

PLUNKETT COONEY

Health Care Reform is Employer Reform

Practical Guidance for Employers

Presented by
Mark S. Kopson
Gary W. Francis

Today's Speakers



Mark S. Kopson
 (248) 901-4061
mkopson@plunkettcooney.com




Gary W. Francis
 (248) 901-4045
gfrancis@plunkettcooney.com



HEALTH CARE REFORM IS EMPLOYER REFORM PLUNKETT COONEY

Healthcare Reform Overview

- Patient Protection and Affordable Care Act (**PPACA** or **ACA**) enacted March 23, 2010
- 2,409 page statute
- Significant new responsibilities for employers
- Major impacts on providers
- Multiple effective dates for various provisions



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PPACA Goals

- Cover more people
- Broaden scope of coverage
- Increase quality of care
- Make care more cost-efficient
- Hold providers and health plans accountable for cost and quality of care



PPACA Results

- Quantity-driven care and reimbursement out
- Quality/outcomes-based care reimbursement in
- Staff and IT expenses are up
- Rapid financial and clinical integration
- Government needs new revenue sources
- Thinning the herd – both plans and providers
- Employers and health care providers struggling to keep up with changes



Changes So Far – 2011 #1

- Abolished pre-existing condition exclusion for children under 19
- Abolished lifetime benefit limits
- Abolished co-pays and deductibles for preventative care
- Ensured coverage for adult children through 26
- Imposed restrictions on annual benefit limits



Changes So Far – 2011 #2

- OTC drugs ineligible for FSA reimbursement
- Insureds choose a primary care physician; No pre-authorization for Ob-Gyn services
- Insured health plans cannot discriminate for highly compensated employees
- New appeal procedures for church and government plans



Changes So Far – 2011 #3

- Non-qualified HSA and MSA expenses subject to 20 percent excise tax
- Insurers cannot rescind coverage except for fraud
- Participants must receive uniform explanation of coverage
- Small-employer cafeteria plans available



Changes for 2012

- Health plan cost reported on W-2 (originally slated for 2011)
- Health insurance issuers, **including self-insured health plans**, taxed for average number of covered lives



Changes Coming in 2013 (\$)

- \$2,500 Health FSA maximum
- Schedule A medical expense deduction floor raised to 10 percent AGI
- End deduction for portion of care expenses reimbursed to employer through Medicare Part D subsidy
- Mandatory electronic exchange health information and funds transfers



More Tax Changes in 2013

- Employee's share of Medicare tax up 0.9 percent to 0.235 percent on wages > \$200K (\$250K MFJ) (\$125 MFS)
- New Medicare contribution tax on unearned income of high-income individuals
- **Combined: > \$10 billion through 2019**
- 2.3 percent medical device sales tax



Unearned Income Tax

- 3.8 percent of *lesser* of:
- "investment income" or
 - portion of Modified AGI:
 - > \$200K single
 - > \$250K MFJ
 - > \$250K MFS



Some Changes Beyond 2013

- State Health Insurance Exchanges
 - Uninsured individuals and small employers
 - Bronze, silver, gold and platinum coverage
- Mandatory Minimum Essential Coverage (“MEC”)
 - E’ers > 50 E’ees = Offer affordable MEC or pay fine
- Mandatory auto-enrollment for > 200 E’ees
- E’ers > 50 E’ees = Submit annual health insurance coverage reports and individual coverage statements
- **“Individual Mandate”**



Individual Mandate

Obtain Minimum Essential Coverage or pay **monthly tax = 1/12 of greater of** dollar penalty **or** gross income penalty

- Dollar penalty = sum/individual with family cap
- Gross income penalty = Percent of household income above specified filing threshold



Impacts Via Healthcare Providers

- Horizontal and vertical consolidation and integration
- Integration = Collaboration + Communication
- Accountable Care Organizations ACOs

Continued



Changes Regardless of Supreme Court

- Reimbursement keyed to outcomes
- Bundled payments ~ capitation
- Transparency of cost and quality
- Tiering and narrowing of provider networks
- “Thinning the herd”



Michigan Healthcare Reform

- Health Insurance Claims Assessment Act (Public Act 142 of 2011) – Effective 1/1/12
- 1 percent tax on paid health care claims for services furnished in Michigan to Michigan residents
- Paid quarterly by insurers and TPAs but passed through to employers
- Employer pass-through to employees may be problematic



Take-Aways

- Closely monitor PPACA developments.
- Don't wait for Supreme Court decision to begin planning
- Take proactive measures (budgeting, staffing, employee education, etc.)
- Get your employees vested and involved

Continued



Take-Aways

- Exercise extreme caution in financial projections, particularly beyond two years.
- Explore ways in which to benefit from changes in the delivery and payment of health care services.
- Use your legal and insurance advisors

Questions



Contact Our Speakers



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**Thank you for
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