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MEMBER

Health Care Overhaul: When and How It Will Affect You

On March 23rd, President Barack Obama signed into law the nation's most sweeping social legislation in decades. After over a year of grueling debate in Congress, American consumers can now try and figure out how they will be affected by the Patient Protection and Affordable Care Act ("the Act"). The uninsured are clearly the biggest beneficiaries of the legislation, which will extend the healthcare safety net for the lowest income Americans. For those who are already covered by a large employer, representing most Americans, the effect won't be as significant. According to the Congressional Budget Office, the estimated cost of the overhaul is \$938 billion over 10 years. The legislation is meant to provide coverage for as many as 32 million uninsured Americans. Major coverage expansion will begin in 2014.

The following is a **timeline of implementation dates** for when some of the key provisions of the Act will take effect.

2010

- High Risk pool program to begin funding \$5B for health insurance coverage for eligible individuals (within 90 days of enactment until January 1, 2014).
- **Insurance reforms** imposed: no denial of coverage to children with preexisting conditions, children permitted to remain on parents' policies until age 26, prohibits lifetime limits on dollar value of coverage (within 6 months).
- States must establish and implement process for reviewing premium increases.
- For tax years 2010-2013, employer tax credit Phase I.
- Imposes 10% tax on indoor tanning services.
- Requires insurance companies to report medical loss ratios.
- Establish an office of health insurance consumer assistance or ombudsman program to advocate for people with private coverage in the individual and small group markets.
- Authorizes FDA to approve FOBs.
- Establishes Patient-Centered Outcomes Research Institute.
- **Medicare**: \$250 rebate to Medicare beneficiaries reaching Part D coverage gap in 2010 and gradually eliminate the Medicare Part D coverage gap by 2020.

2011

- Excludes costs for OTC drugs not prescribed by a doctor from being reimbursed through an HRA or health FSA and from being reimbursed on a tax-free basis through an HSA or Archer Medical Savings Account.
- Increase tax on distributions from HSA or Archer MSA not used for qualified medical expenses to 20%.

- Imposes \$2.5 billion fee on pharmaceutical manufacturing sector.
- Requires insurance companies to begin providing rebates related to medical loss ratios.
- Develop standards for insurers to use in providing information on benefits and coverage.
- Rules adopted by July 1 for simplifying health insurance administration by adopting a single set of operating rules for eligibility verification and claims status.
- Revised (reduced) payments to Medicare Advantage plans begin, phased in over 3 years.
- Creates payment innovation center within CMS.
- Establish a national, voluntary insurance program for purchasing community living assistance services and supports (CLASS) program.
- Require pharmaceutical manufacturers to provide a 50% discount on brand-name prescriptions filled in the Medicare Part D coverage gap beginning in 2011.
- Begin phase-in of subsidies of 75% of generic drug cost for prescriptions filled in the Part D Coverage gap.
- Increases funding to community health centers by \$11B over five years.
- Require chain restaurants and food sold from vending machines to disclose the nutritional content of each item.

2012

- Imposes \$3.0 billion fee on pharmaceutical manufacturing sector through 2016.
- Electronic funds transfers and health care payment and remittance rules adopted by July 1
- Reduce Medicare payments for preventive hospital readmissions.

2013

- Increase the threshold for the itemized deduction for unreimbursed medical expenses from 7.5% of adjusted gross income to 10% of adjusted gross income for regular tax purposes. Waives increase for individuals 65 and older for tax years 2013-2016.
- Limit the amount of contributions to a flexible spending account for medical expenses to \$2,500 per year increased annually by the cost of living adjustment.
- Increases Medicare Part A tax rate on wages by 0.9% on earnings over \$200,000 for individuals and \$250,000 for married couples filing jointly. Imposes a 3.8% tax on unearned income for higher-income taxpayers.
- Eliminates tax deduction for employers receiving Medicare Part D retiree drug subsidy payments.
- Imposes excise tax of 2.9% on the sale of any taxable medical device.
- Create the Consumer Operated and Oriented Plan (CO-OP) program. Appropriate \$6 billion to finance program and award loans and grants to establish CO-OPs by July 1.
- Regulations issued by July 1 permitting states to form health care choice compacts and allow insurers to sell policies in any state participating in the compact.
- Administrative simplification rules become effective Jan 1.
- Electronic funds transfers and health care payment and remittance rules become effective Jan. 1.
- Begin phasing-in federal subsidies for brand-name prescriptions filled in the Medicare Part D coverage gap (to 25% in 2020, in addition to the 50% manufacturer brand-name discount).

- Medicare pilot program begins to test bundled payments.
- Increase Medicaid payments for primary care services provided by primary care doctors for 2013 and 2014 with 100% federal funding.

2014

- Individual mandate phased-in.
- Premium and cost-sharing subsidies to individuals.
- Employer mandate begins.
- For tax years 2014 and beyond, employer tax credit Phase II begins.
- Medicaid expansion begins. States to receive 100% federal financing for increased payment rates through 2016, after which the payment will phase-down.
- Temporary reinsurance program for employers providing insurance to retirees over age 55 still not eligible for Medicare begins.
- Imposes \$8 billion fee on insurance sector.
- Provisions relating to American Health Benefit Exchanges effective January 1, unless otherwise noted.
- Creates essential health benefits package. All health plans except grandfathered individual and employer-sponsored plans, required to offer at least the essential health benefits package.
- Grandfathered group plans may only impose annual limits as determined by HHS. Must eliminate pre-existing condition exclusions for adults.
- Limit waiting periods for coverage to 90 days.
- Allow states the option of merging the individual and small group markets.
- Require risk adjustment in the individual and small group markets.
- States permitted to create a Basic Health Plan for uninsured individuals between 133-200% FPL in lieu of these individuals receiving premium subsidies to purchase coverage in the Exchange.
- Health claims or equivalent encounter information, enrollment and disenrollment in a health plan, plan premium payments and referral certification and authorization rules adopted by July 1.

2015

- Imposes \$11.3 billion fee on insurance sector through 2016.
- Creates state-based American Health Benefit Exchanges and Small Business Health Options Program Exchanges for individuals & small businesses with up to 100 employees.

2016

- Health claims or equivalent encounter information, enrollment and disenrollment in a health plan, plan premium payments and referral certification and authorization rules effective by Jan. 1.

2017

- Imposes \$3.5 billion fee on pharmaceutical manufacturing sector.
- Imposes \$13.9 billion fee on insurance sector.
- States may allow businesses with more than 100 employees to purchase coverage in the SHOP exchange.

2018

- Excise tax on “Cadillac plans” valued at more than \$10,300 for individual coverage and \$27,500 for family coverage.
- Imposes \$4.2 billion fee on pharmaceutical manufacturing sector.
- Imposes \$14.3 billion fee on insurance sector.
- Independent Payments Advisory Board recommendations submitted if Medicare per capita spending exceeds GDP per capita plus 1% (to reduce per capita increase in Medicare spending).

For more information on the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, visit the following websites:

Henry J. Kaiser Family Foundation: www.kff.org/healthreform/8060.cfm

U.S. Department of Health and Human Services: www.healthreform.gov

Coalition for Affordable Health Coverage: www.cahc.net