



Health Reform and what it means for Employer Groups

We have been fielding a number of questions regarding the current legislation being considered in Congress surrounding Health Reform. This memo will attempt to help clarify some of the issues being discussed and what they mean for your organization as employers.

First, it is important to understand that there are three competing proposals being considered, one in the House and two in the Senate. I will attempt to summarize each of the proposals and their effect on employers, and then give my best guess as to what "Health Reform" may ultimately look like. Staying away from the politics of whether the plan is good or bad, here is how it would affect employers.

The House Tri-Committee proposal: This is the proposal you may have been hearing discussed most recently in the media. Currently, the bill would require employers to offer coverage to their employees. Employers would have to contribute at least 72.5% of the premium cost for single coverage and 65% of the premium cost for family coverage, equal to the lowest cost plan that meets essential benefit package requirements. Without knowing what the "lowest cost plan" would look like, we are guessing that most employers would have to shoulder a larger percentage of their health insurance premiums than they currently pay. Those that do not meet this requirement would be subject to an 8% payroll tax (i.e. 'play or pay'). Certain smaller organizations would be exempt, though that definition is 'to be determined'. Employers with fewer than 25 employees and average wages of less than \$40,000 would receive a health coverage tax credit of up to 50% of premium costs paid.

In addition, this proposal requires all individuals to have health insurance (individual mandate). The result being that any individual who is not covered by a health care plan would be taxed 2% of AGI, less a threshold amount. There would be a National Health Exchange established for individuals which would have private insurers competing with a public health option.

Employers would be required to offer coverage that meets the essential (minimum) benefits package being offered to individuals through the Health Exchange. This proposal would eliminate any pre-existing condition exclusions.

Senate HELP Committee Affordable Health Choices Act: Otherwise known as the Kennedy health bill. This bill also demands an individual mandate. Rather than a National Health Exchange, this proposal creates state-based Health Benefit Gateways for individuals and small businesses. There would be a public health plan option competing against private insurers. Tax penalties for individuals with no coverage would be no less than 50% of the average annual premium for a basic plan.

Health Reform (cont'd.)

Employers under this plan would be required to pay at least 60% of the premium cost or pay \$750 for each full-time employee who is not offered coverage (at 60%). Employers with fewer than 25 employees would be exempt.

Employers with fewer than 50 employees, paying an average wage of \$50,000 or less, and paying at least 60% of the premium cost would be eligible for a tax credit. This plan would also create a temporary program to reimburse employers providing health insurance coverage to retirees. The program would reimburse employers for 80% of retiree claims between \$15,000 and \$90,000. The program would be eliminated after the establishment of the state Gateway program. This plan would also eliminate pre-existing condition exclusions.

Senate Finance Committee proposal: Otherwise known as the Baucus plan. This proposal also mandates individual coverage and creates a National Health Exchange. This committee is currently considering two options for employer requirements. Option A requires employers with more than \$500,000 in payroll to offer coverage to their employees and contribute at least 50% of the premium or pay an assessment. There has been no clear decision on how the assessment would be calculated. Option B would exempt the “play or pay” requirement.

This plan would provide certain small employers with a tax credit. Again, this is not clearly defined. This plan is also considering some type of taxation of employer-sponsored insurance. They have not included a public option in this proposal.

Summary: As you can see, there are some similarities between these proposals. All mandate individual coverage. Two of the bills require a ‘public option’. Most of the other provisions are still being debated, and we encourage all of our clients to express their opinions concerning health reform to their Senators and Congressmen.

Keep in mind that in order for Health Reform to pass, the House must pass a version of their bill, the Senate must pass a version of their bill and then both branches must agree on a bill with the same provisions and then pass that bill in both the House and the Senate. Of course after that, the President must sign it in to law.

Wine Sergi believes that any health reform bill that is passed will include mandates, but will not eliminate employer funded health coverage. In the short term (prior to 1/1), we do not expect any changes. If a bill is passed, we would expect it to be phased in over a few years with the entire plan in place no sooner than 2013 (according to Tri-committee timeline report). The big issue for any plan, of course, is how to pay for it. We expect that there will be tax increases on companies that offer ‘rich’ plans, taxes on individuals making above a certain income threshold and/or some taxation of individual’s health benefits based on an individual’s income.

Expect to hear about many changes in the next few months. We will keep you updated.

Provided by: Brian Hale, MBA
Wine Sergi & Co, LLC

Sources:

America’s Affordable Health Choices Act Implementation Timeline prepared by Committees on Ways and Means, Energy and Commerce, and Education and Labor, July 14, 2009

The Henry J. Kaiser Foundation, Health Care Reform Proposals— Modified: July 9, 2009



225 Smith Road
St. Charles, IL 60174