

SFbulletin



One Healthcare Issue Quieted, Others Ready to Roar

By Stephen Barlas

Given what Congress went through over the course of a year to pass the healthcare reform bill, it may sound slightly unbelievable to say “that was the easy part.” But it’s true. In passing the Patient Protection and Affordable Care Act (PPACA), the Democrats glided over sticky issues in almost all of the hundreds of provisions, leaving the Departments of Labor, Health and Human Services (HHS), and Treasury to define murky terms and indistinct authority grants during rulemakings, which will now start streaming out of the bureaucracy like trains from New York’s Grand Central Station at evening rush hour. Many of the earliest rulemakings—and their regulatory cousins, guidance documents—will affect employer health insurance plans, specifically for the next calendar year, and there will be big corporate bucks hanging in the balance.

But first some good news. One PPACA provision that got massive press after the bill was passed ends the tax deductibility of the government subsidy to companies for providing retiree prescription drug coverage. Many big companies predicted an accounting nightmare and argued the sky was about to fall. A House committee quickly began an investigation and scheduled a hearing for April 21 to examine the impact of the accounting requirement on large companies. Just as quickly the subcommittee cancelled the hearing, saying, in effect, that after talking with companies in the wake of PPACA being passed and looking at SEC filings that companies

made, “The actual impact on annual company cash flows will be only a fraction of the amount of the noncash charges reported to the SEC.”

Other concerns—mostly nonaccounting but still financially related—have taken the place of the retiree prescription benefit issue, particularly two really major ones that kick in for plan years starting after September 23, 2010. First, dependent children under the age of 26 who don’t have access to another group health plan (perhaps from a second parent) must be included in the first parent’s health plan. Second, neither lifetime nor annual limits for essential benefits can be imposed on any plan participant. Many companies have long forsworn annual caps on most benefits but retained them on what might be considered auxiliary benefits, such as chiropractic care or occupational therapy. Imminent guidance from HHS will dictate whether those two kinds of services and others currently under annual caps are considered essential, meaning the caps, a major means of cost control, will have to go. Other post-September 23, 2010, plan year requirements include tracking of each employee’s medical expenditures covered under the company plan and a totaling of those expenditures on the employee’s W2. Companies aren’t doing this now, and payroll departments will have to gear up for this challenge.

We welcome all opinions on articles and departments published in *Strategic Finance*. E-mail correspondence to Kathy Williams at kwilliams@imanet.org.

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