Health Care Reform And Its Impact On New Grads And Alumni July 2010

Health care reform has generated much excitement – and confusion. While the most significant provisions of the Patient Protection and Affordable Care Act do not take effect until 2014, many changes begin earlier. This paper summarizes the important changes happening in 2010, and assesses their impact on your constituents—new grads and alums alike— right now.

2010 Provisions

Students, New Grads, and Unemployed Young Adults should check with their insurance companies regarding eligibility for dependent coverage. While dependent coverage up to age 26 becomes law this fall, private health insurers that cover the majority of Americans have volunteered to provide coverage earlier for those graduating from college or aging out of dependent coverage on a family policy. But, there are limitations:

- Even if an insurer does accelerate coverage, it will generally only be offered to dependents who are already covered *and* who would otherwise age out upon graduation.

- If dependents cannot obtain coverage now, they may join their parents' plans during an open enrollment period after September 23, 2010. *Therefore, unless an insurer has extended coverage so early that spring and summer open enrollment periods provided for coverage in 2010, insurance for young adults may not be available until the next open enrollment period, which could be as late as September 2011, leaving some with a long gap in coverage.*

- Other than waiting for open enrollment, there are virtually no restrictions on dependent eligibility up to age 26. And there are rules employers must follow:
    - No reduced coverage for adult dependents.
    - Insurers must bear the same costs for extended coverage as they do for other dependents.
    - If both parents' plans offer coverage, neither plan can deny coverage.

Most insurance plans will issue a special enrollment notice as part of the annual open enrollment process. Adult dependents will be given a 30-day window to enroll, and coverage will be retroactive to the beginning of the election period.

Alums who are already insured will benefit from new consumer protections scheduled to take effect this fall. For plan years beginning on or after September 23, 2010, a*ll* private health insurance plans will be precluded from imposing:

- lifetime limits on coverage

- rescissions of coverage after people become sick due to previous errors on insurance applications
- coverage exclusions for children with pre-existing conditions
- “restricted” annual limits

Plans in effect when the Act was passed in March will be grandfathered under the new law, meaning they will be permitted make reasonable changes to benefits and premiums to keep pace with inflation and the changing marketplace. However, if a plan significantly reduces benefits or increases out-of-pocket spending, the plan will lose grandfathered status. Those insured under non-grandfathered plans will automatically gain the following new benefits:

- required coverage of recommended preventative services like mammograms and colonoscopies, with no cost-sharing
- required patient protections, including access to ob-gyns and pediatricians

Experts estimate that more than three-quarters of large employer plans will remain grandfathered leaving those with coverage unlikely to see major changes in the next few years. However, those insured through small businesses are more likely to transition to new plans with greater consumer protections over the next four years. Likewise, those with individual major medical plans, who are likely to switch plans more frequently, will also gain access to new protections sooner rather than later.

Unemployed alums or family members who were previously uninsurable may now be able to access coverage from a “high-risk pool” created under the new law.

- To qualify for coverage, applicants must:
  - have a pre-existing health condition and
  - have been uninsured for at least the past six months.
- There is no age requirement.
- Premiums are expected to be more affordable than those under historical “high-risk” pools, and annual out-of-pocket costs are capped.
- The program, set to launch in July, will start accepting members in September.

Small business owners and employees may benefit from a new, temporary tax credit available beginning in 2010. This limited credit is available to qualified small employers that pay at least half the cost of coverage for their employees.

Designed to help small businesses and tax-exempt organizations cover the cost of insuring their workers, the tax credit works on a sliding scale. For tax years 2010-2013, the maximum credit is 35% of premiums paid, and phases out gradually for companies with average employee wages between $25,000 and $50,000 and for those with the equivalent of 10-25 full-time employees. The maximum credit is scheduled to increase to 50% in 2014 and expire two years later.

Retirees between ages 55 and 64 may see smaller health insurance premium increases as soon as next year thanks to a temporary reinsurance program that will help employers that provide early retiree benefits. The $5 billion program that began on June 1 will reimburse employer plans for up to 8o% of claims costs for retirees and their families, totaling between $15,000 and $90,000. The program will remain in effect until 2014 when other employer options become available. The law requires employers to apply their savings to the cost of providing health insurance.

In June, the government also began to close the coverage gap in Medicare drug coverage known as the 'donut hole.' The new law provides for a one-time $250 check to seniors who

- reach the gap between when initial coverage ends and catastrophic coverage begins *and*
- are not eligible for low-income assistance.

Rebate checks will be mailed monthly throughout the year as Medicare beneficiaries hit the donut hole. Starting in 2011, seniors who fall in the donut hole will receive a 50% discount for brand-name medication costs and a 7% discount on generic drug purchases.

More Information

Earlier this month, the government launched its consumer Web site, www.healthreform.gov that provides comprehensive information on the new legislation, as well as an in-depth comparison of health insurance options. Premium estimates will be made available via the Web site beginning in October.

Who Still Needs Coverage?

While the new law provides for comprehensive health insurance reforms that create more choices for all Americans, change will be implemented gradually over the next four years, and beyond. Many constituents will still need somewhere to turn for coverage:

- **Young adults** with a gap before temporary coverage begins or who may not benefit from expanded coverage due to:
    - Parents without coverage. The expansion of dependent coverage only helps if a parent has insurance. Many parents are uninsured, so their young adult children will not benefit from this provision.
    - Network restrictions. A parent's HMO in California will not provide much (if any) coverage to a young adult who has relocated to New York.
    - Cost. The premium implications of expanding dependent coverage are not yet clear. Where employees pay some or all of their full premium, the costs could be notable.

- **Self-employed alums** without employer-sponsored health insurance seeking access to affordable coverage.

- **Unemployed alums** with a temporary need for coverage, including those seeking a cost-effective alternative to COBRA.

- **Small businesses and employees** whose wages are too high to qualify for the temporary tax credit.

- **Those with pre-existing conditions** who don't meet the requirements for high-risk pool coverage.

- **People temporarily left without coverage** due to divorce or death of a spouse.

How Can the Alumni Association Help?

The alumni association is a place to turn for benefits and services not available on the open market. The health care marketplace has traditionally been difficult to navigate, but with health care reform happening now, the guidance you provide is more important than ever. The best way to assist your new grads and alums is to disseminate information and resources as events unfold:

- **Share the information** contained herein, and direct people to the government Web site for periodic updates.

- **Alert new grads and their families** about impending changes to student health insurance and alternatives available now that coverage may be extended to age 26.

- **Provide options**. Many alumni insurance programs include health insurance with various options:
    - **Short Term Medical.** Appropriate for those with a temporary need due to career transition, but not for those with pre-existing conditions or those who need a longer-term solution. Very popular among new grads.
    - **Permanent Individual Major Medical.** Traditional full-coverage medical insurance plans for individuals, families, groups, and owners of small businesses for whom STM is inappropriate.
    - **Medicare Supplement Insurance.** Fills the gaps between what traditional Medicare covers and what it does not cover. In many cases, these gaps can be considerable, jeopardizing personal retirement accounts and other savings.

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