

# Health Care Reform & You

July 2010

You've heard about health care reform on the news. The two bills that make up health care reform – the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act – are the biggest pieces of legislation affecting you and your benefits in over 35 years. But what does it mean to you and your family?

The fact is, the laws are complex and are scheduled to roll out over the next decade. There are provisions that affect our plans, Medicare, Medicaid, your spouse's plans, possibly your kid's coverage, even your parents or grandparents. Government agencies are responsible for providing guidance and rules about how the various provisions will work and what employers, insurers and states must do. Until they do, many questions will remain.

Based on our current understanding, here are the key aspects of the legislation over the next few years:

Year	What Health Care Reform Requires or Changes	Notes
2011	<ul style="list-style-type: none"> <li>No lifetime maximums or "restrictive" annual maximums (as defined by the government) are allowed.</li> <li>Adult children can be covered up to age 26. Student or marital status no longer matters. However if your child is covered by another employer's plan, coverage under our plan may not be available.</li> <li>A plan cannot limit or exclude coverage for a pre-existing condition for a child under age 19.</li> <li>Over-the-counter drugs will now have to have a prescription to be reimbursed under a Flexible Spending Account (FSA), Health Savings Account (HSA) or Health Reimbursement Account (HRA).</li> <li>The penalty for a non-qualified distribution from an HSA will increase from 10% to 20%.</li> <li>The value of your medical benefits must be reported on your 2011 W-2 (excluding FSAs). This will not affect your taxes.</li> </ul>	<ul style="list-style-type: none"> <li>You will have a month-long opportunity to enroll any eligible adult children in the fall of 2010. Watch for an announcement near open enrollment this year.</li> <li>If you use an FSA, HSA or HRA to pay for over-the-counter medications, you may need to adjust your 2011 contributions during open enrollment in the fall of 2010 UNLESS you get a prescription from a doctor for these medications</li> <li>You will be provided with new SPDs in 2011 that include any of these changes that apply to our plans</li> </ul>
2012	<ul style="list-style-type: none"> <li>Employers must send out a four page summary of benefits by March.</li> <li>Employers have to pay \$1 per participant first year and \$2 per participant thereafter to fund government health care comparative effectiveness studies.</li> <li>A voluntary, government established, long-term care program (called CLASS Act) will become available for enrollment in the fall 2012. You pay for the program with payroll deductions. Employers are not required to offer the program, but an alternative program may be available.</li> </ul>	<ul style="list-style-type: none"> <li>We do not know yet what information must be included in the summary of benefits.</li> <li>If we will be offering the CLASS Act program, you will hear more about it as the fall open enrollment period nears.</li> </ul>
2013	<ul style="list-style-type: none"> <li>Health care FSAs will be limited to \$2500, but employers may use a lower amount.</li> <li>Employers must notify you by March of the upcoming availability of insurance exchanges.</li> <li>For individuals earning over \$200,000 and joint filers earning over \$250,000, your Medicare taxes will increase by 0.9% to 2.35%. You also will have to pay a new 3.8% tax on any "unearned income" (interest, capital gains and dividends).</li> <li>The deduction will be eliminated for subsidies for employers who maintain prescription drug plans for their Medicare Part D eligible retirees.</li> </ul>	<ul style="list-style-type: none"> <li>If you use an FSA to pay for health care expenses, you may need to adjust your 2013 contributions during open enrollment in the fall of 2012.</li> <li>You will be provided with a new FSA SPD in 2013 that includes the new limit.</li> <li>While it is unlikely the new insurance exchanges will affect your coverage choices, they may affect a child or other family member. We will provide information as it becomes available.</li> <li>Retirees will be notified if our prescription drug coverage will be changing</li> </ul>

<p style="text-align: center;"><b>2014</b></p>	<ul style="list-style-type: none"> <li>• Full-time employees must be enrolled automatically in an employer's plan.</li> <li>• A plan cannot limit or exclude coverage for a pre-existing condition for <i>anyone</i> eligible for coverage.</li> <li>• The waiting period (to be eligible for coverage in an employer's plan) cannot be longer than 90 days.</li> <li>• Annual benefit limits are no longer allowed at all.</li> <li>• Employers will be permitted to offer employees rewards of up to 30% of the cost of coverage for participating in a wellness program</li> <li>• <i>Everyone</i> (all U.S. citizens and legal immigrants) must purchase health insurance or face an annual fine (that increases over time). Exceptions apply to certain low income individuals.</li> <li>• New health insurance exchanges become available for individuals and small employers (less than 50 employees).</li> <li>• Subsidies will be available for low to moderate income individuals who do not have coverage available from an employer, as well as for employees whose employer's plan does not meet certain minimum standards. Employers must make available "free choice" vouchers to certain low income employees.</li> <li>• Employers with more than 50 employees must provide health insurance or pay a fine if any worker receives a federal subsidy to purchase health insurance.</li> </ul>	<ul style="list-style-type: none"> <li>• You will be provided with new SPDs in 2014 that include any of these changes that apply to our plans.</li> <li>• We will provide more information about the exchanges as it becomes available.</li> </ul>
<p style="text-align: center;"><b>2017 and beyond</b></p>	<ul style="list-style-type: none"> <li>• Large employers will be allowed into the insurance exchanges.</li> <li>• There will be 40% excise tax on employers who provide a "Cadillac plan" as defined by the government (plan costing \$10,200 or more for individuals and \$27,500 or more for family coverage).</li> </ul>	<ul style="list-style-type: none"> <li>• We will keep you informed as the impact of these provisions, if any, becomes clear</li> </ul>

**You Should Know...** Certain additional provisions kick in for existing plans *only* if there are significant changes made by an employer to cost sharing or coverage. What's more, the above health care reform provisions do not apply to dental or vision plans. Finally, the laws contain provisions that do not affect your company health care coverage, but may affect you individually. For example, there is a new 10% excise tax on indoor tanning, seniors will receive a \$250 rebate to help with a gap in Medicare coverage, the adoption tax credit has been increased and more. Plus, rules concerning collective bargained plans are just coming out, but it appears the delayed effective dates that historically have applied to those plans when new legislation has been passed will not apply to certain changes required by health care reform.

**Stay Tuned...** We will continue to keep on top of health care reform as details roll out and share with you any important changes to our plans.

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