

Der Manouel
INSURANCE GROUP

**Health Care Reform:
Compliance for Employers**

Presented by

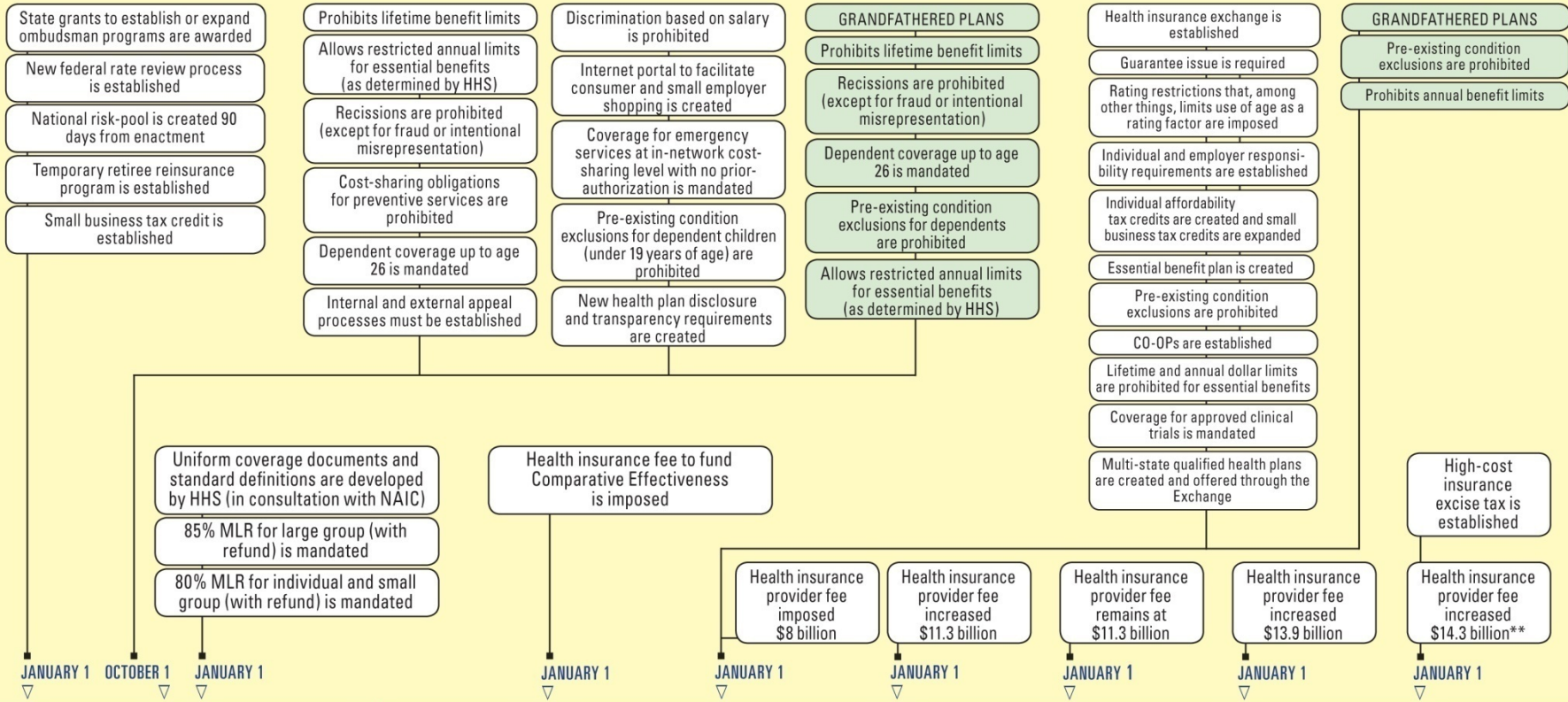
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Recipient of Certificate of Completion for Health Care Reform Studies from the American College

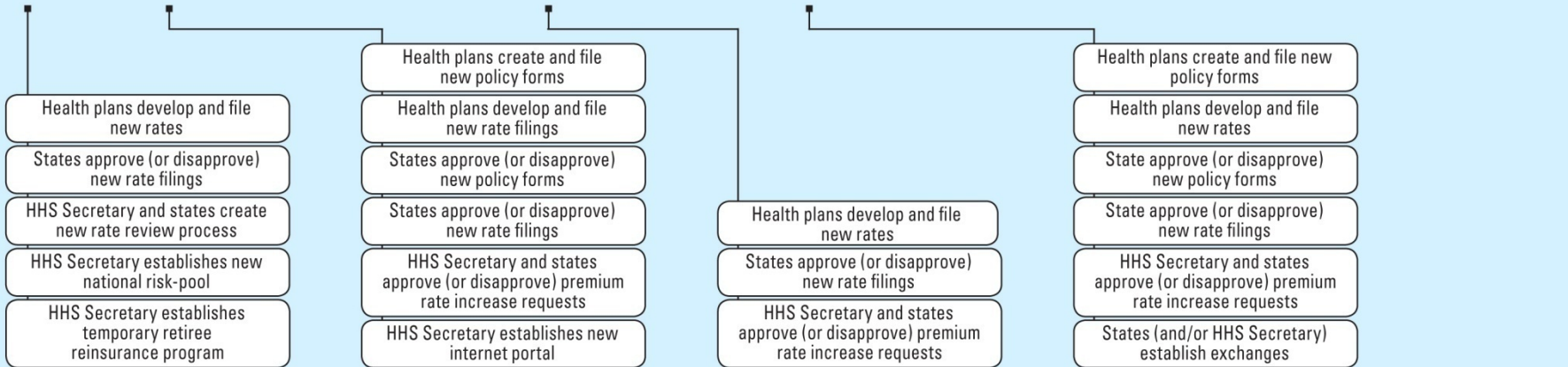
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Health Care Reform Bill Insurance Market Provisions Timeline (as revised by the House Reconciliation Bill)*

SUMMARY OF SELECT REQUIREMENTS



IMPACT



*Assumes April 1, 2010 enactment

**In years following 2018, the tax amount would increase in an amount proportionally equal to overall premium growth.

Affordable Care Act, or Health Care Reform

Health Care Reform & the Laws affected

- **PPACA** **Patient Protection and Affordable Care Act, March 23, 2010**

- **HCERA** **Health Care & Education Reconciliation Act, March 30,2010**

PHSA Public Health Services Act

ERISA Employee Retirement Income Security Act

HIPAA Health Insurance Portability and Accountability Act

IRC Internal Revenue Code

FLSA Fair Labor Standards Act

- **COBRA** Not Affected

- **All Regulated By the HHS, DOL & IRS**

Grandfathered Health Plans

Section 1251 , Public Health Services Act (PHSA)

A health plan that was in effect on March 23, 2010 when President Obama signed the health care legislation into law is considered to be a “grandfathered plan” and is not subject to some of the provisions of the health care reform act.

Health Plans **will lose** “Grandfathered Status” when any of the following occurs:

Increase in “percentage” cost sharing, ie. changing 20% co-insurance for inpatient to 25%.

A change of carrier prior to 11/17/2010

Increase in deductible (MCPI + 15%).

Increase in copay of more than \$5 or (MCPI + 15%).

Decrease in employer contribution by more than 5% of what it was on March 23, 2010.

Documentation Requirements for Grandfathered Plans

Provide Notice: Plan materials must state that the plan is “believed to be” a grandfathered plan.

- Must be provided to a participant or beneficiary describing the benefit provided
- Regulations give model language – must state that a plan does not provide certain consumer protections.

Maintain Records: Employers must maintain records that document the plan’s existence as of 3/23/10 in order to verify status as grandfathered.

- Records include: Plan document, SPD and service provider contracts that outline benefits.

Keep Records Available: Employers must be able to produce records upon request by participants, beneficiaries, subscribers, state or general agency officials.

Health Care Reform

Certain provisions of the health care reform will affect plans that renew after 9/23/2010. Plans that meet certain criteria will be considered “grandfathered” and will not be subject to all of the provisions.

	Grandfathered	Non-Grandfathered
Dependents under age 26	✓	✓
No lifetime limits	✓	✓
No pre-existing conditions, under age 19	✓	✓
Recission of coverage	✓	✓
Annual limits (Mini Meds affected, essential benefits)	✓	✓
ER in-network		✓
No copay for preventive		✓
Internal and external appeals		✓
*Non-discrimination testing (self funded vs. fully insured)		✓

Non-Discrimination Testing (PHSA 2716)

Insured plans must satisfy the substantive requirements of Section 105(h) IRC.

History of 105(h) Self Funding

Treasury has generally avoided the issue of non-discrimination in context of group health plans since 1989.

Highly compensated – anyone in the top 25% of employee population.
No minimum dollar threshold where cafeteria and retirement plans are at \$110,000.

Excludable eligible employees:

- Those who have not completed three years of service

- Those who work part time (less than 35 hours per week)

- Those who are seasonal workers

- Those who are subject to collective bargaining

- Those who have not attained the age of 25 years

- Those who are non-resident aliens

vs. California State 30+ Hrs. Rule

Eligibility Test

The Bottom Line

Fully insured plans provided solely for, or that discriminate toward highly compensated individuals can now run afoul of the newly enacted Health Care Reform Law.

- **December 22, 2010**

- Penalties for non-compliance with the Health Care Reform Law: \$100 per day per individual to whom the failure applies.

Self Funding Penalties: Claims paid are fully taxable to highly compensated employees.

Mandated Notices

- **Notices**

 - “To age 26”

 - “Lifetime Limits”

 - “Patient Protection”

 - “Grandfathered” (if not provided at renewal, grandfathered status is lost)

- **Penalties**

 - Does not eliminate currently required DOL notices

- **Tax Credit Small Employers**

- Medical Loss Ratios
- HSA and FSA
 - Over the counter pharmacy eligibility is changed
- HSA
 - 20% tax on non-qualified distribution
- Small Business <100
 - Grants for comprehensive wellness programs
- New internal and external appeals process (7/1/2011)

- Four page summary of benefits (3/23/2012) [Sample Summary](#), [Sample Glossary](#)
- W-2
Employer sponsored health coverage reporting
- Class Act

2013

- Employee notice of state exchanges provided by employer (3/23/2013)
- \$2,500 Cap on FSA contributions (1/1/2013)
- New HIPAA electronic standards (various effective dates)
- Increase in medical deduction thresholds
- Numerous taxes on medical device manufacturers, health plans, Medicare tax on all passive income and income above \$200,000 single/\$250,000 couple

2014

Discussion