



Implementation of Health Reform Provisions

2010

2010

The bill creates a **temporary insurance program for the uninsured**. The bill appropriates \$5 billion to create a temporary, federally subsidized insurance program for people who have been rejected by insurers and have been uninsured for six months or more. The pool will be established within six months and will operate until 2014, when insurance companies can no longer refuse to insure applicants with pre-existing health problems. It is not yet known how much consumers will pay, but reports indicate annual out-of-pocket medical costs will be capped at \$5,950 for individuals and \$11,900 for families. Existing similar programs provide insurance for about 200,000 at an estimated cost of \$1 billion per year.

Insurers will no longer deny coverage for children with pre-existing conditions.

Insurers will not be allowed to set lifetime coverage limits for adults and children.

Medicare Part D **“Doughnut Hole” starts closing**. Medicare beneficiaries who hit the Medicare Part D “doughnut hole” can receive a \$250 rebate this year. About 48,000 Nebraska seniors may qualify.

Medicare beneficiaries will not have to pay co-pays or deductibles for preventive care, such as colon, prostate, and breast cancer screenings.

Dependent children can remain on their parents' health insurance plans until age 26, unless the child is eligible for coverage through his/her employer. Insurance plans cannot exclude pre-existing medical conditions from coverage for children under age 19, although insurers could still reject those children outright for coverage in the individual market until 2014.

Tax credits are available to small businesses seeking to purchase insurance. Businesses with less than 25 employees and wages that average less than \$50,000 annually could qualify for a tax credit of up to 35% of the cost of their insurance premiums. There are an estimated 33,000 small businesses in Nebraska that may qualify for the credits.

Lifetime caps will be lifted. Existing insurance plans will be barred from imposing lifetime caps on coverage.

Insurers will not be allowed to retroactively cancel insurance. Insurers can no longer cancel insurance retroactively, except for fraud.

Insurers must begin reporting how much they spend on medical care versus administrative costs.

A 10% tax on indoor tanning salon services begins.

2011

Medicare beneficiaries who hit the Medicare Part D **“doughnut hole” will have their cost of drugs in the coverage gap reduced by 50%**.

Government **payments to Medicare Advantage private contractors will be reduced**. Medicare Advantage enrollees might lose extra benefits, such as free eyeglasses, hearing aids and gym memberships. Reductions in high-cost areas like New York City and Florida will be phased in over as much as seven years. About 13% of Medicare beneficiaries in Nebraska have purchased a Medicare Advantage plan.

2012

Medicare **beneficiaries who hit the Medicare Part D “doughnut hole” will see drug discounts for all drugs, eliminating the doughnut hole by 2020**. The result is seniors who now pay 100% of their drug costs once they hit the doughnut hole, would pay 25%. Subsidies would be reduced for individuals earning more than \$85,000 or couples earning more than \$170,000.

2013

Flexible spending accounts, which are pre-tax dollar employee contributions, **will be limited to \$2,500** annually.

Individuals earning \$200,000 annually or couples earning \$250,000 or more would see their Medicare payroll tax increase from 1.45% to 2.35%. In addition, these individuals/couples would face an additional 3.8% tax on unearned



income such as dividends and interest above the threshold. According to Census information 1.4% (about 24,800) of Nebraska households earn \$250,000 or more annually.

The law raises the threshold for deducting unreimbursed medical expenses from 7.5% of adjusted gross income to 10%.

2014 -----

Most Americans will be required to have health insurance or face a financial penalty. The financial penalty will start at 1% of income in 2014 and rise to the maximum of \$2,085 for a family in 2016.

There are **exemptions for Native American Indians, religious objections or financial hardship**.

Uninsured persons under age 30 will have the option to buy a health policy that only pays for catastrophic medical costs which would start paying after the first \$6,000 of out of pocket medical expenses. The policy must allow for three primary care visits a year.

Companies with less than 50 employees won't face penalties if they don't offer insurance.

Companies with more than 50 employees that do not offer coverage would face a potential fee of up to \$2,000 per full-time employee if any of their workers receive government-subsidized insurance coverage in the exchanges. The first 30 workers would be excluded from the assessment.

For companies with less than 25 employees that have an average wage of \$50,000 or less that want to purchase insurance, **the tax credits increase from 35% to as much as 50%**. Full tax credits are for the smallest companies with low-wage workers; the subsidies shrink as the number of employees in a company and average wage rises.

Uninsured low income earners may qualify for the expanded Medicaid. Medicaid eligibility, the federal-state program for the poor and disabled will be expanded in 2014. Low-income adults, including those without children, would be eligible, if their incomes don't exceed 133% of the federal poverty level (\$14,404 for individuals, \$29,326 for a family of four). It is estimated about 80,000 Nebraskans might be eligible under the new expanded Medicaid.

Medicaid reimbursements to health care providers will be increased for two years to the same level as Medicare to incent doctors to accept Medicaid.

Starting in 2014 those who don't qualify for Medicaid might qualify for government subsidies to help buy private insurance that would be sold through the new state-based insurance exchanges. Premium subsidies would be available on a sliding scale for individuals and families with incomes between 133% to 400% of the poverty level. [\$14,404 to \$43,320 for individuals; \$29,326 to \$88,200 for a family of four]. Example - a family of four earning 150% of the poverty level (\$33,075 a year) would pay 4% of their income or \$1,323 toward premiums, but a family with income of 400% of the poverty level would pay 9.5% or \$8,379 a year.

Insurers would be barred from rejecting applicants based on health status once the state insurance exchanges are operating.

Annual limits on health coverage would be banned.

Policies sold through the state insurance exchanges would cover a basic range of benefits, including hospitalizations, doctor visits, prescription drugs, maternity care and certain preventive tests. The bill permits states to join together to allow private insurance to be purchased across state lines.

2018 -----

The bill establishes a 40% excise tax on the portion of employer-sponsored health coverage (excluding dental and vision) that exceeds \$10,200 a year for individuals and \$27,500 for families. (the so-called Cadillac Insurance Plans). Typical employee group health insurance plans in Nebraska are well below these amounts.

Sources- Kaiser Health News, New York Times, Associated Press, HealthReform.gov, Newsweek