

Summary Timeline for Major Items in Senate Health Care Bill



Provisions that take effect immediately upon enactment:

- Insurance Regulations**
 - Prohibition on pre-existing condition exclusions for private insurance on the individual market.
 - Prohibition on revoking insurance for patients who falsify applications to fraudulently obtain private insurance coverage (however, penalties for fraud against federal health programs are increased).

- Taxes**
 - “Annual Fee” tax on prescription drugs of \$2.3 billion, allocated according to market share.
 - New 10% tax on indoor tanning services effective July 1, 2010.

- Other**
 - New restrictions on not-for-profit hospitals.

- Special Favors**
 - Special tax benefit for BCBS organizations that maintain medical loss ratios of at least 85%.

- Medicare**
 - Physician payments decrease 21% effective March 1, 2010.

Provisions that take effect six months after enactment:

- Insurance Regulations**
 - Group and Individual policies issued after this date may not contain lifetime coverage limits, must provide first-dollar coverage for preventive care as defined by the U.S. Preventive Services Task Force, and must cover “children” of primary policyholders up to age 26.



- Taxes**
 - FSA plans limited to \$2,500 per year (currently no limit).
 - New limits on what health care can be paid for with FSA, HSA, and HRA funds.
 - Deduction for Part D eliminated.
 - “Annual Fee” tax on medical devices of \$2.0 billion, allocated according to market share (rises to \$3.0 billion after 2017).
 - “Annual Fee” tax on health insurance, allocated according to share of total premiums. Begins at \$2 billion in 2011, then increases to \$4 billion in 2012, \$7 billion in 2013, \$9 billion in the years 2014, 2015, and 2016, and eventually \$10 billion for 2017 and every year thereafter. Two insurers in Nebraska and one in Michigan are exempt from this tax.

- Medicare**
 - 10% Bonus for primary care physicians and general surgeons.
 - Restrictions and substantial cuts to Medicare Advantage plans.

- Medicaid**
 - Allows states to expand eligibility to 133% of the federal poverty line (FPL) for childless adults.

- Other**
 - Private health plans must maintain a “medical loss ratio” of at least 85%. Failing that, they may rebate policyholders or increase medical expenditures. “Annual fee” tax does not count toward this ratio.
 - First phase of small business tax credit for certain qualified small employers.



- Taxes**
 - “Annual Fee” tax on health insurance increases to \$4 billion.

- Medicare**
 - Payment penalties for hospitals with the highest readmission rates for selected conditions.

- Other**
 - Health insurance company employees may not be paid more than \$500,000 per year.



- Tax Increases**
 - “Annual Fee” tax on health insurance increases to \$7 billion (does not count toward the required 85% medical loss ratio).
 - 40% excise tax on health insurance premiums above \$8,500 (individual plans) or \$23,000 (family plans). Higher thresholds apply to the 17 highest-cost states until 2015, and indefinitely to retirees over age 55, and employer-provided plans for certain professions. This tax does not count toward the required 85% medical loss ratio.
 - Itemized deduction for out-of-pocket medical expenses is limited to expenses over 10% of AGI (currently 7.5%); those over age 65 can use the 7.5% rate until 2016.
 - Medicare tax increased from 2.9% to 3.8% for incomes over \$250,000 (joint filers) or \$200,000 (all others). (This is stated as an increase of 0.9 percentage points, to only the employee’s share of the FICA tax.)

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Summary Timeline for Major Items in Senate Health Care Bill (continued)



Primary health reform takes effect:

Tax Increases

- “Annual Fee” tax on health insurance increases to \$9 billion (does not count toward the required 85% medical loss ratio).
- Individual mandate begins: Tax penalties for not having insurance begin at \$95 or 0.5% of income, whichever is higher, rising to \$495 or 1% of income in 2015 and \$750 or 2% of income thereafter (indexed for inflation after 2016). These penalties are per adult, half that amount per child, to a maximum of three times the per-adult amount per family. The penalty is capped at the national average premium for the “bronze” plan.
- Employer mandate begins:
 - Provide “qualified” insurance or pay \$750 tax per employee.
 - Even if qualified insurance is provided, pay \$3,000 tax per employee who qualifies for “affordability credit” (premium subsidy) based on family income and size, and opts to accept it.

Other

- Strict federal regulation of health plan benefit packages, premiums, and rating rules for both Exchange-participating and employer-sponsored group health plans.
- Imposition of actuarial value restrictions (in addition to restriction on medical loss ratio in effect since 2011).
- Health Insurance Exchanges.
- OPM-managed plans for the general public (in lieu of public option).
- “Affordability Credits” to those with family income under four times FPL who do not qualify for Medicaid in their state.

Medicaid

- Medicaid eligibility expanded to 133% of FPL for everyone under age 65 in participating states (such as Nebraska).
- All states except Nebraska must pay a share of the cost or drop Medicaid.



Tax Increases

- Individual mandate penalty rises to \$495 per adult (\$247.50 per child), maximum \$1,485 per family, or 1% of family income, whichever is higher (capped at the national average premium for the “bronze” plan).

Insurance Regulations

- Limits on deductibles and copayments imposed on Exchange-participating and employer-sponsored group health plans (\$2,000 for single plans, \$4,000 for family plans, indexed for inflation in health insurance premiums).

Medicare

- Establishment of Independent Medicare Advisory Board (IMAB) to recommend cuts in Medicare benefits; these cuts will go into effect automatically unless Congress passes, and the President signs, an override bill.

Other

- Second phase of small business tax credit for certain qualified small employers.



Tax Increases

- 40% excise tax on health insurance premiums above \$8,500 (individual plans) or \$23,000 (family plans) applied to remaining 17 states.
- Individual mandate penalty rises to \$750 per adult (\$375 per child), maximum \$2,250 per family, or 2% of family income, whichever is higher (capped at the national average premium for the “bronze” plan). After 2016, the penalty will be increased each year to adjust for inflation.



Tax Increases

- “Annual Fee” tax on health insurance increases to \$10 billion (does not count toward the required 85% medical loss ratio).
- Itemized deduction for out-of-pocket medical expenses is limited to expenses over 10% of AGI for those over age 65.