



LSG INSURANCE PARTNERS



Special Compliance Alert Update - Health Care Reform

March 24, 2010

LSG Insurance Partners is committed to keeping our clients informed of recent developments on health care reform, as it pertains to employer sponsored health plans.

The information provided in this special alert is based on public information as provided through various resources and includes our preliminary interpretation of the requirements in terms of how they will impact group health plans.

We will continue to evaluate the impact of this bill and future regulations, and assist our clients in navigating this ever changing landscape.

Health Care Reform Passed

This week, the House of Representatives passed two important health care reform bills:

- The previously passed Senate bill, the "Patient Protection and Affordable Care Act" (H.R. 3590), and
- A separate budget reconciliation bill, the "Health Care and Education Affordability Reconciliation Act of 2010" (H.R. 4872).

The reconciliation bill (fixes only), is now in the Senate for its consideration. This bill must be approved by the Senate before it becomes law. However, President Obama signed the "Patient Protection and Affordable Care Act" (H.R. 3590), into law on Tuesday.

The final impact of the legislation is yet to be determined, and further challenges are expected.

Following is a summary of the key issues related to the group health plans, as we understand, that are **included in H.R. 3590**. This is subject to change pending the final passage of the reconciliation bill, H.R. 4872.

What will change between now and next year?

Although existing group health plans will be "grandfathered," several requirements will now be effective for plan years beginning six months after the date of enactment.

- No lifetime benefit limits and only limited annual benefit limits.
- Coverage for dependent children up to age 26, as long as they do not have access to other employer-sponsored health coverage (the reconciliation bill also assures that this coverage can be provided on a tax-free basis).
- No preexisting conditions for children under age 19.
- No cancellation of health coverage, except in cases of fraud (primarily for individual insurance policies).
- Uninsured adults with pre-existing conditions will be able to obtain health coverage through a new program that will expire once new insurance exchanges begin operating in 2014.
- A temporary reinsurance program is created to help companies maintain health coverage for early retirees between the ages of 55 and 64 - expires in 2014.
- A tax credit becomes available for some small businesses to help provide coverage for workers.
- Medicare Part D provision provides that beneficiaries who are in a prescription drug plan and who reach the doughnut hole in 2010 would receive a one-time \$250 rebate.

What changes in 2011?

- In 2011, FSAs, HRAs, HSAs, can only reimburse participants for over-the-counter drugs with a prescription written by their health care provider.
- Pre-tax health care reimbursement accounts will have a new annual maximum set at \$2,500.
- New health plans will be required to cover preventive services with little or no cost to patients.
- Employers are required to disclose the value of health benefits on employees' W-2 IRS forms.
- Medicare Part D tax favored government subsidies to employers will be eliminated.
- Payments to insurers offering Medicare Advantage services are frozen at 2010 levels. These payments are to be gradually reduced to bring them more in line with traditional Medicare.

What changes in 2014 and beyond?

- State health insurance exchanges for small businesses and individuals open.
- The employer "free-rider" mandate begins, requiring that employers with over 50 employees with an employee that obtains subsidies for coverage in an exchange pay a financial penalty. The penalties, detailed in the senate summary, are changed and increased in the reconciliation bill.
- Most people will be required to obtain health insurance coverage or pay a fine if they don't. Healthcare tax credits become available to help people with incomes up to 400 percent of poverty purchase coverage on the exchange.
- Health plans no longer can exclude people from coverage due to pre-existing conditions.
- Employers will be fined if new hire waiting periods exceed 60 days.
- Health insurance companies begin paying a fee based on their market share.
- A high risk pool will be created for high risk individuals.
- In 2018, an excise tax on high cost employer-provided plans is imposed.

LSG insurance partners will continue to evaluate the impact of the bill and advise accordingly. Additional information will be provided as we become aware of the proposed and/or final regulations as released by the government.

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