

GREENBERG, WEXLER & EIG, LLC

Frequently Asked Questions about Healthcare Reform

On Tuesday, March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act; the Senate approved healthcare reform measure that was passed in the House on Sunday, March 21st, 2010. The Health Care and Education Reconciliation Act of 2010 was signed into law by the President on Tuesday, March 30, 2010. Below are answers to some frequently asked questions regarding what healthcare reform will mean to consumers:

When will provisions in the bill take effect?

Below is a chart outlining when some of the major changes will happen:

Provision in the Bill	Effective Date
\$250 rebate to Medicare prescription drug beneficiaries who reach the coverage gap called "doughnut hole"	Within 1 year
Immediate access to high risk pools for people with no insurance due to pre-existing conditions	90 days after the enactment
Bar insurers from: <ul style="list-style-type: none"> • Denying people coverage when they get sick • Denying coverage to children with pre-existing conditions • Imposing lifetime caps on coverage 	6 months after the enactment
Require insurers to allow young people to stay on their parents' policies until their 26th birthday regardless of marital or student status as long as they are not eligible for other employer coverage (children of these dependents are not eligible for coverage)	Plan years beginning on or after September 23, 2010
Require individual and small group market plans to spend 80% of premium dollars on medical services and large group plans will be required to spend at least 85%	Plan years beginning on or after March 23, 2010
Increase the Medicare payroll tax and expand to dividend, interest and other unearned income for single filers earning more than \$200,000 and joint filers earning more than \$250,000	2013
Provide subsidies for families earning up to 400% of the poverty level	Plan years beginning on or after January 1, 2014
Require most employers to provide coverage to employees or face penalties	Plan years beginning on or after January 1, 2014
Require most people to obtain coverage or face penalties	Plan years beginning on or after January 1, 2014
Create exchanges where people without employers coverage, as well as small businesses, can shop for health coverage	Plan years beginning on or after January 1, 2014
Impose 40% excise tax on high-end insurance policies	January 1, 2018
Expand health insurance coverage to 32 million people	2019

What are the requirements for individuals to buy insurance?

Starting in 2014, an individual without healthcare coverage will pay a fine of \$95 or 1% of income, whichever is higher. That fine will increase to \$695 or 2.5% of income by 2016. The bill would exempt the lowest-income people from that insurance requirement. Medicaid would be expanded to cover those under age 65 with an income of up to 133% of the federal poverty level, and the legislation would offer premium subsidies for people with incomes more than 133% but less than 400% of the federal poverty level. In addition, individuals in their 20s are going to have to buy a lower-cost “catastrophic” health plan.

How will small employers be affected by the changes?

A tax credit will be provided to employers with less than 25 employees and average annual wages less than \$50,000 that provides health insurance for employees. Employers with 50 or more employees will be fined for not providing insurance coverage.

How will large employers be affected by the changes?

In 2014, employers with more than 200 employees will have enrollment requirements. Not much else will change for larger businesses, which have seen steadily rising insurance premiums over the past decade without reform, as medical costs have increased. Most likely, those increases will continue.

How does the bill affect Medicare recipients?

Seniors will get immediate help on the “doughnut hole” – a gap in their coverage for prescription drugs. This year, those reaching that hole would get \$250 to help pay their drug costs. Next year, they would receive a 50% discount on the cost of brand-name drugs in the doughnut hole. Meanwhile, preventative screenings would be free to beneficiaries beginning this year. But starting in 2011, federal payments to Medicare Advantage plans would be cut considerably. So seniors in those plans may lose some extra benefits, such as free eyeglasses.

What changes will occur in Medicaid?

Individuals and families with incomes up to 133% of the federal poverty level will now be eligible for coverage. The federal government will pay all the states’ costs for the newly qualified Medicaid recipients for three years. In addition, there will be an increase to fees paid to primary-care doctors treating Medicaid patients.

This bill is said to cost \$940 billion over the next 10 years. How will that be paid for?

Starting in 2013, families with annual income over \$250,000 (and individuals earning more than \$200,000) will pay an additional 3.8% tax on investment income, and a higher Medicare payroll tax. Also, “Cadillac” insurance plans (high cost policies often with low deductibles and excellent benefits) will have a new tax starting in 2018. And the Medicare program will get cut considerably, including a \$132 billion decrease of support for the Advantage plans run by private insurers.

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