

# Health Care Reform

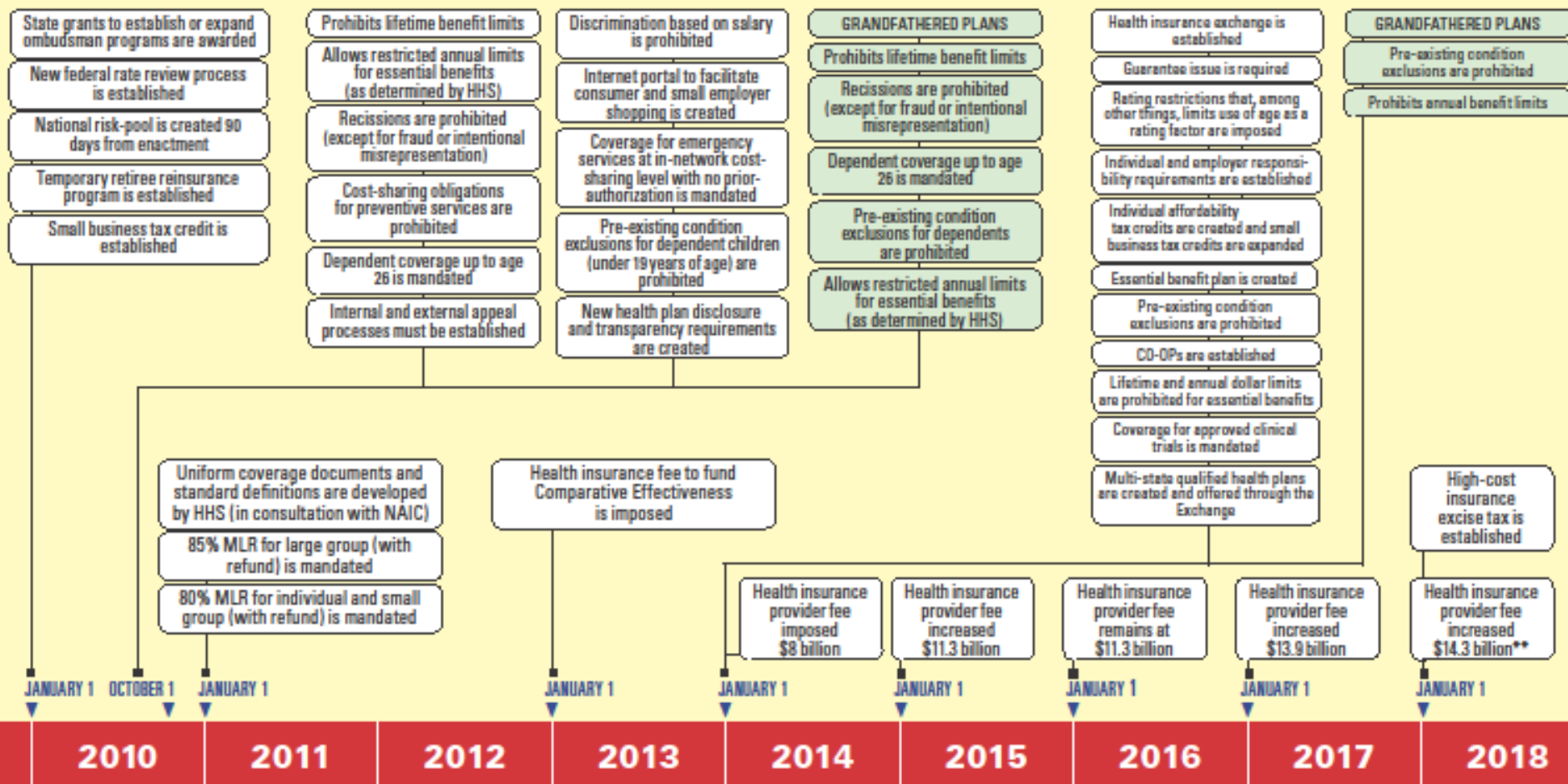


# What You Need To Know

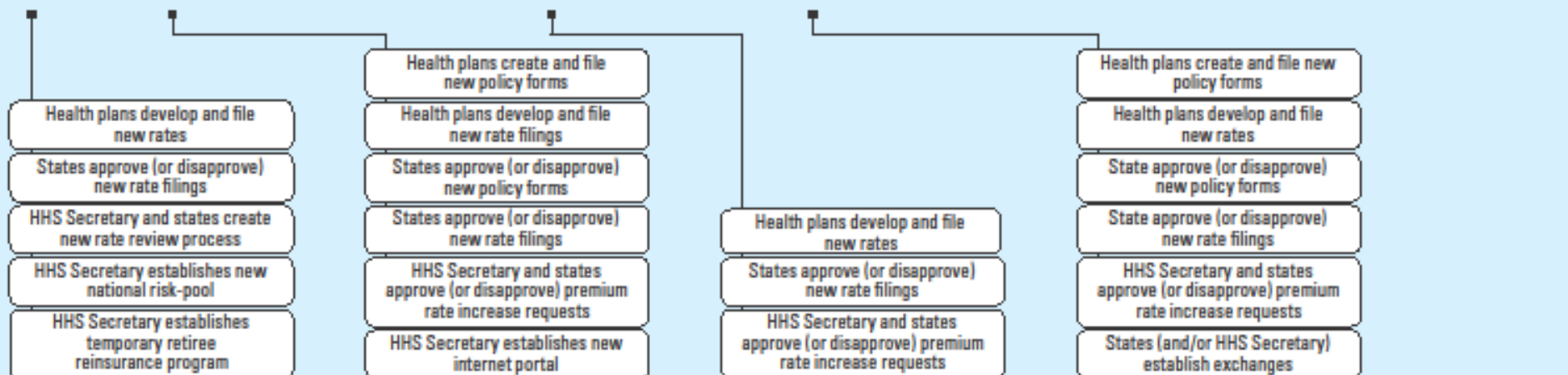
**Stephens**  
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# Health Care Reform Bill Insurance Market Provisions Timeline (as revised by the House Reconciliation Bill)\*

SUMMARY OF SELECT REQUIREMENTS



IMPACT



\*Assumes April 1, 2010 enactment

\*\*In years following 2018, the tax amount would increase in an amount proportionally equal to overall premium growth.

- Grandfathered Health Plans: Plans that were in effect on March 23, 2010
- On June 14, 2010, Departments of Health and Human Services, Labor, & Treasury released interim final regulations clarifying grandfathered plan status

- Grandfathered Health Plans
  - Cannot significantly cut or reduce benefits
  - Cannot raise coinsurance charges
  - Cannot significantly raise co-pays
  - Cannot significantly raise deductibles

- Grandfathered Health Plans
  - Cannot significantly lower employer contributions
  - Cannot add or tighten annual limits
  - Cannot change insurance carriers

- Lifetime limits prohibited
- No “unreasonable” annual limits allowed
- Extension of dependent coverage to age 26
- No pre-existing condition exclusion for dependents under age 19
- Rescission of coverage prohibited except for fraud or intentional misrepresentation

- New Plans – Non-grandfathered
  - Participants may designate any network doctor, OB/GYN, or specialist as PCP
  - Prohibition on plan requiring prior authorization for women to see OB/GYN
  - Provide emergency services without prior authorization as an in-network service
  - Cover preventive benefits with no deductibles or other cost-sharing

- New Plans – Non-grandfathered
  - Provide coverage to individuals participating in a clinical trial
  - Adopt new standards governing appeals processes for group health plans, including both internal and external appeals
  - Prohibit group health plans from establishing any eligibility rules for health care coverage that have the effect of discriminating in favor of higher-wage employees



- Small employer tax credits for businesses that have less than 25 employees and average annual wages of less than \$50,000
  - 2010-2013, tax credit up to 35% of premium if employer pays at least 50% of premium
  - Full amount is available to employers with 10 or fewer employees with average annual wages under \$25,000
  - After 2013, two year credit available if coverage purchased through exchange

- Minimum loss ratio: Percentage of premiums collected that must be paid out in claims (regulatory process begins)
  - 85% for groups 100+ employees
  - 80% for groups less than 100 employees

- Employers must include the aggregate cost of employer sponsored health plans on W-2's
- Increased penalty for non-qualified distributions from Health Savings Accounts from 10% to 20%
- Over the counter drugs are no longer an eligible expense for HSA, HRA and FSA's unless prescribed by a physician
- CLASS Act: new public long-term care program

- Employers must provide a summary of benefits and coverage explanation to all enrollees that meet specified criteria
  - May not exceed four pages
  - Provided in paper or electronic form
  - \$1,000 fine for willful failure to provide the required information
  - Must continue to provide SPD's

- New federal premium tax on fully-insured and self-insured health plans to fund comparative effectiveness research program begins on 1<sup>st</sup> plan year after September 30, 2012
  - \$2 for each individual covered under an individual or group health plan

- Employer must supply employees with written notice regarding:
  - Existence of the insurance exchange
  - Services supplied by the exchange
  - How the employee may contact the exchange
  - Available subsidies to purchase insurance

- Individual mandate requires most American citizens and legal residents to purchase qualified health insurance
- Violators are subject to an excise tax penalty the higher of:
  - Flat dollar amount (\$95 in 2014, \$325 in 2015 & \$695 in 2016)
  - Percentage of the individuals income (1% in 2014, 2% in 2015, & 2.5% in 2016)

- Each state required to have an exchange to facilitate the sale of qualified benefit plans to individuals
  - Five levels of coverage offered
  - Maintain a call center and website
  - Provide consumer information
  - Submit financial reports
  - Comply with oversight investigations



- Exclusions based on pre-existing conditions will be prohibited for all markets
- Eligibility requirement reduced to 30 hours per week from 35 hours per week
- All health plans must provide coverage documentation to individuals and the IRS

- Large employers (200+) required to auto-enroll new employees into company health plan (employee may opt out)
- FSA contributions are limited to \$2,500
- Employers with more than 50 full-time employees may not impose a waiting period in excess of 90 days for coverage

If coverage offered, it must be “qualified” and “affordable”

- A qualified plan includes “essential benefits” and is expected to pay at least 60% of the allowed charges
- An affordable plan must not exceed 9.5% of employee’s household income

## Low Income Premium Subsidy Tax Credit Table

<b>% of FPL</b>	<b>Max. %</b>	<b>Single Income</b>	<b>Maximum Single Premium</b>	<b>Family of 4 Income</b>	<b>Maximum Family of 4 Premium</b>
<b>133%</b>	<b>3.00%</b>	<b>\$14,404</b>	<b>\$36.01</b>	<b>\$29,327</b>	<b>\$73.32</b>
<b>150%</b>	<b>4.00%</b>	<b>\$16,245</b>	<b>\$54.15</b>	<b>\$33,075</b>	<b>\$110.25</b>
<b>200%</b>	<b>6.30%</b>	<b>\$21,660</b>	<b>\$113.72</b>	<b>\$44,100</b>	<b>\$231.53</b>
<b>250%</b>	<b>8.05%</b>	<b>\$27,075</b>	<b>\$181.63</b>	<b>\$55,125</b>	<b>\$369.80</b>
<b>300%</b>	<b>9.50%</b>	<b>\$32,490</b>	<b>\$257.21</b>	<b>\$66,150</b>	<b>\$523.69</b>
<b>400%</b>	<b>9.50%</b>	<b>\$43,320</b>	<b>\$342.95</b>	<b>\$88,200</b>	<b>\$698.25</b>

**\$38,815 = 2008 Average Arkansas Household Income**

- If employers do not offer health insurance, they must pay an annual fine of \$2,000 per employee minus the first 30 full-time employees if one employee is eligible for an exchange subsidy
- If an employer does offer coverage but it is not qualified AND affordable, the employee can opt out. Employer is fined \$3,000 for each opt out who receives a subsidy up to a maximum of \$2,000 times every full-time employee

- “Pay or Play”
- Employer opts to pay fine and not offer health insurance.
- 150 full time employees
- Fine = \$240,000 [(150-30) x \$2,000]
- Employees with Household income under 400% of FPL qualify for Medicaid or subsidies to purchase coverage in the exchange.

- “Pay or Play”
- Employer opts to offer health insurance.
- 150 full time employees
- 30 employees opt out and qualify for subsidies
- Fine = \$90,000 [30 x \$3,000] capped at \$2,000 times number of full-time employees excluding the first 30

- Opt-out voucher – “Employee free choice voucher” – Employees 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
- Employee can keep amounts of the voucher in excess of the cost of coverage elected in an exchange without being taxed on the excess amount



## Free Choice Voucher Qualification Table

<b>% of FPL</b>	<b>Single Income</b>	<b>8.0% Monthly</b>	<b>9.8% Monthly</b>	<b>Family of 4 Income</b>	<b>8.0% Monthly</b>	<b>9.8% Monthly</b>
<b>100%</b>	<b>\$10,830</b>	<b>\$72.20</b>	<b>\$88.45</b>	<b>\$22,050</b>	<b>\$147.00</b>	<b>\$180.07</b>
<b>150%</b>	<b>\$16,245</b>	<b>\$108.30</b>	<b>\$132.67</b>	<b>\$33,075</b>	<b>\$220.50</b>	<b>\$270.11</b>
<b>200%</b>	<b>\$21,660</b>	<b>\$144.40</b>	<b>\$176.89</b>	<b>\$44,100</b>	<b>\$294.00</b>	<b>\$360.15</b>
<b>250%</b>	<b>\$27,075</b>	<b>\$180.50</b>	<b>\$211.11</b>	<b>\$55,125</b>	<b>\$367.50</b>	<b>\$450.19</b>
<b>300%</b>	<b>\$32,490</b>	<b>\$216.60</b>	<b>\$265.34</b>	<b>\$66,150</b>	<b>\$441.00</b>	<b>\$540.23</b>
<b>400%</b>	<b>\$43,320</b>	<b>\$288.80</b>	<b>\$353.78</b>	<b>\$88,200</b>	<b>\$588.00</b>	<b>\$720.29</b>

- Employer wellness plans
  - Increases the value of incentives to 30% of the single premium
  - With HHS discretion to increase cap to 50%

- 40% excise tax on “Cadillac plans” with values exceeding certain dollar amounts
  - \$10,200 for individual coverage
  - \$27,500 for family coverage

# THANK YOU

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