

Health Care Reform Timeline

The Patient Protection and Affordable Care Act (HR 3590), signed by the President on March 23, 2010 and the Health Care and Education Reconciliation Act approved by Congress, signed by the President on Wednesday, March 31, 2010 is intended to expand coverage to millions of Americans. Some measures will be implemented in 2010, but many will not take effect until 2014 with some extended out to 2020. A timeline with a high-level overview is provided below.

It is important to note that many of these reforms and their effective dates are subject to the rules and regulations process both at the state and federal levels – which could alter the intended timing of implementation.

2010 (beginning plans years 6 months post enactment)

- **Small Business Subsidy Phase I (2010-2013):** Tax credit of up to 35% of employers contribution toward the employee's premium if employer contributes at least 50% of the total premium or 50% of a benchmark premium. Full credit to employers with 10 or fewer employees and average annual wages of less than \$25,000.
- **Pre-Existing Condition Exclusions:** Pre-existing conditions on dependent children (under age 19) is prohibited.
- **Dependent Coverage:** Mandated coverage up to age 26.
- **Lifetime / Annual Maximums:** Health plans may not place lifetime caps on the dollar value of benefits; restricted annual caps permitted until 2014.
- **Preventive Care Coverage:** Health plans to provide coverage for preventive services, as defined by HHS, without cost-sharing obligations.
- **Policy Rescissions:** Coverage rescissions / cancellations are prohibited except in the case of fraud or intentional misrepresentation.
- **Internal / External Appeals:** Plans must develop effective appeals processes; coverage to be continued during appeal process.
- **Temporary National High Risk Pool:** Effective 90 days post enactment until 2014, guarantee issue for individuals who have been uninsured at least 6 months due to health status or pre-existing condition.

2011

- **Uniform Health Plan Documents:** HHS and NAIC to establish standards for health coverage documents.
- **Medical Loss Ratios (MLRs):** HHS to establish MLRs for all individual and small group (80%) and large group (85%) health plans.
- **Reporting Value of Health Plans:** Employers required to report value of health care benefits on employees' W2 tax statements.
- **Pharmaceutical Fee:** Annual industry fee of \$2.5 billion (rises in subsequent years).
- **Voluntary LTC Insurance Program:** Pay premiums into system for at least five years and become eligible for support payments for assistance in daily living.

2013

- **New Taxes on High Income Earners:** Individuals making \$200,000 a year / couples making \$250,000: Increased Medicare payroll tax of 2.35% on earned income —up from the current 1.45%.

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New tax of 3.8% on unearned income, such as dividends and interest, is also added.

- **FSA Health Care Contributions:** Limited to \$2,500 a year; indexed for inflation.
- **Medical Expense Itemized Tax Deductions:** Thresholds for claiming itemized tax deductions for medical expenses rise from 7.5% to 10% of income.
- **Medical Device Manufacturers:** Industry to pay 2.3% sales tax on medical devices; devices such as eyeglasses, contact lenses, and hearing aids exempt.
- **Medicare Part D Subsidy:** Deduction eliminated, for expenses allocated to Medicare Part subsidy, for employers maintaining Rx drug plans for eligible retirees.

2014

- **Small Business Subsidy Phase II (2014 and later):** Businesses eligible to purchase coverage through the state Exchange can receive a tax credit of up to 50% of the employer's contribution toward the employee's premium if employer contributes at least 50% of the total premium. Full credit available to employers with 10 or fewer employees and average annual wages of less than \$25,000. Credit phases out as firm size and average wage increases.
- **Guarantee Issue 2-100:** All individual and small group health plans must guarantee coverage and renewability; can not apply pre-existing conditions or health status rating adjustments.
- **Rating Rules:** Rates can vary only by age (3:1 ratio), family size, geographic area, and tobacco use (1.5:1 ratio).
- **Minimum Benefit Standards:** HHS to establish essential minimum benefit plan in which all health plans, in individual and small group markets, must include coverage for these benefits.
- **Child Only Plan:** Health plans must offer a child-only plan for children up to age 20.
- **Wellness:** Current HIPAA limitation on wellness rewards is increased from 20% to 30%; HHS has option to increase up to 50%.
- **Coverage Mandate:** All U.S. citizens are required to maintain coverage or pay penalty; waivers for Native Americans, religious objections, and financial hardship (premiums greater than 8% of income).
- **Employer Fine:** Employers with 50+ employees not providing affordable coverage must pay fine up to \$3000 per employee (excluding first 30 employees) if employee receives tax credits to buy insurance.
- **State-Based (or Regional) Exchanges:** Operational beginning January 2014 with Federal funding. Must be self-sustaining by 2015.
- **Insurance Carrier Fee:** Insurance industry must pay annual fee of \$8 billion (increases in subsequent years).

2016

Minimum Essential Coverage: Penalty increases to 2.5% of taxable income or \$695, whichever is greater, for those not carrying coverage.

2017

Employer Participation in Exchange: Employers with more than 100 employees may participate in exchange, if permitted by state.

2018

Cadillac Tax: 40% excise tax applied on health plans valued at more than \$10,200 for individual coverage and \$27,500 for family coverage; dental and vision excluded.