fact sheet

Health Policy Institute of Ohio

federal health reform legislation

selected provisions in the Patient Protection and Affordable Care Act and reconciliation bill

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Individuals

Within 90 days:

- Adults with preexisting conditions who have been unable to get coverage will be able to join a temporary high-risk pool where they will be able to purchase subsidized coverage.

By the middle of this year:

- Dependent young adults can stay on their parents' plan until age 26.
- Insurers will not be able to refuse coverage to children because of preexisting conditions. Starting in 2014, this same rule will apply to adults.
- Eligible seniors will receive a $250 rebate to cover the "doughnut hole" in drug coverage, or the coverage gap between the initial coverage limit and catastrophic care threshold.
- Medicare recipients will have no co-payments for preventive care, including some cancer screenings.
- Use of indoor tanning salons will be taxed 10%.

Starting in 2011:

- The cost of brand-name drugs for Medicare recipients will be cut by 50%. The doughnut hole will be closed by 2020.
- Subsidies for Medicare Advantage programs will be cut significantly to match traditional Medicare more closely. In particularly high cost-of-living areas of the country, these cuts will be phased in over seven years.

Starting in 2013:

- Individuals making more than $200,000 per year and couples making more than $250,000 per year will see a 0.9% Medicare payroll tax increase (to reach 2.35%).
- These same income brackets will be taxed 3.8% on their investment income.
- The amount of money that can be put into a flexible spending account will be limited to $2,500.

Starting in 2014:

- Medicaid eligibility will expand to cover adults up to 133% of the federal poverty level.
- Those with an annual income between 133% and 400% of the federal poverty level will qualify for subsidies to buy insurance from a state-run health insurance exchange. Out-of-pocket health expenses will be limited within these plans.
- Individual mandate will go into effect (with exclusions for religious reasons or financial hardship). Individuals who are not covered will have to pay a penalty of $95 (or 1% of their income, whichever is greater). This penalty will grow to $695 (or 2.5% of income, whichever is greater) by 2016.

Starting in 2018:

- High-cost plans will be taxed at 40% beyond the threshold amounts — $10,200 for an individual and $27,500 for family plans.

CBO scoring

- The bipartisan Congressional Budget Office estimates that the provisions in the legislation will cost $938 billion over 10 years, but will cut the deficit by $143 billion in that same time period and an additional $1 trillion in the following decade
- An estimated 32 million additional Americans will be covered in the next 10 years through the provisions in the legislation

Business

- Small businesses of fewer than 50 employees will not be required to provide health insurance to their employees.
  - If small businesses choose to provide coverage, they will be eligible for tax credits to make coverage more affordable. Starting in 2010, businesses with fewer than 25 employees and average wages under $50,000 will qualify for credits up to 35% of the cost of the plan. By 2014, those tax credits will grow to as much as 50%.
  - No credits will be applicable for employees making more than $80,000.
- Starting in 2014, the new insurance exchanges will allow employers to pool with other businesses and shop for the most appropriate and affordable plan for their company.
- Insurance plan forms in the exchanges will be standardized to reduce confusion about purchasing and enrolling.
- Businesses with more than 50 employees that do not offer health coverage will face a fine of $2,000 for each employee if any worker receives subsidized insurance on the exchange. The first 30 workers will be excluded from that assessment.

Insurers

Starting later this year:

- Insurers can no longer set lifetime limits or annual limits on coverage; nor will they be able to drop coverage, except in cases of fraud.
- Insurers can no longer base the cost of coverage for a group health plan on the health status of individuals.
- Insurers will have to report on the breakdown of medical versus administrative costs. They will also have to sell plans at rates that are based on community averages.
- Insurers will have to demonstrate that they spend 85% of their premium dollars on health care rather than administrative or marketing costs.
- The President has signed an executive order that prohibits federally-subsidized abortion coverage.

Providers/Pharmaceutical

- Starting in 2011, drug manufacturers will pay $84.8 billion over next 10 years in fees and Medicare price discounts.
- Biologic drugs will receive 12-year patent protection from generics.
- Hospitals will forego $155 billion in Medicare funding in the next 10 years.
- Hospital groups estimate that they will make $170 billion in the next 10 years by treating newly insured patients.
- Primary care providers and surgeons in underserved areas will receive bonus Medicare payments of 10% between 2011 and 2015.
- Medicaid will pay primary care providers Medicare rates (which are typically 20% higher) between 2013 and 2014.
- No significant tort reform is included in the legislation.
- Nursing homes could see Medicare benefits cut by $15 billion over the next 10 years. Medicare accounts for 13% of their revenue.
- Starting in 2011, individuals could finance long-term care through payroll deductions that would pay out $50/day to long-term care facilities
- Starting in 2013, an excise tax of 2.9% on sale of medical devices will be levied. Also in 2013, a Medicare pilot program will be launched to test the effects of bundled payments for care.