

# PUBLICATION

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## Health Reform Briefing Update

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**March 24, 2010**

On Sunday, March 21, the House passed the Patient Protection and Affordable Care Act (HR 3590) (PPACA), which was previously passed by the Senate on Christmas Eve. President Obama signed the bill into law yesterday, meaning the reform of the health care system has officially begun.

Although many of the major provisions are set, some are still unclear as the Senate must now vote on the House-passed Health Care & Education Affordability Reconciliation Act of 2010 (HR 4872) (Reconciliation bill). This bill would amend the PPACA, making a number of substantive changes to address concerns in the House with the Senate bill. Senate Republicans have said they will use every procedural tool they have to fight the passage of the Reconciliation bill, although it appears unlikely that they can ultimately defeat the bill. This legislation will establish numerous new federal boards and commissions as well as a substantial number of new federal regulations designed to implement these reforms. What follows is a summary of some of the major reforms the combined bills call for.

- *Individual Mandate:* Beginning January 1, 2014, the bill requires individuals to have qualifying health coverage or pay a tax penalty.
- *Employer Mandate:* Beginning on January 1, 2014, the bill requires employers with more than 50 full-time employees to provide health coverage or pay a fee of \$2,000 per full-time employee.
- *Early Insurance Reforms:* The bill mandates a number of insurance reforms, some of which go into effect six months after enactment, including a prohibition on annual and lifetime limits, prohibition on rescissions, extension of dependent coverage to age 26, and a prohibition on pre-existing condition exclusions for dependent children.
- *Exchanges:* The bill establishes state-based American Health Benefit Exchanges through which individuals and small businesses may purchase coverage.
- *Premium and Cost-Sharing Subsidies:* The bill provides premium and cost-sharing subsidies to eligible individuals to purchase coverage.
- *Small Business Tax Credit:* Effective in 2010, the bill provides tax credits to certain small businesses to assist in paying for employee coverage.
- *Essential Benefit Plan:* Effective January 1, 2014, the bill requires all plans, except grandfathered employer-sponsored and individual plans, to offer an essential health benefits package. The package must provide a comprehensive set of services, to be defined by the Secretary of Health and Human Services.
- *Medicaid Expansion:* The bill expands Medicaid to all individuals under age 65 with incomes up to 133 percent of the federal poverty level
- *Temporary Reinsurance Program:* The bill creates a temporary reinsurance program for employers providing coverage to retirees over 55 who are not eligible for Medicare.
- *Long Term Care Insurance:* The bill creates a national voluntary long-term care insurance program.
- *Revenue Related Provisions:* The bill implements numerous taxes and fees such as an excise tax on insurers for "Cadillac" plans" an annual fee on the health insurance sector, an increased payroll tax on individuals who earn more than \$200,000 per year and an annual fee on the pharmaceutical manufacturing sector and medical devices.

Baker Donelson has an experienced team of public policy professionals in Washington, D.C. available to help businesses navigate the legislative and regulatory impact of this bill and other public policy matters. If you have any questions or need assistance, please contact your Baker Donelson attorney or any of the attorneys listed below.

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