



# FACTS & ISSUES

League of Women Voters Houston Area Education Fund

April 2011

## **THE AFFORDABLE HEALTH CARE ACT – 2011 Update**

In the early 1990's, the National League of Women Voters studied health care for two years and then took consensus on the subject. Overwhelmingly, from coast to coast local leagues approved single payer, comprehensive health coverage for all, in effect, an expanded Medicare for all. Around 2000, LWV approved changes in our position at the National Convention because they saw that nothing was happening. Last June at the National LWV Convention in Atlanta, members voted again for single payer health coverage. The convention attendees supported the Obama administration health care legislation that was enacted. League members worked in co-operation with the Henry J. Kaiser Family Foundation.

**THE AFFORDABLE HEALTH CARE ACT: ONE YEAR LATER** Reforms under the Affordable Health Care Act have brought an end to some of the worst abuses of the insurance industry. These reforms have given Americans new rights and benefits: helping more children get health coverage; ending lifetime and most annual limits on care; allowing young adults under 26 to stay on their parent's health insurance; and giving patients access to recommended preventive services without cost.

Many other new benefits of the law have taken effect, including 50 percent discounts on brand-name drugs for seniors in the Medicare "donut hole" and tax credits for small businesses that provide insurance to employees. The new health reform law will require most U. S. citizens and legal residents to have health coverage by 2014. The success of the law in achieving near-universal health coverage will depend on the effectiveness of the enrollment and renewal processes that states put in place. With a quickly approaching 2014 deadline, states must begin working together with federal agencies and stakeholders to put critical policies and systems in place. The state of Vermont is trying to put a single payer system in place in their state.

**STRENGTHENING MEDICARE** The life of the Medicare Trust fund is expected to be extended to at least 2029, a 12-year extension as a result of reducing payment errors, waste, fraud, abuse, and slowing cost growth in Medicare. This will provide citizens with future cost savings on their premiums and coinsurance. The President has stated a goal is to reduce Medicare fraud 50 percent by 2012. The goal of the Affordable Health Care Act is to make an historic ten-year, \$350 million investment to prevent, detect, and fight fraud in Medicare, Medicaid, and the Children's Health Insurance Program, including foiling criminal efforts to exploit the new law.

In 2011, a patient, once in the prescription drug donut hole is eligible for a 50 percent discount on brand name drugs. Every year thereafter, the patient pays less for prescription drugs in the donut hole until there is complete coverage of the donut hole in 2020. Between now and then, there will be continuous Medicare coverage for prescription drugs.

The coordination of care between doctors and the overall quality of care should improve so that there will be less preventable and harmful illnesses resulting in re-admissions to the hospital for the same condition. Hospitals will have new, strong incentives to improve quality of care. Starting in 2014, the Affordable Health

Care Act offers additional protections for Medicare Advantage Plan members by taking strong steps to limit the amount these plans spend on administrative costs, insurance company profits, and things other than health care.

## **AFFORDABLE HEALTH CARE ACT'S NEW PATIENT'S BILL OF RIGHTS**

A major goal of the Affordable Health Care Act—the health insurance reform legislation President Obama signed into law on March 23, 2010—is to put American consumers back in charge of their health coverage and care. Insurance companies often leave patients without coverage when they need it the most, causing them to put off needed care, compromising their health and driving up the cost of care when they get it. Too often, insurance companies put insurance company bureaucrats between patients and their doctor. The Affordable Health Care Act cracks down on some of the most egregious practices of the insurance industry while providing the stability and the flexibility that families and businesses need to make the choices that work best for them. The Departments of Health and Human Services (HHS), Labor, and Treasury have issued regulations to implement a new Patient's Bill of Rights under the Affordable Health Care Act. These new protections apply to nearly all health insurance plans. How these new rules will help builds on other Affordable Health Care Act policies

The new **Patient's Bill of Rights** regulations detail a set of protections that apply to health coverage starting on or after September 23, 2010, six months after the enactment of the Affordable Health Care Act. They are as follows:

1. **No Pre-Existing Condition Exclusions for Children under Age 19.** These new rules will help stop insurance companies from limiting the care needed. For most plans starting on or after September 23, 2010, these rules stop insurance companies from imposing pre-existing condition exclusions on children. **No Arbitrary Rescissions of Insurance Coverage.** Insurers are prohibited from rescinding or taking away coverage based on an unintentional mistake on an application. **No lifetime limits on coverage.** Insurers are banned from setting lifetime limits on coverage. **Restricted annual dollar limits on coverage.** Use of annual limits on coverage is restricted.

2. **Protects Choice of Doctors.** Insurance company barriers between patients and their doctor are removed. For plans starting on or after September 23, 2010, these rules ensure that patients can choose the primary care doctor or pediatrician from their plan's provider network, and that they can see an OB-GYN without needing a referral. **Removes insurance company barriers to emergency department services.** Some insurers will only pay for health care provided by a limited number or network of providers – including emergency health care. Insurance companies will not be able to require patients to get prior approval before seeking emergency care at a hospital outside their plan's network. These protections apply to health plans that are not grandfathered.

3. **HHS recently offered States \$51 million in grant funding to strengthen review of insurance premiums.** Annual premium hikes can put insurance out of reach of many working families and small employers. These grants are a down-payment that enables states to act now on reviewing, disclosing, and preventing unreasonable rate hikes. Already, a number of states, including California, New York, Maine, Pennsylvania, and others are moving forward to improve their oversight and require more transparency of insurance companies' requests to raise rates.

4. **Getting the Most from Premium Dollars.** Beginning in January, the Affordable Health Care Act requires individual and small group insurers to spend at least 80 percent and large group insurers to spend at least 85

percent of premium dollars on direct medical care and efforts to improve the quality of care received and to rebate the difference if they fall short. This will limit spending on overhead and salaries and bonuses paid to insurance company executives and provide new transparency into how premium dollars are spent. Insurers will be required to publicly disclose their rates on a new national consumer website: HealthCare.gov.

**5. Keeping Young Adults Covered.** Starting September 23, 2010, children under 26 were allowed to stay on their parent's family policy, or be added to it. Group health plans that are grandfathered plans can limit this option to adult children that don't have another offer of employment-based coverage. Many insurance companies and employers have agreed to implement this program early, to avoid a gap in coverage for new college graduates and other young adults.

**6. Providing Affordable Coverage to Americans without Insurance due to Pre-existing Conditions:** Starting July 1, 2010, Americans locked out of the insurance market because of a pre-existing condition could begin enrolling in the Pre-existing Condition Insurance Plan (PCIP). This program offers insurance without medical underwriting to people who have been unable to get it because of a pre-existing condition. It ends in 2014, when the ban on insurers refusing to cover adults with pre-existing conditions goes into effect and individuals will have affordable choices through Exchanges – the same choices as members of Congress.

Texas and the Houston area in particular have a large percent of citizens without health insurance. That means they go to the emergency room every time they have a health issue. That is the most expensive health care that can be found. One of the problems with the new legislation is that uninsured people cannot afford the premiums offered by the insurance companies. They are required to offer people insurance with pre-existing conditions but the premium is just too high. In order for this new insurance program to work, everyone will have to be insured by 2014. Everyone will need to strive for the best health possible.

More rights, protections, and benefits for Americans are on the way through 2014. See other major parts of the law at <http://www.healthcare.gov/>.

#### **TAX CREDIT FOR SMALL BUSINESSES THAT INSURE THEIR EMPLOYEES**

The Affordable Health Care Act helps small businesses and small tax-exempt organizations afford the cost of covering their employees. If you have fewer than 25 employees and provide health insurance you may qualify for a small business tax credit of up to 35 percent (up to 25 percent for non-profits) to offset the cost of your insurance. This will make the cost of providing insurance much lower.

**BENEFITS OF CONSUMER PROTECTIONS** The new rules will bring immediate relief to many Americans and provide peace of mind to millions more who are only one illness or accident away from medical and financial chaos. The new ban on lifetime limits would affect group premiums by 0.5 percent or less and individual market premiums by 0.75 percent or less. The restricted annual limit policy would affect group and individual markets by roughly 0.1 percent or less (grandfathered individual market plans are exempt). And, the prohibition of pre-existing conditions exclusions for children would affect group health plans by just a few hundredths of a percent. For new plans in the individual market, this impact would be roughly 0.5 percent in many states. In states with community rating, (roughly twenty states), the impact could be up to 1.0 percent. These costs are before taking benefits into account.

#### **THE NEW RULES WILL ACHIEVE GREATER COST SAVINGS BY**

**Reducing the “hidden tax” on insured Americans:** By making sure insurance covers people who are most at risk, there will be less uncompensated care, and the amount of cost shifting among those who have coverage today will be reduced by up to \$1 billion in 2013.

**Improving Americans’ health:** By making sure that high-risk individuals have insurance, the rules will reduce premature death. Insured children are less likely to experience avoidable hospital stays than uninsured children and, when hospitalized, insured children are at less risk of dying.

**Protecting Americans’ savings:** High medical costs contributed to some degree to about half of the more than 500,000 personal bankruptcies in the U.S. in 2007. These costs borne by individuals might be assumed by insurance companies once rescissions are banned, annual limits are restricted, lifetime limits are prohibited, and most children have access to health insurance without pre-existing condition exclusions.

**Enhancing workers’ productivity:** Making sure that kids with health problems have coverage will reduce the number of days parents have to take off from work to care for family members. Parents will also be freed from “job lock,” which occurs when people are afraid to take a better job because they might lose coverage for themselves or their families.

**Setting up a new competitive private health insurance market**—through state Exchanges—giving millions of Americans and small businesses access to affordable coverage and the same choices of insurance that members of Congress will have.

**Holding insurance companies accountable** by keeping premiums down and preventing many types of insurance industry abuses and denials of care, and ending discrimination against Americans with pre-existing conditions.

**Putting our budget and economy on a more stable path**, since it is expected to reduce the deficit by more than \$100 billion over the next ten years—and by more than \$1 trillion over the second decade—by cutting government overspending and reining in waste, fraud and abuse.

Some of the people in the USA think the health care law has been repealed. Others just do not understand what it covers. The programs are sufficiently complex so that it is understandable that some persons do not comprehend it fully. Over half of the population knows that the current legislation is still in place

## DISCUSSION QUESTIONS

In what ways do you think that the 2014 Affordable Health Care Act (AHCA) will be effective?

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Do you think the 2014 AHCA is economically feasible at this time?

Is the 2014 AHCA oriented more toward economic considerations that benefit insurers than toward care considerations that benefit patients?

The Texas Legislature is talking about cutting Medicaid. How will this affect health care in the state of Texas?