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HEALTHCARE MISSISSIPPI COVER STORY

Changes in the insurance industry



Consumers who like their current insurance may find that their life is going to change

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From an industry perspective, some of the health insurance policy mandates in the Patient Protection and Affordable Care Act (PPACA) don't look terribly appealing — for consumers or businesses.

Consumers who like their current insurance plans may soon watch them disappear. Those currently insured by an employer's group plan could find themselves shopping for a new policy in the Benefit Exchange. And small insurance agency employees may eventually be out of work and applying for government grants.

Cheri Green, an insurance industry expert and member and partner with Jackson's Brunini law firm, said when it comes to PPACA, the most significant concern for industry professionals is that "it's a brand new game and we don't know the rules."

Green is one of many industry professionals who waits daily for new regulations to be released.

Fifty Percent of 'Grandfathered Plans' May Die

The health care debate rhetoric that "You can keep your own plan" might have been more accurate if followed by the words "if it still exists."

Green said that final rules for grandfathered plans — or plans that were in existence when PPACA was passed — were issued June 14. The information forecasted that at least 50 percent of grandfathered plans existing today will not exist in 2014.

Since the Act passed, a lot of employers, carriers and individuals have not known what changes they could make to their plans without losing grandfathered status. At least now people have something they can look at when consulting with clients and carriers, she said.

The new information says that employers cannot eliminate benefits for specific health conditions or diseases. And if co-pays are raised, the plan will be tied to the medical inflation rate plus 15 percentage points, or the greater of \$5 plus medical inflation, Green said.

Will the Act Incent Companies to Dump Group Coverage?

Penalties for noncompliance, which are called "shared responsibilities" under the Act, will go into effect in 2014.

Between now and then, "the small business will be looking at the administrative cost of trying to comply with PPACA and the penalty that would be assessed, and allowing their employees to go into the exchange," Green said.

Employers not offering "minimum essential coverage" will evaluate what is cheaper: covering employees or taking the \$2,000-per-

HEALTH PLAN FACTOIDS

- Starting in 2014, deductibles for catastrophic, or high-deductible, plans will be limited to \$2,000 for an individual in the small group market and \$4,000 for family plans.
- Health Savings Accounts (HSAs) will be limited to \$2,500 starting in 2014.
- Effective now: A small business employing no more than 25 people with annual salaries of \$50,000 or less can get a small business tax credit, if the employer agrees to pay 50 percent of employee premiums.

Source: Brunini, Grantham, Grower & Hewes, PLLC

UNDER THE PATIENT PROTECTIONS AND AFFORDABLE CARE ACT...

TAX BREAKS ELIMINATED FOR HEALTH ORGANIZATIONS WITH MEDICAL LOSS RATIOS BELOW 85%

- Eligible health insurance organizations, including Blue Cross/Blue Shield organizations, are subject to special rules for determining taxable income
- They are generally taxed as a regular corporation with the following modifications:
- They can take advantage of favorable tax provisions of IRC 833
- They are entitled to claim a special deduction not allowed to regular corporations
- For tax years beginning after 2009, health insurance organizations whose medical loss ratio is below 85% cannot take advantage of these favorable tax provisions.

Source: Butler, Snow, O'Mara, Stevens & Cannada, PLLC

ENHANCED LAW REGARDING TAX WRITE-OFFS

Tax write-offs will only be treated as having "economic substance" if:

- the transaction changed in a meaningful way the taxpayer's economic position, and
- the taxpayer has a substantial non-tax business purpose for entering into the transaction

Penalties:

- 40% of the tax underpayment where claimed tax benefits are disallowed in a transaction lacking economic substance.
- 20% of the underpayment if the transaction is disclosed on the return.

This change became effective March 31, 2010.

Source: Butler, Snow, O'Mara, Stevens & Cannada, PLLC

NEW REQUIREMENTS FOR NON-PROFIT HOSPITALS

501(c)(3) tax-exempt organizations operating one or more hospital facilities are subject to the following additional requirements:

- Conduct, implement and widely publicize a community health needs assessment
 - Adopt and implement a written financial assistance policy
 - Adopt and implement a non-discriminatory policy to provide emergency medical treatment to individuals
- This change became effective March 31, 2010.

Source: Butler, Snow, O'Mara, Stevens & Cannada, PLLC



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person penalty and sending workers off to the Exchange.

The American Health Benefit Exchange, which will begin operating in 2014, is for administrative purposes. It will likely be operated by the Mississippi Department of Insurance.

Green said the Exchange will be like a mall containing various insurance companies offering qualified health plans that must meet the minimum essential benefits. There will be plan tiers, such as bronze, silver and gold. Catastrophic plans will only be available to people 30 years old and younger.

Small Insurance Agencies May Go Out of Business

Under PPACA, smaller insurance companies may not be able to survive, Green said.

Changes such as the elimination of

annual and lifetime limits, elimination of exclusions for preexisting conditions and the availability of subsidies for premiums of plans purchased in the Exchange will make it difficult for small insurance underwriters.

"I do think that the insurance agency is going to have to modify its business template," Green said.

Currently, insurance agencies make commissions by helping small employers and individuals with product choices and claims processing. If individuals can shop on their own in the Exchange, some insurance agents could find themselves among the ranks of the unemployed.

"If I were an agent, I would be looking at how to become a navigator," Green said.

PPACA provides funds for "navigators." Groups such as chambers of commerce and others can apply for these funds to help the public with the exchange education process.