



# Cure or quandary?

*What the health care bill means for Basin Electric*

*By Andrea Blowers*

**P**resident Obama launched a bare-knuckle campaign to pass health care reform legislation in 2010, and it's been done. The Patient Protection and Affordable Care Act passed both the House and Senate, and Obama signed it into law on March 23. In addition, the Senate made "fixes" to the bill under a "reconciliation" procedure requiring only a simple majority to pass that chamber. Obama signed the Health Care and Education Reconciliation Act into law on March 30.<sup>1</sup>



**Paul Sukut**

According to Paul Sukut, Basin Electric deputy general manager, understanding how the new law and incorporated modifications will affect Basin Electric

hasn't been a simple task. Because Basin Electric is self-funded with nearly 2,000 employees, and many

distribution cooperatives are fully insured with less than 50 employees<sup>2</sup>, each is going to be affected differently.



**Dale Niezwaag**

committee report released with the bill," says Dale Niezwaag, Basin Electric senior legislative representative. "No one's quite sure exactly what some elements of the language mean."

Niezwaag says the implementation timeline for the law begins immediately in 2010 and stretches out to 2018, with a significant number of the provisions taking effect between 2013 and 2014.

"We've done a preliminary analysis on Basin Electric and Dakota Gasification Company's medical plan and have

identified a number of immediate impacts on the cooperative," Sukut says. Those include:

- Extended coverage for dependents up to age 26 through their parents' insurance,
- The possibility of providing medical coverage for temporary non-seasonal employees,
- Preventative care covered at 100 percent – no cost sharing,
- No lifetime limits for participants, and
- Non-prescription over-the-counter medication not reimbursable from flexible spending accounts.

"We currently cover dependent, unmarried children who are in school up to the age of 25," Sukut says. "The law now says we need to extend coverage to dependents up to 26. They are not required to be in school, and they can be married." Sukut says this provision could have an immediate financial impact to Basin Electric of around \$250,000 a year.

<sup>1</sup>Unable to secure a large enough Senate majority in favor of the Patient Protection and Affordable Care Act as it was written by the House, the Senate wrote its own revisions in a separate bill. The bill's passage was completed using a two-step process – the House had to approve the Senate's health care bill, and then both chambers passed the follow-up bill. The companion bill was intended to satisfy House critics who didn't agree with all the provisions of the Senate bill.

<sup>2</sup>Self funded means if an employee goes to the doctor, the bill is paid by the employer through the insurance company. Fully insured means a business will pay the same amount for health insurance each month for each employee, whether they use it or not.

Basin Electric currently provides medical coverage to all full-time and part-time employees. “It appears Basin Electric could, depending on hours worked, need to provide temporary non-seasonal employees with medical coverage,” he says. This would apply to employees who work more than 120 days and more than 30 hours a week.

“We estimate this could be an additional \$400,000 annual cost to Basin Electric,” Sukut says. “Remember, these are estimates; we won’t know the exact cost to the cooperative until further down the road.”

Another provision with immediate financial implications for Basin Electric is 100 percent preventative care coverage. Under Basin Electric’s current plan, employees pay a co-pay and share a percentage of the cost for medical services. That’s no longer. Preventative care will be covered through the plan at 100 percent with no cost sharing. “That includes any and all tests or medical procedures a health care provider prescribes,” Sukut says. “We’re estimating an immediate potential impact to Basin Electric of \$250,000 annually. However, because the cooperative pays all employee claims, this could grow rapidly.”

Basin Electric’s plan currently has a lifetime limit on health care coverage of \$2 million. Under the legislative package, Niezwaag says lifetime limits on coverage in all group health plans and in the individual market are banned. It’s unclear at this time what, if any, financial impact this provision will have on the cooperative.

Additionally, beginning in January 2011, employees will no longer be able

to use their flexible spending account for non-prescription over-the-counter medication. Then in January 2013, the law imposes a limit of \$2,500 on medical flexible spending accounts for all individuals.

To ensure compliance with the provisions of the law, Basin Electric and every other business providing medical benefits will need to file numerous new Internal Revenue

Service and Health and Human Services documents, Sukut explains. “Also, starting next year, we’re required to disclose the value of the benefit we provide for each employee’s health insurance coverage on that employee’s W-2.”

The law carries beyond current employees. Employers are also required to provide current plan medical coverage for early retirees (age 55-64) who request it through a temporary early retiree reinsurance program. The program will be subsidized, but employers must provide the requested benefit until Insurance Exchanges are available starting in January 2014.

“Obviously, there are a lot of provisions in the bill that have yet to be clearly defined, but we are sure about a few things,” Sukut says. “We know our costs are going to go up; within the next year, we’re expecting an increase of approximately \$1 million. We also know we’re going to have to complete more filings, and we will need to provide coverage for a greater pool.

“Undoubtedly, there’s a lot to the bill, and we continue to examine what it means for Basin Electric.”

“Within the next year, we’re expecting an increase of approximately \$1 million.”

*Paul Sukut, Basin Electric*

## Snapshot: The health care bill

In general, the health care legislation will do the following:

- Most individuals will be required to have health insurance beginning in 2014.
- Individuals who do not have access to affordable employer coverage will be able to purchase coverage through a health Insurance Exchange with premium and cost-sharing credits available to some people to make coverage more affordable. Small businesses will be able to purchase coverage through a separate Exchange.
- Employers will be required to pay penalties for employees who receive tax credits for health insurance through the Exchange, with exceptions for small employers.
- New regulations will be imposed on all health plans that will prevent health insurers from denying coverage to people for any reason, including health status, and from charging higher premiums based on health status and gender.
- Medicaid will be expanded to 133 percent of the federal poverty level (\$14,404 for an individual and \$29,327 for a family of four in 2009) for all individuals under age 65.

*(Source: The Kaiser Family Foundation)*

For more information about the health coverage provisions, or to read about other provisions in the law check out:

- The Kaiser Family Foundation, [www.kff.org/](http://www.kff.org/)
- American Benefits Council, [www.americanbenefitscouncil.org/issues/health/healthcarereform.cfm](http://www.americanbenefitscouncil.org/issues/health/healthcarereform.cfm)