



Health Care Reform Frequently Asked Questions (FAQs)

Due to the complexity of the Health Care Reform (Reform), the following information is intended to provide general information on its major provisions. If you should have specific questions, LAFPP highly recommends that you contact the organization that administers your health plan since the effective dates of some of the key provisions are plan specific. You can also contact the LAFPP Medical and Dental Benefits Section by phone at (213) 978-4560, (800) 787-2489 (Ext. 84560#), or by e-mail at pensions@lafpp.com for more information.

Please refer to this website often as we will update it regularly as Reform provisions are clarified and as we answer member questions.

Since the health reform specifies that employers are required to report the dollar amount of applicable employer-sponsored group health coverage on W-2s effective tax year 2011, will the health benefit be taxable?

No, this data is furnished on W-2s for informational purposes only. Section 9002 of the Patient Protection and Affordable Care Act (PPACA) introduced this requirement for W-2s, which LAFPP does not issue. No guidance has been provided on whether similar information will need to be reported on 1099Rs.

PLEASE NOTE: On October 12, 2010, the Internal Revenue Service (IRS) announced that the reporting requirement will be delayed to give employers more time to update their payroll systems to accommodate the change. Therefore, employers are not required to report the dollar amount of applicable employer-sponsored group health coverage on W-2s for tax year 2011.

What are some of the new consumer protections provided by the health reform?

1. Under the health care reform law, insurance companies are barred from denying coverage of children due to pre-existing conditions. Except in cases of fraud, companies cannot rescind coverage (Effective September 23, 2010.)
2. Lifetime limits on insurance coverage are eliminated and annual limits are imposed on new plans and group plans (Effective September 23, 2010.)
3. Members are provided with a wealth of information online and have the ability to appeal coverage determinations or claims to their provider when necessary (Effective July 1, 2010 and September 23, 2010, respectively.)

How does the health reform affect dependent coverage for children and young adults under the age of 26?

Private insurers are required to offer dependent coverage to children up to the age of 26, regardless of residency, financial or tax dependence, and student status. Insurance coverage is extended to both single and married dependents but is not offered to their spouses or children.

This provision is effective September 23, 2010 but it is not mandatory for insurance companies to comply until the first plan year after the date. However, many providers have already incorporated this provision into their plans. Plans created before March 23, 2010, however, may restrict dependent coverage for those under 26 to only young adults who are ineligible for another employer-sponsored insurance plan. If the insurance company does not currently cover dependent children, the provision is inapplicable in such cases.

For members enrolled in a plan offered by LACERS and administered by LAFPP, LACERS is a non-federal governmental retired member-only plan and therefore exempt from the mandate concerning dependent coverage for children and young adults under the age of 26.

What will happen to Medicare Advantage plans?

The health reform law eliminates excessive subsidies to Medicare Advantage plans, ensuring that money in the Medicare Trust Fund is used to develop and improve the quality of services for seniors, rather than being used to cover company administrative costs and enhance profits. Overpayments to Medicare Advantage plans affect all Medicare beneficiaries through rising premiums, though only about one quarter of American seniors are actually enrolled in these plans.

To encourage Medicare Advantage plans to improve the quality of care, beginning in January 1, 2011, ratings will be assigned to track the progression of these private insurance companies. Bonuses will be awarded to companies who achieve quality ratings.

Participants of these plans will still have access to all the benefits as provided by traditional Medicare, but plans may increase premiums and cost-sharing, while condensing their network providers or reducing dental or vision benefits.

Approximately four million seniors are qualified to receive a tax-free \$250 rebate due to reaching the Medicare prescription drug coverage gap (“donut hole”). Are LAFPP members eligible for this rebate?

Since LAFPP members are not subject to the “donut hole” due to the benefit plan design, members are ineligible for the \$250 rebate.

How will Medicare Part B premiums be affected?

Health care reform freezes the income thresholds for determining Medicare Part B premiums at 2010 levels for the 2011 through 2019 calendar years. Consequently, more members may be subject to paying higher Medicare Part B premium amounts if their income experiences an increase during this time period. For members enrolled in Medicare Parts A and B, LAFPP will continue to reimburse members at the standard Medicare Part B premium amount.