

# IRA Legislative Update

## April 1, 2010

### SPECIAL EDITION

#### **Healthcare Reform: What's in It for You?**

With the signing of the healthcare reform and reconciliation bills, healthcare reform is now law. Although not perfect, the new law represents the greatest domestic policy achievement since the creation of Medicare in 1965 and the culmination of a century-long effort to create a national healthcare plan.

Throughout the healthcare battle, mobilized union members provided a strong and visible counterpoint to the insurance giants' television and lobbying blitz. Union members made more than 4 million phone calls and sent more than 1 million e-mail messages to lawmakers. Leaders and activists flew to Washington, D.C., and visited members of Congress in their districts, making more than 10,000 contacts. AFT members have been a proud part of that effort.

Overall, the law:

- Lowers prescription drug costs for seniors.
- Cracks down on insurance company abuses.
- Provides more options to live independently at home as you age.
- Does not change guaranteed Medicare benefits.
- Strengthens Medicare's fiscal health.
- Improves affordability of healthcare coverage.

Here is a timeline of some of the laws' major provisions.

#### In 2010

- Supplies a \$250 rebate to seniors who fall into the Medicare Part D prescription drug doughnut hole;
- Provides a \$5 billion reinsurance fund to help employers who provide health benefits to early retirees ages 55 to 64. The program covers 80 percent of claims between \$15,000 and \$90,000 and is available either until the insurance exchanges begin in 2014 or the funds are spent;
- Eliminates preexisting condition exclusion for nondependent children up to age 26;
- Prohibits rescission, or dropping coverage, when individuals become sick;
- Stops insurers from placing lifetime limits on coverage;
- Restricts new plans' annual limits on coverage;
- Provides \$5 billion to states to create a high-risk insurance pool for those denied insurance due to preexisting conditions and who have been without insurance for six months;
- Provides up to 35 percent tax credits to small businesses that offer healthcare coverage;
- Requires individual and small-market insurers to spend 80 percent of premium dollars on medical services and large-group market plans to spend 85 percent;
- Establishes a process for reviewing increases in health plan premiums and requires plans to justify increases. Requires states to report on trends in premium increases and recommend whether certain plans should be excluded from the insurance exchanges based on unjustified premium increases.

#### In 2011

- Provides 50 percent discount on prescription drugs for those who fall into the doughnut hole, beginning of a reduction in the size of the Medicare doughnut hole completely eliminating it by 2020;
- Begins phase-in of federal subsidies for generic prescriptions filled in the Medicare Part D doughnut hole;
- Ends co-payments for Medicare preventive services for mammograms, colonoscopies and other preventive screenings;
- Offers free annual check-ups with no co-payments to Medicare recipients;
- Supplies 10 percent bonuses to primary care doctors for treating people in Medicare (2011-2016);
- Prohibits Medicare Advantage plans from imposing higher cost-sharing requirements for some Medicare covered benefits than is required under the traditional fee-for-service program;
- Freezes the income threshold for income-related Medicare Part B premiums for 2011 through 2019 at 2010 levels and reduces the Medicare Part D premium subsidy for those with incomes above \$85,000/individual and \$170,000/couple;
- Bans new physician-owned hospitals in Medicare and limits the growth of grandfathered physician-owned hospitals;
- Awards five-year demonstration grants to states to develop, implement and evaluate alternatives to current malpractice legal procedures;
- Creates a public health and wellness fund and requires new private insurance plans to offer preventive services without co-payments;
- Creates a new and independent health insurance appeals process for consumers;
- Establishes the community-based Collaborative Care Network Program to support consortiums of healthcare providers to coordinate and integrate healthcare services for low-income uninsured and underinsured populations;
- Imposes new annual fees on drug companies;
- Establishes a program along the lines of the CLASS Act, for long-term assistance for those currently in the workforce through voluntary payroll deduction. To qualify for benefits, workers must contribute for a minimum of five years.

#### In 2012

- Reduces rebates for Medicare Advantage plans, now averaging 14 percent more than those for traditional Medicare, extending the solvency of the Medicare Trust Fund by nine years;
- Provides bonus payments to high-quality Medicare Advantage plans;
- Allows providers organized as accountable care organizations (ACOs) that voluntarily meet quality thresholds to share in savings they achieve for the Medicare program;
- Reduces Medicare payments that would otherwise be made to hospitals by specified percentages to account for preventable hospital readmissions.

#### In 2013

- Begins phasing-in federal subsidies for brand-name prescriptions filled in the Medicare Part D coverage gap (to 25 percent in 2020, in addition to the 50 percent manufacturer brand-name discount);
- Establishes a national Medicare pilot program to develop and evaluate paying a bundled payment for acute, inpatient hospital services, physician services, outpatient hospital services and post-acute care services for an episode of care;
- Provides \$6 billion to create the Consumer Operated and Oriented Plan (CO-OP) program to foster the creation of nonprofit, member-run health insurance companies in all 50 states and the District of Columbia to offer qualified health plans;

- Simplifies health insurance administration by adopting a single set of operating rules for eligibility verification and claims status;
- Increases the Medicare Part A (hospital insurance) tax rate on wages by 0.9 percent (from 1.45 percent to 2.35 percent) on earnings over \$200,000 for individual taxpayers and \$250,000 for married couples filing jointly;
- Imposes a 3.8 percent assessment on unearned income for higher-income taxpayers;
- Requires primary care physicians under Medicaid receive 100 percent of Medicare rates.

#### In 2014

- Provides financial incentives for doctors to coordinate care, improve quality and reduce wasteful procedures like repeated tests;
- Allows Part D enrollees to make a mid-year change in their enrollment if their plan makes an unexpected change;
- Expands the Medicare Part D low-income subsidy to significantly help struggling seniors cover their healthcare costs;
- Eliminates preexisting condition exclusion for all;
- Prohibits annual limits on coverage in all plans;
- Creates state insurance exchanges where uninsured and small employers can buy insurance;
- Provides subsidies for individuals with incomes up to 400 percent of the federal poverty level (currently \$88,000 for a family of four);
- Require U.S. citizens and legal residents to have qualifying health coverage, phasing in a tax penalty for those without coverage;
- Assesses employers with more than 50 employees that do not offer coverage and have at least one full-time employee who receives a premium tax credit a fee of \$2,000 per full-time employee, excluding the first 30 employees from the assessment. Employers with more than 50 employees who offer coverage but have at least one full-time employee receiving a premium tax credit, will pay the lesser of \$3,000 for each employee receiving a premium credit or \$2,000 for each full-time employee. Requires employers with more than 200 employees to automatically enroll employees into health insurance plans offered by the employer. Employees may opt out of coverage;
- Guarantees insurance and renewal to all citizens and legal residents who seek it, allowing rating variation based only on age (limited to 3-to-1 ratio), premium rating area, family composition and tobacco use (limited to 1.5.-to-1 ratio) in the individual and the small-group market and the exchanges;
- Creates an essential health benefits package that provides a comprehensive set of services, covers at least 60 percent of the actuarial value of the covered benefits, limits annual cost-sharing to the current law Health Savings Account limits (\$5,950/individual and \$11,900/family in 2010), and is not more extensive than the typical employer plan;
- Establishes a 15-member Independent Payment Advisory Board to submit legislative proposals containing recommendations to reduce the per capita rate of growth in Medicare spending if spending exceeds a target growth rate;
- Adopts a single set of operating rules for health claims, enrollment and disenrollment in a health plan and health plan premium payments;
- Imposes fees on the health insurance sector.

#### Varying Effective Dates (2010-14)

- Provides more detailed information on nursing home quality, consumer rights and complaints filed, plus an expedited process for filing complaints about quality, and improved training for health professionals dealing with dementia;

- Authorizes improved criminal background checks on long-term care workers who have access to residents or patients.

In 2018

- Imposes an excise tax on insurers of employer-sponsored health plans with aggregate values that exceed \$10,200 for individual coverage and \$27,500 for family coverage.

For more information, visit: [www.kff.org](http://www.kff.org) <<http://www.kff.org/>> and [www.democraticleader.house.gov](http://www.democraticleader.house.gov) <<http://www.democraticleader.house.gov>>

**Healthcare Reform's Impact on You--Have Your Say:** Visit the AFT Voices Web site at <http://www.aft.org/voices/index.cfm> <<http://www.aft.org/voices/index.cfm>> to share your opinion by answering the following survey question:

How do you think healthcare reform will affect you, your workplace or your work as a professional?

On the new AFT.org site, all appropriate and relevant answers to this important question will be posted in timely fashion. Visit AFT Voices to read and rate the comments posted by your fellow members and the public. In addition, you can interact with us and your fellow members regularly on Facebook at [www.facebook.com/AFTunion](http://www.facebook.com/AFTunion) <<http://www.facebook.com/AFTunion>> .

*Contributors and sources: Bill Cunningham, John Abraham, Alliance for Retired Americans Alert, AFL-CIO Now, Kaiser Foundation Web site. Frank Stella, editor; Mary Boyd, copy editor; Janelle Bowe, design.*