Summary Timeline for Major Items in Senate Health Care Bill



Provisions that take effect immediately upon enactment:

Insurance Regulation	 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:

• 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.)

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 Exchangeparticipating 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.

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