

HEALTHCARE REFORMS – THE CHALLENGES AHEAD



The healthcare reform law barely scraped through the Supreme Court and was upheld by the apex court by the narrowest of margins. Even though it was a 5 to 4 vote, it was a huge victory for President Obama going into the November election campaign. The verdict was largely unexpected, inasmuch as the mandate that you either obtain health insurance or pay a penalty, was deemed an infringement of the Commerce Clause of the Constitution. However, the judges upheld the legislation, arguing that the mandate is legal, because the measure amounts to tax and since it does not transgress the Congress' taxing power, it would stand. Following one of the most historic and much debated and awaited Supreme Court decisions, companies can now start thinking about how to implement and put into practice the provisions that the healthcare reforms have ushered. Doomsday pundits were united in their predictions that Obama healthcare reforms were destined for failure, which makes the victory doubly sweet for the President. However, celebrations are on hold as the Republicans have strongly opposed it and Mitt Romney has emphatically said that he will overturn it if he is elected President. Both the Democrats and the Republicans will milk it to the best of their ability. Democrats will say that for tens of millions of poor Americans, affordable health insurance will no more be a dream whilst the Republicans will say that Obama has heaped a new tax on the citizens. Where does this leave the employers and what does it bring for them in the wake of the Supreme Court's decision. 1) The companies have to decide whether to continue offering their employees healthcare insurance or to discontinue it. Those companies, that have fifty or more employees, if they decide to drop insurance coverage, will have to pay a penalty of \$2000 per employee. However, it is yet doubtful how many companies will opt for this alternative. 2) It is mandatory for employers to issue a summing up of benefits and health coverage during their first open enrollment on or after September 23, 2012. 3) Barring a few, most employers will have to report the total cost of every individual worker's health insurance on their 2012 federal tax W-2 forms. 4) Insurers will have to issue the first medical-loss ratio, or how much of the dollar that you are paying as a premium towards your insurance, is a loss to the insurance company, rebates this year. 5) Employers will have to amend their flexible spending amounts or FSAs, to conform to the \$2,500 limit on employee contributions by the end of the 2014 plan year. 6) Health exchanges that the reforms have said should be set up, to create a more organized and competitive market for buying health insurance will be operational by 2014. These exchanges will primarily serve individuals buying insurance on their own and small businesses with up to 100 employees. 7) From 2014 on, all insurers will be prohibited from restricting coverage of pre-existing conditions. Nor will they be able to charge higher premiums from people with health problems. 8) Employers who do not offer adequate amount of health insurance to their employees by 2014 will be forced to pay a penalty and employers will be allowed to up the worth of the incentive they provide employees for taking part in wellness programs up to 30% of the cost of health coverage starting in 2014. This is only the beginning and the nuances of the law will be revealed slowly. There are surely going to be more regulations to comply with. There are those who have raved about it and those who have berated it. For the moment, only one thing is clear that the employers must have all their plans in place for complying with the law, in time for implementation a couple of years from now.