



Healthcare Reform Law: What HR Leaders Need to Know to Prepare and Comply

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Patient Protection and Affordable Care Act of 2010

- Most sweeping health care legislation since 1965
- 32 million people will get access to health insurance – transformative in many ways
- Law is complicated, unclear in some parts
- Plans in existence as of March 30, 2010 are initially exempt from some requirements
- Future regulations will clarify unclear provisions
- Design changes will raise plan administration costs
- Plans expect overall health care costs to continue to outpace economic growth



Employers Believe Law Will Increase Costs, Reduce Benefits

	LARGE OR MODERATE DECREASE	NO CHANGE	LARGE OR MODERATE INCREASE	DO NOT KNOW
Your overall health costs	2%	10%	69%	20%
# of employees plan covers	11%	45%	30%	14%
Generosity of your health benefits	27%	40%	14%	18%
Overall health of employees enrolled in your plan	11%	58%	9%	22%
Plan administration costs	3%	12%	69%	16%
Spouses and dependent subsidies	9%	46%	16%	29%
Retiree health benefit	8%	56%	9%	27%
Health management programs	3%	57%	15%	25%
Use of incentives for participation in health management programs	5%	48%	22%	25%



Key Employer Provisions that Take Effect Now and in 2011

- Lose tax exemption for Retiree Drug Subsidies (immediate accounting reporting requirement, takes effect 2013)
- Apply for temporary government Early Retiree Reinsurance Program (Guidance/Interim Final Rule, takes effect June 1) (2010-2014)
- Comply with plan mandates (2011)
- No use of FSA, HSA, or HRA for OTC medicines (2011)
- Increase penalty for use of HSA for non-medical expenses (from 10% to 20%) (2011)
- May offer voluntary employee-funded new Community Living Assistance Benefit (2011)
- Freeze and cut private Medicare Plan (Medicare Advantage) payments (2011-2017)



Key Employer Provisions that Take Effect in 2012-2013

- Report value of health benefits on W-2s (2012)
- Tax plans for comparative effectiveness research (2012-2018)
- Auto-enroll new hires in health plan (likely effective in 2013)
- Limit maximum FSA amount to \$2,500 (2013)
- Notify employees of availability of and potential eligibility for health insurance exchanges/tax credits (March 1, 2013)
- Begin Medicare surtax for high income earners



Key Employer Provisions that Take Effect in 2014

- Free Rider Assessment (2014)
 - \$3,000 for each employee for whom the plan pays <60% of coverage costs OR employee pays >9.5% income if the employee is eligible for a tax credit for exchange coverage (below 400% of federal poverty)
 - Employers not offering coverage, \$2,000 for all employees if at least 1 employee is enrolled in an exchange plan eligible for a tax credit
- Employer subsidy vouchers for certain employees whose coverage approaches unaffordability (2014)
- Additional employer plan requirements (2014)
 - No annual or lifetime limits on essential benefits
 - Bans waiting periods longer than 90 days
 - Bans pre-existing conditions exclusion clauses for adults
- HIPAA-allowed wellness incentives increase to 30% of total plan costs (2014)
- Medicaid assistance to Medicaid-eligible people in employer plans (2014)

Key Employer Provisions in Health Insurance “Reform” Legislation - Beyond 2014

- Large employer plans may join exchange (2017)
- “Cadillac” tax on higher cost plans (2018)
 - \$10,200 individual; \$27,500 family. Higher for high-risk professions, gender and age adjustments.

Key Provisions Affecting Health Insurance Access and Options

- Reforms of individual and small group insurance markets (some take effect immediately, others in 2014)
- Tax credits for small employer coverage (2010)
- Phase-out of Medicare prescription drug benefit “Donut Hole” (2010-2020)
- Tax credits for coverage for middle income people (up to 400% of poverty - \$43,000 individual, \$88,000 family of 4 in 2010) (2014)
- Individual Mandate – penalties set initially at \$95 or 1% of household income in 2014 and increased to \$325 or up to 2% of income in 2015, \$695 or up to 2.5% of income in 2016, adjusted by COLA thereafter (2014)
- Federal Government pays for Medicaid expansion to 133% of poverty in all states (2014) (Phased down to 90% in 2020 and thereafter)
- National standards, state-level insurance exchanges (2014)
- Health industry surtaxes on pharmaceutical (2011), medical device industry (2013), and insurance (2014)

Key Provisions Affecting the Cost and Quality of Care

- Ban self-referral to additional physician-owned specialty hospitals (2011)
- Center for Medicare/Medicaid Payment Innovation (2011)
- Expand efforts to combat Medicare/Medicaid fraud (2011)
- Reduce payments for imaging in Medicare (2011)
- Expand Primary Care Medical Home Pilots and boost Primary Care/General Surgery Payments in Medicare (2011)
- Annual wellness exam/no cost sharing for preventive services in Medicare (2011)
- Comparative Effectiveness Research Institute (2012)
- Shared savings/accountable care organizations in Medicare (2012)
- Move more toward paying for performance in Medicare hospitals (2013), Physician Groups (2015)
- Bundled payments to coordinate care (2013 pilots, 2016 expanded)
- Independent Medicare Payment Advisory Board (2015)
- FDA fast-track approval process for biologics (immediate)



Expected New Taxes as Result of Law

Item	Estimate (\$ Billion/10 Yrs)
“Cadillac” Tax	\$32
ER Mandate/Free Rider Assessment	\$52
Health Industry Surtax	\$60
New Disability Benefit Tax	\$ 71
Medicare Surtax on High Income Earners	\$210
Health Account Changes	\$19
Tax on Retiree Drug Subsidy	\$5
Comparative Effectiveness Fee	\$2
Total	\$451

Source: Congressional Budget Office, 2010; US Congress, Joint Committee on Taxation, 2010