

HEALTH CARE REFORM – NEXT THREE YEARS

A look at the changes coming in 2012, 2013 & 2014.

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“An investment in knowledge pays the best interest” Benjamin Franklin

In the past, TPI has provided a review of the general context of the Health Care Reform Bill and has examined the political posturing that has surrounded the bill since before it was enacted. This article is a continuation of our promise to keep our clients updated on all relevant developments relating to health care reform legislation.

Much controversy has surrounded the Health Care Reform Bill. More than 20 challenges to some aspect of the sprawling act have been filed around the country, many put in motion by Republican governors and attorney generals. Most focused on the so-called “individual mandate”, a requirement that all Americans buy health coverage or pay a fine or tax.

By February 2011, three district judges had upheld the mandate and two found it unconstitutional. Over the summer of 2011, three federal appeals courts weighed in. One found it unconstitutional, one did not and one ruled the plaintiffs. This mix of opinion all but guarantees a Supreme Court review.

In the meantime, Federal and State regulators have already moved into high gear, rolling out early provisions and laying the groundwork for the broader changes to come in 2014. In our last health care update, we discussed changes that had already taken place. Two of the most significant regulations included the fact that insurers were banned from dropping sick and costly customers, and they were required to provide coverage for those under 26 on their parents’ policies.

What’s new for 2012?

Insurers that issue group health plans will have to abide by some new requirements.

- Should plan benefits materially change; the plan issuer will have to provide notice in writing at least 60 days beforehand to plan sponsors and participants.
- Health care plan summaries will have to meet new formatting and content guidelines for clarity, and in the case of fully insured plans, the plan issuer must provide electronic or hard-copy summaries at designated times during the enrollment process.

What happens in 2013?

There are four important changes scheduled for 2013 that employers must recognize and publicize.

- Companies will have to disclose the value of employer-sponsored health insurance coverage to employees on W-2 forms for the 2013 tax year. (Big businesses are already doing this, but the IRS allowed a grace period for companies with less than 250 W-2 employees.)
- Companies will also be required to inform their workers about health care insurance exchanges, health care premium subsidies and free choice vouchers.
- There will be a \$2,500 cap placed on annual flexible spending account (FSA) contributions, with COLAs in future years.
- Either the plan issuer or the plan sponsor must pay an annual per-member fee to the Patient-Centered Outcomes Research Institute for fiscal year 2013 (which starts October 1, 2012) and subsequent fiscal years. This annual fee equals \$1 (x) the number of covered lives; in fiscal year 2014, it will double to \$2 per covered life.^{1,2}

What is scheduled to happen in 2014?

The second stage of health care reform wraps up with a flourish in this year involving 10 significant changes. By this time, a whole new health insurance market is supposed to be in place and businesses will step into the “new world” of health care insurance.

- In 2014, firms with 50 or more employees will be required to offer a minimum level of health care coverage to active employees. So what exactly is minimum coverage? The federal government defines it using two criteria: the health plan chosen has to cover at least 60% of covered health care costs, and the plan cannot cost a worker more than 9.5% of his or her household income.
- If firms with 50 or more employees cannot meet this test, they will pay a penalty of \$2,000-3,000 per employee. (Some companies may elect to do this.)
- New reporting requirements start for businesses. Employers will annually have to inform the IRS if they are offering minimum health care coverage or not, the duration of any waiting period, the number of FTEs per month covered and their names, addresses and taxpayer ID #s. They will also have to report the monthly premium for the cheapest coverage option in each enrollment category and the employer’s percentage of the total allowed cost of benefits under the plan.

- Your company might be eligible for the Small Business Health Care Tax Credit if: a) it employs 25 or fewer whose annual wages are \$50,000 or less, and b) you pay 50% or more of the health care coverage for single workers.
- Also, the wellness program incentives cap rises from 20% to 30%, so here's another reason to encourage your workers to participate in wellness program (and to seek federal grant funding for said programs).
- Businesses with 200+ employees will be asked to automatically enroll all FTE and PTE into group health plans. (Employees may opt out.)
- As state health insurance exchanges are supposed to be up and running, you must provide a free choice voucher to qualifying employees in 2014.
- Employers cannot make employees wait more than 90 days for health insurance coverage in 2014, and non-grandfathered plans must also provide coverage for clinical trials related to life-threatening illnesses.
- The retiree reinsurance program reimbursing firms for up to 80% of qualifying retiree medical expenses will be gone in 2014 (and maybe before then if its funding runs out).^{1,3,4}

Prepare yourself – if you are in business: You, your employees and whoever handles your payroll will have much to keep up with in the near future.

If you are an employee: Be aware of your rights, as they relate to the health care coverage you are provided. There will be increased restrictions on flex plans, and other changes in your policy may necessitate altering your annual personal budget.

So confer periodically with your group health plan adviser and keep your eyes open for news and updates from TPI. Please do not hesitate to contact us if you have any questions or comments.

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Citations.

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