

ISSUE BRIEF

An Overview of National Health Care Reform

by West Virginians for Affordable Health Care

On March 23, 2010 President Obama signed into law the Patient Protection and Affordable Care Act (PPACA). The heart of this historic piece of legislation is to expand health insurance to an additional 32 million Americans and to adopt fundamental reforms of the insurance industry. Additionally, the Act curbs health care costs, particularly in Medicare, while emphasizing quality.

Below is an overview of the major reforms. A more detailed explanation can be found on our website, www.wvahc.org.

Expansion of health insurance coverage

The PPACA decreases the number of uninsured Americans by 32 million. Nearly all Americans (94 percent) will be covered by health insurance. As many as 184,000 West Virginians will gain coverage.

The four main strategies for expanding health insurance are:

- *Expansion of Medicaid:* Beginning in 2014 the eligibility for Medicaid will be expanded to 133 percent of the federal poverty level (FPL). That is about \$24,400 for a family of three. An estimated 100,000 low-income West Virginians will be covered by Medicaid.
- *Health exchanges:* The Act requires states to establish health exchanges. The health exchange is a “supermarket” for health plans, where small businesses and individuals can shop for health insurance plans best suited to their needs. The exchange will simplify the process of purchasing health insurance and promote competition and consumer choice.
- *Individual mandate and subsidies for individuals:* All individuals who can afford coverage will be required to maintain health insurance coverage. Many types of coverage, including employer-sponsored and government-sponsored health plans, meet this requirement. Individuals who earn more than the Medicaid eligibility but less than 400 percent of the federal poverty level (about \$73,200 for a family of three) will receive assistance with premiums and lower out-of-pocket maximums. Individuals who earn up to 250 percent FPL (about \$45,800 for a family of three) will also receive help with deductibles and co-payments on a sliding scale to make their health insurance more affordable.
- *Subsidies for small businesses:* Qualifying businesses with fewer than 25 employees will receive subsidies in order to provide health insurance to their employees.

Strong regulation of the health care industry

In exchange for enrolling millions of new consumers in private health plans, the rules for the health insurance industry will be fundamentally changed. These insurance reforms will provide Americans greater health care security and help to ensure that they won't go bankrupt due to medical expenses or lose coverage when they switch jobs or start a new business.

Many reforms begin in 2010, and others take effect in 2014. Highlights include:

- *Pre-existing conditions:* The Act prohibits insurance companies from denying coverage due to pre-existing conditions. Pre-existing conditions are prohibited for children in 2010, and for adults pre-existing conditions end in 2014.

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- *Policy limits and cancellations:* The Act prohibits annual and lifetime limits on health plan benefits, so that people who are very sick will no longer have to worry about their coverage running out.
- *Overhead costs:* The Act requires insurance companies to report how much money they spend on medical and pharmaceutical claims and how much they spend on administrative costs, such as executive salaries, marketing and profits. Beginning in 2011, insurance companies that spend too much on administrative expenses must make a rebate to their customers.
- *Preventive services:* New health insurance policies are required to cover effective preventive services, and insurance companies are prohibited from charging deductibles or copayments for these services.
- *Young adults:* The Act requires insurance companies to allow young adults to stay on their parent's health insurance policy until their 26th birthday.

Curbing health care costs while emphasizing quality

Skyrocketing health care costs remain a major economic challenge for businesses and families. The PPACA take a first step towards “bending the curve” and reducing the growth in health care spending by emphasizing primary care, promoting public health initiatives, and researching which medicines and procedures produce the best patient outcomes

Paying for Health Care Reform

The projected cost of implementing the PPACA is about \$940 billion over the next ten years, according to the non-partisan Congressional Budget Office (CBO). These costs will be paid by a combination of savings in current health care spending (about \$500 billion) and new revenues (about \$438 billion). The CBO predicts that this public investment will reduce the federal deficit by \$124 billion by 2019, and by \$1.2 trillion over the following decade.

The most significant savings in current health care spending comes from slowing the rate of inflation under Medicare by: limiting increases in payments to hospitals, skilled nursing homes and home health agencies, resulting in projected savings of \$196 billion over 10 years, and phasing out the overpayment to Medicare Advantage companies, which is projected to save \$136 billion over ten years. Medicare Advantage companies are private insurance companies that provide Medicare benefits.

The primary sources of new revenue include increasing the Medicare payroll tax on single people earning more than \$200,000, and by making investment income for these wealthy taxpayers subject to the Medicare taxation. There are also new fees on health care companies (insurers and drug makers, for example) in exchange for adding millions of new customers. The new fees are expected to generate about \$107 billion over 10 years. And there is a surcharge to high-cost health plans beginning in 2018.

The PPACA will cover 94 percent of the American people, bringing meaningful insurance reform, and beginning the difficult task of controlling health care costs. It is not a final solution, but it is a significant step to providing quality, affordable health care to almost all Americans.