

## POLICY PROPOSALS AND THE EMPLOYER – SPONSORED HEALTH PLAN

Health care coverage for all Americans is one of the core concepts coming out of the Senate Finance Committee's discussions and policy papers on health care reform. An affordable, high-quality structure that includes coverage for all Americans is envisioned to shape the future of health care in this country. To accomplish this goal, the Committee is considering far-reaching changes that include all aspects of the current health care system. This technical bulletin provides a high level summary of the policy discussions as they relate to employer-sponsored health plans. These proposals are not final and we anticipate a lively debate on the issues this summer.

### PERSONAL RESPONSIBILITY – INDIVIDUAL MANDATE

- Coverage requirement: The Committee is considering a health coverage mandate, requiring individuals to obtain health insurance either through the individual market, an employer or other potential coverage options (e.g. a public plan). Such required coverage would be subject to a minimum threshold of benefits.
- Proof of coverage: An individual would provide proof of coverage with their annual tax return filing. Insurers would also have a reporting obligation to the IRS, disclosing the coverage provided to the individual. In a self-insured arrangement, this reporting would likely be the responsibility of the employer.
- Penalty: Failure to have coverage would result in a penalty tax imposed on the individual's annual tax return.

### EMPLOYER "PAY OR PLAY"

- One proposal would require that employers offer health insurance coverage or pay a penalty. This "pay or play" idea is similar to the requirements in Massachusetts and San Francisco.
- Play: Employers must offer full-time employees (those working  $\geq 30$  hours) health insurance coverage that meets a minimum benefit threshold.
  - Coverage could be provided through a Health Insurance Exchange or outside of it (*more information on the Health Insurance Exchange below*).
  - There would be a minimum employer contribution requirement (e.g. 50% toward the cost of the group health plan coverage).
- Pay: Employers that do not offer health insurance coverage would pay some monetary penalty as a consequence of not providing coverage.

## HEALTH INSURANCE EXCHANGE

- The Committee uses the Massachusetts health care system as an example for a National Health Insurance Exchange.
- Market Segment Targeted: Intended to provide coverage for individuals, micro and small groups, the Exchange could include a public plan as well as private insurers. Private insurers may still be allowed to sell policies directly to customers outside of the Exchange.
  - To incent small employers to participate in the Exchange, the federal tax exclusion would continue to apply for insurance purchased through the Exchange. It is unclear whether the tax exclusion would still be available if the group insurance is purchased directly from the carrier.
- Federal Oversight: The Federal Government would establish specific requirements for health insurance, potentially removing much of the regulation from state control.
  - Coverage requirements could include guaranteed renewability, no pre-existing condition exclusions, no medical underwriting and rating would vary based only on certain characteristics including tobacco use, age and family composition.
  - Health and Human Services (HHS) would be responsible for the Exchange, including developing standard enrollment and marketing materials, standardizing insurance options, national call center, establishing rates for brokers, creating a Web portal for online access, creating procedures for effective administration of the program.

## WELLNESS INCENTIVES

- Under current law, the expense of an employer-provided wellness program may be tax deductible as a business expense.
- Tax Credit Proposed: A tax credit for 50% of the cost paid by an employer for providing a “qualified wellness program” is proposed. The credit would be capped at \$200 per employee for the first 200 employees, \$100 per employee thereafter.
- Another option extends the credit to small groups, employers with fewer than 50 employees, and includes a credit of up to \$400 per employee.
- Qualified Plan: In order to claim the credit, an employer would need to establish a “qualified wellness program” as certified by HHS. A “qualified wellness program” would contain the following features:
  - Health Awareness – health education, preventive screenings, health risk assessment.
  - Employee Engagement – mechanisms that would encourage employee involvement with the program.
  - Behavioral Changes – elements that are proven to alter unhealthy lifestyles that may include counseling, seminars, self-help materials.
  - Supportive Environment – onsite policies to encourage a healthy lifestyle.

More information on these policy proposals is available on the Finance Committee’s Web site, <http://finance.senate.gov/sitepages/legislation.htm>.

**Disclaimer Statement:**

These materials are produced by Kibble & Prentice for educational purposes only. Certain information contained in these materials is considered proprietary information created by Kibble & Prentice. Such information shall not be used in any way, directly or indirectly, detrimental to Kibble & Prentice and/or their affiliates.

Neither Kibble & Prentice nor any of its respective representatives or advisors has made or makes any representation or warranty, expressed or implied, as to the accuracy or completeness of these materials. Neither Kibble & Prentice nor their respective representatives or advisors shall have any liability resulting from the use of these Materials or any errors or omission therein. These materials provide general information for the use of our clients, potential clients, or that of our clients' legal and tax advisors.

*IRS Circular 230 Disclosure:* Kibble & Prentice Holding Co. and its affiliates do not provide tax advice. Accordingly, any discussion of U.S. tax matters contained herein (including any attachments) is not intended or written to be used, and cannot be used, in connection with the promotion, marketing or recommendation by anyone unaffiliated with Kibble & Prentice Holding Co. of any of the matters addressed herein or for the purpose of avoiding U.S. tax-related penalties. Also, the information contained in this document should not be construed as medical or legal advice.

Copyright © 2009 Kibble & Prentice Holding Company. All Rights Reserved.



**Please contact your Consultant if you have any questions:**

**Ty Oliver**  
(503) 299-3407  
ty.oliver@usi.biz

**Devri Reynolds**  
(503) 295-9398  
devri.reynolds@usi.biz

**Arnie Poutala**  
(503) 299-4349  
arnie.poutala@usi.biz

**Matt Hennessey**  
(503) 417-9474  
matt.hennessey@usi.biz

**Elizabeth Lawrence**  
(503) 417-9231  
elizabeth.lawrence@usi.biz

**Jon Vaughan**  
(503) 295-8302  
jon.vaughan@usi.biz

**Rico Bocala**  
(503) 299-3401  
rico.bocala@usi.biz