

Health Care Reform: How Will It Affect YOU?



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After a tremendous amount of scrutiny, debate and backroom dealing, the Patient Protection and Affordable Care Act (H.R. 3590) was signed into law by President Obama on March 23, 2010. The companion bill, the Health Care and Education Reconciliation Act (H.R. 4872), was signed into law on March 30, 2010. Together, these two bills constitute the new federal health care reform legislation — legislation that will affect all of us in one way or another.

- ★ As a citizen
- ★ As an employer
- ★ As a health care professional



Many of you have read that the reform package was extremely lengthy, with more than 2,500 pages in the primary bill alone. What you may not have heard is that the government expects to write another 200,000-plus pages of rules and regulations to clarify how the law should be interpreted and regulated. And as they say, "The devil is in the details." At this time, there remains a high degree of uncertainty associated with the impact of the reform legislation, as some of the key regulatory guidance remains pending. In addition, many of the more significant changes will not take effect until 2014.

The MDA, through its subsidiary, MDA Insurance, plans to serve as our members' "go to" resource for member information regarding health care reform. In this process, we'll start by focusing on what we know today, and we are making a commitment to keep you informed as we learn more details in the months to come. (See Box, Page 32.)

This article will give an overview of what is coming, with a focus on the changes coming next year, in 2011.

The reform package's impact on you can be broken down into three specific areas:

- the impact on you as a consumer of health insurance and health care in general;
- the impact on you as a small-business owner and taxpayer; and
- the impact on you as a health care provider.

Let's take some time to look at each of these areas.

You as a consumer

The new law mandates several changes to health plans effective at the beginning of the first plan year on or after Sept. 23, 2010. For MDA members enrolled through MDA Insurance in our monthly-billed, small group programs, this date will in most cases be Jan. 1, 2011. For MDA members enrolled through MDA Insurance in our quarterly billed BCS program, the effective

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date of the new coverage mandates in all cases will be Jan. 1, 2011. If you are uncertain regarding your plan year or effective date, contact MDA Insurance. MDA Insurance is working closely with Blue Cross Blue Shield to ensure that all our member plans are modified to be compliant with the new law at the yearly renewal.

Here's a closer look at these changes.

Annual and lifetime maximums. Both our monthly-billed BCBS group plan and our quarterly-billed BCS plan currently have a \$5 million lifetime cap on benefits and have underlying annual benefit caps for some other benefits. Under the new law, medical insurers will no longer be permitted to place annual or lifetime maximums on what are determined to be "essential benefits." Limits will still be permitted for other benefits that are not considered essential. At this writing, the government has not yet fully defined "essential benefits." Member plans will be modified at the renewal dates mentioned above. We will communicate more regarding "essential benefits" when the government regulations are published.

End of pre-existing condition limitations for children under 19. Medical insurers will be required to accept all applicants under age 19 without asking medical underwriting questions and without excluding pre-existing conditions. In 2014, this requirement will apply to everyone, regardless of age. This could ultimately lead to increased rates in the BCS quarterly-billed plans, as they have traditionally employed some medical underwriting guidelines to protect the plan from adverse selection (i.e., a participant takes a low cost/low coverage policy with another insurer, then enters the more comprehensive MDA plan only when diagnosed with a significant health problem, such as cancer or heart disease).

Dependent coverage. Insurers will be required to cover eligible dependent children until they turn 26 years old. This requirement stands regardless of whether the dependent child is a full-time student or married. Insurers do not have to provide coverage to the dependent children of dependent children (grandchildren) or to the spouses of these individuals. Those who have already aged off the plan will be allowed to be re-insured under certain conditions.

All eligible young adults will have a special enrollment opportunity. Plans and issuers must give children who qualify an opportunity to enroll that continues for at least 30 days, regardless of whether the plan or coverage offers an open enrollment period. This enrollment opportunity and a written notice must be provided not later than the first day of the first plan or policy year beginning on or after Sept. 23, 2010. For MDA members and their children enrolled in our BCBS plans, this window will be Nov. 1 to Nov. 30, 2010. MDA members will be provided such notification at that time.

Over-the-counter drugs. Over-the-counter drugs will no longer be an eligible medical expense for Flexible Sav-

Changes Coming in 2011

- No annual or lifetime maximums on "essential benefits"
- No pre-existing condition limitations for children under age 19
- Coverage required for dependent children until age 26
- Over-the-counter drugs no longer eligible as a medical expense with Flexible Savings Accounts.

Changes Coming in 2014

- "Pay or play" mandate begins
- Businesses with 50 or more employees must provide coverage (most dental offices don't meet this threshold)
- All U.S. citizens will be required to carry coverage with "minimal essential benefits" or face tax penalties.
- State-run insurance exchanges will begin.

ings Accounts, Health Savings Accounts, and Health Reimbursement Accounts. To be covered, your physician will need to write a prescription for the drug.

Other mandates. In addition to these mandated coverages for all existing plans, new plans or plans that lose their "grandfathered" status will have certain other mandates:

- OB/gynecological access for women without a referral;
- pediatrician access for children without a referral;
- emergency services covered the same in and out of network;
- immunizations and preventive care with no cost-sharing.

Individual mandate. The final impact on MDA members as health care consumers will occur in 2014. At that time the individual mandate kicks in. We believe that most MDA members and staff are already carrying compliant coverage. However, just in case you or your staff don't, you should be aware that in 2014, U.S. citizens and legal residents are required to have "minimum essential benefits" consisting of at least bronze-level coverage (yet to be defined) or, if applicable, catastrophic coverage. The tax penalty for noncompliance is \$695 per year, up to a maximum of \$2,085 per family. Lower penalties apply during the phase-in period from 2014 through 2016. Exceptions will be made for certain circumstances.

You as a business owner and taxpayer

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employees. Dentists who employ 50 or more, will be required to offer “minimum essential benefits.”

Dentists/employers with 50 or more “full time equivalent” employees will pay fines and penalties if they do not offer coverage at all, if their coverage does not qualify, or if their employees opt to purchase their coverage from government-run insurance exchanges.

Even if you don’t employ 50 or more, be aware that the individual mandate discussed in the first section will apply to the vast majority of your employees. They will be required to obtain coverage for themselves from somewhere by 2014. They may look to you for answers. We want you to know MDA Insurance will be there to help you through these times.



Not Insured with MDA Insurance?

Much of the information included within this article applies to anyone who is an employer, health insurance plan sponsor or individual purchaser of health insurance.

However, some of the information is specific to Blue Cross Blue Shield health plans offered through MDA Insurance. If you’re not insured with MDA Insurance, there’s no better time to consider switching your coverage to one of the MDA Blues plans. MDA Insurance can help you navigate through the complex changes ahead. Call MDA Insurance at 800-860-2272 — knowledgeable account executives are available to meet with you at home or at your office to review your insurance needs.

Many of our members currently offer health insurance to their employees. For those who do, many of the near-term changes are laid out as mandates — the government has made all the decisions about what must be done, and when. Thus, in the near term, health care reform becomes less about strategy and more about tactics and housekeeping. The task then becomes one of communicating it to your staff, coordinating with your carrier/administrator to make sure changes are made timely and comply with regulations, and so on.

The required changes for 2011 are laid out in the first section of this article. If you are insured through MDA Insurance, we will provide you with the tools you need to make sure you are compliant. Make sure you use these tools to communicate to all your employees to whom you offer coverage.

The play-or-pay mandate for large employers, the individual mandate, and the state-run insurance exchanges will all begin by 2014. At that point, employers may want to initiate a more strategic approach to health care decisions, weighing the cost and advantages of offering employer sponsored coverage against the cost and disadvantage of not.

Small business tax credit. The government has made a tax credit available to some small businesses for providing insurance to their workers. The maximum credit is available to employers with 10 or fewer full-time employees and payroll and average wages less than \$25,000. Progressively smaller credits are available until a firm reaches 25 employees or annual wages of \$50,000. MDA Insurance has placed details and links to more information on our website. Please consult with your tax advisor if you have questions.

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W-2 reporting. Effective beginning with the 2011 tax year, the value of an employee's health plan must be disclosed on his or her W-2 form. At this point, the disclosure on the W-2 is informational-only; the employee will not be taxed on the value of his or her health insurance. You should work with your payroll administrator to make sure you are in compliance with this rule.

Tax increases. The health reform package is paid for with a host of taxes, fees and penalties on individuals and business. We have already listed a few of these above. Some other notables include a \$2.3 billion annual fee on drug makers that increases to \$31 billion over 10 years; a 2.9 percent excise tax on "medical devices" that takes effect in 2013, and an excise tax on insurance companies (\$57 billion over 10 years). Unfortunately for business owners, there is nothing to stop all these extra fees and taxes from being passed along in the form of higher costs for drugs, medical devices, and ultimately the premiums we pay for our insurance.

For individual taxpayers, the legislation also increased the Medicare tax on earned income in 2013 by .9 percent to a total of 2.3 percent of earned income in excess of \$200,000 for a single taxpayer, or \$250,000 for married filed jointly. Also in 2013, there will be a 3.8 percent Medicare tax on the unearned income of individual taxpayers with modi-

fied adjusted gross income in excess of \$200,000 for single taxpayers, and \$250,000 for married filed jointly.

You as a health care provider

On the whole, the bill did not specifically address or alter the existing private-sector-based dental insurance system. Employers are not required to offer a dental benefit, and adults will not be required to buy coverage on their own. The exception to this ultimately rests in Health and Human Services' definition of "essential benefits." At this time, it appears certain that "essential benefits" will include some form of oral health coverage for children under 21. To the extent that oral health care is defined as part of the "essential benefits" package, then all health plans will need to offer these coverages. We will keep you posted as we learn more.

Thanks to some last-minute efforts by the MDA legislative team, Michigan's Sen. Debbie Stabenow was able to add language to the health care reform legislation allowing stand-alone dental plans to be offered through the state-run insurance exchanges that will come online in 2014. The vast majority of dental benefits are offered through stand-alone plans, and Sen. Stabenow's language help to make sure the stand-alone dental market is not disrupted.



Insurance & Services CheckUp is the quarterly newsletter published by MDA Insurance and MDA Services. Watch for it!

MDA INSURANCE: Your "Go-To" Resource for Health Reform Information

Health care reform is a complex, ever-evolving situation. As an MDA member, you can rest assured that MDA Insurance is here to help you cut through the maze of information to find exactly what you need, when you need it.

MDA Insurance will communicate the latest updates to you through a variety of media. In addition to the information provided in this article, other resources available to MDA members include or will include:

New Journal Department. Look for a new monthly box in the MDA Journal's "News You Need" section each month. This feature will highlight timely developments in health care reform and direct you to additional resources.

Journal eNews. Monthly updates/reminders and links will be included in each issue of the Journal eNews. (If you're not receiving the Journal eNews, contact the MDA office.)

Insurance CheckUp. Each issue of this quarterly MDA Insurance newsletter will include a special box about health care reform with the latest news and updates.

MDA Insurance website. A special section has been created on the MDA Insurance website at www.mdaprograms.com with complete health care reform information, including an archive of what's been printed in MDA publications as well as additional resources.

Contact Us. Call MDA Insurance at 800-860-2272. We stand ready to assist with any questions you may have on health care reform.

Read More Online

The sheer magnitude of health care reform and keeping up with constantly changing rules can seem overwhelming.

To keep up, look to the MDA Insurance website at www.mdaprograms.com. It's a great source for the latest, most-accurate health reform information. You'll find an archive of previously published articles, as well as resources and links to more information.

Currently, you can find further information on the following topics at www.mdaprograms.com:

- How to navigate health care reform
- What it means if your plan is "grandfathered"
- New dependent coverage guidelines
- Implementation guidelines for group plan customers
- Implementation guidelines for individual plan customers
- Small-business tax credit
- plus regular updates

In addition:

- The health reform legislation requires the secretary of Health and Human Services to develop provider-level outcomes measures in an effort to improve quality of care. The extent to which dentists will be included in this is unknown at this time.
- The bill contains a variety of oral health infrastructure, public health and work force measures, including increased funding for dental residency and training programs as well as student loan repayment programs for providers practicing in underserved areas; a five-year oral health prevention and public education campaign overseen by the Centers for Disease Control and Prevention; pilot projects to evaluate alternative work force models; and expanded sealant and fluoridation efforts.



As you can see, the legislation is very comprehensive and is going to impact virtually every American in one way or another. There are many potential concerns regarding the legislation's impact on insurance costs, on administrative burdens, on access, and on taxes, both personal and business.

MDA Insurance will continue to monitor the situation and communicate to members as we learn more. If you would like to read more about health care reform from an "insider's" perspective, please read my commentary beginning on Page 34. ♦

Editor's Note: The information in this document is based on MDA Insurance's review of the national health care reform legislation and is not intended to impart legal advice. Interpretations of the reform legislation vary, and efforts will be made to present and update accurate information. This overview is intended as an educational tool only and does not replace a more rigorous review of the law's applicability to individual circumstances and attendant legal counsel and should not be relied upon as legal or compliance advice. Analysis is ongoing and additional guidance is also anticipated from the Department of Health and Human Services. Additionally, some reform regulations may differ for particular members enrolled in certain programs, and those members are encouraged to consult with their benefit administrators for specific details.

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