

Health Care Reform Timeline

Below is a timeline of some of the key provisions of the health care reform legislation. As regulations develop and guidance is provided, we will inform you on further updates to the timeline. While this timeline includes a summary of some key provisions of the legislation, it does not contain every provision included within the health care reform legislation package.

2010

Sometime in 2010:

Seniors will get a \$250 rebate to help fill the "doughnut hole" in Medicare prescription drug coverage.

Adoption tax credit and assistance exclusion will increase by \$1,000. The bill makes the credit refundable and extends it through 2011.

A 10% tax will be imposed on amounts paid for indoor tanning services on or after July 1, 2010.

Effective 90 days after date of enactment:

For 2010 through 2013, certain small employers that provide health coverage to their workers will be eligible to receive a tax credit which will be based upon the number of employees and average annual wages paid. The credit will be available to PEO clients, provided the client otherwise meets the eligibility criteria. ADP TotalSource will provide further information as more information becomes available regarding this credit.

Individuals that had previously been denied coverage due to a pre-existing condition will be able to obtain coverage through a high-risk pool.

Effective 6 months after date of enactment (September 23, 2010):

Insurance policies* and group health plans:

- that offer dependent coverage must provide coverage for unmarried children up to age 26, but, through 2013, only if the child is not eligible to enroll in other employer-provided coverage;
- will be prohibited from imposing exclusions on children under the age of 19 with pre-existing conditions;
- will not be permitted to rescind policies; and,
- will not be able to impose lifetime caps on coverage;
- must have an HHS-approved external review process, and
- are prohibited from imposing waiting periods of greater than 90 days.

**Note: At this time it is unclear whether these changes will apply to fully insured policies as of the effective date of the law or as of the insurance policy renewal date which falls on or after the law's effective date. Within the next 60 days further guidance from the Department of Health and Human Services (HHS) is expected to be issued to clarify some of these provisions.*

In addition, new group health plans and all individual plans must provide coverage for preventive services without co-pays. (Effective 2014 for existing group health plans).

Certain nondiscrimination testing rules will apply to insured group health plans that are not "grandfathered health plans", meaning that the plan was not in existence on March 23, 2010.

2011

Individuals will be prohibited from using funds from health care flexible spending accounts, health reimbursement arrangements or health savings accounts for the cost of over the counter medications that are not otherwise prescribed by a physician.

There will be an increased tax penalty for health savings account withdrawals before age 65 for nonqualified medical expenses from 10% to 20%. Additional tax for Archer medical savings account withdrawals that are not used for qualified medical expenses will increase from 15% to 20%.

Employers will be required to report the value of health benefits provided to employees on the 2011 Form W-2 (issued in January 2012).

Employers with less than 100 employees that did provide a wellness program on March 23, 2010 will be eligible for wellness grants (up to 5 years).

A new type of cafeteria plan for small employers that is similar to the SIMPLE retirement plan and provides a safe harbor for nondiscrimination requirements in the plan will be available.

A 50% discount will be provided on brand-name drugs for Prescription Drug Plan or Medicare Advantage enrollees. Additional discounts on brand-name and generic drugs will be phased in to completely close the "doughnut hole" by 2020.

A voluntary federal long term care program will be established pursuant to CLASS Act.

2012

Effective for payments made after 2011, businesses (including corporations) will be required to file a Form 1099 for all payments of over \$600 to any payee.

Not later than March 23, 2012, a Uniform Explanation of Coverage must be provided to employees on an annual basis. For insured plans, the insurer must provide the explanation; for self-funded plans, the employer must provide it. The Uniform Explanation is in addition to the Summary Plan Description required by ERISA.

2013

Contributions to health care flexible spending accounts will be limited to \$2,500 per year, indexed by the Consumer Price Index in subsequent years.

The Medicare payroll tax will increase from 1.45% to 2.35% on wages in excess of \$200,000 (\$250,000 for joint returns and \$125,000 for married filing separately). Also, a new 3.8% tax on net investment income for individuals subject to the increased Medicare tax will also apply.

The Employer Medicare Part D subsidy deduction will be eliminated for the amount of the subsidy that is excludable from the employer's income. Employers will lose the tax deduction for subsidizing prescription drug plans for Medicare Part D-eligible retirees.

There will be increases to the 7.5% floor to 10% of adjusted gross income for deducting itemized unreimbursed medical expenses. Taxpayers that are age 65 or older are exempt from the cutback through 2016.

An excise tax equal to 2.3% of the sale price on the first sale of medical devices will be imposed on sales after December 31, 2012. Excepted are eyeglasses, contact lenses, hearing aids or other items for individual use.

2014

All U.S. citizens and legal residents (except certain individuals, including those who cannot afford or fall below the federal poverty level) will be required to have acceptable health coverage or pay a penalty, which will be phased in from 2014 through 2016. After 2016, penalties are indexed to Consumer Price Index.

A refundable tax credit will be provided for certain low income individuals to assist them in purchasing coverage through an exchange. To be eligible, an individual's household income must be between 100% and 400% of the federal poverty level (generally around \$11,000 to \$44,000 for singles and \$22,000 to \$88,000 for families) and the individual must not be eligible for Medicaid or an employer-sponsored health plan.

Workers who are exempt from individual responsibility for coverage but don't qualify for tax credits can take their employer contribution and join an exchange plan through use of a free choice voucher.

Employers with 50 or more employees must offer coverage to employees or pay an annual \$2,000 penalty per employee (the first 30 employees are exempt from penalty calculation) if at least one of their employees receives a tax credit. Employers who offer coverage but whose employees opt out due to the lack of affordability or inadequate coverage and receive tax credits will pay a penalty equal to the lesser of \$3,000 for each full-time employee receiving a tax credit or \$2,000 times the total number of full-time employees.

Employers with more than 200 employees must auto-enroll new full-time (i.e., greater than 30 hours per week) employees in health care coverage. There is no stated effective date for this provision and because the law specifically states that auto-enrollment is contingent upon the issuance of regulations, it is generally thought that this provision will be effective sometime well beyond 2010.

Insurers and employers will be required to report to individuals and the IRS the name, address and social security number of all primary insured individuals and the name and social security number for any other individuals covered under such plan. Employers that sponsor fully-insured plans may contract with their insurer to cause the insurer to be responsible for these reporting requirements.

Employers may offer up to a 30% premium discount or other reward for employees that participate in wellness programs that meet certain requirements; the premium discount may be increased to 50% by HHS.

For 2014 and later years, eligible employers that provide health insurance coverage through an exchange may receive a tax credit which is based upon the number of employees and average annual wages paid. The credit is available for two years only, beginning in the first year that an employer offers health coverage to its employees through an exchange.

Insurance companies will no longer be permitted to sell or renew policies based on an individual's health status. Health plans can no longer exclude coverage for pre-existing conditions for adults. Insurance companies will be prohibited from charging higher rates because of health status, gender or other factors.

Health plans will be prohibited from imposing annual limits on coverage.

Existing health insurance plans will now be subject to a rule that preventative care may not be subject to co-pay.

Health insurance exchanges will open in each state for individuals and small employers with up to 100 employees to purchase coverage.

Medicaid eligibility will expand to include all individuals who are under age 65 and have incomes equal to or less than 133 percent of the federal poverty line. States will receive increased federal funding from 2014 through 2016 to cover these new populations. States may expand Medicaid eligibility to these individuals as early as April 1, 2010.

An annual health insurance provider fee will be imposed on insurers whose total premiums exceed \$25 million according to insurers' market share.

2017

Health insurance exchanges will be open to larger employers.

2018

An excise tax of 40% will be imposed on insurance companies that offer plans which have an aggregate cost that exceeds \$10,200 for individual coverage and \$27,500 for family coverage.

At ADP TotalSource we are committed to providing our client companies with the most current information regarding the health care reform legislation. As outlined above, the health care reform package contains many complex provisions. ADP TotalSource is here to help you understand these provisions and how they apply to your business and provide administrative services to assist you with complying with many of the provisions. As always, please feel free to contact your ADP TotalSource HR Business Partner if you have any further questions.