

## TAX LETTER

### Healthcare Reform – California

Dear Clients and Friends,

We hope everyone has a great new year. In 2010 Congress passed and the President signed into law the Healthcare Reform Act of 2010 (P.L. # 111-148 & 111-159). Collectively this new law consisted of 4,000 plus pages of legal writing and creating many new healthcare provisions to be effective over a period of many years from 2010 to 2016.

This letter is an attempt to sum up the manner of implementation of this new law in California. Among all the new provisions require State implementation and compliance, California intent to carry them out in 4 related but separate actions. These actions are:

1. Pre-existing condition prohibition
2. Incorporating and implementing other required healthcare changes
3. Set-up an online platform - California Medical Insurance Exchange
4. Prevention and Wellness programs and focus

Among the above actions, the 1<sup>st</sup> and 3<sup>rd</sup> actions are actions with most significant direct impact on California residents. They may even indirectly influence other States in the development of their respective reform actions.

#### PRE-EXISTING CONDITION

In compliance with the Federal law, in 2010 California began to prohibit the pre-existing condition as an element of insurability and/or pricing in all Health insurance offered and/or sold by any insurance company involving a policy holder and/or beneficiary under 19 years of age whether his/her parent(s) are insured or not.

For Californian age 19 or older, from 2011 to 2014, a transitional program has been developed and offered to people with pre-existing condition. This transitional program known as "PCIP" Pre-existing Condition Insurance Program. For further information and assistance to participate in the "PCIP", Californian with pre-existing medical condition may contact California Healthcare Foundation.

In 2014, Pre-existing condition as an element of insurability, pricing or else will be totally prohibited. No insurance company in the United States will be allowed to use pre-existing condition in their consideration to offer, underwrite any health, medical insurance coverage.

#### STATE HEALTH INSURANCE EXCHANGE

The Federal healthcare reform act 2010 authorize State to offer a Health Benefit Exchange to facilitate health insurance, coverage and pricing transparency by 2014.

In January 2011, California passed and the Governor signed into law to authorize the establishment of the California Health Benefit Exchange, a web-site providing on line comparative information of all health insurance marketed in the State. Individuals may use this on-line platform to do comparison shopping before actually acquiring any one of the available health insurance offer/marketed in California.

No later than January 2014, the development of this California Health Benefit Exchange will be completed and will be available for Californians.