

# HEALTH CARE REFORM



On March 23, 2010, President Obama signed federal health care reform into law, also known as the Patient Protection and Affordable Care Act (PPACA). A second, or reconciliation bill, was also signed by the President shortly after.

Here is an overview of the Health Care Act:

### What are the key changes included in the new legislation?

Many of the changes are focused on access to coverage and insurance reform. There are some changes to the way care is delivered and some initial steps on addressing costs. Some of the major reform measures include:

- A requirement for individuals to have coverage
- Elimination of exclusion for pre-existing conditions
- No lifetime caps on insurance benefits
- People up to age 26 can remain on their parents' health plan
- Tax credits for small businesses
- Creation of state insurance exchanges to assist individuals with finding coverage
- The Medicare prescription benefit "donut hole" will be closed

**When do the changes kick in?** Some measures will be implemented in 2010 and 2011. The majority of the reforms will take effect in 2014. Some changes may not affect "grandfathered" plans.

### Beginning in 2010

- Tax credits for businesses with 25 or fewer employees to help offset the employer's contribution to employees' health insurance costs.
- Prohibition of pre-existing condition exclusions for children.
- Medical coverage expanded to include dependents up to age 26. The current law in Minnesota for fully insured plans covers dependents up to age 25.
- Prohibition of lifetime limits on individual and group health plans.
- Restrictions on annual limits on individual and group health plans.
- Coverage can only be rescinded due to fraud or misrepresentation by an individual. This is current Minnesota insurance law.
- Creation of a federal high-risk pool for individuals.
- \$250 rebate for Medicare Part D beneficiaries who hit the coverage gap ("donut hole") in 2010.

### Beginning in 2011

- New medical loss ratio requirements for health insurance companies.
- Disallows reimbursement for over-the-counter medications for Health Savings Accounts (HSAs), Flexible Spending Accounts (FSAs) and Health Reimbursement Arrangements (HRAs).
- Pharmaceutical company discounts for Medicare Part D beneficiaries who hit the coverage gap.
- Medicare Part D premium subsidies reduced for beneficiaries with high incomes.
- Grants for businesses with 100 or fewer employees to implement new wellness programs.
- New tax on pharmaceutical industry for sales made in the previous year.

### Beginning in 2013

- New tax on medical device manufacturers.
- New tax on high-income individuals.
- New limits on contribution amounts to FSAs.
- Phased-in reductions in out-of-pocket maximum paid by Medicare Part D beneficiaries in coverage gap.

### Beginning in 2014

- Guaranteed issue of medical coverage.
- Prohibition of pre-existing condition exclusions.
- Requirement for individuals to have medical coverage or face a tax penalty. Subsidies will be available for people with incomes between 100 and 400 percent of the Federal Poverty Level to offset premium and cost-sharing expenses.
- Requirement for employers with 50 or more employees to pay a fee per employee who receives premium subsidies through the Exchange.
- Launch of insurance Exchange for individual and small group plans.
- Medical plans must cover routine care for those enrolled in clinical trials for cancer and other life-threatening conditions.
- New fee on insurance industry.
- Expansion of Medicaid. (States can opt to expand Medicaid sooner.)

### Beginning after 2014

- 2017: Per state discretion, large group plans can be offered in the insurance Exchange.
- 2018: New tax on high-cost plans (the so-called "Cadillac tax")

**If you have any questions, or would like additional information, please contact**

**North Star Employee Benefits at (612) 617-6163.**