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What the health care bill means for you

By DAVID M. DRUCKER and MICHAEL D. TANNER
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With the House having passed its $1 trillion dollar-plus heath care bill and the Senate poised to approve its own $850 billion version as early as Christmas, a broad rewrite of America's health care system — encompassing nearly 20% of the U.S. economy — could be close at hand.

If the Senate approves its version, which is expected given the Democrats' 60-seat majority, the package will have to be merged with legislation approved last month by the House. But similarities between the two bills are starting to emerge.

Here, David M. Drucker of the newspaper Roll Call provides a rundown of what the final bill will likely include, while Michael D. Tanner, a Cato Institute senior fellow and co-author of "Healthy Competition: What's Holding Back Health Care and How to Free It," provides perspective on what those changes mean for you:

FOR EVERYONE

* By 2014 (per the Senate bill), states would be required to establish an American Health Benefit Exchange, designed to provide a government-regulated health insurance marketplace for small businesses and consumers who do not receive health insurance through their employer. Individuals eligible for tax credits to subsidize the cost of insurance may only receive them if they purchase insurance through an exchange.

* Each exchange has the ability to exclude insurers from participating and dictate prices. Insurers in the exchange would have to have premium increases approved by the exchange administrator. Each state's exchange would be governable by state insurance regulations already on the books. Regional and interstate exchanges would be permitted. Members of Congress would be required to obtain insurance through the exchange.

* If you have a pre-existing medical condition, private insurance companies would be prohibited from denying you coverage on that basis.

* If you have a chronic illness that requires constant and expensive medical care, the deductibles insurance companies charge you would be capped at $5,000 annually for individuals and $10,000 for families. Private insurers also would be prohibited from dropping you if you acquired a chronic illness.

TANNER: "Don't count on your insurance premiums going down. According to the Congressional Budget Office, the bills do little or nothing to reduce insurance premiums. For millions of Americans, the Senate bill will actually make things worse, increasing insurance premiums by 10%-13% for Americans who buy their insurance through the non-group market, that is those who don't receive insurance from their employer. Those increases are over and above the increases that would occur if we did nothing — roughly doubling premiums by 2016, according to the CBO. You also may not be able to keep the insurance you have today. Insurance plans would have to meet certain government-defined standards. Those standards may be more expensive than your current plan or may include benefits you don't want."

GOVERNMENT HEALTH CARE "THE PUBLIC OPTION"

Perhaps the most controversial part of the bills, and could be removed. Beginning Jan. 1, 2014, the government-run plan (as per the House bill, the Senate version remains in flux) would be available for purchase through the state exchanges. The current Senate version allows states to opt out, the House bill does not. The plan would be administered by the Secretary of Health and Human Services. The plan, run as a pseudo-private company much like mortgage companies Fannie Mae and Freddie Mac, would negotiate provider rates, with the government providing start-up capital to get the company up and running. The plan would charge premiums and would have to reimburse Washington for the start-up money within nine years. The exact constructs of the government-run plan (types of policies, prices, etc.) are yet to be determined.

TANNER: "Many experts are concerned that government-run plan would have an inherent advantage in the marketplace because it ultimately would be subsidized by American taxpayers. The government plan could keep its premiums artificially low or offer extra benefits because it could turn to taxpayers to cover any shortfalls the same way the government bailed out Fannie Mae and Freddie Mac. This means businesses would have an incentive to dump their workers into the public plan. In the end, millions of Americans could be forced out of the insurance they have today and into the government plan."

IF YOU'RE UNINSURED

* If you a young adult age 18 to 26, you can remain on your family's insurance policy just as when you were a dependent minor.

* If you don't currently have health insurance, federal law would mandate that you purchase coverage beginning in 2014. Failure to do so could result in a fine of 2.5% of your gross income, unless you receive a waiver, usually for religious reasons. Fines for failing to purchase insurance under the Senate bill would cap out at $750, at least initially.

* Exemptions are available if the lower cost plan available exceeds 8% of your income — or if your income falls below the federal poverty limit, which is $10,830 a year for an individual.

* Both the House and Senate bills would extend health insurance to around 35 million uninsured Americans, in large part by expanding access to Medicaid, the state-run programs that are jointly funded by the federal government and provide

taxpayer-subsidized health care to the poor. The House bill would expand eligibility for this program to include a family of four earning up to 150% of the federal poverty level, or $33,075 a year; the Senate bill would expand eligibility to a family earning up to 133%, or $29,330 a year.

* If you earn too much to qualify for your state’s Medicaid program but your income is low enough such that you’re having trouble affording private health insurance, the federal government will provide you tax credits or federal subsidies, on a sliding scale, for a family of four earning as much as 400% of the federal poverty level, or $88,000 a year. Under the bill, a family of four earning $29,000 annually would not pay more than 1.5% of its yearly income to cover health insurance costs, while a family of four earning $88,000 annually would pay no more than 12% of its income to cover the cost of health insurance.

TANNER: “The legislation would undoubtedly increase the number of Americans with health insurance, but it would not achieve universal coverage. In fact, according to the CBO, the Senate bill would still leave 24 million US residents without coverage by 2019. For a bill that will cost $2.5-$3 trillion over its first 10 years of actual operation (nearly $6 trillion if you count costs shifted to business, workers, and state governments), that’s not much bang for the buck.”

IF YOU'RE RETIRED AND ON MEDICARE

* Both the House and Senate bills are funded by about $500 billion in cuts to Medicare, the popular federal program that provides health care to elderly Americans. The money would be used to fund health care reform.

* If you currently have a Medicare Advantage policy, which is popular in rural America, it would disappear under this legislation. Currently, 23% of Medicare beneficiaries are enrolled in this program. Medicare Advantage offers additional benefits not always available under regular Medicare and acts as a supplement to Medicare, often at lower prices than Medicare supplement policies available from private companies.

* Currently, Medicare Part D subsidizes 75% of a beneficiary’s prescription drug costs, up to $3,190 annually. Once the beneficiary’s drug costs have hit the “catastrophic” level — or $7,234 — 95% of his or her drug costs are subsidized by Medicare. If a beneficiary’s drug costs fall between those two levels (which is known as the “doughnut hole”) they must pay the entirety of their drug costs. Both the House and Senate bills would expand Medicare prescription drug coverage to include offering coverage to all levels of expenditures by the beneficiary, eliminating the doughnut hole.

TANNER: “The bills would reduce reimbursements for diagnostic imaging — things like CT scans, MRIs and X-rays — under Medicare by as much as 25%. And the Senate Finance Committee’s bill would penalize Medicare providers who perform too many procedures or tests. Providers whose utilization is in the 90th percentile or above, compared with national averages, will have their Medicare reimbursements cut. This could make it more difficult for seniors to find access to those services.

It is important to realize that Medicare faces huge budget gaps in the future ($50-$100 trillion depending on which accounting measures are used). While the bills would theoretically cut future Medicare spending, it doesn’t use those cuts to shore up the program’s finances, but instead uses the savings to fund other aspects of health care reform.”

I**F YOU'RE INSURED THROUGH WORK**

* The Congressional Budget Office estimates that up to 10 million people could lose their employer-based insurance coverage under the Senate’s health care reform bill. The businesses would opt to pay the fine rather than insure their employees.

* If you make more than $88,000 a year and are dropped from a corporate plan, you will have to pay the full cost of private insurance or pay a fine.

* There is a chance your premiums will go up. It depends on how private insurers react to the legislation — their premiums will not be regulated by the government, only those sold through marketplaces.

TANNER: “Some currently popular insurance options may no longer be available. Health-savings accounts would be almost eliminated and Flexible Spending Accounts cut back.”

IF YOU'RE INSURED THROUGH WORK (HIGH-END PLANS)

* If you’re an individual earning $500,000 or more annually, or if you’re a married couple earning $1 million or more per year, the House bill would levy you with an income surtax of 5.4% to help pay for expanded Medicaid and other government benefits.

* The Senate bill won’t raise your income taxes, but it could tax you on the value of your existing “Cadillac” health care plan. If you an individual, you would get taxed on the value of your policy if it is worth $8,500 or more per year. If you were a member of a family, you would get taxed if your plan were worth $23,000 or more per year. This will be a 40% excise tax, payable by insurance companies or companies that self-insure their employees. Critics complain that this tax hike will be passed on to the consumer.

* If you’re an individual earning $200,000 or more annually or a couple earning $250,000 or more, the Senate bill would raise the Medicare Hospital Insurance tax you pay on your paycheck by a half percent.

* If you choose elective cosmetic surgery, the Senate bill would levy a 5% tax on you for the value of the procedure.

TANNER: “The threshold for the Cadillac plan tax is set to grow slower than the rate of medical inflation. That means that as inflation drives up premiums over time, more and more people will pay the tax.”

IF YOU'RE A SMALL BUSINESS OWNER

* If you run a small business with a payroll totaling less than $500,000 annually, you will not be fined for failing to offer

health insurance to your employees. In fact, you might receive a federally subsidized grant to create a wellness program. If you run a business with 25 employees or less and have an average salary of $40,000, you may be eligible for tax credits to help provide your workers with health insurance.

TANNER: “That $500,000 threshold is quite low, especially in high-cost states like New York. Small businesses above the threshold will be hit with penalties that run up to 8% of payroll under the House bill or $750 per employee under the Senate bill. Even if you offer health insurance for your employees today, you may have to increase the amount that you pay toward it. The mandate requires businesses to pay at least 72.5% of the premium for individual coverage and 65% for family coverage. And, you would have to bring your insurance plan in line with the government-defined minimum benefit package within five years.”

IF YOU'RE A LARGE BUSINESS OWNER

* If you run a large business, you probably already provide health coverage, either partially or fully subsidized, to your employees. However, if your business offers inadequate coverage or none at all, you would be subject to a fine of 8% of your total payroll under the House bill. If you do offer insurance to your employees, your business would be exempt from most new regulations mandating the coverage levels required to escape the government fine. The Senate mandate is less stringent but similar in scope.

* The Congressional Budget Office estimates that up to 10 million people could lose their employer-based insurance coverage under the Senate’s health care reform bill. They would opt to pay the fine rather than shoulder health care costs.

TANNER: “The reform does little or nothing to reduce health care costs for businesses. Whether or not the bill passes, premiums for employer-provided family plans are expected to roughly double by 2016. Employers may have to increase their share of premiums, and are likely to offset that increased cost by reducing wages.”