

Consumer Q&A On Health Care Reform (Adapted from a Kaiser Education Foundation Report)

Q: I don't have health insurance. Would I have to get it, and what happens if I don't?

A: Under the legislation, most Americans would have to have insurance by 2014 or pay a penalty. The penalty would start at \$95, or up to 1 percent of income, whichever is greater, and rise to \$695, or 2.5 percent of income, by 2016. This is an individual limit; families have a limit of \$2,085. Some people would be exempted from the insurance requirement, called an individual mandate, because of financial hardship or religious beliefs or if they are American Indians.

Q: I want health insurance, but I can't afford it. What do I do?

A: Depending on your income, you might be eligible for Medicaid, the state-federal program for the poor and disabled, which would be expanded sharply beginning in 2014. Low-income adults, including those without children, would be eligible, as long as their incomes didn't exceed 133 percent of the federal poverty level, or \$14,404 for individuals and \$29,326 for a family of four, according to current poverty guidelines.

Q: What if I make too much for Medicaid but still can't afford coverage?

A: You might be eligible for government subsidies to help you pay premiums for private insurance that would be sold in the new state-based Health Insurance Exchanges, slated to begin operation in 2014.

Premium subsidies would be available for individuals and families with incomes between 133 percent and 400 percent of the poverty level, or \$14,404 to \$43,320 for individuals and \$29,326 to \$88,200 for a family of four.

The subsidies would be on a sliding scale. For example, a family of four earning 150 percent of the poverty level, or \$33,075 a year, would have to pay 4 percent of its income, or \$1,323, on premiums. A family with income of 400 percent of the poverty level would have to pay 9.5 percent, or \$8,379.

In addition, if your income is below 400 percent of the poverty level, your out-of-pocket health expenses would be limited.

Q: How would the legislation affect the kind of insurance I could buy? Would it make it easier for me to get coverage, even if I have health problems?

A: If you have a medical condition, the bill would make it easier for you to get coverage; insurers would be barred from rejecting applicants based on health status once the exchanges are operating in 2014.

In the meantime, the bill would create a temporary high-risk insurance pool for people with medical problems who have been rejected by insurers and have been uninsured at least six months. The temporary pool begins in 2010.

Starting in 2010, for children 19 or younger who have medical problems, the law prohibits insurers from writing a policy that excludes payment for the particular condition. There is some uncertainty whether the law would allow insurers in the individual market to refuse to issue coverage to children in poor health.

Q: What about huge medical expenses? Are they covered by the new insurance?

Beginning in 2010, insurers could no longer set lifetime claims limits for adults and kids. In 2014, annual limits on coverage would be banned.

New policies sold on the exchanges would be required to cover a range of benefits, including hospitalizations, doctor visits, prescription drugs, maternity care and certain preventive tests.

Q: How would the legislation affect young adults?

A: If you're an unmarried adult younger than 27, you could stay on your parent's insurance coverage as long as you are not offered health coverage at work.

In addition, people in their 20s would be given the option of buying a "catastrophic" plan that would have lower premiums. The coverage would largely only kick in after the individual had \$6,000 in out of pocket expenses.

Q: I own a small business. Would I have to buy insurance for my workers? What help could I get?

A: It depends on the size of your firm. Companies with fewer than 50 workers wouldn't face any penalties if they didn't offer insurance.

Companies could get tax credits to help buy insurance if they have 25 or fewer employees with

average wages of up to \$50,000. Tax credits of up to 35 percent of the cost of premiums would be available this year and would reach 50 percent in 2014. The full credits are for the smallest firms with low-wage workers; the subsidies shrink as the number of employees and average wages rise.

Firms with more than 50 employees that do not offer coverage would have to pay a fee of up to \$2,000 per full-time employee if any of their workers purchase government-subsidized insurance coverage in the Exchange. The first 30 workers would be excluded from the assessment.

Q: I'm over 65. How would the legislation affect seniors?

A: The Medicare prescription-drug benefit would be improved substantially. This year, seniors who enter the Part D coverage gap, known as the "doughnut hole," would get \$250 to help pay for their medications.

Beyond that, drug company-discounts on brand-name drugs and federal subsidies and discounts for all drugs would gradually reduce the gap, eliminating it by 2020. That means that seniors, who now pay 100 percent of their drug costs once they hit the doughnut hole, would pay 25 percent. And, as under current law, once seniors spend a certain amount on medications, they would get "catastrophic" coverage and pay only 5 percent of the cost of their medications.

Meanwhile, government payments to Medicare Advantage, the private-plan part of Medicare, would be cut sharply starting in 2011. Enrollees could lose extra benefits that many of the current plans offer, such as free eyeglasses, hearing aids and gym memberships. To cushion the blow to beneficiaries, the cuts to health plans in high-cost areas of the country such as New York City and South Florida – where seniors have enjoyed the richest benefits -- would be phased in over as many as seven years.

Beginning this year, the bill would make all Medicare preventive services, such as screenings for colon, prostate and breast cancer, free to beneficiaries.

Q: How much is all this going to cost? Will it increase my taxes?

A: The bill is estimated to cost \$938 billion over a decade. But because of higher taxes and fees and billions of dollars in Medicare payment cuts to providers, the Congressional Budget Office reported that, the bill could allegedly narrow the federal budget deficit by \$143 billion over 10 years. This assumes that all projections are accurate, and that future Members of Congress will not change the law.

Beginning in 2013, higher income Americans will pay increased Medicare taxes. Joint tax filers earning \$250,000 or more will pay Medicare tax at a rate of 2.35 percent on income earned from employment in excess of \$250,000. Single tax filers will pay the 2.35 percent rate on income earned from employment in excess of \$200,000. But, there is more.

Joint filers whose combined earned and investment income exceeds \$250,000 will also pay a 3.8 percent Medicare tax on that part of their income that comes from investments. For single filers, the threshold is \$200,000. The additional 3.8 percent tax will not be deductible from income.

Starting in 2018, the bill would also impose a 40 percent excise tax on the portion of most employer-sponsored health coverage (excluding dental and vision) that exceeds \$10,200 a year for individuals and \$27,500 for families. (The excise tax is not indexed.)

The threshold for deducting unreimbursed medical expenses increases from 7.5 percent of adjusted gross income to 10 percent.

The amount of money one can put in a flexible spending account to pay medical expenses is limited to \$2,500 starting in 2013.

Individuals that use an indoor tanning salon will pay a 10 percent tax starting in 2010.

Q: What will happen to my health insurance premiums?

A: That's hard to predict and the subject of much debate. People who are sick might face lower premiums than otherwise because insurers are limited in what they can charge unhealthy people; as a consequence, healthier people might pay more.

Older people will pay more than younger people, but the difference can be no greater than 3 to 1. It is likely that young, healthy people will see significant increases in health insurance premiums.

The bigger question is what happens to rising medical costs, which drive up premiums. Even proponents acknowledge that efforts in the legislation to control health costs, such as a new board to oversee Medicare spending, wouldn't have much of an effect, if any, for several years. In November, a CBO report on how the legislation – which at that point had a tougher Cadillac tax – would affect premiums said big employers would see premiums stay flat or drop 3 percent compared to today's rates. It also noted that employees with small-group coverage might see their premiums stay the same.

The CBO predicted that insurance premiums could fall by as much as 11 percent for Americans

who received government subsidies. This decrease is offset by the tax increases on medical products, pharmaceuticals, the CLASS Act tax, and reductions in Medicare spending.