Does not apply to grandfathered plans.

Internal, External Appeals Process

- Requires health plans participating in the individual and group market to comply with “new” mandatory internal and external review requirements.
- 24-hour urgent claim adjudication.
- Effective date for plan years on or after September 23, 2010.
- Does not apply to GF plans.
Key Provisions, Cont.

**Federal Rate Review**

- The Secretary of DHHS, in conjunction with the states, will have new authority to monitor health insurance carrier premium increases beginning in 2010 to prevent unreasonable increases and publicly disclose such information.

- Carriers that have a pattern of unreasonable increases may be barred from participating in the exchange.

- $250,000,000 is appropriated for state grants to increase their review and approval process of health insurance premium rate increases.
Key Provisions, Cont.

Medical Loss Ratio

- Sets MLRs of 80% in the individual and small group markets and 85% in the large group market.
- Requires rebates for MLRs below required levels starting in 2011.

Nursing Mothers Provision

- PPACA mandates break times for nursing mothers at work effective March 23, 2010.
  - Employee must have a private area – cannot be a restroom
- PPACA says these breaks don’t need to be paid
- Fair Labor Standards Act (FLSA) mandates break periods be paid
Key Provisions, Cont.

Small Business Tax Credit

- **New** up to 35% tax credit to small employers with no more than 25 employees who purchase insurance for employees.
  - Average annual wages of less than $50k that provide health insurance for employees
  - Employer must cover at least 50% of the cost of insurance for employee.

- When “exchanges” are operational in 2014 tax credits will be up to 50% of premiums.
- A full tax credit may be available to small businesses with fewer that 10 FTEs and average wages of less than $25,000
- Non-profits are eligible – 25% in 2010 to 35% in 2014
Other Provisions

As of July, 2010 a “new” 10% tax on indoor tanning services.

Effective September 23, 2010, group health plans cannot discriminate against lower-wage workers by providing “enhanced benefits” for the higher compensated employees. (does not affect self-insured plans.

Increases the tax for withdrawals from Health Savings Accounts and Archer Medical Savings Accounts for non-qualified medical expenses from 10% to 20%.
Other Provisions

Employers will be required to disclose the value of health insurance benefits provided on each employee’s W-2 forms – applies to benefits provided beginning in 2011.

If the employee receives health insurance coverage from multiple plans, the employer must disclose the aggregate value on all such coverage.

Excludes all contributions to HSA’s and Archer MSA’s and salary reduction contributions to FSA’s.
Effective January 1, 2012, a person engaged in a trade or business MUST send a Form 1099 for nearly all payments in excess of $600.

Example: Any aggregate payments for meal or hotel expenses that exceed $600 for the entire year will require the payor to file a Form 1099.

The payor will need to obtain the name, address and taxpayer identification number from every payee.

Attempts have already been made to repeal or dramatically alter this provision.
Effective for policy/plan years ending after September 30, 2012, a “new” federal tax to fund the federal comparative effective research.

All fully insured plans and self-insured plans will be charged a fee equal to $2 per enrollee.

The fee applies to accident or health insurance policies other than policies covering benefits exempt under HIPAA.

The fee does not apply to policy/plan years ending after September 30, 2019.
Other Provisions

Effective in 2013, increases the current 2.5% Medicare tax to 3.8% (a .09% increase) for all individuals and self-employed income in excess of $200,000 ($250,000 if individual files a joint return).

Effective in 2013, limits the amount of contributions to a flexible spending account for medical expenses to $2,500 per year increased annually by the cost of living adjustment.

Effective in 2013, the threshold for the itemized deduction for unreimbursed medical expenses will be increased from 7.5% of AGI to 10% of AGI for regular tax purposes.
2014 Provisions and Beyond

Imposes annual taxes on private health insurers based on net premiums
- $8B in 2014
- $11.3B in 2015 & 2016
- $13.9B in 2017
- $14.3B in 2018

Exchanges
- Provides premium health care tax credits available through the Exchange for people above Medicaid eligibility and below 400% of federal poverty level ($43,320 individual; $88,200 family of 4 in 2009)
- Small business with up to 100 employees will be able to purchase coverage through a state health insurance exchange

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Exchanges, Continued

- The state can either create one exchange to serve both the individual and group market or they can create a separate individual market exchange and small group exchange.
- States may choose to allow large groups (over 100) to purchase coverage through the exchanges in 2017.
- HHS to establish procedures for brokers and agents to be paid for selling exchanges products.
2014 Provisions and Beyond

Requires all American citizens and legal residents to purchase qualified health insurance coverage

- Allows catastrophic-only policies for those 30 and younger
- Exceptions are provided for:
  * Religious objectors
  * Incarcerated individuals
  * Members of Indian tribes

The penalty for non-compliance is a flat dollar amount per person or a % of the individual's income, whichever is higher.

- In 2014, the % of income determining the fine amount will be 1%, then 2% in 2015
- The alternative is a fixed dollar amount that phases in beginning with $95 per person in 2014, $325 per person in 2015 to $695 in 2016
2014 Provisions and Beyond

Effective in 2018
Excise tax on policies

Insurers of employer sponsored health plans will face a 40% excise tax on policies with premiums over $10,200 for individuals or $27,500 for family coverage (indexed to rate of inflation thereafter)

Values of health plans include reimbursements from FSAs, HRAs and employer contributions to HSAs

Allows plans to take into account age, gender and certain other factors that impact premium costs

Stand-alone vision and dental are excluded from the calculation.
What’s Next?

- November election results can change some or all of the provisions, depending on who will be in power beginning in 2011.

- I believe “modest” changes will be made in the upcoming months.
Questions?