

RACING TOWARD

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National HBPA
Benefits Providers Committee
July 23, 2010



Racing Toward Health Care Reform

Disclaimer

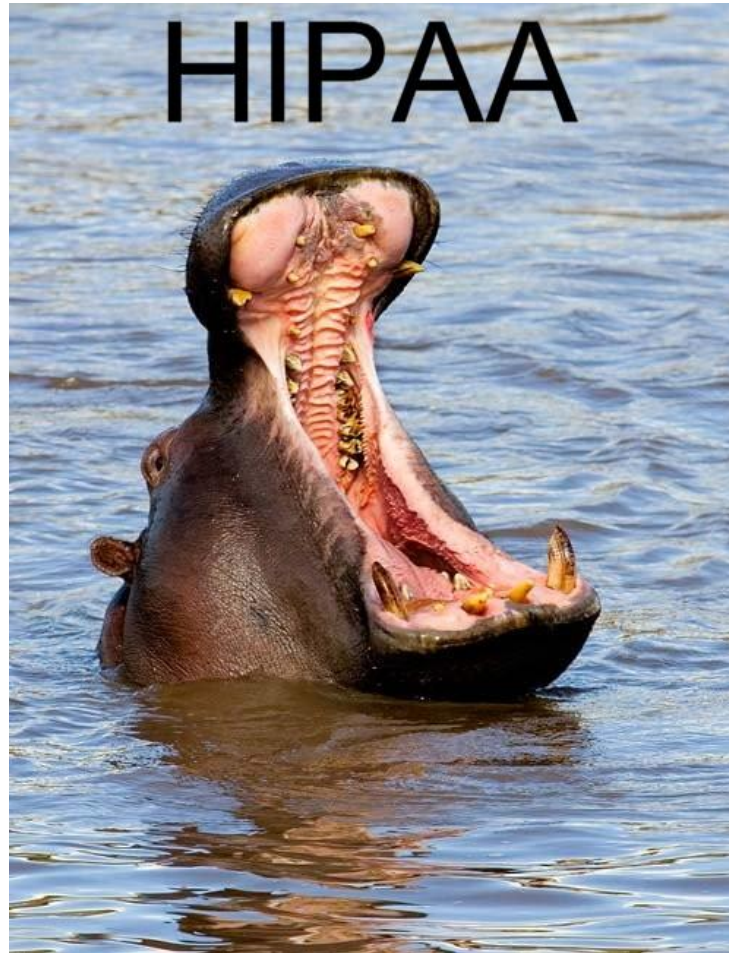
The new law is a work in progress. There is potential for change. Some requirements have gone into effect, others are scheduled through 2018. This general information is not intended to be nor should it be treated as tax, legal, or accounting advice. Additional issues could exist that would affect the treatment of a specific transaction and therefore, you should seek advice from an independent professional before acting on any information presented.



Racing Toward Health Care Reform

- On March 23, 2010 comprehensive health reform was signed into law. The title of the new law is the Patient Protection and Affordable Care Act.
- Some claim that the Act completes the circle of health care reform that began with the Health Insurance Portability and Accountability Act of 1996.
- That act has become known as the Health Privacy law or...

Racing Toward Health Care Reform





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- The impact of HIPAA has been felt by everyone in this country who works in the medical field or who has received professional health care.
- The Privacy Rule applies to all forms of individuals' protected health information, whether electronic, written, or oral.



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- Next came the Patient Safety and Quality Improvement Act of 2005 (PSQIA) which became effective on January 19, 2009.
- The confidentiality provisions it requires will improve patient safety outcomes by creating an environment where providers may report and examine patient safety events without fear of increased liability risk. Greater reporting and analysis of patient safety events will yield increased data and better understanding of patient safety events.

Racing Toward Health Care Reform

And Rounding Out the Trilogy





Racing Toward Health Care Reform

- The Act is over two thousand pages, bound into two volumes about the size of a standard bible and written in the same size font.
- Our goal today is **not** to explain everything in the Act. No one knows exactly how it will be fine tuned as regulators are currently working on the time sensitive deadlines which ladder out until 2018 and possibly beyond.
- Our goal today is to give a brief overview of the Act and briefly zero in on the key provisions that may affect you.



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- Nearly every individual and business in the U.S. will be affected by the law's provision.
- The goal: To provide a minimum level of health care coverage for eligible individuals. For example:
 - * Most U.S. Citizens and legal residents are required to have health insurance.
 - * Income eligible individuals and families will receive premium tax credits to help for coverage.
 - * Those choosing not to carry coverage will pay penalties.

Racing Toward Health Care Reform

**Breaking
News**



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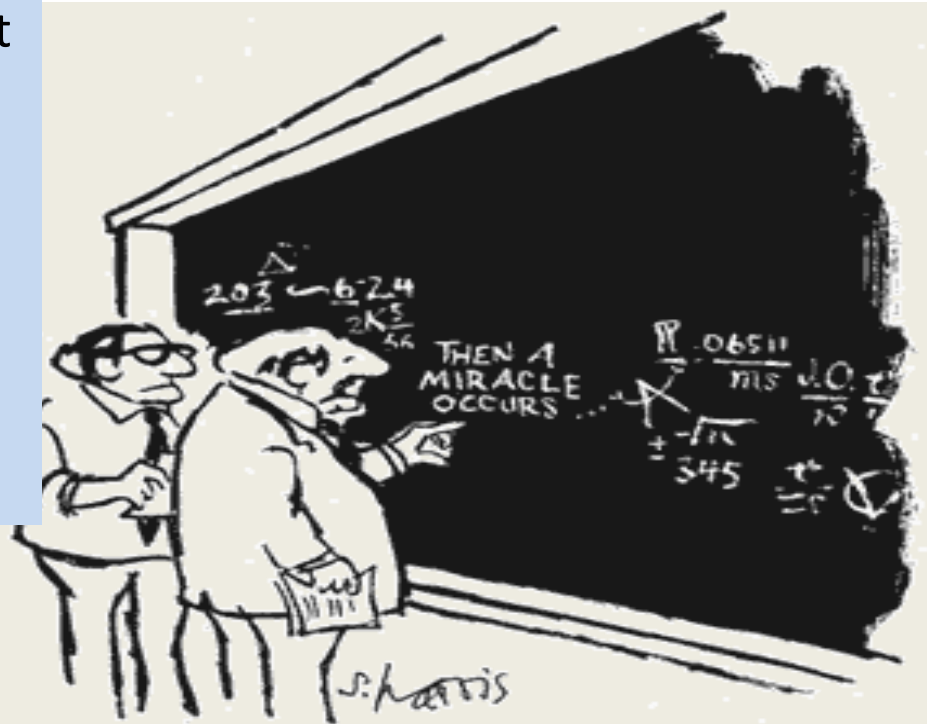
According to the Washington Post, rules are being issued today which guarantee consumers the right to appeal denials of health insurance claims directly to their insurance companies and then, if needed, to external review boards, this includes self-insured plans.

These rules do not apply to plans in existence on March 23, subject to “grandfathering” rules. It is estimated 31 million people in employer-sponsored Plans and 10 million more in individual plans will benefit.

The feds are providing \$30 million in grants to strengthen consumer assistance offices.

Racing Toward Health Care Reform

Health care reform will impact the equine industry. To what extent it impacts you depends on a number of factors: your business size, its current health care benefits, and the makeup of its workforce, just to name a few.



"I THINK YOU SHOULD BE MORE EXPLICIT HERE IN STEP TWO."



Racing Toward Health Care Reform

2010 Effective Dates

- Small Employer Health Insurance Tax Credit (initial phase)
- Reinsurance program for age 55 or older retiree health coverage
- Dependent coverage to age 26 (for dependents not covered by another employer-sponsored plan)
- No lifetime caps on dollar value of health benefits
- No preexisting condition exclusion for children
- No rescissions (unless fraud)
- No increase in exclusion for employer-provided adoption assistance



Racing Toward Health Care Reform

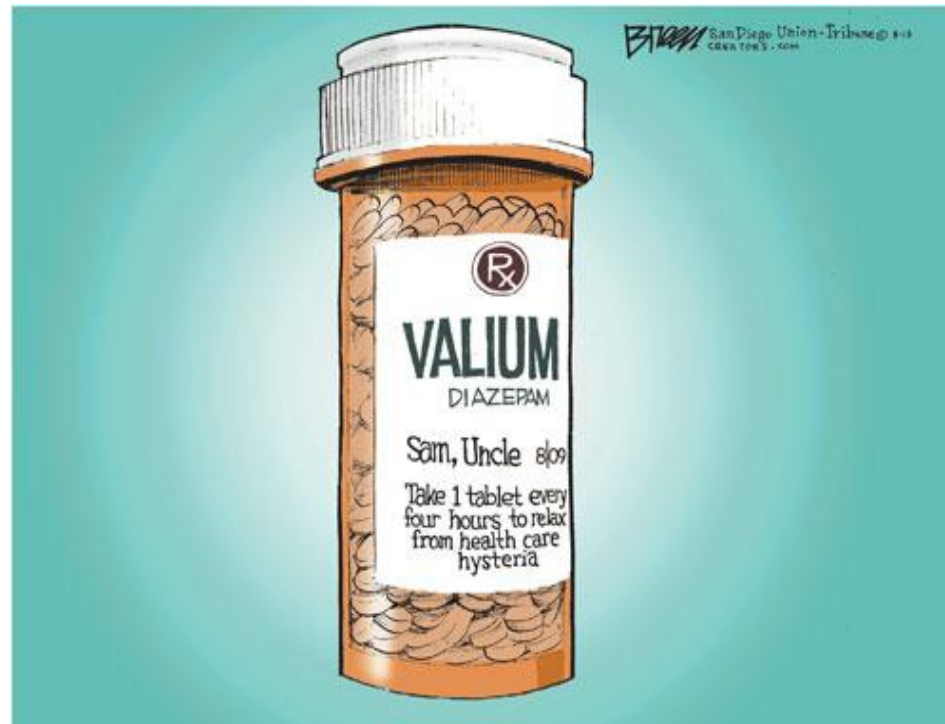
2011 Effective Dates

- Grants available for small business wellness programs
- CLASS program automatic enrollment and voluntary payroll withholding
- W-2 reporting of the value of employer-sponsored health insurance coverage
- Restriction on using funds in a health FSA, KRA, HAS or MSA for over-the-counter medicines
- 20% additional tax on HAS and MSA withdrawals not used for medical expenses
- Fee on branded prescription drug manufacturer
- New simplified cafeteria plan for small businesses

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2012 Effective Dates

- Information reporting for payments to corporations





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2013 Effective Dates

- Automatic enrollment of employment in large employer plans
- Additional .9% Medicare tax on wages/self-employment income of high earners
- 3.8% Medicare surtax on investment income of higher income taxpayers
- \$2,500 limit on annual health FSA contributions
- 10% floor on itemized medical expense deduction
- Elimination of business deduction for certain retiree prescription drug costs
- Limit on deduction for compensation paid to insurance company executives
- 2.3% excise tax on medical device sales



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2014 Effective Dates

- Individual health care minimum essential coverage mandate/penalties/subsidies
- Employer share responsibility mandate penalties
- Individual and small business (SHOP) exchanges available
- Small Employer Health Insurance Tax Credit (second phase)
- Free Choice Vouchers start



Racing Toward Health Care Reform

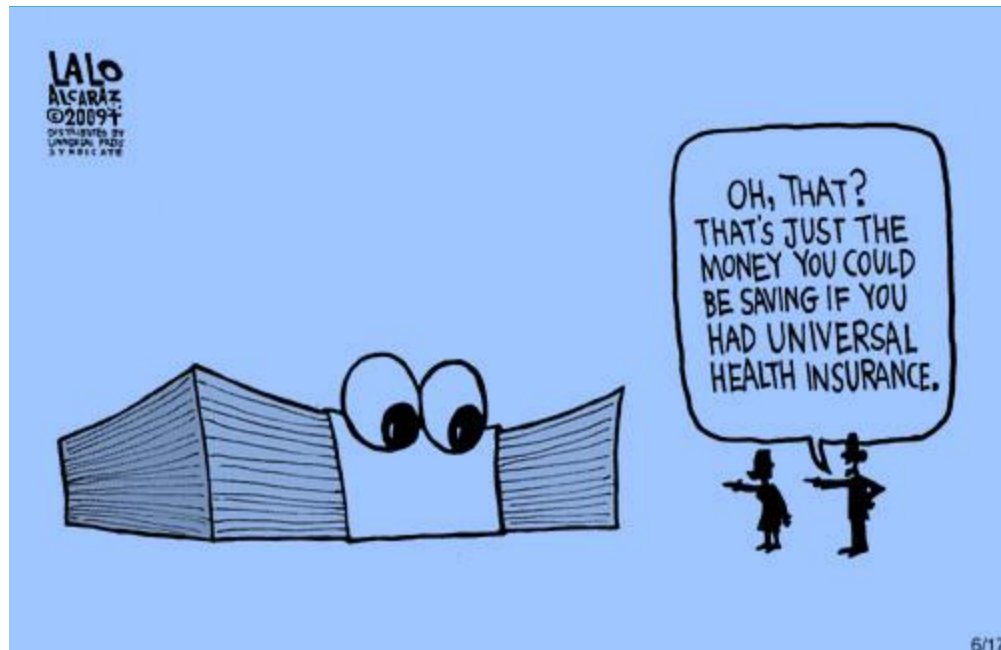
2014 Effective Dates

- No annual limits on coverage in grandfathered individual and group plans
- Employee awards for wellness programs permitted
- Annual fee on health insurance providers for net premiums written after 2012
- Increases in required estimated tax payments for large corporations

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2015 & 2016 Effective Dates

No expectations at this time





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2017 Effective Dates

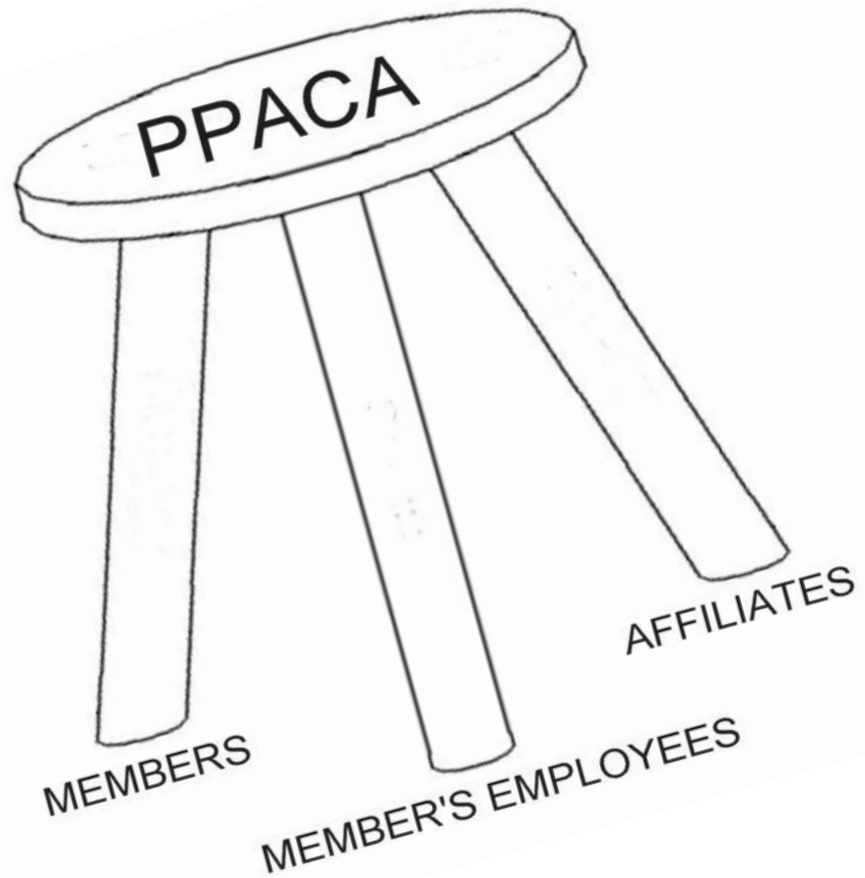
- States can allow businesses with more than 100 employees to purchase coverage through SHOP Exchanges

2018 Effective Dates

- 40% excise tax on high cost health coverage provided by employers

Racing Toward Health Care Reform

How does PPACA impact HBPA affiliates, their members who employ personnel in their racing operation, and those racing employees?



This approach probably won't get it!





Racing Toward Health Care Reform

Q. I am a trainer who has 10 employees. Am I required to carry health insurance for my employees?

A. **No** – There is no mandate that requires employers to carry health insurance. However, employers with 50 or more full time employees will be hit with a “free-rider” penalty under three circumstances if even one of those employees gets a federal subsidy for their health coverage.

(Health Care Special Report – The Kiplinger Letter)



Racing Toward Health Care Reform

Q. I am a trainer who employs 50 employees, are there any exceptions?

A. **Yes** – An employer does not have to offer coverage to:

- Part-time employees
- Seasonal or temporary workers;
- or new employees during a 90 day waiting period

(Implementing Health Care Reform in the Workplace – American Health Care Association)



Racing Toward Health Care Reform

Q. How are independent contractors considered?

A. **According to IRS Common Law Rules** the determination of the degree and control fall into three categories: Behavioral, Financial, Type of Relationship. The Internal Revenue Service is closely reviewing this complicated area and it is expected to develop a clear concise definition of what constitutes an independent contractor or self-employed person juxtaposed with an employee.

(Independent Contractor or Employee, www.irs.gov)



Racing Toward Health Care Reform

Q. I am a trainer with over 50 full time employees. If I chose not to make affordable insurance available to my employees what are the consequences?

A. **The penalty is determined by a formula.** In the case where just one employee is eligible for the federal subsidy the fine would be \$40,000. There are lesser penalties imposed under two other circumstances which involve the employer making insurance available that pays less than the required percentage of covered expenses.

(Health Care Special Report – The Kiplinger Letter)



Racing Toward Health Care Reform

Q. I am a trainer with 10 employees, what's my incentive to offer my employees health insurance?

A. If you are an employer with 10 or fewer workers and their average annual pay is \$25,000 or less, you can receive a credit of up to 35% of your health insurance premium costs each year through 2013, provided that you pay at least half of the total premium. For more workers or higher average pay, the credit phases out at 25 employees or average wages of \$50,000.

(Health Care Special Report – The Kiplinger Letter)



Racing Toward Health Care Reform

Q. I am a trainer with 10 employees, I want to make health insurance available for my employees, what's the next step?

A. Contact your insurance agent. To be eligible for the tax credits that are available through 2013 you will generally have to pay at least 50% of the premium cost. Starting in 2014 eligible small businesses that purchase coverage through a state-based insurance exchange may qualify for credit up to 50% of the premium cost through 2015

(What Health Care Reform Means for Your Business – Stanley, Hunt, Dupree, & Rhine Benefit Consultants)

It's your trainer, he wants to know if strangles is a covered expense?

Again, last week he called about cutting one .





Racing Toward Health Care Reform

- Q. I am employee of the local H.B.P.A. affiliate, I have no health insurance. How will I be impacted?
- A. **The same small business rules apply.** However, a small employer tax credit is available to qualifying small tax-exempt employers, but at a reduced credit percentage. The credit is taken against payroll taxes.

(What Health Care Reform Means for Your Business – Stanley, Hunt, Dupree, & Rhine Benefit Consultants)



Racing Toward Health Care Reform

Q. I am employee of the local H.B.P.A. affiliate, I do have health insurance. How will I be impacted?

A. PPACA provides that certain group health plans existing as of March 23, 2010 are subject to only certain provisions. These plans are referred to as “grandfathered” health plans. There are several advantages to be “grandfathered”. Being “grandfathered” is an option. The choice is made by the employer.

(Closeup: Health Care Reform and Grandfathering HIGHMARK)



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Q. I have health issues and I have been turned down for health insurance. Will I be able to purchase some soon?

A. **Yes.** PPACA established a temporary national high-risk pool called the Pre-existing Condition Insurance Plan (PCIP) to provide health coverage to individuals with pre-existing medical conditions until January 1, 2014.

(www.healthcare.gov)



Racing Toward Health Care Reform

Q. There is a lot of talk about Medicare expansion. How will that impact our benevolence program?

A. It may reduce the demand on your benevolence program or allow you to provide benefits not covered by Medicaid. Medicaid is the federal-state partner program that provides health coverage to low-income individuals. As of January 1, 2014 all persons with income at or below 133 percent of the federal poverty line who are not otherwise eligible for Medicaid or Medicare are entitled to participation in Medicaid. States will receive additional federal funding for services delivered to the expansion population. It is estimated that the changes made by the law will result in 16 million additional individuals enrolling in the Medicaid program. In Kentucky 300,000 new enrollees are expected, making 25% of the state's population eligible for the program.

(National Governors Association, Key Committee Issues www.nga.org)



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- Q. Insurance companies and self funded health care programs will be required to provide between 80% to 85% of their funding for the payment of medical and health related benefits starting in 2010 and rebate the difference beginning in 2011. Will our benevolence programs be held to the same standards?
- A. **No.** Benevolence programs that are neither health insurance or self funded health care plans do not need to meet this requirement.



Racing Toward Health Care Reform

KEY WEBSITES YOU SHOULD KNOW

Your Health Care Explained – www.healthcare.gov

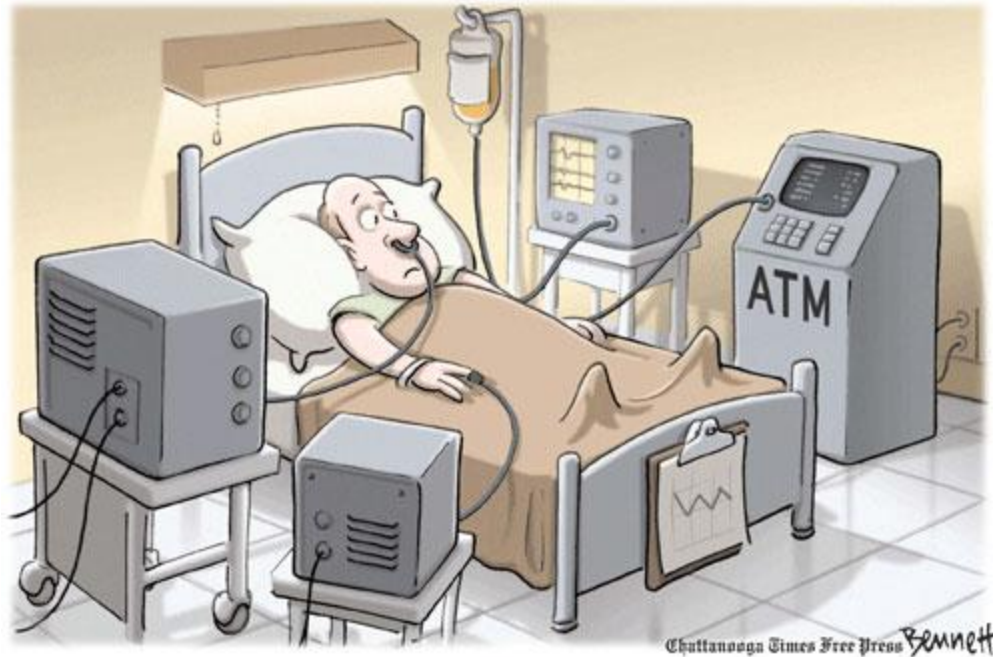
Department of Health and Human Services –

www.hhs.gov

National Governors Association – www.nga.org

Kaiser Family Foundation – www.kkf.org

It's not the end...



...it's only the beginning!