



* Please Note: Producers will receive this notice in two business days.

Health Care Reform Bill Overview

As you know, last week health care reform legislation was approved by the U.S. House of Representatives and the Senate. There are two parts to this legislation: the Patient Protection and Affordable Care Act, also known as the Senate Bill and the White House/Congressional Leadership Reconciliation Bill Health Care and Education Affordability Act of 2010, known as the Reconciliation Bill. The Senate bill was signed into law on March 23 by President Obama, and the Reconciliation bill was signed by him on March 30. We would like to provide you with an overview of what the legislation is trying to accomplish and the immediate impact on our customers. It is important to note that the federal government will issue regulations for the law that will significantly affect the interpretation and implementation of the law.

What the legislation aims to accomplish

The law builds upon the employer-based health insurance model that covers 83 percent of Americans today by adding coverage for 30 million uninsured individuals. This will be accomplished by providing financial help through subsidies or tax credits for low-income individuals and small businesses, and by expanding Medicaid. The Congressional Budget Office said that, as a result of the law, 94 percent of Americans will have access to health care.

The legislation also includes a range of measures to improve the quality of care and lower cost; we believe that much work remains to be done to improve the quality of care and to lower the cost of medical care.

Overall, the legislation includes these key provisions:

- Requires most U.S. citizens and legal residents to have health insurance
- Creates state-based American Health Benefit Exchanges through which individuals will be able to purchase health insurance
- Requires individuals who do not purchase insurance to pay penalties
- Creates separate exchanges through which small businesses can purchase coverage and receive tax credits
- Generally requires employers to pay penalties for not providing coverage or for having employees who receive tax credits through an exchange
- Imposes various new regulations on group plans and in the individual market
- Expands Medicaid in order to cover another 15 million people.

Immediate implications of reform

While the majority of the provisions go into effect in 2014, there are a number of provisions that take effect in 2010. Here's an overview of the provisions that become effective this year:

Immediately/at enactment

- Grandfathering – Plans and individuals that “renew” their coverage are exempt from any provisions of the law. These “grandfathered plans” must comply, however, with the following provisions of the law: extend dependent coverage through age 26, prohibit rescissions, eliminate waiting periods greater than 90 days, and eliminate pre-existing condition exclusions for children
- Small employer tax credits – provides premium subsidies for small groups with 25 or fewer employees and average salaries of \$40K or less

Less than six months

- High-risk pool program – establish a temporary national high-risk pool for individuals with pre-existing medical conditions. (effective 90 days post enactment through January 1, 2014)
- Temporary reinsurance for employer retirees – Creates a temporary reinsurance for employers providing health insurance coverage to retirees over 55 who are not eligible for Medicare (effective 90 days post enactment through January 1, 2014)

Six months (plan year)

- No lifetime limits – Eliminates all lifetime limits on the dollar value of coverage (effective six months post enactment)
- Restrictions on rescissions – Prohibits insurers from rescinding coverage except in the cases of fraud (effective six months post enactment)
- No pre-existing conditions for children – Eliminate pre-existing condition exclusions for children under 19 (effective six months post enactment)
- Dependent age 26 – Extends dependent coverage to age 26 (effective six months post enactment)
- Preventive care with no cost sharing – Eliminates cost-sharing for certain preventive services (effective January 1, 2011)
- Appeals process – Individuals have access to an internal and external appeals process to appeal decisions by their health insurance plan

IBC will continue to participate and remain engaged in the national discussion about health care reform in order to best serve our members and customers. We will also work closely with all of our stakeholders as we implement the law and prepare for the changes ahead. You should urge your customers to speak with their legal counsel for specific guidance about the law. Please contact your IBC Account Executive if you have any questions.

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