DAVIS GARVIN INSURANCE AGENCY

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Health Care Reform Timeline

2010

On March 23, 2010 the health care reform bill, or Affordable Care Act (ACA) was signed into law. Individual and group health plans that existed on or before Mar. 23, 2010 had the option to choose grandfathered status once health reform was enacted. Individuals and employer group plans that elected to keep their current policy on a grandfathered basis could only do so if they maintained essentially the same benefits and follow strict rules that limited yearly increases to employee out of pocket costs.

Extended Coverage for Young Adults – All group and individual plans had to begin covering dependents to age 26.

Access to Insurance for Uninsured Individual with Pre-Existing Conditions - The reform law created a temporary high-risk health insurance pool program, called the "Pre-existing Condition Insurance Plan (PCIP). The program will end in 2014, when the health insurance exchanges are scheduled to be operational.

> *On Feb. 15, 2013, the Obama Administration issued a nationwide suspension on enrollment in the PCIP program due to limited funding. See https://www.pcip.gov/ for more information.*

Identifying Affordable Coverage - HHS established a website for residents of any state to identify affordable health insurance coverage options in their state (www.healthcare.gov).

Re-Insurance for Covering Early Retirees - Early retiree reinsurance program was established to provide reimbursement to participating employment-based plans for a portion of the cost of providing health coverage for early retirees. The program was designed to end on Jan. 1, 2014.

> *The initial $5 billion appropriation for this program has been exhausted. Effective May 5th 2011 the program stopped accepting applications.*

Eliminating Pre-existing Condition Exclusions for Children – All group and individual plans had to start covering pre-existing conditions for children 19 and under.

> *This provision will also apply to adults in 2014*

Coverage of Preventative Care Services - Non-grandfathered health plans had to begin covering certain preventive care services without cost-sharing.

2010

Prohibiting Rescissions – Health coverage rescissions were prohibited for all health insurance markets except for case of fraud or intentional misrepresentation.

Lifetime and Annual Limits - Lifetime dollar limits on essential health benefits are prohibited.

Rebates for the Medicare Part D "donut hole" - The ACA provided a $250 rebate check for all Medicare Part D enrollees who entered the donut hole.

Small Business Tax Credit – Select small businesses became eligible for phase one of the small business premium tax credit. Effective Jan. 1, 2014 employers may only use this credit to purchase coverage through a state based insurance exchange.

2011

Improved Medical Loss Ratios - Medical loss ratio (MLR) rules apply to how health insurers spend their premium dollars on healthcare and provide consumer rebates for excessive medical loss ratios. Rebates must be paid by Aug. 1 each year starting in 2012.

Standardized the Definition of Qualified Medical Expenses – The ACA changed the definition of "qualified medical expenses" for HSA's, FSA's and HRA's to the definition used for the itemized tax deduction. Reimbursements for over-the-counter drugs under HSA's, FSA's and HRA's were prohibited without prescription.

Cafeteria Plan Changes – The ACA created a simple cafeteria plan to provide small businesses with an easier way to sponsor a cafeteria plan.

Medicare Part D Discounts - Medicare Part D drug discounts start to be phased in for beneficiaries in the "donut hole" until the coverage gap is filled in 2020.

Additional Preventative Services - Free annual wellness visit for Medicare beneficiaries and elimination of cost sharing for preventive care services.

Increased Tax on Withdrawals from HSA's and Archer MSA's - Penalties increased on withdrawals from HSA's that are not used for qualified medical expenses from 10% to 20%.

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2012

Additional Preventive Care Service for Women –For plans renewing on or after Aug. 1, 2012 preventative services were enhanced to include special services for women, contraceptives and contraceptive counseling.

Uniform Summary of Benefits and Coverage - Plans must provide uniform summary of benefits and coverage starting with the open enrollment period beginning on or after Sep. 23, 2012. The summary must be written in easily understood language and is limited to 4 double sided pages.

Comparative Effectiveness Research (CER) Fees – Premium tax on fully insured and self-funded group health plans to fund CER program begins. The fee of $1 per the average number of lives covered under the plan will go to $2 Oct. 1, 2013 and will be indexed for future years.

Reporting Health Coverage Costs on Form W-2 – Employers filing 250 or more W-2 forms in 2011 must include the cost of employer-sponsored health coverage for informational purposes on the forms.

2013

Limiting Health Flexible Savings Account (FSA) Contributions -Salary reduction contributions to medical FSAs are limited to $2,500

Eliminating Deduction for Medicare Part D Subsidy – The subsidy available for employers to take a tax deduction for their retiree prescription drug costs is eliminated.

Increased threshold for Medical Expense Deductions – The ACA increases the threshold for itemized deductions for medical expenses from 7.5% of AGI to 10%.

Additional Medicare Tax for High Wage Workers - Medicare hospital insurance tax rate for high wage workers increased by 0.9% and includes a 3.8% tax on net investment income.

Medical Device Excise Tax – ACA establishes a 2.3% excise tax on the first sale for use of a medical device.

Employee Notice of Exchanges – The ACA required employers to provide a notice to employees regarding the insurance exchanges. This notice was due by Mar. 1 , 2013.

On Jan. 24, 2013, the DOL announced that employers will not have to comply with until final regulations are issued and a final effective date is specified.

2014

Individual Coverage Mandate – ACA requires most individuals to obtain health insurance coverage or pay a penalty. The Penalty will start at $95 per person in 2014. The penalty increase to $325 in 2015 and $695 (or up to 2.5% of income) in 2016.

Employer Coverage Requirements - Employers with 50 or more full time equivalent employees must offer coverage to their employees. Coverage must meet minimum value standards and must also meet affordability requirements. Employers who do not offer coverage that meets the minimum value standards or the affordability requirements and who have employees who seek coverage through the exchanges will be fined.

Current affordability requirements cannot exceed 9.5% of the employee's household income.

Minimum value standards have yet to be fully defined. Awaiting additional guidance from HHS

Health Insurance Exchanges – States are required to have health benefit exchanges up and running to serve their individual and small employer markets.

Currently 25 states, including South Carolina, have stated they will not set up a state run exchange. Exchanges in these states will be established and run by the federal government.

Pre-existing Condition Exclusions - Pre-existing condition exclusions prohibited for adults.

Insurance Premium Restrictions - All fully insured individual and small groups up to 100 employees will have to abide by strict modified community rating standards with premium variations only allowed for age (3:1), tobacco use (1.5:1), family composition and geographic regions. Experience rating will be prohibited.

Premium Tax - A national premium tax on most private health insurers based on premium volume takes effect, which can be passed directly to the fully insured plan consumers.

Guaranteed Issue and Renewability – All individual and fully insured group plans must be offered on a guaranteed issue basis.

Annual and Lifetime Limits – All annual and lifetime limits will be fully prohibited, including for grandfathered plans.

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Health Care Reform Timeline

2014

Comprehensive Benefits Coverage - Standards for qualified coverage will apply to all fully insured small group and individual products to be sold both inside and outside the exchanges.

Metal coverage levels established (i.e. Bronze, Silver, Gold and Platinum) offering specific mandated benefits, cost-sharing requirements out-of pocket limits and minimum actuarial values.

Premium Assistance Tax Credits –Credits for Individuals and families making between 100 – 400% of the federal poverty level begin.

These subsidies will be available only for people who qualify to purchase individual coverage through an exchange.

Medicaid Expansion – Expansion of the Medicaid program for all individuals, including childless adults, who make up to 133% of the federal poverty level, is scheduled to begin.

The ruling by the Supreme Court in NFIB vs. Sebelius prohibits the federal government from withholding other federal Medicaid funds if the state refuses to expand their Medicaid program.

Currently 13 States, including South Carolina, are refusing to expand their Medicaid program.

Excessive Waiting Periods - Health plans can no longer impose waiting periods longer than 90 days. Insureds must be enrolled on the 91st day.

Auto Enrollment – Employers of 200 or more employees have to auto enroll all new employees into any available employer –sponsored health insurance plan.

The DOL has issued guidance to say this will not be enforced until regulations are released.

2015 - 2018

Children's Health Insurance Program (CHIP) – The federal CHIP program must be reauthorized in 2015.

Large Employer Exchange Participation – Sates may elect to allow large employers to purchase coverage through exchanges.

High-Cost Plan Excise Tax - The "Cadillac tax" a 40% excise tax on high-cost plans goes into effect for all group plans in 2018. The excise tax will apply to plans with values that exceed $10,200 for individual's coverage and $27,500 for family coverage with higher thresholds for retirees over age 55 and employees in certain high-risk professions.

Resources

ACA Primary Website

www.healthcare.gov

Employer Requirements

http://www.irs.gov/pub/newsroom/req-138006-12.pdf

Definition of a full-time employee

http://www.irs.gov/pub/irs-drop/n-12-58.pdf

Affordability

http://www.irs.ustreas.gov/pub/irs-drop/n-11-73.pdf

Minimum Value

http://www.irs.ustreas.gov/pub/irs-drop/n-12-31.pdf

FAQs – Affordable Care Act Implementation

http://www.dol.gov/ebsa/healthreform/

ANNETTE STUCK | ACCOUNT MANAGER
DAVIS-GARVIN INSURANCE AGENCY
PO Box 21627, Columbia, SC 29221
P 803.732.8892 F 803.407.5447
astuck@davisgarvin.com davisgarvin.com