

Let me briefly summarize the highlights of the 'reform' bills H.R. 3590 and H.R. 4872.

Basically, all individuals will be required to obtain health care coverage or pay penalties. Employer-provided coverage will generally satisfy the universal coverage requirement. Lower-income individuals will receive a credit or voucher to help pay for health insurance.

Employers currently offering health insurance can elect to continue offering coverage as long as their plans meet certain acceptable minimum requirements. Employers electing not to offer qualifying coverage will be subject to additional taxes to help finance the health care coverage for their employees. Exceptions will be made for small business.

**1. Employer responsibility.** Not required to provide health insurance coverage however automatic enrollment in health insurance plans sponsored by large employers 50 or more employees is mandated with penalties for fail to offer minimum essential coverage during any month for which a full-time employee has enrolled in a qualified plan and receives a premium assistance tax credit or cost-sharing reductions will be liable for an additional tax.

Small employers such as medical practices and 'qualified' small businesses will be able to purchase insurance for their employees through state based web portals to be known as Small Business Health Qualified exchanges but will be required to contribute at least 50 percent of the total premium cost.

**2. Flexible spending arrangements (FSAs)** contributions are capped at \$2,500 (indexed for inflation). The use of FSA funds for over-the-counter medications is not allowed.

**3. Health savings accounts.** Individuals under age 65 must pay an additional tax for nonqualified distributions from a health savings account (HSA) and increases the additional tax from 10 percent to 20 percent.

**4. Health insurance exchanges.** For individuals who are not currently covered by their employer (and some small businesses), a new Health Insurance Exchanges is established in which consumers can comparison shop among health plans.

**5. Individual responsibility.** Individuals will be required under the Affordable Care Act to maintain minimum essential coverage beginning after 2013. Individuals who fail to maintain minimum essential coverage will be liable for a penalty. The penalty will start at \$95 for 2014, \$495 for 2015 and \$750 for 2016 (with indexing for inflation for tax years after 2016). Individuals who fall within 100 percent to 400 percent of the federal poverty limit will be eligible for premium assistance. Individuals who choose to remain uninsured pay in three ways: (a) exempts income below the filing threshold, (b) lowers the flat payment from \$495 to \$325 in 2015 and from \$750 to \$695 in 2016 and (c) raises the percent of income that is an alternative payment amount from 0.5 to 1.0% in 2014, 1.0 to 2.0% in 2015, and 2.0 to 2.5% for 2016 and subsequent years to make the assessment more progressive.

**6. Funding.** A 40 percent excise tax on high-dollar insurance plans to begin in 2013, which would be delayed until 2018 under the Reconciliation Act; An increase in Medicare payroll taxes starting in 2013 on taxpayers in the \$200,000 plus income category (\$250,000 for joint filers); and new fees on certain health-related industries.

**7. Tax on high-cost insurance.** A 40 percent nonrefundable excise tax if the aggregate value of applicable employer-sponsored health coverage exceeds an inflation adjusted \$27,500 for family coverage and from \$8,500 to \$10,200 for individual coverage beginning in 2013.

**8. Additional Medicare tax.** There is an additional 0.9 percent Medicare payroll tax on individual earned income over \$200,000 (\$250,000 for joint filers). Self employed individuals are also liable for the additional tax. Medicare tax to include net investment income in the taxable base. The tax on net investment income would not apply if modified adjusted gross income is less than \$250,000 in the case of a joint return, or \$200,000 in the case of a single return. Net investment income would consist of interest, dividends, royalties, rents, gross income from trade or business involving passive activities, and net gain from disposition of property (other than property held in a trade or business). Net investment income would be reduced by properly allocable deductions to such income.

**9. Market.** After January 1, 2014, new requirements include the following:

elimination of preexisting condition exclusions; premium rating allowed by individual or family coverage, geographic area, age (limited to a 3-1 ratio), and tobacco use (limited to a 1.5-1 ratio); guaranteed issue and renewability; and blanket prohibition against discrimination because of health status.

**10. Independent Medicare Advisory Board.** This board will be required to present Congress with comprehensive proposals to reduce excess cost growth and improve quality of care for Medicare beneficiaries.

**11. Medicare Part C.** Freeze Medicare Advantage payments in 2011.

**12. Medicare Part D. “Donut hole” fix.** Drug manufacturers are required to provide a 50 percent discount to Part D beneficiaries for brand name drugs and biologics purchased during the coverage gap beginning July 1, 2011. The initial coverage limit in the standard Part D benefit will be increased by \$500 for 2010.

**13. Medicaid. Expanded eligibility.** States will have the option starting in 2014 to expand Medicaid eligibility to nonelderly, non-pregnant individuals who are not otherwise eligible for Medicare, with incomes up to 133 percent of the federal poverty level (FPL). From 2014 through 2016, the federal government will pay 100 percent of the cost of covering newly eligible individuals. After 2014, all hell breaks loose!!

**14. Physician-owned hospitals** that do not have a provider agreement prior to February 1, 2010, are prohibited from participating in Medicare. Drug, medical device, biological, and medical supply manufacturers are required to report transfers of value made to any physician, medical practice, group practice, or teaching hospital.

**15. National healthcare workforce commission.** This commission would be charged with providing comprehensive, unbiased information to Congress and the President on how to align federal healthcare resources with national needs.

**16.** The legislation directs more federal funding toward primary care and preventive services, while expanding the number of people who will have health insurance from public or private sources.

**17. Demonstration projects.** To develop alternatives to current tort litigation for resolving disputes over injuries allegedly caused by health care providers or health care organizations.

**18. Insurance plans.** Extends the requirement of coverage for nondependent children up to age 27 to all existing health insurance plans starting six months after enactment; extend the prohibition of lifetime limits and prohibition on rescissions to grandfathered plans; place limitations on excessive waiting periods; for grandfathered group health plans, prohibit preexisting condition exclusions in 2014, restrict annual limits beginning six months after enactment, and prohibits them starting in 2014. For coverage of nondependent children prior to 2014, the requirement on grandfathered group health plans would be limited to those adult children without an employer offer of coverage;

19. Increase funding for the Health Care Fraud and Abuse Control Fund by \$250 million over the next decade; require a 90-day period to withhold payment and conduct enhanced oversight in cases where the HHS Secretary identifies a significant risk of fraud among DME suppliers.