

Health Reform: What You Can Do Now to Protect Your Business and Your Future

The Patient Protection and Affordable Care Act (PPACA) was signed into law on March 23, 2010 and was amended by the Health Care and Education Reconciliation Act on March 30, 2010. The "Affordable Care Act (ACA)" is used to refer to the final, amended version of the law. The health reform legislation enacted significant changes in how Americans will purchase and utilize health insurance and health care for the next decade. This legislation will affect everyone – individuals and businesses – and has significant impact on how all of us manage our health, our finances and our businesses.

This newsletter highlights the areas of health reform that most impact employers. We developed the guide as an employer resource to help you understand the principal changes enacted by the health reform legislation.

Inside you'll find some basic questions and answers that will help you understand current and upcoming changes, take advantage of new benefits and tax credits, and implement requirements established by the law. We've included a simple time line of what happens when, along with the 10 Things Every Employer Should Know About Health Reform.

Keep in mind that health reform legislation is complex. Specifics related to compliance and implementation details are still being worked out. Procedural guidelines from various state and federal agencies are still being developed.

We are happy to meet with you to make sure your business is properly prepared and to answer specific questions regarding changes to your benefits, how to select the best health plan for your business and new plan options that can keep your employees – and your business – healthy and strong.

If you have any questions regarding the information contained in this newsletter, please don't hesitate to call Cavnignac & Associates at 619-234-6848.



Will My Current Health Plan Benefits Change?

All new group health plans established after March 23, 2010, with plan years beginning on or after September 23, 2010, must include new elements (see below) as well as several other coverage requirements.

Changes to Existing Plans

- Dependents covered until age 26
- No lifetime benefit maximums
- No annual limits for essential benefits*
- Coverage can't be rescinded except for fraud
- 100% coverage for preventive care
- Children under the age of 19 cannot be denied for pre-existing conditions
- No prior authorization or referral for ob/gyn (can be primary provider)
- No prior authorization or increased cost-sharing for emergency care
- Coverage for clinical trials

**does not apply to individually purchased plans*

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Note that fully insured health plans subject to collective bargaining agreements have been able to maintain their grandfathered status until their current agreement terminates. Retiree-only and “excepted health plans” such as dental plans, long-term care insurance or Medigap plans are currently deemed as exempt from new health reform requirements.

Health Care Reform?



Will I Pay Less For My Health Insurance Coverage—or More?

This question cannot be answered until after Health Insurance Exchanges are implemented in 2014. Health reform legislation requires health insurance companies to add new benefits to all policies and this could increase the cost of health insurance in the near future.

However, since more businesses and individuals will be entering the insurance-buying pool, it is hoped more buyers will help lower premiums for everyone. It is expected that Health Insurance Exchanges will encourage more competition in the health insurance industry to help bring down rates as well.

In the meantime, to help offset the cost of insurance, you should determine if you are eligible for the **Small Business Health Care Tax Credit**. Now is also a great time to contact us to review the benefits you have in place and evaluate your options for coverage. We can help you find ways to lower your premiums through HSAs, fixed contribution plans and others.

Can I Get Tax Credits for Providing Insurance to My Employees?

Yes! If you’re a small business or tax-exempt organization that provides health insurance coverage to your employees, you may qualify for the **Small Business Health Care Tax Credit**, which could allow your company to expense up to 35% of health insurance premiums (25% for tax-exempt organizations). Use the worksheet (below) to help see if you qualify. Beginning in 2014, these tax credits will increase to 50% (25% for tax-exempt organizations) and are only available to qualifying employers who purchase coverage in the Exchange.

Are your average employee wages less than \$50,000 (from step 2 of worksheet)? Do you pay at least half of the insurance premium for your employees at the single (employee only) coverage rate?

If you said “yes” to both of the above, you may be able to claim the **Small Business Health Care Tax Credit**. Visit www.IRS.gov/pub/irs-pdf/f8941.pdf

SIMPLE IRS TAX CREDIT WORKSHEET

Step 1 - Determine the total number of your employees (not counting owners or family members)

_____ full-time employees
(number of employees who work at least 40 hours per week)
+ _____ add the number of full-time equivalent of part-time employees (calculate the number of full-time equivalents by dividing the total annual hours of part-time employees by 2080).
= _____ total employees

If your total employees is less than 25, go to step 2.

Step 2 - Calculate the average annual wages of employees (not counting owners or family members)

_____ total annual wages you pay to employees
÷ _____ divide it by the number of employees from Step 1 (total wages ÷ number of employees)
= _____ average employee wages

Health Reform Implementation so far...



Expanded care for dependents

Kids stay on parents’ plan to age 26 and can’t be denied coverage for pre-existing conditions to age 19.

No lifetime or annual limits*

No lifetime dollar maximum limits or annual maximum limits on essential benefits. *annual limits exclusion applies only to employer plans

Tax credits for small employers

If you have fewer than 25 employees and the average wage is under \$50,000, you may qualify for tax credits to offset premium costs.



Reinsurance for employers with retirees

Program for employers providing insurance to retirees over 55 not eligible for Medicare.

What is a Health Insurance Exchange?

With health reform, Health Insurance Exchanges will be the marketplace where individuals and businesses with 100 or fewer employees can shop for insurance beginning in 2014. Exchanges allow individuals and small businesses to join together to get better pricing and more choices in health insurance programs, much like the programs big corporations can negotiate for their employees. Exchanges are being established on a state-by-state basis. In the Exchange, individuals will also be able to see if they qualify for a government subsidy to help pay for their insurance or enroll in a commercial plan when they don't. The Exchanges must be operational in each state by 2014. States have the flexibility to make the group size maximum 50 for 2014-2015 then increase to 100 in 2016.



Will I Be Required to Buy My Insurance From the State Health Insurance Exchange?

No. While the law requires that everyone have health insurance – health reform doesn't dictate where you must purchase it. The state Health Insurance Exchange is simply a new place to buy insurance that will be available to individuals and small businesses.

In fact, for small employers it will allow them to offer health benefits to permanent, full-time employees,

while temporary or part-time employees can purchase health insurance on their own via the Exchange.

Businesses can continue to utilize their licensed health insurance broker to make sure they're getting the best benefits for their employees and to help find the best rates. Keep in mind that depending on plan participation, the state Health Insurance Exchange may not offer you the same number of choices and benefit plan designs that allow you to choose what works best for your business.



2014 Health Insurance Plan Requirements

- **Deductibles for small groups are limited to \$2,000 for individuals and \$4,000 for families (in-network providers only)**
- **Waiting periods for coverage are limited to 90 days (60 days in California) - small group only**
- **Guaranteed issue and renewability**
- **Premium rating will be based on age, area, family composition and tobacco use***

**tobacco use does not apply in California*

Health Reform Implementation so far...

Health premium regulation

80% of premiums must be spent on health care services and quality improvement for small group health plans and individual plans, 85% for large group plans.

New restrictions on HSA, FSA and MSA fund use

Over-the-counter drugs without a prescription can no longer be reimbursed and tax for non-medical use increases to 20%.

Quality of care reporting

Group health plans are required to provide info on health improvement and patient safety to enrollees at open enrollment.

Accountable Care Organizations (ACO)

Incentives for physicians to form groups (ACOs) to coordinate care and improve care quality.



W-2 reporting requirement

Employers who issued 250 or more W-2s for tax year 2011 must report the value of health insurance for tax year 2012.

Am I Required to Provide My Employees with Health Insurance?

Although businesses are not specifically required to provide health insurance coverage, you could pay hefty penalties if your employees get coverage through a state Exchange. Beginning in 2014, if you have 50 or more full-time equivalent employees and you do not offer “affordable” coverage (the plan’s share of the total costs of covered essential benefits is at least 60%) to your full-time employees, and if even one employee receives a government subsidy to purchase insurance through a state Exchange, you will be required to pay a penalty fee. These penalty fees are not tax-deductible. Also beginning in 2014, employers with more than 200 employees will be required to automatically enroll employees into health insurance plans, although employees may opt out of coverage.

Do you have less than 50 full-time equivalent employees? Do you offer health coverage to your full-time equivalent employees? Is the health care you offer “affordable”? If you answered “no” to these questions, you may be at risk for a penalty fee beginning in 2014. (See the box below)

Penalty for employers with 50 or more full-time equivalent employees who do not offer health insurance (effective 2014)

- \$2,000 for each full-time employee after the first 30 if any full-time employee receives a government subsidy for health insurance in the Exchange.

Penalty for employers with 50 or more full-time equivalent employees who offer health coverage that is not affordable (effective 2014)

- \$3,000 for each full-time employee who receives a government subsidy for health insurance in the Exchange; or
- \$2,000 for each full-time employee after the first 30, whichever is less.

Where Can Individuals Find Good Rates on Health Insurance?

When comparing plans, be careful about buying a “no-frills” plan from a company you don’t recognize. You may be in for a shock at what is left out of the coverage when it comes time to use it. We can make sure the plan you select fits your needs and provides coverage that will protect your health and that of your family.

Keep in mind too that some insurers offer coverage directly to consumers, while others write policies exclusively through authorized brokers. It’s important to pick the option that works best for you and your family.



Do Individuals Have to Buy Insurance?

Yes, or pay a penalty. Starting in 2014, if you aren’t covered through your employer and don’t purchase coverage on your own, you will have to pay a yearly fine of \$95 per person or 1.0% of your taxable income, whichever is greater. In 2015, the penalty increases to \$325 or 2% of your taxable income, whichever is greater. In 2016, the penalty is \$695 or 2.5% of your taxable income, whichever is greater. In 2017, and thereafter, the penalty will be increased annually by the cost-of-living adjustment.

What’s coming up for Health Reform...



Medicare tax increase
Medicare Part A tax rate on wages goes up from 1.45% to 2.3% for certain individuals depending upon their filing status and the compensation threshold.

Employee notification requirement
Employers must provide employees with written info on employer plans, health exchanges and subsidies.

Open enrollment for Health Exchanges
Health Insurance Exchange open enrollment is scheduled to begin in October for coverage effective in 2014.



Maximum 90-day waiting period
Group health insurance plans beginning on or after January 1, 2014 may not impose waiting periods longer than 90 days to cover all employees eligible.

I've Heard of "Metal Plans" Being Offered Through Health Exchanges. What are These Plans?

In order to participate in a state or federal government Health Insurance Exchange, an insurance company must offer plans that fit within four levels of coverage, which are being called "metal" plans: Bronze, Silver, Gold and Platinum. An insurance company doesn't have to offer plans in all four levels, but must offer at least one Silver and one Gold plan.

While each plan must cover the same scope of benefits, the value of these benefits will vary. For example, Bronze plans will offer the least generous coverage, while Platinum plans will have more coverage with lower deductibles, lower copayments, etc. As a result, Platinum plan premiums will be the highest, while Bronze plan premiums will be the lowest.

Some individuals will also be able to purchase "catastrophic" plans that cover essential benefits but have high deductibles. Only young adults (under 30) and individuals who've been exempted from the individual mandate because there's no available affordable coverage will be able to purchase catastrophic plans.

Plans will be compared using a measure called "actuarial value" that compares what percentage of health costs are covered by the plan. The chart below gives you an idea of how the actuarial values will be applied to different plans levels.

Plan Level Actuarial Values

Plan Level	Insurance Covers	You Pay
Platinum	90%	10%
Gold	80%	20%
Silver	70%	30%
Bronze	60%	40%

Essential Benefit Plans Effective 2014

Each non-grandfathered plan must provide coverage for a set of minimum Essential Health Benefits that will include items and services in the following ten categories:

- Outpatient services
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and substance use disorder services
- Prescription drugs
- Rehabilitative and habilitative services and devices
- Laboratory services
- Preventive, wellness and chronic disease services
- Pediatric services, including oral and vision care

What is the Difference Between a Public Exchange and a Private Exchange?

Private health exchanges, operated by insurance brokers or insurance companies, give employers another way to shop for a variety of medical plans and supplemental insurance products like disability, dental and vision plans. Online portals make it easy to compare plans, shop for the best rates and even enroll.

Private exchanges often include benefit support services such as assistance from brokers to help with administrative tasks like enrollment and renewal.

Private health exchanges also make it easy for businesses to expand employee benefits and offer other health coverage not included in most major medical plans in a one-stop shop without a lot of administrative work. Dental coverage, vision exams, chiropractic services and even life insurance are some examples.

What's coming up for Health Reform...

Wellness incentives

Employers can offer rewards of 30-50% of the cost of premiums to employees who take part in wellness and meet health standards.

Individual mandate

Everyone must have health coverage or pay penalty.

Employer mandate

Employers with 50 or more full-time equivalent employees must provide affordable coverage or pay a penalty if any full-time employee receives a subsidy.

Large employer auto enrollment

Employers with more than 200 full-time employees that offer coverage must auto-enroll employees. Employees can opt out.

Health Insurance Exchanges operating

States must have Exchanges up and running by 2014 or feds will come in and set it up themselves.

"Metal" classification of health plans

Health plans will be categorized as platinum, gold, silver or bronze to indicate benefit coverage level.

10 Things Every Business Should Know About Health Reform

1. Consult a Knowledgeable Insurance Professional

A licensed health insurance broker, serving as your consultant, can be valuable to you in understanding the facts of health reform.

2. Public and Private Health “Exchanges” Come Online

Open enrollment is scheduled to begin in October of 2013 for Health Insurance Exchanges, with coverage effective January 2014. Private health insurance exchanges are also expanding to offer businesses and employees more choices for coverage at an affordable rate.

3. Health Plans Will Be Classified in “Metal” Categories

Health insurance plans will receive a metal rating – Platinum, Gold, Silver or Bronze – based on “actuarial value” calculations. For example, Platinum plans will provide coverage for 90 percent of costs while policyholders pay 10 percent. Bronze plans would offer 60 percent coverage while policyholders would pay the remaining 40 percent of medical costs out-of-pocket.

4. Tax Credits for Small Employers

Employers with fewer than 25 employees whose average annual wages are less than \$50,000 may claim a tax credit for the cost of providing insurance beginning with 2011 tax returns. Beginning in 2014 this tax credit is only available to eligible small employers who purchase coverage through the Exchange.

5. W-2 Reporting

Businesses that issued 250 or more W-2s in 2011 must begin to report on 2012 W-2s (issued Jan. 2013) the aggregate value of health benefits provided to each employee including medical, dental and vision coverage.

6. “Essential Health Benefits” Defined

Beginning in 2014, health plans must provide coverage for a minimum set of products and services in the following 10 categories: outpatient services, emergency services, hospitalization, maternity and newborn care, mental health and substance abuse disorder services, prescription drugs, rehabilitative and habilitative services and devices, laboratory services, preventive wellness and chronic disease services and pediatric services including oral and vision care.

7. Requirement to Inform Employees

Beginning in 2013, employers must provide each employee with written information on the employer health plan, health exchanges, available subsidies for insurance and guidelines on how to purchase insurance. Further guidance is scheduled for release in late summer or early fall of 2013, postponed from the original March 2013 deadline.

8. Automatic Enrollment

Employers with more than 200 employees must automatically enroll employees in employer-sponsored plans. However, the IRS has said that final rules for this requirement will not be issued until 2014. Employees may opt out.

9. Limits on Flexible Spending Accounts (FSAs)

Beginning January 1, 2013, FSAs, which allow employees to use tax-free dollars to pay medical expenses not covered by insurance plans, will have a plan year limit of \$2,500 in 2013 (indexed for cost of living adjustments after 2013).

10. Employer Play or Pay

Beginning in 2014, employers with 50 or more full-time equivalent employees will pay a penalty fee if they do not offer “affordable” health coverage and at least one full-time employee receives a premium subsidy.

The information contained in this newsletter is not intended as specific legal, medical, financial or other advice. This information is subject to change based on changes in the law or administration of the law.

What’s coming up for Health Reform...

No pre-existing condition exclusions

Coverage cannot be denied for those with pre-existing conditions.

Comprehensive coverage requirement

Individual and small group plans must include essential health benefits.

Limits on deductibles and copayments

Health plans must limit out-of-pocket costs (deductibles and copayments) to amounts allowed for HSA plans.

Ban on all annual limits

Plans may no longer impose any annual benefit limits.



Cadillac plan excise tax

Tax on employer plans valued at over \$10,200 for individuals and \$27,500 for families.



live well, work well

August 2013

August is Children's Eye Health and Safety Month

When it comes to thinking about children's health, eye injuries and vision impairments are probably not among the first ailments that come to mind.

Yet more than 12.1 million school-age children—nearly 25 percent—have vision impairments. Additionally, thousands of children age 5 and under suffer eye injuries each year at home, in the car and at play. Eye injuries affect older children as well, accounting for a majority of the 42,000 annual sports-related eye injuries.

Appropriate eye care is essential for maintaining good vision. Most eye problems in children can be corrected if they are detected and treated early. However, many problems can result in permanent vision loss if left untreated.

Your child's eyes should be examined during regular pediatric appointments, and vision testing should be conducted around age 3.

The most common types of eye problems seen in children are:

- Myopia (nearsightedness)
- Strabismus (crossed eyes)
- Amblyopia (lazy eye)



Some of the signs your child might be experiencing impaired vision:

- Wandering or crossed eyes
- Blurred or double vision
- Headaches or pain in the eyes
- Difficulty copying from board at school
- Holding books close to read or sitting close to the TV
- Squinting
- Sensitivity to light
- Burning, itching, watery eyes, or inexplicable redness in the eyes

To minimize the risk of eye injuries, young children should only have access to age-appropriate toys devoid of sharp or protruding parts or that can fire projectiles. Older children with glasses should wear polycarbonate lenses when playing sports.

Children should also have access to sunglasses and be taught the importance of limiting exposure to UV rays, as they are more susceptible to UV damage than adults.

Distracted Walking

Cellphone usage has long been considered hazardous while driving, with 47 states having at least some restrictions limiting cell phone operation while behind the wheel. Now new research shows that mobile devices can also lead to injuries for distracted pedestrians as well.

After mining data from the National Electronic Surveillance System, researchers estimated that the number of pedestrians who are treated in an emergency room every year for injuries suffered while using cellphones has more than doubled since 2004.

In 2010, the most recent year surveyed, over 1,506 people were admitted for injuries suffered from inattentive walking.

The study's lead author called for more awareness when traveling by foot. Additionally, the CDC recommends crossing streets only in designated crosswalks, observing drivers who appear to be turning, and increasing visibility with reflective clothing and a flashlight when walking at night.

DID YOU KNOW

According to a 2012 study, nearly one in three pedestrians is distracted by a mobile device while crossing busy intersections.

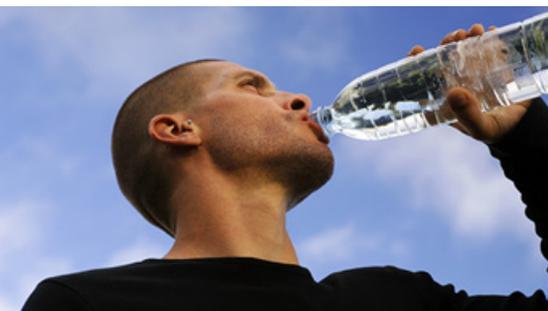


live well, work well

Summer Dieting Tips to Keep Cool

All that barbeque, potato salad, beer and ice cream can pack quite the caloric punch when the sun is hot and the days are long. To keep your diet in check and avoid overdoing it this summer, follow these simple tips:

1. Substitute, substitute, substitute. Swap grilled fish and veggie kabobs in place of steak and pork. Substitute frozen yogurt or popsicles for ice cream.
2. Drink lots of water. Not only is it important to stay hydrated during the hottest time of the year, water also fills you up between meals, resulting in fewer calories consumed.
3. Turn down the air conditioning. Studies show that when your body is exposed to heat and humidity, your appetite decreases and you eat less.
4. Exercise. Take advantage of the warm weather by going for a jog or swim, or playing an outdoor sport. Just be careful to exercise during the cooler part of the day and drink plenty of water.



Surviving This Year's Heat Wave

An area is said to be experiencing a heat wave when temperatures are above normal for the region for at least four days in a row.

With much of the country approaching near-record high temperatures this summer, it's important to know what to do when heat becomes deadly.

1. Remain in air-conditioned buildings. Do not rely on a fan as your primary cooling device.
2. Limit outdoor activity, especially during midday when it is hottest, and avoid direct sunlight. When outside, wear loose, lightweight, light-colored clothing.
3. Take cool showers or baths to lower your body temperature.
4. Drink more water than usual and don't wait until you are thirsty. Drink 2-4 cups of water every hour while working or exercising outside.
5. Avoid alcohol, caffeine and liquids containing a high amount of sugar, which can dehydrate you.
6. Monitor local weather reports for extreme heat warnings.
7. Never leave people or pets in a closed, parked vehicle.
8. Learn the symptoms of heat cramps, heat exhaustion and heat stroke, and how to respond.

Tasty 20-Minute Chicken Creole

This Southern dish is quick to make, and contains no added fat and very little added salt in its spicy tomato sauce.

- 1 tbsp. vegetable oil
- 2 chicken breasts (whole, skinless, boneless)
- 1 14.5 oz. can diced tomatoes
- 1 cup low sodium chili sauce
- 1 large green pepper (chopped)
- 2 celery stalks (chopped)
- 1 small onion (chopped)
- 2 garlic cloves (minced)
- 1 tsp. dried basil
- 1 tsp. dried parsley
- ¼ tsp. cayenne pepper
- ¼ tsp. salt

Heat pan over medium-high heat. Add vegetable oil and chicken and cook three to five minutes until no longer pink when cut. Reduce heat to medium. Add tomatoes with juice, chili sauce, green pepper, celery, onion, garlic, basil, parsley, cayenne pepper and salt. Bring to a boil, then reduce heat to low and cover the pan. Let simmer for 10 to 15 minutes. Serve over cooked rice or whole grain pasta.

Yield: 8 servings. Each serving provides 130 calories, 3g of fat, 20mg of cholesterol, 230mg of sodium and 2g of fiber.

SPOTLIGHT ON



Cavnagac & Associates is proud to support local and non-profit civic organizations, including the San Diego Police Foundation



The San Diego Police Foundation is a 501(c)(3) tax-exempt organization that supports efforts to improve police/community relations and awards grants to law enforcement for specialized equipment, training and collaborative community programs. It is governed by volunteer directors.

What We Do

The San Diego Police Foundation's work is the result of caring citizens like you. We help raise awareness of important unbudgeted or "discretionary" needs that will improve crime-prevention and law-enforcement efficiency. Then we put tax-deductible contributions to measurable work in local communities.

In households where domestic violence tears at the fabric of families, the Foundation has helped many relationships escape the cycle of violence

by funding a program that helps increase arrests and successful prosecutions.

In units like S.W.A.T., grants help overcome the disadvantage of criminals often being better equipped than police.

... and Don't Do

The Foundation does not fund personnel, regular police vehicles, lethal weapons, officers' uniforms or standard police equipment.

For more information about the San Diego Police Foundation, visit www.sdpolicefoundation.org