



Healthcare Reform: Patient Protection and Affordable Care Act
Enacted 03.23.10

July 30, 2010

Dear Client:

Healthcare Reform, signed into law recently as the Patient Protection and Affordable Care Act, is a multi-part, multi-phase process that holds significant changes for both individuals and employers. **ALL employers will face challenges and have to make financial decisions due to this reform. Regardless of the path chosen, these changes will have a *considerable financial impact* on your business!**

SCI Companies is committed to continuously provide our Clients with information important to their business. Now that the landmark Healthcare Reform has passed, the terms of the reform measure will require employers to take action *beginning* in 2010 *through* 2018.

Impact on Employers

The first phase of Healthcare Reform impacts employers beginning on 09.23.10 (six months after the date of enactment) *through* 12.31.11. Based on information available at this time, it's SCI's opinion that employers will experience an average premium increase of 16%. **This increase includes the additional benefits that employer sponsored health plans must offer in 2011 due to Healthcare Reform.**

The following *new health insurance standards* will apply to all employer sponsored health plans on 09.23.10:

- Adult children are eligible for coverage until age 26
- No lifetime limits on essential benefits
- No pre-existing condition exclusions or limitations for children under age 19
- No rescission of coverage by carriers
- Employers must report the aggregate value of employer-sponsored health coverage on employees' Form W-2 for tax year ending 12.31.2011
- Simplification of plan materials
- No reimbursement for Over-the Counter (OTC) medicine or drugs without a prescription for expenses incurred after December 2010 for FSA, HRA, HSA or Archer MSA
- Increased tax on Healthcare Spending Accounts (HSAs) from 10% to 20% for HSA distributions not used for medical expenses

Grandfathered Health Plan

A "grandfathered health plan" is any group health plan that was in effect on the date of the new law's enactment. Grandfathered plans are exempt from *some* of the health care reform requirements including:

- Covering preventive health services at no cost to plan participants
- Providing appeals and external review procedures
- Covering emergency services without authorization

SCI Operations Centers

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- Non-discriminatory rules as defined
 - Employers must contribute the same percentage for all eligible employees
 - All eligible employees must be offered the same employer sponsored health plan (eliminates class code structure)

Health plans in effect on the date of the new law's enactment will *lose their grandfathered status* and subject the plan to non-discrimination testing if there are:

- Significant changes to the health plan design
- Changes in insurance company
- Significant changes in benefits
- Significant decrease in employer contributions (limited to 5%)

NOTE: It will be *extremely* difficult to maintain grandfathered status after 2011.

Additional Support and Resources

The amount of information about Healthcare Reform being released right now is staggering. We ask that you keep in mind that the passage of this legislation is just the beginning point, and the implementation and regulatory processes surrounding these measures will take years. Preparing and implementing the reform will be a compound and complex process, and will continue through 2018.

SCI Companies will continue to monitor Healthcare Reform and communicate regularly to our clients about impending deadlines and health plan standards. The 09.23.10 – 12.31.11 timeline was provided to ensure your awareness of the most immediate requirements under the act.

SCI will communicate regularly to our Clients as Healthcare Reform becomes more defined by the government. We will continue to follow any new developments and obtain the appropriate tools as they become available in order to provide a framework for our Clients to understand this process and the impact it could have on your organization.

NOTE: If you participate in SCI's Humana Plan, you will receive a follow-up letter addressing the Humana Plan and SCI specifically.

Get Informed. Be Prepared.

- Healthcare Reform Website Resource: www.healthcare.gov → Click on "Employers" then choose small or large to access significant details of the plan. **Read this information carefully.**

ACT NOW.

SCI Companies has the power to assist our Clients with the challenging decisions that will need to be made due to Healthcare Reform. Our affiliate company SCInsurance Mart (SCIM), is a preferred provider of insurance products to SCI's HR Outsourcing Clients and they are available to assist you with these tough decisions. You may contact a licensed SCIM agent to learn more:

- *In Florida:* Dale Vargas – 813.390.0153
- *Outside Florida :* Marsha Hesse – 630.472.2314

All content in this notice is based on current information and supersedes previous communications regarding this topic. If you have any questions or concerns, please contact Barbara Klein, Director of Benefits, at 800.932.4610 or bklein@scicompanies.com.

Sincerely,

SCI Companies