

Applying the laws of health care reform

By John T. Slania
Contributing Writer

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While Americans are just beginning to comprehend the impact of health care reform, the business sector is already working to put the legislation's sweeping changes into place.

Area employers, insurers and health care providers are busy implementing the law's immediate changes, while formulating long-term strategies to address new provisions that will take effect over the next four years.

President Obama signed the Patient Protection and Affordable Care Act into law in March, following a contentious fight over the legislation in Congress. The main goal of the law is to provide health care coverage to some 32 million Americans who don't have insurance.

Yet reaching that goal involves a number of complicated rules and regulations, with the responsibility being shouldered mainly by the employers that offer health care coverage, the insurers that write the policies and the hospitals that provide the treatment.

The public is starting to understand some of the immediate benefits of the legislation. For example, effective from its signing, the law eliminates lifetime caps on insurance coverage; no longer can insurers cap health care benefits at \$1 million or \$2 million. Patients previously denied coverage due to pre-existing conditions now have immediate access to health care coverage. The law also immediately extends health care coverage to dependents until age 26.

But most of the other major changes are slated to roll out between now and 2014, and businesses are examining the legislation to see how it affects their employees and their bottom lines.

The task is not easy, given the legislation is some 2,000 pages in length, and that it was passed in a helter-skelter fashion.

"There was such a last-ditch effort to push the bill through that we are now just beginning to understand its impact," said Rob Wilson, president of Employco USA Inc., a human resources outsourcing firm in Westmont.

Employco handles payroll, employee benefits and other services to some 400 clients, as well as temporary to long-term workers. It also is offering advice to its clients about health care reform, said Wilson.

"Over the last four weeks, we have been meeting with clients and providing them with information about the key provisions of the legislation," he said. "We're trying to provide clients with an idea of the short-term and long-term impacts."

Consider the effect on small businesses. Companies with fewer than 50 employees are not required to offer health insurance, but there are incentives built into the legislation. Firms with 25 or fewer employees, and an average annual salary of \$50,000 or less per worker, can receive tax credits to help buy health insurance. The employer tax credit in 2010 is 35 percent, rising to 50 percent in 2014. Employco is already advising its smaller clients about these benefits.

"Some smaller employers are already receiving postcards from the IRS informing them of the tax credits. We've been working with them to help them understand what it means," Wilson said.

Assurance Agency Ltd., a Schaumburg-based insurance brokerage, also is busy offering advice to its clients struggling to understand the insurance ramifications on their businesses.

“There is still a lot of uncertainty, but we’ve been working hard to stay ahead of the curve,” said Liz Smith, executive vice president/employee benefits practice leader at Assurance Agency.

Smith also has been fielding calls from her smaller clients. Yet larger employers also have questions, and face consequences if they fail to follow the law.

For instance, in 2014, employers with 50 or more workers will be fined \$2,000 per employee if the company chooses not to offer health insurance. And employees working 30 hours or more will be eligible for coverage, just like full-time employees. Additionally, employers are being required to provide details of the health care coverage they offer on employees’ W-2 forms.

“There are going to be a lot of things for big businesses to consider and a lot more reporting to the government,” Smith said.

Assurance Agency also is keeping careful watch on a provision in the health care law that will affect insurance companies, and could potentially trickle down to employers. The law states insurance providers will have to pay out 80-85 percent of the annual premiums they collect. The current industry standard is a payout of 70-75 percent of premiums.

To make up for the 10-15 percent loss, insurance companies are going to have to decide whether to accept lower revenues, slash administrative costs or pass some of it on to policy holders in the form of higher premiums.

“None of those scenarios is a good one,” Smith said.

To keep its clients informed of all the changes, Assurance Agency is hosting live seminars and webinars via the Internet.

“Our advice to clients is to focus on what’s going to happen the next few years,” Smith said. “We’ve been out in front of this from the beginning. There is a lot of fear right now because people are confused. This gives us an opportunity to walk them through this.”

Health care providers also are trying to diagnose the symptoms of health care reform. Hospitals anticipate a rise in demand for tests and laboratory services, items the uninsured typically avoid because they must pay out of pocket. With insurance, these people will be more apt to receive lab testing, MRIs and CAT Scans, physical therapy and psychological services, said Dr. Kevin Most, vice president of medical affairs and chief medical officer at Central DuPage Hospital in Winfield.

Most was initially hopeful that universal health care coverage would reduce emergency room visits, often the source of medical treatment for the uninsured. But now he’s not so convinced that will happen right away, because there is a nationwide shortage of primary care physicians.

“You have 30 million to 45 million more people who will now have insurance, but we need 10,000 more primary care physicians to treat them. Medical students are going into higher-paying practices [surgery, specialties]. Until we increase the number of primary care physicians, emergency room visits will not decrease dramatically,” Most said.

As a result of the family practice shortage, Most expects an increase in the number of physician assistants and primary care nurses, professionals whom can provide some of the primary care in lieu of a doctor.

“This is a growing area in the health care field,” Most said. “These professionals are going to help fill a void.”