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KANSAS CITY BUSINESS JOURNAL

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Reform bill is no cause for panic

Choices by employers may raise or cut rates

Kansas City Business Journal - by [Mike Sherry](#) Staff Writer

Breathe deeply.

That's one piece of business advice offered by local employee benefits and policy experts after the March 23 enactment of health care reform legislation.

"You are not going to have to make changes overnight to be compliant with this new law," said Marcia Nielsen, vice chancellor for public policy and planning at the **University of Kansas Medical Center**.



Marcia Nielsen

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Backers of the legislation hailed it as a monumental achievement that will expand health coverage to 32 million Americans who previously were uninsured. But the legislation also posed a monumental challenge to analysts trying to figure out the ins and outs of the measure — made more difficult because the Senate continued to wrangle with revisions approved by the House in the days after President Obama signed its original bill into law.

Among the first provisions of the law to go into effect are a set of new coverage mandates, including a prohibition against insurers denying coverage to children because of pre-existing conditions, elimination of annual and lifetime limits on coverage, and extending coverage for dependents to age 26.

Most experts anticipate that insurers will raise rates to recover the cost of these mandates.

"I think absolutely (health insurance) will cost more," said Ron Dutton, CEO of **RJ Dutton Inc.**, an Overland Park-based employee benefit advisory firm.

But even here, employers may have a chance to avoid some higher costs from mandates.

The law includes language that appears to exempt existing plans from some of the coverage mandates, said Ed Fensholt, a senior vice president and director of compliance services for Kansas City-based **Lockton Cos. Inc.**, an insurance broker. Companies already preparing for plan years that begin in October need clarity on this issue, he said, because the legislative language is difficult to figure out and seems to be contradicted in other parts of the law.

Dutton said self-insurance also could offer some relief because requirements such as

eliminating lifetime coverage caps apply only to plans offered through carriers. Generally, a company should have more than 100 employees before it considers self-insurance, he said.

The reform law could provide assistance with efforts to cut health costs through healthier work forces, said Eric Kesselring, vice president of **Axcet HR Solutions** in Lenexa, a provider of human resources services to small and midsize businesses.

He said the law authorizes grants to help small businesses establish wellness programs. The law calls for the grants to continue for five years beginning in fiscal year 2011.

Fensholt said employers might have to scale back on at least one benefit.

Employers typically have allowed workers to contribute \$5,000 a year in pretax pay to a health care flexible spending account. The new law, Fensholt said, caps those contributions at \$2,500 a year.

KEY IMPLEMENTATION DATES

Here are key implementation dates for the health care reform legislation enacted March 23:

Six months: Elimination of pre-existing conditions as a reason for insurers to deny coverage for children.

This year: Businesses with fewer than 25 employees and average wages of less than \$50,000 can qualify for a tax credit of as much as 35 percent of the cost of health insurance premiums.

2013: Excise tax on high-dollar coverage, defined as \$23,000 for families and \$8,500 for individuals, takes effect. The amounts and effective date would change with House revisions pending in the Senate.

According to the revisions, the tax would not take effect until 2018 and would increase to \$10,200 for individuals and \$27,500 for families.

2014: Requirement that most U.S. citizens and legal residents have health insurance coverage. Exceptions include financial hardship.

2014: Employers with at least 50 workers must provide qualifying and affordable health coverage or face a penalty of \$750 per full-time employee.

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