

## Healthcare Reform

What does the recent health care reform legislation mean for you? This article will provide an overview of the legislation primarily focusing on its impact on seniors and the programs and services that you use.

The Patient Protection and Affordable Care Act, as amended by the Reconciliation Act of 2010 (collectively referred to as the health care reform law), is an attempt to address two seemingly incompatible goals: to expand health insurance coverage and to reduce costs. How could this be possible? The theory is that by increasing access to preventive and primary health care it will improve health and reduce the need for more advanced and expensive treatment later. Of course, this is only one piece of the puzzle. Controlling costs and increasing revenue are also important parts of this package.

### Medicare

Generally Medicare beneficiaries will see an increase in covered services as a result of this legislation. However, Medicare Advantage beneficiaries will likely see a reduction in their extra services and/or a cost-sharing increase. Medicare allows individuals to receive services through private insurance plans under the Medicare Advantage program. Unfortunately, the costs associated with these plans have gotten out of control. A typical couple in traditional Medicare will pay nearly \$90 in additional premiums to subsidize these private plans.

In 2011, payments to these private plans will be frozen and starting in 2012 they will be aligned with spending reductions under traditional Medicare. In many areas, this will result in payment reductions which are likely to result in insurers reducing those optional benefits they previously offered such as vision care and no co-payments. Medicare Advantage plans will also be required to spend 85% of revenue on services rather than profit and administrative costs. Insurers will also be restricted in their ability to charge their enrollees higher cost-sharing than traditional Medicare.

Perhaps the biggest benefit to the legislation for current Medicare beneficiaries is that all preventive services will now be free. The cost-sharing on a procedure such as a colonoscopy can be prohibitively ex-

pensive. Under the new reform, a senior will not pay anything for any recommended preventive service and will receive a free annual wellness visit to his or her primary physician, which will include a personalized prevention plan.

The health care reform legislation improves Medicare coverage of prescription drugs by gradually reducing the “doughnut hole,” or gap in coverage that can cost some seniors over \$4,000 a year. By 2020, the gap will be eliminated by reducing cost-sharing and requiring pharmaceutical companies to offer greater discounts. The legislation also requires insurers to expand and standardize their prescription formularies. However, high income beneficiaries who pay a higher Medicare Part B subsidy will also see their drug premium rise.

In general, though, most Medicare beneficiaries will benefit from health care reform. A new report from the Department of Health and Human Services finds that the legislation will save most Medicare beneficiaries \$3,500 over ten years from reduced drug costs, improved quality, and the elimination of fraud and abuse. In addition, the services covered will be expanded for most beneficiaries.

### Long Term Care

The legislation expands Medicaid coverage for community-based care for seniors and disabled adults. The reform act also includes strengthens transparency, staff training and quality assurance requirements for nursing homes. In addition, it creates a voluntary long-term care insurance program, the Community Living Assistance Services and Support or CLASS Act. This program is employer-based although there is no requirement for employer contribution. Because individuals are automatically enrolled, it could dramatically increase the number of individuals with long term care coverage. However, the benefit is expected to be modest and should really be seen as a supplement to private long term care insurance.

### Early Retirees

This is one area where the results are more mixed. One cost-savings measure is elimination of the tax credit for employers that offered prescription drug coverage to retirees. No doubt this will lead many employers to drop this benefit. This is part of a larger trend. Many employers have eliminated retiree health benefits over the last decade. This has been particularly tough on early retirees who have found it difficult to find affordable coverage. The legislation addresses this issue in two stages. There will be a temporary re-insurance program which is meant to fill the

gap until the health insurance exchanges are operational. The re-insurance will reimburse employers 80% of the cost of claims for retirees aged 55-64. There is some concern that the re-insurance fund will be exhausted before 2014 when the exchanges are scheduled to be available.

### **Private Health Insurance Reforms**

The most popular provisions of the health reform legislation are undoubtedly those that guarantee coverage for the sick. The new federal insurance rules which are being implemented between now and 2014 include:

- 1) No lifetime limits on benefits;
- 2) Restrictions on annual benefit limits;
- 3) No exclusions on children with pre-existing conditions;
- 4) No dropping insured individuals simply because they get sick;
- 5) Temporary high-risk pools for adults with pre-existing conditions; and
- 6) Allowing unmarried children to remain on a parent's health plan until age 26.

As early as 2014, state-based health insurance exchanges will emerge to serve small businesses and individuals. Low-income individuals will receive subsidies to allow them to buy insurance through the exchanges. This piece of the legislation is key to New Jersey. In our state, small businesses make up 80 percent of businesses, but only 60 percent of them offer health coverage. Small businesses are not subject to insurance mandates, but they do receive a tax credit that makes it more affordable to offer insurance. The exchanges coupled with subsidies are designed to assist individuals like the 1.5 million residents of New Jersey who do not have health insurance, as well as the over 300,000 New Jerseyans who purchase insurance in the individual market.

It is hard to forecast the path that health care reform will take from here. Implementation of sweeping legislation of this type is destined to be fraught with delays and complications. However, for most seniors passage of the health care reform bill was a step in the right direction, bringing together cost savings and increased benefits.

**Editorial provided by Shana Siegel a Senior Associate with WanderPolo Law LLC. Ms. Siegel has focused on health and long term care issues for over fifteen years.**