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, preventive care is now covered by most plans at 100% and children up to age 26 are now covered under their parents' plan. Healthcare reform also requires employer-provided group health plans and insurers to meet certain standards. These standards change the current healthcare system by eliminating things such as preexisting condition exclusions, excessive waiting periods, and annual and lifetime dollar limits. 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.

Another piece of 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.

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EMPLOYEE BENEFITS

1. What exactly is the individual mandate?

As mentioned, part of healthcare reform requires individuals to have health insurance or pay a tax penalty. Starting January 1, 2014, individuals will need to obtain Minimum Essential Coverage to avoid the penalty. The definition for Minimum Essential Coverage is broad and most employer-sponsored medical plans will qualify. It includes approved government programs (Medicaid, Medicare, etc.), plans obtained in the individual market (such as a Qualified Health Plan through the Marketplace), and grandfathered plans. However, a bare bones or catastrophic-only policy will not qualify as Minimum Essential Coverage.

Tax penalty for individuals who do not have health insurance

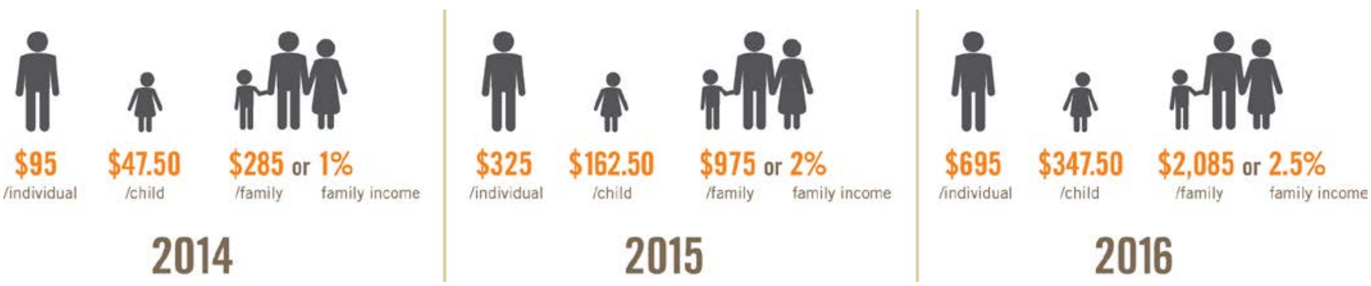
2. What is the tax penalty for an individual not obtaining Minimum Essential Coverage?

The individual mandate starts in 2014. 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



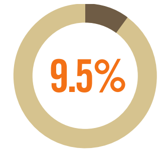
3. What does healthcare reform mean for my employer?

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

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 annual cost for coverage is no more than 9.5% of your gross income. The affordability requirement only applies for employee-only coverage on your employer's base or lowest cost option.

Affordable coverage applies only if your household income does not exceed 400% of the federal poverty level. In 2013, that's about $46,000 for individuals or $94,000 for a family of four.

6. Will I be penalized if I do not currently have health insurance and I can't enroll in my employer's plan until July 1, 2014?

No**,** if your employer has a non-calendar year plan (e.g. one where you can enroll for coverage on July 1st), you (and any dependents) will not be penalized for not having coverage during 2014 as long as you enroll for coverage at your first opportunity in 2014.

For example, Sally Smith is employed by ABC Company. She has been eligible for ABC Company's group health plan, but did not enroll for coverage during the 2013 open enrollment. ABC Company's group health plan begins July 1. Sally can wait to enroll until the open enrollment period of the July 2014 plan year. She will not be penalized for not having health insurance from January 2014 through June 2014.

7. 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

8. Who can shop at the Health Insurance Marketplace?

Starting on October 1, 2013, the federal and state-based exchanges will be available for small employers and individuals shopping for health insurance. The only requirements for consumers to buy coverage through the Marketplace are they must be a U.S. citizen who currently lives in the U.S. and is not currently incarcerated.

Small employers and individuals

9. What kind of plans will be 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

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What are the subsidies that I keep hearing about?

Starting in 2014, individuals and families who do not qualify for Medicare or Medicaid and are not offered affordable healthcare through an employer, a refundable tax credit (or subsidy) will be available. 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 will qualify. In 2013, individuals making less than $46,000 or a family of four making less than $94,000 would qualify.

It is important to note that an individual who is offered affordable Minimum Essential Coverage that is of 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.

SUMMARY

Healthcare reform has changed the U.S. healthcare industry. Beginning in 2014, individuals will be 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.

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