



HEALTH CARE REFORM OUR UPDATE & ADVICE

MORRIS & REYNOLDS INSURANCE PRESENTS ADVICE & ANSWERS ON AMERICA'S HEALTH CARE REFORM / JUNE 28 2012

U.S. SUPREME COURT RULES THAT HEALTH REFORM IS CONSTITUTIONAL

Today the Supreme Court upheld the individual health-insurance mandate that is at the heart of President Obama's landmark health-care law, the Affordable Healthcare Act (ACA) reasoning the mandate is permissible under Congress's taxing authority. The legislation is expected to eventually extend health-care coverage to between 50 and 30 million Americans who currently lack it.

The ruling determined that the ACA, including the individual mandate, that requires all Americans to buy health insurance, is constitutional. Five Justices agreed that the penalty one must pay if they refuse to buy insurance, is a tax that Congress can impose using its taxing power.

FOUR KEY QUESTIONS DECIDED

In making its decision the court reviewed four core questions:

- A) Can Congress have the constitutional power to impose an **"individual mandate"** to purchase health insurance;
- B) **Whether all or any additional parts of the law must be struck down, if the mandate is rejected;**
- C) Whether an **expansion of Medicaid** was unduly coercive on the states and;
- D) Can those questions be **reviewed before the mandate takes effect.**

Since the mandate survives, the Court did not need to rule on, if other parts of the statute were constitutional,. However, that requires states to meet new eligibility requirements for Medicaid or risk losing federal funding. On **Medicaid**, the Court ruled that its expansion can move forward, but not the part that threatens states losing their current funding if the states do not comply with the expansion. That ruling leads to many questions over how the federal government will implement the expansion of Medicaid in a joint federal-state program for the poor.

The key core issue the Court considered was the **individual mandate**, known technically as the "minimum coverage" provision, which if stricken down would jeopardize insurers ability to comply with other parts of the health-care law without raising their premiums. This would include the elimination of a lifetime maximum, which insurers would no longer be able to deny coverage to children because of pre-existing conditions and covering young adults on their parents plans to age 26.

The Court rejected the commerce clause argument, but ruled that Congress has the power to impose the mandate because it can be considered a tax. Given the case's importance, the justices spent six hours over three days hearing oral arguments in March. This is the most time that the Court has spent on any issue, in nearly 50 years.

2014 & BEYOND

Although most key provisions of the law are not scheduled to take effect until **2014**, many new rules have already extended coverage and expanded benefits across America. In the days, months and years to come, Morris & Reynolds will help explain the new laws, the option available to you and help with your protection, as a trusted navigator.

The Court's ruling allows everyone to plan for the future. It means that federal agencies, such as; the Department of Labor, Health & Human Services and Internal Revenue Service will need to work hard to provide the guidance required to implement rules and the new law. Rest assured, our professional agent's, advocates and underwriters will be ready with the answers and solutions to meet our clients' needs.

Bob Reynolds, CIC, CPIA, AAU, AIS
Morris & Reynolds Insurance

With or without ACA, the pressing issues of rising health care costs, the health of one's workforce, productivity and absenteeism, all impact businesses. The ACA offers employers an opportunity to play a key role in health care and create a long term strategy to benefit their businesses and employees.

PAGE TWO: What Happens in 2014?

The 193 page landmark decision can be found at the following website: <http://www.supremecourt.gov/opinions/11pdf/11-393c3a2.pdf>



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WHAT HAPPENS IN 2014?

As you start to consider the impact of this decision, it is helpful to know that the **individual mandate can be satisfied by obtaining coverage in an employer-sponsored or an individual insurance plan including;**

- (1) Those to be offered through the new insurance exchanges;
- (2) A grandfathered plan,
- (3) Government coverage (Medicare or Medicaid) or;
- (4) Other Federal coverage.

People **exempt from the individual mandate include** undocumented immigrants, religious objectors, and people who are incarcerated. To increase access to health insurance, the ACA plans to create **health insurance exchanges** that will offer qualified health plans as well as, cost-sharing assistance to people with incomes between 100% and 250% of the federal poverty level (FPL) and premium tax credits to people with incomes between 133% and 400% FPL.

The **exchanges are set to open in 2014**, the same year insurers will have to accept all customers, regardless of their medical histories. The insurance mandate will also take effect that year. People will then be required to prove on their tax returns that they have health coverage, or pay a tax penalty. The size of the tax increases over time and eventually reaches a maximum of several thousand dollars.

The ACA includes new insurance market regulations, including a **guaranteed-issue** provision that prevent insurers from denying coverage to people for any reason including pre-existing conditions, and **community-rating**. This provision allows plans to base premiums on age, geographic area, tobacco use and family size, and not health status or gender.

If a person does not satisfy the individual mandate, a financial penalty known as the shared responsibility payment, will be issued. The financial penalty will be a percentage of household income, subject to a floor, and capped at the price of the forgone insurance coverage. It is then assessed and collected by the IRS and reported on federal income tax returns each year.

Additionally, starting in 2014, companies with more than 50 workers will have to pay penalties starting at \$2,000 per employee if they did not offer a set level of health benefits.

INITIAL EMPLOYER CONSIDERATIONS

In the near term, the Court's decision means that employers will now;

- Develop strategies on the implementation of summaries of benefits and coverage, understanding preventive care requirements for women for non-grandfathered plans and managing the individual mandates reporting requirements;

- Communicate with employees on issues such as, the changes ACA will bring about and the new \$2,500 Flexible Spending Account limit;
- Consider the future of retiree health care as many employers consider using government and private exchanges, in lieu of, their own plans for former employees;
- Consider alternative approaches such as, corporate health care exchanges to offset increased health care costs.

MORRIS & REYNOLDS INSURANCE

Health care and the cost of insurance is a truly critical topic to American's and every business in America. Our clients can trust that the professional agent's, underwriters and advocates here at Morris & Reynolds are well prepared to help you navigate through the new health care laws, as well as, to service your coverage for many years to come.

The Reynolds family has been in the insurance profession since 1910 and has operated its Independent Insurance Agency, Morris & Reynolds Insurance, since 1950. Now in its third generation of family ownership, Morris & Reynolds offers its clients trusted choices from the world's leading insurers for all forms of coverage as well as innovative care from an award-winning team of professional people. Please contact our TEAM at **305.238.1000** or www.morrisandreynolds.com.

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