Health Reform Employer Related Provisions Timeline

EFFECTIVE DATES UNCERTAIN

The effective date of the following provisions is uncertain as of 8/1/2013. Final effective dates will be determined by regulatory guidance yet to be issued.

IRS Nondiscrimination Rules Applicable to Fully Insured Health Plans

- Employers with fully-insured plans prohibited from providing benefits which discriminate in favor of highly compensated employees, similar to Section §105(h) rules which already apply to self-insured health plans.
- Effective date delayed - The IRS delayed the enforcement of these rules until plan years beginning sometime after the release of regulatory guidance. It is expected that the most likely effective date will be for plan years beginning 1/1/2014.

Automatic Enrollment

- Employers with more than 200 full-time employees must automatically enroll full-time employees in health coverage. Employees will have the option to opt out of automatic enrollment. DOL has stated rules will likely not be effective before 2015.

2012 - 2013

Summary of Benefits and Coverage

- Plans required to provide a Summary of Benefits and Coverage (SBC) to all applicants and participants.
    - Requirements that apply to communications to participants during an annual enrollment period are effective for open enrollment periods that begin on or after September 23, 2012.
    - Requirements that apply to new enrollees other than during an open enrollment period are effective beginning on the first day of the first plan year that begins on or after September 23, 2012.

Clinical Effectiveness Research Fee

- All health plans will pay a fee to fund clinical effectiveness research effective for plan years beginning 11/1/2011. The fee will equal $1 per year per participant for the first year, and $2 per year after that until it sunsets in 2018.
    - Health insurance companies will pay fee on behalf of fully insured plans.
    - Plan sponsors of self-funded plans must pay fee by July 1 of the year following the end of the plan year.

Report Plan Cost on W-2

- Employers must report the value of employees' health coverage on their W-2.
- Large employer reporting is mandatory for tax year 2012 (W-2s released January 2013).
- Smaller employers who file fewer than 250 W-2s in the prior year are not required to report.

Medicare Hospital Insurance (HI) tax

- An additional Medicare tax of 0.9% applies to taxpayers with earned income above $200,000 (single return) or $250,000 (joint return). Employers are not required to match the increase.
- Employers must only withhold additional tax if employee's compensation from that employer exceeds $200,000.

Limit on Health FSA

- Employee annual pre-tax reductions for contribution to a Section 125 health FSA capped at $2,500 per year (then indexed annually to inflation) beginning with plan years starting on or after 1/1/2013.

Exchange Notice Requirement

- Employers required to provide employees with a notice by 10/1/2013 which includes; information on health insurance exchanges, premium subsidies and if the employer's plan meets minimum value requirements.
- HHS has released model notice for employer use.

2014

Health Benefit Exchanges (Marketplaces)

- States will establish an insurance Exchange to facilitate the offering of approved, qualified health plans. Exchange coverage initially offered only to individuals and small employers (50-100 employees, depending on the state).
- Federal government will establish an Exchange in states that choose not to implement a state run Exchange.

Individual Health Coverage Mandate

- Individuals who do not enroll in "minimum essential coverage" will pay a tax starting at $95 or 1% of income in 2014, increasing to $695 or 2.5% of income per adult in 2017(tax is half this amount for children).

Insurance Market Reforms

- Insurers in the individual and small-group markets subject to various rating and underwriting rules. Rules apply to small group and individual health insurance plans sold both inside and outside an exchange.
- Guarantee issue and renewable basis, no health underwriting, no preexisting condition exclusions and limits on permissible premium rating bands

- Premium rates can only vary premium according to specific criteria including individual or family coverage, rating area and age.
- A health Insurance issuer offering coverage in the individual or small group market must offer those essential benefits that are required to be offered on the state exchanges.

Employer "Play or Pay" Penalties for not Providing Coverage to Full-Time Employees

- (Delayed until 2015 see below)

No Lifetime Limits, Restricted Annual Limits

- Plans may not impose lifetime limits.
- Restrictions on annual limits begin in 2012, with no annual limits permitted beginning in 2014.

Deductible Limits for Small Group Plans

- Fully insured small group health plans cannot impose deductibles that are higher than $2,000 single / $4,000 family.
  - Carriers may offer deductibles higher than $2000 if necessary to meet bronze level coverage requirements.

Plan Cost-Sharing Limitations

- Plan out-of-pocket (OOP) limits must not exceed the amounts applicable to HSA qualified High Deductible Health Plans (HDHP)
  - $6,250 for individual coverage and $12,500 for family coverage adjusted annually for inflation.
- Applies to all non-grandfathered health plans regardless of size, including fully insured and self-funded plans.
- Out-of-pocket maximum applies to in-network coverage only and must include all participant cost sharing requirements including deductibles, coinsurance, co-pays.
- 2014 plan year transition rules allow separate OOP maximums for a plan that uses different administrators for portions of the plan such as a separate Rx benefit. Beginning with 2015 plan years all aspects of plan must rollup to a single OOP.

Limits on Waiting Periods

- Plan years beginning on or after January 1, 2014 - Plan cannot impose any waiting period that exceeds 90 days.

Fees on Certain Plans/Insurers

- Annual fee on health insurance "issuers" (health insurance companies). Does not apply to self-funded plans.

Wellness Incentives

- HIPAA limits on financial incentives for participation in wellness programs will increase to 30% or 50% for tobacco related programs.

Federal Premium Subsidies and Cost Sharing Reductions for Low and Middle-Income Individuals

- Premium subsidies & reduced cost sharing will be provided to individuals earning up to 400% of federal poverty level who purchase individual health insurance through an

Exchange. Individuals eligible for affordable employer sponsored health insurance are not eligible.

Report to Government on Plan Coverage

- Delayed until 2016 (see below)

Coverage for Clinical Trials; No Discrimination

- Plan cannot deny participation in approved clinical trials or otherwise discriminate based on participating in trials.

2015

Employer "Play or Pay" Penalties for not Providing Coverage to Full-Time Employees

- Applies to employers with 50 or more full time employee equivalents (FTEs)
    - Part-time employees are counted on a pro-rated basis to determine if employer is subject to the penalty but employers are not required to cover part-time employees.
- Employers who offer health insurance to all full-time employees (30 hrs per week) will pay $250 per month for any full-time employee who opts out of the employer plans and purchases subsidized individual coverage through the exchange.
    - Employees can only qualify for subsidized individual insurance if the employer's plan is unaffordable or does not offer minimum value coverage.
- Employers who do not offer minimum essential health insurance to full-time employees would pay $2,000 annually multiplied by the total number of full-time employees (not counting first 30 employees).

2016

Report to Government on Plan Coverage

- Most employers must report to IRS about health coverage including the name of each employee and dependent covered by plan, portion of premium paid by employer and other items.
- Summary of this information must be provided to each covered individual.

2018

Excise Tax on High-Cost Health Plans

- A 40% excise tax will apply to the cost of employee health coverage that exceeds $10,200 annually for single coverage and $27,500 for family coverage.

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