

PROS AND CONS OF THE AFFORDABLE CARE ACT

By Steve Haraczak, TRG Associate

Pros and Cons of the Affordable Care Act

Ever since President Obama signed into law the Affordable Care Act on March 23, 2010, there has been debate among many Americans, especially association/business leaders, as to the pros and cons of the law. Various provisions of the Act are confusing and are being phased in over a number of years. The Act is intended to assure that all Americans have medical insurance coverage either thru employment, statewide insurance exchanges, or on their own. Following is a concentrated overview of the key provisions of the Affordable Care Act and how it might impact your association/business team now or in the near future.

Pros of the new medical health law

The law is designed to put into place comprehensive reforms that improve health coverage for all Americans and protects consumers from abusive insurance company practices that occurred in the past. The law allows all Americans to make health insurance choices that work for them, while guaranteeing access to care for those consumers most vulnerable, and also provides new ways expected to bring down costs and improve quality of health care.

- **Stronger Consumer Rights and Protections**

In the past, insurance companies could take advantage of consumers by denying coverage for a pre-existing condition, or put a lifetime cap on the amount of health care you would pay for, or cancel your coverage when you got sick by finding an accidental mistake in your health insurance paperwork.

The Affordable Care Act creates a new Patient's Bill of Rights that protects consumers from these and other abusive practices of insurance companies. This includes an end in to pre-existing condition determinations in 2014. Also by 2014 under the Act insurers can no longer impose lifetime dollar limits on essential health benefits and the elimination of annual limits on health care coverage for 105 million Americans.

In addition, insurance companies can no longer drop your medical coverage when you get sick due to a mistake you made on your application.

Before the law, many Americans with pre-existing conditions were locked or priced out of the health insurance market. Starting in 2014, insurance discrimination against anyone with a pre-existing condition will be illegal.

The Act and its many provisions do not apply to businesses with less than 50 employees. However, larger businesses are required under the Act to offer health insurance to their employees, but they will receive tax credits to help employees pay the medical insurance premiums. In 2014, this tax credit for larger businesses will increase to 50%.

Individuals with existing health insurance coverage will be allowed to maintain their status.

- **More Affordable Coverage**

The law will help consumers by bringing down their health care costs and making sure their health care dollars are spent wisely.

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Insurance companies will now be held accountable to their customers for how they are spending health insurance premium dollars and how much they are raising medical insurance rates annually and why.

Thanks to the law's 80/20 rule, if insurance companies don't spend at least 80% of their premium dollars on medical care and quality improvements rather than advertising, marketing, overhead and bonuses for executives, they will have to provide a rebate to their insured consumers. The first such insurance premium rebates were made in 2012.

In every state, and for the first time, insurance companies are required to publicly justify their actions if they want to raise insurance rates by 10% or more in a year. In addition, small businesses have long paid a premium level for health insurance for their employees – often 18 percent more than larger employers.

The provision limiting the insurance premium rates to 10%/year will benefit an estimated 2 million workers who get their medical insurance from an estimated 360,000 small employers. These employers will receive a tax credit for their medical health insurance payments.

- **Better Access to Care**

The new health care law is designed to build on what works in the nation's health care system and fix what is broken by providing consumers with more health insurance choices and better access to care. Insurers are now required to cover a number of recommended preventive services without additional cost sharing such as copays or deductibles. Also under the law most young adults who can't get coverage through their jobs now can stay on their parents' health plans until age 26.

Starting in 2014, American consumers will be provided with Affordable Insurance Exchanges that are a one-stop marketplace that fits their health insurance needs. These Exchanges will select health plans qualified to offer coverage, facilitate consumer assistance, shopping and enrollment, and coordinate eligibility for the Exchange and potential premium assistance. Already, 17 states and the District of Columbia plan on offering their own Affordable Insurance Exchanges; 26 states are defaulting to the federal government for health insurance coverage; and 7 states will jointly run the Exchanges with the federal government.

- **Strengthening Medicare**

Nearly 50 million older Americans and those with disabilities rely on Medicare each year. The new health care law makes Medicare stronger by adding new benefits, fighting fraud, and improving care for patients. The life of the Medicare Trust Fund will be extended by the Act to at least 2024 as a result of reducing waste, fraud, and abuse; and slowing cost growth in Medicare.

In terms of lower cost prescription drugs, the law provides relief for people in Medicare with high drug costs. Over the years seniors will see additional savings on covered brand name and generic drugs. Also under the law, seniors can receive recommended preventative services such as flu shots, diabetes screenings, as well as a new Annual Wellness Visit, all free of charge.

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The new health care law helps stop fraud with tougher screening procedures, stronger penalties and new technology. Through the newly established Center for Medicare and Medicaid Innovation, the Obama Administration is testing and supporting innovative new health care models that can reduce costs and strength the quality of health care. In conclusion, the Affordable Care Act is designed to provide more individual choice while lowering costs. For example, the number of seniors who joined Medicare Advantage plans increased by 17% between 2010 and 2012 while the premiums for such plans dropped by 16%. Seniors across the nation now do have a choice of health plans.

Cons of the new medical health law

Many conservative people believe the Affordable Care Act is not really health care reform at all, and that it will expand the poorest performing segments of our health care system, and further erode what little choice currently exists at the individual patient and provider level. It also will significantly increase the high federal deficit and the large federal government work force.

- **Opposition to requiring citizens to purchase health insurance or pay a tax penalty**

Many Americans believe the Affordable Care Act is really not about better healthcare, and more about a power grab by the Federal government on healthcare, which is one-sixth of our economy. The law will tremendously expand Medicaid without significant reform, leaving the states to assume unsustainable financial burdens. In addition, under the law, those who don't purchase health insurance, and don't qualify for Medicare or Medicaid or other subsidies, will be assessed a tax of \$95 (or 1% of income, whichever is higher) in 2014. This tax penalty increases to \$325 (or 2% of income) in 2015, and \$695 (or 2.5% of income) in 2016.

About 4 million people (especially younger people), or 1.2% of the population, will wind up paying the tax rather than purchase health insurance under the Act. The Congressional Budget office (CBO) estimates that will total \$54 billion in cost.

- **Increased healthcare coverage may actually increase health care costs for Americans**

Health care costs may increase under the Act because many more people will receive preventative care and testing who, fortunately, will find out that didn't have a critical illness. The increased cost for such an increase in preventive care and testing will be paid for by the federal government and ultimately the taxpayers.

- **Higher taxes for certain Americans**

Under the Act taxes will be raised on one million individuals with annual incomes above a \$200,000 threshold, as well as for four million couples filing jointly with incomes in excess of \$250,000. They would pay a total of 2.35% (up from 1.45%) in Medicare taxes on income above the threshold. In addition, they would pay an additional 3.8% in Medicare taxes.

- **Physicians may not accept new patients under the Act**

Being nominally "covered" in a public health insurance program like the Affordable Care Act is of little value if prohibitively low reimbursement rates and administrative hassles prevent physicians from accepting new patients. Giving patients' ownership of their

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health care resources and choice over how those resources will be spent will also increase the demand for transparency about the cost and quality of services.

- **Higher fees for pharmaceutical companies may be passed on to consumers.**
Under the Act pharmaceutical companies will pay an extra \$84.8 billion in fees over the next 10 years to pay for closing the “donut-hole” for patient drugs under Medicare Part D. This could raise drug costs if they pass these new fees onto consumers.
- **Loss of some company-sponsored health care plans**
It is estimated by the Congressional Budget Office (CBO) that between 3.5 million people could lose their association-or company-sponsored health care plans as a result of the Act. Many associations/businesses will find it more cost-effective to pay the penalty and let their employees purchase their own insurance plans from the state-sponsored Exchanges. Other small businesses might find they can get a better plan for their employees through the state-run Exchanges.

There are 30.1 million people who currently buy their own private health insurance. Under the Act many of them may need to get another plan if their insurance doesn't meet the minimum health insurance plan standards to be developed by the Federal government.

- **Growing federal deficit and growing federal work force concerns**
The Affordable Care Act will make a much larger and growing health care system run by the federal government, and will result in a significantly higher federal budget that will add to the growing federal deficit at a time when the nation needs to control its growing federal deficit and reduce significantly the large and growing federal government workforce. At this time the high number of agents/staffers needed to implement the Affordable Care Act is still unknown.

When you compare the healthcare systems in Canada or England, or anywhere else in the world to the U.S. healthcare system, what you find is rationing of health care to control the cost. That is the reason why many people from Canada and the rest of the world come to the U.S. for health care – they don't have to wait for quality care. However, the Affordable Care Act will result in expensive, but mediocre health care for all, instead of quality care for most.

Ultimately, the goal of real health care reform should be for the government to stop trying to design and operate public health insurance plans and instead focus on providing disadvantaged individuals with the necessary funds to buy into the same health care system that everyone else uses.

Conclusion

It is important for your association/business to understand fully the many implications of the Affordable Care Act on your employees; and The Regis Group team is prepared to help you do so.