

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.

National Reform in 2010	In Massachusetts today	How it may affect you
Pre-existing conditions cannot be used to exclude children from receiving coverage. This will apply to adults starting in 2014.	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.	FCHP has no exclusions for pre-existing conditions.
Young adults up to the age of 26 can remain on their family health insurance coverage.	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.	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 will have to wait until the group's open enrollment period, post-September 23, 2010, to receive this coverage.
There can be no lifetime caps on the dollar value of health benefits.	Although not illegal, lifetime caps are not common for fully insured HMO products in Massachusetts.	FCHP has no lifetime caps on the dollar value of health benefits.
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.	There is no similar program in Massachusetts today.	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 credit 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.
A temporary reinsurance program will be put into place for employers providing health insurance coverage to retirees over age 55 who are not eligible for Medicare.	There is no similar program in Massachusetts today.	Employers interested in participating will be required to submit an application to Health and Human Services (HHS). Applications must be filled out correctly and will be accepted on a first-come, first-served basis. The government has allocated \$5 billion to this program.
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.	There is no similar requirement in Massachusetts today.	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 requirements.

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

<u>National Reform 2011-2014</u>	<u>In Massachusetts today</u>	<u>How it may affect you</u>
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).	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.	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><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></p> <p><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>	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.	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.
Employers with more than 200 employees must automatically enroll employees into employer-sponsored health insurance plans. Employees may opt out of coverage.	There is no similar requirement in Massachusetts today.	FCHP will review national requirements as they are released.
State-based insurance exchanges will be set up through which individuals and small businesses with up to 100 employees can purchase qualified coverage.	In Massachusetts, we have such an exchange—the Health Connector. Today, individuals and businesses with 50 or fewer employees can purchase qualified coverage.	FCHP currently offers Commonwealth Choice and Commonwealth Care (state-subsidized) plans through the Massachusetts Health Connector for individuals and small businesses.
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.	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.	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.

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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