
Health Care Reform Starts Now!

Impacts to Montana Small Business in 2010

Presenter: Richard Miltenberger, CEBS

Mountain West Benefits

Agenda

Review key provisions of the Patient Protection And Affordable Care Act (PPACA) and the Reconciliation Act (HR 4872) that take effect in 2010 and 2011 and later

- Small business tax credit
- Flex Account and Health Savings Account (HSA) changes
- Implications of ‘Grandfathering’
- Other Changes...

Embracing the Future

- 1st: Health Insurance is becoming a mandatory purchase
- 2nd: The government is not hiring the doctors and buying the hospitals
- 3rd: While much is changing, much more is staying the same

Small Business Tax Credits



Tax Credit Eligibility

- Must be fewer than 25 full-time workers or equivalent (part-timer hours count)
- Must pay an average annual wage of less than \$50,000
- Owner (and family) wage and credit exclusion
- Employer must pay at least 50% of the employee premium
- Must be “Qualified Premium”

Tax Credit on a Sliding Scale

1. For 2010 through 2013, the tax credit covers up to 35% of for profit premiums
2. The credit is available for a maximum of six years; 2010 through 2013 and from any two years after that
3. In 2014, the top tax credit bumps up to 50%
4. 'Average Premium' Cap for 2010: \$4,772 ee /\$10,212 family (actual: \$6000 +)

For-Profit and Tax Exempt

For-Profit Employers—Up to 35%

- Credit can only be used to offset the actual federal income taxes paid for the year
- Unused portion of the credit can be carried forward for up to 20 years to reduce future taxes

Nonprofit Employers—Up to 25%

- Credit is refundable-collect and get back from the government. Cannot exceed actual income tax withholding and Medicare Tax.

Tax Credit Calculator

- Find calculator at chamberchoices.com

REMINDER: Insure MT has available funding also!

Temporary Re-insurance Program Available To Early Retirees

- Temporary until health benefit exchanges are available in 2014
- For retirees age 55-64
- Helps offset the costs of claims for retirees (80% from \$15,000 to \$90,000)

Section 125 Cafeteria Changes

Back to Prescription Drugs (No OTC) *Again*

Simplified 125 Plan Available in 2011

\$2500 Cap on FSA Medical starts in 2013

20% Penalty in 2011

Simplified 125 Plan

- **SIMPLE Cafeteria Plans for Small Businesses:**
- Employers with fewer than 100 employees are eligible.
- If the company grows beyond 100 employees, the employer may keep the Plan in place until they have 200 employees
- The employer must either:
 - Match FSA contributions of participating employees, or
 - Create an FSA account for all eligible employees and contribute a predetermined amount to each employee's account.

Health Savings Accounts (HSAs)

- New law favors HSAs over FSAs!
- Starting in 2011 the 10% penalty for non-eligible (non-medical) distributions is increased to 20%
- Over the counter drugs may no longer be purchased using HSAs starting January 1, 2011
- No changes to HSA contribution limits – comparative advantage over 125 Plans!

Dependent Eligibility



Dependent Eligibility

- Coverage of adult children to 26th birthday. There is no requirement to cover the children of adult, covered children.
- As of 1/1/2014 if adult children are eligible for their own employer sponsored coverage then their parents' employer is no longer responsible
- Definition of dependent supplants all previous definitions, which entailed student, married, etc.
- No preexisting conditions limitations if under age 19

Annual/Lifetime Dollar Limits



Annual/Lifetime Dollar Limits

- There can be no financial limits on essential benefits starting in 2011
 - “Essential benefits” has yet to be defined by the federal HHS

Grandfathering

Grandfathered plans are exempt from some – but not all – of the new rules under PPACA:

- The requirement to offer preventive health without cost sharing
- Establish external review procedures
- Offer choice of primary care providers,
- Cover clinical trials down to Level 1
- Rating restrictions, and
- Guaranteed access/renewability rules

Grandfathering

It is unclear:

- What voluntary or carrier imposed changes to a plan would cause the loss of grandfathering status
- Will changes required by law cause the loss of grandfathering status
- What happens if the employer extends coverage to a new category of employees

September 23rd 2010 and following:

New Non-discrimination Rules for Fully Insured Health Plans: Group plans will be required to comply with the IRS 105(h) rules that prohibit discrimination in favor of highly compensated individuals. Under 105(h) rules, a plan must cover 70% or more of all employees or, if less than 100% of all employees are eligible for benefits, it must cover at least 80% of all eligible employees so long as at least 70% are eligible (56% of all employees covered).

MCHA Expansion

\$5 Billion to subsidize high risk individuals,
starting June 2011

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- **W-2 Reporting:** Employers must show the cost of employer sponsored health benefits (inclusive of FSA benefits) on each employee's W-2. Effective in January, 2011 for benefits provided in 2010.

New Federal Tax on Health Premiums: A new federal tax equal to \$2 per enrollee (per year) will be used to fund research related to best treatments from a quality perspective.

“CLASS”

Long-Term Care Plan: Creates a new public long-term care program and requires all employers to enroll employees under an automatic enrollment arrangement, unless the employee elects to opt out.

Medical Loss Ratio Requirements 80% and 85%

Effect on Commissions? On Premium?

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- **New Excise Taxes on Durable Medical Equipment:** The new law imposes an excise tax of 2.9% on durable medical devices.
 - **New Fees on Employer Plans:**
In 2013 the fee is \$1 times the average number of lives ---2014 it is \$2---ends in 2019(?)

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- **Additional Medicare Taxes:**
 - There will be an additional 0.9% Medicare tax imposed upon employees who have wages over \$200,000 (\$250,000 for joint tax filers).
 - There will also be a new 3.8% Medicare tax imposed upon unearned income (interest, dividends, annuities, royalties and rents) for single taxpayers with income above \$200,000 (\$250,000 for joint tax filers).

starting in 2014

Minimum Waiting Periods : Maximum 90 days

The Exchange

A State may have one or two (or more?)
Exchanges—can be Private Nonprofit or Public
(Government Run)

Each Exchange will govern what companies and
products are offered, presumably prices;
much still unclear about HOW the Exchanges
will function

Employers must allow employees who are eligible for a subsidy to take a voucher and go to the Exchange and buy coverage

Effect on Employer Plans?

The Exchange Subsidy:

400% of FPL and below

\$88,200 in 2010 for a family of 4

82% of MT households eligible

The Bottom Line:

Healthcare remains private;

Insurance remains private (no public option)

No specific restrictions on agents

Much of the real impact will come from the regulations, we are 2 to 3 years from knowing many of the practical effects

Employers will need good advice more than ever!

Chamber Choices remains committed to helping Montana employers navigate and embrace reform, and supporting the agents Value Proposition!