





### **Health Care Reform 2010**

- How the law affects employers and health plans
- Grandfathered plans
- Health care reform changes that are effective:
  - What has happened so far
  - Changes as of today
  - 2011 and beyond
- Taxes and Penalties



Another Installment in the Kelly Educational Series



#### Spring Seminar: Strategic HR – March 18, 2011

## **Small Employer Tax Credit**

- Amount of credit
  - Up to 35 percent of premium costs paid in 2010 (25 percent for tax-exempt employers)
  - On Jan. 1, 2014, increases to 50 percent (35 percent for tax-exempt employers)
- Depends on employees and wages
  - The credit phases out gradually for:
    - Employers with average wages between \$25,000 and \$50,000 and



 Employers with the equivalent of between 10 and 25 full-time workers

Another Installment in the Kelly Educational Series



## **Coverage of Children**

- Plans that cover dependent children must cover them up to age 26
- No grandfathering-all plans must comply
  - Except Grandfathered plans may exclude children under age 26 if *eligible* for their own employersponsored coverage.
  - Exception ends January 1, 2014



Another Installment in the Kelly Educational Series

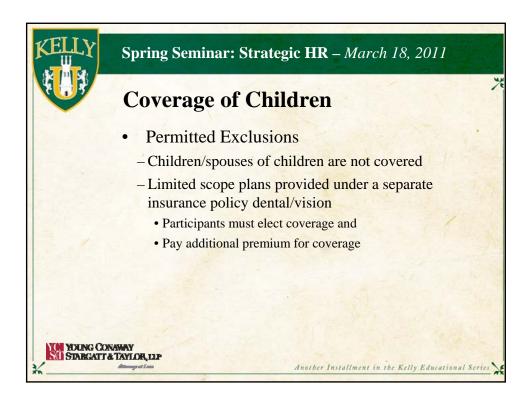


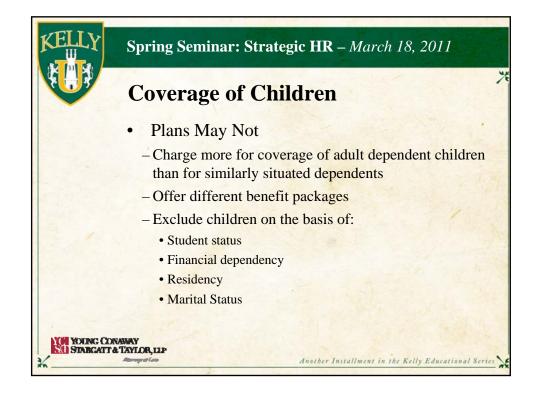
### Spring Seminar: Strategic HR – March 18, 2011

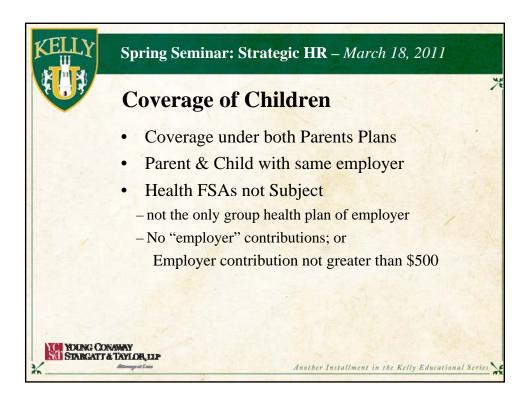
### **Coverage of Children**

- Generally effective first plan year beginning after September 23, 2010
- Employers may elect to extend coverage before the deadline
  - Many insurers agreed to limited effective date of June 1, 2010
  - Children who would lose coverage due to age after May 30, 2010

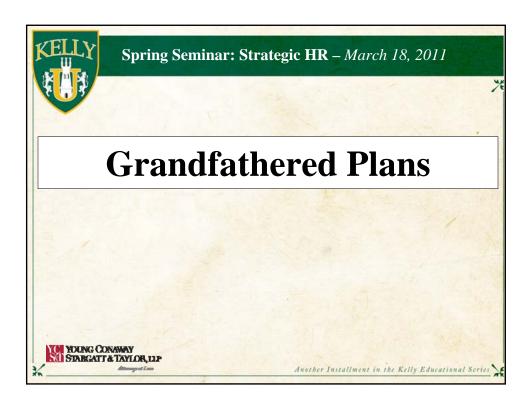


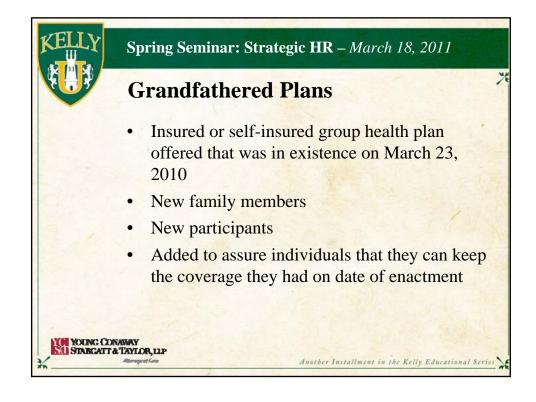














### **Grandfathered Plans**

- Loss of Grandfathered Plan Status
  - A group health plan will lose grandfathered status if any of the following events occur:



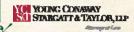
Another Installment in the Kelly Educational Series

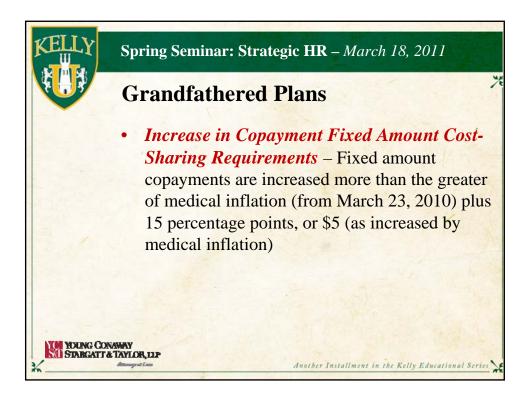


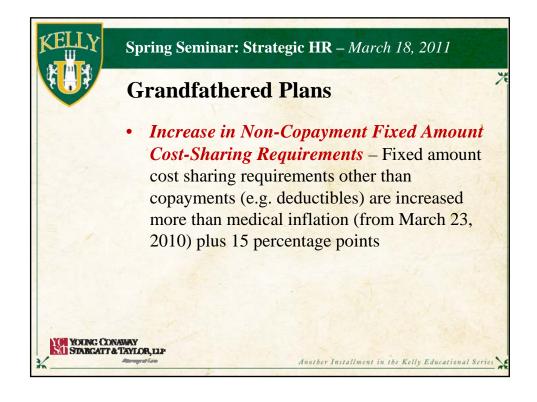
### Spring Seminar: Strategic HR – March 18, 2011

## **Grandfathered Plans**

- *Elimination of Benefits* All, or substantially all, benefits to diagnose or treat a particular condition are eliminated
- Increase in Percentage Cost-Sharing
  Requirements Percentage cost-sharing
  requirements (e.g. coinsurance) are increased to
  any extent after March 23, 2010









### **Grandfathered Plans**

• Decrease in Employer Contribution Rates – Employer contributions toward the cost of any tier of coverage for any class of similarly situated individuals are decreased by more than 5 percentage points below the contribution rate (the percentage of employer contributions towards the total cost of coverage) for the coverage period that includes March 23, 2010



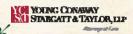
Another Installment in the Kelly Educational Series



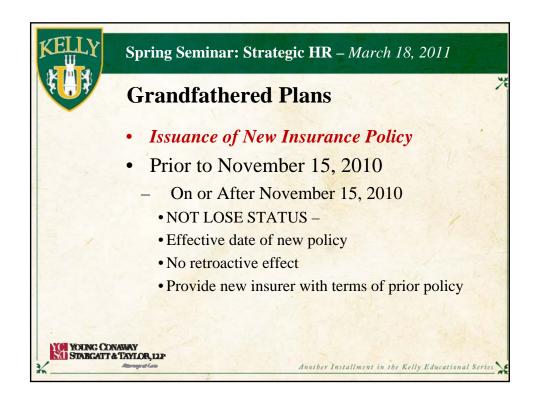
### Spring Seminar: Strategic HR – March 18, 2011

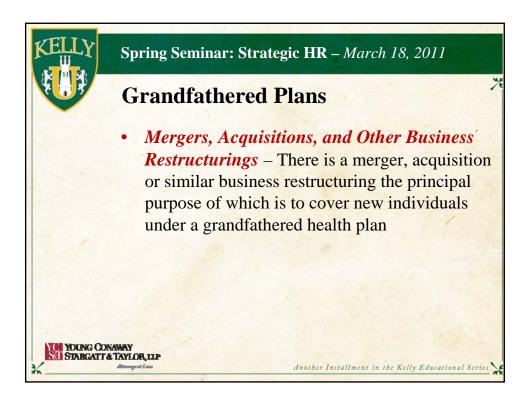
## **Grandfathered Plans**

- *Changes in Annual Limits* Annual limits are changed as of March 23, 2010, as follows:
  - No overall annual or lifetime limit limits cannot be added
  - Lifetime dollar limit, but no annual dollar limit cannot adopt an annual dollar limit lower than the lifetime limit on March 23, 2010
  - Overall annual dollar limit cannot decrease the annual limit





















### **Grandfathered Plans**

- Grandfathered plans will be subject to:
  - Restriction on imposing waiting period for coverage to not more than 90 days (effective 1/1/2014)
  - Restriction on imposing annual and lifetime limits on essential health benefits (effective for first plan year after 9/23/2010)
  - Limitation on circumstances under which employer sponsored group health plan can terminate or cancel coverage (effective for first plan year after 9/23/10)



Another Installment in the Kelly Educational Series



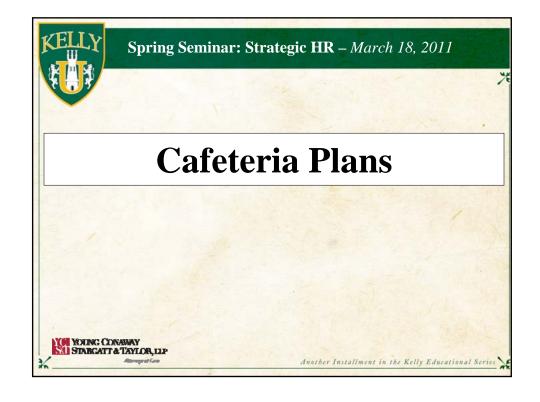
Spring Seminar: Strategic HR – March 18, 2011

### **Grandfathered Plans**

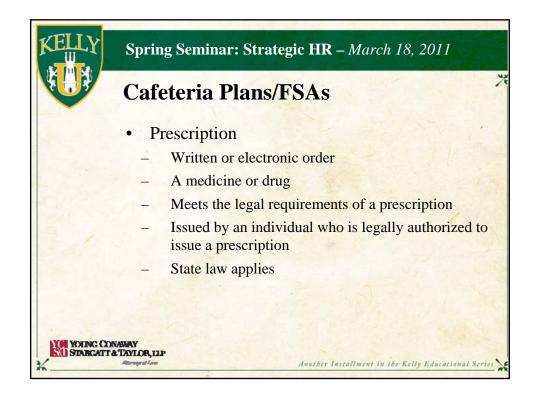
- Grandfathered plans will be subject to (con't):
  - For plan years beginning after 9/23/2010, plan must allow continued coverage of adult children up to age 26 unless they are eligible for coverage under another employer sponsored plan
  - Beginning in 2014, plan must allow continued coverage of adult children up to age 26 regardless of whether or not they are eligible for other non-parent employer sponsored coverage

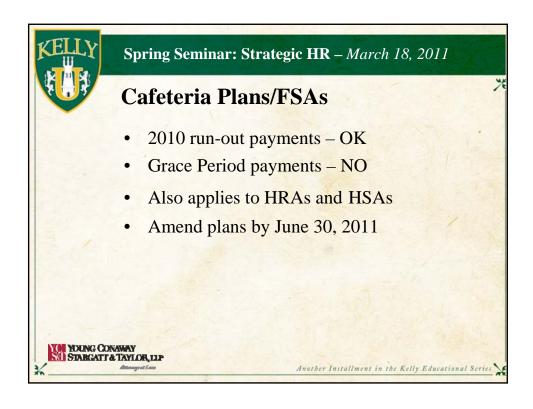


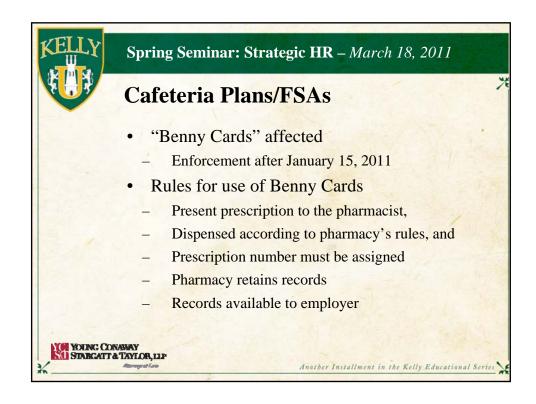


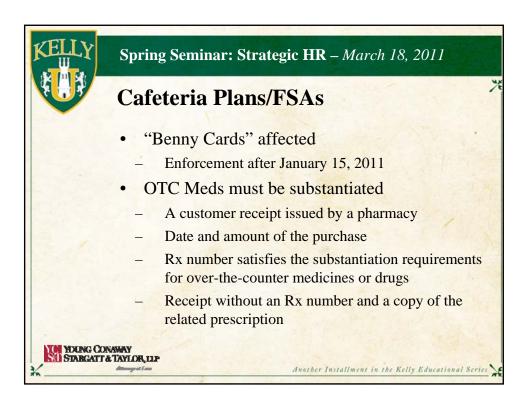


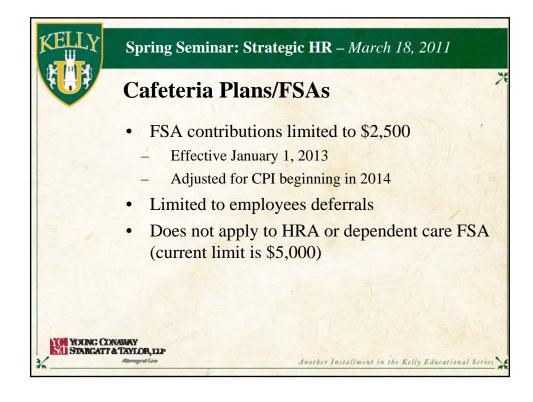




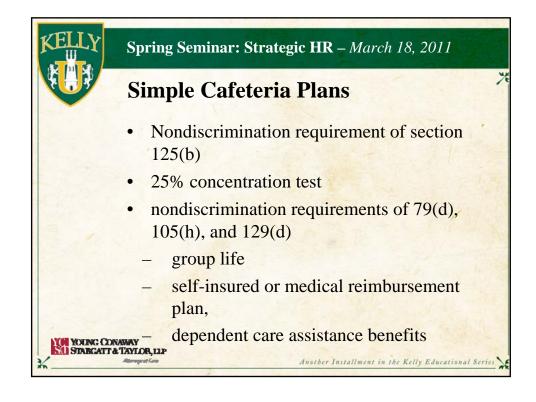






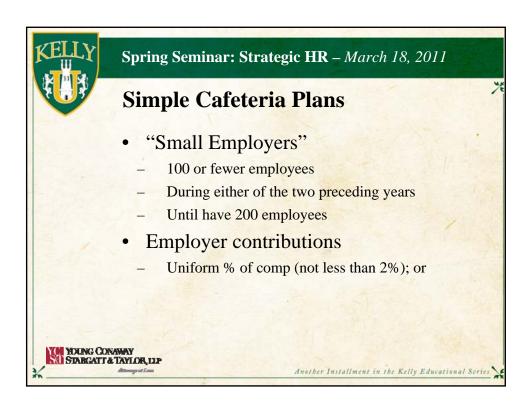


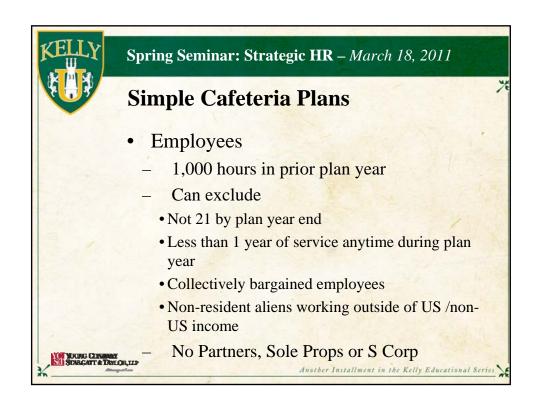


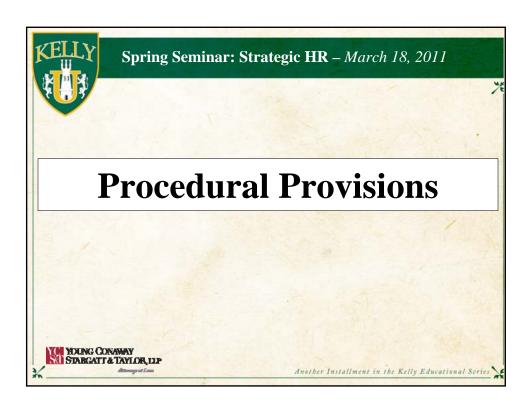


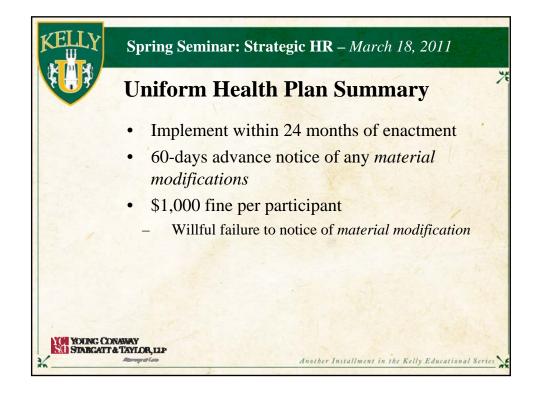


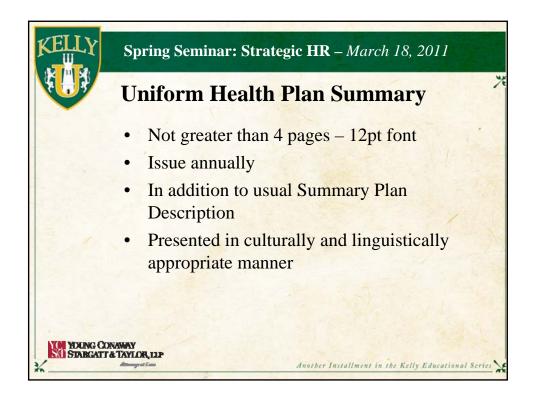


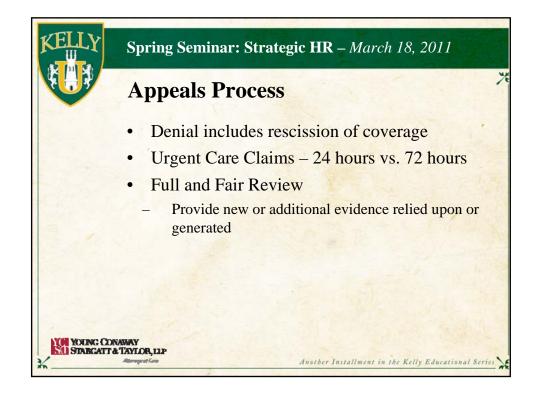




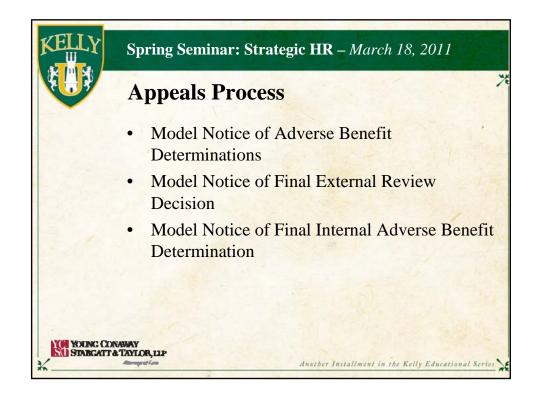














### Rescission

- Rescission is prohibited except in case of fraud or intentional misrepresentation of material fact
  - Cancellation or discontinuance of coverage that has retroactive effect
- Not Rescission if:
  - Prospective effect
  - Attributable to non-payment of premiums
  - Coverage may not be terminated without 30 day prior notice



Another Installment in the Kelly Educational Series



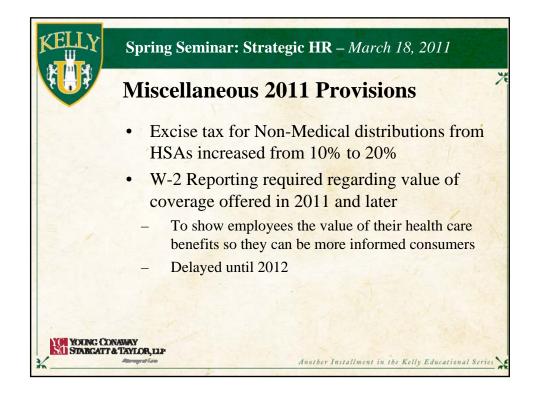
### Spring Seminar: Strategic HR – March 18, 2011

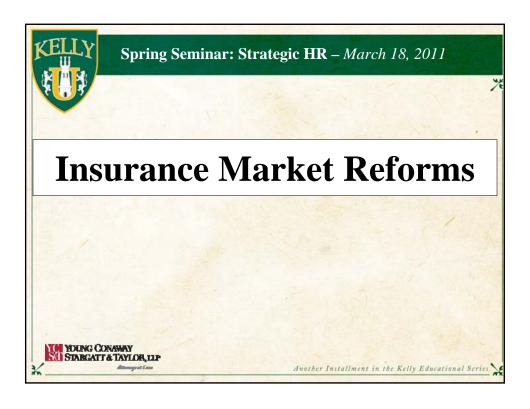
# Non-Discrimination in Favor of Highly Compensated

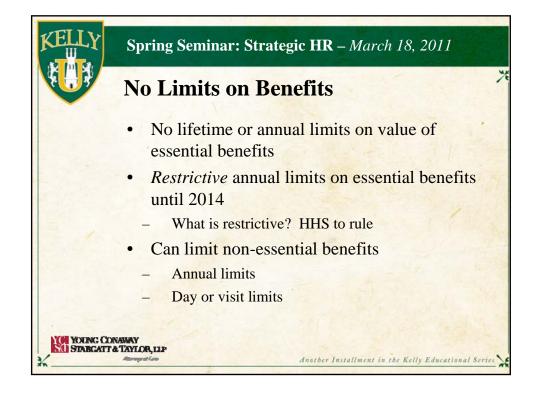
- Section 105(h)
- Currently applies only to self-insured plans
- No discrimination in favor of HCIs
  - Eligibility to participate
  - Benefits provided
- Eligibility to participate
  - 70% of all
  - 70% of all are eligible and 80% participate
  - Fair cross section

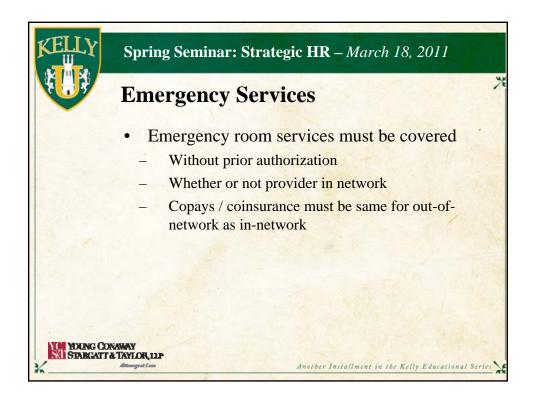


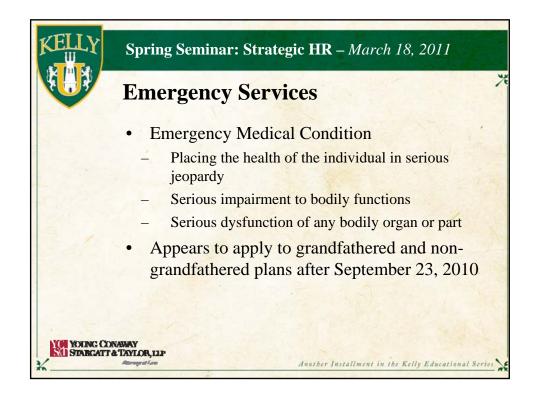


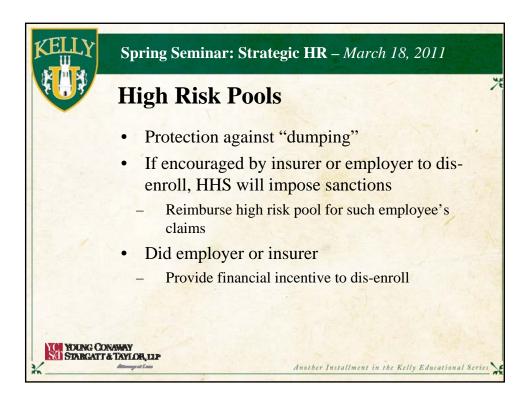


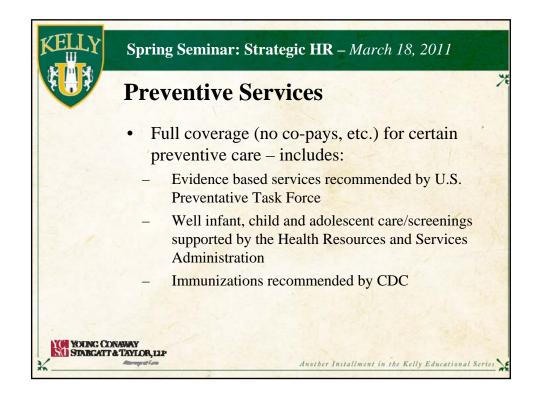


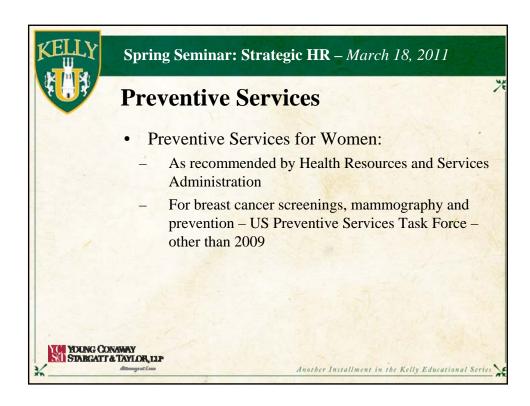


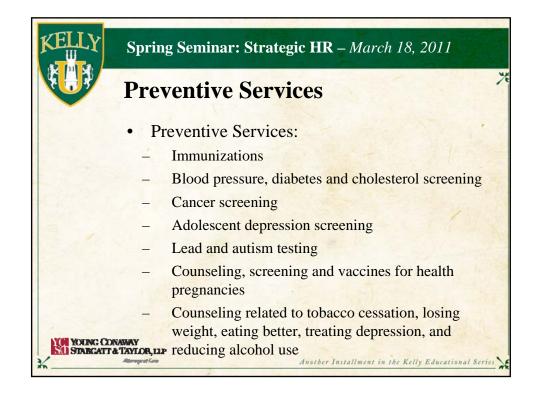














- 3.8% tax on passive income

(interest/dividends/annuities/rental income)

Another Installment in the Kelly Educational Series

