



## Health Care Reform: Top 10 Key Impacts for Employers

In March, Congress passed and President Obama signed sweeping health care reform into law. What's that mean for employers? The following is a summary of employer-specific impacts related to the Patient Protection and Affordable Care Act of 2010 (PPACA) and the Health Care and Education Reconciliation Act of 2010. Note that these changes apply to both insured and self-funded health plans. This information will be revised and updated as the U.S. Department of Health and Human Services as well as the Internal Revenue Service (IRS) continues to develop and issue regulations. We encourage you to routinely check back for updates.

1. **Grandfathering:** President Obama has promised that if you like your plan you can keep it. To make that possible, any plans that existed before March 23, 2010 (the day the President signed the new legislation into law), remain mostly the same, but are not exempt from all new coverage mandates. We do know that you cannot lose grandfathered status by simply renewing your plan, or adding dependents or employees, but there has been no guidance yet as to what kinds of changes you cannot make to the plan.
2. **Early Retiree Reinsurance Program:** Employers who offer retiree health coverage and have retirees 55 or older not yet eligible for Medicare should look carefully at this subsidy program. Subsidies can be reimbursed for 80% of claims paid between \$15,000 and \$90,000. Beginning June 2010, \$5 billion will be available for this program, until funds run out. However, please note some restrictions apply – to be eligible, employers must have provisions in their plan to mitigate the costs for chronic/high cost conditions, and subsidies must not be used for general funds, but to lower the costs of programs.
3. **Small employer tax credits available:** For employers with 25 or fewer full time employees and annual average wages of \$50,000 or less who pay at least 50% of premium costs, a tax credit of up to 35% of employer-paid premiums or state average premiums are available beginning in 2010 through 2013. Go to [www.irs.gov](http://www.irs.gov) for more information.
4. **Child provisions:** No pre-existing condition exclusions are allowed for children under the age of 19 for plans sold or renewing after September 2010. Also, adult children can be covered on their parents' plan until the age of 26. Children can even be married, as long as they are not claimed as a dependent. However, the children of children are not required to be covered. Regence has accelerated compliance with this requirement for employers on insured health plans beginning June 1, 2010.
5. **Lifetime and Annual Limits:** Employer plans sold or renewing after September 2010 may not include lifetime or annual dollar limits on essential health benefits, with the exception that prior to January 2014, plans may establish restricted annual limits on essential health



benefits (what qualifies as essential will be established by federal Health and Human Services).

6. **Non-discrimination on health plan offerings:** For insured plans sold after September 2010, special non-discrimination rules apply to ensure that highly compensated employees or executives do not get better coverage than other employees. Please consult your tax or legal professional to see how these new rules affect your plan.
7. **Rescissions/Cancellations:** Beginning in September 2010, insurers may rescind or cancel a policy only for fraud.
8. **W2 Reporting:** Beginning with benefits provided during 2011, all employers must include on W2 forms the amount employers and employees paid for health benefits.
9. **Exchanges:** States will set up American Health Benefit Exchanges (internet portals that allows individuals and small businesses to “shop” for health insurance) by January 2014. Employers will be required to give written notice to employees of the existence of the Exchange. Employers with 50 or more employees will be subject to penalties for not providing insurance or for providing “unaffordable” insurance if any of their employees receive premium subsidies through the Exchange.
10. **Cadillac Plan Tax:** Beginning in 2018, a 40% penalty will apply to high cost health plans. For insured plans, the insurer pays the tax; for self-funded plans, the group pays.

**Need more information?**

**Federal information:** <http://www.healthreform.gov/>

**State information:**

Washington:

[http://www.insurance.wa.gov/consumers/reform/national\\_health\\_care\\_reform.shtml](http://www.insurance.wa.gov/consumers/reform/national_health_care_reform.shtml)

*This information is current as of April 21, 2010 and should not be construed as legal advice or a contractual obligation.*