Healthcare Reform ~~is coming~~ is HERE!
Just how affordable is the new "affordable healthcare legislation"?
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Introduction

Pros

More coverage – an additional 30 million Americans who are currently uninsured will now have access to healthcare. In fact, 95% of the country is expected to have health coverage by 2014.

No limits – beginning in 2014 there will no longer be any annual or lifetime limits on your coverage. This is a significant benefit for individuals with catastrophic illnesses that require treatment that often cost well beyond the $1 million lifetime benefits limit that typical insurance policies now contain.

No pre-existing conditions – beginning in 2011, coverage cannot be denied for pre-existing conditions for children under the age of 19. By 2014, this will be extended to all Americans regardless of age.

Cheaper prescriptions for seniors – the so called "donut hole" is being closed in the Medicare Part D coverage. Seniors will begin receiving $250 rebate checks in 2010 as the first step in closing this coverage gap.

Insurance for adult dependants – beginning in 2011, children who are still living at home can now remain on their parent's insurance policy until they are 26 years old. This applies whether these dependent children are a student or not or even if they are married or not.

Expanded Medicaid eligibility – low income individuals/families that earn up to 133% of federal poverty level (FPL) would now be eligible for Medicaid. A family of four earning less than $29,327 would be eligible. This is expected to allow 16 million Americans to join the Medicaid program by 2019.

Low income subsidies – Federal subsidies for insurance premiums will be provided to individuals earning up to 400% of the federal poverty level (FPL) unless they have access to affordable employer coverage. For a family of four, you would receive a subsidy if you earn less than $88,200.

Cons

Cost – the cost of this healthcare reform bill is conservatively estimated at nearly $1 trillion. Despite the high price tag, most experts forecast that individual health costs will continue to climb and the quality of care is likely to suffer given the higher volumes of patients that will now need to be treated.

Individual mandates – the government now requires each individual to purchase basic health insurance or pay an income tax penalty. This mandate has already sparked multiple lawsuits as states argue that it is unconstitutional for the Federal government to require individuals to purchase insurance.

Medicare cuts – to help fund this healthcare reform, Congress is reducing Medicare benefits by $500 billion. This is particularly concerning to our large, baby boomer generation that is just now entering retirement.

Higher taxes – businesses and high-wealth individuals will see tax increases in an effort to account for some of the costs of healthcare reform. Families earning more than $250,000/year will have to pay higher Medicare taxes, while medical device makers will see a new 2.9% excise tax. Of course these higher tax costs will eventually be passed on to consumers.

Higher premiums – introducing an additional 30 million people into the insurance pool will result in higher insurance premiums for the 85% of Americans that currently have insurance. Towers Watson, a leading HR consulting firm, estimates that the average person will see premium increases of 10-12% each year due to the healthcare reform bill.

Excise tax on Cadillac health plans – beginning in 2018, employers will be required to pay a 40% excise tax on insurance plans where the health coverage exceeds a specified value per year ($10,200 single coverage/$27,500 family coverage). While that sounds like a lot of money, with the expected increase in healthcare premiums it is likely that the majority of plans will be classified as a “Cadillac” health plan under these criteria. This will lead companies to reduce their insurance offerings to avoid paying hefty penalties.

Employer mandates – by 2014, employers are required to offer health plans to all employees who work more than 30 hours per week, or pay a $2,000 per employee penalty to the government.

Rationing – while possibly far-fetched, many believe that introducing an additional 30 million patients into our already over-stretched health system will by necessity lead to some form of rationing. Physicians and hospitals, facing lower levels of reimbursement, will be forced to make difficult decisions as to the level of treatment that they will offer.

HSA withdrawal tax – individuals with healthcare savings accounts (HSA) will now pay a 20% penalty for any withdrawals made for non-health expenses.

Changes – Within the first year (2010):

• Young adults will be able stay on their parents' insurance until their 26th birthday.

• Seniors will get a $250 rebate to help fill the "doughnut hole" in Medicare prescription drug coverage, which falls between the $2,700 initial limit and when catastrophic coverage kicks in at $6,154.

• Insurers will be barred from imposing exclusions on children with pre-existing conditions. Pools will cover those with pre-existing health conditions until health care coverage exchanges are operational.

• Insurers will not be able to rescind policies to avoid paying medical bills when a person becomes ill.

• Lifetime limits on benefits and restrictive annual limits will be prohibited.

• New plans must provide coverage for preventive services without co-pays. All plans must comply by 2018.

• A temporary reinsurance program will help offset costs of coverage for companies that provide early retiree health benefits for those ages 55 to 64.

• New plans will be required to implement an appeals process for coverage determinations and claims.

• Adoption tax credit and assistance exclusion will increase by $1,000. The bill makes the credit refundable and extends it through 2011.

• A 10 percent tax will be imposed on amounts paid for indoor tanning services on or after July 1.

• Businesses with fewer than 50 employees will get tax credits covering 35 percent of their health care premiums, increasing to 50 percent by 2014.

Changes – 2011:

• Medicare will provide free annual wellness visits and personalized prevention plans. New plans will be required to cover preventive services with no co-pay.

• States can offer home- and community-based services to the disabled through Medicaid rather than institutional care beginning October 1.

• A 50 percent discount will be provided on brand-name drugs for Prescription Drug Plan or Medicare Advantage enrollees. Additional discounts on brand-name and generic drugs will be phased in to completely close the "doughnut hole" by 2020.

• Additional tax for health savings account withdrawals before age 65 for nonqualified medical expenses will increase from 10 percent to 20 percent. Additional tax for Archer medical savings account withdrawals not used for qualified medical expenses will increase from 15 percent to 20 percent.

• A plan to provide a vehicle for small businesses to offer tax-free benefits will be created. This would ease the small employer's administrative burden of sponsoring a cafeteria plan.

• The Medicare payroll tax will increase from 1.45 percent to 2.35 percent for individuals earning more than $200,000 and married filing jointly above $250,000.

Changes – 2013:

• Health plans must implement uniform standards for electronic exchange of health information to reduce paperwork and administrative costs.

• Contributions to flexible savings accounts will be limited to $2,500 per year, indexed by the Consumer Price Index in subsequent years.

• The Employer Medicare Part D subsidy deduction will be eliminated. Employers will lose the tax deduction for subsidizing prescription drug plans for Medicare Part D-eligible retirees.

• There will be increases to the income threshold from 7.5 percent to 10 percent of adjusted gross income. Those older than 65 can claim the 7.5 percent deduction through 2016.

• The hospital insurance tax will increase 0.9 percentage points for those earning more than $200,000 ($250,000 for married filing jointly), and it includes net investment income.

• A 2.9 percent excise tax on the first sale of medical devices will be established. Excepted are eyeglasses, contact lenses, hearing aids or other items for individual use.

Changes – 2014:

• Citizens will be required to have acceptable coverage or pay a penalty of $95 in 2014, $325 in 2015, $695 (or up to 2.5 percent of income) in 2016. Families will pay half the amount for children, up to a cap of $2,250 per family. After 2016, penalties are indexed to Consumer Price Index.

• Workers who are exempt from individual responsibility for coverage but don't qualify for tax credits can take their employer contribution and join an exchange plan.

• Companies with 50 or more employees must offer coverage to employees or pay a $2,000 penalty per employee after their first 30 if at least one of their employees receives a tax credit. Waiting periods before insurance takes effect is limited to 90 days. Employers who offer coverage but whose employees receive tax credits will pay $3,000 for each worker receiving a tax credit.

• Insurers can no longer refuse to sell or renew policies because of an individual's health status. Health plans can no longer exclude coverage for pre-existing conditions. Insurers can't charge higher rates because of heath status, gender or other factors.

• Health plans will be prohibited from imposing annual limits on coverage.

• Health insurance exchanges will open in each state to individuals and small employers to comparison shop for standardized health packages.

• Credits will be available through exchanges for those whose income is above Medicaid eligibility and below 400 percent of poverty level who are not eligible for or offered other acceptable coverage.

• Medicaid eligibility will increase to 133 percent of poverty for all nonelderly individuals to ensure that people obtain affordable health care in the most efficient and appropriate manner. States will receive increased federal funding to cover these new populations.

• An annual health insurance provider fee will be imposed across the health insurance sector according to insurers' market share to companies whose total premiums exceed $25 million.

Changes – 2018:

• 2018 Taxing "Cadillac" plans: An excise tax will be imposed on high-cost, employer-provided health plans beyond $27,500 for family coverage and $10,200 for single coverage; it will increase to $30,950 for families and $11,850 for individuals, retirees and employees in high-risk professions.

Concluding Q & A