



Wisconsin Independent Businesses, Inc.
P.O. Box 2135
Madison, WI 53701
Phone : 1-800-362-9644
Fax : 1-608-255-6600
Email : Office@wibiz.org

NEW FEDERAL HEALTH PLAN FAQ

Q. When do the provisions of the new plan take affect?

- A. Immediately – Those using the Medicare prescription drug program that hit the coverage “gap” will get a \$250 rebate. In 2011 they will receive a 50% discount on brand name drugs. The “gap” will be eliminated by 2020.
- B. 3 months – People who have been unable to get insurance because of pre-existing conditions would be eligible for subsidized coverage in a new high-risk insurance program. This will continue until 2014 when the state-run insurance exchange programs come into existence.
- C. 6 months – Many plans would be prohibited from placing lifetime limits on medical coverage and they could not cancel policies for people who fall ill. Children with pre-existing conditions could not be denied coverage. Dependent children up to age 26 would be eligible for coverage under their parents’ plans.
- D. 2013 – Flexible spending accounts (HSAs) will be limited. High income earners (\$250,000 for a family) will pay 3.8% tax on investment income.
- E. 2014 – People with pre-existing conditions could no longer be denied insurance, all lifetime and annual limits on coverage would be eliminated and new policies would be required to meet higher benefit standards. Most people will be required to buy health insurance or pay a penalty. More people will be qualified for Medicaid coverage.
- F. 2018 – Families making more than \$250,000 will pay higher Medicare payroll taxes. Employers that offer “Cadillac plans” will be subject to a tax on the amount in excess of set limits on premiums.

Q. As an employer offering insurance what are the penalties I could face?

- A. If the total premiums are \$10,200 or more for singles and \$27,500 for families they would be subject to a 40% tax on the excess premium. The tax would be levied on the insurer but experts expect this will be passed to the consumer in the form of higher premiums or reduced benefits. Retirees and workers in high-risk professions would have higher thresholds (\$11,850 single and \$30,950 family) pegged to inflation.

Q. What if my employees do not want the insurance I am offering?

- A. If your policy covers less than 60% of costs or your employees are paying more than 9.5% of their income, they will be able to buy subsidized coverage on the exchanges starting in 2014.

Q. I am a small business owner and want to offer health insurance to my employees. Will this plan help me with that?

A. Under the measure sent by the House to the Senate for final enactment, between now and 2013, businesses under 25 employees that have average pay per worker of under \$50,000 will get tax incentives to provide health insurance. Also, starting in 2014, companies with fewer than 50 employees would be exempt from sanctions.

Q. Is there anything to limit insurance companies from extreme rate hikes on policies?

A. Ultimately premiums will reflect the medical care costs in your geographic area. The legislation contains some provisions that could help bring down premiums but it is too early to tell how well they would work. For instance, large group plans that spend more than 15% of your premiums on items other than medical costs (20% in the case of individual or small group plans) must provide a rebate to consumers beginning in 2011. There will also be a review process to justify increases.

Q. How will the bill affect health savings accounts?

A. Starting in January 2011 the legislation excludes over-the-counter drugs from being reimbursed on a pre-tax basis from HSA accounts. Also the legislation increases the penalty tax on distributions from HSA's that are not used for qualified medical expenses to 20% from 10%.

Q. What if I am my only employee? Can I get health insurance?

A. Most uninsured people will be required to buy insurance by 2014. People with incomes more than 133% and less than 400% of the poverty level (that is \$29,327 to \$88,200 for a family of four) would be eligible for premium subsidies. Premiums would also be capped at a percentage of income ranging from 3% to 9.5%.

Q. Where can I get more information?

A. We will have regular updates on our site, wibiz.org, and will also post links to the federal sites as they become available.