



# Health Care Reform

You may have heard that, last summer, the U.S. Supreme Court issued its decision on the Patient Protection and Affordable Care Act (often referred to as PPACA, the Affordable Care Act, Obamacare or Health Care Reform – we will refer to it as HCR or the law in this guide). The Court made history when it upheld all provisions of the Act, as the decision would directly affect each and every person in the United States with respect to their health care decisions.

The most significant feature of the law states that every American must have qualified medical coverage in 2014, or pay a penalty. As a result, in the coming months, you will be hearing a lot about the “individual mandate”, public exchanges (or marketplaces), government subsidies, and tax penalties for not having health care coverage. You will also be receiving a series of communications from us (as required by the law) and likely marketing information from insurance companies directly to you.

This guide is intended to help you understand some of the key elements of reform, and how the various provisions may impact you. This guide is also intended to assure you that we remain committed to providing eligible employees with high-quality, affordable health coverage and to comply with the Health Care Reform law. We also remain committed to helping you understand your benefits and the various options available to you under the new law.

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## **What is Health Care Reform (HCR)?**

At over 2,000 pages, the Health Care Reform (HCR) law is highly complex and has many objectives. Put simply, the law was created to improve accessibility of health care services in the United States and to drive efficiencies in the health care system.

One of the main objectives of the law is focused on extending coverage to over 30 million uninsured individuals in America. By enacting a series of mandates, starting in 2015 the law encourages employers, like Daytona State College, to offer meaningful health insurance coverage to employees who meet certain eligibility requirements. These mandates, coupled with the creation of state and federal based insurance marketplaces (or “exchanges”), provide consumers with clear choices with respect to their coverage options.

Other provisions are designed to offer more protection to those already covered. For example, insurance companies are now prohibited from dropping your coverage if you get sick, billing you into bankruptcy because of an annual or lifetime limit, and soon, discriminating against anyone with a pre-existing health condition.

With Health Care Reform, all Americans will have the security of knowing that they will have health insurance options available to them, regardless of whether they have insurance options at work or change jobs. For employees with low incomes, subsidies may even be available from the federal government to help pay for insurance coverage in the exchange.

In short, we would like you to understand that come January 1, 2014, there will be new options available to you outside of your employer sponsored health insurance benefits. While your company benefits are likely going to be richer and more affordable than the exchange based plans, knowing your options this open enrollment period will be more important than ever before!



# How has HCR Affected My Benefits

Over the past several years, most group health insurance plans have been affected by Health Care Reform in one way or another. However, starting January 1, 2014, even more changes are being required by the law. While Daytona State College has already implemented most of these changes, it is important to understand these regulations since many of them are improvements designed to keep you and your families well!

These provisions include:

- Dependent children will be eligible for coverage up to age 26 for medical, behavioral health, and pharmacy benefits, regardless of their access to other employer coverage
- There will be no pre-existing condition exclusions
- There will be no annual or lifetime dollar limits on *essential health benefits*
- Preventive Care will be covered at 100%
- Well-woman visits, breast feeding equipment, domestic violence screenings and certain contraceptives will be covered at 100% with no copay or coinsurance paid by you
- Emergency room services (for true emergencies) will be covered at the in-network levels. However, balance billing can still occur out-of-network
- New-hire waiting periods exceeding 90 days will no longer be allowed for any group health plans
- Active, full-time employees working an average of 30 hours or more per week must be offered health insurance coverage in 2015

While these mandates are considered to be improvements to group health plans, we must acknowledge that these improvements also come at a cost. It is estimated that Health Care Reform will increase health plan costs by an average of 2-3% next year. This is in addition to the average cost increases on medical and pharmacy benefits of 8-10%, and is based on a blend of the new plan provisions, additional expected enrollment, and a series of new fees and taxes being assessed on the employer health plans to support research and help stabilize costs in the public Health Insurance Exchanges.

Some additional changes required by Health Care Reform are as follows:

- Starting with the 2012 tax year (2013 filing year), employers must report the value of applicable employer-sponsored coverage on each employee's W-2 Form
  - At this time, this will not affect the taxes that you pay
  - Employee premiums may still be made on a pre-tax basis
- Beginning in 2013, an additional Medicare tax of 0.9% will be assessed for individuals with compensation over \$200,000 (or joint filers with over \$250,000 of income)
- Medicare tax on investment income will be assessed for Adjusted Gross Income over \$200,000 for individual filers (or \$250,000 for joint filers). The tax is 3.8%.
- Also beginning in 2013, contributions to your Health FSA will be limited to \$2,500 per year.

## How Will HCR Affect Me?



Starting next year, everyone **must** have health insurance or they will be charged a penalty when they file their 2014 taxes. This is based on a provision of Health Care Reform called the **Individual Mandate**. HCR imposes tax penalties on individuals who do not maintain minimum essential coverage beginning January 1, 2014. The penalty is on a sliding scale for three years and is based on **the greater of:**

- For 2014, \$95 per uninsured adult in the household or 1% of the household income over the filing threshold
- For 2015, \$325 per uninsured adult in the household or 2% of the household income over the filing threshold
- For 2016, \$695 per uninsured adult in the household or 2.5% of the household income over the filing threshold
- The family penalty is capped at 300% of the individual amount with the penalty for dependent children being equal to half the amount charged for adults.

Exceptions to the penalty for not maintaining minimum essential coverage apply to the following individuals: those who are not covered for religious reasons, are not lawfully present in the United States, are incarcerated, are unable to afford coverage (required contributions toward coverage exceed 9.5% of household income), have income below 100% of the poverty level, have obtained a hardship waiver, or are not covered for a period of less than three months during the year.

**Health Insurance Exchanges:** In effort to help make health insurance coverage more accessible for individuals, the health insurance marketplace is an online public shopping site where individuals, families, and small business owners can shop for plans. Each state will sponsor a marketplace that will offer affordable, quality medical insurance options. If a state doesn't start their own health exchange, you will have access to an exchange run by the federal government. The exchanges are expected to be up and running by October 2013 – just in time for January 2014 enrollment!

# Frequently Asked Questions

## ***I thought we already went through Health Care Reform (HCR) changes.***

Some changes are already in place. For example, children can stay covered under their parents' health plan up to age 26, and preventive care is covered at 100% with no copay. The law will remove pre-existing condition exclusions and annual limits on many health services (known as essential health benefits). Starting January 1, 2014, nearly everyone must have medical coverage or they will have to pay a penalty on their 2014 federal income tax return.

## ***I already have medical coverage. How does HCR help me?***

Many provisions of HCR apply to existing health care plans. For example, plans can no longer cancel coverage when a person gets sick or place dollar limits on the amount of care covered in a person's lifetime.

## ***What does the law mean when it says there will be no annual limits on essential health benefits?***

For plan years beginning in 2014, medical plans can not put an annual dollar limit on what it will pay for services considered *essential health benefits*. This will include things like emergency services, hospitalization, maternity, and newborn care, and preventive services.

## ***What are Essential Health Benefits (EHB)?***

Specific health benefits, such as prescription drugs, hospital and maternity care that all public health insurance marketplace options and group health plans (such as those by your employer) must cover. Large employers' plans cannot place annual or lifetime limits on these benefits.

## ***Will HCR have any effect on my out-of-pocket maximum?***

Under the law, deductibles, copays and coinsurance must all count toward meeting the out-of-pocket maximum for plan years starting in 2014. That's not always the case today. In addition, the law will cap the out-of-pocket maximum amount.

## ***If I have coverage through work, am I complying with the individual mandate?***

Generally, yes. There are some health plans — like cancer or critical illness insurance, or stand-alone dental or vision plans — that don't fulfill the mandate. Most Americans with private insurance or government coverage through programs like Medicare, Medicaid or Veterans Affairs (VA) options also fulfill the mandate. You will receive a health exchange notice from Daytona State College that lets you know whether our plan meets the mandated coverage requirements.

## ***What if I have coverage through my employer? Is the public marketplace for me?***

You are encouraged to compare our plan to those on the public marketplace to make that decision for you and your family. Everyone's health care needs are different so that is an individual decision.

## ***What do I need to know about the medical plans offered by Daytona State College?***

- **If you're a benefits eligible full-time employee (one working at least 30 hours per week):** The medical options we offer you more than meet the government requirements for affordable employee coverage and quality benefit value. This means that if you are eligible for our coverage, it's your choice to shop for coverage through the public marketplace, but you and your eligible dependents generally will not qualify for a government subsidy to help pay for it.
- **If you work fewer than 30 hours per week or are not eligible for company coverage:** In most cases, you'll still need to have health coverage from another source or pay the tax penalty. You may want to explore coverage options through your spouse's employer, the public marketplace in the state where you live, or through Medicaid or Medicare if you qualify. Depending on your household income, you and your eligible dependents may be eligible for a government subsidy to help you pay for coverage through the public marketplace.
- The online public marketplaces are scheduled to open in October 2013. You will be able to find information there about your plan options and any government subsidy.
- Daytona State College pays a large share of the cost for medical benefits. This will become evident to you should you choose to shop in the public marketplace, where you generally will pay the entire cost of the coverage.

## ***What types of plans will the Health Insurance Exchanges offer?***

In general, there will be three or four different levels of medical coverage to choose from — each with different levels of costs sharing (copays, deductibles, out of pocket maximums). Dental and vision plans are not expected to be offered in the exchanges at this time.



# Frequently Asked Questions, continued

## ***Is it true I can get help paying for insurance through the health insurance marketplace?***

Some people will qualify for subsidies to help them buy medical insurance through the marketplace.

- If you and your dependents are eligible for a plan from your employer that meets the law's requirements in 2015 for affordability and minimum value, you are not expected to be eligible for a subsidy.
- If you choose any medical coverage from your employer — other than something like cancer or critical illness coverage — you will not be eligible for the subsidy.
- If you do not have a coverage option available through your employer or any other source, your eligibility for a subsidy depends on your income and the federal poverty level, as follows:
  - An *individual* making between 100% and 400% of the federal poverty level (\$11,490 to \$45,960 for 2013) can qualify for a subsidy if they are not eligible for Medicaid.
  - A *family* of three earning between 100% and 400% of the federal poverty level (\$25,975 to \$78,120 for 2013) qualifies for a subsidy if they are not eligible for Medicaid.

## ***How much will I pay for medical coverage if I get it through the health insurance marketplace?***

The cost you pay for coverage through the marketplace will vary based on several factors including your family size, your age(s), your household income, and the plan benefits you elect. Costs can also vary depending on which provider network you wish to have, as well as which deductible level you choose.

## ***Where can I get more information on my state's exchange?***

For more information on the Exchange available in your state, please visit [www.healthcare.gov](http://www.healthcare.gov). The site is being updated frequently so be sure to check it periodically.

## ***What if I think the medical coverage my employer offers is too expensive?***

You could look for a more affordable plan option through your state's or the federal government's health insurance marketplace. If your employer's plan doesn't meet ACA affordability requirements in 2015, you may qualify for a subsidy through the marketplace.

## ***If I'm covered under Medicaid or Medicare, do I have to switch to a different plan beginning January 1 to comply with the new law?***

No. If you are covered by Medicaid or Medicare, you don't need other insurance to avoid the individual mandate penalty.

## ***How does the Health Care Reform affect Medicare?***

Medicare is the federal health insurance program for people age 65 or older, certain younger individuals with disabilities, and people with end-stage renal disease. The health care reform law applies to Medicare the same way it does to other plans. For example, you'll be allowed to choose your health care providers and get free annual preventive screenings. The Medicare "doughnut hole," which is a gap in prescription drug coverage, will be closed by 2020 as a result of the law. Finally, the law addresses fraud and waste in Medicare.



Stay informed! For more information please visit [www.healthcare.gov](http://www.healthcare.gov) to learn more about Health Care Reform and how it will affect you, your family and your benefits.