

Healthcare Reform: Impact on Individuals

The Patient Protection and Affordable Care Act (ACA) and the Health Care and Education Reconciliation Act (Reconciliation Act), collectively referred to as healthcare reform, aim to implement significant changes in order to ensure access to affordable, high-quality healthcare. The roughly three hundred million United States residents constitute the largest group affected by the healthcare reform, as it includes several provisions which affect individuals' access to health insurance coverage, the quality of healthcare received, and the overall costs of healthcare services.¹

ACCESS

A major goal of the ACA is to improve access to health insurance, as a reported 47.5 million Americans were uninsured in 2007.² Provisions designed for this purpose include: the ability to enroll in a parent's health plan up to age 26, beginning in 2010; expansion of Medicare and Medicaid, beginning in 2014; the creation of health insurance exchanges, beginning in 2014; and the requirement of individuals to obtain minimum essential coverage through the individual mandate, effective in 2014.³ Estimates predict these provisions, among others, will result in nearly 34 million uninsured entering into the insurance market.⁴

Perhaps the most noteworthy – and controversial – provision of the ACA is the requirement that U.S. citizens and legal residents maintain minimum amounts of health insurance coverage. Essential coverage includes government sponsored programs, eligible employer sponsored programs, plans in the individual market, grandfathered group health plans, as well as some other types of coverage.⁵ The ACA provides refundable tax credits for taxpayers whose income is 9.5 percent under the lowest cost plan, to assist U.S. citizens in paying for health insurance premiums purchased through a state health benefit exchange.⁶ Additionally, the Reconciliation Act establishes financial penalties, up to \$2,000, for those who chose not to acquire insurance.⁷

While many insurance mandates begin in 2014, a number of provisions designed to expand access for young adults and their families became effective on September 23, 2010. The Department of Health and Human Services, the Department of Labor, and the Department of the Treasury estimate that approximately 1.7 million young adults between the ages of 19 and 26

will become covered under their parents' policy by 2013.⁸ Insurance plans must now provide dependent coverage for children up to age 26, who do not qualify for other coverage, for all individual and group policies, and health plans cannot charge adult children a higher premium or offer fewer benefits than those offered to younger children.⁹

The ACA also institutes new insurance market regulations which will increase access to health insurance offered to individuals. Currently, one in every seven applicants is denied coverage and thousands of claims are rejected based on various insurance market regulation protocols; an estimated 57.2 million individuals under the age of 65 suffer from a condition that may cause denial of coverage.¹⁰ The new healthcare reform regulations include prohibiting health insurance plans from: excluding children on the basis of a preexisting condition; imposing annual and lifetime maximum benefit limits for essential benefits; and, limiting the proportion of premiums insurers can spend on nonmedical costs. Since August 2010, a temporary national high-risk pool was created to permit adults with pre-existing conditions to obtain subsidized coverage with maximum cost sharing capped at the current HSA limit. This high risk pool will be dissolved after 2014, when all insurers will be prohibited from excluding persons with pre-existing conditions.¹¹

In addition to the private insurance mandates, the ACA also includes Medicare and Medicaid provisions that expand coverage to individuals. Individuals over the age of 65 have been covered by Medicare funds since the program's inception in the 1960's, yet as the population ages, the coverage of medical care for the elderly has been insufficient.¹² Beginning in 2014, the ACA expands eligibility for Medicaid to all legal residents with incomes up to 133 percent of the federal poverty level, including non-elderly, childless adults and expands Medicare Part D to cover true out-of-pocket expenses on prescription drugs. Also, a voluntary long-term care insurance program, funded by enrollee premiums called the Community Living Assistance Services and Supports (CLASS) program will be initiated January 1, 2011. The program will ensure access to funds for services for adults who become disabled and require long-term care. In addition, individuals who are retired, but not yet eligible for

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Medicare, may continue to obtain insurance through employers, who will receive temporary reimbursement for 80 percent of costs associated with providing early retiree insurance.¹³

QUALITY OF CARE

Another one of the primary goals of healthcare reform is to improve the quality of care individuals receive. Prevention services and screenings will receive 100 percent reimbursement under Medicare and any new private insurance policies, and increased funding for primary care should help improve access to these services. Healthcare reform also implements several experimental models of care through Medicare and Medicaid, which also attempt to improve wellness treatments for individuals and lower costs.¹⁴ If successful, these pilot programs have the potential to greatly impact the delivery of healthcare to individuals.¹⁵

COST

Healthcare reform will cost an estimated \$930 billion by 2019, and while this represents only three percent of all U.S. healthcare expenditures, some of the financial burden will fall on individuals.¹⁶ For example, effective January 2011, the taxes on health savings account funds that are not used for qualified medical expenses will increase from ten percent to 20 percent.¹⁷

LOOKING FORWARD

The implementation healthcare reform will not only be bound by the provisions contained in the actual text of the legislation, but will also be directed by the promulgation of agency rules and regulations, and subject to numerous outside factors, such as the changing political and economic landscape and the perception of the public's support and acceptance of the legislation. On November 2, 2010, Republicans took control of Congress by a significant majority, and while the Republican majority will likely not be successful in repealing healthcare reform in its entirety, in the months and years ahead, supplemental healthcare reform initiatives will most certainly be proposed, and some implemented, while existing aspects of the ACA may be repealed. Furthermore, in a study conducted in the four days following the midterm elections, Kaiser found that generally 42 percent of Americans view the ACA favorably while some 40 percent do not.¹⁸ Amid this looming uncertainty of healthcare reform's ultimate outcome, one thing that remains clear – healthcare reform must be viewed as a *process*, rather than a *single event*.

- ³ "Patient Protection and Affordable Care Act" H.R. 3590, 111th Congress, March 23, 2010. "Health Care and Education Reconciliation Act of 2010" H.R. 4872, 111th Congress, March 25, 2010.
- ⁴ "Estimated Financial Effects of the 'Patient Protection and Affordable Care Act' as Amended" By Richard S. Foster, Centers for Medicare and Medicaid Studies, April 22, 2010.
- ⁵ For more information on ACA mandates for grandfathered and new private health plans, see HCC Topics Vol. 3 Issue 12: Grandfathered Health Plans vs. Non Grandfathered Health Plans Under Health Reform. "Patient Protection and Affordable Care Act" H.R. 3590, 111th Congress, March 23, 2010.
- ⁶ For more information on state exchanges, see *HCC Topics Vol. 3 Issue 11: Insurance Exchanges*. "Patient Protection and Affordable Care Act" H.R. 3590, 111th Congress, March 23, 2010.
- ⁷ "Health Care and Education Reconciliation Act of 2010" H.R. 4872, 111th Congress, March 25, 2010.
- ⁸ "Interim Final Rules for Group Health Plans and Health Insurance Issuers Relating to Dependent Coverage of Children Age 26 Under the Patient Protection and Affordable Care Act," Department of the Treasury, Department of Labor, and Department of Health and Human Services, Fed. Reg. 75 No. 92, May 13, 2010, Accessed at <http://edocket.access.gpo.gov/2010/pdf/2010-11391.pdf>.
- ⁹ "Patient Protection and Affordable Care Act" H.R. 3590, 111th Congress, March 23, 2010. "Health Care and Education Reconciliation Act of 2010" H.R. 4872, 111th Congress, March 25, 2010.
- ¹⁰ "Many Denied Health Insurance Coverage Sue to Medical Conditions, Committee Says" By Sara Hansard, Bureau of National Affairs: Health Care Daily Report, Vol. 15, No. 196 (October 13, 2010).
- ¹¹ "Patient Protection and Affordable Care Act" H.R. 3590, 111th Congress, March 23, 2010. "Health Care and Education Reconciliation Act of 2010" H.R. 4872, 111th Congress, March 25, 2010.
- ¹² "Financing Medicare: An Issue Brief" By Lisa Potetz, The Kaiser Family Foundation, January 2008, Accessed at <http://www.kff.org/medicare/upload/7731.pdf> (Accessed 10/22/10), p.1
- ¹³ "Patient Protection and Affordable Care Act" H.R. 3590, 111th Congress, March 23, 2010. "Health Care and Education Reconciliation Act of 2010" H.R. 4872, 111th Congress, March 25, 2010.
- ¹⁴ "Patient Protection and Affordable Care Act" H.R. 3590, 111th Congress, March 23, 2010. "Health Care and Education Reconciliation Act of 2010" H.R. 4872, 111th Congress, March 25, 2010.
- ¹⁵ For more information of emerging models promoted by healthcare reform see *Health Capital Topics Vol. 3, Issues 7-10 Emerging Healthcare Organizations Series*.
- ¹⁶ "Estimated Financial Effects of the 'Patient Protection and Affordable Care Act' as Amended" By Richard S. Foster, Centers for Medicare and Medicaid Studies, April 22, 2010. <http://archive.hhs.gov/everyamericaninsured/> (Accessed 10/20/10), p.2." http://healthreform.kff.org/~media/Files/KHS/Source%20general/movie_reform_script_textonly_9_14FINAL.pdf (Accessed 10/22/10).
- ¹⁷ "Patient Protection and Affordable Care Act" H.R. 3590, 111th Congress, March 23, 2010. "Health Care and Education Reconciliation Act of 2010" H.R. 4872, 111th Congress, March 25, 2010.
- ¹⁸ "Kaiser Health Tracking Poll: Public Opinion of Health Care Concerns" Kaiser Family Foundation, November 2010, www.kff.org/kaiserpolls/8120.cfm (Accessed 11/17/10), p.5

¹ "U.S. Population Clock" United States Census Bureau, <http://www.census.gov/main/popclock.html> (Accessed 10/20/10).

² http://rand.org/health/feature/health_care_reform_debate/increasing-coverage.html



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