



Health Care Reform

With the recent passage of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively the “Act”), vendors and special interest groups inundated employers with updates, white pages, and special reports. Each of the reports contained brief information about the legislative changes occurring in the next few years, trying to simplify and quickly analyze the provisions, of which there are hundreds contained in over 2,000 pages of new federal law.

Although employers will need to have a detailed knowledge of the changes that will have an immediately impact, as well as preparing for changes required in the future, it is important to note that federal agencies still need to provide clarity concerning the provisions and develop procedures. This will take time as Health and Human Services and the IRS request comments and issue new regulations and notices interpreting the act.

What does an employer need to do now?

Key to understanding what provisions will need to be implement in 2010 and in the future, employers will need to determine if their employer-sponsored health plan is eligible for grandfathering. Any group health plan that was in effect on March 23, 2010 is a grandfathered health plan and will not have to comply with certain benefit and other changes. Grandfathered status will not be lost when an individual reenrolls, a new employee enrolls, or when adding a dependent provided the plan allowed for dependent coverage on March 23, 2010. However, there are unanswered questions pertaining to grandfathering that will need regulations issued to interpret the act, such as what circumstances would cause the grandfathering to end (e.g. minor plan design changes) and what happens when an employer changes insurers.

Health plans with plan years beginning on or after September 23, 2010 will need to comply with the provisions effective in 2010. An insured plan that renews or a self-funded plan with a plan year that begin on January 1, for example, will need to comply with the provisions required in 2010 on January 1, 2011. All plans, including those grandfathered, will need to make the following 2010 provision changes:

- provide coverage for dependent children, regardless of student or marital status, up to the age of 26 only if the child is not eligible to enroll in other employer provided coverage;
- eliminate lifetime benefit maximum limits for “essential” benefits;
- eliminate annual maximum benefit limits for “essential” benefits except as permitted in the future by Health and Human Services regulations;
- eliminate pre-existing condition coverage limits for children under the age of 19;
- and eliminate rescission of coverage except for fraud or intentional misrepresentation.



New plans and those plans that lose grandfathered status will need to ensure the following 2010 provisions are incorporated:

- provide preventive care coverage that is 100% covered;
- ensure the plan does not discriminate in favor of highly compensated employees;
- create internal and external appeal procedures for claims;
- and provide in and out-of-network emergency services without prior authorization requirements or increased cost-sharing.

Beginning January 1, 2014, all plans, including grandfathered plans, will need to make the following 2014 provision changes:

- provide coverage for dependent children, regardless of student or marital status, up to the age of 26, excluding those eligible to enroll directly in another employer's health plan;
- change enrollment waiting periods to 90 days or less;
- eliminate pre-existing condition coverage limits;
- eliminate annual maximum benefit limits for "essential" benefits;
- and employers with 200 or more full-time employees will need to establish automatic enrollment procedures for new full-time employees.

New plans and those plans that lose grandfathered status will need to ensure the following 2014 provisions are incorporated:

- provide coverage for approved clinical trials;
- and ensure compliance with the mental health parity act.

Employers that offer a health Flexible Spending Account (FSA) will need to modify the plan beginning in 2011 to exclude reimbursements of over-the-counter drugs. Additionally, beginning in 2013, the plan will need to limit employees' annual health FSA elections to \$2,500, indexed annually for inflation, to maintain a favorable tax status. Grandfathering does not apply.

Lastly, the act imposes additional reporting and notice requirements on all employers. Starting in 2011, employers will be required to report on W2s the value of the employer-sponsored coverage. As of March 2013, employers will need to provide notices to employees about state exchanges, premium assistance, and free choice vouchers, all of which begin in 2014. Furthermore, employers will be required to report annually to the IRS specific data as it relates to the company's health plan, including detail data concerning employees and their health coverage enrollment in the employer's plan.

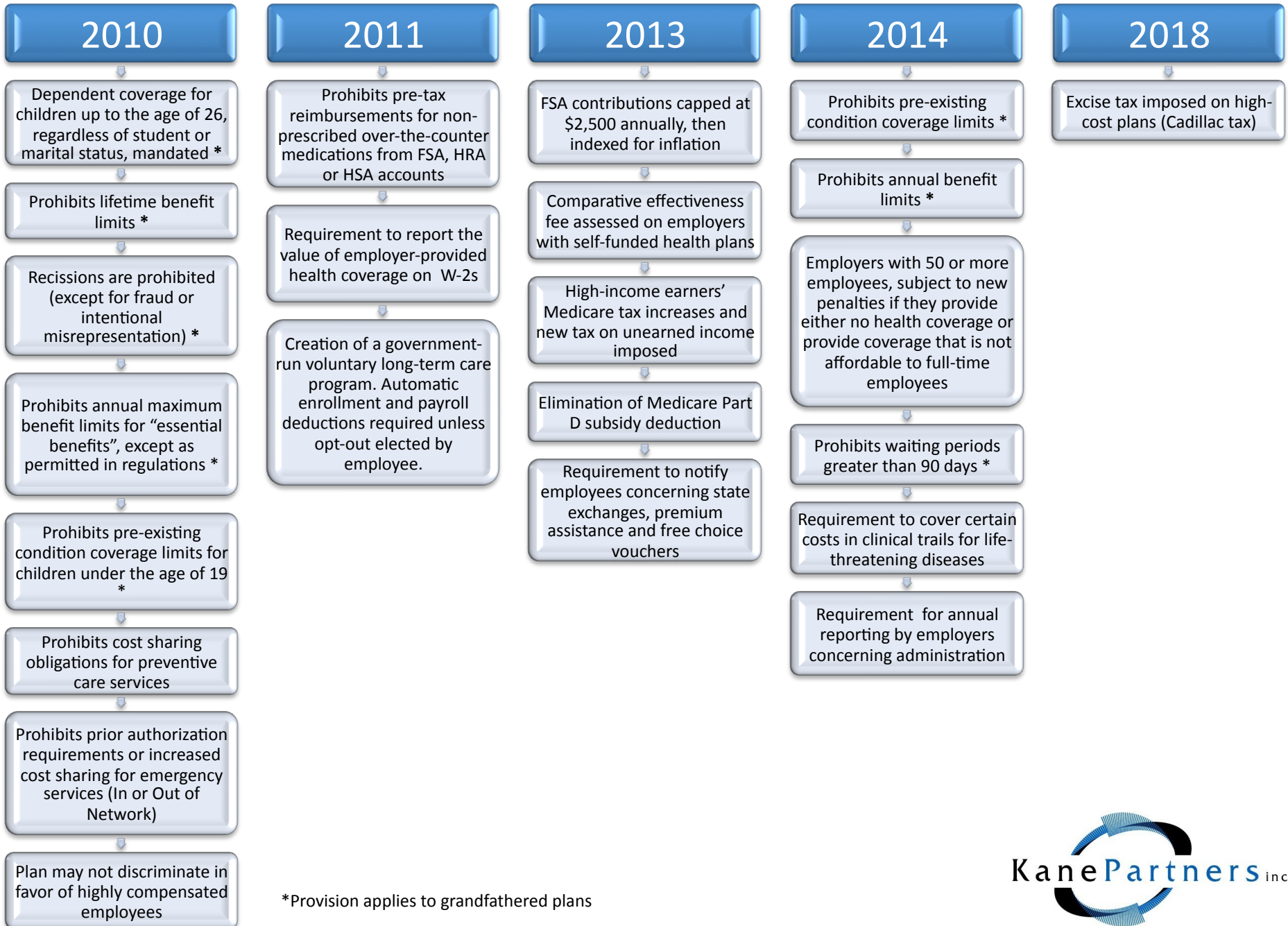


With hundreds of provisions in the act, this paper is not an exhaustive synopsis of all the changes and actions employers must take. As new notices and regulations concerning health care reform become available, Kane Partners will provide additional information and actions employers will need to consider.

Please contact our office if you would like more information or need assistance with the provisions of the Patient Protection and Affordable Care Act or the Health Care and Education Reconciliation Act.

Kane Partners, Inc.

Health Care Reform Act 2010:



*Provision applies to grandfathered plans