



An Independent Licensee of the Blue Cross and Blue Shield Association



Update from Highmark's Office of Health Care Reform

An Overview: How health care reform legislation will affect you and your employees

The Patient Protection and Affordable Care Act of 2010 (PPACA) will change the health care system in many ways – how people buy health insurance, how health care is paid for, and how the government regulates the health care system. Highmark has been working with the national Blue Cross and Blue Shield Association, America's Health Insurance Plans (AHIP) and the National Association of Insurance Commissioners (NAIC) to try to shape the final regulations. As these regulations are released on individual provisions of the law, we will provide you with updates on how they will affect you. This overview addresses only significant changes that will become effective between now and January 1, 2011.

What do you need to do now?

Depending on your group size and other factors, there are some decisions you need to make and steps you need to take now. Specifically:

- Understand how the decision by Highmark and the other Blue Plans to implement coverage for dependents to age 26 as of June 1, 2010 affects you. See the "Close Up" for additional information.
- If you offer health coverage for early retirees – those not yet eligible for Medicare – watch for news from Highmark on the availability of applications and eligibility information for the early retiree reinsurance program. We expect to have more details in late June.

What changes may affect your coverage with your next renewal?

Most provisions of health care reform will not affect your coverage until your next renewal October 2010 or later. For many Highmark customers, that means you won't have to make changes until 2011. We are committed to working with you to explain the provisions that will affect your coverage and how you can bring your plan into compliance.

What should you plan for?

- If you have fewer than 25 full-time equivalent employees (FTEs) and average annual wages of less than \$50,000, you may be eligible for government subsidies. Contact your tax advisor to see if you qualify.
- You must disclose the aggregate value – employee plus employer portion – of each employee's health care coverage for the year on the employee's W-2 beginning in January 2012. Consult your tax advisor to determine potential implications for your business.

What will you hear more about this year?

- Changes to HSAs, HRAs and FSAs
- Medical Loss Ratio (MLR) rebates

What significant issues have still not been clarified?

As we wait for regulations on the health care reform legislation, it's important for you to understand that there are a number of issues that require further clarification, including:

- How a "pre-existing medical condition" will be defined for purposes of the temporary high-risk pool program– this will determine who is eligible for this program that is scheduled to be available June 23, 2010
- The application requirements for the temporary retiree reinsurance program that is scheduled to be available June 23, 2010
- How "essential benefits" will be defined – this will affect how the elimination of lifetime dollar limits and the "restrictions" on annual limits will apply. "Restrictions" also needs to be defined.
- Changes "grandfathered" plans can make without jeopardizing that status

As regulations are issued, Highmark will provide you with updated information on these and other provisions of the health care reform law.

What is happening and when?

Some of the provisions of PPACA affect insurance companies; others affect all health plans – employer-sponsored and individual plans. The summary below provides you with a quick timeline of changes through January 1, 2011 that you, as an employer, should be aware of.

June 1, 2010

- Highmark and other Blue Plans elect to allow covered dependents under age 26 who would have been cancelled June 2010 or later to remain on their parents' policies. (See "Close-Up" for more details.)

June 23, 2010

• Temporary Retiree Insurance Program

Employers and union-based health plans may apply to the U.S. Department of Health and Human Services for partial reimbursement of the cost of providing health coverage to early retirees (age 55 and older who are not eligible for Medicare), their eligible dependents and their surviving dependents. Applications and eligibility information will be released by the government in late June. Highmark will be ready to support employers with the application process and will provide updates as we learn more.
Scheduled to expire January 21, 2014

• Temporary High-Risk Health Insurance Pool

Eligible individuals with pre-existing medical conditions – to be defined by the U.S. Department of Health and Human Services (HHS) – without coverage will be eligible to apply for health insurance through a "high-risk" pool. To qualify, an individual must be a U.S. citizen or national or lawfully present in the U.S., have been without coverage for six months prior to applying and have a pre-existing condition. There are sanctions for employers and health insurance issuers who encourage individuals to disenroll from prior coverage based on health status. NOTE: Although some states already have a high risk pool, Pennsylvania does not.
Scheduled to operate until 2014 when the purchasing exchanges are available.

• Internet Web Site

HHS, working with the states, will create an Internet site to allow small groups and individuals to identify health care coverage options in their state.

"Can we keep our current coverage under the "grandfathering" provision?"

Some of the requirements of the new law will not apply to the "grandfathered" plans — individual and group health insurance and self-funded plans issued on or before March 23, 2010, the date PPACA was signed into law. At this time, there are many questions as to what changes a health care plan can make without losing its grandfathered status. To date, Highmark has learned that these changes will **not** jeopardize grandfathered status:

- Adding family members and new employees to the plan after March 23, 2010, provided the enrollment of these individuals was permitted under the terms of the plan in effect on March 23, 2010.
- Making changes to comply with the requirement to cover dependents to age 26, including the "early" adoption in June 2010, which Highmark and the other Blue Plans have implemented.

For plan years beginning on or after

September 23, 2010

• Dependent coverage to age 26

Health plans that provide dependent coverage must cover adult dependents until age 26, regardless of whether the dependent is married or a student. This provision of the law does not require coverage for dependents of covered dependents.
Until plan years beginning January 1, 2014, grandfathered group health plans are not required to cover adult dependents eligible for other employer-sponsored health coverage.

• Elimination of lifetime dollar limits

... on "essential benefits," as determined by HHS.

• Restrictions on annual dollar limits

... on "essential benefits," as determined by HHS, which will also determine how "restrictions" will be defined.

• Elimination of cost-sharing for certain preventive services

... as recommended by governmental agencies.
Exempt from this provision: Grandfathered plans

September 23, 2010 *continued*

- **No discrimination based on salary**
... for coverage or premiums.
Exempt from this provision: Grandfathered plans
- **Choice/direct access requirements**
Members must be able to designate any participating primary care physician or pediatrician. Female members cannot be required to obtain a prior authorization to visit a participating ob/gyn.
Exempt from this provision: Grandfathered plans
- **Coverage for emergency services**
Health plans that cover emergency hospital services cannot require a prior authorization or any additional cost-sharing regardless of whether the provider is in the plan's network.
Exempt from this provision: Grandfathered plans
- **No pre-existing condition exclusions on children to age 19**
This prohibition extends to *all* enrollees for plan years beginning on or after January 1, 2014.
- **Internal appeals/external reviews process**
... is required to be in place for coverage determinations and claims decisions. The individual's coverage must be continued pending the outcome of the appeal.
Exempt from this provision: Grandfathered plans

January 1, 2011

- **Small Business Health Care Tax Credit**
Qualified employers with fewer than 25 full-time equivalent employees (FTEs) for the tax year and average annual wages of less than \$50,000 per FTE who purchase health insurance for their employees may receive a sliding scale tax credit that generally can be claimed beginning with the 2010 tax return.
- **Disclose value of coverage on W-2**
Employers must disclose the value – employee plus employer portion – of employer-sponsored health coverage on the employee's W-2, beginning with those issued in January 2012.
- **Changes to HSAs, HRAs and FSAs**
 - Over-the-counter medications and products, other than insulin and medicine prescribed by a doctor, will no longer be eligible for reimbursement from these accounts.
 - The tax on distributions from HSAs and MSAs not used for qualified medical expenses increases from 10% to 20% for tax years 2011 and later.
- **Medical Loss Ratio Rebates**
Insurers providing coverage to large groups must use at least 85% of premium dollars for clinical services and quality improvement activities. For individual and small groups, that figure is 80%. Plans must provide rebates to subscribers if they fail to meet these requirements.
Exempt from this provision: Self-funded plans

Q&A

“Do all provisions affect all employer-sponsored coverage?”

Most provisions affect all employer-sponsored coverage. But some do not affect plans that were in effect on March 23, 2010 – the “grandfathered” plans – and some do not affect self-funded plans. As Highmark learns more about the changes grandfathered plans can make without jeopardizing this status, we'll share this information with you.

Highmark is committed to being your primary source for all information regarding health care reform. Highmark's newly formed Office of Health Care Reform is dedicated to providing up-to-date information, news and analysis of all current and future aspects of reform. In addition to frequent e-mail updates, the Office of Health Care Reform will be launching a variety of informational tools for use by our group customers, individual members and the general public.