Brown and Brown of Florida, Inc.

Health Reform 101
July 13th, 2010

Presented by:
Julie Freidus, Vice President

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Meeting agenda

- The five major components of the health reform legislation
- Health Reform 2010
- Health Reform 2014
- Questions

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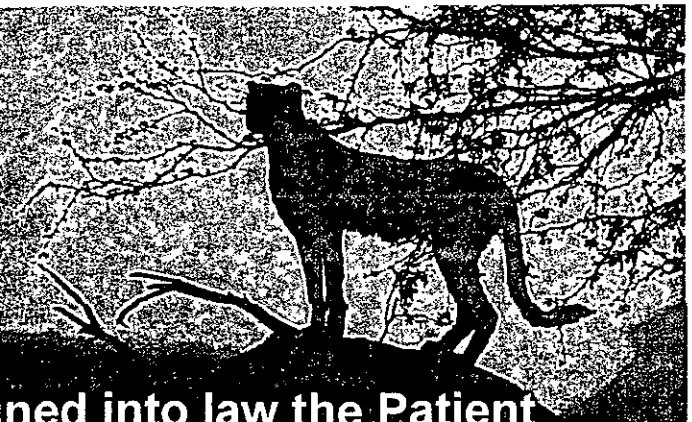
Health Reform



- On March 23rd, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (PPACA). The PPACA was passed by the Senate on December 24th, 2009 and by the House on March 21st, 2010.

- This bill constitutes a massive overhaul of the United States health care system.

- Awaiting clarification on a number of items from the IRS, Department of Labor and Health and Human Services.

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Five Components

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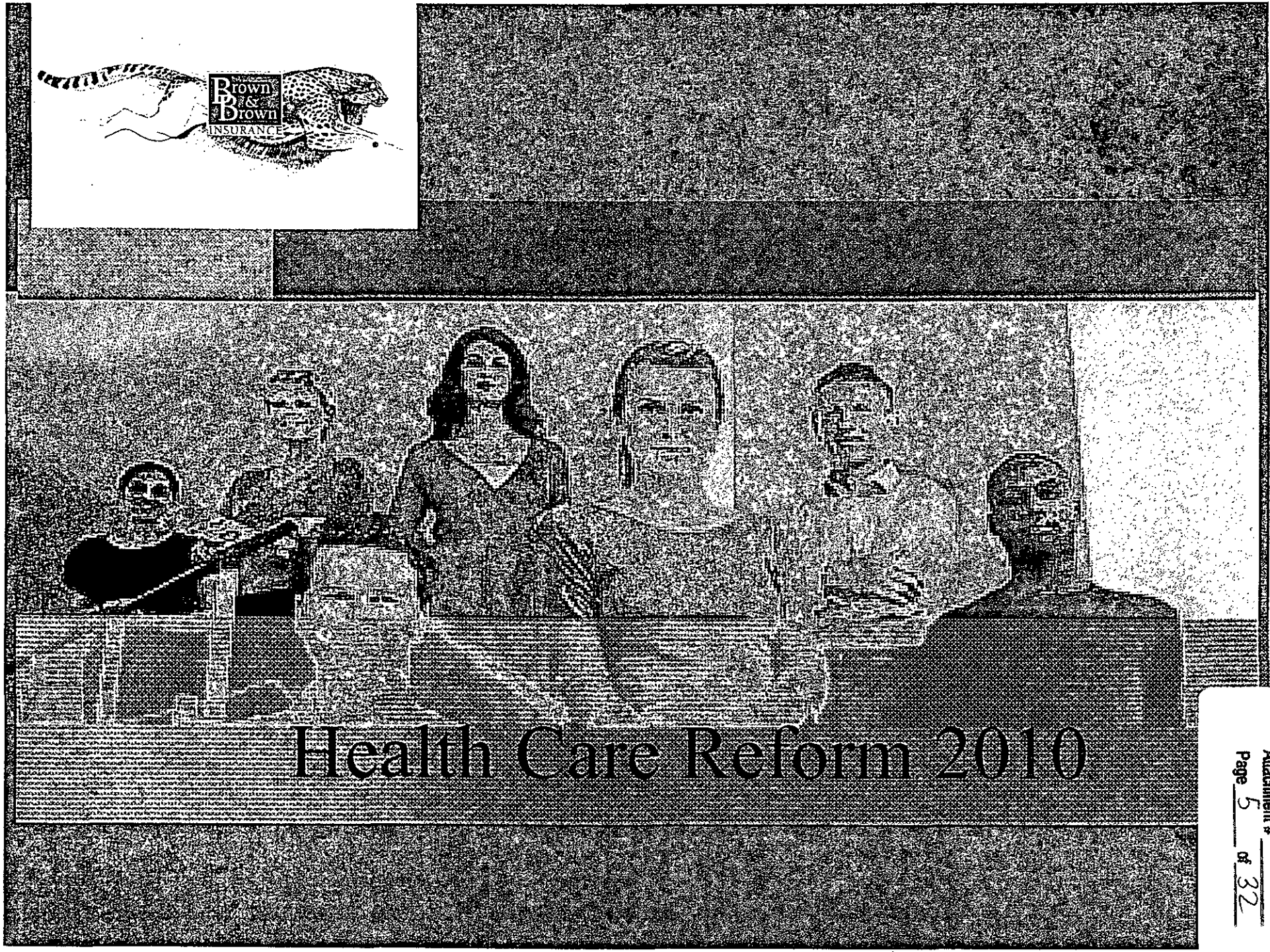
- Insurance market reform
- Changes to Medicare / Medicaid
- Improving access to coverage by state based exchanges
- ER / EE mandates as of 2010
- Revenue raisers



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Reform 2010

- Lifetime limits – Lifetime limits will be prohibited on essential health benefits such as:
  - Emergency Services
  - Hospitalization
  - Maternity and newborn care
  - Rx services
  - Mental health and substance abuse treatment
  - Laboratory Services
  - Preventive Services

Health Reform 2010

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- This change is effective as of the first day of the first plan year beginning at least six months after the PPACA became law (March 23rd, 2010). Similar restrictions will apply to annual limits.

Health Reform 2010

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- Eligibility of Dependent Children – Plans must allow unmarried and married dependent children to be eligible until the age of 26
  - Plans are not required to provide coverage to the child of a child
  - Applies to all fully-insured and self-insured plans
  - Provided on a tax-free basis

Health Reform 2010

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- Pre-existing Condition Exclusions
  - Pre-existing condition exclusions will be prohibited for all fully-insured and self-insured group health plans effective as of the first day of the first plan year beginning on or after January 2014
  - However, there is an acceleration of this prohibition (beginning October first and beyond) with respect to children under age 19.

Health Reform 2010

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- Preventive Care – All plans must offer first dollar coverage with respect to certain preventive care services including immunizations, screenings and mammograms

Health Reform 2010

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- Nondiscrimination Rules for Fully-Insured Plans
  - Currently self-funded group health plans are subject to nondiscrimination rules prohibiting the plan from favoring the highly compensated with respect to eligibility and benefits. Fully-insured group health plans will now be subject to the same IRS nondiscrimination rules.

Health Reform 2010

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- Medical Loss Ratio Reporting and Premium Rebates
  - Beginning in 2010, health insurers must publicly report the percentage of their total premium revenue spent on claims, activities that improve health quality and non-claim costs
  - Beginning with the 2011 plan year health insurers will be required to provide a premium rebate. In the case of larger groups if more than 15% of the premium revenue for group coverage is expended on non-claim costs (excluding taxes) the insurer will be required to provide a rebate. 20% for small groups.

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Health Reform 2010

- No later than 90 days after the enactment of PPACA the IRS will establish a temporary reinsurance program to provide reimbursement to employer retiree health plans through January 2014.

- The temporary reinsurance program will provide reimbursement for early retirees age 55 and older who are not yet eligible for Medicare and their dependents with respect to 80% of claims in excess of $15,000 but less than $90,000 per year.

Health Reform 2010

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- Small Employer Tax Credit
  - Starting in 2010, certain small employers who provide health coverage to their workers will be eligible for a tax credit
  - To qualify, an employer must have no more than 25 full-time employees with annual average wages of less than $50,000.
  - For tax years through 2013, the tax credit is up to 35% of the employer's contribution toward health coverage provided the employer is contributing at least half the cost. For tax years 2014 and later, the maximum tax credit increases to 50%.

Health Reform 2010

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Health Reform 2014

Health Reform 2014

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- State Based Exchanges
  - Each state is required to establish an American Health Benefit Exchange (for individuals) and a Small Business Health Options Programs or "SHOP Exchange" (for employer groups) by 2014
  - Each exchange will be similar to a gateway or clearinghouse to help individuals and groups shop for health coverage in a more efficient and comprehensive manner

Health Reform 2014

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- Health Plans offered on the exchange will be required to offer minimum essential coverage at one of four levels of "actuarial value" (the percentage of covered expenses paid by the plan)
  - Bronze (60% of actuarial value)
  - Silver (70% actuarial value)
  - Gold (80% actuarial value)
  - Platinum (90% actuarial value)

Health Reform 2014

- The out-of-pocket limits
  - The out-of-pocket limits for these health plans can not exceed the maximum out-of-pocket limits for H.S.A's (which are $5,950/single and $11,900/family for 2010
  - Exchanges will initially offer coverage to individuals and certain small groups
  - Before 2016, states can limit exchange availability only to small employer groups with 50 or fewer employees
  - Before 2017, exchanges may only cover small employer groups with 100 or fewer employees
  - Beginning in 2017, states can open up their exchanges to large employers

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Health Reform 2014

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- Individual Mandate
  - Individuals must obtain health insurance with minimum essential coverage or pay a penalty
  - The penalty is the greater of a flat dollar amount or a percentage of household income. The flat dollar amount is $95 for 2014, $325 for 2015 and $695 for 2016. For later years, the flat dollar amount will be increased for changes in the cost of living
  - The percentage of household income is .5% for 2014, 2% for 2015 and 2.5% for 2016 and later years

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- However, no penalty applies for a year if the taxpayer's household income is below the threshold for filing a federal income tax. The penalty will also not apply to the following individuals:
  - Individuals who can not afford coverage because the lowest cost option would exceed 8% of their household income
  - Individuals who do not maintain coverage for qualifying religious reasons.

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Health Reform 2014

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- US Citizens residing outside the country
- Illegal aliens
- Incarcerated individuals
- American Indians

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- Individuals with income no greater than 400% of the federal poverty level will be provided with assistance to obtain and maintain health coverage.
- Medicaid: Individuals with income less than 133% of the federal poverty level will be eligible for Medicaid

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- Vouchers
  - Where the individual is eligible for employer-provided health coverage, the employer must make its employer contribution for coverage available to the individual as a voucher to purchase coverage on the exchange
  - However, this option is only required for employees with income no greater than 400% of the federal poverty level where the employee's premium share would be between 8% and 9.8% of the employee's income

Health Reform 2014

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- Employer Mandate – The employer must offer health coverage to its employees or pay a "free rider" penalty
  - The penalty only applies to employers with more than 50 full-time employees
  - A full-time employee is an employee who works on average, 30 or more hours per week

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- Employer Mandate
  - If the employer does not offer a plan and has at least one full-time employee who enrolls in health coverage through the exchange and becomes eligible for the premium credit, the employer must pay a penalty of $2,000 per year per full-time employee. The penalty is determined and assessed on a monthly pro rata basis (i.e. 1/12 of $2,000).

Health Reform 2014

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- Notice of Availability of Exchange and Premium Tax Credits

- At the time an individual is hired, the employer must notify the employee of the existence of the exchange, that the employee maybe eligible for assistance in purchasing coverage under the exchange and that if the employee purchases a policy through the exchange, he or she will lose the employer contribution toward health benefits offered by the employer except as otherwise provided under the voucher program.

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- Increased Reporting Requirements
  - Large employers with 50 or more employees must report the following to the IRS
    - Whether full-time employees are eligible for minimum essential coverage
    - The length of any waiting period
    - The number of months during the calendar year for which coverage under the plan is available.
    - The monthly premium for the lowest option
    - Employer contribution share
    - The number of full time employees
    - The name, address and SS# of each full-time employee enrolled in the plan and the months during the year they were covered

Health Reform 2014

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- Wellness Incentives

  - Currently, under the HIPAA non-discrimination rules, employers may provide incentives to employees to participate in a wellness program based on a health-status factor provided certain requirements are met. The key requirement is that the total incentive may not exceed 20% of the cost of coverage under the employer's health plan. This 20% limit is being increased to 30%. Further, the IRS and DOL and HHS are provided with the discretion to increase the 30% limit to as high as 50%.

Health Reform 2014

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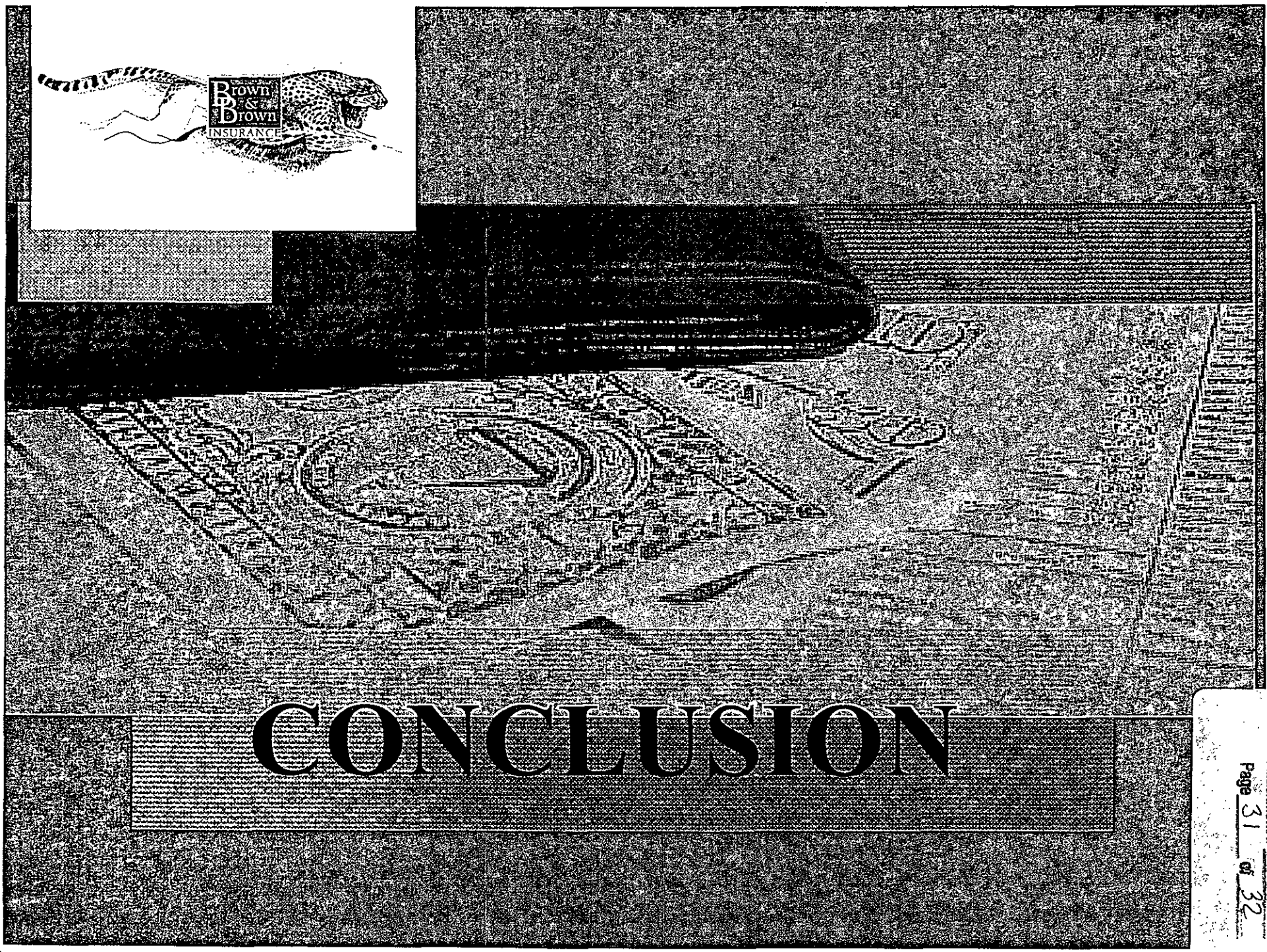
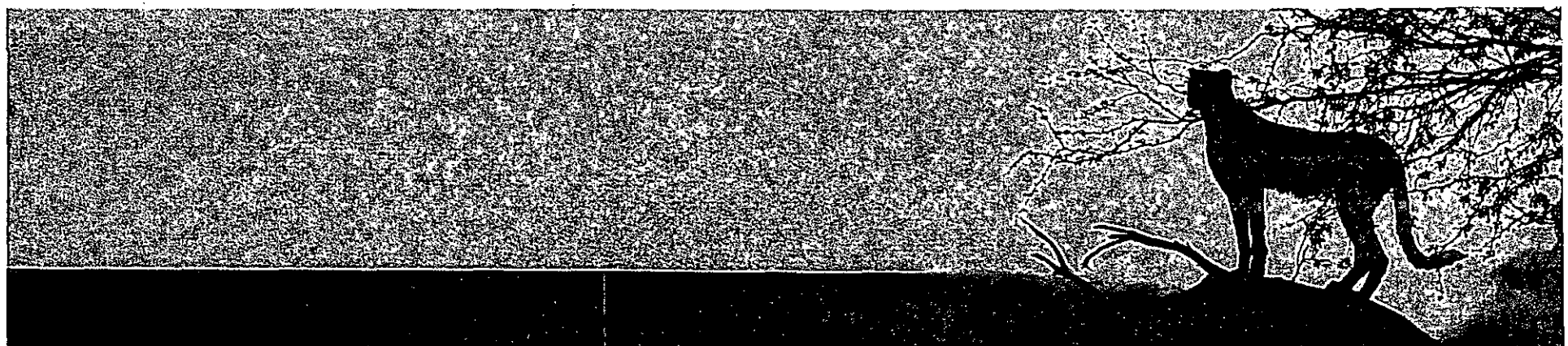
- Waiting Period
  - Employers will no longer be permitted to impose a waiting period of longer than 90 days in order for a new hire to become eligible to participate in the employer's group health plan.



CONCLUSION



Questions

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