

Financially Speaking

With Trisha Arndt, CFP®

Health Care Reform and You

I was recently talking with a client of mine about the possibility of her leaving her current job to start a small business here in Verona. During our conversation I raised the question of how she planned to handle health insurance and she responded, “I thought we are going to have nationalized health care now.”

Not exactly.

Despite the seemingly never ending on-slaught of media attention that was paid to the debate and eventual passage of the Health Care Reform Act, most of us are still left wondering what exactly it does. While the long term impact of the reforms on the economy and the quality and accessibility of health care remain to be seen, there are some key points regarding its implementation that will be very relevant to the bottom lines of individuals and business owners.

While the reforms do not provide for a nationalized health care system (i.e. a government funded health care plan that everyone is covered by) it does provide for access to health care coverage for every American Citizen and legal resident by 2014. Everyone will be required to have health insurance coverage and those that can't afford it (based on government definitions) will be able to gain coverage through government premium subsidies and Medicaid. Controversially, those who don't get coverage will be subject to a fine.

There are also a number of provisions that relate to group health insurance plans that business owners will need to comply with or face possible penalties. The rules are dependent on the number of employees that the employer has, with larger employers being subject to more stringent guidelines.

Some of the provisions for group plans that will apply to those employers who exceed the relevant threshold number of employees include a maximum coverage waiting period of 90 days, automatic employee coverage enrollment (unless the employee opts out), no cost-sharing requirements for

preventative care and the removal of annual and/or lifetime limits on coverage. Additionally, the employee portion of the premium costs can not exceed 9.8% of the employee's individual income.

New insurance exchanges are supposed to be created to help smaller employers obtain coverage as part of a bigger, cost saving pool. If an employer with 50 or more employees determines that it is too costly to provide coverage that meets all of the guidelines they can be subject to a \$2000 per worker, per year fine (subject to some allowances and exemptions).

To make coverage accessible for everyone temporary high-risk pools are being created for those with pre-existing conditions. After 2014 insurance carriers will be required to provide coverage for any applicant, regardless of health history and will not be able to impose lifetime caps on insurance coverage.

Certainly all of this reform and the government subsidies won't come free. To pay for it a number of new or increased taxes will be imposed over the next several years. Taxpayers with income over \$250,000 jointly or \$200,000 individually will become subject to a .9% increase in the Medicare portion of their FICA taxes and a 3.8% surtax on net investment income. They are also decreasing Medicare Part D subsidies for taxpayers with income over \$170,000 jointly or \$85,000 individually and increasing the threshold on personal deductions for unreimbursed medical expenses for everyone.

Interestingly, the only tax change to take affect in 2010 is a new 10% excise tax on indoor tanning services.

The act also provides for a 40% excise tax on "Cadillac" health insurance coverage – by their definition coverage where the premium exceeds \$10,500 per year for individual coverage or \$27,500 for family coverage. For those forced into higher cost insurance plans due to medical history this provision in particular could have severe unintended consequences.

There is certainly much more to the reform act – there would be no way to summarize all of the provisions in one column, even if Jim gave me several pages to work with - but I wanted to at least touch on some of the major points. I would encourage you to do some additional research on your own.

There are a number of articles and publications available on-line or at the local library that delve into specific areas more thoroughly.

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