

Health Care Reform Changes for 2010

Lets Talk Tax

By Brett Hersh, EA, MBA

On Tuesday, March 23rd President Obama signed the Patient Protection & Affordable Care Act (H.R. 3590 - commonly called the Health Care Reform Act). A few days later he signed the Health Care and Education Affordability Reconciliation Act of 2010 (H.R. 4872). Signing this legislation made Health Care Reform the official law of the land. Over the next eight years this reform will re-gear the system that delivers health care to U.S. residents. Health Care Reform recalibrates incentives for health care providers and those who create life-saving technologies. It also penalizes those who do not follow its prescriptions. Health Care Reform will touch the lives of every man, woman, and child in the United States. Its long-term consequences; good and bad, intended and unintended, cannot be overstated.

How will Health Care Reform affect your insurance, your wallet, and your relationship with your doctor? How will it affect your business and its bottom line? These are important questions. Questions I will attempt to answer as details emerge. Although the most substantive changes occur between 2014 and 2018, many new and significant rules take effect this year. Below is a brief summary of some changes you may encounter in 2010.

- Starting in October 2010, insurance companies that offer dependent coverage will be required to extend such coverage to the policy holder's adult children until their 26th birthday. This coverage must be made available to adult children whether they are single or married. Coverage will not, however, have to be extended to the adult child's children. Although a definition of a "dependant" as it pertains to coverage has yet to be clarified, it is widely believed that a qualifying adult child will not have to be a dependant on their parent's income tax return.
- Insurance companies will no longer be allowed to retroactively cancel policies because a person becomes sick or starts to file expensive claims. They will also not be allowed to "rescind" coverage because an

insured does not reveal a seemingly immaterial part of their health history on their insurance application.

This change will also take effect in October.

- Starting immediately, insurance companies will not be allowed to exclude coverage for a child's preexisting conditions. There appears to be some debate regarding the applicability of this provision as there may be no requirement that the insurer offer the child coverage at all, at least until 2014. There is also no limit to what can be charged for such coverage.
- New insurance plans will be required to cover certain preventative services without co-pays. By 2018, all plans must offer similar coverage. Medicaid will begin offering some of these services immediately. Recipients of Medicaid Part D drug coverage will also receive a \$250 rebate check.
- Health care insurance companies will no longer be able to impose annual or lifetime "pay-out" limits on coverage.
- New health insurance plans must comply with new rules that allow for an appeal process policy holders can utilize when certain claims are denied.
- Businesses with less than 25 "full-time equivalent" employees may qualify for a new Small Business Health Care Tax Credit. The credit is equal to 35% of employee's health insurance premiums for 2010 and is available to both small businesses and nonprofit organizations. To qualify for the credit, the employer's average payroll per employee must be less than \$50,000 per year. The employer must also pay for at least 50% of employees' health insurance premiums when calculated at the single (worker-only rate).

In today's column we have highlighted a few of the more immediate changes brought about by the passage of Health Care Reform. I hope these highlights provide an idea of what to expect in the current year. The details, however, are not carved in stone. Regulations that will define the law as a matter of practice have yet to be chiseled out.

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