

HEALTH CARE REFORM Update 26: Here are the effective dates of major provisions of the health care overhaul legislation approved 21 MAR:

90 days after enactment:

- Provide immediate access to high-risk pools for people with no insurance for at least six months because of pre-existing conditions.
- Impose a 10% excise tax on indoor tanning for services provided on or after 1 JUL 2010

Six months after enactment:

- Bar insurers from denying people coverage when they get sick.
- Bar insurers from denying coverage to children with pre-existing conditions.
- Bar insurers from imposing lifetime caps on coverage.
- Require insurers to allow people to stay on their parents' policies until they turn 26.

Nine months after enactment – 50% of the donut hole will be covered. Eventually, the health care reform bill will close the donut hole entirely

Within A Year:

- Provide a \$250 rebate this year to Medicare prescription drug beneficiaries whose initial benefits run out when they enter the donut hole.
- Require new insurance policies to cover certain preventive-care measures with no out-of-pocket cost to the consumer.
- Require Insurance companies to stop imposing lifetime coverage limits on your insurance.
- Sharply limit annual caps on your insurance.
- Require Insurers with unusually high administrative costs to offer rebates to their customers, and every insurance company has to reveal how much it spends on overhead.

2011:

- Require individual and small group market plans to spend 80% of premium dollars on medical services. Large group plans would have to spend at least 85%.
- Taxes begin being levied on drug manufacturers.
- Physicians' Medicare fees will be cut more than 25% unless the sustainable growth rate is permanently repealed by Congress; -
- Initiate Medicare bonus of 10% over five years for primary care and general surgery (family medicine, internal medicine, geriatrics and pediatrics)

2012 - Businesses must file Form 1099s for all business-to-business transactions of \$600 or more.

2013 :

- Increase the Medicare payroll tax and expand it to dividend, interest and other unearned income for singles earning more than \$200,000 and joint filers making more than \$250,000.
- Require public reporting of physician performance to begin.
- Begin testing Medicare pilot programs care payments based on "quality over quantity" of services rendered.
- Make fewer medical expenses tax deductible.
- Raise wage taxes from 1.45% to 2.35%; - New tax of 3.8 percent levied on unearned income streams like interest and dividends; - New tax of 2.9 percent on medical device sales.

2014:

- Provide subsidies for families earning up to 400% of poverty level, currently about \$88,000 a year, to purchase health insurance.
- Require most employers to provide coverage or face penalties.
- Require most people to obtain coverage or face penalties for noncompliance.
- Create state insurance exchanges for individuals and small businesses to purchase coverage.
- Prohibit Insurance companies from denying coverage for pre-existing conditions.
- Expand Medicaid to all Americans under age 65 earning up to 133% of the federal poverty level.
- Increase Subsidies for some small business providing coverage to employees.

2015 - Initiate independent Payment Advisory to make recommendations for cutting Medicare costs.

2016:

- Penalties for individuals refusing to purchase insurance rise to 2.5% of taxable income or \$695, whichever is greater.
- Multi-state compacts allowed to sell policies across state lines

2018 - Impose a 40% excise tax on high-end insurance policies.

2019 - Expand health insurance coverage to 32 million people.

[Source: Speaker of the House, Congressional Budget Office, Kaiser Family Foundation via McClatchy Newspapers article 21 Mar 2010 ++]

=====

HEALTH CARE REFORM Update 27: The Obama Administration's health-care reform, which passed 219-212 in the House of Representatives 21 MAR and has been signed into law by the President, will lead to significant changes in the way millions of people find and buy health insurance. Advocates for consumers and patients hailed the overhaul's passage. "While the new reforms won't solve all the problems in our nation's broken health-care system, they will go a long way toward achieving the goal of affordable, reliable health care for all Americans," Jim Guest, chief executive of Consumers Union, said in a statement after the vote. Immediately following President Barack Obama's signing of the bill 12 states filed a lawsuit challenging several provisions of the new law. The suit alleges, among other things, that unfunded state Medicaid mandates and forcing individuals to purchase health insurance are unconstitutional. The lawsuit was filed by the participating states' attorneys general and names the U.S. Departments of Health and Human Services, Treasury and Labor. States joining in the lawsuit include Alabama, South Carolina, Florida, Louisiana, Nebraska, Texas, Michigan, Utah, Pennsylvania, South Dakota, Washington and Colorado. In the interim here's an outline of what you can expect depending on your employment, income, health and lifestyle factors. The exact timing of several provisions has yet to be determined:

- **If you have employer-sponsored coverage:** Any lifetime caps on how much your health plan will cover, often set between \$1 million and \$5 million, will be eliminated in both group and individual health plans starting later this year. Employers will have to disclose the cost of workers' health coverage on their W-2 tax forms starting in 2011.

- **If you have a small business:** Small firms starting this year may be eligible for new tax credits that would cover up to 35% of health-insurance premiums for businesses that have fewer than 25 employees. Workers at small businesses eventually will be able to buy policies on new health-insurance exchanges, where health benefits will have to meet a new minimum standard.

- **If you're uninsured:** Over the next 10 years, the bill will extend coverage to an estimated 32 million people who would otherwise lack coverage. It does this by expanding the government safety net and providing subsidies for low- and moderate-income people without employer health benefits to buy private plans on health-insurance exchanges, which are due to start in 2014. For the first time, all citizens and legal residents will have to buy health insurance -- with financial aid from the government if they can't afford it, on a sliding scale up to 400% of the poverty line -- or face a penalty starting in 2014, with some exceptions for low-income people. The amounts are set to rise annually, beginning with a fine of \$95 or 1% of income, whichever is greater, and growing to as much as \$695 or 2.5% of taxable income by 2016.

- **If you're low-income:** The law significantly expands Medicaid, the federal-state health program for the poor, making it available to an estimated 16 million more people with incomes up to 133% of the federal poverty level. Adults without dependent children will qualify for the first time. In addition, community health centers, on which many of the working poor rely, will receive enhanced funding.

• **If you're a young adult:** Starting six months after enactment, kids can stay on their parents' policies until age 26. Individuals younger than 30 who don't have insurance also will have the option of buying catastrophic coverage on the exchanges, according to the Kaiser Family Foundation.

Tax-related changes

• **If you have a flexible-spending account for health expenses:** Nothing changes for three years. A \$2,500 cap on contributions to these accounts, which allow users to sock away money pretax to spend on qualified health expenses, appears likely to go into effect in 2013. The cap will receive annual cost-of-living adjustments.

• **If you have a health savings account (HSA) or Archer medical savings account:** In 2011, the penalty for withdrawing funds for nonqualified medical expenses increases to 20% from 10% for HSAs and from 15% for Archer MSAs.

• **If your earned or investment income exceeds \$200,000:** In about two years, the Medicare payroll tax will rise nearly 1 percentage point to 2.35% on wages of individuals with earnings greater than \$200,000 and married couples earning more than \$250,000. A new 3.8% Medicare tax will be levied on investment income including interest, dividends and capital gains that exceed those thresholds.

• **If you itemize deductions for income tax:** Starting in 2013, medical expenses have to reach 10% of your adjusted gross income to qualify for a tax deduction, as opposed to today's 7.5% standard. But seniors age 65 and older would be able to claim an itemized deduction at 7.5% of income through 2016.

• **If you have high-cost health insurance:** A so-called Cadillac tax of 40% on plan administrators offering the richest job-based health benefits will take effect in the next few years and apply to the amount of annual premiums exceeding \$10,200 for individuals or \$27,500 for families. The thresholds are higher for retirees and workers in certain high-risk jobs.

Medicare, preventive care and tanning

• **If you have Medicare:** This year, beneficiaries with the Part D drug benefit who fall into the coverage gap that for 2010 is between \$2,700 and \$6,154 of spending will receive a \$250 rebate. In 2011, those who hit the gap will receive a 50% discount on their brand-name drugs. The so-called doughnut hole gradually will close by 2020.

• **If you take advantage of preventive care:** Full coverage for some services is slated to take effect in six months. At that time, all new insurance policies will have to make certain preventive-care visits and screenings exempt from health plans' deductibles and other cost-sharing.

• **If you go to a tanning salon:** A 10% excise tax on indoor tanning may kick as early as this summer for services provided on or after 1 JUL 2010.

[Source: Wall Street Journal MarketWatch Kristen Gerencher article 22 Mar 2010 ++]