



REGIONAL HR UPDATE: NORTH AMERICA

HEALTH CARE REFORM, PART 2





| MIKE KENT

In the last issue, I described the recent health care reform legislation as having the biggest impact on businesses of any laws since Medicare. It is also one of the longest, most complex and most far-reaching legislation in recent years. In fact the reform is implemented via two inter-related pieces of legislation, The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act. Together they constitute over 2400 pages as published by Congress. If you want to really understand the details, you can purchase the CCH's two volume explanation and analysis which runs to 2,112 pages at US\$149.

Last time, I also described the major elements listed by their years of implementation (assuming that they do not get changed before those dates). In this issue, I would like to deal with the major impacts on businesses of all kinds. Obviously, the impacts differ somewhat depending on the characteristics of the organization, primarily by number of employees, and I will try to point out the most significant of those differences. I am not dealing here with the impact on Medicare or Medicaid or the mandates imposed on individuals or carriers, except insofar as they directly impact companies.

First, it should be noted that the acts do not impose any requirement for employers to offer health coverage of any kind. The failure to offer "minimum essential coverage" and to fulfill certain other duties does however impose penalties on most employers with more than 50 employees. So let's look at these requirements and responsibilities::

Eligibility Requirements:

-  Children are continued on their parents' coverage until age 26
-  No discrimination permitted among employees of different categories
-  Automatic enrollment of all employees, in large employers, unless they opt out
-  Limited waiting period for new enrollees

- No pre-existing condition exclusions

Coverage Requirements:

- No annual or lifetime limits
- Minimum coverage requirements in many areas
- Limits on deductibles
- No discrimination permitted among employees of different categories
- Many preventive care coverages must be provided, some without cost-sharing permitted, but the government will provide extensive resources and technical assistance programs
- No restriction of coverage for participation in certain clinical trials
- Mental Health and Addiction parity provisions extended to all size companies

Administrative Requirements:

- Extensive employee communication mandates
- Administer new limits on pre-tax deductions, Health Savings Accounts and Healthcare Flexible Spending Accounts
- Extensive system changes required to track employee choices and compliance
- Extensive plan changes must be documented and communicated
- Internal and external appeal procedures must follow mandated guidelines
- Increased data reporting requirements
- Imposes administrative simplification measures on carriers and administrators
- Companies must report the value of plans on employee W-2's for information purposes
- Administration of federal long term care insurance program

Financial Impact on Companies:

- Many of the changes above increase the cost of providing coverage
- Government subsidies for the costs of large claims
- Penalties for employers whose employees choose exchanges, unless vouchers provided
- Tax deduction eliminated for companies providing Medicare retiree drug subsidies
- Tax on employer sponsored "Cadillac" plans
- Small employers qualify for government subsidies
- Increase in permissible incentives for wellness programs, if companies choose to offer them (or if they become market standard and companies follow to remain competitive)
- Temporary rebate of subsidies for early retirement medical plans

In future issues, I will examine specific aspects of the laws, clarifications and implementing regulations as they become available and, of course, any changes that come about through modifying legislation. Stay tuned. •

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