

# Health Care Reform Timeline



The Patient Protection and Affordable Care Act (HR 3590), signed by the President on March 23, 2010 and the Health Care and Education Reconciliation Act approved by Congress, signed by the President on Wednesday, March 31, 2010 is intended to expand coverage to millions of Americans. Some measures will be implemented in 2010, but many will not take effect until 2014 with some extended out to 2020. A timeline with a high-level overview is provided below.

It is important to note that many of these reforms and their effective dates are subject to the rules and regulations process both at the state and federal levels – which could alter the intended timing of implementation.

## 2010 (beginning plans years 6 months post enactment)

- **Small Business Subsidy Phase I (2010-2013):** Tax credit of up to 35% of employers contribution toward the employee's premium if employer contributes at least 50% of the total premium or 50% of a benchmark premium. Full credit to employers with 10 or fewer employees and average annual wages of less than \$25,000.
- **Pre-Existing Condition Exclusions:** Pre-existing conditions on dependent children (under age 19) is prohibited.
- **Dependent Coverage:** Mandated coverage up to age 26.
- **Lifetime / Annual Maximums:** Health plans may not place lifetime caps on the dollar value of benefits; restricted annual caps permitted until 2014.
- **Preventive Care Coverage:** Health plans to provide coverage for preventive services, as defined by HHS, without cost-sharing obligations.
- **Policy Rescissions:** Coverage rescissions / cancellations are prohibited except in the case of fraud or intentional misrepresentation.
- **Temporary National High Risk Pool:** Effective 90 days post enactment until 2014, guarantee issue for individuals who have been uninsured at least 6 months due to health status or pre-existing condition.
- **No Discrimination in Favor of Highly Compensated EEs:** Enforcement delayed until detailed guidance is issued.

## 2011

- **Over-the-Counter (OTC) Drugs:** Prescriptions must obtain a prescription for OTC drugs if seeking reimbursement from FSA.
- **Uniform Health Plan Documents:** HHS and NAIC to establish standards for health coverage documents.
- **Medical Loss Ratios (MLRs):** HHS to establish MLRs for all individual and small group (80%) and large group (85%) health plans.
- **Pharmaceutical Fee:** Annual industry fee of \$2.5 billion (rises in subsequent years).
- **HSA Withdrawals:** Non-qualified withdrawals will be assessed a 20% tax.
- **Wellness Rewards:** Qualifying small employers may seek grants for implementing wellness programs (guidance still pending).

## 2012

- **Reporting Value of Health Plans (employers filing more than 250 W-2s in 2011):** Going forward employers are required to report the value of health care benefits on employees' 2012 W2 tax statements (to be issued in January 2013). Requirements for employers filing less than 250 W-2s has been indefinitely delayed.
- **Internal / External Appeals:** Plans must develop effective appeals processes; coverage to be continued during appeal process (some components of this provision have been delayed beyond January 1, 2012).
- **Medical Loss Ratio (MLR) Rebates:** Insurance carriers may issue their first year Medical Loss Ratio rebates.
- **Summary of Benefits and Coverage (SBC) and Uniform Glossary:** Employers must distribute a Summary of Benefits and Coverage document (SBCs will be provided to group health plans by the insurance carriers) and the Uniform Glossary of Terms to plan participants 30 days prior to the first day of the new plan or policy year. Other timing rules may apply due to special enrollees or other circumstances.

## 2013

- **Flexible Spending Account (FSA) Employee Salary Reduction Contributions:** Limited to \$2,500 a year; indexed for inflation.
- **Medical Expense Itemized Tax Deductions:** Thresholds for claiming itemized tax deductions for medical expenses rise from 7.5% to 10% of adjusted gross income.
- **Medical Device Manufacturers:** Industry to pay 2.3% sales tax on medical devices; devices such as eyeglasses, contact lenses, and hearing aids exempt.

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## 2013

- **Medicare Part D Subsidy:** Employers maintaining Rx drug plans for eligible retirees are no longer able to deduct expenses allocated to Medicare Part D Subsidy.
- **Employee Exchange Notification:** Employers are responsible for notifying employees and new hires of the Exchange, available subsidies and what could occur should they obtain a subsidy and/or coverage through Covered California.
- **New Taxes on High Income Earners:** Individuals making \$200,000 a year / couples making \$250,000:
  - Increased Medicare payroll tax of 2.35% on earned income — up from the current 1.45%.
  - New tax of 3.8% on unearned income, such as dividends and interest, is also added.
- **Patient-Centered Outcomes Research Institute (PCORI) Fee:** Insurance carriers are required to begin charging employers a fee times the average number of covered lives (for the policy year).

## 2014

- **Small Business Subsidy Phase II (2014 and later):** For up to two years, businesses eligible to purchase coverage through the Small Business Health Options Program (SHOP) Exchange may receive a tax credit of up to 50% of the employer's contribution (toward the employee's premium) if the employer contributes at least 50% of the total premium. Full credit available to employers with 10 or fewer employees and average annual wages of less than \$25,000. Credit phases out as firm size and average wage increases.
- **Guarantee Issue:** All insurers offering non-grandfathered health plans must guarantee coverage and renewability; can not apply pre-existing conditions or health status rating adjustments.
- **Community Rating Rules:** In California, rates can vary only by age (3:1 ratio), family size and geographic area. Federal guideline permits tobacco (1.5:1 ratio) as a rating variable.
- **Essential Health Benefits (EHBs):** Each state required to establish an essential minimum benefit plan in which all health plans, individual and small group markets, must include coverage for 10 benefit categories; annual limits removed.
- **Maximum Deductibles:** Small groups plan deductibles must not exceed \$2,000 for an individual or \$4,000 for families.
- **Wellness Rewards:** Wellness rewards increased from 20% to 30%; HHS has option to increase up to 50%. Also see 2011.
- **Individual Mandate:** All U.S. citizens are required to maintain coverage or pay penalty; waivers for Native Americans, religious objections, and financial hardship (premiums greater than 8% of income).
- **State-Based Exchange:** Covered California must be operational beginning January 2014. Must be self-sustaining by 2015.
- **Insurance Carrier Fee:** Insurance industry must pay annual fee of \$8 billion (increases in subsequent years).
- **Small Group:** Redefined as 1-100. California, however, has opted to maintain Small Group as 2-50 until 2016.
- **60-Day Waiting Period:** In California, no waiting period for coverage may exceed 60 days (federal guideline is 90 days).
- **Auto-Enroll:** Employer with 200+ employees required to auto-enroll employees in health benefits.
- **Clinical Trials:** Coverage for routine patient costs for clinical trials of life-threatening diseases.

## 2015

- **Pay or Play:** Employers with 100+ full-time equivalent employees not providing coverage to at least 70% of their full-time employees (increases to 95% in 2016) must pay a fine if offering coverage that is deemed unaffordable or not meeting a 60% actuarial value. The penalty is only triggered if an employee receives a subsidy through Covered California to buy insurance.
- **Reporting Requirements to IRS and Employees:** Employers to file information with the IRS.

## 2016

- **Pay or Play:** Employers with 50+ full-time equivalent employees not providing coverage to at least 95% of their full-time employees must pay a fine if offering coverage that is deemed unaffordable or not meeting a 60% actuarial value. The penalty is only triggered if an employee receives a subsidy through Covered California to buy insurance.
- **Minimum Essential Coverage:** Penalty increases to great of 2.5% of taxable income or \$695, for those not carrying coverage.

## 2017

- **Employer Participation in Exchange:** Employers with 100+ employees may participate in exchange, if permitted by state.

## 2018

- **Cadillac Tax:** 40% excise tax applied on health plans valued at more than \$10,200 for individual coverage and \$27,500 for family coverage; dental and vision excluded.