

Healthcare Reform Provisions Kick in Over 10 Years

Janice Simmons, for HealthLeaders Media, March 23, 2010

Many of the provisions included in the healthcare reform legislation approved Sunday—and the bill that adds fixes to that measure that was sent to the Senate—would take place not immediately, but along a 10-year timeline through 2020. Here's a glimpse of how that timeline rolls out:

2010

- Adults with pre-existing conditions who have been uninsured for at least six months can enroll in a temporary high risk health insurance pool and receive subsidized premiums--beginning three months after the bill's passage. (The pools expire when exchanges are implemented in 2014.)
- All health insurance plans are to offer dependent coverage for children through age 26; insurers are prohibited from denying coverage to children because of pre existing health problems.
- Insurance companies can no longer put lifetime dollar limits on coverage and cancel policies--except in cases of fraud.
- Tax credits will be provided to help small businesses with 25 employees or fewer to get and keep coverage for these employees.
- The Medicare "doughnut hole," in which beneficiaries had to pay full cost of their prescription drugs, begins narrowing by providing a \$250 rebate this year to those in the gap, which starts this year after they have spent \$2,830. The doughnut hole fully closes by 2020.
- Indoor tanning has a 10% sales tax.

2011

- For Medicare beneficiaries reaching the Medicare doughnut hole, prescription coverage will be available with a 50% discount on brand name drugs.
- A 10% Medicare bonus will be provided to primary care physicians and general surgeons practicing in underserved areas, such as inner cities and rural communities.
- Medicare Advantage plans would begin to have their payments frozen—and then lowered in 2012. The plans would have to spend at least 85 cents out of every dollar on medical costs, while leaving 15 cents for plan operations, including overhead and salaries. Reductions would be phased in over the next three to seven years.
- A voluntary long term care insurance program would be made available to provide a modest cash benefit for assisting disabled individuals to stay in their homes or cover nursing home costs. Benefits would start five years after people begin paying a fee for coverage.
- Funding for community health centers would be increased to provide care for many low income and uninsured people.
- Employers would be required to report the value of healthcare benefits on employees' W 2 tax statements.
- Pharmaceutical manufacturers will have a \$2.3 billion annual fee that will increase over time.

2012

- Nonprofit insurance co ops would be created to compete with commercial insurers. Hospitals, physicians, and payers would be encouraged to band together in "accountable care organizations."
- Hospitals with high rates of preventable readmissions would face reduced Medicare payments.

2013

- Individuals making \$200,000 a year or couples making \$250,000 would have a higher Medicare payroll tax of 2.35%—up from the current 1.45%. A new tax of 3.8% on unearned income, such as dividends and interest, is also added.
- Medical expense contributions to tax sheltered flexible spending accounts (FSAs) are limited to \$2,500 a year—indexed for inflation. In addition, the thresholds for claiming itemized tax deduction for medical expenses rise from 7.5% to 10% of income. People age 65 or older can still deduct medical expenses above 7.5% of income through 2016.
- Medicare device makers would have a 2.3% sales tax on medical devices; devices such as eyeglasses, contact lenses, and hearing aids would be exempt.

2014

- New state health insurance exchanges would be created. Income based tax credits will be available for many consumers in the exchanges. The sliding scale credits phase out for households that are four times above the federal poverty level (about \$88,000 for a family of four).
- Medicaid would be expanded to cover low income individuals up to 133% of the federal poverty level—about \$28,300 for a family of four.
- Insurers would be prohibited from denying coverage to people with pre existing conditions, or charge higher rates to those with poor or chronic health conditions. Premiums (with limitations) can only vary by age, place of residence, family size, and tobacco use.
- Insurers will be required to cover maternity care as they do other medical procedures
- All legal residents would be required to have health insurance—except in cases of financial hardship—or pay a fine to the IRS. The individual penalty starts at \$95 each in 2014—rising to \$695 in 2016. Family penalties are capped at \$2,250; penalties will be indexed for inflation after 2016.
- Employers with more than 50 workers would be penalized if any of their workers get coverage through the exchange and receive a tax credit. The penalty is \$2,000 times the total number of workers employed at the company. However, employers get to deduct the first 30 workers.

2018

- A tax would be imposed on employer sponsored health insurance worth more than \$10,200 for individual coverage, and \$27,500 for a family plan. The tax is 40% of the value of the plan above the thresholds, indexed for inflation.

2020

- Doughnut hole coverage gap in Medicare prescription benefit is phased out. Seniors continue to pay the standard 25% of their drug costs until they reach the threshold for Medicare catastrophic coverage.