



MWM Consulting Group

Taking Measure of Tomorrow™

UPDATE

Actuarial and Benefits News

PATIENT PROTECTION AND AFFORDABLE CARE ACT/ HEALTH CARE AND EDUCATION RECONCILIATION ACT OF 2010

A potential new era for employer sponsored health care benefits arrived at the end of March. Changes in benefit levels, eligibility and taxes will guarantee an eventful five years or more.

EMPLOYER IMPACT TIME LINE

EFFECTIVE AT ENACTMENT

- Food and Drug Administration authorized to grant biologics manufacturers 12 years of exclusive use before generics can be developed.
- Establish a non-profit Patient-Centered Outcomes Research Institute (fees assessed for self-insured plans starting 2013).
- Create task forces on Preventive Services and Community Preventive Services.

EFFECTIVE JUNE 23, 2010

- Adults with pre-existing conditions may join a temporary (until 2014) high-risk pool.
- Companies which provide early retiree benefits for individuals aged 55-64 are eligible to participate in a temporary program (80% of cost between \$15,000 and \$90,000).

EFFECTIVE FIRST PLAN YEAR ON OR AFTER

SEPTEMBER 23, 2010

- Adult children permitted to remain on their parents' plan until their 26th birthday (all plans).
- No pre-existing restrictions on children under age 19 (all plans).
- Preventative care covered at 100% (non-grandfathered plans).

- Individuals affected by the Medicare Part D coverage gap will receive a \$250 rebate, and 50% of the gap will be eliminated in 2011. The gap will be eliminated by 2020.
- Annual spending caps restricted as determined by HHS (all plans).
- No lifetime limits on essential benefits (all plans).
- Indoor tanning services subject to a 10% service tax.

EFFECTIVE 2011

- Insurers are required to spend 85% of large-group and 80% of small-group plan premiums on health care or health-care quality.
- Value of health coverage on employee's W-2.
- Tax credits to small businesses (fewer than 25 employees) that provide health care.
- Over the counter items no longer reimbursable for FLEX, HAS or HRA plans.

EFFECTIVE 2013

- Provide 4 page standard benefit summary (all plans)
- Employer HHS reporting on coverage and benefits (non-grandfathered plans).
- Medicare Part D subsidy becomes taxable.
- Individual Medicare payroll withholding increases from 1.45% to 2.35% (over \$200,000)
- \$2,500 limit on tax-free contributions to flexible spending accounts (FSAs).

EFFECTIVE BY JANUARY 1, 2014

- Elimination of pre-existing medical conditions exclusions (all plans).
- No waiting period over 90 days for coverage.
- No annual limit on essential benefits defined by HHS.
- Expand Medicaid eligibility--individuals with income up to 133% of the poverty line qualify for coverage.
- Impose a \$2000 per employee tax penalty on employers with over 50 employees who do not offer health insurance to their full-time workers.
- Impose an annual penalty of \$95, or up to 1 percent of income, whichever is greater, on individuals who do not secure insurance; this will rise to \$695, or 2.5% of income, by 2016. Families have a limit of \$2,085.
- Employed individuals who pay more than 9.5% of their income on health premiums permitted to purchase coverage from a state-controlled health insurance option.
- Spending and coverage cuts in Medicare Advantage, slowing Medicare provider payments, reducing Medicare and Medicaid drug reimbursement rate.
- States must establish health insurance exchanges, and subsidization of insurance premiums for individuals with income up to 400% of the poverty line.

- Members of Congress and staff only offered healthcare plans through the exchange or plans established by the bill (instead of the Federal Employees Health Benefits Program).
- Investment income of individuals earning \$200,000 annually or couples earning \$250,000 annually subject to Medicare Payroll withholding.
- Most medical devices subject to a 2.9% excise tax.
- Health insurance companies subject to an excise tax based on market share. The rate rises between 2014 and 2018 and thereafter increases at the rate of inflation.

EFFECTIVE BY JANUARY 1, 2018

- A 40% excise tax on high cost ("Cadillac") insurance plans introduced. The tax is on the cost of coverage in excess of \$27,500 (family coverage) and \$10,200 (individual coverage), and is increased to \$30,950 (family) and \$11,850 (individual) for retirees and employees in high risk professions. The dollar thresholds are indexed with inflation; employers with higher costs on account of the age or gender demographics may value their coverage using the age and gender demographics of a national risk pool.
- All grandfathered plans to cover preventative care at 100%.

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