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## Understanding the New Health Plan Initiative

By Barbara Sadick

Signed into law in March of 2010, the Patient Protection and Affordable Health Care Act remains a poorly understood, complicated set of legislative health initiatives expected to reach full implementation in 2014, with various provisions becoming effective in 2011, 2012, and 2013. The Congressional Budget office projects that 32 million currently uninsured Americans will have health coverage by 2019, paid for by Medicare and Medicaid savings gained through elimination of overpayment and fraud and new taxes and fees, including a tax on high cost insurance policies.

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The underlying philosophy of the legislation is the notion that preventive healthcare will reduce medical care costs, most of which are currently spent on treating illness and disease rather than on promoting wellness and disease prevention. A 2003 report published in *The New England Journal of Medicine* said that due to prohibitive costs, Americans have access to only about half of the preventive services recommended by their physicians. The Act designates \$15 billion for prevention and public health programs.

In an attempt to better explain the contents of the new legislation, the following breakdown highlights some of its major provisions.

### The Individual Mandate

With specific exceptions, by 2014 most individuals will have access to and be required to have health insurance, which will be obtain via employers, new "health exchanges" (see below), or the purchase of individual plans. Insurance companies will no longer be able to discriminate against consumers or charge higher premiums for those with preexisting conditions.

### Employers

There will be no employer mandate, but companies (with 50 or more full-time employees) that do not offer health coverage will pay penalties in 2014. As of January 1, 2010, those with 25 or fewer employees earning \$50,000 or less are eligible for a tax credit.

### Health Benefit Exchanges

States will create exchanges where small employers and individuals can purchase insurance. High-risk insurance pools have already begun to be established to cover individuals with preexisting medical conditions.

### Private Insurance

With the exception of "grandfathered" plans (discussed below), no insurance company will be allowed to deny coverage. Plans will have to cover certain preventive services and will put no limitations on the amount of coverage available to an individual. Basic preventive health services will be cost-free to those covered, but premiums may vary depending upon geographic location, number of family members, and certain unhealthy behaviors such as tobacco use. As of September 2010, children will be allowed to remain on parents' health insurance policies until they are 26 years old, and insurance companies are not allowed to deny medical coverage to a child with a preexisting



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medical condition, if a plan was purchased after March 23, 2010.

Beginning in 2012, insurance companies will be required to spend 80 to 85 percent of premium payments on medical and health care expenses. If administrative costs exceed 15 to 20 percent of premiums, rebates will be paid to customers with the exception of those covered by individual plans. Premium increases will be subject to review beginning in 2014.

**Grandfathered Plans**

Plans that cover individuals or groups who were enrolled as of March 23, 2010, the day The Act was signed into law, do not have to abide by health mandates until January 1, 2014.

**Seniors**

Beginning this year, recipients of Medicare Part D, a [prescription drug](#) program, will get a 50 percent discount on name brand drugs and a 7 percent discount on generic drugs if they fall into "the doughnut hole," which is a coverage gap for those who spend \$2840 and \$4550 on prescription drugs each year. Seniors who hit the "doughnut hole" in 2010 have already received rebates of \$250.00 each. By 2020, the "doughnut hole" will be eliminated. Effective this year, Medicare recipients will be entitled to free preventive benefits such as [annual check-ups](#), various early screenings, and personalized wellness plans. Primary care physicians and [general surgeons](#) will receive a 10 percent bonus payment for treating Medicare patients.

**Medicaid**

Effective at the beginning of the year, \$25 million is being granted to states to promote [disease prevention](#) by targeting problems such as [obesity](#) and tobacco use.

**Political Challenges**

In January 2011, the Republican party, currently the majority in the House of Representatives, voted to repeal the bill. The Senate, which is controlled by Democrats, voted to uphold the legislation, and President Obama promised to veto any repeal. Several states have initiated legal challenges to the individual mandate, which is scheduled to take effect in 2014. Decisions in favor of these challenges have been appealed and are headed to the Supreme Court of the United States for interpretation. Meanwhile, the phase-in of components of the legislation is proceeding on schedule.

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