

**Health Reform Update**  
 March 23, 2010

President Obama signed into law today the Patient Protection and Affordable Care Act (H.R. 3590). A second bill, the Health Care and Education Reconciliation Act of 2010 (H.R. 4872), will now be considered by the Senate. The reconciliation bill includes proposed changes to H.R. 3590. This represents landmark health reform legislation that effects multiple changes to employer-sponsored health coverage.

We know you have questions as to how this reform legislation will impact your organization. A majority of the provisions expected to impact employers do not take effect for several years, but some plan coverage requirements may be effective upon your next renewal. The following is the expected timing of key provisions that will impact employers, based upon the reconciled bill. These rules apply to both insured and self-insured plans. *Please note that this list is not exhaustive and is not yet final.*

Year	Impact
2010/2011 ( <i>first plan year following 6 months from date of enactment</i> )	<ul style="list-style-type: none"> <li>• Cover adult children to age 26</li> <li>• Remove lifetime benefit maximums; only "reasonable" annual limits can apply</li> <li>• Remove preexisting condition limitations for children under 19</li> </ul>
2011	<ul style="list-style-type: none"> <li>• Cap out-of-pocket limits at HSA maximums</li> <li>• Non-qualified HSA distribution penalties increased</li> <li>• Over the counter drugs no longer eligible under FSA</li> <li>• W2 reporting of health benefit value</li> <li>• Temporary early retiree government reinsurance program</li> </ul>
2012	<ul style="list-style-type: none"> <li>• Voluntary disability/long term care benefit program; auto-enrollment required</li> </ul>
2013	<ul style="list-style-type: none"> <li>• Maximum FSA contribution reduced to \$2,500</li> <li>• Auto-enrollment in employer health plan</li> <li>• Tax on retiree drug subsidy</li> <li>• Assessment applied to insured and self-insured plans (\$1-\$2 per covered life)</li> <li>• Increased Medicare tax on high-income earners</li> </ul>
2014	<ul style="list-style-type: none"> <li>• Employer "pay or play" mandate / "free rider" assessment</li> <li>• All annual benefit limits prohibited</li> <li>• Reduce waiting periods to no more than 90 days</li> <li>• Preexisting condition limitations for all participants prohibited</li> <li>• Allowable financial incentives for wellness increased to 30% of cost of coverage</li> <li>• Vouchers required for certain employees</li> <li>• Employer health coverage reporting to the government</li> <li>• Insurance exchanges available</li> <li>• Individual mandate to have health insurance</li> <li>• Health industry fees/taxes</li> </ul>
2018	<ul style="list-style-type: none"> <li>• "Cadillac Tax" on high cost health plans</li> </ul>

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Also proposed are extensive changes to Medicare, Medicare Advantage plans and Medicare Prescription Drug benefits that will impact employers, especially those with retiree health coverage.

We know there is significant, highly emotional media coverage that is likely to generate questions from all levels of your organization. SBA will continue to monitor developments and will provide you with more information once the outcome of the pending reconciliation bill is known. While some speculate that the reconciliation process will be swift, there are signs that partisanship may slow the process.

**Once the health reform law is final, SBA will develop a customized action plan for each client, determine the cost and administrative impact to your specific organization and assist with required compliance.** We will also host a webinar in April to review the impact to employers in detail. In the meantime, please contact us if you would like to develop any employee communications regarding the status and expected impact health reform.

Please contact your SBA consultant with any questions.