



THE NEW HEALTH CARE REFORM LAW – WHAT IT DOES AND WHAT IT MEANS TO YOU

In March, President Obama signed into law two major pieces of legislation that will make significant changes to the provision, availability, and requirements of health insurance in America, including changes that impact the Federal Employee Health Benefits Program (FEHBP). These two bills are H.R. 3590, Patient Protection and Affordable Care Act (P.L. 111-148) and H.R. 4872, the Health Care and Education Reconciliation Act of 2010. Many questions are being asked about what exactly is in the bill, and how will it impact their health insurance. AFSA wants to provide its members timely information, so below is a quick overview of what is in these two joined pieces of legislation will mean for the FEHBP, as well as a brief overview of the rest of the bill. Some provisions will go into place immediately, while others will be implemented of the next few years.

Changes to the FEHBP

The bill introduces excise tax high-value employee health insurance plans, like many of the plans offered through the FEHBP. Insurance companies will be required to pay a 40% tax on health care plans valued at the threshold levels of more than \$10,200 for individuals and more than \$27,500 for family coverage starting in 2018. However, the threshold levels that the plans are taxed at could rise if the cost of coverage the standard Blue Cross Blue Shield option in FEHBP rises more quickly than projected in between now and 2018.

An important change for families with older children dependents is that the new law will require any health insurance plan that offers dependent coverage, to cover children unmarried children until they turn 26, and this change will go into effect in roughly six months. There was some initial concern that the legislation was vague in whether or not this extension of coverage would apply to FEHBP plans, but the insurance companies have since said that they will not challenge this.

Another important change would limit the tax deductibility of flexible spending accounts, known as FSAFeds in the FEHBP program. There is a current \$5,000 annual contribution limit to the flex spending account, and the new legislation will reduce that limit to \$2,500 annually starting in 2013.

Overview of the Health Care Reform Legislation

Cost & Budget Implications

The new health care law, according to the non-partisan Congressional Budget Office (CBO) is expected to cost \$938 billion over ten years. The CBO also estimates that the new law will reduce the deficit by \$124 over ten years, and by over \$1 trillion in its second decade.

Coverage

The new law will require almost all U.S. citizens to have health insurance. This will be accomplished through State-based insurance exchanges and an expansion of Medicare in which individuals/families

and the self-employed will be able to purchase health insurance. Federal assistance will be provided to individuals/families whose income is between 133-400% of the federal poverty level. Citizens who do not purchase health insurance will face a penalty starting in 2014, increasing annually.

Additionally small businesses that have more than 50 employees that do not provide coverage will face paying a fine per employee. Small businesses with less than 50 employees will be eligible for a tax credit if they pay for a certain percentage of their employee's health insurance premiums. Separate exchanges similar to the ones set up for individuals will be set up for small business in 2014.

The bill makes certain insurance reforms to help make health insurance more effective and fair for the consumer. Many of these changes will go into effect anywhere from six months to one year, while some will take a little longer.

- Prohibits health insurance plans from denying coverage for children who have pre-existing conditions (six months after enactment).
- Prohibits health insurance plans from denying coverage for adults who have pre-existing conditions in 2014.
- Stops health insurance plans from being able to drop people from their plans if they get sick (six months after enactment).
- New private insurance plans will be required to cover preventative health services, which will not require a co-payment and that are exempt from deductibles (six months after enactment).
- Bans health insurance plans from placing lifetime caps on coverage (six months after enactment).

Under the new law, roughly 32 million Americans will gain access to coverage once the bill once full implementation has been reached in 2019.

Changes to Medicare

The new law will close the Medicare Part D prescription drug "doughnut hole" by 2020. Currently, Medicare stops covering drug costs once a beneficiary has spent more than \$2,830 on prescription drugs, and does not pay again until out-of-pocket costs pass \$4,550. Seniors who fall into the doughnut hole in 2010 will receive a \$250 rebate.

Starting in 2011, the new law will eliminate co-payments for preventative medical services in the Medicare program.

Beginning in 2012, the Medicare Payroll Tax will be a 3.8 percent tax on investment income for families making more than \$250,000 per year and individuals making more than \$200,000 per year.

Additional Information

If you are looking for additional or more in depth information about the new health care law, we recommend the non-partisan Kaiser Family Foundation's website (<http://healthreform.kff.org/>). Here is a link to an in-depth summary (<http://www.kff.org/healthreform/upload/8061.pdf>).