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## 2010

### Date of Enactment

- Small Business Tax Credits For Qualified Employers
- Immediate Access To High Risk Pools (pre-existing conditions).
- Phase Out Of Medicare Part “D” Donut Hole

### Effective 3/23

- Coverage Maintained Under CBA
- Grandfathered Plans Defined

### Effective 6/21

- Help For Early Retirees (55-64)

### Effective 7/1

- Tax On Indoor Tanning Services
- Plan Years Beginning on or after 9/23
- Cost Reporting and Rebates
- Expansion of Child Coverage to Age 26
- Income Tax Exclusion of Employer Health Benefits
- Lifetime Limits Prohibited
- Pre-Existing Condition Exclusions Prohibited for Children
- Annual Limits Restricted
- Insurance Rescissions Prohibited
- Uniform Explanation of Coverage
- Appeals Process\*
- Discrimination Requirements\*\*
- No Referral for OB/GYN, Pediatrician, ER Services\*
- Preventative Care Covered at 100%\*

## 2013

- Increased Threshold for Itemized Medical Deductions
- Health Flexible Spending Account (FSA) Cap
- Medical Device Excise Tax
- Additional Medicare Tax on High Income Individuals

## 2014

- Individuals Required to Obtain Health Care Coverage
- Exchanges Established
- Low Income Premium Subsidy in the Exchange
- Play or Pay Penalty for Not Offering Coverage
- “Free Rider” Penalty Established for Opt-outs Electing Coverage Through the Exchange
- Minimum Benefit Package Required
- Waiting Period Maximums
- Pre-Existing Condition Exclusions prohibited for all enrollees
- Guaranteed Issues and Renewability
- Auto Enrollment
- Elimination of Annual Limits
- Required Service Categories and Coverage\*
- HIPPA Wellness Incentives\*
- Maximum Out-of-Pocket Limit\*
- Employer Reporting Requirements
- Employee Vouchers for Exchange
- Health Insurance Industry Tax
- Community Rating – Limits on Age Rating by Insurers
- “Cadillac Plan” Excise Tax

## 2011

- OTC Drugs No Longer Reimbursable
- HSA Nonqualified Withdrawals Penalty
- Reporting Plan Value on W-2
- Voluntary Long-Term Care Program
- Pharmacy Manufacturer Tax
- Preventative Care Under Medicare
- Medicare Advantage Plan Funding

\*Does not apply to grandfathered Plans

\*\* Implementation delayed

Surge Resources, Inc. will continue to provide information relating to the new healthcare legislation as it becomes available. SRI is committed, as always, to partnering with its valued clients to provide guidance and assistance with the administration of the applicable provisions related to healthcare reform. Note: This is only a summary of some (but not all) of the provisions under the new Health Care Reform regulations and is provided for informational purposes only. SRI does not provide legal advice. This information does not replace or supersede the advice of legal counsel or tax professional.



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Impact to Employers		Effective Date
Small Business Tax Credits for Qualified Employers	Small business health care tax credits to make employee coverage more affordable. Firms that choose to offer coverage will be able to take advantage of tax credits up to 35% of premiums in 2010. There is also a 25% credit for small non-profit organizations. In 2014, with the advent of the Exchanges, these tax credits will cover up to 50% of premiums for qualified employers. Refer to the IRS website for more information on "Small Business Health Care Tax Credits" at <a href="http://www.irs.gov/newsroom/article/0,,id=220839,00.html">http://www.irs.gov/newsroom/article/0,,id=220839,00.html</a>	March 23, 2010
Reporting Plan Value on W-2 **	Employers must begin Form W-2 disclosure of the total value of the employee's employer subsidized health coverage on the W-2 issued in January 2012 for the preceding year (2011).	2011 ** Implementation delayed
Uniform Explanation of Coverage	Plan administrator of a health plan (or an insurer of a fully-insured plan) must provide a summary of benefits and coverage explanation to all applicants and enrollees at the time of initial enrollment and annual enrollment. This is in addition to the Summary Plan Description required by ERISA. Employers must provide a summary of benefits to each employee that is not more than four pages in length, that is written in a culturally and linguistically appropriate manner, and contains certain content related to covered benefits, exclusions, cost sharing, and continuation coverage. HHS has twelve (12) months from the date of enactment (March 23, 2011) to provide guidance regarding the uniform explanation of coverage and employers have twenty-four (24) months from the date of enactment (March 23, 2012) to provide such explanation to employees. In addition, the explanation must be updated for material modifications to coverage not less than 60 days in advance of effective date of the change. Failure to comply may result in a \$1,000 penalty for each failure.	2012
Play or Pay Penalty for not offering coverage	Employers are subject to a \$2,000 penalty per full time employee (FTE) defined as 30 or more hours per week who are not offered coverage. There is no requirement for part time employee (PTE ) coverage. No minimum employer subsidy required.	2014
"Free Rider" penalty for opt-outs electing coverage through the Exchange	Employers are subject to a "free rider" penalty under which employers with at least 50 employees must pay a penalty if a full-time employee received a federal subsidy to purchase health insurance in the exchange. \$3,000 (indexed) for FTEs who enroll in Exchange and receive subsidy; with an aggregate cap of \$2,000 times total number of FTEs.	2014
Impact to Employees		Effective Date
Employee Vouchers for Exchange	Employers must offer "free choice vouchers" to qualified employees (those under 400% of Federal poverty level with contributions between 8.0% to 9.8% of household adjusted gross income (AGI) for the purchase of qualified health plans through the exchange.	2014
Employee Notifications	Employers must provide written notice to current employees-and new employees as they are hired-of the existence of a health insurance exchange and how the employee may contact the exchange to request assistance. If the employer's share of the total costs of benefits is less than 60 percent of the costs (actuarial value), the	2014

	employer must inform each employee that he or she may be eligible for a premium tax credit if the employee purchases insurance through the exchange, but that the employee will lose the employer contribution (if any) made with respect to health coverage.	
Auto Enrollment	Employers with more than 200 employees must automatically enroll new full-time employees in health care coverage (subject to any waiting period authorized by law). Employees have the ability to opt out of coverage.	2014
Employer Reporting Requirements	Employers with more than 50 FTEs must certify to the IRS whether they offer employees minimum essential coverage, the length of any waiting period, monthly premiums, the employer's share of the total costs of benefits, number of FTEs per month, and identifying employee information, including whether the employee was covered under any benefit plan. The IRS may by regulation require additional information. Employers must also provide employees with notice of the information provided to the IRS.	2014

## Requirements Applying to Employer Plans

"Grandfathered" Plans Defined	Plans in effect on the date of enactment are "grandfathered" plans which will get some exemptions from compliance. Grandfathered plans are subject to certain insurance reforms such as extending coverage to children until age 26, prohibiting lifetime and annual limits and prohibiting waiting periods beyond 90 days, among others. Plans retain this protection even when new employees or family members join the plan, or the plan changes components or parts of the benefit design.	March 23, 2010
Appeals Process*	Plans must establish an effective appeals process for appeals of coverage determinations and claims which shall at a minimum (1) have in effect an internal claims appeal process; (2) provide notice to enrollees of the available internal and external appeals processes and of any available ombudsman; (3) allow an enrollee to continue to be covered during the appeals process; and (4) provide an external review process for such plans and issuers that, at a minimum, includes the consumer protections set forth in the Uniform External Review Model Act.	Plan years after September 23, 2010
Plan years after September 23, 2010	Requires individual and small group market insurance plans to spend 80% of premium dollars on medical services (large groups must spend 85%). Rebates to enrollees for insured plans outside of these minimum loss ratios (MLR).	Plan years after September 23, 2010
Cost Reporting and Rebates		

## Requirements Applying to Employer Plans

Effective Date

Discrimination Requirements**	Fully insured plans cannot establish eligibility rules based on employee salaries or wages or any eligibility rules that discriminate in favor of higher paid employees. The nondiscrimination rules of Internal Revenue Code Section 105(h) apply to insured plans. The rules previously applied only to self-insured plans.	Plan years after September 23, 2010 ** implementation delayed
Expansion of Child Coverage to age 26	Plans that provide coverage for dependent children are required to allow participants to cover adult dependent children under 26 years of age (regardless of student status and whether or not married). However, prior to January 1, 2014, the plan is not required to cover dependents if they are eligible to enroll in employer-sponsored coverage under another plan.	
Lifetime Limits Prohibited	Health care reform prohibits insurers/plans from imposing lifetime limits for essential benefits.	
PCP - Any willing provider/No referral to OBGYN, Pediatrician, ER Services*	If a plan requires the designation of a primary care provider, the participant must be allowed to select any primary care provider that will accept the participant ("any willing provider"). For children, the plan must permit the designated primary care provider to be a pediatrician. If emergency services are covered, prior authorization cannot be required and the plan must cover the services regardless of whether the provider is a participating provider with respect to the plan. The plan may not require authorization or referral to receive care from an obstetrician or gynecologist. However, such provider must agree to adhere to the plan's policies and procedures regarding referrals and prior authorization for treatment.	
Pre-existing Condition Exclusions	Pre-existing exclusions prohibited for children under 19.	

Prohibited for Children Preventive Care*	Health insurance plans must provide first dollar coverage for preventive health services. Preventive care services must be covered at 100%.	
Annual Limits Restricted	Unreasonable annual limits prohibited for essential benefits.	
<b>Taxes</b>		
Adoption Credit	The new law increases the adoption tax credit and adoption assistance exclusion by \$1,000, makes the credit refundable and extends the credit through 2011.	March 23, 2010
Pharmacy Manufacturer Tax	Imposes taxes on pharmaceutical manufacturers to defray cost of reform. \$2.5B projected in 2011 increasing to \$4.2B in 2018; 2.8B in 2019+.	2011
Reporting Plan Value on W-2	Yes for W-2s issued in 2012 for the 2011 tax year.	2012
Income Tax Provisions - Increasing Threshold for Itemized Medical Deductions	Itemized medical deduction threshold increased from 7.5% to 10%. Individuals over age 65 would be able to claim at 7.5% of AGI through 2016.	2013
<b>Taxes</b>		<b>Effective Date</b>
Additional Medicare Taxes on High-Income Individuals	An additional Medicare tax of 0.9% on wages and a 3.8% tax on unearned income will be imposed on individuals receiving wages in excess of \$200,000 (single taxpayers) or \$250,000 or more (joint return). These new taxes are imposed only on the employee portion of the Medicare tax and not on the employer portion.	2013
Medical Device Excise Tax	A 2.3% excise tax on the first sale for use of medical devices (with certain exceptions) for a total fee of \$20B over 10 years.	2013
Health Insurance Industry Tax	\$8B in 2014 increasing to \$14.3B in 2018; trended after 2018.	2014
Exchange Reinsurance Program	\$25B tax on insurers and TPAs from 2014 to 2016 for Exchange reinsurance program.	2014
"Cadillac Plan" Excise Tax	A 40% excise tax will be imposed on the value of health care coverage offered by employers that exceeds a certain threshold (Values above \$10,200/individual and \$27,500/family (Indexed at CPI+1% for 2019). Higher indexing based on retirees, high risk industry, age and gender. Excludes dental and vision. For multi-employer plans all coverage is considered family.	2018
<b>Insurance Market Reform</b>		
Prohibiting Rescissions	Prohibits abusive practices whereby health insurance companies rescind existing health insurance policies when a person gets sick as a way of avoiding coverage of the enrollee's health care needs.	Plan Years beginning after September 23, 2010
Minimum Benefit Package	Bronze, Silver, Gold and Platinum with actuarial values of 60%-90%.	2014
Guaranteed Issue and Renewability	Yes, Also includes interim high risk pool for currently uninsured (starting 90 days after enactment).	2014
Community Rating - Limits on Age Rating	3 to 1 ratio maximum (50% surcharge also permitted for tobacco use).	2014
<b>Purchasing Exchanges</b>		
Exchanges Established	States are required to create Health Insurance Exchanges where individuals and small employers can purchase health insurance. The exchanges are open to employers with 100 or fewer employees but states may limit participation before 2017 to employers with 50 or less employees. In 2017 states can make these exchanges available to large employers.	2014
Low Income Premium Subsidy in the Exchange	Affordability credits up to 400% of the federal poverty level (FPL).	2014
<b>Impact to Individuals</b>		<b>Effective Date</b>
Immediate access to High-Risk Pools (pre-existing conditions)	HHS to set up high risk pools for individuals who cannot get coverage due to pre-existing condition limitations.	June 23, 2010
Tax on Indoor Tanning Services	10% tax on amounts paid for indoor tanning services on or after July 1, 2010 is being imposed.	July 1, 2010
Individuals Required to Obtain Health Care Coverage	Individuals are required to obtain health care coverage or pay an income tax penalty. Enrollment in an employer group health plan satisfies the individual mandate. Penalties for non-coverage include the greater of 1.0% of AGI or \$95/person in 2014, 2.0% or \$325/person in 2015, 2.5% or \$695/person in 2016; indexed. Family	2014

	dollar amount capped at 300% of individual penalty.	
Relief for "Unaffordable" Employer Coverage for Employees Under 400% of FPL	If employee contributions are above 9.5% of AGI - the employee is eligible for subsidized Exchange coverage and employer is assessed the play and pay penalty.	2014
<b>Impact to Retirees</b>		
Phase out of Medicare Part "D" Donut Hole	\$250 rebate in 2010 for beneficiaries who reach donut hole. Phases out donut hole by 2020 in combination with brand drug discount.	March 23, 2010
Help for Early Retirees (55-64)	A \$5B fund is created to finance a temporary reinsurance program to help employers offset the costs of expenses health claims for retirees ages 55-64 and their families (provides up to 80% subsidy of costs between \$15K-\$90K. Terminates December 31, 2013 or when funds expended.)	June 23, 2010
Means based Medicare Part D Premiums	Increased premiums for Medicare Part D prescription drug coverage higher income retirees.	2011
Brand Drug Coverage in Part D Donut Hole	Drug manufacturers required to discount brand drugs in donut hole by 50%.	2011
Brand Drug Coverage in Part D Donut Hole	Drug manufacturers required to discount brand drugs in donut hole by 50%.	2011
Preventive Care Under Medicare	Eliminates co-payments for preventive services and expands preventive services under the Medicare program.	2011
Medicare Advantage Plan Funding	The new law freezes Medicare Advantage (MA) payments for 2011. MA payments will be restructured by tying them to 100% of Medicare fee-for-service costs, providing bonuses for quality and making payment adjustments for unjustified coding. Beginning in 2014, establishes an 85% minimum loss ratio (MLR) for all MA plans and applies penalties for lower MLRs.	2011
Efforts to Improve Medicare's Efficiency	The law contains a number of important delivery system reforms intended to reduce the rate of increase in future health care costs and Medicare spending.	2020
<b>Collective Bargained Coverage</b>		<b>Effective Date</b>
Coverage Maintained Under CBA	For coverage maintained under a CBA ratified before March 23, 2010, all new coverage and cost-sharing rules apply upon the termination of the last CBA relating to the coverage.	March 23, 2010
<b>CLASS ACT</b>		
Voluntary Long-Term Care Program	The Community Living Assistance Services and Supports (CLASS) program, is a voluntary federal program for long term care insurance. Only active employees are eligible to participate. Government run long-term care program. Employers are expected, but not required, to allow for payroll deductions and automatically enroll employees.	2011