

Health Reform Employer Related Provisions Timeline

Updated May 2011



2010

Early retiree reinsurance program (ERRP)

- A temporary federal reinsurance program will reimburse employer plans for a portion of the cost of benefits provided to early retirees (age 55 through 64). Note: effective May 6th, 2011 HHS is no longer accepting new applications to the ERRP program.

Small business tax credit

- Small business tax credit for employers with fewer than 25 employees of up to 35 percent (25% for non-profits) of the employer's contribution to health insurance for employees. Tax credit increases to up to 50% in 2014.

2010/2011

The provisions in this section are effective for first plan year beginning after September 23rd 2010.

Provisions which apply to grandfathered plans

Children covered to Age 26

- Plans must offer coverage to children up to age 26 regardless of whether they qualify as a tax dependent.

No lifetime limits, restricted annual limits

- Plans may not impose lifetime limits.
- Restrictions on annual limits begin on 2012, with no annual limits permitted beginning in 2014.

No pre-ex limitations in health plans on children

- Health plans may not impose preexisting condition limitations on covered children under age 19.
- Preexisting condition restrictions limitations apply to all plan participants beginning in 2014.

Provisions which do not apply to grandfathered plans

IRS nondiscrimination rules apply to fully insured plans

- Employers with fully-insured plans prohibited from providing benefits which discriminate in favor of highly compensated employees according to IRC Section 105(h), previously applicable only to self-insured plans. **DELAYED** - On December 24, 2010 the IRS delayed the enforcement of these rules until after the release of regulatory guidance (expected later in 2011). Effective date is predicted to be for plan years that begin after guidance is released.

Preventive care services provided with no cost sharing

- Plans must provide certain preventive care services with no cost sharing to the participant.

Patient Protection Rules

- Out-of-network emergency coverage, access to OB/GYNs & pediatricians, and primary care physician access rules.

Expanded Appeal Process

- Plans will need to implement an expanded appeals process which includes an external state or federal review.

2011

Over the counter drugs reimbursement restriction

- Over-the-counter medicines will not be eligible for reimbursement from a health flexible spending account (FSA), health savings account (HSA) or health reimbursement arrangement (HRA) unless obtained with a prescription.

HSA withdrawal penalty change

- Penalty on withdrawals from HSAs, prior to age 65, for reasons other than the reimbursement of qualified medical expenses will increase from 10% to 20%.

New W-2 reporting

- Employers must report the value of employee's health coverage. Reporting does not result in value of health insurance being treated as taxable income. The IRS has delayed this reporting requirement for large employers, and reporting is optional for tax year 2011 and mandatory for tax year 2012 (W-2s released January 2013). Employers who file fewer than 250 W-2s for tax year 2011 are not required to report until the 2013 tax year (W-2s released in January 2014)

Cafeteria plan changes

- Creates a Simple Cafeteria Plan which exempts qualifying employers from Section 125 nondiscrimination testing requirements

Automatic enrollment

- Employers with more than 200 full-time employees must automatically enroll full-time employees in health coverage. Employees will have the option to opt out of automatic enrollment. (the eff. date of this provision is unclear)

2012

New Benefit Summary Requirement

- Plans required to provide a simplified 4-page benefit summary to participants.

2013

Change in employer tax treatment of the Medicare Part D Drug Subsidy

- Subsidy received by an employer for providing retiree drug coverage under the Medicare Part D subsidy program no longer treated as tax-free to the employer.

Medicare Hospital Insurance (HI) tax

- An additional Medicare tax of 0.9% applies to taxpayers with earned income above \$200,000 (single return) or \$250,000 (joint return). Employers are not required to match the increase.

Limit on health FSA

- Employee annual contributions to a Section 125 health FSA capped at \$2,500 then indexed annually to inflation.

Employee notice requirement

- Employers will be required to provide employees with a notice which includes; information on health insurance exchanges, premium subsidies and if the employer's plan meets minimum coverage requirements

2014

Health Benefit Exchanges

- States will establish an insurance Exchange to facilitate the offering of approved, qualified health plans. Exchange coverage initially offered only to individuals and small employers (50-100 employees, depending on the state).

Employer "play or pay" penalties for not providing coverage to full-time employees

- Applies to employers with 50 or more employees
 - Part-time employees are counted on a pro-rated basis to determine if employer is subject to the penalty but employers are not required to cover part-time employees
- Employers who offer health insurance to all full-time employees (30 hrs per week) will pay \$250 per month for any full-time employee who opts out of the employer plans and purchases subsidized individual coverage through the exchange.
- Employers who do not offer health insurance to full-time employees would pay \$2,000 annually multiplied by the total number of full-time employees (not counting first 30 employees)

Employer health coverage reporting

- Employers required to report benefit information annually including; coverage offered to their full-time employees, waiting period, the lowest-cost option in each enrollment category, the employer's share of the costs of benefits, and the number and names of employees receiving health coverage

Individual health coverage mandate

- Individuals who do not enroll in "minimum essential coverage" would pay a penalty based on the greater of a flat dollar amount or a percentage of income.

Insurance market reforms

- Insurers in the individual and small-group markets will offer coverage in state-based health insurance Exchanges.
 - Guarantee issue and renewable basis, no health underwriting, no preexisting condition exclusions and limits on permissible premium rating bands

Wellness incentives

- HIPAA limits on financial incentives for participation in wellness programs will increase to 30%.

Federal premium subsidies for low- and middle-income individuals

- Premium subsidies & reduced cost sharing will be provided to individuals earning up to 400% of federal poverty level.

2018

Excise tax on high-cost health plans

- A 40% excise tax will apply to the cost of employee health coverage that exceeds \$10,200 annually for single coverage and \$27,500 for family coverage.