

# What the bill does and how it affects you

When President Barack Obama signs the historic reform legislation into law today, the country will have national health care. Some changes happen now; others won't come for several years. What you should know:

## COMING THIS YEAR



■ Sets up a high-risk health insurance pool to provide affordable coverage for uninsured people with medical problems.



■ Requires all health insurance plans to maintain dependent coverage for children until they turn 26; prohibits insurers from denying coverage to children because of preexisting health problems.



■ Bans insurance companies from putting lifetime dollar limits on coverage, and canceling policies, except for fraud.



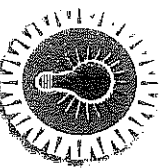
■ Provides tax credits to help small businesses with up to 25 employees get and keep coverage for their employees.



■ Begins narrowing the Medicare prescription coverage gap by providing a \$250 rebate to senior citizens in the gap, which starts this year once they have spent \$2,830. It would be fully closed by 2020.



■ Reduces projected Medicare payments to hospitals, home health agencies, nursing homes, hospices and other providers.



■ Imposes 10% sales tax on indoor tanning.

## IN THE COMING YEARS

### 2011

■ Creates a voluntary long-term care insurance program to provide a modest cash benefit helping disabled people stay in their homes or cover nursing home costs. Benefits can begin five years after people start paying a fee for the coverage.

■ Provides Medicare recipients in the prescription coverage gap with a 50% discount on brand name drugs; begins phasing in additional drug discounts to close the gap by 2020.

■ Provides 10% Medicare bonus to primary care doctors and general surgeons practicing in underserved areas, such as inner cities and rural communities; improves preventive coverage.

■ Freezes payments to Medicare Advantage plans, the first step in reducing payments to the private insurers who serve about one-fourth of senior citizens. The reductions would be

phased in over three to seven years.

■ Boosts funding for community health centers, which provide basic care for many lower-income and uninsured people.

■ Requires employers to report the value of health care benefits on employees' W-2 tax statements.

■ Imposes \$2.3 billion annual fee on drugmakers, increasing over time.

### 2012

■ Sets up program to create nonprofit insurance co-ops that would compete with commercial insurers.

■ Initiates Medicare payment reforms by encouraging hospitals and doctors to band together in quality-driven "accountable care organizations" along the lines of the Mayo Clinic. Sets up a pilot program to test more efficient ways of paying hospitals, doctors, nursing homes and other providers who care for Medicare patients from

admission through discharge. Successful experiments would be widely adopted.

■ Penalizes hospitals with high rates of preventable readmissions by reducing Medicare payments.

### 2013

■ Standardizes insurance company paperwork, the first in a series of steps to reduce administrative costs.

■ Limits medical expense contributions to tax-sheltered flexible spending accounts (FSAs) to \$2,500 a year, indexed for inflation. Raises threshold for claiming itemized tax deduction for medical expenses from 7.5% of income to 10%. People 65 and older can still deduct medical expenses above 7.5% of income through 2016.

■ Increases Medicare payroll tax on individuals making more than \$200,000. The tax rate on wages above those thresholds would rise to 2.35% from the

current 1.45%. Also adds a new tax of 3.8% on income from investments.

■ Imposes a 2.3% sales tax on medical devices, eyeglasses, contact lenses, hearing aids and many everyday items bought at the drugstore are exempt.

### 2014

■ Prohibits insurers from denying coverage to people with medical problems or refusing to renew their policy. Health plans cannot limit coverage based on preexisting conditions, or charge higher rates to those in poor health. Premiums can vary only by age (no more than 3-1), place of residence, family size and tobacco use.

■ Coverage expansion goes into high gear as states create new health insurance exchanges — supermarkets for individuals and small businesses to buy coverage. People who already have employer coverage won't see any changes.

■ Provides income-based tax credits for most consumers in the exchanges, substantially reducing costs for many. Sliding scale credits phase out completely for households above four times the federal poverty level, about \$88,000 for a family of four.

■ Medicaid expanded to cover low-income people up to 133% of the federal poverty line, about \$28,300 for a family of four. Low-income childless adults covered for the first time.

■ Requires citizens and legal residents to have health insurance, except in cases of financial hardship, or pay a fine to the Internal Revenue Service. Penalty starts at \$95 per person in 2014, rising to \$695 in 2016. Family penalty capped at \$2,250. Penalties indexed for inflation after 2016.

■ Penalizes employers with more than 50 workers if any of their workers get coverage through the exchange and receive a tax credit. The penalty is

\$2,000 times the total number of workers employed at the company. However, employers get to deduct the first 30 workers.

### 2018

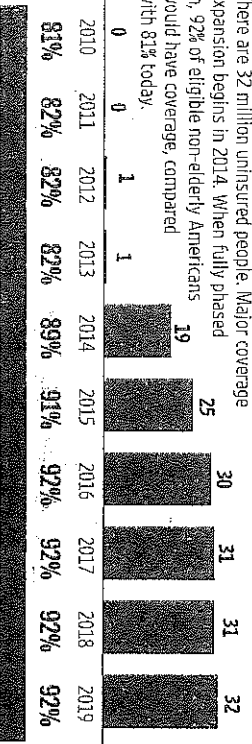
■ Imposes a tax on employer-sponsored health insurance worth more than \$10,200 for individual coverage, \$2,500 for a family plan. The tax is 40% of the value of the plan above the thresholds, indexed for inflation.

### 2020

■ Drought hole coverage gap in Medicare prescription benefit is phased out. Seniors continue to pay the standard 25% of their drug costs until they reach the threshold for Medicare catastrophic coverage, when their copayments drop to 5%.

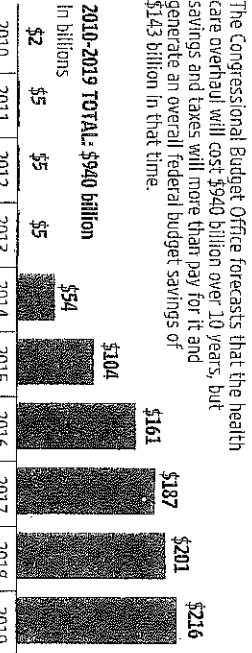
## MILLIONS OF NEWLY INSURED

There are 32 million uninsured people. Major coverage expansion begins in 2014. When fully phased in, 92% of eligible non-elderly Americans would have coverage, compared with 81% today.



## THE COST OF COVERAGE

The Congressional Budget Office forecasts that the health care overhaul will cost \$940 billion over 10 years, but savings and taxes will more than pay for it and generate an overall federal budget savings of \$143 billion in that time.



## REDUCING THE DEFICIT

**\$143 billion**

The projected net effect on cutting the federal deficit between 2010 and 2019

## SUBSIDIES

The aid is available on a sliding scale for households making up to four times the federal poverty level, \$88,200 for a family of four. Premiums for a family of four making \$44,000 would be capped at around 6% of income.

**IF** You are in a family of four



with an income of **up to \$29,200**

**THEN**

you will pay no more than

**2%**

of income for insurance premiums.

**IF** You are in a family of four



with an income of **up to \$44,000**

**THEN**

you will pay no more than

**6%**

of income for insurance premiums.

**IF** You are a family of four



with an income of **up to \$88,200**

**THEN**

you will pay no more than

**9.5%**

of income for insurance premiums.

## EMPLOYER RESPONSIBILITY

Employers are hit with a fee if the government subsidizes their workers' coverage. The \$2,000-per-employee fee would be assessed on the company's entire work force, minus an allowance. Companies with 50 or fewer workers are exempt from the requirement.

**BUT** companies with more than 50 employees\*



will have to pay **\$2,000** per worker

\*Two part-time workers will count as one full-time worker.

## HIGHER OR LOWER PREMIUMS?

Premiums are likely to keep going up either way, experts say.

**IF** cost controls work,



increases would level off with time, but not likely go down.

**BUT** for those who can take advantage of new government tax credits, their insurance costs will go down if they keep the same level of coverage.



Practices such as denying coverage to people with preexisting conditions will be banned starting in 2014. In the meantime, the government will set up a temporary insurance pool to cover those patients starting this year.

## PREEXISTING CONDITIONS

Practices such as denying coverage to people with preexisting conditions will be banned starting in 2014. In the meantime, the government will set up a temporary insurance pool to cover those patients starting this year.

## MEDICAID AND PRESCRIPTION DRUGS



Gradually closes the "doughnut hole" coverage gap in the Medicare prescription drug benefit that senior citizens fall into once they have spent \$2,830. Those who hit the gap this year will receive a \$250 rebate. Beginning in 2011, senior citizens in the gap receive a discount on brand name drugs, initially 50% off. When the gap is completely eliminated in 2020, they will still be responsible for 25% of the cost of their medications until Medicare's catastrophic coverage kicks in.

## TAXES

To make up for the lost revenue, the bill applies an increased Medicare payroll tax to investment income and to the wages of individuals making more than \$200,000 or married couples above \$250,000.



## INSURANCE MANDATE

Almost everyone is required to be insured or else pay a fine, which takes effect in 2014. There is an exemption for lower-income people.

## INSURANCE MARKET REFORMS

Starting this year, insurers would be forbidden from placing lifetime dollar limits on policies, from denying coverage to children because of preexisting conditions, and from canceling policies because someone gets sick. A new high-risk pool would offer coverage to uninsured people with medical problems until 2014, when the coverage expansion goes into high gear. In 2014, insurers would be prohibited from denying coverage to people with medical problems or charging them more.

## WHY ARE STUDENT LOANS ADDRESSED IN THE BILL?

Politically, the student loan provisions were expected to get killed by a Republican filibuster, but it gets a simple majority vote this way. Also, the changes may have helped win over some wavering House Democrats. The student loan bill will have the government lend money directly, cutting out banks and other financial institutions. That could save billions of dollars that will be redirected to grants for needy students.

## HOW YOU CHOOSE YOUR HEALTH INSURANCE

Small businesses, the self-employed and uninsured people could pick a plan offered through new state-based purchasing pools called exchanges, opening for business in 2014. The exchanges would offer the same kind of purchasing power that employees of big companies benefit from.



## ADULT CHILDREN ON PARENTS' POLICIES?

Any insurer that provides coverage for dependent children will have to extend it to age 26 starting right away.

## IS ABORTION COVERED?

The bill tries to maintain a strict separation between taxpayer dollars and private premiums that would pay for abortion coverage. No health plan would be required to offer coverage for an abortion, in plans that do cover abortion, policyholders would have to pay for it separately, and that money would have to be kept in a separate account from taxpayer money. States could ban abortion coverage in plans offered through the exchange.