

March 24, 2010**Phone: 248.355.9600**
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U.S. HEALTH CARE REFORM

It's been a historic week in terms of health care reform as you know. On Sunday, March 21st, the U.S. House of Representatives passed legislation previously approved by the Senate, impacting the insurance industry for the foreseeable future. The bill passed by the Senate and House, and signed into law yesterday by President Obama, is called **The Patient Protection and Affordable Care Act**.

Furthermore, the House also passed an amendment to the health reform legislation titled the **Health Care and Education Affordability Reconciliation Act of 2010**. This has not been approved by the Senate yet. This means the next step is for the Senate to take up the Reconciliation Act of 2010 language, which is expected to begin this week.

To summarize:

- **The Patient Protection and Affordable Care Act** has been passed by both the House and Senate, and signed into law by President Obama.
- The Senate is now focused on the **Health Care and Education Affordability Reconciliation Act of 2010**, or Reconciliation Act, language approved by the House. If there are no changes made to the House language, then the Act could be passed this week. However if there are changes, then this process could stretch on for some time because it will have to go back to the House for a final vote.

There is a tremendous amount of information out there regarding the new Health Care Reform and its impact on various stakeholders. Tuesday's on-line and print editions of the [Detroit Free Press](#) published a summary of key points of the legislation that go into effect now and in the years to come broken out annually. The J.S. Clark Agency has also created a [handy reference piece](#) for you to download or print for your review.

Below is a brief synopsis of information we've compiled from various sources (this list is not all inclusive):

IMPACT ON BUSINESSES

- All employers will be required to offer their employees insurance by 2014. Companies with 25 or fewer employees would receive tax credits to help. Employers with 50 or more workers will be required to offer employees insurance or pay a fine of up to \$2,000 for every full-time employee that is receiving government subsidies to buy insurance through state-based exchanges. The first 30 employees would be exempt from this fine.
- Businesses will also face a \$3,000-per-employee fine if the coverage they offer is deemed "unaffordable" for employees (if the employee opts-out and gets a subsidy in exchange). This means that an employer with low-income employees who offers comprehensive, affordable coverage could nevertheless be fined as much as an employer who offers no coverage at all.
- The employer mandate tax rises from \$750 per employee in the Senate bill to \$2,000 per employee in the Reconciliation bill. It is estimated that 219,961 small businesses could be subject to the employer mandate. The percentage of employees employed by small businesses which could be subject to the employer fine is projected to be 26.4 million workers, or 22% of the entire private-sector workforce.
- High-value group plans (those in which premiums for families are \$27,500 or more) will have to pay a 40% excise tax in 2014.

IMPACT ON THE AMERICAN CITIZEN

- By 2014, every American will be required to have some form of health insurance or will be assessed a fine. The first year's fine would be \$95 or 1 percent of their income, whichever is higher. By the second year, however, fines could rise to as much as \$695 a year.
- One of the immediate changes that will take place is that young adults up to the age of 26 will be eligible to remain on their families' health insurance plans. The plan will give subsidies to help lower-income workers pay for coverage and create state-based exchanges where the uninsured can compare and shop for plans.
- If you are refused coverage because of your health, a pool will be established within six months and will operate until 2014 when insurance companies can no longer refuse applicants with pre-existing health conditions. Annual out-of-pocket medical costs will be capped at \$5,950 for individuals and \$11,900 for families.
- Beginning in 2014, anyone with an income below 133% of the poverty level, or about \$29,327 in 2009 for a family of four, will be eligible for a rejuvenated Medicaid program. Medicaid's reimbursements will be increased to the same level as Medicare making more doctors willing to accept it.
- If your employer's policy covers less than 60% of the cost or you're paying more than 9.5% of your income to purchase it and you make too much to qualify for Medicaid, you can buy subsidized coverage on the exchanges. If your employer doesn't cover you and you make too much to qualify for Medicaid, you can buy from private insurers through exchanges starting in 2014.
- Coverage for those making up to four times the poverty level (\$88,200 for a family of four in 2009) will get subsidies on a sliding scale. That means you will pay between 3 - 9.5% of your income for insurance and the government will cover the rest.
- High income earners (families making more than \$250,000) would pay several thousand dollars more in Medicare payroll taxes starting in 2018. Unearned income, now exempt from the payroll tax, would also be subject to a 3.8% levy.

IMPACT ON INSURANCE CARRIERS

- Within the next six months, plans will have to stop certain practices, such as setting lifetime limits on coverage and canceling policy holders who become ill. They will also have to allow children to stay on their parents' policies through age 26 and cover children with pre-existing conditions, but can still deny adults with medical problems until year 2014.
- Premiums for older enrollees can be no more than three times the rate for younger enrollees.
- There will be limits on overhead and profit. Insurers will be required to spend between 80 - 85 cents of every premium dollar on health care.
- Subsidies for Medicare Advantage plans run by insurance companies under contract with the government will be slashed substantially, making higher premiums or reduced benefits likely.

STAY TUNED

The J.S. Clark Agency will keep you well informed of further developments as we all await the outcome of the Reconciliation Act discussions in the Senate, and potentially back to the House of Representatives. If you have any questions, please don't hesitate to call us at 248.355.9600