

Health Care Reform at a Glance

What it means to individuals and employers with over 100 employees and self-funded



Legal Requirement	Timeline	Implications
No pre-existing condition exclusions for anyone under age 19.	Effective plan years on or after October 1, 2010.	Better access for employees and family members; higher rates.
No lifetime dollar limits.	Effective plan years on or after October 1, 2010.	Increased reinsurance policy costs (could be significant depending on carrier, but many reinsurers are issuing competitive quotes).
No annual dollar limits.	Effective plan years on or after October 1, 2010; prior to plan years beginning January 1, 2014, plan may place dollar caps only on very limited “non-essential” benefits.	Increased plan costs; plan sponsors must eliminate overall annual dollar limits and should replace dollar limits on any benefits that are possibly essential with treatment or other benefit limits.
60-day prior notification of plan changes (applies to changes made mid-year or at annual enrollment).	Initially thought to be effective plan years on or after October 1, 2010; likely effective after April 2012.	Employer will need to decide plan design changes each year more than two months in advance of enrollment; carriers generally not required to issue renewals earlier than at present.
Primary care provider designation (any contracted provider). Grandfathered plans can avoid compliance.	Effective plan years on or after October 1, 2010.	Administrative change with limited impact.
Access to obstetrical and gynecological providers. Grandfathered plans can avoid compliance.	Effective plan years on or after October 1, 2010.	Administrative change; plans often already allow.
Access to pediatric specialists (allopathic or osteopathic) as child’s primary provider. Grandfathered plans can avoid compliance.	Effective plan years on or after October 1, 2010.	Administrative change; plans often already allow.

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No discrimination in <i>insured</i> group health plans such that plan benefits or contributions favor the highly compensated. Grandfathered plans can avoid compliance.	Similar rule currently in effect for self-funded plans (Code Section 105); new rule delayed for insured plans possibly until January 2012 plan years.	IRS may revise interpretations regarding self-funded plans; changes still may increase attractiveness of self-funding.
Emergency room care with no prior authorization and no benefit level differential (in-network cost-sharing versus non-network). Grandfathered plans can avoid compliance.	Effective plan years on or after October 1, 2010.	Increased plan costs.
No cost sharing on minimum preventive benefits as outlined by U.S. Preventive Services Task Force and other criteria. Grandfathered plans can avoid compliance.	Effective plan years on or after October 1, 2010.	Increased plan costs.
Children can be covered up to age 26 (even if married or non-student). Limited delay allowed for grandfathered plans; a child with another employment-based plan available can be excluded until 2014 plan year.	Effective plan years on or after October 1, 2010; prior to 2014 plan years, a grandfathered plan may exclude a child eligible for other employer plan.	Increased plan costs; one-time open enrollment notice required when plan becomes subject to law with minimum 30-day enrollment period.
Reporting on plan information relating to health care quality incentives.	As agency guidance is issued; may not have that guidance until March 2012.	Administrative requirement; plan may delegate to third party administrator.
Revised appeals process with new procedures, shortened plan response times, and enhanced non-English disclosures. Grandfathered plans can avoid compliance, but administrators are implementing for most accounts regardless of status.	Effective plan years on or after October 1, 2010.	Plan documentation and administrative changes; heightened document and vendor monitoring.
Multiple Employer Welfare Associations (MEWAs) must register with federal government and face increased oversight.	Effective March 23, 2010.	Affects plans sponsored by more than one employer without common ownership based on IRS controlled group rules.

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Report value of health plan coverage on Form W-2 for each covered employee. Includes employer and employee shares of cost. Does not include costs for dental or vision coverage under a separate policy. Does not include any contribution toward a Health Savings Account (HSA) or employee contributions to a health flexible spending account (Health FSA).	Originally for taxable years starting after January 2011; to be reported on 2012 W-2. Delay currently in effect requires tracking for 2012 tax year, reporting in 2013. Further delay until 2013 (tracking) and 2014 (reporting) if fewer than 250 Form W-2s issued.	Need to calculate value and report; suggest using delay to test system.
No reimbursement of over-the-counter medication by health flexible spending accounts (Health FSAs) and health savings accounts (HSAs) unless accompanied by a prescription.	Expenses incurred beginning January 1, 2011 (not based on plan year).	Administrative change and employee education issue at annual enrollment and on-going with claim denials.
Four-page plan summary disclosure in 12 point font with benefit schedule, definitions, limitations, and exclusions.	Enrollments beginning with April 2012.	Employer may welcome support from vendor or TPA; make sure in sync with complete SPD.
\$2,500 Limit on Health Flexible Spending Account (Health FSA) per participant.	Taxable years starting January 1, 2013 (not based on plan year).	Plan documentation and employee education issue. Impact on FICA and employee tax liability.
Research fee imposed on plan sponsor. \$1 for plan years ending in 2013, then \$2. Multiplied by average number of covered lives.	Plan years ending after September 30, 2012; expires over time starting with October 1, 2019 plan years.	Fee owed by plan sponsor. Example: If employer has 101 employees and 20 dependents in 2014, fee is: $\$2 \times 121 = \242
No waiting period over 90 days for group health plan coverage (other benefits not affected).	Effective plan years beginning on or after January 1, 2014; dovetails with "essential benefit plan" mandate and 30-hour rule.	Plan costs likely to increase; higher employer contribution cost to add all full-time employees within this timeframe.
No pre-existing condition exclusions.	Effective plan years beginning on or after January 1, 2014.	Plan costs may increase as exclusion is eliminated.

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HIPAA wellness plan non-discrimination rules relaxed slightly with more generous wellness plan safe harbor design.	Effective plan years beginning on or after January 1, 2014.	Plan sponsors may promote wellness to favor the healthy with 30% (possibly 50%) cost of coverage shift.
\$3,000 annual affordability penalties. Billed to employer by the Exchange; based on affordability of coverage for the employee and possibly the employee's family. Depends on each specific employee's financial situation. Affordability penalties apply when employee's cost exceeds 9.5% of household income.	Effective months beginning with January 1, 2014.	Administrative burden and increased employer contribution costs as groups try to reduce exposure to these costs.
Clinical trial coverage. Grandfathered plans can avoid compliance.	Effective plan years beginning on or after January 1, 2014.	Increased employer expense; impact not yet available.
New types of health care coverage providers – co-ops and multi-state policies.	Effective 2014.	Plan sponsors may want to consider using new coverage outlets if reduce costs (non-profit, and state mandates n/a).
Taxes on Third Party Administrators (TPAs).	Calendar years starting January 1, 2014.	Increased employer costs as passed through to employer but less than proposed TPA fees.
No discrimination against health care providers.	Effective plan years beginning on or after January 1, 2014.	Administrative burden.
Automatic enrollment of all eligible employees; employees may opt out. Applies at 200 employees . Regulations needed to clarify numerous issues such as how union and other workers are counted if eligible for different plan.	Unclear in law, but likely plan years beginning on or after January 1, 2014.	Administrative burden. Employee education necessary. Increased employer costs with increased participation. Integrate opt-out materials into new hire documents if immediate eligibility or provide at end of any waiting period.

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<p>Employer mandate with “essential” benefits plan offered to all full-time employees (those persons working 30 or more hours a week on average in a month). Penalty for non-compliance is \$2,000 multiplied by number of all full-time workers (subtracting 30 employees from the calculation as a concession to smaller businesses). Categories such as “Non-Benefits Eligible” will not be permitted if the person otherwise is working full-time under the new definition. No guidance yet on leased employees and staffing firms. All employers must educate employees on exchanges by March 1, 2013. (Exchanges <i>may</i> be made available for larger employers (over 100 employees) starting January 1, 2017.) In 2014, employers must report on coverage of each eligible employee and family members. Regulations on 2014 compliance issues expected in 2012.</p>	<p>Effective plan years on or after January 1, 2014.</p>	<p>Increased costs due to standard plan, benefit enhancements, and administrative burdens. Less flexibility to cost shift or steer utilization. Greater need for consultative advice on cost-effective plan design and contribution modeling. Opportunities to restructure workforce by reducing hours worked, to use part-time workers in current non-benefit positions.</p>
<p>Cadillac plan excise tax. A 40% excise (penalty) tax applies to the value of the plan over \$10,200 single and \$27,500 family. For self-funded plans, the premium equivalent amount likely will apply (in other words, the COBRA rates minus the 2%). Special higher thresholds apply to retirees over age 55 and to certain defined high risk employment categories.</p>	<p>Effective for 2018 tax years.</p>	<p>Projections show 60% of plans will owe the excise tax based on current costs trended forward. However, plan sponsors will try to redesign plans to avoid the excise tax. Union arrangements may prove difficult to revise.</p>