Federal Health Care Reform
Roundtable Discussion

April 16, 2010

Issues Affecting Brokers

- Role of Health Insurance Agents and Brokers
- Health Insurance Exchanges
- Market Reforms

Issues Affecting Employers

- Employer Responsibilities
- Medical Loss Ratios and Premiums
- Tax Credits and Subsidies
- Mandates
- Medicare

What’s Next?
Summary

- $940 billion over ten years
- Reduce the deficit by $143 billion over the first ten years
- Reduce the deficit by $1.2 trillion dollars in the second ten years
- Expand coverage to 32 million Americans who are currently uninsured

Health Insurance Exchanges

- The uninsured and self-employed would be able to purchase insurance through state-based exchanges with subsidies available to individuals and families with income between the 133 percent and 400 percent of poverty level
- Separate exchanges would be created for small businesses to purchase coverage - effective 2014
- Funding available to states to establish exchanges within one year of enactment and until January 1, 2015

Subsidies

Individuals and families who make between 100 percent and 400 percent of the Federal Poverty Level (FPL) and want to purchase their own health insurance on an exchange are eligible for subsidies. They cannot be eligible for Medicare, Medicaid and cannot be covered by an employer. Eligible buyers receive premium credits and there is a cap for how much they have to contribute to their premiums on a sliding scale.

Paying for the Plan

- Medicare Payroll tax on investment income - Starting in 2012, the Medicare Payroll Tax will be expanded to include unearned income. That will be a 3.8 percent tax on investment income for families making more than $250,000 per year ($200,000 for individuals).
- Excise Tax - Beginning in 2018, insurance companies will pay a 40 percent excise tax on so-called “Cadillac” high-end insurance plans worth over $27,500 for families ($10,200 for individuals). Dental and vision plans are exempt and will not be counted in the total cost of a family’s plan.
- Tanning Tax - 10 percent excise tax on indoor tanning services.
Medicare

- Closes the Medicare prescription drug “doughnut hole” by 2020. Seniors who hit the doughnut hole by 2010 will receive a $250 rebate.
- Beginning in 2011, seniors in the gap will receive a 50 percent discount on brand name drugs. The bill also includes $500 billion in Medicare cuts over the next decade.

Medicaid

- Expands Medicaid to include 133 percent of federal poverty level which is $29,327 for a family of four.
- Requires states to expand Medicaid to include childless adults starting in 2014.
- Federal Government pays 100 percent of costs for covering newly eligible individuals through 2016.
- Illegal immigrants are not eligible for Medicaid.

Insurance Reforms

- Six months after enactment, insurance companies can no longer deny children coverage based on a pre-existing condition.
- Starting in 2014, insurance companies cannot deny coverage to anyone with pre-existing conditions.
- Insurance companies must allow children to stay on their parent’s insurance plans until age 26.

Individual Mandate

In 2014, everyone must purchase health insurance or face an annual fine of $695. There are some exceptions for low-income people.

Employer Mandate

Technically, there is no employer mandate. Employers with more than 50 employees must provide health insurance or pay a fine of $2000 per worker each year if any worker receives federal subsidies to purchase health insurance. Fines applied to entire number of employees minus some allowances.
## Health Care Reform Estimated Timeline

<table>
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<tr>
<th>Year</th>
<th>Events</th>
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| 2010 | - Children to stay on parents’ insurance until 26 years of age  
  - Seniors receive $250 rebate  
  - Insurers barred from imposing exclusions on children with pre-existing conditions  
  - Insurers can’t rescind policies to avoid paying medical bills of a sick individual  
  - Lifetime limits on benefits and restrictive annual limits – prohibited  
  - New plans to cover preventive services without co-pay  
  - Temporary reinsurance program for companies that provide early retiree health benefits  
  - New plans to implement coverage determinations and claims appeals process  
  - Adoption tax credit and assistance exclusion  
  - Indoor tanning tax  
  - Small Business tax credits |
| 2011 | - Medicare to provide free annual wellness visits and prevention plans  
  - States offer services to disabled through Medicaid  
  - 50 percent discount on brand-name drugs for certain enrollees  
  - Additional tax for HSA withdrawals before age 65  
  - Create plan for small businesses to offer tax-free benefits  
  - Medicare payroll tax increase for individuals earning a specified income |
| 2013 | - Implement electronic exchange of health information  
  - Limit contribution to FSA  
  - Eliminate Medicare Part D subsidy deduction  
  - Increase income threshold from 7.5 percent to 10 percent of adjusted gross income  
  - Increase hospital insurance tax for individuals earning a specified income  
  - 2.9 percent excise tax on first sale of medical devices |
| 2014 | - Citizens required to have coverage or pay a fine  
  - Individuals can join an exchange plan  
  - Large companies required to offer employees coverage or pay a fine  
  - Insurers cannot reject policies because of an individual’s health status  
  - Health plans prohibited from imposing annual limits on coverage  
  - Credits offered to those above Medicaid eligibility through exchanges  
  - Medicaid eligibility will increase to 133 percent of poverty  
  - Annual health insurance provider fee imposed according to insurers’ market share to companies with certain premiums |
| 2018 | - Excise tax imposed on high-cost employer-provided health plans |