



EMPLOYEE BENEFITS PRACTICE

ALERT

HEALTH CARE REFORM

By Theresa Borzelli

You have probably attended a few webinars, read many summaries and may be thinking, OK, but what should I be doing now? This diagnostic is designed to help you get started with the same caveats as you read elsewhere: it does not cover the entire Health Care Reform Act, but rather we tried to concentrate on those items you may want to focus on now. As you go through the list, think about how you will communicate the changes to your participants; take into consideration all the communication venues you currently utilize; determine what you will have to do and what your insurance company will do; understand the impact on your current administrative practices; and plan accordingly.

As we learn more, we will provide additional diagnostic tools that will hopefully break this law down into small, digestible pieces.

EFFECTIVE MARCH 23, 2010

Do you have less than 25 full time employees?

You may be eligible for small business tax credit.

Action item: Check out IRS web site for details.

Do you have an Adoption benefit?

Limit increased from \$10,000 to \$13,170 to be indexed.

Action item: Communicate to participants. Adjust procedures as needed.

Do you have more than 200 FTEs?

You will have to automatically enroll employees in your health plan. The effective date is not clear. Interpretations include: date of enactment, upon issuance of regulations, plan years beginning on or after Oct. 1, 2010.

Action item: Be prepared! Designate a default plan if you offer multiple options. Establish procedures.

Do you have a break room for nursing mothers?

Employers must provide “reasonable break time” and a private, non-bathroom place to express breast milk during the workday, up until the child’s first birthday.

Action item: Determine if your current set up will satisfy the rules. If you have less than 50 employees and the accommodation will cause undue hardship – document it!

Do you utilize the Medicare Part D subsidy?

Employers who received a subsidy can no longer deduct it.

Action item: Assess impact on 2010 financials.

Do you calculate imputed income for dependent coverage? (See examples in IRS Notice 2010-38.)

The exclusion from gross income is extended for reimbursements for medical care expenses under an employer-provided accident or health plan to any child of an employee — until the year the child reaches age 27.

Action item: Communicate to participants. Revise calculation procedures.

IMPLEMENTED JUNE 21, 2010
(90 DAYS AFTER DATE OF ENACTMENT)

Do you offer medical benefits to early retirees age 55-64?

Employers can apply to receive reimbursement for benefits provided to early retirees age 55-64.

Action item: Apply early! \$5 billion has been allocated to the program, and it is first-come, first-served.

Do you offer incentives to employees to not elect health coverage?

HHS must establish a temporary, high-risk health insurance pool program to provide health insurance coverage for eligible individuals. The HHS secretary must establish criteria for determining whether health insurance issuers and employment-based health plans have discouraged an individual from remaining enrolled in prior coverage based on that individual's health status.

Action item: Watch for these regulations to determine impact on your plan.

Let's put aside for a moment the concept of grandfathered plans and look next at those items that affect all plan sponsors. We will discuss grandfathered plans in a future communication.

PLAN YEARS BEGINNING SIX MONTHS ON
OR AFTER SEPT. 23, 2010

Does your plan apply pre-existing condition limitations for children under 19?

No pre-existing condition exclusion for children under 19 (applicable to all enrollees in 2014) is permitted. This is applicable to insured and self-insured plans and grandfathered plans.

Action item: Determine if your plan is affected. Develop communication material. Assess cost impact.

Does your plan offer dependent coverage? (ALERT IRS issues Notice 2010-38)

For plan years beginning before Jan. 1, 2014, this rule applies for grandfathered plans only if an adult child is not eligible to enroll in any other employer-sponsored health plan.

Action item: Some insurance companies are already implementing this provision. Check with your

insurance carrier. Develop a plan to implement. Read the guidance. Communicate if you haven't done so already.

Does your plan permit rescission of coverage?

You can't do it. Not sure what the impact of this is for employer-sponsored plans.

Does your medical plan have any lifetime or annual limits on the dollar value of benefits?

Applies to insured/self-insured plans.

May not establish any lifetime/annual limits on the dollar value of "essential health benefits."

Can still place limits on benefits that are not "essential health benefits."

For plan years beginning prior to 2014, can place reasonable restrictions on annual limits but not lifetime limits on "essential health benefits." The Act provides categories of essential health benefits but doesn't provide specifics.

HHS is required to provide list of essential benefits

Action item: Review your plan design. Determine cost implications. Watch for further guidance.

PROVISIONS EFFECTIVE JAN. 1, 2011,
REQUIRING ACTION NOW

W-2 reporting

If an employee enrolls in employer-sponsored health insurance coverage under a major medical plan, a dental plan and a vision plan, the employer is required to report the total value of the combination of all of these health-related insurance policies.

Action item: Confirm that your payroll vendor is working on this. Develop procedures to calculate and transmit information to your payroll provider.

CLASS – voluntary long term care program

Procedures to be established for automatic enrollment. If waived, have to wait until next annual enrollment. If enrolled, can't get out except for payment of non-premium.

Action item: Watch for further guidance. Develop another DOE. Coordinate with payroll vendor. Establish contribution procedures. Establish annual enrollment process to communicate to participants.

HSA, FSA, HRA

Exclude OTC medicine unless in a prescription or insulin Increase penalty tax to 20 percent for nonqualified distributions from HSAs.

Action item: Communicate to participants. Adjust plan procedures.

Simple Cafeteria Plan

Must meet definition of eligible employer. Make minimum contribution.

Action item: Determine if you meet the requirements and are willing to make an employer contribution.

For more information, please contact Theresa Borzelli at 973.994.7539 or tborzelli@foxrothschild.com or any member of Fox Rothschild's [Employee Benefits & Compensation Planning Practice Group](#). This alert was co-authored by Mary B. Andersen, CEBS, founder of ERISAdiagnostics, Inc. (www.erisadiagnostics.com).



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