



Receive future communications by e-mail! You received this letter because we do not have your e-mail address on file. Help us keep costs down and be more environmentally friendly by registering for electronic communications at anthem.com/ca/b2bemail. It's the fast and timely way to stay informed about plan updates and the latest health care industry news. If you've recently registered your e-mail address, you'll stop receiving mailed communications soon. We appreciate your patience as we process the request.

May 2010

Patient Protection and Affordable Care update

It's been just under two months since the Patient Protection and Affordable Care Act was signed into law, and there's already a lot to take in. To help keep you updated, here's the latest information on:

- Federal rescission reforms: implementing earlier than required
- Dependent coverage: extending coverage before provision takes effect
- New tax credit: benefiting small businesses

Implementing federal rescission reforms early to help improve the lives and care of our members

Maintaining health care coverage, regardless of health, is a key component of health care reform. Health care insurers will give members more security by implementing federal rescission reforms by September 23, 2010. This means that the industry can only rescind (or cancel) policies for members that intentionally misrepresent material facts or are involved in fraud.

This coverage is important to our members. That's why we will implement this federal legislation beginning May 1 – well ahead of the required implementation date. We're the first insurer to announce the implementation of this provision because it's vital for our members to feel more secure about their health care coverage – no matter their personal situation – in this time of change.

For more information, including a Rescission Reform FAQ, go to the **Employer | Spotlight** section of anthem.com/ca.

Expanding coverage to those who would face a coverage gap

Each year in June, many young people – because of their age, student status or other factors - become ineligible as dependents on their parents' insurance policies. Health care reform legislation will extend dependent coverage to age 26 for plan years beginning September 23, 2010. While this is great news, it also means that many dependents would face a coverage gap during the months before this provision is fully implemented.

To help these dependents, we're working in collaboration with the U.S. Department of Health and Human Services and state regulators to allow young men and women to remain on their parents' policies even before this health care reform provision takes effect.

This content is provided solely for informational purposes: it is not intended as and does not constitute legal advice. The information contained herein should not be relied upon or used as a substitute for consultation with legal, accounting, tax and/or other professional advisors.

Anthem Blue Cross is the trade name of Blue Cross of California. Independent licensee of the Blue Cross Association. © ANTHEM is a registered trademark of Anthem Insurance Companies, Inc. The Blue Cross name and symbol are registered marks of the Blue Cross Association.

Beginning June 1, we will continue to provide health benefits to dependents that – because of their age, student status or other factors – would lose coverage during the gap period between June 1, 2010, and the September 23, 2010, effective date.

This extension of coverage will not be retroactive. However, dependents that age out before June 1, 2010, can be added back to a parent's policy during your group's next open enrollment period, on or after September 23, in accordance with the new law.

Some states already have provisions that allow for dependents up to or over the age of 26 to be included on their parents' policy. However, in many states, this new coverage will allow for many more dependents to remain on their parents' policies. Keep an eye out for additional details about how this decision coordinates with state mandates and dependent coverage in future communications.

For more details, including an Extension of Dependent Benefits FAQ, go to the **Employer | Spotlight** section of anthem.com/ca. Also feel free to share the enclosed memo with your employees.

New for 2010: Tax credit for small businesses

Good news for small businesses: The IRS recently released materials for those wishing to claim the small business health care tax credit for 2010. A provision of the Patient Protection and Affordable Care Act (PPACA), this tax credit is designed to encourage small businesses to offer health care coverage for the first time or enable them to maintain the coverage they already have. It will likely provide assistance to about four million small businesses.

If your business qualifies, this tax credit could be a significant benefit for your company. In 2010, the maximum credit is 35% of employer-paid premiums; for tax-exempt organizations, the maximum is 25% of employer-paid premiums. In 2014, the maximum increases to 50% of employer-paid premiums; for tax-exempt organizations, it increases to 35% of employer-paid premiums. To qualify for the credit, your company must not employ more than 25 employees and the average annual compensation of those employees cannot exceed \$50,000.

Here's a look at how a business with 10 employees could benefit:

- Wages: \$250,000 total, or \$25,000 per worker
- Employee health care costs: \$70,000

2010 Tax Credit: \$24,500 (35% credit)

2014 Tax Credit: \$35,000 (50% credit)

While there is no formal guidance yet, the IRS has provided educational resources for small businesses wishing to claim the credit this year. Go to irs.gov for eligibility information, credit amount, steps to determine your eligibility, tax credit scenarios and FAQs.

LOOK FOR MORE UPDATES

These are all important steps in health care reform. And there's much more on the horizon. That's why you can expect more health care reform updates like this one throughout the year. As always, please contact your agent or account representative with questions or for more information.