Health Care Reform . . .

Impact of the Affordable Care Act One Year Later

WHITE PAPER

A White Paper for Organizations Concerned About the Effects of the Patient Protection and Affordable Care Act

USI AFFINITY
Benefit Solutions Group

One International Plaza, Suite 400, Philadelphia, PA 19113
Telephone: 800-265-2876
benefits.usiaffinity.com

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On March 23, 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law, followed a week later by the Health Care and Education Reconciliation Act which made some changes and modified some of PPACAs health reform provisions.

When the dust settled, lawmakers caught a glimpse of more than 2,500 pages of ground-breaking legislation, creating new laws which are exceedingly difficult to analyze and represent quite a demanding challenge.

The above referenced date is significant because changes were scheduled to be implemented over a span of years beginning 90 and 180 days after enactment, and continuing all the way to January 1, 2018.

Further complicating the implementation of the changes is that many of these new rules required guidance from the Department of Health and Human Services (HHS), which was expected to be issued six months to a year after the PPACA became law.

Now, the health care reform law and its provisions are facing a mounting battle as the legal and congressional assault begins to gather momentum amidst a general public perception of doubt and uncertainty.

Against this backdrop, a majority of employers have elected to adopt a conservative, wait-and-see approach, and have undertaken an examination and amendment of their health care plans to comply with the changes which have already been mandated, such as extending coverage to their employees’ adult children and eliminating lifetime dollar limits.
Starting January 1, 2011 the following changes are scheduled to be implemented:

- **Over-the-counter drugs will not be reimbursable under FSAs or HSAs without a doctor’s prescription.**

- **Individual and small group market health insurance providers must spend 80% of premium dollars on medical services, while large group plans must adhere to an 85% medical loss ratio.**

- **Employers with fewer than 100 employees will become eligible for wellness grants for up to five years.**

- **Employers are required to disclose the value of health benefits on employees’ IRS forms W-2 — value based on COBRA premiums.**

- **Early retirees will become eligible for a temporary reinsurance program.**

- **A voluntary federal long-term care program will be established, to be offered at the employee’s discretion.**

As mentioned, some of these new rules are already being challenged in court, and some experts feel that these issues will go all the way to the Supreme Court, delaying their implementation for another year or so. Or possibly striking their validity down completely!
According to the Health Care Reform 2010 Survey*, which represented a wide base of employers of different sizes from all industry sectors, employers generally support the benefits of increasing the pool of insured individuals with medical coverage. Many of them view the health care reform act as a valuable improvement to U.S. social policy.

At the same time, a majority of employers expect the new rules to raise the costs of their health plans, administrative costs and employee contributions. Eighty-eight percent of surveyed employers believe that group health plan costs will increase.

Meanwhile, the medical loss ratio provision has proven to be another controversial new rule that the Council of Insurance Agents & Brokers claim could lead to a shrinkage of the health insurance marketplace. A few Senators have endorsed repealing the medical loss provision, but that seems unlikely at this time.

Another immediate impact of the health care reform act is the pre-mature reaction to a number of provisions that don’t go into effect until 2014, but have already stirred up a hornet’s nest of attention. Those new rules deal with individual and employer mandates to obtain or provide health care coverage or incur penalties.

On January 31, 2011, a U.S. district judge threw out the nation’s health care law, declaring it unconstitutional. Judge Roger Vinson, in Pensacola, Fla., ruled that as a result of the unconstitutionality of the "individual mandate" that requires people to buy insurance, the entire law must be declared void.

A Department of Justice spokesperson said the department plans to appeal Vinson’s ruling to the 11th Circuit Court of Appeals.

2013 Starting on January 1, 2013, employees’ Health Care Flexible Spending Account (FSA) contributions will be capped at $2,500 per year. There will also be a Medicare surtax of 0.9% applied to wages of high-income individuals with an additional surtax of 3.8% on investment income. Individuals with annual incomes greater than $200,000, and couples with annual incomes of $250,000 are considered high-income.

2014 On January 1, 2014, the following new rules will go into effect:

- **Individuals will be mandated to obtain health care coverage.**
- **Employers will be required to provide “vouchers” toward the purchase of state exchange-based insurance for employees working 30+ hours per week who would pay between 8.0% and 9.8% of their household income for health coverage.**
- **State-based insurance exchanges will be established, and employers must notify newly hired employees of the availability of exchange-based coverage.**
- **Employers with more than 50 employees must offer coverage or pay a penalty of $2,000 per employee.**
- **Employers must pay a penalty of $3,000 for any employee for whom the employer does not contribute at least 60% of the cost of the employee health insurance premiums, or any employee who pays more than 9.5% of his or her household income for health coverage. There is an exemption for the first 30 applicable workers.**

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Employers with more than 200 employees must auto-enroll all new employees in health care plans.

Employers will be permitted to offer employees incentives up to 30% of the cost of a wellness program.

Pre-Existing conditions will be banished for all individuals.

Bans will be placed on annual coverage limits and deductibles.

2018 On January 1, 2018, the following new rule will go into effect:

- A 40% excise tax will be imposed on high-cost health plans. High-cost means an amount exceeding $10,200 per year for an individual; $27,500 for a family
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