

Understanding Healthcare Reform



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IN 2010, CONGRESS PASSED THE MOST SWEEPING CHANGES TO HEALTHCARE IN AMERICAN HISTORY AS A RESULT OF PRESIDENT OBAMA'S AFFORDABLE CARE ACT (ACA). OVER TIME, THE CHANGES HAVE BEEN SLOWLY COMING UNTIL THIS YEAR WHEN THE CASCADE OF CHANGES BECAME A WATERFALL OF EVENTS.

In 2013 changes include major reductions in allowable medical tax deductions, new penalty surtaxes on interest and dividend income and an additional new tax on higher income Americans. On July 3rd the Department of Treasury released a statement announcing that it would delay enforcement of the Employer Mandate until January 1st 2015. The Employer Mandate requires companies with more than 50 full time equivalent (FTE) employees to offer health coverage or pay a penalty. The Employer Mandate was scheduled to begin on January 1st 2014 however after considering the current state of the economy, the confusion amongst employers regarding the reporting requirements inside the new mandate, and the upcoming 2014 mid-term elections all played a hand in the delay.

On July 17th, in a symbolic move The Republican-led House voted to delay the Individual Mandate also scheduled to begin on January 1st 2014. The rationale for the vote on a delay in the Individual Mandate was to afford individuals the same reprieve that is being granted to large employers by the Administration. As I write this article, the Individual Mandate is on schedule to begin January 1st 2014.

In 2014, the waterfall becomes a deluge of change with new requirements for all Americans to obtain health insurance or pay a penalty, combined with a new tax credit for many Americans to help them pay for health insurance. The calculations to determine the credit are intricate and when combined with the 2013 tax changes will be overwhelming for many Americans who have

not adequately planned for the changes. In 2014 the failure to obtain health insurance will result in a penalty of \$95 or 1% of taxable income whichever is greater. In 2015 the penalty increases to \$395 or 2% of taxable income and in 2016 \$695 or 2.5% or of taxable income.

Even as the Administration put the brakes on the Employer Mandate for large employers, businesses are not exempt from changes in 2014 either. For the last several years, small business has been provided with a potential 35% credit to provide health insurance to employees.

The credit goes to 50% with these new changes but the complexity of the calculation continues and increases with the requirement that small businesses obtain coverage from newly implemented

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insurance exchanges in order to receive the tax credits. In a classic example of poor design, the IRS announced in May that less than 10% of expected small businesses took advantage of the tax credits last year due to the confusion and lack of guidance in calculating the tax credit itself.

With the rise of healthcare costs, increasing government regulations and compliance issues, managing a health plan is more difficult than ever. Pacific Coast Benefits is committed to assist our individual and business client overcome the numerous challenges posed by the Affordable Care Act. For more information about Pacific Coast Benefits and our services, or to attend an upcoming Healthcare Reform Seminar or Webinar, please feel free to contact us with any questions.