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Health Care Reform – Overview / Timeline

Major Provisions Impacting Retail

Introduction

- Cost of almost $1 trillion / ten years; reshapes one-sixth of the American economy.
- Raises $59 billion / ten years in employer penalties alone.
- Uncertain at best whether employer costs will go down over time; particularly before 2014 when the exchange opens.
- Implementation between now and 2018 – will involve multiple agencies and state governments and tens of thousands of pages of regulations.

What to watch for now

- Whether to elect grandfather status or not? The new reform law offers employers the ability to freeze their existing coverage and cost sharing in place, provided that absolutely no changes are made other than adding new hires and dependents. Status begins 6 months from enactment (September 2010).
- Small business tax credits [25 full time employees or fewer; average wage of $50k or less; must pay 50% of premium cost and meet coverage standards.]

What to watch for longer term – year by year

- **2010 - Insurance reforms – effective for plan years beginning six months from date of enactment (September 2010)**
  - Eliminates lifetime limits on coverage and constrains annual limits
  - Allows dependents to be covered to age 26
  - Prohibits pre-existing condition limitations for children 19 and younger
  - Prohibits cost sharing for preventative health services

- **2011 – All employers must enroll employees in Class Act**
  - New entitlement program to provide long-term care services on a cash basis funded through employee premiums.
  - Employers are encouraged to enroll employees and process premiums. Employers and employees can opt out, though Joint Tax estimates assume employer participation.

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- **2012 – All employers must report plan performance (outcomes) in comparison to HHS criteria.**

- **2013 – Taxes**
  - Medicare payroll tax for incomes above $200K ($250K for families) increases 0.9%; can particularly affect subchapter S small businesses.
  - New 3.8% Medicare tax on unearned income for individuals with AGI over $200K ($250K families).
  - All employers must pay a $2 per-employee tax per year to support new consumer-friendly comparisons of medical procedures, devices and insurance plans (e.g. comparative effectiveness standards).

- **2014 – Mandates, Exchanges Effective**
  - Individual, employer mandates are effective
  - Employer mandate applies to companies with 50 or more full-time employees. Full-time employee defined as working average of 30 hours or more per week on a monthly average. Part-time workers are aggregated for threshold limit (total part-time hours per month/120=full-time equivalents). Holiday seasonal workers are excluded from threshold calculation so long as they do not work more than 120 days.
  - If the employer does not offer coverage to full-time employees and one full-time employee is eligible for an Exchange credit, a penalty of $2,000 per full-time employee is due, minus the first 30 full-time employees.
  - If the employer does offer coverage but coverage is unaffordable [9.5% of family income; coverage standards] the employee can opt out and receive subsidized coverage in the exchange. Employer is penalized $3,000 for each opt-out (subsidy-eligible) employee up to a maximum of $2,000 times every full-time employee.
  - 90-day waiting periods allowed penalty-free. Longer waiting periods prohibited.
  - Wyden opt-out voucher – "Employee free choice voucher" – Workers paying between 8% and 9.8% of income for coverage may opt out and take their employer's contribution in the form of a voucher.
  - Wellness incentives may vary by 30% of premiums [HHS option for 50%].
  - Exchange coverage begins in states for individuals and small employer groups. Nationwide plans available through the exchange.
  - Insurance reforms for individual and fully-insured state markets
    - Guaranteed issue
    - No pre-existing condition limitations
    - Annual & lifetime limits prohibited
    - Strict modified community rating

- **2018 High Dollar Plan Tax**
    - Health plans below $10,200 ($27,500 for families) exempt; indexed to inflation
    - 40% excise tax on value of plan above exemption – paid by insurers or third party administrators (TPA), but very likely passed on to employer and employees.