

June 2013

**HEALTH CARE
REFORM**
& you

What's *Inside*

▶ **A message from Michael J. Considine, Director, Commercial and Public Sector Sales**

We are here for you – today and tomorrow. [Read More ...](#)

▶ **How will the Affordable Care Act (ACA) affect the small group market?**

The ACA will bring many changes to the financial aspects of health insurance in the small group market. [Read More ...](#)

▶ **How will the ACA affect premiums?**

Three ways the ACA adds up to higher costs. [Read More ...](#)

▶ **The new benefits and new costs of the ACA**

The ACA will affect what people pay for coverage differently, depending on where they live and their age and income. [Read More ...](#)

▶ **Changes impacting your clients' plan options**

Since the ACA was signed in 2010, we have seen many aspects of the law go into effect. [Read More ...](#)

▶ **The public exchanges**

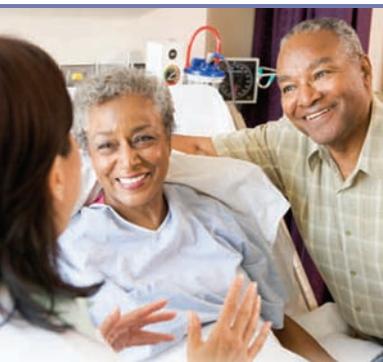
Horizon Blue Cross Blue Shield of New Jersey will offer products on the public exchanges effective October 1, 2013. [Read More ...](#)

▶ **What your clients need to know about the Employer Reporting Requirements**

Your clients will face a host of new reporting requirements under the ACA. [Read More ...](#)



The ACA brings new benefits and new costs. Learn more about the changes and read the research and the news at TimeForAffordability.org.



A message from Michael J. Considine

We are here for you – today and tomorrow



The Affordable Care Act (ACA) is undoubtedly the most comprehensive reform of the United States health care system in almost 50 years. With so much changing, there is one thing you can rely on – Horizon Blue Cross Blue Shield of New Jersey.

We are committed to our mutual success in this changing health care landscape. In addition to special issues of *Broker News* dedicated to health care reform and what it means to you and your clients, we also invite you to attend our series of health care

reform webinars for brokers. Our first webinar, *Health Care Reform: 101* is available online. The next series, *Health Care Reform: 201*, will be presented at the end of June. *Sign up now* to reserve your space.

Horizon BCBSNJ has been serving residents of New Jersey for more than 80 years. We look forward to continuing that tradition with you for many years to come.

Michael J. Considine

Michael J. Considine

Director, Commercial and Public Sector Sales

How will the ACA affect the small group market?

The ACA will bring many changes to the financial aspects of health insurance in the small group market. Generally, the small group market can expect:

- ◆ **More comprehensive benefits.** For some small employers, the benefits package will be more comprehensive and costly than what they purchase today. All individual and small group plans sold on the exchanges must include the full set of essential health benefits. Since fully insured New Jersey health plans must already offer many state-mandated benefits, the impact of some of these changes may not be as significant as in other states.
- ◆ **Limits on varying premiums based on age.** Today, most states allow insurers to offer lower premiums to small groups with younger employees. Under the new law's rating requirements, the price difference for younger and older individuals is more limited, so many small employers with a younger workforce will pay higher premiums than they pay today.
- ◆ **The same rates for men and women.** Women and men have different medical costs at different ages, which is commonly reflected in health insurance premiums. Under the ACA, men and women will have the same premiums.
- ◆ **The same rates for all groups.** Today, most states allow insurers to charge different rates based on the size of the group and industry of the employer. Very small employers generally have higher costs than employers with more than 20 employees. Under the ACA, employer costs are based on the total of the individual/family costs, and so costs will differ for each employer.

Small business tax credits

The ACA increases the tax credits available to small businesses to help ease the financial burden of offering health insurance coverage.

Starting in 2014, the small business tax credit increases to a maximum of 50 percent for qualifying businesses. This will make the cost of providing insurance even lower.

If your clients meet the requirements listed below, your clients may be eligible for these tax credits.

- < 25 full-time employees with
- < \$50,000 average annual wage
- + group pays 50% of premium

= up to a 50% small business tax credit

How will the ACA affect premiums?

Health Care Reform **and You**

3 ways the Affordable Care Act (ACA) adds up to higher costs



New benefit requirements:

The ACA requires all health insurance policies sold to individuals and small employers to include essential health benefits, including prescription drugs and pediatric services.

These added benefits come at a higher cost.



New taxes and fees:

The ACA imposes new taxes and fees on the health industry, including a medical device tax, insurer tax and exchange user fee. Some new taxes and fees will result in higher costs for the consumer.



New rating guidelines:

The new guidelines lead to higher premiums for younger people who tend to be healthier. If young people cannot afford coverage and choose not to be insured, costs will go up for everyone.

Goals of the ACA:

- **Coverage and Insurance Market Reform** – Make insurance more accessible and affordable for all.
- **Delivery and Payment System Reform** – Pay for quality instead of volume of care.
- **Financing** – Find sustainable funding to pay for reform provisions.

The new benefits and new costs of the ACA

The ACA will affect what people pay for coverage differently, depending on where they live and their age and income.

- ◆ Some people will have to purchase coverage that is more comprehensive – and therefore more costly – than what they have today.
- ◆ Older and less healthy consumers will have new protections against premium increases associated with their health status or age. Younger and healthier people are more likely to see premium increases.
- ◆ Men and women will be charged the same premiums.

To help make health insurance coverage more affordable, new tax credits will be available to individuals who have incomes below 400 percent of the federal poverty level (FPL) and purchase individual coverage through the Health Insurance Marketplace.

For those individuals, the amount they have to pay for silver-level coverage is tied to a percentage of their income. In addition, for those under 250 percent of the FPL, cost-sharing subsidies will decrease their out-of-pocket expense when using their insurance benefits. For 2013, in New Jersey:

Family Size	Premium Subsidy eligible		
	138% of FPL	250% of FPL	400% of FPL
1	\$15,856	\$28,725	\$45,960
2	\$21,404	\$38,775	\$62,040
3	\$26,951	\$48,825	\$78,120
4	\$32,499	\$58,875	\$94,200

Beginning on October 1, 2013, qualified individuals can buy coverage on the Health Insurance Marketplace and find out if they can get help to pay for their costs through tax credits and cost-sharing subsidies.

Depending on their income, they may qualify to get both tax credits and cost-sharing subsidies. The tax credit is applied to their premium. Any cost-sharing subsidy is applied to out-of-pocket costs (copayments, deductibles or coinsurance for participating providers) for in-network essential health benefits that every health insurance plan must cover, such as prescription drugs and preventive and wellness services.

Your small group clients can purchase coverage for their employees on the Small Business Health Options Program (SHOP). For more information on SHOP, please read *page 5*.

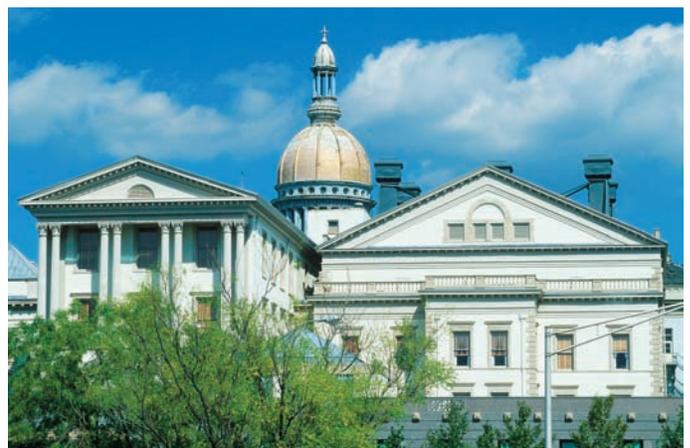
What are essential health benefits?

Essential health benefits refer to benefits in the following categories:

- Ambulatory patient services.
- Emergency services.
- Hospitalization.
- Laboratory services.
- Maternity and newborn care.
- Mental health and substance abuse disorder services, including behavioral health treatment.
- Pediatric services, including oral and vision care.
- Prescription drugs.
- Preventive/wellness services and chronic disease management.
- Rehabilitative and habilitative services and devices.

All new plans issued in the Individual and Small Group markets must offer these benefits beginning January 1, 2014.

Horizon Blue Cross Blue Shield of New Jersey remains committed to providing New Jersey residents with access to affordable, quality health care. To learn more about health care reform, the subsidies that the federal government will offer and how it affects your clients and their employees, visit healthcare.gov or HorizonBlue.com/healthcarereform.



Changes impacting your clients' plan options

Since the Affordable Care Act was signed in 2010, we have seen many aspects of the law go into effect, including:

- ◆ The elimination of lifetime limits and no cost sharing for preventive services.
- ◆ The elimination of pre-existing condition limitations for children under age 19 years.
- ◆ Medical loss ratio (MLR) requirements.
- ◆ Rescission limitations.
- ◆ Small employer tax credits.
- ◆ Summary of Benefits and Coverage (SBC) changes.

What's changing?

On January 1, 2013, several tax-related provisions of the ACA went into effect, including:

- ◆ The medical device tax.
- ◆ A 2.5 percent increase in the threshold at which medical expenses are tax deductible.
- ◆ A Medicare wage tax.
- ◆ A Medicare investment tax.

In addition to the taxes effective in 2013, health insurers and your clients will face new ACA-related taxes and fees beginning in 2014, including:

- ◆ A **comparative effectiveness research fee** to fund the national Patient-Centered Outcomes Research Trust Fund. This fee, which increases from \$1 per member, per month (pmpm) to \$2 pmpm, applies to health insurers and self-insured health plans with policy years ending after September 30, 2012 and before October 1, 2019.
- ◆ An **annual flat fee** on the health insurance sector beginning in 2014. This fee does not apply to self-insured health plans.
- ◆ A **reinsurance fee**, estimated by the Department of Health and Human Services (HHS) at a national per capita rate of \$63 per year in 2014. This fee applies to all health insurers and self-insured health plans.
- ◆ State-mandated **exchange user fees** will be included in the premiums for plans offered on and off the exchanges.
- ◆ A **tax on high-cost health plans**, sometimes called the "Cadillac tax." Employer-sponsored health plans that offer policies with generous levels of benefits will be required to pay an excise tax equal to 40 percent of the health plan's value that exceeds \$10,200 for individual or \$27,000 for family coverage. This tax is effective in 2018.

These taxes and fees may cause your clients to re-evaluate their health plan options, and come to you for guidance.



The public exchanges

Exchanges are new sales channels for Individual and Small Group business. The exchange for Individual consumers is called the Health Insurance Marketplace. The exchange for Small Group business is called the Small Business Health Options Program, or SHOP.

Horizon BCBSNJ will offer plans on the Health Insurance Marketplace and SHOP beginning October 1, 2013, when open enrollment begins. The plans offered on the Health Insurance Marketplace and SHOP will have effective dates of January 1, 2014 and later.

Only qualified health plans (QHPs) can be offered on the public exchanges. A health plan may be certified as a QHP if the health insurer meets the following certification requirements:

- ◆ Ensures a sufficient choice of providers.
- ◆ Includes essential community providers in their networks.

- ◆ Complies with the essential health benefits package.
- ◆ Is accredited on quality.
- ◆ Implements a quality-improvement strategy.
- ◆ Provides data on quality measures and other business practices.
- ◆ Meets marketing requirements
- ◆ Uses a uniform enrollment form.
- ◆ Presents plan information in a standard format.

If your clients look at qualified health plans on and off the exchanges, they will find closely matched plan offerings priced similarly. This is because all new health plans offered in the Individual and Small Group markets must provide coverage for essential health benefits, and they must be priced within certain actuarial value ranges related to member cost sharing.



Individuals and families can compare and purchase insurance through the Health Insurance Marketplace and, if eligible, receive financial assistance in the form of tax credits to reduce premium costs and cost-sharing subsidies to reduce out-of-pocket costs for in-network essential health benefits.

Small Groups (up to 50 employees) can compare and purchase insurance through the Small Business Health Options Program (SHOP).

What your clients need to know about the Employer Reporting Requirements

Your clients will face a host of new reporting requirements under the ACA. Here is a brief overview of the information you and your clients need to know about these new requirements.

Employee Notification of Coverage Options

Employers must provide information to employees about the availability of the Health Insurance Marketplace. Existing full-time employees must receive this information by October 1, 2013.

Employees hired after October 1, 2013 must receive the information within 14 days of the date of hire.

The Department of Labor (DOL) has issued *model notice language and templates* that employers can use.

Coverage and Minimum Value Reporting

Starting with tax year 2014, employers will be required to report information to the Internal Revenue Service (IRS) about the coverage offered to full-time employees. Employers that provide minimum essential coverage must report to the IRS annually with information about the coverage offered. Similarly, information must be supplied to the IRS whether the coverage provides minimum value.

Applicable large employers with at least 50 full-time and full-time-equivalent employees must annually file additional information on employer responsibilities beginning in 2014. The IRS will release final rules on this process in the future.

W-2 Reporting

Employers must report the value of the benefits on each employee's annual W-2 form beginning with the calendar year 2012 forms. This reporting requirement is already in place for most employers that issue more than 250 W-2 forms in a calendar year.

Some employers are exempt from this requirement until the IRS issues further regulations. Exempt employers include employers filing fewer than 250 W-2 forms in the prior calendar year, multi-employer plans, HRA plans and self-insured plans not subject to COBRA rules.

Horizon BCBSNJ will provide updates to the reporting requirements of the ACA as information becomes available.



Are your clients confused about the ACA?

Here, we help you debunk the myths.

This publication and any materials and/or comments are informational and educational in nature only. They do not constitute professional services, do not establish an attorney-client relationship, shall not be construed in any way as legal services and do not serve as a substitute for legal advice. No comment or statement in this publication or the accompanying materials is to be construed as legal advice and shall not constitute an admission. Horizon BCBSNJ reserves the right to qualify or retract any of these statements at any time. Likewise, the content is not tailored to any particular situation and does not necessarily address all relevant issues.

This publication provides only an overview. This publication and its materials also may not be fully updated to reflect the current state of law in any particular jurisdiction or circumstance as of the time of the publication. Furthermore, subsequent developments may impact the currency and completeness of this document. Horizon BCBSNJ disclaims, and has no responsibility to provide any update or otherwise notify any reader of any such change, limitation or other condition that might affect the suitability of reliance upon these materials or information otherwise conveyed in connection with this publication.

Parties accessing this publication or the materials are solely responsible for and are urged to engage competent legal counsel for consultation and representation in light of the specific facts and circumstances presented in their unique circumstance.

Interacting with you is just another way we're *Making Healthcare Work*.



Horizon Blue Cross Blue Shield of New Jersey has joined active users on Facebook® with our own corporate page, [facebook.com/HorizonBCBSNJ](https://www.facebook.com/HorizonBCBSNJ).



You can stay up to date with the latest company news and health and wellness information. Follow us on Twitter™, twitter.com/HorizonBCBSNJ.



See an introductory video explaining how we're transforming the health care delivery system in New Jersey, [youtube.com/BCBSNJ](https://www.youtube.com/BCBSNJ).



Learn how to stay connected with Horizon Blue Mobile anytime, anywhere, mobile.HorizonBlue.com.



The new Horizon Blue App gives members access to their health insurance information anytime, anywhere.



Broker News

[HorizonBlue.com](https://www.HorizonBlue.com)

HEALTH CARE
REFORM
& you

Horizon Blue Cross Blue Shield of New Jersey, Three Penn Plaza East, Newark, NJ 07105-2200

Director: **Daisy Chan**

Managing Editor: **Jennifer Roche**

Editor: **Carley Gibson**

Design and Layout: **Laura Graham**

Additional Resources: [healthcare.gov](https://www.healthcare.gov)
[kff.org](https://www.kff.org)
[TimeforAffordability.org](https://www.TimeforAffordability.org)

Broker News is written and produced exclusively for brokers and consultants by the Enterprise Communications team at Horizon Blue Cross Blue Shield of New Jersey.

Services and products provided by Horizon Blue Cross Blue Shield of New Jersey or Horizon Healthcare of New Jersey, Inc., each of which is an independent licensee of the Blue Cross and Blue Shield Association.

The Blue Cross® and Blue Shield® names and symbols are registered marks of the Blue Cross and Blue Shield Association. The Horizon® name, symbols and *Making Healthcare Work*® are registered marks of Horizon Blue Cross Blue Shield of New Jersey. Facebook® is a registered mark of Facebook, Inc. Twitter™ is a trademark of Twitter, Inc. YouTube™ is a trademark of Google, Inc.

© 2013 Horizon Blue Cross Blue Shield of New Jersey, Three Penn Plaza East, Newark, New Jersey 07105.