



If you're feeling confused about health reform, you're not alone. Although the rules for how the new health care reform law will be implemented are still being written, here is a basic summary of what is included in The Patient Protection and Affordable Care Act (PPACA).

Happening Now, in 2010

- First, if you're a small business that offers coverage to employees, and the average wages of your employees are less than \$50,000 per year, you may be eligible for a tax credit to help with the cost of coverage, even if you don't owe income taxes. The credit will start at 35% of health insurance premiums in the first year and will vary depending on your circumstances.
- You may have heard that some of your benefits may be improving because of the new law. A number of new benefits will be required on all health plans starting as early as September 23, 2010. The effective date of these new benefits will vary depending on what month your plan went into effect (this is called your plan year or your renewal date), but it's coming soon for everyone.
- One new benefit is that the overall limits on the benefits that can be paid for eligible expenses on your health plan -- and the limit on how much can be paid each year -- will be eliminated. For example, if your plan had a \$1 million maximum, it would change to an unlimited maximum. If it limited prescription drugs to \$1,000 per year, that limit would go away. However, medical services still have to be medically necessary before they will be covered by your policy.
- Another new benefit is that if you cover dependents on your health plan, they can be covered until the age of 26, even if they are not full-time students or if they are married. Many people are looking forward to this benefit but have questions about what it might mean for children who may be coming off of their policies before September. Guidance from the Department of Health and Human Services is coming soon to answer many of the questions people have about this benefit.
- The new law provides enhanced coverage for preventive services. This means that benefits for prevention will be covered at 100% with no deductible. This benefit applies to most, but not all, plans and the exact benefits that must be covered will be announced very soon. If your plan is "grandfathered," which means it is exactly the same as before the bill was enacted on March 23, 2010, the new preventive benefit provisions will not apply until 2014.

Keep in mind that although these new benefits may be beneficial, there may also be a cost associated with them. Unfortunately, you don't have a choice on this as they are required to be included in all health coverage now.

Happening Next Year, in 2011

- If you have a Health Savings Account and you withdraw funds for non-medical reasons, your penalty will be larger this year. The cost for using HSA funds on non-medical expenses will be that the money you spend will now be taxable income to you, plus a 20% fine.
- If you have an HSA or you have an employer-sponsored FSA or HRA, you will no longer be able to turn in expenses for over-the-counter drugs unless you have a prescription.

In 2012 and 2013

- If you are an employer who provides coverage for employees, you will notice a new tax for comparative effectiveness research beginning in 2012. The cost will start at \$1 and go to \$2 per enrollee and is to cover the cost of research on which medical treatments work the best.
- If you are an employer who offers FSAs for employees or an employee who participates in an employer FSA, you will only be able to set aside \$2,500 each year starting in 2013.
- Employers will be required to provide several different notices to employees about changes that will be coming in 2014 as a result of the new law.

In 2014

This is the biggest year for change. Whether you're an individual buying coverage on your own or a small employer (up to 100 employees) buying coverage for your employees, many rules for how that coverage works will be different.

- First, beginning this year, health insurance companies can't turn anyone down for health insurance coverage or ask any questions about their health when coverage is applied for. In addition, strict rules for how much premiums can vary from one person to another will go into effect.
- Second, there will be a new market for health insurance in each state, in addition to the sources of coverage that exist today. These new markets will be called "Exchanges." If a person doesn't have employer-sponsored coverage, he or she may be eligible for a subsidy to help pay for the cost of the coverage and, in some cases, an increased level of benefits with lower deductibles and copays.

Although these benefits sound good, you should be aware that they may increase the cost of coverage and they are not optional – all plans are required to have them. Whether they result in a cost increase for you or your employees will depend on your specific situation. Your agent or broker can help you determine what the most cost-effective options are in your state.

- To go along with these changes, there will also be a requirement that everyone carry a minimum level of health insurance coverage or be subject to a fine. Some people will be exempt from this requirement if they have a very low income.
- Employers with more than 50 employees generally will be required to offer a minimum threshold of health insurance coverage or potentially be subject to one or more fines. Employers could also be subject to fines if their employees choose government subsidized coverage through the exchange.

A variety of taxes go into effect at different times between 2011 and 2014 that may increase tax liability for certain individuals or increase the cost of your health plan.

For more information about what health reform means to you, contact Steven G. Cosby, MHSA or go to www.cosbyig.com.