

NATIONAL HEALTHCARE REFORM

*Patient Protection and Affordable Care Act (HR 3590) &
The Health Care and Education Reconciliation Act (HR 4872)*

Medicaid/ CHIP	Expanded to all individuals (under 65) with incomes up to 133% Federal Poverty Level (FPL). CHIP match rate will receive a 23% increase, up to 100%; States maintain current eligibility levels.
Subsidies/ Mandate	<ul style="list-style-type: none"> • Individual: Tax credits provided on a sliding-scale up to 400% FPL. • Employer: large employers (200 employees) required to provide insurance; small businesses are exempt from penalty (50 or less employees).
Insurance Reform	<ul style="list-style-type: none"> • State Based Health Insurance Exchange • Pre-Existing Condition Exclusion • Limit Medical Loss Ratio to 85% • Create a national high-risk pool • Prevent lifetime limits on coverage • Extend dependent age to 26 years • Prevent rescission of coverage • No penalty allowed based on health status
Taxes	<ul style="list-style-type: none"> • 2.3% tax on the sale of any taxable medical device; • \$19.2 Billion fee for pharmaceutical manufacturing sector; • \$47.5 Billion fee for Health Insurance sector.
Cost	<p style="text-align: center;">\$938 Billion</p> <p style="text-align: center;">Deficit reduction of \$143 Billion</p> <p style="text-align: center;">(2010 – 2019)</p>

NATIONAL HEALTHCARE REFORM

Policy Update | April 2010

Summary

On March 23, 2010, President Barack Obama signed into law the Patient Protection and Affordable Care Act (HR-3590), also known as Health Care Reform. A contributing piece of legislation, the Health Care and Education Reconciliation Act of 2010 (HR-4872), which was utilized to make notable adjustments to HR-3590, was signed by President Obama on March 30, 2010. For more information, please visit Methodist Healthcare Ministries' website: [://www.mhm.org](http://www.mhm.org).

Key Components (HR-3590) & (HR-4872)

- **Cost Analysis (2010 – 2019)**
 - **Cost:** \$938 Billion
 - **Savings:** Results in a reduction of deficit by \$143 Billion (2010 – 2019)
 - Changes in Medicare and Medicaid: \$438 Billion
 - Excise Tax on High Cost Insurance: \$32 Billion
 - Additional Revenue Provisions: \$264 Billion
 - **Tax:** 2.3% tax on the sale of any taxable medical device; 10% tax on the amount paid for indoor tanning services; \$19.2 Billion fee for pharmaceutical manufacturing sector; \$47.5 Billion fee for health insurance sector.

- **Individual**
 - **Mandate:** requires all individuals to have an “acceptable level of health coverage.”
 - Penalty is the greater of \$695 per year, up to a maximum of 3 times that amount per family (\$2,085), or 2.5% of household income.
 - Exceptions for those with religious objections, financial hardship, undocumented immigrants, incarcerated individuals, and those with incomes below the tax filing threshold.
 - **Subsidies:** provided for individuals and families (incomes between 100% FPL to 400% FPL on a sliding scale) to purchase insurance in the Health Insurance Exchange.
 - Lower out-of-pocket spending limits.
 - Limit availability of premium subsidies to U.S. citizens.

- **Employer**
 - **Mandate:** requires large employers (50 + employees) to offer coverage to employees and provide a free choice voucher to employees with incomes less than 400% FPL.
 - Require employers with (200 + employees) to automatically enroll employees (in lowest cost plan) who do not elect or opt out of the employer's plan
 - Small Business: 50 or less employees are exempt.
 - **Subsidies:** provided to small employers (25 or less employees) and annual wages of less than \$50,000 with a health coverage tax credit.
 - Full credit: 50% of employer contribution available to small employers (10 or less employees).
 - Phase 1: (2010 – 2013) tax credit up to 35% of employer contribution.
 - Phase 2: (2014 and beyond) eligible small businesses that purchase insurance through the exchange, will receive a credit up to 50% of the employer's contribution.

- **Public Programs**
 - **Medicaid:** expanded to all individuals (under 65) with incomes up to 133% FPL.
 - States have the option to expand coverage beginning April 1, 2010.
 - Full expansion by States to begin in 2014.
 - Provided for all newborns who lack adequate coverage.
 - Increase in federal medical assistance percentage (FMAP) for States to cover the newly eligible.
 - Coverage expansion: (100%) federal financing through 2016.

- **Children's Health Insurance Program (CHIP):** requires states to maintain current income eligibility levels for children in Medicaid and CHIP until 2019.
 - CHIP match rate will receive a 23% increase, up to a cap of 100%.
 - CHIP – eligible children who are unable to enroll due to enrollment caps will receive tax credits in the health insurance exchange.
 - **Public Option:** there will not be a public health insurance option.
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- **Insurance Reform**

- **Private Insurance:** establish a National high-risk pool to provide health coverage to individuals with pre-existing medical conditions, with premiums established for a standard population, and may vary no more than 4 to 1 due to age.
 - Limit pre-existing condition exclusion.
 - Limit health plans medical loss ratio to not less than 85%.
 - Expand dependent coverage to the age of 26
 - Prevent insurance companies from rescinding coverage.
 - No penalty allowed based on health status.
 - **Health Exchange:** create a Health Benefit Exchanges and Small Business Health Options Program Exchanges (100 employees or less) where individuals and employers can purchase qualified health insurance.
 - Access is restricted to U.S. citizens and legal immigrants who are not incarcerated.
 - Permit states to prohibit plans provided in the Exchange from providing coverage for abortions.
 - Reduce out of pocket limits for those with incomes up to 400% FPL on a sliding scale basis.
 - Create the Consumer Operated and Oriented Plan (CO-OP) program to foster the creation of non-profit, member-run health insurance companies to offer qualified plans.
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- **Additional Components**

- **Prevention:** establish the National Prevention, Health Promotion, and Public Health Council to coordinate federal prevention, wellness, and public health programs.
 - Develop a national prevention strategy to improve to nation's health.
 - Provide wellness grants for up to 5 years to small employers.
 - Require chain restaurants/vending machines to disclose nutritional information.
 - **Workforce:** establish a multi-stakeholder Workforce Advisory Committee to develop a national workforce strategy.
 - Support training of health professionals through scholarships and loans.
 - Support the development of training programs that focus on primary care models, such as medical homes, team management of chronic disease, and integrate physical and mental health services.
 - Reform graduate medical education to increase training of primary care providers by redistributing residency positions and promote training in outpatient settings.
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Resources

- Kaiser Family Foundation: *Major Health Reform Proposals*
[://www.kff.org/healthreform/upload/healthreform_sbs_full.pdf](http://www.kff.org/healthreform/upload/healthreform_sbs_full.pdf)
- Congressional Budget Office
[.cbo.gov](http://www.cbo.gov)
- Robert Wood Johnson Foundation: *Health Reform 2009*

NATIONAL HEALTH CARE REFORM

Implementation Timeline

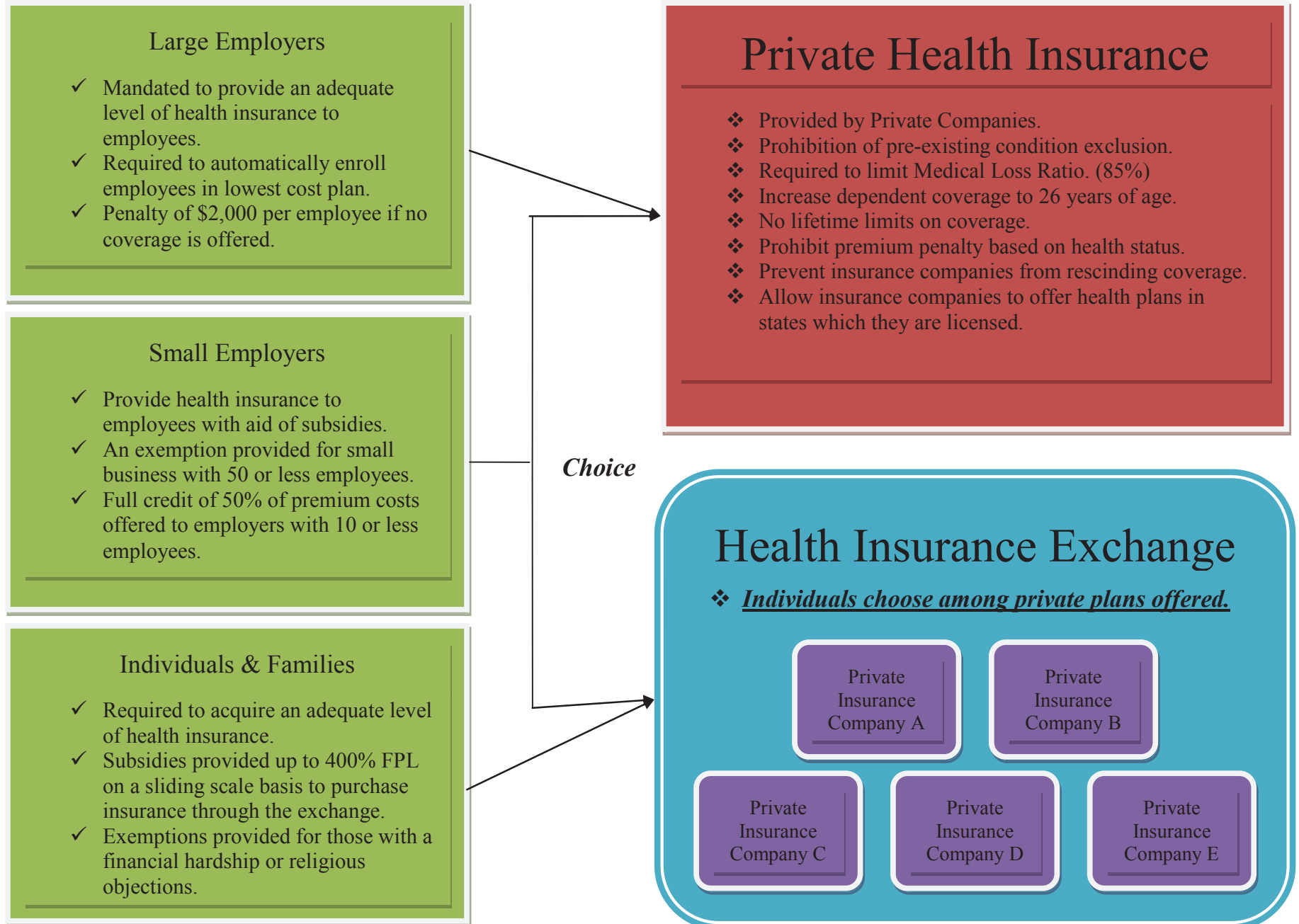
2010				2011	2012	2013	2014
Pre-Existing Condition Exclusion	Creates Reinsurance for early retirees.	Establish a non-profit Patient Centered Outcomes Research Institute	Provides for 12 Month Continuous Eligibility in CHIP	Eliminates Barriers in Medicare Low-Income Subsidy for Part D Drug Program.	Improve Low-Income Protections in Medicare.	Comprehensive Health Insurance Reforms initiated.	Health Insurance Exchange Fully Implemented
Ban on Lifetime limits	Increase funding for Community Health Centers.	Initiates the closing of the Medicare Part D: Drug Doughnut Hole.	Creates Medical Home Pilot Programs.	New Protections in Medicare Advantage.	Extends months of coverage of immunosuppressive drugs for kidney transplant patients.	Creation of Health Insurance Exchange.	Require Medicare Advantage to spend a minimum of 85% of premium dollars on medical care
Medical Loss Ratio Limitation (85%)	Establish (temporary) National High Risk Pool.	Improve Preventive Health Coverage in Medicare & Medicaid.	Grants to States for immediate Health Care Reform initiatives.	Additional funds to States with High Unemployment Rates.	Reduce rebates for Medicare Advantage plans	Subsidy/Tax Credits made available.	Open exchange to individuals with available employer based coverage
Dependent age increased (26)	Optional Expansion of Medicaid to 133% FPL	Provide tax credits to small businesses for health insurance	Establish the Workforce Advisory Commission	Essential Benefits: Health Advisory Committee makes recommendations to Secretary of HHS.	Require enhanced collection of demographic patient data	Create the Consumer Operated and Oriented Plan (CO-OP)	Full Expansion of Medicaid to 133% FPL
Create the Federal Coordinated Health Care Office	Implements new Preventive Health Services at the Community level.	Increase Reimbursement for Primary Care in Medicaid.	Prevent Health Insurance Recission.	Provide Grants for Employer Wellness Programs.	Provide bonus payments to high-quality Medicare Advantage plans	Increase Medicaid Payments for Primary Care Services	Individual and Employer Mandate



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Insurance Exchange



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Prevention and Wellness Provisions

The Patient Protection and Affordable Care Act (HR-3590) and The Health Care and Education Reconciliation Act of 2010 (HR-4872)

- ✓ Establish the National Prevention, Health Promotion and Public Health Council to coordinate federal prevention, wellness, and public health initiatives.
- ✓ Creation of a Prevention and Public Health Fund to expand funding for prevention and public health programs; including funds for public health screenings, immunization programs, and public health research.
 - \$7 Billion (2010 – 2015)
 - \$2 Billion per fiscal year following 2015
- ✓ Create a task force on Preventive Services and Community Preventive Services to develop and disseminate evidence-based recommendations on clinical and community preventive services.
- ✓ Establish a grant program for evidence-based and community-based prevention and wellness programs to strengthen prevention activities, reducing chronic disease, and addressing health disparities.
- ✓ Provide grants for up to 5 years to small businesses that establish wellness programs.
- ✓ Authorize Medicare coverage of an annual personalized prevention plan, which will include a comprehensive health risk assessment.
- ✓ Provide incentives to Medicaid and Medicare beneficiaries to participate in behavior modification programs. This includes Medicaid coverage of smoking cessation programs.
- ✓ Require qualified health plans to provide a minimum level of coverage for proven preventive services.
- ✓ Provide technical assistance to evaluate employer-based wellness programs.
- ✓ Allow employers to offer rewards for participating in a wellness program and for meeting specific health-related requirements.
 - Premium discounts
 - Waivers of cost-sharing requirements
 - Additional benefits
- ✓ Require chain restaurants, and food sold from vending machines to disclose the nutritional information of each item.



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