

What we need to know: HEALTH CARE 2011

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After months of intense political debate, President Barack Obama signed the highly controversial health care reform bill, the Patient Protection and Affordable Care Act (PPACA) bill, on March 23, 2010, leaving critics and supporters alike anticipating what the next step of this historic piece of legislation would be. But more than a year and a half later, citizens and politicians alike are still wondering what happened to the seemingly massive overhaul of the health care system that they radical bill called for. With several states and organizations taking issue with the plan's mandate on the purchase of health insurance for every individual, the Supreme Court may even review the constitutionality of the bill as early as the end of 2011. In addition, the upcoming primary election has once again opened the hot topic to Republican criticism, as seen multiple times throughout the recent GOP debates, and leads to the simple question of, "what is really going on in health care?"

WHAT THE BILL CALLS FOR

Arguably one of the most radical changes to the health care system is that the PPACA requires every individual to purchase health insurance, with exemptions for those earning low incomes. Failure to do so would result in a yearly fine of nearly \$700 or 2.5% of income beginning in 2016. And while there is technically no mandate for all employers to provide health insurance to its workers, the bill specifically requires those with 50 or more employees to provide them with coverage or face a yearly fine of \$2000 per worker if any of them of them receives federal health care subsidies.

Though the bill has been criticized for its seemingly Socialistic mandate, the distribution of financial risks amongst a larger group of people with such a system would make it less risky for insurance companies to insure people in the long run. When all is said and done, such mandates would result in coverage for more than 32 million citizens who are currently uninsured.

Turning to the other side of health care, insurers are now required to cover non-dependent children up to the age of 26 and starting in 2014, would be unable to discriminate against those with pre-existing conditions. Also, in order to ensure continued care to those who require it, insurance companies are unable to cancel coverage for those with long-term illnesses or increase the price of their premiums based on their medical history.

HEALTH CARE EXCHANGES

In attempt to meet the needs of the uninsured and self-employed, the bills also created health care exchanges, sets of state-regulated health care plans from which individuals can purchase insurance eligible for subsidies for those between 133 and 400 percent of the poverty level. Undocumented immigrants, however, would not be allowed to purchase health insurance through the exchanges. And since the exchanges were designed to be state-run, it would be up to each individual state to determine if they would offer abortion coverage in the plans that they offer. However, even in states choosing to offer such coverage, individuals would have to pay for the procedure themselves, except in cases of rape, incest or those in which it is medically determined that the health of the mother would be risked if the fetus is not aborted.

FUNDING THE REFORM

Claiming that the plan does not work to ensure federal funds would not be used to pay for abortions, those against the bill also cite the \$940 billion price tag as a major financial burden especially in this time of global economic crises. The PPACA calls for the implementation of several new taxes that would be used to pay for the new federal health care plan. Contributing the largest source of funds for the plan is the excise tax that, beginning in 2018, will force insurance companies to pay a 40% tax on high-end, or “Cadillac,”



insurance plans worth over \$10,000 for individuals and \$27,000 for families. While this tax would not be effective for another several years, the Medicare Payroll Tax would be enacted sometime in 2012. The expansion of this tax would then target unearned income as families with a yearly income of over \$250,000 would be taxed 3.8% on investment income. Additionally, the funds raised from a 10% tax on indoor tanning would be allocated towards the reform plan.

MEDICARE AND MEDICAID



Medicare has been suffering criticism from its so-called prescription drug “doughnut hole,” or the full financial responsibility that Medicare beneficiaries have to take for their medications after surpassing the prescription drug coverage limit of \$2830. It is not until the beneficiary spends a certain amount of his own money, specifically \$4,550, on his medications that the medications would once again be covered by Medicare. The new reform plan outlined a goal to

close this “donut hole” by 2020, giving those who have suffered financially from the gap in coverage a \$250 rebate. However, the PPACA also includes a plan to cut over \$500 billion from Medicare funds in the next 10 years, leaving the future of the program ambiguous.

PPACA also details an expansion of Medicaid to include childless adults as well as families found at 133% of the outlined federal poverty level, or those who earn an average of a \$29,327 yearly income for a family of four. Though this expansion of coverage may be financially straining to many already fund-limited states, through the PPACA, the federal government would pick up the full tab of the expanded Medicare coverage from 2014-2016 and beginning in 2020, pay for 90% of the expansion costs. Once again, undocumented immigrants would not be eligible for such benefits.

CLASS ACT



Despite the PPACA being signed into legislation nearly two years ago, the bill is still undergoing minor and major edits, as seen through the recent abandonment of a large section of the original PPACA that was believed to provide a major revolution to the health care system. The proposed plan was signed with a long-term health care program, called the Community Living Assistance Services and Supports (CLASS) Act, but after more than a year and a half of trying to ensure that the execution of the program could stay true to its original design, the act was cut completely on October 14, 2011. CLASS Act, a voluntary program that was intended to operate off the monthly premiums paid by members, was included in the original bill in order to guarantee them long-term care if they become disabled later on in life. However, the chance that not enough healthy people would buy into the program would lead to the complete destruction of the program. Ultimately, CLASS Act could not be realistically implemented once it became apparent that it could not be financially self sustaining.

ACOs

In addition, on October 20, 2011, the Obama administration further revised their outline for model partnerships between health care providers, or Accountable Care Organizations (ACOs), relaxing regulations that were initially proposed to monitor the ACOs. ACOs were introduced in the PPACA as the centerpiece of a plan aimed to increase coordination between different hospitals and doctors in the treatment of Medicare patients in order to ultimately reduce the cost of care and increase the quality of treatment. Organizations that coordinate such relationships between health care providers are believed to have the ability to save billions of dollars in the long run by improving the current system in which many patients jump between different doctors and hospitals. The administration would reward ACOs that reduce the cost and increase the quality of care by all allowing them a share of these savings. ACOs will be allowed

to form starting in 2012, with the condition that the partnerships take on the care of at least 5,000 Medicare patients for a three-year commitment.

The face of health care in America will forever be a topic under intense debate, but the one sure thing is that twenty years from now, the system will be distinctly different from how we know it today. With the proposed plan slated to introduce some changes to health care as early as next year, the next few months of editing parts of the bill as well as determining the constitutionality of the legislation will prove to be pivotal in the fate of the PPACA. Only with time will the next steps of the reform become apparent, but we can all anticipate an interesting political season as the subject of health care will certainly be one of the most interesting topics of discussion for the upcoming election year.

IMAGE REFERENCES:

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