The Patient Protection and Affordable Care Act and
The Health Care and Education Reconciliation Act of 2010

On March 21, 2010, the House of Representatives passed the Senate-version legislation, the Patient Protection and Affordable Care Act (H.R. 3590) (the "Affordable Care Act"). The same day, the House also passed a separate budget reconciliation bill, The Health Care and Education Reconciliation Act of 2010 (H.R. 4872) (the "Reconciliation Act"). The Senate is taking up the Reconciliation Act.

As the health reform legislation stands today, some of the issues affecting the USG and our employees are outlined below in order of implementation deadlines.

90 Days after Enactment

Temporary Retiree Reinsurance Program

Ninety days after enactment, a federal reinsurance program will be available for employers providing insurance for retirees over age 50 years of age, who are not eligible for Medicare. The program will reimburse employers for 80 percent of claims incurred for the retirees between $15,000 up to $90,000.

Impact – USG is investigating this program

National High-Risk Pool

Ninety days after enactment, a federally subsidized high-risk pool will be established for individuals with pre-existing conditions who have been uninsured for at least six months.

Impact – Individual coverage mandate – no impact on USG

Six Months after Enactment

Dependent Coverage

For plan years beginning six months after the date of enactment, plans would be required to provide coverage for adult children up to age 26, if the adult child is not eligible to enroll in an employer-sponsored plan. The employer contributions for adult child coverage would still be included in gross income, unless the adult child qualifies as a federal income tax dependent.

Impact – USG will have to implement this program later in 2010. No immediate effect.

No Rescissions

For plan years beginning six months after the date of enactment, grandfathered plans would be prohibited from rescinding coverage except in cases of fraud.

Impact – No impact on USG plans or employees

Lifetime/Restrictive Annual Limits
Existing plans are prohibited from having lifetime limits on coverage or restrictive annual limits (as determined by the Health and Human Services Secretary).
Impact – USG will have to implement this program later in 2010. No immediate effect.

Pre-Existing Conditions
For plan years beginning six months after the date of enactment, there can be no pre-existing limitation for coverage of children under age 19.
Impact – No impact on USG plans or employees - USG covers pre-existing conditions

Year 2010

Medicare Prescription Drugs
The approximately 4 million Medicare beneficiaries who hit the so-called "doughnut hole" in the program's drug plan will get a $250 rebate in 2010. Next year, their cost of drugs in the coverage gap will go down by 50 percent. In 2011, the bill would also begin phasing down the beneficiary coinsurance amount in the coverage gap so that it reaches the standard 25 percent beneficiary coinsurance by 2020. Preventive care, such as some types of cancer screening, will be free of co-payments or deductibles starting this year.
Impact – Individual coverage issue – no plan impact on USG plans

Year 2011

Medicare Advantage Plans
The Reconciliation Act would freeze Medicare Advantage (MA) payments for 2011. MA payments would be restructured by tying them to 100 percent of Medicare fee-for-service costs, providing bonuses for quality and making adjustments for unjustified coding patterns.
Impact – Individual coverage issue – no plan impact on USG plans

Year 2013

Increase Tax for High-Income Taxpayers
Effective 2013, for single taxpayers with adjusted gross income ("AGI") of $200,000 or more and joint filers with AGI of $250,000 or more, the Reconciliation Act would add a 3.8 percent tax on investment income from interest, dividends, annuities, royalties, rents and capital gains ("net gain from disposition of property").
Impact – Individual coverage issue – no plan impact on USG plans

Flexible Spending Arrangements (FSAs)

The Reconciliation Act would delay the effective date of the new annual limit on health flexible spending arrangements until 2013, at which time the FSA contribution would be capped at a maximum of $2,500, indexed thereafter to general inflation.

Impact – USG will have to implement this program in 2013. No immediate effect.

Year 2014

Employer Mandate

Effective in 2014, employers with more than 50 employees that do offer coverage but have at least one full-time employee receiving a premium tax credit because coverage is "unaffordable," will pay the lesser of $3,000 for each employee receiving a premium credit or $750 for each fulltime employee. Coverage would be considered "unaffordable" if the premiums for the class of coverage selected by the employee exceed 9.5 percent of family income (down from 9.8 percent in H.R. 3590).

Impact – USG is investigating this provision for 2014

Employer Voucher

Effective in 2014, employers that offer coverage would be required to provide a free choice voucher to employees with incomes less than 400 percent of the federal poverty level, whose share of the premium exceeds 8 percent but is less than 9.8 percent of their income and who chooses to enroll in a plan in the Health Insurance Exchange. The voucher amount is equal to what the employer would have paid to provide coverage to the employee under the employer's plan and will be used to offset the premium costs for the plan in which the employee is enrolled.

Impact – USG is investigating this provision for 2014

Auto-Enrollment

Employers with more than 200 employees must automatically enroll employees in coverage offered by the employer. Employees may opt out of coverage.

Impact – USG is investigating this provision for 2014

Individual Mandate

Citizens and legal residents are required to have “qualifying health coverage” by year 2014. Those without coverage pay a tax penalty of the greater of $695 per year up to a maximum of three times that amount ($2,085) per family or 2.5 percent of household income.
Premium credits are made available to eligible individuals and families
Impact – Individual coverage issue – no plan impact on USG plans

Benefit Design

Effective in 2014, an essential health benefits package is established that provides a comprehensive set of services, covers at least 60 percent of the actuarial value of the covered benefits, limits annual cost-sharing to the current law HSA limits ($5,950/individual and $11,900/family in 2010), and is not more extensive than the typical employer plan. Effective in 2014, all qualified health benefits plans are required to offer at least an essential health benefits package.
Impact – USG is investigating this provision for 2014

Health Insurance Exchanges

Effective in 2014, state-based Health Insurance Exchanges and Small Business Health Options Program (SHOP) Exchanges must be established
Impact – Individual coverage issue – no plan impact on USG plans

Year 2018

Tax on Cadillac Plans

Effective in 2018, an excise tax is imposed on insurers of employer-sponsored health plans with aggregate values that exceed $10,200 for individual coverage and $27,500 for family coverage.
Impact – USG is investigating this provision for 2018