



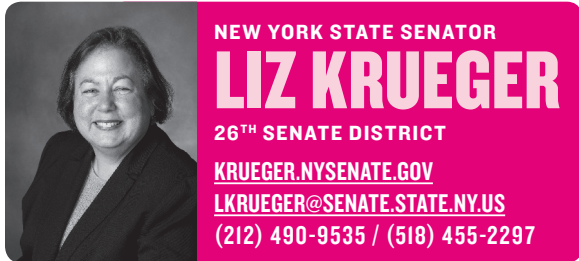
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New York State Senate  
Albany, NY 12247



## Healthcare Update – September 2010

### EFFECTS OF HEALTHCARE REFORM LEGISLATION



Dear Friend,

I know how confusing healthcare insurance issues can be, and in times like these, with new Federal legislation, these issues can get even more complicated. My office has received a great many calls from constituents seeking assistance in navigating issues of access to healthcare and in dealing with Medicare, Medicaid, and private insurance. As New York State moves toward implementing Federal healthcare reform, there are many new questions about what changes to expect. This newsletter is an effort to address some of these questions.

After months of discussion, President Obama signed the Affordable Care Act in March of this year, which makes sweeping changes to the way that healthcare will be provided. Thirty-two million more Americans will have the opportunity to be covered by health insurance and there will be implications for businesses, individuals, insurers and providers.

I want to take this opportunity to explain some of the far-reaching implications of the legislation so you all will be in a better position to make the best choices you can for yourself and your family. Changes to our existing system start in 2010 and gradually expand in scope until 2018. This newsletter will attempt to explain the pieces of the reform that will have the most immediate implications for consumers from 2010 through 2014.

Health Care Reform can be broadly summarized as having the following goals:

- ▶ Increase access to insurance coverage for those with limited or no coverage;
- ▶ Create savings in healthcare by rewarding positive healthcare outcomes, supporting expanded use of technology and eliminating fraud;
- ▶ Initiate innovative efficiencies in access, delivery and administration of healthcare through proven demonstration projects;
- ▶ Reform insurance practices in the public and private sectors; and
- ▶ Support businesses to provide insurance for their employees.

We are all waiting to see how the details of reform are developed and will be especially aware of how Federal law and New York State law complement each other. Untangling aspects of this major legislation will be a challenge, but I am confident that with time and patience we will sort things out.

A list of helpful phone numbers and websites is included at the end of this newsletter. My office is always available to help you as these changes roll out, answer questions and provide further resources.

Liz

# PRIVATE INSURANCE REFORM

## CHANGES TAKING EFFECT IN 2010

- ▶ Establishes a process for reviewing increases in health plan premiums in which adequate justifications for increases must be given. States will be required to report on trends in premium increases and recommend whether certain plans should be excluded from the Exchange (see below for more on Exchanges) based on unjustified premium increases. *New York State enacted a law in 2010 that requires the Department of Insurance to give prior approval for premium rate increases by health insurance companies.*
- ▶ Health insurers will no longer be able to rescind existing health insurance policies when a person gets sick as a way of avoiding higher costs of enrollees' healthcare needs.
- ▶ Health plans cannot place lifetime limits on coverage or use restrictive annual limits in all employer plans and new plans in the individual market.
- ▶ All new plans must cover specific preventive services at no charge by exempting these benefits from deductibles and other cost-sharing requirements.
- ▶ Requires new plans to implement an effective, external appeals process for coverage determinations and claims.

## CHANGES TAKING EFFECT IN 2011

- ▶ Insurers will be required to report the proportion of premiums spent on clinical services, quality, and other healthcare costs. If less than 80% of premiums for individual/small group markets, or 85% for large group markets, is spent on healthcare or improving quality, then insurers will be required to offer rebates to consumers. This will control health insurers' spending on advertising, dividends and executive payouts, which often leads to increases in consumers premiums.

## CHANGES TAKING EFFECT IN 2013

- ▶ Simplifies the administrative process of health insurers by adopting a single set of operating rules for eligibility verification and claims status. Insurers must adopt and implement uniform standards and business rules for the electronic exchange of health information to reduce paperwork, administrative burdens and costs.

## CHANGES TAKING EFFECT IN 2014

- ▶ Requires the adoption of a single set of operating rules for methods of healthcare payment and electronic fund transfers.
- ▶ Health plans can no longer deny coverage for treatments based on pre-existing health conditions.
- ▶ Limits the ability of insurance companies to charge higher rates due to health status and gender. Premiums can only vary based on age (no more than 3:1), geography, family size, and tobacco use.
- ▶ Prohibits all employer plans, and new plans in the individual market, from imposing annual limits on the amount of coverage an individual may receive.
- ▶ Prohibits insurers from dropping coverage or denying coverage for routine care because an individual chooses to participate in a clinical trial. This applies to all clinical trials that treat cancer or other life-threatening diseases.

# HEALTHCARE EXCHANGES: A NEW COMPETITIVE MARKETPLACE FOR PURCHASING COVERAGE

## CHANGES TAKING EFFECT IN 2014

- ▶ Two State-based Exchanges will be created: American Health Benefit Exchanges, and Small Business Health Options Program (SHOP) Exchanges, through which individuals and small businesses with up to 100 employees can purchase qualified coverage. Both will be administered by a governmental agency or non-profit organization. In the event that businesses don't offer coverage, workers at small firms and their families may be eligible to purchase coverage through the Exchange. Tax credit eligibility will be based on income levels.

- ▶ These Exchanges will enable people to compare standardized health packages and decide which is best for them. By facilitating enrollment and administering tax credits, people of all incomes can obtain affordable coverage.
- ▶ Eligible individuals and families with incomes between 133-400% of the Federal Poverty Level will be provided Federal subsidies and tax credits to purchase insurance through the Exchanges.
- ▶ Limits any waiting periods for coverage to 90 days.
- ▶ Creates an essential health benefits package which provides a comprehensive set of services, limits annual cost-sharing to the current law HSA limits (\$5,950/individual and \$11,900/family in 2010), and is not more extensive than the typical employer plan. It will cover at least 60% of the actuarial value of the covered benefits.
- ▶ Also provides a choice of coverage through at least two multi-State plans offered through the Exchange, which are available nationwide and offered by private insurance carriers. These multi-State private plans will be under the supervision of the Office of Personnel Management.
- ▶ Plans in the new Exchanges, along with all new plans in general, will have a cap on how much insurance companies can require beneficiaries to pay in out-of-pocket expenses, such as co-pays and deductibles. Reform also bans "gender rating," which allows women to be charged more for the same coverage.

# MEDICARE

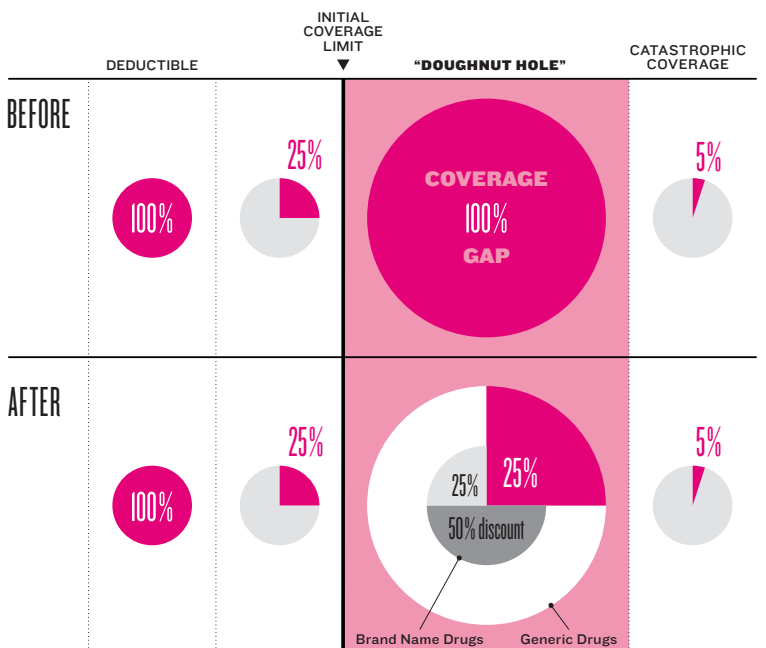
## CHANGES TAKING EFFECT IN 2010

- ▶ Invests in fighting waste, fraud, and abuse. Reforms payment incentives to reduce unnecessary hospital admissions and healthcare-acquired infections. Together, these cost-cutting measures will extend the financial solvency of Medicare by 12 years until 2029.
- ▶ Provides a \$250 rebate to Medicare beneficiaries who reach the Part D coverage gap of \$2,700-\$6,154 in 2010. The rebate will be mailed automatically.

## CHANGES TAKING EFFECT IN 2011

- ▶ Requires pharmaceutical manufacturers to provide a 50% discount on brand-name prescriptions filled in the Medicare Part D coverage gap (Doughnut Hole) and begin phasing in Federal subsidies for generic prescriptions filled in the Medicare Part D coverage gap.
- ▶ Eliminates the need of patients to share the costs of Medicare-covered preventive services that are recommended by the U.S. Preventive Services Task Force and waives the Medicare

## STANDARD MEDICARE PRESCRIPTION DRUG BENEFIT, 2020 BEFORE AND AFTER HEALTH CARE REFORM



■ : Paid by Enrollee  
 ■ : Paid by Plan

Source: Kaiser Family Foundation illustration of standard Medicare drug benefit in 2020 under the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010.

deductible for colorectal cancer screening tests.

- ▶ Authorizes the Secretary of Health and Human Services to modify or eliminate Medicare coverage of preventive services based on recommendations of the U.S. Preventive Services Task Force.
- ▶ Establishes greater financial parity between Medicare Advantage and traditional Medicare coverage while better aligning Medicare Advantage payments with local costs of health coverage.
- ▶ Freezes 2011 Medicare Advantage payment benchmarks at 2010 levels. Continues to reduce Medicare Advantage benchmarks in subsequent years relative to current levels.
- ▶ 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.
- ▶ Provides a 10% Medicare bonus payment for primary care physicians and general surgeons.
- ▶ Provides a free, annual wellness visit and for personalized prevention plan services for Medicare beneficiaries.
- ▶ Establishes an Independent Payment Advisory Board of medical experts to develop and submit proposals to Congress and the private sector. The goals of the Board are to extend the solvency of Medicare, lower health care costs, improve health outcomes for patients, promote quality and efficiency and expand access to evidence-based care.
- ▶ Establishes the Community Care Transitions Program to provide transition services to high-risk Medicare beneficiaries following hospital discharge.

#### CHANGES TAKING EFFECT IN 2013

- ▶ Begins phasing in Federal subsidies for brand-name prescriptions filled in the Medicare Part D coverage gap (to 25% in 2020, in addition to the 50% manufacturer brand-name discount).

#### CHANGES TAKING EFFECT IN 2014

- ▶ Reduces the out-of-pocket amount that qualifies an enrollee for catastrophic coverage in Medicare Part D (effective through 2019). Closes the “Doughnut Hole” by 2020. (See chart).

## LONG TERM CARE

#### CHANGES TAKING EFFECT IN 2011

- ▶ Establishes a national, voluntary insurance program for purchasing community living assistance services, financed by voluntary payroll deductions (CLASS program). This program will be offered primarily through voluntary payroll deductions.

## MEDICAID

#### CHANGES TAKING EFFECT IN 2010

- ▶ Creates a State option to cover childless adults up to 133% of the Federal Poverty Level through a Medicaid State plan amendment.
- ▶ Gives States more flexibility to provide Home and Community-Based Services and to extend full Medicaid benefits to individuals receiving these services.

#### CHANGES TAKING EFFECT IN 2013

- ▶ Requires States to pay primary care physicians no less than 100% of Medicaid payment rates in 2013 and 2014 for primary care services. Any additional costs to the State will be Federally funded.

#### CHANGES TAKING EFFECT IN 2014

- ▶ Expands Medicaid to all non-Medicare eligible individuals under age 65 (children, pregnant women, parents, and adults without dependent children) with incomes up to 133% of the Federal Poverty Level and provides enhanced Federal matching for new eligibles. New York State will continue to offer Medicaid to adults with children at up to 150% of the Federal Poverty Level.

## UNINSURED

#### CHANGES TAKING EFFECT IN 2010

- ▶ Requires insurance companies to offer dependent coverage for adult children up to age 26, who do not have employer-sponsored coverage. Some employers and the vast majority of insurers have agreed to cover adult children immediately. In addition, New York State provides dependent healthcare coverage for adults up to age 29.
- ▶ Bars all employer plans and new plans in the individual market from imposing pre-existing condition exclusions on coverage for children under 19 years of age.
- ▶ Establishes a temporary, national high-risk pool to provide health coverage to individuals with pre-existing medical conditions. This pool will be funded entirely by the Federal government until the establishment of the Exchanges in 2014. For more information on the high-risk pools, please refer to the Exchange section above, or visit [www.healthreform.gov](http://www.healthreform.gov).

#### CHANGES TAKING EFFECT IN 2014

- ▶ Requires U.S. citizens and legal residents to have qualifying health coverage. Coverage can be obtained through individual, employer-sponsored, Exchange, or public plans.
- ▶ If one chooses not to obtain health care coverage, they face the following penalties: \$95 for 2014, \$325 for 2015, \$695 (or up to 2.5% of income) for 2016. Families will pay half the amount for children, up to a cap of \$2,250 per family. After 2016, dollar amounts are indexed. If affordable coverage is not available to an individual, they will not be penalized.

## BUSINESSES

#### CHANGES TAKING EFFECT IN 2010

- ▶ Provides a tax credit to small employers with no more than 25 employees and average annual wages of less than \$50,000 which purchase health insurance for employees. The credit covers up to 35% of the employers' contribution to the employees' health insurance. There is also up to a 25% credit for small nonprofit organizations. To learn how to apply, please visit [www.irs.gov](http://www.irs.gov).
- ▶ Businesses that receive State health care tax credits may also qualify for the Federal tax credit. Dental and vision care qualify for the credit as well.
- ▶ Creates a temporary reinsurance program for employers providing health insurance coverage to retirees over age 55 who are not eligible for Medicare, which expires in 2014 when Exchanges become operational.

#### CHANGES TAKING EFFECT IN 2011

- ▶ Provides grants for up to five years to small employers that establish wellness programs, which teach and promote healthier lifestyles and preventive care measures.

#### CHANGES TAKING EFFECT IN 2014

- ▶ Implements the second phase of the small business tax credit for qualified small businesses. Credit is increased to up to 50% of the employers' contribution to employees' health care coverage. For nonprofits, the credit is increased to 35%.
- ▶ Requires employers with 50 or more employees who do not offer coverage to their employees to pay \$2,000 annually for each full-time employee. (This excludes the first 30 employees, provided that one employee receives a tax credit.) Precludes waiting periods over 90 days.
- ▶ Requires employers with more than 200 employees to automatically enroll employees into health insurance plans offered by the employer. The employee may opt out of coverage and assume responsibility for obtaining his or her own coverage.
- ▶ Employers with no more than 50 employees will not be required to offer health insurance coverage to their employees. They will not face penalties for not offering coverage.

## TAX IMPLICATIONS FOR CONSUMERS

### CHANGES TAKING EFFECT IN 2010

- ▶ Imposes a 10% tax on amounts paid for indoor tanning services in lieu of the tax on cosmetic surgery.
- ▶ Increases the adoption tax credit and adoption assistance exclusion by \$1,000, makes the credit refundable, and extends the credit through 2011, effective for the tax year beginning on January 1, 2010.

### CHANGES TAKING EFFECT IN 2013

- ▶ Increases the threshold for the itemized deduction for unreimbursed medical expenses from 7.5% of adjusted gross income to 10% of adjusted gross income for regular tax purposes; waives the increase for individuals age 65 and older for tax years 2013 through 2016.
- ▶ Increases the Medicare Part A (hospital insurance) tax rate on wages by 0.9% (from 1.45% to 2.35%) on earnings over \$200,000 for individual taxpayers and \$250,000 for married couples filing jointly and imposes a 3.8% assessment on unearned income for higher-income taxpayers.

## QUALITY IMPROVEMENT

### CHANGES TAKING EFFECT IN 2010

- ▶ Requires enhanced screening procedures for healthcare providers to eliminate fraud and waste in the healthcare system.
- ▶ Supports comparative effectiveness research by establishing a non-profit Patient-Centered Outcomes Research Institute.
- ▶ Establishes a two-year, temporary credit, subject to an overall cap of \$1 billion to encourage investments in new therapies to prevent, diagnose, and treat acute and chronic diseases. The credit would be available for qualifying investments made in 2009 and 2010.
- ▶ Expands and improves low-interest student loan programs, scholarships, and loan repayments for health students and professionals to increase and enhance the capacity of the workforce to meet patients' health care needs.
- ▶ Beginning October 1, 2010, increases funding for Community Health Centers, which will help to nearly double the number of patients seen by the centers over the next five years.

### CHANGES TAKING EFFECT IN 2011

- ▶ Establishes the National Prevention, Health Promotion and Public Health Council to develop a national strategy to improve the nation's health by including priorities to improve the delivery of healthcare services, patient health outcomes, and population health.
- ▶ 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.
- ▶ Establishes Teaching Health Centers to provide payments for primary care residency programs in community-based ambulatory patient care centers.
- ▶ Establishes a new Center for Medicare & Medicaid Innovation to test innovative payment and service delivery models to reduce healthcare costs and enhance the quality of care provided to individuals.

### CHANGES TAKING EFFECT IN 2012

- ▶ Implements physician payment reforms, which enhance payment for primary care services.
- ▶ Directs CMS to track hospital readmission rates for certain high-volume or high-cost conditions and uses new financial incentives to encourage hospitals to undertake reforms needed to reduce preventable readmissions, which will improve care for beneficiaries and rein in unnecessary healthcare spending.

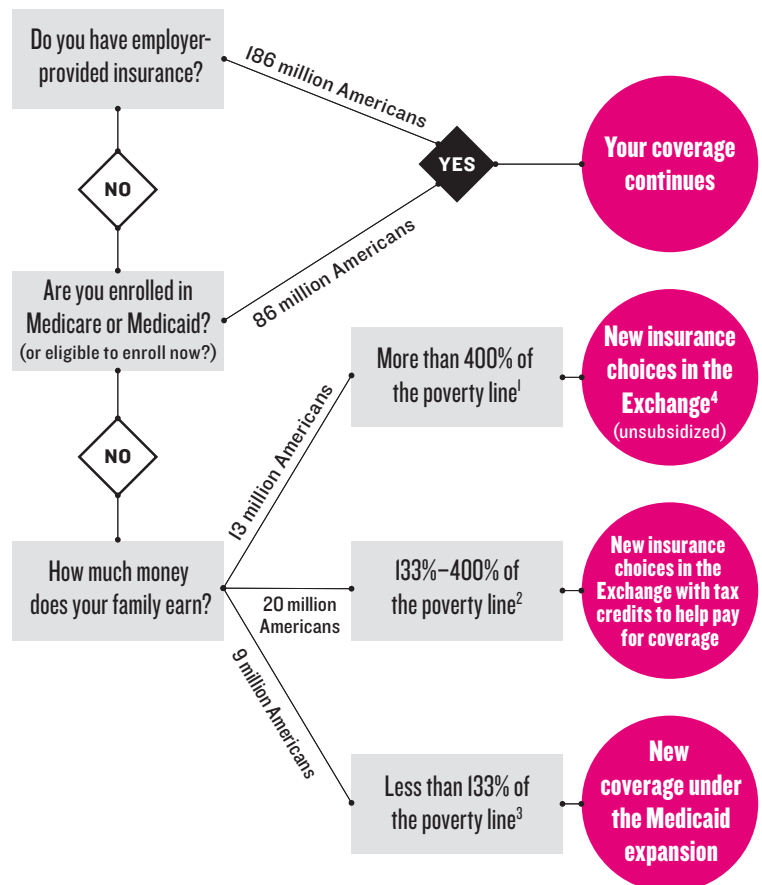
## MEDICAL MALPRACTICE

### CHANGES TAKING EFFECT IN 2011

- ▶ Awards five-year demonstration grants to States to develop, implement, and evaluate alternatives to current tort litigations.

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## HEALTHCARE COVERAGE OPTIONS UNDER NEW FEDERAL REFORMS



1. In 2009, 400% of the poverty line is \$43,300 per year for a single person; \$88,200/family of 4.
2. In 2009, 133%-400% of the poverty line is \$14,400-\$43,300 per year for a single person; \$29,000-\$88,200/family of 4.
3. In 2009, 133% of the poverty line is \$14,400 per year for a single person; \$29,300/family of 4.
4. Small firms also have the option of purchasing coverage through the exchange, although their workers (regardless of income) aren't eligible for tax credits with the exchange coverage is offered through their employer.

## RESOURCES

The Department of Health and Human Services has established a new consumer website, [www.healthreform.gov](http://www.healthreform.gov), with easy-to-understand information about affordable and comprehensive coverage choices. The website will also provide information to small businesses about available health coverage options, including information on reinsurance for early retirees, small business tax credits, and how to shop for insurance in the Exchanges, which will increase the purchasing power of small businesses.

### IF YOU HAVE A QUESTION, PLEASE CALL ONE OF THESE RESOURCES

- ▶ Medicare Rights Center Consumer Hotline: (800) 333-4114
- ▶ Community Service Society Health Hotline: (212) 614-5400
- ▶ Medicare.gov: (800) 633-4227
- ▶ U.S. Department of Health and Human Services: (877) 696-6775
- ▶ New York State Department of Health:
  - ▷ Child Health Plus: (800) 698-4543
  - ▷ Family Health Plus: (877) 934-7587
  - ▷ Medicaid Co-Payment Hotline: (800) 541-2831
  - ▷ Medicaid Managed Care, New York City: (800) 505-5678
  - ▷ Certified Home Health Care Agencies: (800) 628-5972
- ▶ New York State Department of Insurance: (212) 480-5242
- ▶ Attorney General's Office – Healthcare Hotline: (800) 428-9071

### ADDITIONAL ONLINE RESOURCES

- ▶ National Council on Aging: [www.NCOA.org/StraightTalk](http://www.NCOA.org/StraightTalk)
- ▶ NYS Health Bureau Insurance Department: [www.healthcarereform.ny.gov](http://www.healthcarereform.ny.gov)
- ▶ The Henry J. Kaiser Family Foundation: [www.kff.org/healthreform](http://www.kff.org/healthreform)
- ▶ Federal Information: [www.healthcare.gov](http://www.healthcare.gov)
- ▶ Federal Information: [www.whitehouse.gov/healthreform](http://www.whitehouse.gov/healthreform)
- ▶ Affordable Health Care for America: [www.energycommerce.house.gov](http://www.energycommerce.house.gov)