



BlueCross BlueShield of South Carolina
BlueChoice HealthPlan of South Carolina

Health Care Reform — Bulletin #2

April 26, 2010

An Overview for Employers

The federal health care reform law will significantly impact employer-sponsored health benefits plans. Here is an overview of some of the main issues:

Plans That Keep Their Coverage

Any policy or contract in existence at the time the law was signed is considered “grandfathered.” If employers keep their health coverage the same as it was when the law went into effect on March 23, 2010, they may avoid some — but not all — of the law’s provisions. At this time, we are not sure what changes can be made to a current plan; we must wait for the regulations that will explain this. Employers may add new employees and family members for new or current employees without losing grandfathered status.

Changes All Plans Must Make

Some changes must be made to all plans, even “grandfathered” plans that keep the same coverage:

- 2010:** No lifetime dollar maximum limits on benefits
Dependent coverage for adult children up to age 26 (if the plan provides for dependent coverage)
No annual limits on certain types of “essential” benefits, still to be defined by HHS (unless future regulations allow for this)
- 2014:** Waiting periods for coverage must be less than 90 days

Changes to New Plans

If an employer group does not keep its coverage the same, it must also include these changes:

- 2010:** Preventive care with no cost-sharing (100 percent coverage) for A & B preventive services as identified by the United States Preventive Services Task Force. For more information, visit this Web site: <http://www.ahrq.gov/clinic/pocketgd09/gcp09s1.htm>
No prior authorization or increased cost-sharing for emergency services, in- or out-of-network
No pre-existing condition limitation for children under age 19
No discrimination in eligibility or benefits in favor of highly compensated employees
- 2014:** Coverage of routine patient costs in clinical trials for life-threatening diseases

This communication is provided for informational purposes only and does not constitute legal advice or legal opinions. The information contained herein contains summaries of various portions of legislation addressing health care reform and is subject to change without notice. This information is not a substitute for legal advice from your lawyers.

Changes to FSA/HRA/HSA

- 2011:** Non-prescribed, over-the-counter medications are no longer eligible for pre-tax reimbursements from an employee's FSA, HRA or HSA. If an employee makes a nonqualified HSA withdrawal, the excise tax will increase from 10 percent to 20 percent.
- 2013:** Employee contributions to FSAs will be capped at \$2,500 annually, with the cap adjusted annually to the Consumer Price Index

Employee Notification and Reporting

- 2011:** Employers must report on employees' W-2s the value of their health plan.
- 2013:** Employers must notify employees about state exchanges, premium subsidies and free choice vouchers that will be available beginning in 2014.
- 2014:** Each year, employers must report certain data to the IRS, including:
- Whether the employer offers minimum essential coverage to full-time employees
 - Any waiting period for health coverage
 - The monthly premium for the lowest-cost option in each enrollment category under the plan
 - The employer's share of the total allowed cost of benefits provided under the plan
 - The number of full-time employees during each month
 - Each full-time employee's name, address and taxpayer identification number (or Social Security Number), and the months each employee was covered under the employer's plan
 - Other information that the Health and Human Services (HHS) secretary may require through the regulations

Tax Credits for Small Employers

Small employers with no more than 25 employees and annual wages of less than \$50,000 may earn tax credits. Ask your tax professional or visit the IRS' Web site to learn more:

<http://www.irs.gov/newsroom/article/0,,id=220839,00.html>

- 2010 – 2013:** Tax credit of 35 percent of the employers' cost if the employer contributes at least 50 percent of the total premium cost
- 2014 and beyond:** Tax credit of up to 50 percent of the employer's cost if the employer contributes at least 50 percent of the total premium cost and buys coverage through an exchange

Employer Fees and Penalties

- 2013:** Self-insured employers must pay a fee — \$1 times the average number of covered lives — to fund a comparative effectiveness research agency. (Insurance companies will incur this fee for fully insured groups.) From 2014 to 2019, the fee will be \$2 times the average number of covered lives. The fee will end on September 30, 2019.
- 2014:** Employers with 50 or more full-time employees may incur penalties — \$2,000 to \$3,000 per employee — if they do not provide health coverage to full-time employees, or if they provide coverage to full-time employees that is considered under the law as not affordable.
- 2018:** Plans that cost more than \$10,200 for individual coverage or \$27,500 for family coverage will incur a 40 percent excise tax.

This communication is provided for informational purposes only and does not constitute legal advice or legal opinions. The information contained herein contains summaries of various portions of legislation addressing health care reform and is subject to change without notice. This information is not a substitute for legal advice from your lawyers.

Wellness Programs

- 2010:** Wellness programs may not require employees to disclose or employers to collect any information about the employee's possession of firearms. Health plans may not base premiums, discounts, rebates or rewards on firearm or ammunition ownership.
- 2014:** The law codifies the HIPAA nondiscrimination rules on wellness programs and increases the incentive cap of 20 percent of premium to 30 percent. The HHS secretary may also increase the incentive cap to 50 percent.

Reinsurance for Early Retiree Benefits

- 2010:** The law sets up a temporary reinsurance program to assist companies that provide early retiree health benefits to employees age 55-64. This program will be set up within 90 days, but no details have been announced.

This communication is provided for informational purposes only and does not constitute legal advice or legal opinions. The information contained herein contains summaries of various portions of legislation addressing health care reform and is subject to change without notice. This information is not a substitute for legal advice from your lawyers.

BlueCross BlueShield of South Carolina and BlueChoice HealthPlan of South Carolina are independent licensees of the Blue Cross and Blue Shield Association.