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Health Care Reform **Timetable for Implementation**

Background

H.R. 3590, commonly known as the Health Care Reform bill, was signed into law by President Obama on March 23, 2010.

H.R. 4872, commonly referred to as the “reconciliation package,” included modifications to H.R. 3590 and was passed by both the House and Senate on March 25. On March 30, President Obama signed H.R. 4872 into law.

Following is a brief summary of how the key provisions in these two bills will impact ABC member companies and their employees. We will continue to provide updates as more specific information becomes available.

Merkley Amendment

- The Merkley amendment provision was removed from the health care bill, which means all employers in all industries that employ fewer than 50 employees will not be subject to the employer mandates included in the bill.
- In exchange for supporting the bill, the unions reportedly have been guaranteed an up or down vote on the Merkley amendment at an unspecified later date. ABC will remain on the lookout for that provision and will work to ensure it is defeated.

Effective 2010

Insurance Carrier Market Reforms

- Eliminates preexisting condition exclusions for children.
- Bans lifetime and annual coverage limits as determined by the Department of Health and Human Services.
- Extends eligible dependent coverage to age 26.
- Requires new private plans to fully cover preventive care services (no co-payments).

Small Business Tax Credit (First Phase)

- Provides tax credit to small employers that purchase health insurance for their employees (fewer than 25 full-time equivalent employees (FTEs) and annual average wages must be less than \$50,000 per FTE).

- From 2010 to 2013, a small employer that contributes at least 50 percent of the total premium cost of a qualified plan is eligible for a tax credit of up to 35 percent of the employee's premium. The tax credit increases in 2014.
- A full credit is available to employers with 10 or fewer FTEs and annual average wages of \$25,000 or less.
- For further information about the credit, please visit www.irs.gov

Effective 2011

Employer Mandate

- Requires employers to disclose on employees' W-2s the value of health care benefits provided.

Health Savings Accounts (HSAs) and Flexible Spending Accounts (FSAs)

- Eliminates reimbursement for the purchase of over-the-counter drugs. (Exception applies to over-the-counter drugs purchased with a prescription.)
- Increases the tax on non-qualified medical expense distributions from HSAs from 10 percent to 20 percent.

Effective 2012

Form 1099

- Requires businesses to issue Form 1099s to all vendors to which more than \$600 annually is paid for goods and services (e.g., mobile office space, phones, copiers).

Effective 2013

Tax Increases

- Imposes a 2.35 percent Medicare payroll tax on individuals who earn more than \$200,000 and married couples who earn more than \$250,000.
- Imposes a 3.8 percent Medicare tax on investment income on individuals who earn more than \$200,000 and married couples who earn more than \$250,000.

Flexible Spending Accounts (FSAs)

- Caps annual contributions to health FSAs at \$2,500 (indexed by consumer price index after 2013).

Co-Ops

- Appropriates \$6 billion to foster multi-state purchasing.

Effective 2014

Market Reforms

- Prohibits denying coverage for treatment based on preexisting conditions.
- Requires qualified health benefit plans—including those offered through the health insurance exchanges, as well as individual and small group plans outside the health insurance exchanges—to offer at least the essential health benefits package (Secretary of Health and Human Services is required to define essential health benefits package).
- Insurance companies can only vary premium rates between employer groups on the following: age, geography, family composition and tobacco use.

Health Insurance Exchanges

- Requires states to establish health insurance exchanges to allow small employers and uninsured individuals, as well as those who are not covered by their employer, to purchase qualified coverage.
- Premium tax credits are available for individuals or families with incomes between 133 percent and 400 percent of the federal poverty level.

Employer Mandates (Employers with 50 or More Full-Time Employees)

- Imposes a penalty of \$2,000 per full-time employee on employers that fail to offer health insurance coverage and have at least one full-time employee receiving a subsidy for coverage in the health insurance exchange. The first 30 employees are excluded from the payment calculation.
- Imposes a penalty if the health insurance coverage offered by the employer fails to meet minimum standards (coverage with an actuarial value of 60 percent), or if the coverage is deemed “unaffordable” and at least one full-time employee obtains a subsidy for coverage in the health insurance exchange. Coverage is deemed “unaffordable” if the employee share of the employer premium is more than 9.5 percent of modified gross income. The employer is required to pay a penalty of \$3,000 per full-time employee receiving a subsidy in the health insurance exchange, or \$2,000 per full-time employee, whichever is less.
- Defines a full-time employee as working an average of at least 30 hours a week. Part-time employees are also calculated in determining the number of full-time employees for any month. The number of part-time employees included in the number of full-time employees as full-time equivalents is calculated by dividing the aggregate number of hours of service of part-time employees for the month by 120.
- Requires an employer that offers health insurance coverage to offer a free-choice voucher to each employee if the employee’s income is less than 400 percent of the federal poverty level; the employee’s share of the employer premium is greater than 8 percent and up to 9.8 percent of income; and the employee enrolls in the

health insurance exchange. The vouchers may be used in the health insurance exchange.

- Requires employers with more than 200 full-time employees to automatically enroll employees into their health plan. Employees may opt out.
- Limits waiting periods to 90 days.

Individual Mandates

- Requires individuals to obtain insurance or pay a penalty.
- Phases in penalties between 2014 and 2016: \$95 in 2014; \$325 in 2015; and \$695 in 2016 (or up to 2.5 percent of income).

Small Business Tax Credit (Phase Two)

- Provides a tax credit to small employers that purchase health insurance for their employees (fewer than 25 full-time equivalent employees (FTEs) and annual average wages must be less than \$50,000 per FTE).
- A small employer that purchases coverage through the health insurance exchange and contributes at least 50 percent of the total premium is eligible for a tax credit of up to 50 percent of the employee's premium. The tax credit will be available for two years.
- A full tax credit is available to employers with 10 or fewer FTEs and annual average wages of \$25,000 or less.
- For further information about the credit, please visit www.irs.gov

Effective 2018

High-Cost Plans Excise Tax

- Imposes a 40 percent excise tax on high-cost plans (i.e., plans that cost \$10,200 or more for single coverage and \$27,500 or more for family coverage).
- For employees in high-risk professions, establishes a threshold for plans valued at \$11,850 (single) and \$30,950 (family).
- Originally, the effective date was 2013, but on Jan. 14, 2010, the White House made a deal behind closed doors with union leaders to exempt some of their members from a tax on their high-cost, "Cadillac" plans, until 2018.

For further information, contact Karen Livingston, director of policy, at 703-812-2039 or livingston@abc.org.

**This timetable is for informational purposes only and not legal advice or opinion.*

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