



## The new healthcare law: What it means to agents and brokers

BY Laura M. Toops, American Agent & Broker editor

The long-awaited (some might say dreaded) healthcare reform initiative is now law. But in spite of copious media coverage, there are still many misunderstandings and misconceptions about the law and how it will affect businesses, including independent agents and brokers.

See a National Underwriter article, ["Insurers decry health bill for lack of cost restrictions."](#)



AA&B spoke with Adam Bruckman, president and CEO, [Digital Insurance Inc.](#), a national employee benefits broker based in Atlanta, about the law and its potential impact on agents and brokers. Bruckman was closely involved with the issue from serving on the government affairs subcommittee of the Council of Insurance Agents and Brokers ([CIAB](#)) and being privy to discussions taking place on Capitol Hill. The good news for independent property-casualty agents is that the law presents some great opportunities for agents and brokers to prove

their mettle to their customers.

See an AA&B article, ["What will healthcare reform do to independent agencies?"](#)

### **AA&B: Is this a good opportunity for agents/brokers to act as trusted advisors to their business clients?**

**Bruckman:** We look at the current healthcare reform arena as an excellent opportunity for agents and brokers to serve as trusted advisors. Certainly, our role as a broker adviser will become increasingly important because of new options, such as the "exchanges" entering the marketplace. We will continue communicating with our broker partners about what this legislation means and how it affects their customers.

### **AA&B: How does the law affect small businesses with less than 50 employees – both agencies and their customers?**

**Bruckman:** Small businesses will have the opportunity to pick a health plan offered through the new state-based purchasing exchanges, which will offer the same level of purchasing power that employees of larger companies benefit from today. Smaller companies -- if they have 25 or fewer employees and average wages of less than \$50,000 -- will also be able to get tax credits of up to 35 percent of premiums to help buy insurance. This tax credit will rise to 50 percent in 2014.

### **AA&B: How are you reassuring your clients about the change in requirements?**

**Bruckman:** Education is key. We have formalized a training program for all our benefits consultants, making sure they are equipped to address various issues and concerns that our clients may have. Each Digital client is assigned a benefits consultant; so two-way communication is constant. We have specialized webinars in the pipeline and issue e-mail

blasts and e-newsletters on a regular basis.

### **AA&B: How will the new law affect agent/brokers' group employee benefits business?**

**Bruckman:** For agent/broker businesses to thrive and grow in this new healthcare environment, they really need to focus on the client. Operational efficiencies and valued-added services will also become increasingly important. We strongly believe that success – and ultimate client satisfaction – is built on the ability to evolve, adapt and change, certainly now more than ever.

#### **Summary**

- The \$940 billion healthcare reform package is projected to extend insurance coverage to roughly 32 million additional Americans.
- Major coverage expansion begins in 2014.
- Most Americans will now be required to have health insurance or pay a fine.
- Larger employers will be required to provide coverage or risk financial penalties.
- Total individual out-of-pocket expenses will be capped.
- Insurers will no longer have the ability to deny coverage based on gender or pre-existing conditions.
- Insurance subsidies for middle- and lower-income families will be expanded.
- No government-run insurance plan was included in the legislation.

#### **Provisions effective within 6 months:**

- Insurers cannot cancel policies if a person becomes sick.
- Insurers cannot place lifetime dollar limit caps on policies.
- Insurers cannot deny coverage to children due to pre-existing conditions.
- Parents can keep children on their policy up to age 26.
- New insurance plans will cover the full cost of certain preventative care and exempt such care from deductible payments. (This requirement wouldn't apply to existing policies until 2018.)
- Smaller companies are allowed tax credits of up to 35 percent of premiums to help buy insurance if they have 25 or fewer employees and average wages of less than \$50,000. (This tax credit will rise to 50 percent in 2014.)
- A government-established "ombudsman" and claims process will be established to assist patients in reconciling contested medical bills.

#### **Starting in 2013:**

- Flexible spending accounts will be limited to a \$2,500 annual maximum
- People will no longer be able to use the accounts for over-the-counter medicines.

#### **Provisions to take effect in 2014:**

- Most Americans will be required to carry health insurance or face a fine. There is an exemption for low-income people. Fines start at \$95 a year or 1 percent of income, whichever is greater, capped at the cost of the average health-insurance plan. By 2016, the fine will increase to \$695 a year or 2.5 percent of income.
- Insurers cannot deny adults coverage because of a pre-existing health condition or charge them more. (In the meantime, the bill will set up high-risk pools to help people with illnesses buy coverage.)
- Insurers cannot charge women more.
- Medicaid for the poor will be expanded to cover people with incomes up to 133 percent of the federal poverty level; \$14,404 a year for an individual, and \$29,327 for a family of four. Childless adults will be covered for the first time.

- Small businesses, the self-employed and the uninsured can pick a health plan offered through the new state-based purchasing exchanges, which will offer the same kind of purchasing power employees of larger companies benefit from today.
- New policies sold on the exchanges would be required to cover a range of benefits (i.e., "essential benefits") including: hospitalizations, emergency services, doctor visits, prescription drugs, maternity and newborn care, mental health/substance abuse services, lab and rehab services, wellness care, chronic disease management, and pediatric services -- including oral and vision care.

[Note: The Department of Health and Human Services will establish the standard of "essential benefits" to be used to determine four types of coverage packages: platinum, gold, silver, and bronze. All individual and small group insurers will have to offer, at a minimum, plans in the silver and gold values.]

**Employer responsibility:**

- Employers will be fined if the government subsidizes their workers' coverage. The \$2,000 per employee fee will be assessed on the company's entire work force, minus an allowance.
- Companies with 50 or fewer workers are exempt from the requirement. (Part-time workers are included in the calculations, counting two part-timers as one full-time employee.)

**Paying for the legislation:**

- A new 3.8 percent tax on investment income for individuals earning more than \$200,000 and couples earning more than \$250,000.
- Starting in 2013, individuals will pay a higher Medicare payroll tax: 2.35 percent on earnings of more than \$200,000 a year for an individual and 2.35 percent on earnings of more than \$250,000 for couples.
- In 2018, people with high-end "Cadillac" health plans will be subject to a new 40 percent excise tax on their benefits.
- Medical device makers, pharmaceutical companies and insurers will be subject to new excise taxes.