

The background features a stylized American flag with red and white stripes on the right and a blue field on the left. A white ECG (heart rate) line is overlaid on the flag, starting from the left, dipping, then spiking up and down before leveling off on the right. The text is centered in the upper half of the image.

**2010 Health Reform Act
Summary by Goatmug –
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The Great Healthcare Quilt

- HCRA 2010 attempts to make healthcare changes through many small modifications
- A good illustration would be a healthcare quilt where ideas are sewn together to hopefully achieve the goal
- The changes are significant when examined in total, but are not revolutionary such as a universal health care system like Canada or a system similar to Great Britain where physicians are employed by the government

What were the HCRA 2010 Goals?

- Insure all Americans
- Control Health Costs

What Is Our Current Reality?

- Between 38 and 45 million people are uninsured
- Many healthy individuals “risk it” and opt out of purchasing health insurance
- Pre-existing conditions make health insurance unaffordable for many if state risk pools are not available
- Uninsured citizens use emergency rooms for treatment

Key Provisions of the New Bill

- State Sponsored Health Exchanges
- Pre-existing conditions must be insured (2 phases)
- Mandatory individual participation / enforcement by the IRS
- Employer mandate to share the load
- Subsidies for low to middle income earners
- Long-term care insurance requirement

What's Good?

- The plan adds to the number of people using health insurance and receiving on going care
- Plan choices will become less complicated as the government will make choices uniform
- Physicians will begin to be paid on outcomes rather than a fee for each service model
- Denials for pre-existing conditions will stop by 2014
- Rescissions will stop September 1st (except for fraud)
- Establishes minimum preventative care levels

What is Bad?

- This plan is a patchwork approach to making change. It will result in overuse since many of the costs will be subsidized
- Employers will make financial decisions and weigh penalty costs against premium costs when exchange alternatives are available
- Cost control mechanisms are not in place to halt the increase in medical related inflation

What is Bad? (cont)

- New requirements for employers
 - Valuation of health benefits on w-2s
 - Corporations must document every expense over \$600 (what and who it was paid to)
 - Voucher system
 - Mandate to enroll employees in a government run long term care program
 - \$2,000 penalty for companies with 50 + employees
- Each state will still define individually the benefits in the exchange (maternity and mental health?)
- Insurance firms have too much time to adjust prices

What Didn't Get Addressed?

- Tort reform
- Illegal Immigrants are not part of this plan – is amnesty coming next?
- Previous experiences – Tennessee, Hawaii, and Massachusetts
- Unintended consequences - What will prevent “crowd sourcing”? – (firing and hiring back as a contractor)

Show Me the Money!

(How do we pay for it?)

- Premiums will rise
- Greater taxes paid by individuals
- Greater taxes paid by health related businesses (passed on to consumers)
- Reductions in benefits in some plans (Cadillac Plans)
- Hope

Show Me the Money! (Con't)

(How do we pay for it?)

- Premiums rise. Young and healthy individuals will pay more and older sicker folks will pay less than they should

35 Year Old Healthy Male

- 1,000 deductible
 - Boston, MA – \$378
 - Chicago, IL - \$200
- 47% higher price in MA

55 Year Old Healthy Male

- 1,000 deductible
 - Boston, MA – \$676
 - Chicago, IL - \$557
- 18% higher price in MA

Show Me the Money! (Con't)

(How do we pay for it?)

Greater taxes will be paid by individuals

- The threshold for the itemized deduction for unreimbursed medical expenses would be increased from 7.5% of AGI to 10% of AGI for regular tax purposes.
- Additional 0.9% Medicare Hospital Insurance tax on self-employed individuals and employees with respect to earnings and wages received during the year above \$200,000 for individuals and above \$250,000 for joint filers (not indexed).

Show Me the Money! (Con't)

(How do we pay for it?)

Greater taxes will be paid by individuals

- Self-employed individuals are not permitted to deduct any portion of the additional tax.
- Reconciliation measures levy new 3.8% Medicare contribution on certain unearned income from individuals with AGI over \$200,000 (\$250,000 for joint filers)
- These taxes are just a start as a national tax increases and a VAT tax will be considered to offset the budget deficit (despite promises that it is not being considered)

Show Me the Money! (Con't)

(How do we pay for it?)

Greater taxes paid by health related businesses (passed on to consumers)

- Imposes a new annual nondeductible fee on pharmaceutical manufacturers and importers of branded prescription drugs (including certain biological products).
- Ten percent excise tax on amounts paid for indoor tanning services, whether or not an individual's insurance policy covers the service.

Show Me the Money! (Con't)

(How do we pay for it?)

Greater taxes paid by health related businesses (passed on to consumers)

- New (nondeductible) annual fees imposed on medical device manufacturers and importers
- The reconciliation bill converts the fee to an excise tax of 2.3 percent of the price for which the medical device is sold and delays the effective date until 2013 (from 2011).

Show Me the Money! (Con't)

(How do we pay for it?)

Taxes on Benefits

- “Cadillac Health Plans” will be hit with a penalty tax
- Medicare Advantage plan cuts already part of the bill
- Medicare cuts will also come in the future

Who Wins?

- Folks that want a first step to a national health care system
- Medical device firms, pharmaceutical and generic drug manufacturers, and medical related firms
- Accountants
- Initially – families with pre-existing conditions (cost will become an issue). I predict insurance companies will raise rates 200% to 300% over the next year on minors under 19 that are now guaranteed coverage
- Big government



Questions?