

**Outline of Health Insurance Reforms that Will Impact Private Health Insurance Coverage
under H.R. 3590, the Patient Protection and Affordable Care Act and H.R. 4872, the
Health Care and Education Affordability Reconciliation Act of 2010**

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Reform Provisions and their effective dates

Reform	Provisions of the Reform	Effective Date of Change	Possible Outcomes
<i>Insurance Market Reforms</i>			
Modified Community Ratings	Allows for a (3:1) rating difference for age; (1.5:1) for smoking; and eliminates (0:0) differences for sex.	2014	Raises Insurance premiums
Guaranteed Issue policies for Children	Cannot deny coverage for pre-existing conditions for children	2010 (6 month)	Raises insurance premiums
Guaranteed Issue policies for Adults	Cannot deny coverage for pre-existing conditions for adults	2014	Raises insurance premiums
Preventative covered 100%	Must cover preventative services in all insurance plans	2010 (6 month)	Raises insurance premiums
Minimum Loss Ratio	Plans must pay 80% of premiums (individual & small group) & 85% of premiums (large group)	2014	Encourages utilization spending...cuts services
Dependent Age	Allows "children" to remain on parents policies until age 26	2010 (6 month)	Raise group premiums
Emergency Services	Emergency services will be covered as In Network regardless of provider	2010 (6 month)	Raises utilization
Prohibits limits	Prohibits annual and lifetime limits on coverage	2010 (6 month)	Expected to be neutral
Highly Compensated Employees	Group plans cannot discriminate to this group	2010 (6 month)	Eliminate those plans?
Policy Recissions	Prohibits policy rescissions except for cases of fraud.	2010 (6 month)	Neutral
State Based Exchanges	States must create a market place for individuals and small groups to shop for health insurance	2014	Restriction of the market
Administration	New requirements on reporting policy changes & enrollment reqs.	2010	Increases premiums

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<i>Employer Requirements</i>			
W-2 Reporting	Must report on W-2 aggregate cost of employer sponsored health insurance	2014	Employer admin increase, tax increase for Cadillac plans
Free Choice Vouchers	All employers that provide health insurance must provide vouchers for EE's who pay 8 to 9.8% of their salary to health insurance. The voucher must equal what the employer contributes. EE keeps excess amounts.	2014	Employer admin increase, hurts group market.
Employer Mandate for insurance	Employers with 50+ FTE (includes PT) are required to provide group insurance or pay a fine. Fine is \$2000 per EE...exempting the first 30 EE's.	2014	Employers dropping insurance?
Exchange Notification	Employers must notify employees of the state insurance exchange.	2014	Employer admin increase, hurts group market.
LTC Enrollment	All employers must enroll employees in the new public LTC program unless the EE opts out	2014	Employer admin increase
Auto Enrollment	Employers with 200 + employees must enroll new EE's into health insurance.	2014	Employer admin increase
Waiting period	Cannot exceed 90 days	2014	Employer admin increase
Premium Assistance	If EE pays more than 9.5% of salary and earns less than 400% of FPL, State will provide assistance to purchase employer insurance.	2014	Employer admin increase & fine.

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Individual Requirements			
Individual Mandate to purchase	All citizens & legal residents must purchase health insurance. Provides exceptions for religious objectors, illegal aliens, incarcerated, those under FPL, and Indian tribe members. Fines are 1% of salary in 2014; 2% in 2015; and 2.5% capped at bronze level plans in 2016 OR \$325 in 2015 and \$695 in 2016.	2014	Federal intrusion, additional costs to uninsured, Fines to the uninsured, lower health premiums?
Tax Requirements			
Pharmaceutical tax	\$2.3 Billion in 2010 will increase by \$4.8 Billion over next 10 years	2010	Insurance premium increase
Indoor Tanning	10% tax on indoor tanning	2010	Tax on tanners
Medicare Part D deduction	Eliminates the deduction for employers providing retiree Medicare Part D coverage...costs AT&T \$1 Billion...and others.	2010	Services will cost more to the consumer
Small group Tax Credit	Provides a 2 year 50% tax credit for small employers that provide insurance and pay at least 50% of the premium. Credit is for employers with >25 employees	2010	Will encourage small employers to keep plans for next 2 years.
Medical Device Tax	Installs a \$2 Billion tax on medical devices...increases to \$3 Billion in 2017.	2011	Inflates price on medical devices and raises insurance premiums.
HSA/FSA Tax Changes	Increases HSA penalty for non-medical distributions from 10% to 20%; limits medical FSA to \$2500 from unlimited; Excludes OTC drugs from tax exemption unless prescribed by physician.	2011	Loss of tax shelter for individuals...increase of tax burden.
Insurance premium Tax	Premium tax of \$2/person for Comparative Effectiveness Research	2012	Increases premium cost
Itemized Health Deduction	Increases the health deduction threshold from 7.5% to 10% of AGI	2013	Loss of tax shelter for individuals...increase of tax burden.
Medicare Tax	Increases Medicare tax for self-employed or individuals earning more than \$200,000 or \$250,000 for joint filers from 1.45% to 2.35%. Does not change the employer contribution amount. Also has 3.8% tax on	2013	Tax increase on employers

certain unearned income.

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Health Insurance CEO cap	\$500,000 deduction limit for CEO's of health insurance companies.	2013	Neutral
Tax on uninsured individuals	1% of salary in 2014; 2% of salary in 2015; and 2.5% of salary capped at the annual cost of a bronze level health insurance plan	2014	Force some people to buy insurance or cause some people to drop insurance & pay the fine.
Employer Tax	For Employers with 50+ FTE Employees and DON'T provide insurance...\$2000/employee and the first 30 EE's are waived.	2014	If \$2000 is less than the cost of insurance, employers may drop health insurance.
Premium Assistance fine	For Employers that provide health insurance, but if any of their EE's don't take their coverage and instead use the premium assistance tax credit will be fined \$3000 per employee receiving the credit	2014	Going to discourage employer sponsored plans.
Health Insurance Tax	Tax on insurance companies begins with \$8 Billion in 2014; \$11.3 Billion in 2015 & 2016; \$13.9 Billion in 2017; \$14.3 Billion in 2018 and will make adjustment each year thereafter.	2014	Insurance premiums increase.
"Cadillac" Tax	A 40% excise tax on "rich" plans valued at \$10,200 for an individual & \$27,500 for families. Includes in the calculations reimbursements from FSA's, HRA's and employer contributions to HSA's.	2018	Shift to plans with lesser benefits
<i>Medicare/Medicaid Changes</i>			
Medicaid Expansion	Expands eligibility to 133% of FPL	2014	Produces "crowd out".
Premium Assistance	Adds premium assistance to pay subsidies for EE's to buy employer sponsored insurance	2014	See fine above.
Non-Medicaid Plan	States can create a non-medicaid plan for individuals earning 133 to 200% FPL	2014	Produces "crowd out".
Medicare Cuts	Medicare Advantage takes most of the \$500 Billion in cuts.	2014	Reduces available benefits & MA will struggle.
