



Texas Cattle Feeders Association

Health Care Reform Summary

Revised April 23, 2010



Effective 2010:

- **Small Employer Tax Credits:** Small businesses with 10 or fewer full-time employees, earning less than \$25,000 a year on average will be eligible for a tax credit of 35% of health insurance cost. Those with 11 to 25 full-time employees paying average annual wages of less than \$50,000 are eligible for a partial credit.
- **Grandfathered Health Plans:** Individuals and employer group plans that wish to keep their current policy on a grandfathered basis would only be able to do so if the only plan changes made were to add or delete new employees and any new dependents.
- **Medicare Part D Subsidy:** Employers that provide a Medicare Part D subsidy to retirees will have to account for the future loss of the deductibility of this subsidy in 2013 on liability and income statements.
- **Rate Review:** Establishes federal review of health insurance premium rates. The Secretary of HHS, in conjunction with the states, will have a new authority to monitor health insurance carrier premium increases beginning 2010 to prevent unreasonable increases and publicly disclose such information.
- **Temporary High-Risk Pool:** Creates high-risk pool coverage for people who cannot obtain current individual coverage due to preexisting conditions. Employers are prohibited from sending individuals to the high-risk pool, with associated fines.
- **Early Retiree Reinsurance Program:** Temporary reinsurance program for employers that provide retiree health coverage for employees over age 55.
- **Varying Health Plan Rules Based on Salary:** Requires group health plans (other than a self-insured plan) to comply with the Internal Revenue Section 105(h) rules that prohibit discrimination in favor of highly compensated individuals (which currently apply to self-insured plans). Grandfather status does apply.
- **Lifetime Benefit Limits:** For fully-insured group and individual health plans and self-insured group health plans, prohibits lifetime limits on the dollar value of benefits for any participant or beneficiary. Cannot be grandfathered. Annual limits will be allowed only through plan years beginning prior to January 1, 2014, only on HHS-defined non-essential benefits, and after that be prohibited.
- **Increased Dependent Coverage:** For fully-insured group and individual health plans, and self-insured group health plans, increases the age of a dependent for health plan coverage to age 26. Dependents can be married. Cannot be grandfathered.
- **Preexisting Conditions for Dependents:** All group and individual health plans, including self-insured, will have to cover preexisting conditions for children 19 and under.
- **Coverage of Preventive Care:** For fully-insured group and individual health plans, and self-insured group health plans, mandates coverage of specific preventive services with no cost sharing.
- **Coverage of Emergency Services:** For fully-insured group and individual health plans, and self-insured group health plans, mandates coverage of emergency services at in-network level regardless of provider.

Effective 2011:

- **Reporting on W-2s:** Requires all employers to include on W-2s the aggregate cost of employer-sponsored health benefits. If employee receives health insurance coverage under multiple plans, the employer must disclose the aggregate value of all such health coverage, but exclude contributions to HSAs and Archer MSAs and salary reduction contributions to FSAs. Applies to benefits provided during taxable years after Dec. 31, 2010.
- **Over-the-Counter Drug Exclusion:** Over-the-counter drugs will no longer be reimbursable under HSA's, medical FSAs, HRAs and Archer MSAs unless they are prescribed by a doctor.
- **HSA Distribution Tax Increase:** Increase the tax on distributions from an HSA or an Archer MSA that are not used for qualified medical expenses to 20% of the disbursed amount.
- **Wellness Programs:** Provide grants for up to five years to small employers for wellness programs.
- **Simple Cafeteria Plans:** Small employers will be allowed to adopt new "simple cafeteria plans."
- **CLASS Act:** Creates a new public long-term care program and requires all employers to enroll employees, unless an employee opts out.
- **Medical Loss Ratio and Premium Rate Reviews:** Require health plans to report the proportion of premium dollars spent on clinical services, quality, and other costs and provide rebates to consumers for the amount of the premium spent on clinical services and quality that is less than 85% for plans in the large group market and 80% for plans in the individual and small group markets. (Requirement to report medical loss ratio effective plan year 2010; requirement to provide rebates effective January 1, 2011.)

Effective 2012:

- **Business Tax Reporting (1099 Forms):** All business owners will be subject to new expanded federal income tax requirements on payments of fixed or determinable income or compensation.
- **Summary of Benefits and Coverage Explanation:** All group plans and group and individual insurers (including self-insured) will have to provide a summary of benefits and a coverage explanation that meets specified criteria to all enrollees when they apply for coverage, when they enroll or reenroll in coverage, when the policy is delivered and ID material modification is made in terms to their coverage.

Effective 2013:

- **Tax on Group Health Plans to Fund Comparative Effectiveness Research:** New federal premium tax on fully-insured and self-insured group health plans to fund comparative effectiveness.
- **FSA Limit:** Limits FSA contributions for medical expenses to \$2,500 per year and indexed for inflation.
- **Medicare Payroll Tax Increase:** Increase of 0.9% on self-employed individuals and employees with respect to earnings and wages received during the year above \$200,000 for individuals and \$250,000 for joint filers. The new tax does not change the employer's tax obligations, but self-employed individuals are not permitted to deduct any portion of the additional tax.
- **Exchange Notice:** Employers must provide notice to their employees informing them of the existence of the state-based exchanges designed to facilitate the sale of qualified benefit plans to individuals.

Effective 2014:

- **Individual Mandate:** Individuals must obtain qualified health insurance coverage or pay a penalty.
- **Employer Responsibility:** Businesses with more than 50 employees will be required to either offer qualified healthcare coverage or pay a penalty of \$2,000 a year per full-time worker. Part-time employees would be counted toward the 50-employee minimum on a pro-rated basis based on hours worked, bringing more small businesses into the group required to provide coverage.
- **Premium Assistance:** An individual with family income up to 400% of Federal Poverty Level (FPL) is eligible for a premium assistance tax credit if the actuarial value of the employer's coverage is less than 60% or the employer requires the employee to contribute more than 9.5% of the employee's family income toward the cost of coverage.
- **Waiting Periods:** New employee waiting periods of more than 90 days are prohibited for all plans.
- **Guaranteed-Issue:** All plans must be offered on a guaranteed-issue basis, preexisting condition limitations will be prohibited, annual and lifetime limits will be fully prohibited, including grandfathered plans.
- **State Exchanges:** Small Business Health Options Programs will be available for small businesses to pool together to buy insurance. States must have their individual and small business exchanges up and running.
- **Free Choice Voucher:** Requires employers that provide and contribute to health coverage to give vouchers to each employee who is required to contribute between 8% and 9.8% of their household income toward coverage, if such employee's household income is less than 400% of FPL and the employee does not enroll in a health plan sponsored by the employer.
- **Small Employer Benefit Requirements:** Prevents small employers from offering plans with deductibles greater than \$2,000 for singles and \$4,000 for families. Employers may offer higher deductible plans if the employer offers an FSA that reimburses the difference between the higher deductible and \$2,000 / \$4,000. This provision will affect the health plans that can be offered to small employers and still qualify for HSA contributions.
- **Employers with 200+:** Employers with 200 or more employees will have to auto-enroll all new employees into any available employer-sponsored health insurance.
- **Premium Taxes:** Premium taxes on most private health insurers based on premium volume take effect. Premium taxes will not apply to self-insured plans.

Effective 2018:

- **Cadillac Tax:** The 40% excise tax on insurers of employer-sponsored health plans (both fully-insured and self-insured) with aggregate values that exceed \$10,200 for individual coverage and \$27,000 for family coverage with higher thresholds for retirees over age 55 and employees in certain high-risk professions. Excise tax does not apply to accident, disability, long-term care, and after-tax indemnity or specified disease coverage.

For additional information go to <http://www.kff.org/healthreform/upload/8061.pdf> or contact Josh Winegarner, josh@tcfa.org, or Kristi Gillispie, kristi@tcfa.org, or (806) 457-2300.

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