



MEMORANDUM

To: Interested Parties

From: The Franklin Partnership, LLP

Date: January 7, 2013

RE: Health Care Law: 3 FAQs

The following covers how you will purchase health care in your state, what are the minimum insurance plan requirements and basic info for small employers. A lot is still unknown pending more guidance from the federal government but this is a very brief primer to start 2013.

Where Will I Buy Insurance?

The health care reform law, formally known as the Affordable Care Act (ACA), established Health Benefits Exchanges that will function as new marketplaces where individuals and small businesses can purchase health insurance and, depending on income, individuals can qualify for premium tax credits and cost sharing subsidies. The government wants this to be a one stop shopping place for consumers to find, compare, and select a health insurance plan.

Under the law, the states had three options regarding the Health Benefits Exchanges:

1. State-Based Exchange – established and operated by state
2. Federally-Facilitated Exchange – established and operated by federal government
3. Partnership Exchange – established by federal government but some operations done by state (plan management and/or consumer assistance, etc.)

States had until December to announce if they would establish and run a State-Based Exchange, they have until February 15 to decide if they will enter into a Partnership Exchange. As of Jan 3, 17 States and the District of Columbia have a State-Based Exchange plan already conditionally approved by the Federal Government, while two states have had State Partnership Exchanges conditionally approved. Five other states have also already said that they will pursue a Partnership Exchange. This leaves over half the country likely operating under Federally-Facilitated Exchanges.

Click here to see the status of your state in the Health Benefits Exchange program:

<http://www.ncsl.org/issues-research/health/state-actions-to-implement-the-health-benefit-exch.aspx>

What are the Minimum Insurance Plan Requirements?

Federal Minimum Essential Health Benefits (EHBs)

ACA will require all plans cover minimum Essential Health Benefits in at least 10 areas (below). In addition, states will require other minimum required benefits as determined by that state (States have already submitted for review to the Federal Government which required benefits they want for plans offered in their state).

Federal Minimum EHBs:

1. Ambulatory patient services
2. Emergency services
3. Hospitalization

4. Maternity and newborn care
5. Mental health and substance abuse disorder services, including behavioral health treatment
6. Prescription drugs
7. Rehabilitative and habilitative services and devices
8. Laboratory services
9. Preventative and wellness services and chronic disease management
10. Pediatric services, including oral and vision care

State Minimum Essential Health Benefits (EHBs)

Each individual state had the ability under ACA to require a list of minimum essential health benefits offered under each plan in the state. These minimum requirements are on top of the 10 federal EHB categories and must be approved by the Federal Government which has received input from 26 States (In the other 24 States, HHS will use the “largest small-group plan” as the benchmark for State EHB requirements).

To see what additional requirements are proposed for your state, click here:

<http://www.ncsl.org/issues-research/health/state-ins-mandates-and-aca-essential-benefits.aspx>

What if I am a Small Employer?

Employers with 50 or fewer employees will have at least three health insurance options in 2014:

- Offer a fully insured plan through either:
 - A Small Business Health Options Program exchange (SHOP)
 - The private (off-exchange) small group market
- Offer a self-funded plan, if allowed by state law, where essential health benefits requirements may apply
- Stop offering coverage; let employees buy through the individual market (penalties and subsidies apply)

SHOP Exchanges

The ACA established a requirement for all employers to cover their employees, offer them alternatives, or pay a fine per eligible employee not covered. The law established Small Business Health Options Program (SHOP), similar to Association Health Plans, which allow small businesses starting in 2014 to shop, compare, and purchase a plan for their employees through their own SHOP exchange similar to the one for the individual market. Employers with fewer than 50 employees are exempt from new employer responsibility policies and do not have to pay a penalty if their employees get tax credits through an Exchange.

To get a general idea of what a SHOP exchange could look like and to find a Small Business employer health care plan currently offered in your state, start here to compare some options:

<http://finder.healthcare.gov/>

Tax Credit

If you have up to 25 employees, pay average annual wages below \$50,000, and provide health insurance, you may qualify for a small business tax credit of up to 35% (up to 25% for non-profits) to offset the cost of insurance. Starting in 2014, the small business tax credit goes up to 50% (up to 35% for non-profits) for qualifying businesses.

For more information on the tax credit, click here:

<http://www.irs.gov/uac/Small-Business-Health-Care-Tax-Credit-for-Small-Employers>