

**IMPLEMENTATION TIMELINE FOR**  
**THE FEDERAL HEALTH CARE REFORM MEASURE<sup>1</sup>**

**Senate Patient Protection and Affordable Health Care Act (H.R. 3590) as amended by  
the Health Care & Education Affordability Reconciliation Bill of 2010 (H.R. 4872)**

**2010**

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| <b>Insurance Market Reforms</b> | <ul style="list-style-type: none"><li>• Ends Health Insurance Rescissions (H.R. 3590 §1001; PHSA § 2712; H.R. 4872 §2301)</li><li>• New Limits on Pre-existing Condition Exclusions (H.R. 3590 §1101)</li><li>• Ban on Annual/Lifetime Limits (H.R. 3590 §1001: PHSA §2711; H.R. 4872 §2301)</li><li>• Requires Rate Review and Disclosures of Insurance Rate Increases (H.R. 3590 §1003: PHSA §2794; §1323: PHSA §2701;§1333)</li><li>• Carrier rebates take effect if health insurer providers do not meet the MLR requirements (H.R. 3590 §1001, §10101: PHSA §2718)</li><li>• Dependant Coverage Increase to age 26 (H.R. 3590 §1001: PHSA §27; H.R. 4872 §2301)</li><li>• Provides Coverage of Preventive Health Services (H.R. 3590 § 1001; PHSA § 2713)</li><li>• Requires Reporting on Share of Premium Dollars Spent on Medical Care (H.R. 3590 §1001; PHSA § 2718)</li><li>• Requires Group and Individual Plans to Provide an Effective Appeals Process for Coverage Determinations (H.R. 3590 §1001: PHSA §2719)</li><li>• HHS Must Establish and Early Internet Portal Where Residents Can Identify Health Insurance Options (H.R. 3590 §1103)</li><li>• Requires Enhanced Screening Procedures for Providers to Eliminate Waste and Fraud (H.R. 3590 §6401)</li><li>• Establish Patient-Centered Outcomes Research Institute (comparative effectiveness research) (H.R. 3590 §6302, §6302, §10602)</li><li>• Group and Individual Plans Must Provide First Dollar Coverage for Preventative Services (H.R. 3590 §1001: PHSA §2717)</li><li>• Employers provide Reinsurance for Early Retirees (H.R. 3590 §1102)</li></ul> |
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<sup>1</sup> All citations refer to the section numbers in the applicable bill. "PHSA" section numbers refer to sections of the Public Health Service Act that would be amended or added by the corresponding bill provision. "IRC" section numbers refer to sections of the Internal Revenue Code of 1986 that would be amended or added by the corresponding bill provision.

## 2011

### **Insurance Market Reforms**

- Standardize the definition of Qualified Medical Expenses for HSA, FSA, HRA (H.R. 3590 §9004)
- Increase tax on HSA and MSA to 20% for Non-Qualified Medical Expenses (H.R. 3590 §9004)
- Only prescribed drugs will be reimbursable through HSA or MSA, health reimbursement arrangement, or FSA. (H.R. 3590 §9003)
- Large group plans which spend less than 85% of premium revenue and small group and individual market plans which spend less than 80% of premium revenue on clinical services and quality must provide a rebate to enrollees. (H.R. 3590 §1001, §10101; PHSA §2718)
- No discrimination permitted based on the wages of employees. (H.R. 3590 §1201; PHSA §2706)
- \$4.8 Billion Fee on Pharmaceutical Manufacturing Industry (H.R. 3590 §9008; H.R. 4872 §1404)
- Imposes a tax on Medical Device Manufacturers (H.R. 3590 §9009; H.R. 4872 §1405)

### **Employers**

- Small employers that establish wellness programs would be eligible for grants for up to five years. (H.R. 3590 §10408)
- Employers must disclose the value of the benefit provided for each employees coverage on W-2s (H.R. 3590 §9002)
- Create Simple Cafeteria Plan to Help Small Businesses Provide Tax-Free Benefits (H.R. 3590 §9022)

### **Expanded Coverage**

- States may cover parents and childless adults on Medicaid up to 133% FPL (H.R. 3590 §1401)

## 2012

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### **Executive Compensation Deductibility Limits**

- The deductibility of executive and employee compensation would be limited to \$500,000 per applicable individual for health insurance providers. (H.R. 3590 §9014; IRC §162(m))
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## 2013

- Revenue Generating Provisions**
  - Cap Contribution to FSA at \$2,500 per year. (H.R. 3590 §9005; IRC §125; H.R. 4872 §1403)
  - Imposes a Hospital Insurance Tax of .5% on High Income Individuals (\$200,000 individual, \$250,000 couples). (H.R. 3590 §9015)
- CO-OP**
  - \$6 billion would be appropriated to finance the program and award loans and grants to establish CO-OPs by 7/1/2013. (H.R. 3590 §1322).

## 2014

- Employer Mandates**
  - Generally, employers with more than 50 employees must offer coverage (H.R. 3590 §1511-1515)
  - A temporary reinsurance program would be created for employers providing coverage to retirees over age 55 who are not eligible for Medicare. (H.R. 3590 §1341)
  - Employers with more than 200 employees would be required to automatically enroll employees into health insurance plans offered by the employer. Employees may opt out of coverage. (H.R. 3590 §1511; FLSA §18A)

- Subsidies for Employers**
  - Employers permitted to offer employees rewards of up to 30% of the cost of participating in a wellness program (H.R. 3590 §1201; PHSA §2701)
  - A state pilot program will be created to permit participating states to apply similar rewards for participating in wellness programs in the individual market (H.R. 3590 §4202)
  - Reporting on effectiveness and impact of wellness programs would be required. (H.R. 3590 §4202)
  - Phase II of the Small Business Tax Credit would provide a tax credit of up to 50% of the employer's contribution toward the employee's health insurance premium if the employer contributes at least 50% of the total premium cost. (H.R. 3590 §1421; IRC §45Q)
  - Premium credits and cost-sharing subsidies would be available to low-income individuals and families. (H.R. 3590 §1402)

- Health Insurance Reforms**
  - Require guarantee issue and guaranteed renewal (H.R. 3590 §1201; PHSA §2702, §2703)
  - In the individual and the small group markets, and in the Exchanges, allow rating variation based only on age (limited to 3 to 1 ratio), premium rating area, family composition, and tobacco use (limited to

1.5. to 1 ratio). Individual and group health plans prohibited from placing annual limits on the dollar value of coverage. (H.R. 3590 §1201: PHSA §2701)

- Insurers prohibited from discriminating based on health status, medical condition or history, claims experience, genetic information, disability, evidence of insurability, or any factor determined appropriate by HHS (H.R. 3590 §1201: PHSA §2706)
- Allow states the option of merging the individual and small group markets (H.R. 3590 §1312)
- Most insurers are prohibited from denying coverage for a pre-existing medical coverage (H.R. 3590 §1201: PHSA § 2704; H.R. 4872 §2301)
- New Limits on Pre-existing Condition Exclusions for Group Health Plans (H.R. 4872 §2301)
- Annual fee imposed on all health insurers (excluding self-insured plans), based on their market share. (H.R. 3590 §9010; 4872 §1405)

**Individual Mandate**

- Requires individuals to obtain insurance or pay a penalty, unless affordable coverage is not available (H.R. 3590 §1501)

**Benefits Mandates**

- Exchanges would be established; all new plans would be required to comply with one of four benefit categories. (H.R. 3590 §1311)
- All qualified health benefits plans, including those offered through the Exchanges and those offered in the individual and small group markets outside the Exchanges, would be required to offer at least the essential health benefits package. (H.R. 3590 §1311)

**Expands Exchange and Medicaid**

- Opens Exchange to Individual and Small Group Market (H.R. 3590 §1311)
- Medicaid eligibility will increase to 133% FPL for individuals under age 65 (H.R. 3590 §2001)

**2015**

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- Exchange**
- End of funding available to states to establish Exchanges (H.R. 3590 §1311)

**2018**

**Insurance Market Reforms**

- 40% excise tax would be imposed on insurers of employer-sponsored health plans with aggregate values that exceed \$10,200 for individual coverage and \$27,500 for family coverage (H.R. 3590 §9001: IRC §4980I; H.R. 4872 §1406)

- The threshold for the itemized deduction for unreimbursed medical expenses would be increased to 10% (\$9013)
- Study of administration of Employer Responsibility due to HHS. (§1411)