

## HEALTH INDUSTRY

MARCH 22, 2010

### **What's in the Bill (Healthcare Bill)**

The \$940 billion health-care overhaul will take nearly a decade to roll out in full. A look at the key parts of the bill and when they go into effect.

#### **2010**

##### Coverage

- Subsidies begin for small businesses to provide coverage to employees.
- Insurance companies barred from denying coverage to children with pre-existing illness.
- Children permitted to stay on their parents' insurance policies until their 26th birthday.

#### **2011**

##### Coverage

- Set up long-term care program under which people pay premiums into system for at least five years and become eligible for support payments if they need assistance in daily living.

##### Taxes and fees

- Drug makers face annual fee of \$2.5 billion (rises in subsequent years).

#### **2013**

##### Taxes and fees

- New Medicare taxes on individuals earning more than \$200,000 a year and couples filing jointly earning more than \$250,000 a year.
- Tax on wages rises to 2.35% from 1.45%.
- New 3.8% tax on unearned income such as dividends and interest.
- Excise tax of 2.3% imposed on sale of medical devices.

## Cost control

- Medicare pilot program begins to test bundled payments for care, in a bid to pay for quality rather than quantity of services.

## **2014**

### Coverage

- Create exchanges where people without employer coverage, as well as small businesses, can shop for health coverage. Insurance companies barred from denying coverage to anyone with pre-existing illness.
- Requirement begins for most people to have health insurance. Subsidies begin for lower and middle-income people. People at 133% of federal poverty level pay maximum of 3% of income for coverage. People at 400% of poverty level pay up to 9.5% of income. (Poverty level currently is about \$22,000 for a family of four.)
- Medicaid, the federal-state program for the poor, expands to all Americans with income up to 133% of federal poverty level.
- Subsidies for small businesses to provide coverage increase. Businesses with 10 or fewer employees and average annual wages of less than \$25,000 receive tax credit of up to 50% of employer's contribution. Tax credits phase out for larger businesses.

### Taxes and fees

- Employers with more than 50 employees that don't provide affordable coverage must pay a fine if employees receive tax credits to buy insurance. Fine is up to \$3,000 per employee, excluding first 30 employees.
- Insurance industry must pay annual fee of \$8 billion (rises in subsequent years).

### Cost control

- Independent Medicare board must begin to submit recommendations to curb Medicare spending, if costs are rising faster than inflation.

## **2016**

### Taxes and fees

- Penalty for those who don't carry coverage rises to 2.5% of taxable income or \$695, whichever is greater.

## **2017**

### Coverage

- Businesses with more than 100 employees can buy coverage on insurance exchanges, if state permits it.

## **2018**

### Taxes and fees

- Excise tax of 40% imposed on health plans valued at more than \$10,200 for individual coverage and \$27,500 for family coverage.

—Sources: House bill; Kaiser Family Foundation

### Corrections & Amplifications

The House health legislation imposes a 2.3% excise tax on the sale of medical devices. An earlier version of this article incorrectly said the tax was 2.9%, the figure before a last-minute change to the legislation.

# 10 Ways the New Healthcare Bill May Affect You

by Katie Adams  
Friday, March 26, 2010

The Patient Protection and Affordable Healthcare Act, more commonly referred to as the "healthcare bill", has taken over a year to craft and has been a lightning rod for political debate because it effectively reshapes major facets of the country's healthcare industry.

Here are 10 things you need to know about how the new law may affect you:



## 1. Your Kids are Covered

Starting this year, if you have an adult child who cannot get health insurance from his or her employer and is to some degree dependent on you financially, your child can stay on your insurance policy until he or she is 26 years old. Currently, many insurance companies do not allow adult children to remain on their parents' plan once they reach 19 or leave school.

## 2. You Can't be Dropped

Starting this fall, your health insurance company will no longer be allowed to "drop" you (cancel your policy) if you get sick. In 2009, "rescission" was revealed to be a relatively common cost-cutting practice by several insurance companies. The practice proved to be common enough to spur several lawsuits; for example, in 2008 and 2009, California's largest insurers were made to pay out more than \$19 million in fines for dropping policyholders who fell ill.

## 3. You Can't be Denied Insurance



Starting this year your child (or children) cannot be denied coverage simply because they have a pre-existing health condition. Health insurance companies will also be barred from denying adults applying for coverage if they have a pre-existing condition, but not until 2014.

## 4. You Can Spend What You Need to

Prior to the new law, health insurance companies set a maximum limit on the monetary amount of benefits that a policyholder could receive. This meant that those who developed expensive or long-lasting medical conditions could run out of coverage. Starting this year, companies will be barred from instituting caps on coverage.

## 5. You Don't Have to Wait

If you currently have pre-existing conditions that have prevented you from being able to qualify for health insurance for at least six months you will have coverage options before 2014. Starting this fall, you will be able to purchase insurance through a state-run "high-risk pool", which will cap your personal out-of-pocket expenses for healthcare. You will not be required to pay more than \$5,950 of your own money for medical expenses; families will not have to pay any more than \$11,900.

## **6. You Must be Insured**

Under the new law starting in 2014, you will have to purchase health insurance or risk being fined. If your employer does not offer health insurance as a benefit or if you do not earn enough money to purchase a plan, you may get assistance from the government. The fines for not purchasing insurance will be levied according to a sliding scale based on income. Starting in 2014, the lowest fine would be \$95 or 1% of a person's income (whichever is greater) and then increase to a high of \$695 or 2.5% of an individual's taxable income by 2016. There will be a maximum cap on fines.

## **7. You'll Have More Options**

Starting in 2014 (when you will be required by law to have health insurance), states will operate new insurance marketplaces - called "exchanges" - that will provide you with more options for buying an individual policy if you can't get, or afford, insurance from your workplace and you earn too much income to qualify for Medicaid. In addition, millions of low- and middle-income families (earning up to \$88,200 annually) will be able to qualify for financial assistance from the federal government to purchase insurance through their state exchange.

## **8. Flexible Spending Accounts Will Become Less Flexible**

Three years from now, flexible spending accounts (FSAs) will have lower contribution limits - meaning you won't be able to have as much money deducted from your paycheck pre-tax and deposited into an FSA for medical expenses as is currently allowed. The new maximum amount allowed will be \$2,500. In addition, fewer expenses will qualify for FSA spending. For example, you will no longer be able to use your FSA to help defray the cost of over-the-counter drugs.

## **9. If You Earn More, You'll Pay More**

Starting in 2018, if your combined family income exceeds \$250,000 you are going to be taking less money home each pay period. That's because you will have more money deducted from your paycheck to go toward increased Medicare payroll taxes. In addition to higher payroll taxes you will also have to pay 3.8% tax on any unearned income, which is currently tax-exempt.

## **10. Medicare May Cover More or Less of Your Expenses**

Starting this year, if Medicare is your primary form of health insurance you will no longer have to pay for preventive care such as an annual physical, screenings for treatable conditions or routine laboratory work. In addition, you will get a \$250 check from the federal government to help pay for prescription drugs currently not covered as a result of the Medicare Part D "doughnut hole".

However, if you are a high-income individual or couple (making more than \$85,000 individually or \$170,000 jointly), your prescription drug subsidy will be reduced. In addition, if you are one of the more than 10 million people currently enrolled in a Medicare Advantage plan you may be facing higher premiums because your insurance company's subsidy from the federal government is going to be dramatically reduced.

## **Conclusion**

Over the next few months you will most likely receive information in the mail from your health insurance company about how the newly signed law will affect your coverage. Read the correspondence carefully and don't hesitate to ask questions about your policy; there may be new, more affordable options for you down the road.

# For Consumers, Clarity on Health Care Changes

By TARA SIEGEL BERNARD

Published: March 21, 2010

American consumers, who spent a year watching Congress scratch and claw over sweeping health care legislation, can now try to figure out what the overhaul would mean for them.

## **Prescriptions**

The uninsured are clearly the biggest beneficiaries of the legislation, which would extend the health care safety net for the lowest-income Americans.

The legislation is meant to provide coverage for as many as 32 million people who have been shut out of the market — whether because insurers deem them too sick or because they cannot afford ever-rising [insurance](#) premiums.

For people already covered by a large employer — most Americans, in other words — the effect would not be as significant. And yet, just about everyone might benefit from tighter insurance regulations.

“We think it’s a big step forward,” said Bill Vaughan, a policy analyst at [Consumers Union](#). “It’s going to provide a peace of mind that many Americans who really want or need [health insurance](#) will always be able to get a quality product at a reasonable price regardless of their health or financial situation.”

There would be costs to consumers, too. Affluent families would be required to pay additional taxes. Most Americans would be required to have health insurance and face federal penalties if they do not buy it. And it is still unclear what effect, if any, the legislation would have on rising out-of-pocket medical costs and premiums.

But there is no question that the legislation should benefit consumers in various ways. Beginning in 2014, for example, many employers — those with 50 or more workers — could face federal fines for not providing insurance coverage. Several of the other changes would take effect much sooner.

Six months after the legislation is enacted, many plans would be prohibited from placing lifetime limits on medical coverage, and they could not cancel the policies of people who fall ill. Children with pre-existing conditions could not be denied coverage.

And dependent children up to age 26 would be eligible for coverage under their parents' plans — instead of the current state-by-state rules that often cut off coverage for children at 18 or 19.

And within three months of the law's taking effect, people who have been locked out of the insurance market because of a pre-existing condition would be eligible for subsidized coverage through a new high-risk insurance program.

That special coverage would continue until the legislation's engine kicks into a higher gear in 2014, when coverage would be extended to a wider part of the population through [Medicaid](#) and new state-run insurance exchanges.

Those exchanges, or marketplaces, are meant to provide much more competitive, consumer-friendly online shopping centers of private insurance for people who are not able to obtain coverage through an employer.

In 2014, people with pre-existing conditions could no longer be denied insurance, all lifetime and annual limits on coverage would be eliminated and new policies would be required to meet higher benefit standards.

Even sooner, in 2013, affluent families with annual income above \$250,000 would be required to pay an additional 3.8 percent tax on their [investment](#) income, while contributing more to the [Medicare](#) program from their payroll taxes. And eventually, the most expensive insurance policies would be subject to a new tax.

Here is a look at some of the main ways the health care overhaul might affect household budgets.

### The Uninsured

Although most Americans who do not obtain health insurance would face a federal penalty starting in 2014, many experts question how strict the enforcement of that penalty would actually be.

The first year, consumers who did not have insurance would owe \$95, or 1 percent of income, whichever is greater. But the penalty would subsequently rise, reaching \$695, or 2 percent of income.

Families who fall below the income-tax filing thresholds would not owe anything. Nor would people who cannot find a policy that costs less than 8 percent of their income, said Sara R. Collins, a vice president at the Commonwealth Fund, an independent nonprofit research group.

**EXPANDED MEDICAID** More lower-income individuals under the age of 65 would be covered by Medicaid, the federal health insurance plan for the poor. Under the new rules, households with income up to 133 percent of the federal poverty level, or about \$29,327 for a family of four, would be eligible.

**EXCHANGES AND SUBSIDIES** Most other uninsured people would be required to buy insurance through one of the new state-run insurance exchanges. People with incomes of more than 133 percent of the poverty level but less than 400 percent (that's \$29,327 to \$88,200 for a family of four) would be eligible for premium subsidies through the exchanges.

Premiums would also be capped at a percentage of income, ranging from 3 percent of income to as much as 9.5 percent.

**EMPLOYMENT FLEXIBILITY** The exchanges would also help people who lose their jobs, quit or decide to start their own businesses.

“If you lose your employer-related insurance, you will be able to move seamlessly into the exchange,” said Timothy Stoltzfus Jost, a professor at the Washington and Lee University School of Law.

Moreover, people of any age who cannot find a plan that costs less than 8 percent of their income would be allowed to buy a catastrophic policy otherwise intended for people under age 30.

#### Those With Insurance

**EMPLOYER COVERAGE** People who receive coverage through large employers would be unlikely to see any drastic changes, nor should premiums or coverage be affected. But almost everyone would benefit from new regulations, like the ban on pre-existing conditions that would apply to all policies come 2014.

There might even be cases where people would be eligible to buy insurance through an exchange instead of through their employer, Professor Jost said: those who must pay more

than 9.5 percent of their income for premiums, or those whose plans do not cover more than 60 percent of the cost their benefits.

**CHANGES IN MEDICARE** One of the biggest changes involves the Medicare prescription drug program. Its [unpopular](#) “doughnut hole” — a big, expensive gap in coverage that affects millions — would be eliminated by 2020. Starting immediately, consumers who hit the gap would receive a \$250 rebate. In 2011, they would receive a 50 percent discount on brand name drugs.

**HIGH-COST INSURANCE** Starting in 2018, employers that offer workers pricier plans — or those with total premiums of \$10,200 or more for singles and \$27,500 for families — would be subject to a 40 percent tax on the excess premium, said C. Clinton Stretch, managing principal of tax policy at Deloitte. Retirees and workers in high-risk professions like firefighting would have higher thresholds (\$11,850 for singles, or \$30,950 for families), pegged to inflation.

Although the taxes would be levied on the insurer, experts expect the assessment to be passed on to the consumer in the form of higher premiums or reduced benefits.

A version of this article appeared in print on March 22, 2010, on page A1 of the New York edition.

## 9 Pros and Cons of the New Health-Care Reform Bill

What are the pros and cons of the new health-care reform bill that House Democrats approved yesterday? The bill is 2,000 pages long, and full of lawyer-speak. Most pros and cons are based on partisan opinion. Still, there are some changes in the bill with more objective elements. Here are nine aspects that will help and hurt consumers and the economy.

### Pros

More coverage. Coverage will expand to cover nearly 95 percent of legal U.S. residents. With a recent study showing that patients *without health insurance* have a shorter life span, coupled with the number of uninsured approaching 50 million in 2010, that is perhaps the biggest reason to cheer. (Kevin Pho, MD [via CNN](#)). Plus, preventative care will be free.

A more competitive **insurance** industry. Increased regulation will stop insurance companies from rigging prices—that recent 40% insurance premium increase in California comes to mind. Competition with newly formed public entities will ideally make the entire industry more competitive. Also, insurance companies are now required to post their balance sheets, executive compensation, and administrative costs online.

Insurance companies will have to accept everyone. No more pre-existing condition exclusions. They can't place limits on coverage anymore, either.

Cheaper prescriptions for seniors. Closing the “donut hole” means cheaper **prescription drugs** for seniors.

It's reform. We need reform. We're in a situation where healthcare is even becoming unaffordable to employers, leaving employees with higher out-of-pocket expenses even if they are insured. Healthcare costs have jettisoned innumerable people from the middle class. People get sick and die because insurers won't take them. This isn't functional. Any kind of reform helps.

### Cons

Cuts in Medicare. The elderly on Medicare will see their benefits changed dramatically. The biggest item being used to pay for the new program is more than \$500 billion in cuts to the Medicare program at a time when 72 million baby boomers become eligible for it in the next decade. The second biggest move to pay for this is by raising and expanding the Medicare tax. (Ed Rollins [via CNN](#))

Costs. Any way you slice it, adding another \$940 billion to the deficit is not a good thing for the US economy. Yes, the Congressional Budget Office said that healthcare would actually reduce the budget deficit, but nobody really knows what will happen.

No new incentives for **primary care physicians**. Physicians are increasingly turning to specialties as a way to pay off expensive medical school debt and **make more money**. This means more workload and burnout for primary care physicians, who get no bureaucratic relief under the current reform bill. That also means longer wait times, more obstacles, and potentially higher specialist costs for consumers.

More taxes. The **government** has to pay for healthcare reform somehow. Taxing businesses is a big **strategy**. For example, medical device makers will see a new 2.9% excise tax. Families earning more than \$250,000/year will have to pay higher Medicare taxes. Also, this isn't a tax, but employers will be fined \$3,000 per employee if they don't provide affordable medical coverage.

**Pro & Con Arguments: "Should all Americans have the right (be entitled) to health care?"**

**PRO Right to Health Care**

1. All Americans should have a right to health care because the Declaration of Independence states that all men have the unalienable right to "Life," which entails having the health care needed to preserve life.
2. Health care is a right for all Americans because the Preamble of the US Constitution states its purpose is to "promote the general welfare" of the people. Just as all Americans have the right to an education, they should have the right to health care because they both "promote the general welfare."
3. Health care is a human right. The United Nations Universal Declaration of Human Rights states that "everyone has the right to a standard of living adequate for the health and well-being of oneself and one's family, including... medical care."
4. All Americans should have the right to health care as do citizens of other nations. The United States is one of the few, if not the only, developed nation in the world that does not guarantee health coverage for its citizens. [1]
5. Ensuring that all Americans have the right to health care will decrease health care costs by allowing people to receive regular and preventive medical care and not wait until they are chronically ill to seek treatment when medical costs are much higher.
6. Providing all citizens the right to health care is good for economic productivity. When people have access to health care, they live healthier and longer lives, thus allowing them to contribute to society for a longer time. The cost of bad health and shorter life spans of Americans suffering from uninsurance amounts to \$65-130 billion

**CON Right to Health Care**

1. Health care should not be a right because it is inconsistent with the Declaration of Independence, which guarantees the right to "pursue" happiness, not the right to happiness or free medical services.
2. Health care should not be considered a right because the Preamble of the US Constitution states that its purpose is to "promote" the general welfare, not to provide it.
3. Health care should not be considered a right because it is not listed in the Bill of Rights in the US Constitution. The Bill of Rights lists people's rights that the government cannot infringe upon, not services or material goods that the government must ensure for the people.
4. It is the individual's responsibility, not that of the government's, to ensure personal health. Diseases and health problems, such as obesity, cancer, stroke, and diabetes can often be prevented by individuals choosing to live healthier lifestyles.
5. No one should be entitled to health care because it is a service and a material good that a person must pay for to obtain.
6. Guaranteeing everyone health care will lead to longer wait-times for patients to receive diagnoses and treatment of illnesses, as is the case in Canada and the UK, potentially denying patients with chronic diseases timely medical care. [5]
7. Providing a right to health care is socialism and is bad for economic productivity. Socialized medicine is comparable to food stamps, housing subsidies, and welfare--all of which is charity. Distributing charity to society makes people lazy, decreases the incentive for people to strive for excellence,

<p>annually. [2]</p> <ol style="list-style-type: none"> <li>7. Lacking health care can lead people to suffer from anxiety, depression, sickness, and stress, and other symptoms that affect not only individuals, but families and communities of that individual as well.</li> <li>8. Health care costs are unaffordable and bankrupting Americans. In 2007, 62.1% of all US bankruptcies were related to medical expenses and 78% of these bankruptcies were filed by people who had medical insurance. [3][4]</li> <li>9. Guaranteeing the right to health care will encourage entrepreneurship, which is good for job creation. Currently people are afraid to start their own business for fear of losing the health insurance provided at their existing job.</li> <li>10. Health care should be a right because it will promote equal opportunity by decreasing the number of people who are economically disadvantaged in society due to bad health and medically-related financial trouble.</li> <li>11. Health care services are crucial to the functioning of a community, just like trash and water services, and should therefore be guaranteed like these services are to all Americans.</li> <li>12. The right to health care should be considered a civil right. People should not be discriminated against for being sick. Americans who are ill should not have to make the choice between financial ruin or paying for the medical treatments they need to stay alive.</li> <li>13. Coverage of all Americans would best counter or contain the spreading of epidemics such as the H1N1 flu (swine flu) or smallpox.</li> </ol>	<p>and inhibits productivity.</p> <ol style="list-style-type: none"> <li>8. A right to health care is unadministratable because it is too ambiguous what kind of treatment and services should be guaranteed.</li> <li>9. Guaranteeing health care as a right will lead to an increase in demand for health care that will decrease the quality of care because health care professionals will be overstretched.</li> <li>10. History has shown that granting health care as a right would lead to greater government deficits. Every time the government intervenes in health care, such as with Medicare and Medicaid, there is a greater redistribution of wealth and greater government spending.</li> <li>11. If health care is considered a right, then government bureaucrats will be making health, life, and death decisions that should be up to the patient and doctor to decide.</li> <li>12. Allowing health care coverage to be driven by the free market without government intervention increases competition and the incentive for providing higher quality medical technology and service.</li> <li>13. Providing health care to everyone is a huge expense and may result in tax increases thereby further harming the economy and individual pocketbooks.</li> <li>14. Guaranteeing health care for all Americans will lead to a problem known as "moral hazard," meaning that people will take riskier actions because they know that if they get hurt, they are guaranteed health care coverage.</li> </ol>
--	---