To: All Employees

From: Jill Weitz

Date: April 20, 2010

RE: Health Care Reform

Since the inauguration of President Obama in January 2009, we have been hearing a lot about reforming the health care system in this country. The effort seemed like a certainty at times, and at other times it was declared dead. As you have undoubtedly heard, final legislation has now passed both the House and the Senate. President Obama signed the major law, the Patient Protection and Affordable Care Act (HR 3590), on March 23, 2010, and signed the Reconciliation Bill, Health Care and Education Affordability Act (HR 4872), on March 30, 2010.

While there may be legal challenges to this legislation, including those by a number of states that may be enacting laws prohibiting a requirement for individuals to purchase health insurance, this legislation is now law. The purpose of this memo is to give you highlights and effective dates for major provisions of the new legislation, based on the preliminary information we have received. At this time if you currently have coverage through our College-provided health plan, there are no immediate changes for you as a result of this legislation. However there are some provisions that are particularly important which will take effect this year. As of September 23, 2010, insurance companies will be prohibited from excluding pre-existing conditions for children under the age of 19, dropping coverage due to an illness, and having lifetime maximums. Carriers will have to cover young people under their parents’ plans to the age of 26 if they are not eligible for another employer health plan. Also, the law includes dramatic changes pertaining to Health Care Flexible Spending Accounts (FSAs). Those of you who currently have a HC FSA will receive additional information in a separate memorandum.

Federal agencies will be publishing regulations, and there may be court challenges to the law in the next several months to years ahead. We will keep you informed of important developments and will try to answer any questions or concerns you may have. You may also want to review information on the new legislation yourself. Two helpful resources are http://www.healthreform.gov/ and http://www.whitehouse.gov/Issues/health-Care. In addition, we will continue to post updates and information about Health care Reform as it affects the College-provided plans. This information is available on the Faculty/Staff Page listed under the heading of “From the Office of Human Resources.”

Attached you will find highlights of the health care reform legislation and a list of the major provisions with effective dates.
Health Care Reform Highlights

- The law will extend health insurance coverage to approximately 32 million Americans who are currently uninsured, making insurance available to an estimated 95 percent of non-elderly citizens by 2019.

- Starting in 2014 and by 2016, citizens must purchase insurance or pay a penalty. The penalty will be $95 in 2014, $325 in 2015 and in 2016 the greater of $695 or 2.5 percent of income. Families will pay half the amount for children, up to a cap of $2,250 per family. After 2016, penalties are indexed to the Consumer Price Index. Subsidies to purchase insurance in the form of tax credits are provided to individuals making up to $43,000 and to families of four making up to $88,000, or 400 percent of the federal poverty level. There is a hardship exemption for poorer Americans.

- Health insurance exchanges will be created to make it easier for the self-employed, the unemployed and small businesses to purchase less expensive coverage. The law would establish 50 insurance marketplaces, administered by the states, with insurance coverage that meets new federal standards. Small businesses with 25 employees or less and average wages of less than $50,000 will qualify for tax credits of up to 50% of the costs of providing health insurance.

- Employers are not required to provide health insurance coverage, but the law penalizes companies that do not provide coverage if they have 50 or more employees (full-time equivalents). The penalty is a tax of $2,000 per employee. However, assistance is provided for mid-size businesses by exempting the first 30 employees when calculating the tax. For example, a business with 51 employees would pay the $2,000 penalty on only 21 (51-30) employees for a total of $42,000 instead of $102,000. Waiting periods before insurance takes effect will be limited to 90 days.

- Insurance companies will be prevented from denying coverage for pre-existing conditions, cancelling coverage for sick people, having unlimited out-of-pocket expenses and charging higher premiums based on a person’s medical history or gender.

- Medicaid would be expanded to cover everyone with income less than 133 percent of the federal poverty level--$29,327 for a family of four.

- Medicare prescription drug coverage: Under current law, Medicare stops covering drug costs after more than $2,830 is spent, but starts paying again after an individual’s out-of-pocket expenses exceed $4,550. Under the new law, seniors who hit the gap (so-called “donut hole”) this year would get $250 to help cover the costs of their medications. Starting in 2011, they would receive a 50-percent discount on brand-name drugs, with the cost borne by the drug industry. In subsequent years, the discounts would expand and begin covering generic drugs, with the expense picked up by the government. By 2020, the discounts would reach 75 percent.

- Over the next 10 years, the cost of the plan is projected to be $940 billion and to decrease the federal deficit by $143 billion. To pay for the plan, Medicare outlays will be reduced by eliminating waste, fraud and abuse. Starting in 2013, single taxpayers making $200,000 or more and couples earning $250,000 or more will see a 0.9-percent increase in Medicare payroll taxes and a 3.8-percent Medicare tax on unearned income. Starting in 2018, a 40-percent tax will be imposed on insurance companies providing high-level (so-called “Cadillac”) plans valued at more than $10,200 for individuals and $27,500 for families. The thresholds are higher for retirees and employees in high-risk professions ($11,850 for individuals and $30,950 for families).
Major Provisions With Effective Dates

Within 90 days of enactment

- Provides access to high-risk pools for individuals who have no insurance because of pre-existing conditions.

Within six months

- Prohibits insurers from rescinding policies to avoid paying medical bills when a person becomes ill.
- Prohibits insurers from denying coverage to children (under the age of 19) who have pre-existing conditions.
- Prohibits insurers from imposing lifetime caps on coverage.
- Requires insurers to cover young people under their parents’ plans to age 26 who may not be eligible for another employer’s health plan

Within a year

- Provides a $250 rebate to Medicare prescription drug plan participants whose initial benefits have been exhausted.
- Requires new plans to provide coverage for preventive services without co-pays. All plans must comply by 2018.

2011

- Requires individual and small group market insurance plans to spend 80 percent of premium dollars on medical services. Large group plans will have to spend at least 85 percent.
- Health Care Flexible Spending Accounts will no longer allow contributions to be used for over the counter medications unless they are prescribed by a physician.

2013

- Increases the Medicare payroll tax and extends the tax to dividends, interest and other unearned income for individuals earning more than $200,000 and joint filers making more than $250,000.
- Requires health plans to implement uniform standards for electronic exchange of health information to reduce paperwork and administrative costs.
- Imposes limits on contributions to flexible spending accounts to $2,500 per year, indexed by the Consumer Price Index in subsequent years.
- Eliminates the Employer Medicare Part D deduction for subsidizing prescription drug plans for eligible retirees.
2014

- Requires most employers to provide coverage or face penalties.
- Requires most people to obtain coverage or face penalties.
- Provides subsidies for families earning up to 400 percent of the federal poverty level, or approximately $88,000 a year, to purchase health insurance.

2018

- Imposes a 40-percent tax on high-end insurance policies.

2019

- Expands health insurance coverage to 32 million Americans.