

A User's Guide to Health Care Reform

By Patricia Barry

Need help understanding the new health care law? You're not alone. The law is huge, with many details still to be worked out. But we've boiled it down to the basics—to help you find out what it means to you. Look inside to find your situation.

10 Things You Need to Know About the New Law



Glenn Nishimura was rejected by five insurance companies for a preexisting condition but takes only a \$5-a-month diuretic. Under the new law he can't be turned down.

- 1** **Helps** 32 million more Americans get insurance.
- 2** **Makes preexisting medical conditions** a thing of the past. Insurers can't use them to deny coverage for children from this year on, or adults starting in 2014.
- 3** **Guarantees basic benefits** for everyone in Medicare, makes preventive services free for most, and gradually closes the "doughnut hole" in the Part D drug program.
- 4** **Sets up a temporary program** in July to help people with pre-existing health conditions obtain coverage.
- 5** **Provides new benefits** for most people who already have insurance, such as coverage for adult children until age 26.
- 6** **Leaves medical decisions** in the hands of you and your doctor.
- 7** **Requires most people to have coverage** by 2014 but offers subsidies for those with moderate or low income and makes more people eligible for Medicaid.
- 8** **Creates state-run insurance** exchanges offering a menu of private insurance plans for people who are uninsured, self-employed or between jobs (in 2014).
- 9** **Offers immediate tax credits** to help small businesses buy insurance for employees.
- 10** **Keeps Medicare financially sound** for nearly 10 more years and reduces the U.S. deficit by an estimated \$143 billion.

The information on this page affects about **45,200,000** Americans.

If You're Now on Medicare



■ **Joan Schneider, 67**, River Falls, Wis.

Retired teacher

■ **Insurance:** Medicare. Each year she falls into the Part D prescription drug “doughnut hole” where she must pay full price—\$1,000 a month—for her expensive diabetes and cholesterol drugs while she is in the coverage gap.

■ **Under new law:** When she hits the doughnut hole, she will get a \$250 refund this year, and beginning in 2011, a 50 percent discount on her brand-name drugs while in the coverage gap. Each succeeding year she will pay less for her drugs until 2020 when the gap closes and she will pay no more than a 25 percent copay.

Five Things in the Law That May Surprise You

- 1 **Members of Congress** will be required to buy health plans through the state-run insurance exchanges that begin in 2014.
- 2 **Illegal immigrants** are prohibited from buying health insurance through the exchanges or from getting subsidies.
- 3 **Chain restaurants** and vending machines must display calorie counts for their foods.
- 4 **Tanning parlor services** will have a 10 percent sales tax.
- 5 **New long-term care insurance** lets you make contributions while you're working in return for future cash benefits for help to remain in your home if you are sick or disabled.

The new law guarantees that your existing basic benefits will not change, regardless of whether you receive them through traditional Medicare or a private Medicare Advantage plan.

■ **New Part B benefits:** Starting in 2011, if you're in traditional Medicare, you can get an annual physical and many preventive services free. If you're in Medicare Advantage, check with your plan to see if these will be free.

■ **Part D doughnut hole:** If you enter the coverage gap this year, you receive \$250 toward your drug costs. Starting in 2011, you get a 50 percent discount on all brand-name and biologic drugs you buy in the gap. Over 10 years, you'll gradually receive more discounts for generic drugs as well as brands until the gap closes in 2020.

■ **Part B premiums:** In the next 10 years more people will likely be required to pay higher-income premiums because the current income levels on which they're based will be frozen until 2020. Those levels start at \$85,000 for a single person or \$170,000 for married couples filing joint tax returns.

■ **Part D premiums:** For the first time, people with higher incomes (the same as those for Part B above) will pay higher premiums for drug coverage, starting next year.

■ **Medicare Advantage health plans:** Medicare currently pays more for people enrolled in many of these private plans than for those in traditional Medicare. The overpayments will gradually be phased out and replaced with a payment system that rewards plans that meet certain quality standards for care and customer service. Also, starting in 2014, plans must spend at least 85 percent of the money they take in from premiums on medical care; and they will no longer be able to charge higher copayments than traditional Medicare for certain services. These changes may prompt some plans to raise premiums, drop extra benefits such as routine vision care and health club memberships, or leave Medicare.

■ **Medigap supplemental insurance:** No change. You will not be required to buy a private medigap policy. If you buy medigap insurance outside of the limited time frames when full federal protections apply, insurers can still deny coverage or require you to pay higher rates because of your health and preexisting conditions.

■ **Coverage for people under 65 with disabilities:** The two-year waiting period between qualifying for Social Security disability and becoming eligible for Medicare remains unchanged. Early proposals to do away with this delay did not make it into the final law.

■ **Medicare solvency:** Cost savings from the new law should keep Medicare financially stable almost a decade longer than if no law had been passed, according to official estimates.

The information on this page affects about **160,600,000** Americans.

If You Receive Employer Insurance

You can keep the health plan you have now. You will not be forced into a “government” plan—no such plan is offered under the new law. But you will have new protections and options, and other changes might affect you.

■ **New benefits and protections:** Starting this September, insurance companies can no longer place lifetime limits (or even annual limits from 2014) on what they will pay for your care. From next January, insurance companies will have to spend a large chunk of the money you pay for your coverage on medical care, not profits or overhead. All new plans must provide many preventive services and screenings for free—but it isn't yet clear whether this change applies to existing employer plans before 2014.

■ **If you have children:** If your insurance offers a family plan, adult children can be covered until they turn 26. No child under age 19 can be denied coverage because of preexisting medical conditions. These changes begin in the fall, but you should consult your insurer to find out which month they take effect for your plan.

■ **New long-term care insurance:** Starting next year, if your employer takes part in this program, you can choose to pay monthly premiums through payroll deductions, which after five years entitle you to cash benefits toward the costs of services—from home aides to wheelchair ramps—that help you remain in your home if you are disabled or sick.

■ **If you take early retirement:** Starting this June and running through 2013, the government will provide money to help employer health plans cover early retirees ages 55 to 64 and to reduce retirees' costs.

■ **If you have a flexible spending account:** From 2013, the maximum you can contribute to these tax-free accounts (including health savings accounts) will be reduced to \$2,500 a year, and you will no longer be able to use them to buy over-the-counter medicines not prescribed by your doctor.

■ **Wellness incentives:** Starting in 2013, employers will be allowed to offer employees discounts of up to 30 percent on their insurance costs, if they participate in a wellness program or meet health goals such as quitting smoking.

■ **New coverage options:** If your employer coverage is too expensive or too skimpy by new official standards, starting in 2014 you can switch to one of many plans offered through the state-run exchanges and may be able to get subsidies to help you buy that insurance.

■ **If you have a “Cadillac” health policy:** Eight years from now, insurance companies must pay an excise tax on the most expensive high-value employer plans. The 40 percent tax applies only to the value of the plan above certain amounts.



■ **Mark Morris, 54,** Fort Washington, Md.

General manager for restaurant chain

■ **Insurance:** Employer-sponsored plan ■ **Under new law:** The insurance he receives from his employer won't change. Now, though, the new law would permit him to keep his daughter on his insurance, something he wanted to do when she got out of school and was in her 20s.

Will My Taxes Go Up?

The new taxes mostly affect people with high incomes.

■ Beginning in 2013, if you are a married couple with income of more than \$250,000 a year or an individual making more than \$200,000 a year, you will pay an extra 0.9 percent in Medicare payroll taxes and a new 3.8 percent tax on unearned income from, for example, investment interest, annuities, rents. This tax does not include Social Security benefits, pensions or IRAs.

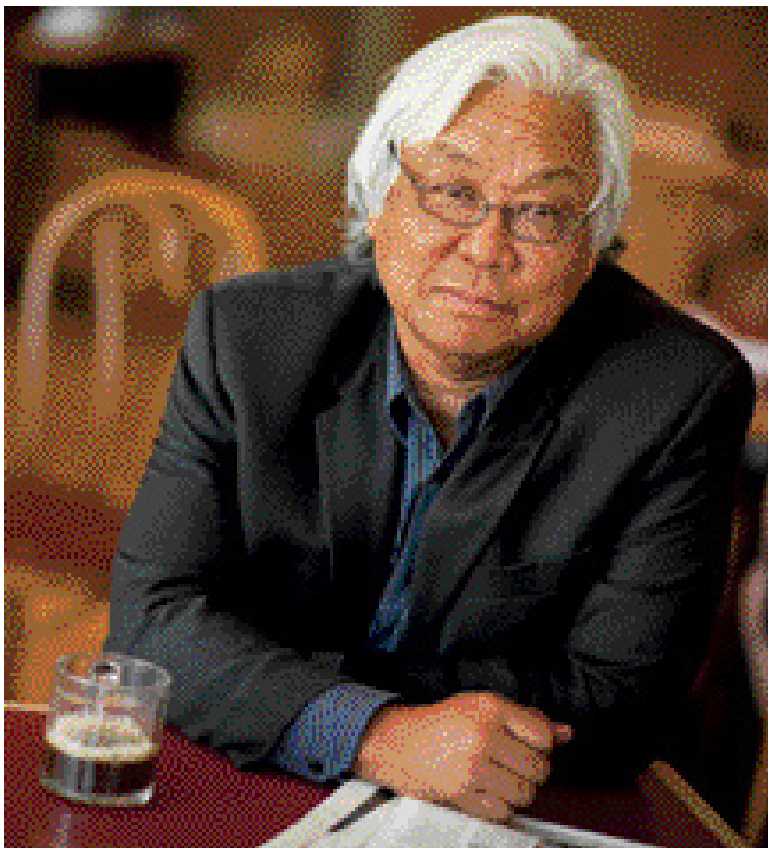
■ Whatever your income, beginning next year if you have a health savings account, the tax on your withdrawals for anything other than approved medical expenses will rise from 10 to 20 percent.

■ Starting in 2013, you can take a tax deduction only on medical expenses that exceed 10 percent of your income—up from 7.5 percent now. This change is postponed until 2016 for taxpayers age 65 and older.

The information on this page affects about **46,339,000** Americans.

If You're **Uninsured** or Buying Your Own Insurance

“ I thought the bill should have gone further, but it's still a significant achievement and I'm glad so many will be helped.



■ **Glenn Nishimura, 61**, Little Rock, Ark.
Self-employed consultant

■ **Insurance:** None. He was rejected by five insurance companies for a “pre-diabetic condition” even though he's never been hospitalized and takes only a diuretic that costs \$5 a month.

■ **Under new law:** He should be able to get insurance almost immediately through a temporary high-risk program for those with preexisting conditions who have been uninsured for at least six months. He may find that this coverage does not come cheap, but under the rules he can't pay more than \$5,950 out of pocket a year. The program starts in July and runs until 2014, when many new coverage options will be available through an insurance exchange.

If you are self-employed or working in a small business, buying insurance for yourself and your family—or have no insurance at all—you are among those that the new law helps the most. Millions of Americans currently pay the highest rates for health coverage because they buy it on their own. Others—especially those ages 50 to 64—can't buy coverage at any price because they have preexisting medical conditions. Making private insurance more accessible and fairer for consumers is a central goal of the new law.

■ **Immediate help:** If you have a preexisting condition and have been uninsured at least six months, you'll be eligible to buy coverage through a temporary high-risk program—which limits what you'll be charged for out-of-pocket costs—that starts in July and ends when insurance exchanges (see page 24) become available in 2014.

■ **Immediate coverage protections:** Insurers can no longer drop your coverage if you've paid your premiums. Health plans can't limit what they will spend on your care during your lifetime. Starting in 2014, they can't place limits on your annual health costs either. Plans must justify steep price hikes.

■ **Preexisting conditions:** Starting in September, children cannot be denied coverage because of a preexisting condition. Adults receive the same protection in 2014.

■ **Coverage for adult children:** If your company offers a family coverage plan, unmarried children can be covered under your policy until they reach age 26. This change begins in the fall, but you should consult your insurer to find out which month it takes effect for your plan.

■ **Health plan choices:** Starting in 2014, you can select a private health plan from a menu of choices offered through an insurance exchange run by your state. And your yearly out-of-pocket expenses will be limited.

■ **Enrollment and premium protections:** Health plans cannot deny you coverage or make you pay more for your insurance because of your health, past medical problems or gender, starting in 2014. But they can raise premiums by up to 50 percent for people who smoke.

■ **Free preventive care:** Health plans you buy on your own must cover certain preventive services, screenings and vaccinations free of charge. This requirement starts as soon as your current plan's next coverage year begins or when you join a new plan.

■ **Age rating:** Starting in 2014, insurers can charge older people no more than three times the amount they charge younger adults. Currently, insurers can charge older people up to 10 times what they charge younger people.

Companies with fewer than 100 workers employ about **42,686,000** Americans.

If You Run a **Small Business** or Work for One

About 80 percent of American businesses employ fewer than 10 workers, and less than half of these firms offer health insurance. Among companies with between 25 and 100 workers, 85 percent offer no coverage, according to official reports. The new law helps these small businesses provide insurance for their employees—and enables workers to change their jobs, or even set up their own businesses, without fear of losing health coverage.

■ **Benefits and protections:** Small-business employees who have health insurance will receive the same new benefits and protections as those who work for large employers with group health plans (see page 21).

■ **Tax credits for employers:** Businesses with fewer than 25 full-time workers that pay an average salary of \$50,000 or less per year get an immediate tax credit of up to 35 percent on the premiums they pay for employees' health coverage. The credit rises to 50 percent in 2014. How much of the credit you receive depends on how many workers you employ and their average wage. Starting in 2011, small businesses can also get government grants for up to five years to establish wellness programs.

■ **New insurance options for employers:** Starting in 2011, small businesses can offer "cafeteria" plans, which allow employees to transfer before-tax earnings into accounts that can be used for



medical expenses. Starting in 2014, businesses with fewer than 100 workers can buy insurance for their employees through a state-run exchange. Businesses with 50 or more workers will pay an annual penalty if they don't provide coverage.

■ **New insurance options for workers:** Starting in 2014, employees can buy health insurance for themselves and their families through an exchange if they work for a business that doesn't provide insurance. Subsidies or tax credits will be available to those with low and moderate incomes (see page 24).

Valerie Gonzalez, 56, San Antonio, Texas
Small-business owner with fewer than 50 employees

■ **Insurance:** Her company offers health insurance to the three employees in upper management, but can't afford the annual \$25,000 to \$30,000 to cover all employees.

■ **Under new law:** Next year Gonzalez can get a government grant to set up a wellness program for her workers offering benefits like a stop-smoking program. Also next year, she can offer workers the option of putting some pretax earnings into special accounts for medical expenses. Starting in 2014, her company can buy competitively priced insurance for all employees, or workers can buy their own, through a state-run exchange. —Michael Zielenziger

Who **Must Have** Insurance?

Starting in 2014 almost all U.S. residents must have at least basic health insurance. "Insurance" means coverage from employers or public programs such as Medicare, Medicaid, Veterans Affairs or insurance you buy on your own.

■ If you remain uninsured, you'll be required to pay a penalty of \$95 or 1 percent of your income, whichever is greater, in 2014, rising to \$695 or 2.5 percent of your income in 2016 and later. The penalties apply to each uninsured adult in the

household, with a \$2,085 annual limit for families.

■ You will not be fined for going without insurance if your income is so low you don't have to file taxes; if premiums for the cheapest insurance plan available would cost more than 8 percent of your income; if you can demonstrate financial hardship; or if you're an American Indian, qualify for a religious exemption or are in prison.

■ The government cannot seize your property or use liens to enforce the law, or send you to jail.

The information on this page affects about **113,273,000** Americans.

If You Have a Moderate or Low Income

Getting access to health insurance is one thing. Paying for it is another. No one knows yet how much private health plans will charge to cover people who purchase policies through the state insurance exchanges that begin in 2014, when most people will be required to have coverage. But buying it through an exchange instead of on your own will give you the advantage of group rates, which tend to be lower. Also, starting in 2014, the law helps people with moderate or low income in these ways:

■ **Provides subsidies or tax credits** to reduce the cost of buying insurance through a state exchange. This help will be given to people on a sliding scale, if your income is below a certain level. Currently, for example, that would include those individuals with incomes of \$14,403 to \$43,320 and families of four with incomes of \$29,326 to \$88,200.

■ **Limits annual out-of-pocket costs**—deductibles and co-payments—of insurance bought through an exchange for single people and families with moderate incomes. For example, a family of four now earning \$60,000 could spend no more than \$11,900 out-of-pocket for health care in a year.

■ **Expands Medicaid**, the health care program run by the states for low-income people, to cover any low-income legal residents under age 65 with annual income under a certain level—\$14,403 for a single person, \$19,378 for a married couple.

For the first time, these measures offer financial help with health insurance to millions of Americans without access to government-run programs like Medicare or employer health plans—and drastically reduce the risk of going bankrupt because of medical expenses. Whether the changes are sufficient, or still leave some people falling through the cracks, remains to be seen.



“The new law helps those people who can't get insurance now because of the insurance companies' practices.”

Karen Spichiger,
63, Bluffton, Ind.
*Retired customer
service representative*

■ **Insurance:** She called 10 insurance companies, but none would insure her because she has a pacemaker and diabetes. She finally was accepted for a policy that covers a limited number of doctor visits, but not all the blood tests and other routine lab work she needs.

■ **Under new law:** Help for Spichiger won't come before she qualifies for Medicare in two years. But beyond 2013, others like her will be able to buy insurance that has comprehensive benefits—with tax credits and subsidies for those with moderate or low income—and preexisting conditions won't be an obstacle to getting coverage.

How Insurance Exchanges Will Work

The new exchanges are being compared to websites like Travelocity or Orbitz, but they'll be set up for you to buy health insurance rather than book travel and hotels.

Starting Jan. 1, 2014, those who want to buy private health insurance for themselves and

their families will be able to use these state-run exchanges to find better deals. Instead of searching individually for an insurer, you'll be able to use the exchange to choose a private plan from a menu of options. Plans cannot refuse to sell you a policy and must comply with the

new consumer protections.

Insurance plans will vary—from generous to modest—but each plan must include basic, comprehensive medical coverage and prescription drug benefits. As with the online travel services, you'll be able to compare the plans' costs and

benefits head-to-head online.

What policies will cost is not yet known, but there will be annual limits on how much you have to spend on your deductible and copays. Subsidies or tax credits will be available if you have a low or moderate income.

\$390 billion in savings from Medicare over 10 years, with basic benefits protected.

Just Where Are Those Savings Coming From?

The new health reform law wrings \$390 billion in savings from Medicare over the next decade to help pay for health care reforms—but spending on the program will continue to rise.

How can the new legislation reduce Medicare costs and still spend millions more dollars on improvements like closing the gap in drug coverage and offering free preventive care? Here's a quick lesson in Medicare math.

These are cuts in future increases, not cuts in services, experts explain.

Medicare spending has grown about 8 percent annually over 20 years, according to the Congressional Budget Office, an independent arm of Congress. The law could slow down the annual increase in spending to about 6 percent over the next 20 years, the CBO has reported.

For example, of the projected \$390 billion in savings—the latest estimate from Congressional Research Service—\$196 billion comes from smaller *increases* in payments to hospitals, nursing homes, home health workers and other medical providers. But physicians who work in primary care will be rewarded with a 10 percent bonus. Hospitals that prevent readmissions or hospital-acquired infections will be paid more than those that do not. The American Hospital Association and the American Medical Association were among the many health care organizations that backed the legislation, along with advocacy groups.

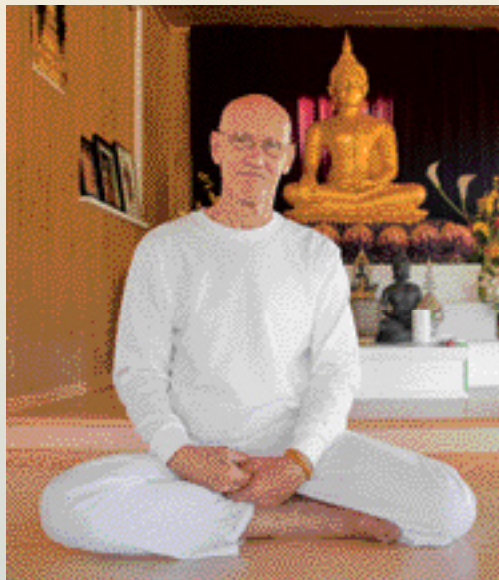
Medicare Advantage Another piece of the \$390 billion savings, about \$136 billion, comes from reductions in subsidies

paid to private health insurance plans, called Medicare Advantage, that provide medical and drug coverage to about one of four people in Medicare. Currently, Medicare pays the private plans an average of 14 percent more to care for a member than it would cost if that person remained in traditional Medicare.

In 2012, the government will start lowering these overpayments to Medicare Advantage plans. Insurers contend they will be forced to cut benefits. But the law prohibits plans from reducing or eliminating essential guaranteed Medicare benefits. It also protects plan members by requiring that at least 85 cents of every dollar insurers receive is spent on benefits.

Guarantees The law also requires Medicare to spend more wisely. For example, a new independent Medicare advisory board is expected to save the program \$16 billion over 10 years. Cracking down on fraud and waste will save an estimated \$7 billion. Even bonus payments and innovations aimed at improving patient care are intended to produce a long-term payoff: People who get more effective treatment can recover more quickly from medical setbacks, and that saves Medicare money, too.

Finally, the law comes with a Medicare warranty in Section 3601: Nothing in the law can cut current Medicare benefits, and the Medicare savings it achieves “shall extend the solvency of the Medicare trust funds, reduce Medicare premiums and other cost-sharing for beneficiaries, and improve or expand guaranteed Medicare benefits and protect access to Medicare providers.” —Susan Jaffe



E. Raymond Rock, 68, Barksdale, Texas, meditation instructor

Insurance: Medicare Advantage. Rock worried that Medicare Advantage plans will be axed. He and others in these plans may lose some extras—like free eyeglasses and health club memberships—but the program won't disappear and basic Medicare benefits will not be cut.

How Will the New Law Affect My Doctors?

Americans are already struggling with a shortage of primary care doctors. While some fear that insuring more people will make it even harder to find a doctor, groups like the American Medical Association say the new law will help improve the situation.

■ Medicare will give extra payments to physicians and nurses providing primary care in areas with doctor shortages. Adjusting Medicare payments to reflect regional differences will benefit doctors in 42 states, the AMA says. Medicaid doctors will see pay increases. Paperwork will be simplified, to give doctors more time with patients.

■ New measures to attract more doctors, nurses and physician assistants to primary care include forgiving

student loans for those who practice in areas that need medical workers. Community health centers will receive \$11 billion starting in 2011, allowing them to serve some 20 million new patients.

■ More health professionals in Medicare will be paid for the quality of care they provide rather than the number of services they perform—a change that is expected to lower costs while improving care and is likely to be adopted by private insurers, too.

Federal employee health care program covers about **8,000,000** Americans.

Coverage As Good as Congress'?

Many Americans will get the same deal as members of Congress. The new law requires these legislators to buy coverage through state insurance exchanges that start in 2014. The exchanges—mainly for those who don't have employer insurance—will offer options closely resembling those that all federal workers have today as this chart shows:

Federal Employees Health Benefits Program	Coverage Provisions	The New Health Care Reform Law
Many private plans of all types, available through a national exchange run by federal government, for federal employees, retirees and dependents	Choice of insurance plans	Many private plans of all types, available through state-run insurance exchanges, for individuals and families without employer or public coverage
Vary according to plan, with specific minimum benefit package	Benefits	Vary according to plan, with specific minimum benefit package
No	Can insurers deny coverage or charge higher rates based on health status or preexisting conditions?	No
No	Can insurers charge higher rates based on age?	Yes, up to a limit
No	Can insurers charge higher rates based on gender?	No
Yes, up to 75% of premiums	Government subsidies	Yes, reduced premiums for enrollees with incomes below a certain level
Yes	Annual out-of-pocket expense maximum	Yes
Yes, through age 21	Coverage for dependent children	Yes, through age 25
Yes	Year-round prescription drug coverage	Yes, and also narrows and finally eliminates Medicare Part D "doughnut hole" by 2020
Yes	Plans required to meet certain standards to participate in program	Yes
Yes	Plan details posted online so consumers can compare costs and benefits before enrolling	Yes
Yes	Enrollees allowed to switch plans each year	Yes

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