

Congressional Action on Federal Health Care Reform



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Congressional Action on Federal Health Care Reform

3/21/10: House vote on Senate bill

3/21/10: House immediately votes on reconciliation “sidecar”

3/23/10: Final bill signed by President

3/23/10: Senate takes up reconciliation bill; begins 20-hour debate

3/25/10: Senate passes amended reconciliation bill, forcing House vote

3/25/10: House passes amended reconciliation sidecar

3/30/10: Reconciliation bill signed by President

Federal Reform Key Elements

**New Taxes
and Fees**

**Insurance
Exchanges**

**Individual
Mandate**

**Employer
Mandate**

Federal Reform Key Elements

New Taxes and Fees

Effective in 2010:

Annual tanning tax: 10% tax on indoor tanning services (\$2.7 B)

Effective in 2011:

Annual pharmaceutical industry fee: Begins at \$2.5 billion per year (\$28 B)

Effective in 2012:

Annual medical device manufacturer fee: Excise tax of 2.3% on the sale of any taxable medical device (\$20 B)

Effective in 2013:

Annual Medicare tax on high earners, and unearned income: 0.9% increase in payroll tax. Unearned income tax of 3.8% (\$210.2 B)

Effective in 2014:

Annual insurer fee: Applies to fully-insured business (\$60.1 B)

Effective in 2018:

Annual high-cost insurance tax: 40% excise tax on "Cadillac" plans (\$32 B)

Federal Reform Key Elements

Insurance Exchanges

Effective in 2014:

- Requires states to establish Exchanges for individuals & small employers
- Subsidies for individuals up to 400% of the federal poverty level

Federal Reform Key Elements

Individual Mandate

Effective in 2014:

- All U.S. citizens and legal residents required to have coverage
- Penalty phased in
 - \$95 per year in 2014, phasing in to \$695 per year by 2016, or 2.5% of taxable income
 - Exempts low-income individuals

Federal Reform Key Elements

Employer Mandate

Effective in 2014:

- Mandated auto-enrollment for employers with 200+ full-time employees
- Penalty of \$2,000 per employee per year for employers with 50+ full-time employees who do not offer coverage
- Requirement to offer employees “vouchers” to obtain coverage through the Exchange

Other Federal Reform Key Elements

<p>Product Framework (actuarial value)</p>	<p>Four tiers based on actuarial value: 60%, 70%, 80%, 90% effective in 2014. Separate policies for “young invincibles.”</p> <p>Cost-sharing limits tied to the HDHP limits. Additionally, small group deductibles may not exceed \$2,000/\$4,000.</p>
<p>Medical Loss Ratio Requirements</p>	<p>In 2011, MLR is set at 85% for large group and 80% for small group and individual markets.</p>
<p>Subsidies, Coverage Expansions</p>	<p>Subsidies only in exchange to 400% FPL. Medicaid to 133% FPL</p> <p>Tax credits for certain small employers</p>
<p>Medicare Advantage</p>	<p>Cuts Medicare Advantage by a total of \$202 billion by freezing benchmarks for one year in 2011 and then reducing benchmarks to different percentages of fee-for-service Medicare spending, with bonuses for quality and enrollee satisfaction. Increases ability to reduce MA plan payments because of plan coding practices.</p>
<p>Administrative Simplification</p>	<p>Requires the Secretary to adopt and regularly update standards, implementation specifications, and operating rules for the electronic exchange and use of health information for the purposes of financial and administrative transactions.</p>

Immediate Provisions

Effective 90 days after enactment:

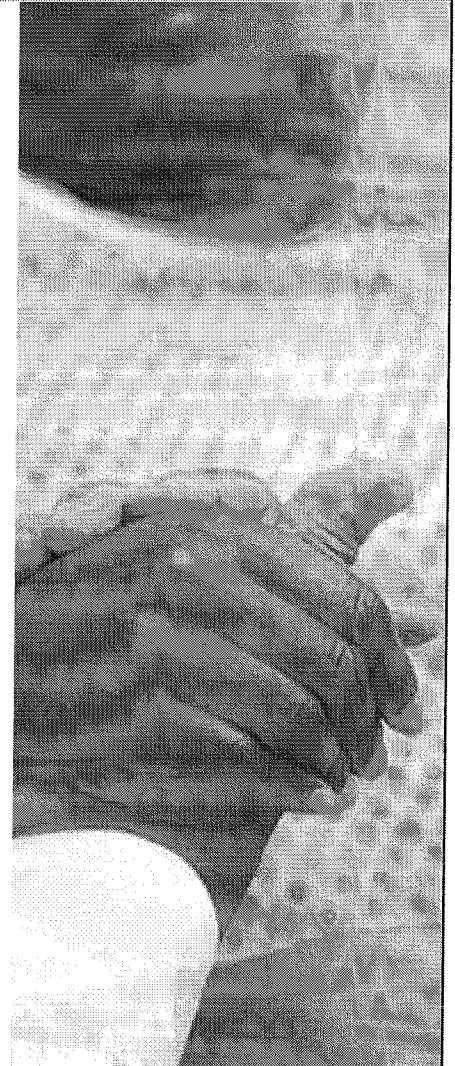
- Temporary national high-risk pool
- Tax credits for small employers
- \$250 rebate to Medicare beneficiaries who reach the Part D “donut hole”

Effective for plan years starting 6 months after enactment:

- Dependent coverage for adult children up to age 26

What It Means for You: Implications for our customers

- No immediate changes to benefits, premiums, physician or hospital networks
- Future impacts will vary depending on product type and company size
- Legislation will be phased in over several years, and many provisions require federal agencies to issue more detailed regulations
- Premiums may be impacted in future



Looking Ahead: Implementation

- Passage of reform is just the beginning
- We are focused on implementing the new requirements and forthcoming regulations
- We are committed to providing ongoing updates as we learn more

