



INSURANCE  
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## Health Care Reform Update

May 26, 2010

[www.siho.org](http://www.siho.org)

As you know, the Patient Protection and Affordable Care Act (PPACA) was signed into law on March 23, 2010. Since that time SIHO has been sending periodic e-news regarding the provisions of the bill. In order to provide structure, the following timeline will be included with each newsletter; In addition, each newsletter will provide clear and pertinent information about a selected few topics from this timeline **and will be highlighted in red.**

### Immediately

- Grandfather Status
- **Small Business Health Insurance Tax Credit**
- Reinsurance Program for Early Retiree Health Coverage (June 1, 2010)
- High-Risk Pool Coverage (July 1, 2010)
- Health Insurance Informational Portals (July 1, 2010)

### Plan Years Starting on or after September 23, 2010

- **Dependent Coverage through Age 26**
- No Pre-Existing Condition Exclusions for Children
- No Lifetime Benefit Limits and "Restricted" Annual Limits
- No Rescissions (except Fraud)
- All Emergency Services Covered In-Network\*
- No Cost Sharing for Specific Preventive Services\*

Note: \*Indicates provision does not immediately apply to Grandfathered Group Health Plans.

### 2011-2013

- Increased tax on HSA and MSA Withdrawals not used for Medical Expenses
- Public Long-Term Care Program
- Minimum Loss Ratio (MLR) Requirements
- Comparative Effectiveness Studies Begin
- All Group Plans Must Report Benefits to HHS
- Additional Medicare Tax Levied onto High Income Individuals

### 2014 and Beyond

- Exchanges
- Annual Taxes on Private Health Insurers
- Monetary Penalties for any Individual Failing to Purchase Coverage
- Expanded Medicaid and Tax Credits for Low Income Individuals
- Employer Responsibility Requirements and Free Choice Vouchers
- Guarantee Issue and Guarantee Renewal
- Pre-Existing Exclusions, Annual Limits, and Lifetime Limits Eliminated
- Restricted Underwriting Factors
- Wellness Program Changes
- Excise Tax (2018)

## Small Business Health Insurance Tax Credit

The Patient Protection and Affordability Care Act signed into law on March 23, 2010 includes a tax credit, effective January 1, 2010, for small employers who provide health insurance coverage for their employees. The employer must have less than the equivalent of 25 full-time employees and pay average annual wages below \$50,000 and cover at least 50% of the premium for a single employee only rate. The maximum credit for 2010 is 35% of the employers health insurance premium cost and is available to employers with 10 or fewer full-time equivalents and with average annual wages of \$25,000 or less. The credit decreases for employers with 10 to 25 full-time equivalents and annual average wages between \$25,000 and \$50,000. For tax-exempt employers the maximum credit for 2010 is 25% and is capped at the total amount of income tax withheld from employees' wages plus the employees and employers share of Medicare tax. The credit is claimed on the employer's annual tax return and can also be reflected in determining estimated tax payments for the year.

## Dependent Coverage Through Age 26

Interim final regulations on the dependent coverage of children to age 26 under the Patient Protection and Affordable Care Act were released on May 10. The provision is effective for plan years beginning on or after September 23, 2010 and only applies if a plan is already offering dependent coverage. Under the new regulations, a plan may not define a dependent other than in terms of the relationship between a child and the participant. Therefore, a plan may not deny or restrict coverage for a child who has not attained age 26 based on financial dependency, parental residency, marital status, student status, employment, or eligibility for any other coverage\*.

Children whose coverage ended, or were previously denied coverage, because the availability of dependent coverage of children ended before attainment of age 26, are now eligible to enroll in the plan.

The plan must provide an opportunity to enroll an adult child (up to age 26), in any benefit package option currently offered to dependents. Parents may switch benefit package options as available to accommodate the addition. Additionally, if a parent is not enrolled in the plan but is otherwise eligible and a child qualifies for the new enrollment opportunity, the plan must provide an opportunity to enroll the parent in addition to the child.

Plans and insurers must provide children who qualify an opportunity to enroll that continues for at least 30 days regardless of whether the plan or coverage offers an open enrollment period. The new policy does not otherwise change the enrollment period or start of the plan or policy year. The enrollment opportunity and a written notice must be provided no later than the first day of the first plan or policy year beginning on or after September 23, 2010. The written notice must include a statement that children whose coverage ended, or were denied coverage, because the availability of dependent coverage of children ended before attainment of age 26 are eligible to enroll in the plan. This notice may be included with other enrollment materials that plans distribute to employees, provided the statement is prominent.

It is important to note that the regulation does not mandate plans to provide dependent coverage, only that those plans offering dependent coverage extend it up to age 26. In addition, plans are not required to provide coverage for dependents of dependents.

\*Note: Grandfathered plans, for plan years beginning before January 1, 2014, may exclude coverage for an adult child, if the adult child is eligible to enroll in an employer-sponsored health plan.

**For past issues and more on health care reform: <http://www.siho.org/en/HCR/>**

Please be aware that the regulations surrounding this legislation have not yet been finalized. These regulations usually take several months to be drafted and accepted as the intent of this legislation is understood and clarified.

You are receiving this message as courtesy of the SIHO Insurance Services Communications Team. If you have questions or comments specific to newsletter distribution, please contact Chris Asher ([Chris.Asher@SIHO.org](mailto:Chris.Asher@SIHO.org)) or Andrew Kirk ([Andrew.Kirk@siho.org](mailto:Andrew.Kirk@siho.org)). If you wish to be removed from this newsletter, please reply directly to this message asking to 'unsubscribe'.