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To digest new health care reform legislation, take it in small doses

By now every American knows that on March 23, President Obama signed into law the Patient Protection and Affordable Care Act. All debates aside, passage of this historic health care reform legislation has far-reaching implications for individual taxpayers and big business alike.

Intended to extend affordable health care coverage to 32 million currently uninsured Americans, the new law will increase taxes and fees by nearly \$400 billion over the next 10 years.

Volumes of valuable commentary about the legislation are shooting through cyberspace at light speed by insurance and tax experts, but the magnitude of data is daunting. So what does the man on Main Street need to know? Here's the answers to a few basic questions:

What's changing under the health care reform law?

The legislation is designed to extend better quality health care benefits and reduce the number of uninsured or under-insured people in the country. To that end, there are several key provisions within the new law.

- **Dependent coverage until age 26:** The law requires health plans to cover dependents until they reach age 26.

- **Pre-existing condition exclusions:** In the near term, the law will prohibit the application of pre-existing condition exclusions for children under age 19. After Jan. 1, 2014, this prohibition applies to all individuals.

- **Prohibition on rescissions:** Health plans will be prevented from rescinding health coverage once an individual is covered under the plan, unless the individual acts fraudulently or intentionally misrepresents a material fact.

- **Preventive services:** Health plans will



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be required to cover certain preventive services, such as immunizations and infant preventive care and screenings, at no cost to the employee.

- **Lifetime maximums:** The law prevents health plans from applying a lifetime maximum on benefits.

- **Annual maximum:** Soon health plans will only be able to impose restricted annual limits on essential health benefits, and eventually they will be unable to impose any annual limits.

Can my company keep its existing health insurance plan?

For the most part, employers who wish to keep their current plan may do so. The new law contains "grandfather" provisions that exempt existing health plans from having to implement extensive changes to their coverage. However, those plans will be required to enact certain changes, such as increasing coverage to include dependants up to the age of 26. Grandfathered rules apply for individuals who were enrolled in a plan as of March 23, 2010, as well as for family members and new employees who subsequently join a plan.

When will health care reform legislation take effect?

Reform provisions will be rolled in over time, with some effective as early as six months after the date of the law's enactment and others not until 2014 or later. It will be important that employers and plan providers monitor schedules to adhere to implementation deadlines.

As an employer, am I required to provide health coverage for my employees?

The law does not require employers to provide health coverage to employees. However, beginning in 2014, tax penalties will be imposed on certain employers with at least 50 full-time employees who fail to provide health benefits. Full-time employees are defined as those employees working 30 or more hours per week.

Are individuals required to obtain health insurance?

The law requires that all individuals obtain and maintain "minimum essential coverage" for themselves and their dependents or pay a penalty on their federal tax return beginning in 2014. "Minimum essential coverage" includes coverage under any employer-provided plan, government programs like Medicare or Medicaid, or any plan offered in the individual market.

What are the tax implications?

This legislation will raise nearly \$400 billion in 10 years through tax increases, among other things, so the tax implications are extensive; however they vary from person to person depending on an individual's taxpayer status. As an example, starting in 2013, families that earn more than \$250,000 annually will pay greater Medicare payroll taxes (2.35 percent instead of the current 1.45 percent). That would mean an extra \$225 per year in taxes for a couple earning \$275,000.

Will there be additional reporting requirements for employers under the new law?

The reform legislation does impose new reporting requirements on employers. For example, beginning in 2011, W-2 statements issued to employees must include the aggregate cost of employer-sponsored health benefits, and if an employee receives coverage under multiple plans, an employer must disclose the aggregate value of all coverage. These new reporting requirements will significantly increase the amount of information companies have to compile and report. To ensure compliance, it will be critical that businesses implement processes and procedures to consistently capture and accurately maintain data.

Admittedly, these answers barely scratch the surface. We will all eventually need to know more about the provisions and implications of this legislation. But for your health, ingest it in small doses.

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