



MARLOWE & COMPANY

GOVERNMENT AFFAIRS CONSULTANTS

Memo

To: Marlowe & Company Clients
From: Christina Dunsmore, Policy Analyst
Re: Update on Health Care Legislation
Date: March 29, 2010

Last Thursday, the House and Senate approved a reconciliation package of the sweeping health care reform (HR 3590) legislation President Obama signed into law on March 23. This bill will extend coverage to roughly 32 million uninsured Americans and is estimated to cost the nation \$938 billion over the next ten years. Those who choose to remain without insurance by the deadline of 2014 will face stiff penalties. Additionally, by 2014, employers who do not offer health insurance to their employees will face equally harsh fines. Though the majority of Congress decided that this health insurance reform legislation will benefit those Americans who are currently struggling financially, there are a good number of people who are trying to determine how much this will cost them. The most talked about tax in the bill, a 40-percent levy on high-cost health insurance plans, will not take effect until 2018. Some Americans will see changes quickly, in the form of new money for emergency coverage for the uninsured, and requirements that insurers allow dependent children to stay on their parents' plans up to age 26. Most of the other changes are phased in over time, as indicated on the table below.

Despite the conclusion of voting, there are still many challenges to overcome. The Department of Health and Human Services will be charged with implementing the majority of the changes outlined in the legislation. Over the next six months, HHS will have to write, vet and implement insurance regulations, such as rules to require insurers to allow dependents to stay on parents' plans until age 26, preventing plans from placing annual or lifetime limits on patients' care, and prohibiting them from rescinding patients' coverage except in cases of fraud.

Republicans plan to use health care as a major platform in the upcoming elections and have vowed to keep their call for repeal strong. President Obama has acknowledged that the bill will be "frustrating" at first, but that the overall changes will benefit the majority of the nation.

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2010

Young adults will be able stay on their parents' insurance until their 27th birthday.
Businesses employing less than 50 workers will get tax credits covering 35% of their health care premiums. This will increase to 50 percent by 2014.
Insurers cannot exclude coverage to children with pre-existing conditions; Insurers will not be able to rescind policies to avoid paying medical bills when a person becomes ill; Lifelong limits on benefits and restrictive annual limits will be prohibited
Senior citizens will receive a \$250 rebate to help fill the "doughnut hole" in Medicare prescription drug coverage, which falls between the \$2,700 initial limit and when catastrophic coverage kicks in at \$6,154.
A temporary reinsurance program will start to help companies maintain health coverage for early retirees between the ages of 55 and 64.
New insurance plans must provide coverage for preventative services without co-payment; By 2019, all plans must comply.
New plans will be required to implement an appeals process for coverage determinations and claims.
Adoption tax credit and assistance exclusion will increase by \$1,000. The bill makes the credit refundable and extends it through 2011.
A temporary high-risk pool will be set up to cover adults with pre-existing conditions. Health care exchanges will eliminate the program in 2014

2011

Medicare will begin to provide free annual "wellness" visits and personalized prevention plans.
States can offer home- and community-based services to the disabled through Medicaid rather than through institutional care beginning October 1.
Medicare provides 10 percent bonus payments to primary care physicians and general surgeons.
Employers are required to disclose the value of health benefits on employees' W-2 IRS forms.
A plan to provide a vehicle for small businesses to offer tax-free benefits will be created. This would ease the small employer's administrative burden of sponsoring a cafeteria plan.
The Medicare payroll tax will increase from 1.45 percent to 2.35 percent for individuals earning more than \$200,000 and married filing jointly above \$250,000.

2013

Employers will lose the tax deduction for subsidizing prescription drug plans for Part D-eligible retirees.
Contributions to flexible savings accounts (also known as medical spending accounts) will be limited to \$2,500 per year.
A 2.9 percent excise tax on the first sale of medical devices will be established.
The hospital insurance tax will increase 0.9 percentage points for those earning more than \$200,000 (\$250,000 for married filing jointly), and it includes net investment income

2014

Citizens will be required to have acceptable coverage or pay a penalty of \$95 in 2014, \$325 in 2015, \$695 (or up to 2.5 percent of income) in 2016. Families will pay half the amount for children, up to a cap of \$2,250 per family.

Companies with 50 or more employees must offer coverage to employees or pay a \$2,000 penalty per employee after their first 30 if at least one of their employees receives a tax credit. Waiting periods before insurance takes effect is limited to 90 days. Employers who offer coverage but whose employees receive tax credits will pay \$3,000 for each worker receiving a tax credit.

Insurers can no longer refuse to sell or renew policies because of an individual's health status; Health plans will be prohibited from imposing annual limits on coverage.

Health insurance exchanges will open in each state to individuals and small employers to comparison shop for standardized health packages.

2018

Taxing "Cadillac" plans: An excise tax will be imposed on high-cost, employer-provided health plans beyond \$27,500 for family coverage and \$10,200 for single coverage; it will increase to \$30,950 for families and \$11,850 for individuals, retirees and employees in high-risk professions.

As work on this legislation continues in the Senate, we will be sure to update you on new developments. Questions or requests for more information can be directed to your Marlowe & Company team leader, or by emailing legislation@marloweco.com.