



## On the Horizon: Health Reform Changes for Fully Insured Small Group Employers

Employers will see an impact on the health coverage they offer their employees as a result of some of the changes under the Patient Protection and Affordable Care Act. This brief summary covers several of the provisions and health plan changes that have the greatest impact to employers. In addition, the Affordable Care Act contains a number of fees and taxes as well as product and benefit requirements that will affect the cost of health care for employers during the next several years. While the exact cost may differ for each employer based on location and plan design offered, on average employers are expected to see a substantial increase in costs.

### Overview of Taxes and Fees Affecting Employers

- » **Patient-Centered Outcomes Research Institute Fee (formerly CER)** – Beginning with plan years that end after September 30, 2012, the Affordable Care Act imposes a new fee on commercial health insurers and self-insured plans. This fee is one dollar per covered life for the first year, two dollars per covered life for the second year, indexed to medical inflation thereafter. The fee helps to fund research on the comparative effectiveness of medical treatments conducted by the new Patient-Centered Outcomes Research Institute (PCORI).
- » **Reinsurance Fee** – For years 2014 to 2016, the Affordable Care Act imposes a fee on insurers to finance reinsurance payments for individual market coverage. The fee will be assessed on a per capita basis. It is estimated that these fees will total \$12 billion in 2014, \$8 billion in 2015 and \$5 billion in 2016. States are permitted to increase these fees at their discretion. Based on industry estimates, the fee is anticipated to increase costs 3% to 4%.
- » **Employer Mandates** – Beginning in 2014 employers may be

subject to a non-deductible excise tax penalty if they do not provide benefits to employees or if the benefit offering does not equate to Minimum Essential Coverage offering.

- » **Other Health Care Fees** – The Affordable Care Act also generates new revenue through:
  - Annual fee on pharmaceutical manufacturers (2011) and excise taxes on medical devices (2013) may increase claim expenses to your plan.
  - Excise tax imposed (40 percent) on the value of health insurance benefits exceeding a specified threshold (2018).
  - Insurance fee collected from insurers based on certain net premium revenues for fully insured groups. The new fee is expected to total \$8 billion in 2014 for all insurers, increasing to \$14.3 billion in 2018, and increasing by the rate of premium growth thereafter.

### Other Changes Affecting Small Group Employers

From 2012 through 2014 additional changes and impacts to coverage and requirements will also affect small group employers. Some of the more prominent include:

- » **Summary of Benefits and Coverage (SBC)** – By September 23, 2012, UnitedHealthcare will provide members with a concise, plain-language document detailing information about the health plan's benefits and coverage, specific to the plans offered by the employer to the member, including covered benefits, cost-sharing provisions, coverage limitations and exceptions. In addition, a new standardized health plan comparison tool for individuals known as "coverage examples" must be included, which illustrates the cost of care covered by the plan for a few medical conditions. In addition, there are specific requirements when these SBCs must be delivered.

» **Adjusted Community Rating and Market Restriction** – Health insurance in the individual and small group markets will only be able to vary premiums by family size, geography, tobacco use and age. Other rating factors currently used such as gender, industry, group size, health status and medical history will be prohibited. The impact of age factors will be limited to a range of 3 to 1. Tobacco users may also have their premium varied by up to 50 percent higher than non-tobacco users. As a result of these changes, a significant number of employers will realize more substantial increases than under current requirements.

» **Minimum Essential Coverage** – PPACA does not explicitly mandate an employer to offer employees acceptable health insurance. However, certain employers with at least 50 full-time equivalent employees will face penalties, beginning in 2014, if one or more of their full-time employees obtains premium tax credit through an exchange. An individual may be eligible for a premium credit either because the employer does not offer coverage or if the employer offers coverage that is either not “affordable” or does not provide Minimum Essential Coverage (MEC). An employer-sponsored plan that satisfies the Affordable Care Act’s reform requirements must:

- Be affordable to the employee (premium may not exceed 9.5 percent of household income)
- Provide minimum value, which is at least 60 percent of the total allowed cost of benefits.

Employers will need to evaluate their offerings to determine whether they meet these minimum value requirements; if they do not, they will need to evaluate alternative plan options and/or the impact of paying assessments.

- » **Essential Health Benefits (EHB) No limits** – Beginning in 2014, small group employers are required to provide Essential Health Benefits.
- » **Prohibition of Pre-existing Condition Exclusions for All Ages** – Beginning in 2014, pre-existing condition exclusions must be removed for all members, not just those under age 19.
- » **Other Benefit Requirements** – Employers will need to adjust

plan design and offerings based on rules going into effect in 2012 through 2014.

- Beginning August 2012, preventive benefits will be expanded for a number of services for women including additional screening, prenatal office visits, breast-feeding support and some contraceptives.
- Beginning in 2013, employee salary reduction contributions to health FSAs will be limited \$2,500 per year, with indexed increases allowed in future years to adjust for inflation. • Beginning 2014 plan design deductibles may not exceed a \$2,000 (self-only) or \$4,000 (other than self-only) annual limitation provided under the Affordable Care Act.
- Beginning March 2013, employers must provide written notice to current and new employees at the time of hire to inform them of the exchanges and the circumstances under which an employee may be eligible for a premium tax credit and a cost sharing reduction.
- Beginning October 2014 plans meeting the definition of a controlling health plan (CHP) will be required to obtain a health plan identifying number.

## Modernizing Health Care

As one of the largest participants in the health care system, we know first-hand the significant challenges our nation faces in improving access to quality care and managing costs for all Americans. We are actively working across the nation with states and the federal government to support broader access to health care coverage while lowering health care costs for our customers and helping to improve delivery of care.