



HEALTHCARE REFORM: WHAT YOU NEED TO KNOW

WHAT IS HEALTHCARE REFORM?

Healthcare reform refers to the healthcare law passed in 2010 that significantly changed health policy in the United States. Healthcare reform includes numerous requirements that all play into two main goals: improving access to healthcare and making coverage more affordable.

A lot of changes required by healthcare reform are already in place. For example, most plans have (or will in the near future) limited out of pocket costs for participants and removed all annual dollar limits on essential health benefits. These standards change the current healthcare system by eliminating things such as preexisting condition exclusions and excessive waiting periods. It also includes penalties to both employers that do not offer health plans and employers that offer plans that are not affordable or provide nominal coverage.

Healthcare reform also includes a tax penalty for individuals who do not have health insurance (this is known as the individual mandate), and it provides government-run marketplaces and subsidies to make it easier for individuals to obtain coverage.



**AFFORDABLE
COVERAGE**



**PREVENTIVE
CARE**



**EMPLOYER-PROVIDED
GROUP HEALTH PLANS**



**CHILDREN UP TO AGE 26
ARE COVERED UNDER THEIR
PARENTS' PLAN**

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1. What is the individual mandate?

Starting January 1, 2014, most individuals were required to have Minimum Essential Coverage or pay a tax penalty. The definition for Minimum Essential Coverage is broad and most employer-sponsored medical plans will qualify. In addition, it includes approved government programs such as Medicaid, Medicare, and Tricare, plans obtained in the individual market (such as a Qualified Health Plan through the Marketplace), and grandfathered plans.



Tax penalty for individuals who do not have health insurance

2. What is the tax penalty for an individual not obtaining Minimum Essential Coverage?

The tax penalty is assessed monthly for any month an individual does not have Minimum Essential Coverage. The annual penalty is (to be prorated on a monthly basis):

- 2014:** \$95/individual, \$47.50/child, capped at greater of \$285/family or 1% of family income
- 2015:** \$325/individual, \$162.50/child, capped at greater of \$975/family or 2% of family income
- 2016:** \$695/individual, \$347.50/child, capped at greater of \$2,085/family or 2.5% of family income



3. What does healthcare reform mean for my employer?

A major part of healthcare reform starts in 2015. Employers with **100 or more employees** are required to offer all full-time employees affordable medical coverage; if not, the employer will pay a hefty fine. Employers with 50-99 employees must start complying in 2016.

4. Who is considered a full-time employee?

A full-time employee is defined by the law as someone who works 30 hours or more a week. Certain employees who work on a seasonal basis or have undetermined hours might not fit neatly into the 30-hour-a-week definition. These employees will most likely need to average 30 hours a week over a year-long period to be benefit eligible.



5. What is considered affordable coverage?

Coverage is considered affordable when the employee's annual cost for employee-only coverage is no more than 9.56% of your gross household income.

Affordable coverage applies only if your household income does not exceed 400% of the federal poverty level. In 2014, that's about \$47,000 for individuals or \$96,000 for a family of four.

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6. I have heard a lot about the Exchange, what exactly is it?

Exchanges, or the Health Insurance Marketplace, are online marketplaces where consumers can go to shop for health insurance from insurance companies. On these sites, consumers can compare the plans available to them and then purchase online. You may have a state-run Marketplace or a federal Marketplace, depending on where you live.



Exchange
Shop the online Marketplace for insurance

7. Who can shop at the Health Insurance Marketplace?

The Marketplace became available for individuals to enroll starting on October 1, 2013. The only requirements for consumers to buy coverage through the Marketplace are they must be lawfully present in the U.S. not currently incarcerated.



Small employers and individuals

8. What kind of plans are available through the Marketplace?

The Marketplace will offer a choice of different health plans from different insurance carriers. It is designed to help individuals find affordable coverage that they want with fewer headaches.

Every health insurance plan in the Marketplace will offer comprehensive coverage, from doctors to medications to hospital visits. Individuals will be able to compare all insurance options based on price, benefits, quality, and other features that may be important to them, in plain language that makes sense.



Options based on price, benefits, quality, and other features

9. What are the subsidies that I keep hearing about?

A refundable tax credit (or subsidy) is available for individuals and families who do not qualify for Medicare or Medicaid and are not offered affordable healthcare through an employer. The tax credit will be used to help offset the cost of coverage purchased through the Marketplace. Taxpayers with income between 100% and 400% of the federal poverty line who purchase insurance through the Marketplace could qualify. In 2013, individuals making less than \$47,000 or a family of four making less than \$96,000 would qualify.

It is important to note that an individual who is offered affordable coverage that is minimum value from their employer will be ineligible to receive a tax credit. Even if an individual declines enrollment, he or she will remain ineligible for a tax credit through the Marketplace.

TAX SUBSIDY ELIGIBILITY

- Must not be eligible for Medicare or Medicaid.
- Must not have affordable healthcare through an employer.
- Taxpayers with income between 100% and 400% of the federal poverty line who purchase insurance through the Marketplace.
- Individuals with income of less than \$46,000/year or a family of four with income of less than \$94,000/year.

10. I am currently receiving subsidized coverage through the Marketplace? Can I retain that coverage after my employer offers me coverage in 2015?

If your employer begins offering you affordable coverage that is minimum value in 2015, you will no longer be eligible for subsidies in the Marketplace, even if you were enrolled and receiving subsidies in 2014. If you continue receiving subsidies for Marketplace coverage after your employer has offered you affordable, minimum value coverage, you will be required to pay back those subsidies to the IRS. Make sure to review your options if you currently receive subsidized Marketplace coverage and are offered employer-sponsored coverage for the first time in 2015.

Out-of-Pocket (OOP) Maximums change Effective 1-1-2015

The Affordable Care Act requires that in network benefits apply towards a out of pocket maximum. This would include co-pays, co-insurance, deductibles, pharmacy benefits, and all essential benefits. This change does not apply to out of network benefits or Medicare plans. Below are some bullet points about this change.

- Applies to all non-grandfathered health plans
- OOP maximums will now include the plan's annual deductible and all covered in-network services
 - Increased out of pocket maximums by the amount of the deductible to ensure a cost neutral approach
- Pharmacy benefits will now have an OOP maximum
 - What will not apply to the pharmacy OOP maximum
 - Member penalties for retail refill allowance
 - Member penalties for purchasing a brand when a generic is available
 - Out of Network claims
- Applies only to essential health benefits
- Out of network benefits will not be impacted by the changes to the out of pocket maximums
- Medicare plans will not be impacted by the changes to the out of pocket maximums

SUMMARY

Healthcare reform has changed the U.S. healthcare industry. Beginning in 2014, individuals were required to have Minimum Essential Coverage or risk a tax penalty. In 2015, employers need to provide affordable coverage to their employees who meet certain standards. Online Marketplaces will be available for individuals to purchase coverage through, and tax subsidies will be available for individuals and families between 100% and 400% of the federal poverty line.

