

# Congress Passes Landmark Health Care Reform Bill



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On March 21, 2010, the U.S. House of Representatives passed major health care reform legislation, the Patient Protection and Affordable Care Act. The legislation was previously passed by the U.S. Senate in December 2009 and is set to be signed by President Obama as soon as possible.

In addition to the main bill, the House also passed a budget reconciliation bill. The Health Care and Education Reconciliation Act of 2010 includes changes to the main bill sought by the House. These changes must now be passed by majority vote in the Senate and signed by the President before they take effect.

## How Health Care Reform Will Affect Your Business

Although the reform package has yet to be finalized, major changes are looming. Some of the package's provisions that will affect employers include:

- **Insurance Reforms:** These reforms require policies to provide dependent coverage for children through age 26, prohibit lifetime coverage limits, rescission of coverage except in cases of fraud, and imposing pre-existing condition exclusions. Many of these changes go into effect in 2010.
- **Employer Mandates:** Effective in 2014, most employers with 50 or more employees must offer coverage to employees. Employers who do not do so may be subject to hefty penalties. The benefit plans offered will also have to meet certain coverage requirements.
- **Individual Mandates:** Most citizens and legal residents will be required to have a certain level of health coverage, or pay a tax penalty.
- **Cadillac Tax:** Imposes a 40% excise tax on health plans valued at more than \$10,200 for individual coverage and \$27,500 for family coverage effective 2018.
- **Coverage Subsidies:** Small employers that provide health insurance for employees will be eligible for a tax credit.

- **Health Benefit Exchanges:** In 2014, state exchanges will be established for small businesses and individuals to shop for health insurance. Larger businesses will be able to purchase coverage in the exchanges in the future.
- **FSAs, HRAs, HSAs:** Makes over-the-counter medications ineligible for reimbursement as early as 2011. Limits health FSA contributions to \$2,500 and increases the tax on non-qualified HSA distributions.
- **Market Reforms:** Require that all fully insured health plans abide by strict modified community rating standards and sets minimum loss-ratio requirements on insurers.

## Parker, Smith & Feek, Inc. Can Help You Get Ready for Changes

Health care reform will almost certainly involve sweeping changes to the benefits you provide your employees and how you provide them. However, it will likely affect each business differently. Once there is more clarity to this legislation we will send out a detailed overview and timeline on its implementation. We will continue to monitor developments and keep you informed.

Please contact your Parker, Smith & Feek, Inc. representative with any questions.

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