

Health Care Reform

Did Congress cure our system's ailments?

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The Patient Protection and Affordable Care of 2010 (H.R. 3590)...

Signed into law (P.L. 111-148) on Mar. 22, 2010

- **Extends health insurance coverage** to about 32 million people who currently lack and subsidies up to 400% FPL
- **Individual Mandate** – Starting 2014, with penalty of \$695 ind./\$2,915 family
- **Employer Mandate** – Penalty for lack of “affordable” coverage if over 50 employees
- **Creates State Insurance Exchanges** – Available in 2014, state marketplace for purchasing insurance



The Patient Protection and Affordable Care of 2010 (H.R. 3590) – continued...

Insurance Reforms

- Guarantee Issue
- No rescission (unless fraud)
- Dependents covered until age 26
- No pre-existing condition exclusions
- Requires preventative coverage

Medicaid Expansion – Up to 133%FPL (14,000 ind./29,000 family)

Small Employer Credits – Up to 50% of employer's contributions (up to 5 yrs.)

Minimum Benefits Package – All health plans offered through exchanges to provide the essential benefits



Cost \$\$\$\$.....

According to the Congressional Budget Office (CBO)...

- Cost = \$938 billion/10 years
 - Deficit reduction = \$124 billion/1st-10years, \$1.2 trillion/2nd-10 years
- \$569 billion in new taxes and tax increases
- \$528 billion total cuts to Medicare
- 16,500 new jobs for the IRS



Pay Fors = \$569 billion/10...

● 10 excise tax on tanning services	\$2.7 billion/10	(2010)
● Modification of tax treatment in certain health organizations	\$400 million/10	(2010)
● Codify economic substance doctrine	\$4.5 billion/10	(2010)
● Repeal of "black liquor" credit	\$23.6 billion/10	(2011)
● Conforming definitions for medical expenses	\$5.0 billion/10	(2011)
● Additional tax on distributions from HSA's and MSA's other expenses	\$1.4 billion/10	(2011)
● Fee on manufacturers and importers of drugs	\$27.0 billion/10	(2011)
● Corporate reporting requirements	\$17.1 billion/10	(2012)
● Limit flexible spending in cafeteria plans to \$2,500	\$13 billion/10	(2013)
● Fee on medical device manufacturers	\$20 billion/10	(2013)
● Medicare tax on HI earners	\$210.2 billion/10	(2013)
● Eliminate Part D subsidy deduction	\$4.5 billion/10	(2013)
● Limitations on executive compensation	\$600 million/10	(2013)
● 10% medical expense deduction	\$15.2 billion/10	(2013)
● Fee on insurance providers	\$60.1 billion/10	(2014)
● Free Rider Penalties	\$52 billion/10	(2014)
● Individual Mandate	\$17 billion/10	(2014)
● 40% excise tax on Cadillac plans	\$32 billion/10	(2018)
● Effects on coverage provisions in revenue	\$46 billion/10	
● Other changes in revenue	\$14.3 billion/10	



Implementation: What happens and when?

- **Immediate changes: 2010-2011**
- **Longer term: 2012-2013**
- **Most significant changes: 2014-2018 and beyond**



Important Choices for Businesses...

- **What is the Employer “Free Rider” Mandate?**
- **Offering vs. Non Offering**
- **Plan Cost Considerations**
- **Other Budget Considerations**



Employer “Free Rider” Mandate...

- Employers with <50 Full-Time Equivalents (FTE) are exempt.
- Employers with >50 FTE, who do not offer, no fines levied if all employees’ incomes are over 400% of FPL (88 K/family of 4).
- For employers with >50 FTE who don’t offer, if any employee receives tax credit through exchange, fine is equal to \$2,000 times the # of employees minus 30. These penalties are also incurred if the employer is not offering a “Qualified” health plan.
- If an employer does offer health insurance, but it is not “affordable” (employee’s share is not more than 8.9% of income), and the employee goes into exchange (and gets tax credit), the penalty is \$3,000.



Offering vs. Non Offering...

- **Small Business Tax Credits** – 25 or less employees should consider utilizing credits–may pay up to half the costs and last two years past exchange creation–no transition after cutoff
- **Plan Requirements** – QHP–meet actuarial requirements (60%)and cover “essential benefits”
- **Plan Costs vs. Penalty Costs** – Fines for >50 and incomes below 400% FPL
- **Vouchers and Affordability Penalties for Offering Firms** – If employee contribution exceeds 8% of income, voucher may be provided to equal employee contribution
- **Employee’s Subsidy Eligibility** – “Affordability” requirements and offering of qualified plan determine eligibility for Exchange credits



Plan cost considerations...

- **Purchasing Traditional Insurance** – Must meeting qualified benefits– starting October 2010 with reforms
- **Grandfathering of plans** – What changes to your plan will trigger loss of “grandfather” status?
- **Self-Insuring** – New requirements for self-insured plans – Reporting value on W-2, will not need to cover “essential benefits” but will need to meet actuarial value, will be exempt from new tax on insurers, but may be subject to “Cadillac Tax” in 2018
- **Sending Employees to the Exchange** – Starting 2017, large employers may be able to participate in the exchange



Other benefit considerations...

- **Long-Term Care** – Starting 2011, employers permitted to automatically enroll employees into CLASS program
- **Retiree Prescription Drug Plans** – In 2013, employers who receive 28% for RDP's will no longer be able to deduct subsidy
- **Compensation: Salary vs. Benefits** – Employers may prefer compensation through income rather than health benefits. (If employers drop, will they move to “Defined Contribution?”)
- **Consumer-Directed Account Options** – Penalties for non-qualified purchases; limits on contributions



What's next?

- **Political – 2 election years before 2014**
- **Legislative – Ongoing fixes in future Congresses.
Opportunities to improve the law.**
- **Regulatory – Guidance & Rulemaking – DOL, HHS, & IRS**
- **Legal – Legal challenge; 19 states have filed suit on
constitutionality**



H.R. 5141, “Small Business Paperwork Mandate Elimination Act”.

- **Current Law: business to business transactions for services only by self employed independent contractors.**
- **New Law: starting 2012, companies of all sizes will have to file a Form 1099-MISC to the IRS for all payments made to businesses in 2011 aggregating \$600 or more for the purchase of property (Goods) and services**
- **New law lifts the exemption for purchases from corporations and expands requirements to include property (goods)**



Chamber resources...

● Vote For Business

- www.voteforbusiness.com

● Campaign for Responsible Health Reform

- <http://www.responsiblehealthreform.org/>

● Health Care Toolkit

- www.uschamber.com/chambers/healthcare.html

● Employer Guide

- http://www.uschamber.com/publications/reports/100426_critical_employer_issues_ppaca.htm



Questions