

# What does National Health Care Reform mean for Massachusetts businesses?



On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act. This Senate bill, alongside the Health Care & Education Affordability Reconciliation Act of 2010, is more commonly known as National Health Care Reform. While there are still many questions surrounding reform and its ramifications, Fallon Community Health Plan is here to provide some answers.

National reform will not happen overnight. However, there are some components that take effect before the end of 2010. The chart below highlights some of those components.

<b>National Reform in 2010</b>	<b>In Massachusetts today</b>	<b>How it may affect you</b>
<p><b>Dependent coverage</b> Young adults up to the age of 26 can remain on their family health insurance coverage.</p>	<p>Dependents under the age of 26, or for two years following the end of the calendar year in which the dependent last qualified as an IRS dependent, are covered under certain conditions.</p>	<p>Effective June 1, FCHP began allowing all dependents under the age of 26 already on their parents' family plan to remain on the plan with no conditional requirements. Dependents not covered by their parents' family plan on June 1 have to wait until the group's open enrollment period, post-September 23, 2010, to receive this coverage.</p>
<p><b>Early Retiree Reinsurance</b> The Early Retiree Reinsurance Program (ERRP) has been created for employers providing health insurance coverage to early retirees over age 55 who are not eligible for Medicare. ERRP provides reimbursement to participating employers for a portion of the costs of Medicare-eligible claims incurred by their early retirees, spouses, surviving spouses and dependents.</p>	<p>There is no similar program in Massachusetts today.</p>	<p>Employers interested in participating are required to submit an application to Health and Human Services (HHS). Once accepted, the employer group's Early Retiree List must be submitted via the ERRP secure Web site. Reimbursement requests can be made quarterly. Reimbursements must be used to reduce health benefit premiums or health benefit costs. The government has allocated \$5 billion to this program.</p>
<p><b>External appeals process</b> Self-funded plans are required to have external appeals processes in place on their first renewal on or after September 23, 2010.</p>	<p>Self-funded plans were not previously required to have an external appeals process.</p>	<p>The Department of Labor generally requires self-funded plans to contract with three Independent Review Organizations (IROs) to handle their external review.</p>
<p><b>Grandfathered plans</b> This rule addresses what changes an insurer or plan sponsor may make to health insurance coverage or a group health plan without loss of its "grandfather" status and details what administrative steps a plan must take to maintain grandfather status.</p> <p>To be a grandfathered plan, the policy or group health plan must have had at least one individual enrolled in coverage on March 23, 2010 and the policy or plan must have continuously covered someone since March 23, 2010.</p>	<p>There is no similar program in Massachusetts today.</p>	<p>FCHP does not intend to keep any of its fully-insured business grandfathered. FCHP is not inclined to allow fully-insured groups to opt out of benefit changes to maintain grandfathered status.</p>
<p><b>Internal appeals process</b> Additional requirements for internal appeals processes, applicable to both self-funded and fully-insured plans, become effective between September 23, 2010 and July 1, 2011.</p>	<p>Many of the additional requirements for internal appeals represent new practices that have not historically been followed by most insurers and employers.</p>	<p>FCHP is working to implement the new internal appeals requirements.</p>

<b><u>National Reform in 2010</u></b>	<b><u>In Massachusetts today</u></b>	<b><u>How it may affect you</u></b>
<p><b>Lifetime caps</b> There can be no lifetime caps on the dollar value of essential health benefits.</p> <p>Restricted annual limits on essential health benefits of \$750,000 prior to September 23, 2011, \$1,250,000 prior to September 23, 2012 and \$2,000,000 prior to January 1, 2014 are allowed. After January 1, 2014 there can be no annual dollar limits on essential health benefits.</p>	<p>Although not illegal, lifetime caps are not common for fully insured HMO products in Massachusetts.</p> <p>While some existing Massachusetts regulation specifies certain benefits that may or may not be capped (e.g., Minimum Creditable Coverage, benefit mandates), there is no directly parallel requirement in Massachusetts today.</p>	<p>FCHP has no lifetime caps on the dollar value of health benefits.</p> <p>Effective September 23, 2010, upon anniversary, FCHP is removing our DME annual limit and will be providing a coinsurance on anniversary effective January 1, 2011.</p>
<p><b>Pre-existing conditions</b> Pre-existing conditions cannot be used to exclude children from receiving coverage. This will apply to adults starting in 2014.</p>	<p>Pre-existing exclusions are highly restricted in Massachusetts. It is rare to find a fully-insured HMO product in Massachusetts with exclusions for pre-existing conditions.</p>	<p>FCHP has no exclusions for pre-existing conditions.</p>
<p><b>Premium dollar expenditures</b> Health plans are required to report the proportion of premium dollars spent on clinical services, quality and other costs, and provide rebates to consumers if the amount of dollars spent is less than 85% for plans in the large group market and 80% for plans in the individual and small group market.</p>	<p>Historically, there has not been a similar requirement in Massachusetts. Under recently enacted state legislation, however, an 88% ratio will be required for merged market rate filings made on or after October 1, 2010, increasing to 90% for the 12-month period starting on October 1, 2011.</p>	<p>As a not-for-profit organization, FCHP uses approximately 90% of every premium dollar to pay for member medical costs, and a portion of the remaining 10% is used for disease management, It Fits!, \$0 wellness, and other member benefits. FCHP easily exceeds the federal requirements.</p>
<p><b>Preventive services</b> Certain preventive services must be covered without any cost-sharing for enrollees when delivered by a contracted provider.</p>	<p>There is no similar requirement in Massachusetts today.</p>	<p>FCHP pioneered \$0 wellness copayments. Most FCHP members already have coverage with no cost-sharing for most of the required services, and will observe little or no change in their current benefits.</p>
<p><b>Tax credits for small employers</b> Tax credits will be provided to small employers with 25 or fewer employees, and average annual wages of less than \$50,000, who provide health insurance for employees.</p>	<p>There is no similar program in Massachusetts today.</p>	<p>The maximum tax credit for small business employers is 35% of premiums paid in 2010. For eligible employers that are tax-exempt organizations, the maximum tax credits is 25% of premiums paid in 2010. In 2014, these subsidies will increase, but will only be available to those who purchase through an Exchange.</p>

**Some of the more significant components of reform will take effect over the next three years. The chart on the next page identifies some of these changes.**

<b>National Reform 2011-2014</b>	<b>In Massachusetts today</b>	<b>How it may affect you</b>
<p><b>Automatic enrollment</b> Employers with more than 200 employees must automatically enroll employees into employer-sponsored health insurance plans. Employees may opt out of coverage.</p>	<p>There is no similar requirement in Massachusetts today.</p>	<p>FCHP will review national requirements as they are released.</p>
<p><b>Deductible limits</b> Deductibles will be limited for health plans in the small group market to \$2,000 for individuals and \$4,000 for families unless contributions are offered that offset deductible amounts above these limits.</p>	<p>Under Minimum Creditable Coverage (MCC) standards, deductibles are limited to \$2,000 for individuals and \$4,000 for families. Higher deductibles are allowed if employer contributions offset the higher amounts.</p>	<p>FCHP currently offers an MCC plan with a \$3,000 individual/\$6,000 family deductible. Employers who offer this plan must fund \$1,000 for an individual/\$2,000 for a family plan of the deductible through an HRA. FCHP will review national requirements as they are released to ensure that we have products available that meet federal guidelines.</p>
<p><b>Penalties for employers</b> <i>Employers with more than 50 employees, with at least one full-time employee who receives a premium tax credit, that do not offer coverage, will be assessed a fee of \$2,000 per full-time employee, excluding the first 30 employees.</i>  <i>Employers with more than 50 employees that do offer coverage but have at least one full-time employee receiving a tax credit, will pay the lesser of \$3,000 for each employee receiving a premium credit or \$2,000 for each full-time employee.</i></p>	<p>In Massachusetts today, employers with more than 10 full-time employees are required to make available a Section 125 payroll deduction plan, and to make a fair and reasonable premium contribution to the health insurance costs of its employees. If they do not, they are subject to the Fair Share Contribution and/or a surcharge.</p>	<p>To facilitate compliance with state requirements, FCHP offers access to a Section 125 plan through Benefit Strategies, at no additional cost to employers who offer FCHP coverage exclusively, and who purchase coverage for benefit-eligible employees. FCHP will review national requirements as they are released.</p>
<p><b>Qualifying health coverage</b> Effective 2014, all U.S. citizens and legal residents will be required to have qualifying health coverage (a phased-in tax penalty will apply for those without coverage).</p>	<p>Massachusetts citizens are currently required to have qualifying health coverage, unless they meet certain criteria. The penalties in Massachusetts are currently greater than those proposed under national reform.</p>	<p>The majority of FCHP plans meet Massachusetts Minimum Creditable Coverage guidelines. FCHP will review national requirements as they are released to ensure that we have products available that meet federal guidelines.</p>
<p><b>State-based insurance exchange</b> State-based insurance exchanges will be set up through which individuals and small businesses with up to 100 employees can purchase qualified coverage.</p>	<p>In Massachusetts, we have such an exchange—the Health Connector. Today, individuals and businesses with 50 or fewer employees can purchase qualified coverage.</p>	<p>FCHP currently offers Commonwealth Choice and Commonwealth Care (state-subsidized) plans through the Massachusetts Health Connector for individuals and small businesses.</p>

National Health Care Reform has many components. As we delve deeper into the legislation, and determine how these components affect FCHP and our clients, we will continue to provide the information you need. In the meantime, if you have questions, please contact your Account Manager.

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