



FEDERAL HEALTH CARE REFORM & UTAH

The Patient Protection & Affordable Care Act and Implications for Utah

A Utah Health Policy Project CHEATSHEET

May 10, 2010

OVERVIEW OF FEDERAL HEALTH REFORM & CHANGES TO THE STATUS QUO IN UTAH

The final package of reforms will expand access to quality, affordable health care coverage; slow the growth of health care costs; and improve the quality of care. Implementation is already underway, though most of the insurance market reforms and coverage expansions do not go into effect until 2014.

Problem	Before Reform	After Reform
Uninsured working poor	Working Utah parents can get coverage if incomes are < 44% of poverty level (\$8,056 for a family of 3). Low-income childless adults can only get on PCN (Primary Care Network, which covers primary and preventive care) but only if its open to new enrollment.	Low-income working parents <i>and</i> childless adults will get Medicaid coverage if incomes are less than 133% FPL (\$24,352 for a family of 3). The PCN will disappear.
Coverage interruptions	Nearly 1 in 3 Utahns under age 65 (32%) went uninsured for >1 month in 2007-08. ⁱ	245,000 Utah citizens will gain continuous coverage by 2019 (full implementation).
Premium Costs	From 2000-2009, health insurance premiums for Utah's working families rose 4.3 times faster than median earnings. ⁱⁱ	Utahns with incomes between \$24,352 and \$73,240 (for a family of 3) will receive sliding-scale subsidies towards purchase of a decent health plan.
Out of pocket costs	In 2009, 136,000 non-elderly Utahns <i>with insurance</i> were in families that spent more than 25 % of pre-tax income on health care. ⁱⁱⁱ Utah has no limit on out-of-pocket costs.	Health plans will have sliding-scale caps on how much Utahns will be required to spend out of pocket. The annual limit on out of pocket costs will be \$5,800 (\$11,600 for a family).
'Hidden Tax'	Premiums are increasingly expensive for middle-class Utahns in part because they include a "hidden tax" – about \$1,017 for each family with coverage in 2008. ^{iv}	Most of this "hidden tax" will go away, thanks to the expansions, affordability measures, and the requirement on individuals to participate in coverage, which starts in 2014.
Small Businesses	In 2008, 31.2% of Utah businesses with fewer than 10 workers (56.6% of those with 10-24 workers) offered insurance. Almost all firms with 50+ workers (92.9 %) offered coverage. ^v	In 2010, small businesses will receive tax credits to help with the cost of covering their workers. Then, in 2014, new exchanges will provide a marketplace where small businesses (and individuals) can shop for quality, affordable coverage.
Value for the premium dollar	Utah's insurers currently spend a large portion of premium dollars on profits, administration, and marketing, instead of on actual care. <i>Medical loss ratios</i> (% of the premium dollar that goes to pay claims) vary widely from 84.6% (SelectHealth) to 71% (HealthWise). ^{vi}	Insurers will have to spend a reasonable portion of premiums on claims as opposed to overhead. Those failing to meet the requirements will pay rebates to patients.

Premium Pricing based on health status	Insurers in Utah often increase premiums based on consumers' current illnesses, health risks, or medical histories.	Insurance companies will be prohibited from charging Utahns more for their coverage based on their health status,
Seniors & Coverage Gaps	Seniors enrolled in the Medicare Part D drug program face a gap in coverage, the "doughnut hole." They paid up to \$3,610 out of their own pockets in 2010 for drugs, on top of premiums. ^{vii}	Health reform will gradually eliminate the Part D coverage gaps by providing discounts on all drugs and a rebate of \$250 in 2010. Discounts will increase each year until 2020 when the gap will close entirely.

Concept and some content for the above based on Families USA's *Health Coverage in Utah: How Will Health Reform Help*, 2010.

TIMELINE FOR IMPLEMENTATION, 2010 -2014 (SELECTED PROVISIONS)

This Year (2010)

- High-risk pool for Utahns w/ pre-existing conditions
- Young adults can stay on parents' coverage until 26
- Children cannot be denied coverage for pre-existing conditions
- No lifetime benefit limits and no rescissions
- Preventive services are covered with no cost-sharing; seniors get \$250 rebate for Medicare drug gaps
- Up to 35% tax credit for small businesses (up to 25% for nonprofits)
- Insurers disclose how much they spend on patient care vs. admin, advertising & profit

In 2011

- Long-term care insurance available through employers
- 5 year grants to states for medical malpractice reforms
- Grants for small businesses to establish wellness programs

In 2012 and 2013

- Pilot projects in Medicaid & Medicare on payment reform (pay providers to keep us healthy rather than simply provide more care)
- Simplified health insurance administration

In 2014

- Individual mandate goes into effect; Medicaid eligibility for adult and children is expanded to 133% FPL
- Cannot be denied coverage due to pre-existing conditions
- Premiums no longer rated on health status & gender
- No annual benefit caps
- Small business tax credit increases to 50% and lasts 2 years

ⁱ Families USA (2009). *Utahns without Health Insurance*.

ⁱⁱ Families USA (2009), *Costly Coverage: Premiums Outpace Paychecks in Utah*.

ⁱⁱⁱ Families USA (2009), *Too Great a Burden: Americans Face Rising Health Care Costs*.

^{iv} Families USA (2009), *Hidden Health Tax: Americans Pay a Premium*.

^v Agency for Healthcare Research and Quality, *Medical Expenditure Panel Survey – Insurance Component, 2008, Table II.A.2: Percent of Private-Sector Establishments that Offer Health Insurance by Firm Size and State: United States, 2008* (Washington: AHRQ, 2008).

^{vi} Utah Department of Insurance (2009). *Utah Health Insurance Market Report 2008*.

^{vii} Kaiser Family Foundation, *Total Number of Medicare Beneficiaries, 2008* (Washington: Kaiser Family Foundation, July 2008), available online at <http://www.statehealthfacts.org/comparetable.jsp?ind=290&cat=6&sub=74&yr=63&typ=1&sort=a>.