

Health Care Reform Legislation

We would like to take this opportunity to provide you with a summary of the key components of the health care reform legislation and how it may impact you and your business. Given that it will take a number of years to fully rollout these reforms, there will continue to be changes to many elements of the legislation. For the first time in over a year, we have a much clearer view of the changes that will potentially take place. This bill will:



- * Mandate that everyone must have insurance.
- * Result in more than 30 million additional people becoming insured.
- * Provide for subsidized coverage for people that can't afford it and increase the number of people that will qualify for Medicaid.
- * Make cuts to Medicare Advantage Plans and change their payment formula.
- * Increase taxes and fees to many individual Americans and Corporations.
- * Make many changes to the way Insurance Companies do business from not allowing them to use pre-existing conditions to limiting their rates based on medical loss ratios.

Many of these elements do not phase in for many years. Those that are most immediate and are expected to occur in 2010 are:

- * Tax credits for certain small businesses.
- * Elimination of pre-existing conditions for children under age 19 and an increase in dependant coverage to age 26.
- * Creation of a temporary reinsurance program to provide coverage for retirees over 55 who are not eligible for Medicare.
- * The further creation of a temporary national high risk insurance pool.
- * The prohibition of lifetime limits on benefit payments.
- * Closing the so called "doughnut hole" by providing immediate tax credits for Medicare patients who face a gap in prescription drug coverage.

The real impact in the health insurance system won't occur until the year 2014. During the interim, there will be the phase-in of additional new taxes that will provide added government revenue to pay for these changes. The four most significant changes occurring in 2014 are:

- * Insurers will be required to take all applicants.
- * Insurance will be mandated for all Americans.
- * Tax credits to help pay premiums will start flowing to middle-class working families. The most aid - including help with copayments and deductibles - will be made available for those individuals and families on the lower end of the income scale.
- * Insurance exchanges will be created to help administer subsidies for those individuals that require them.

When fully implemented, we believe that the majority of working-age Americans and their families will continue to have employer-sponsored coverage as they do today. In addition, through mandates and other subsidies, the number of people insured can grow by more than 30 million.

We are certain to be seeing more defined explanations regarding health care reform legislation and will be here to help navigate these changes along the way.

- April 2010