Health Care Reform - First Look at the New Law

New Law. On March 23, 2010, President Obama signed into law the ***Patient Protection and Affordable Care Act (PPACA)***. Two days later, on March 25, 2010, the House and Senate passed the ***Health Care and Education Reconciliation Act of 2010***, which amended many of the provisions in PPACA.

Provisions with Earliest Effective Dates. While analysis and interpretation of the Acts is still in the initial phases, below you will find information on the key provisions of PPACA that affect employer-sponsored health plans in 2010 and 2011. Note that there are grandfathering provisions that exempt current plans from some of the requirements. We are examining the provisions of the Acts and will continue to update you on the implications for employer-sponsored health care benefits.

Key Provisions Affecting Employer-Sponsored Plans – Effective for Plan Years Beginning on or after September 23, 2010 (January 1, 2011 for Calendar Year Plans):

- No lifetime limits or unreasonable annual limits on the dollar value of coverage will be permitted
- Dependent coverage for adult children through age 26 is required
- First dollar coverage (no cost-sharing) will be required for certain preventive care, including recommended:
  - Immunizations;
  - Preventive care for infants, children and adolescents; and
  - Additional preventive care and screenings for women

  "Recommended" coverage will be determined by the U.S. Preventive Services Task Force
- Plan Sponsors of group health plans may not establish eligibility rules that discriminate in favor of higher wage earners
- Tax credits will be available for employers that provide health insurance for employees and that have no more than 25 employees and average annual wages of less than $50,000
- Group health plans may not rescind coverage, except for fraud or intentional misrepresentation
- Temporary reinsurance program will be available for employers providing health insurance coverage to retirees over age 55 who are not eligible for Medicare (effective 90 days following enactment until January 1, 2014)

Key Provisions Affecting Employer Sponsored Plans – Effective January 1, 2011:

- Expenses for over-the-counter drugs not prescribed by a physician will be excluded from reimbursement through an HRA, a health FSA, an HSA or an Archer Medical Savings Account (MSA)
- Tax of 20% will be imposed on distributions from an HSA or MSA, which are not used for qualified medical expenses
- Fully-insured plans will be subject to 105(h) non-discrimination requirements (currently only self-insured plans are subject to these requirements)
- Summary of coverage (with specific requirements) must be provided to employees at initial and annual enrollments
- Disclosure of specified information must be made to the Department of Health and Human Services, the applicable state insurance commissioner, and the public

Other Points to Note:

- The $2,500 annual limit on health FSA contributions was pushed back to plan years beginning in 2013
- The increase in the Medicare tax of 0.9% for those earning more than $200,000 (single) or $250,000 (joint) will be effective for tax years beginning in 2013
- The tax deduction for employers who receive Medicare part D retiree drug subsidy payments will be eliminated in 2013 and may have accounting impact immediately
- The excise tax on high-cost coverage (Cadillac tax) was postponed to January 1, 2018

We will continue to follow the legislation closely and will keep you apprised of developments as they surface. Attached for your convenience is a summary of key provisions and effective dates, which take into account the amendments made through HCERA.