



New health care bill

Summary prepared March 22, 2010

Here's where things stand and how you and your employees might be affected:

The health care overhaul package passed by the House Sunday and sent to the Senate for final action is the most far-reaching health legislation since the creation of the Medicare and Medicaid programs. The health care reform bill, HR 4872, passed the House of Representatives on a 219-212 vote. An incredibly sweeping effort, the new health care bill has many parts - with more than 2,000 pages. The basics of the bill are an extensive effort to provide health care coverage to most Americans through individual policies, employer sponsored plans or government subsidized programs.

The effects of the new health care bill will be split over 10 years. The big changes in the law – the ones that could affect tens of millions of people – don't kick in until at least 2014. Those include insurance marketplaces called "exchanges"; rules requiring insurers to accept all applicants, even those with health problems, and an expansion of state Medicaid programs.

Coverage:

- Expands coverage to 32 million Americans who are currently uninsured.
- Illegal immigrants will not be allowed to buy health insurance in the exchanges -- even if they pay completely with their own money.

Cost: \$940 billion over ten years.

Deficit: CBO estimate is it will reduce the deficit by \$143 billion over the first ten years, primarily due to its increased taxes and cuts to the current Medicare system while covering the costs to expand coverage to many uninsured Americans.

New taxes:

- Medicare Payroll tax on investment income -- Starting in 2012, the Medicare Payroll Tax will be expanded to include unearned income. That will be a 3.8 percent tax on investment income for families making more than \$250,000 per year (\$200,000 for individuals).
- Excise Tax -- Beginning in 2018, insurance companies will pay a 40 percent excise tax on so-called "Cadillac" high-end insurance plans worth over \$27,500 for families (\$10,200 for individuals). Dental and vision plans are exempt and will not be counted in the total cost of a family's plan.
- Tanning Tax -- 10 percent excise tax on indoor tanning services.

Mandates:

To help avoid adverse selection, the bill requires *all* Americans to have health insurance through some source:

Individual Mandate:

- In 2014, everyone must purchase health insurance or face a \$695 annual fine. There are some exceptions for low-income people.
- A communication you could use with your employees: [Consumers Guide To Health Reform](#) Kaiser Health News by Phil Galewitz

Employer Mandate:

- Technically, there is no employer mandate. Employers with more than 50 employees must provide health insurance or pay a fine of \$2,000 per worker each year if any worker receives federal subsidies to purchase health insurance. Fines applied to entire number of employees minus some allowances.
- Offers tax credits to small businesses with fewer than 25 employees to make employee coverage more affordable. Tax credits of up to 35 percent of premiums will be immediately available to firms that choose to offer coverage effective beginning for calendar year 2010. (Beginning in 2014, the small business tax credits will cover 50 percent of premiums.)

Early Retirees:

- Creates a temporary re-insurance program (until the Exchanges are available) to help offset the costs of expensive health claims for employers that provide health benefits for retirees age 55-64. Effective 90 days after enactment.

Subsidies: Individuals and families who make between 100 percent - 400 percent of the Federal Poverty Level (FPL) and want to purchase their own health insurance on an exchange are eligible for subsidies. They cannot be eligible for Medicare, Medicaid and cannot be covered by an employer. Eligible buyers receive premium credits and there is a cap for how much they have to contribute to their premiums on a sliding scale.

Health Insurance Exchanges:

- The uninsured and self-employed would be able to purchase insurance through state-based exchanges with subsidies available to individuals and families with income between the 133 percent and 400 percent of poverty level.
- Separate exchanges would be created for small businesses to purchase coverage -- effective 2014.
- Funding available to states to establish exchanges within one year of enactment and until January 1, 2015.

Provider Access:

- Community Health Centers – Increases funding for Community Health Centers to allow for nearly a doubling of the number of patients seen by the centers over the next 5 years. Effective beginning in fiscal year 2010.
- Increasing the number of primary care doctors – Provides new investment in training programs to increase the number of primary care doctors, nurses, and public health professionals. Effective beginning in fiscal year 2010.

The timeline of the new health care bill:

First, the new health care bill must go back to the Senate for reconciliation. This means that some major provisions of the new health care bill may change – though the pros and cons of the majority of new health care bill are likely to remain the same. Once the bill is reconciled through the Senate, it will go to President Obama's desk to be signed. At that point, the new health care bill would become law.

Because there are many details involved with the new health care bill, the timeline of implementation for the bill is currently set at 10 years. This is assuming that the new health care bill provisions are not repealed or changed in subsequent legislation.

In 2010

In the year 2010, there would be several changes to health care offerings. To read more: [The Immediate Effects Of The Health Reform Bill](#) Kaiser Health News by Julie Appleby & Kate Steadman.

1. Insurance companies would no longer be allowed to deny coverage to children with pre-existing illnesses. (Beginning in 2014, this prohibition would apply to all persons.)
Already in place in Washington – currently insurers in Washington State help subsidize a State high risk pool for those who do not pass the State’s screening process, which helps keep the cost of insurance lower for those who do pass.
2. Provides immediate access (90 days after enactment) to insurance for Americans who are uninsured because of a pre-existing condition through a temporary high-risk pool. *Already in place in Washington State through Washington’s High Risk Pool.*
3. Children would be able to stay on their parent’s insurance policies until they turn 26 years old (*already in effect to age 25 here in Washington State on most group and individual insured policies; the bill adds married children*).
4. Medicare recipients who fall into a specific coverage gap will get a \$250 rebate.
5. Bans health plans from dropping people from coverage when they get sick. *Currently not allowed in Washington State; regulated by Washington’s State Insurance Commissioner. Effective 6 months after enactment.*
6. Bans lifetime limits on coverage – Prohibits health plans from placing lifetime caps on coverage. Effective 6 months after enactment.
7. Bans restrictive annual limits on coverage – Tightly restricts new plans' use of annual limits to ensure access to needed care. These tight restrictions will be defined by HHS. Effective 6 months after enactment. (Beginning in 2014, the use of any annual limits would be prohibited for all plans.)
8. All *new* insurance plans sold must exempt preventative care and screenings from deductibles. (Beginning in 2018, this requirement applies to all plans.)

In 2011

In 2011, the new health care bill will make changes focused mostly on preparing for later updates. The new health care bill will set up a long-term care insurance program. Individuals who pay premiums into this system for at least five years will become eligible to receive support with daily living assistance.

The senior citizens that fall into the “Medicare doughnut hole” – a coverage gap – will get a 50 percent discount on some drugs. In 2011, a new fee on drug makers will also be implemented to help pay for the upcoming changes. The fine on withdrawing funds from a Health Savings Account for non-medical expenses will increase by 5 to 10 percent. Employers will also need to start including the cost of health care on employee’s W-2 forms.

Requires plans in the individual and small group market to spend 80 percent of premium dollars on medical services, and plans in the large group market to spend 85 percent. *These “loss ratios” are already established and monitored by Washington’s State Insurance Commissioner.*

Creates a long-term care insurance program to be financed by voluntary payroll deductions to provide benefits to adults who become functionally disabled. Effective on January 1, 2011.

We will keep you informed, as the bill progresses and more details are made available.