

HEALTHCARE INSURANCE REFORM: AN OVERVIEW

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Business News reports that "The number of Americans over 65 will mushroom in the coming decade, as roughly 75 million Baby Boomers reach retirement age." It predicts that the long term health care needs of seniors will strain national resources, stretching thin programs like Medicaid and Medicare. The Patient Protection and Affordability Act (H.R. 3509) (Act) was enacted in April 2010 with these concerns in mind and will need to go a long way to address the long term healthcare needs of seniors. In the week following its passage, more than 30,000 AARP members visited the group's "Health Care Reform Explained" column in the AARP Bulletin Today and submitted hundreds of questions.¹

Clearly, seniors as well as providers of healthcare and senior housing and care services are concerned about the impact of healthcare reform. Although it is difficult to assess the true impact of reform at this time, this article identifies the provisions in the Act that we expect impact seniors both directly and indirectly. We address these provisions as they relate to the senior patient, the Medicare program and private health insurance.

Patient Related issues

- Many provisions within the Act are aimed at improving seniors' health and wellness by making primary care more accessible, increasing compliance with medication regimes, directing seniors to home and community-based services and protecting them in their homes and institutions.
- The Act will improve access to primary care doctors, physician assistants and nurses by providing new investments to increase the number of primary care practitioners beginning in 2011 and raising physician pay by 10 percent.
- Co-payments for preventive care such as recommended screenings (mammograms and colonoscopies) are eliminated under the Act. Preventive services will be exempt from Medicare deductibles, making them more accessible. This includes a free annual wellness visit beginning six months after enactment.
- Several provisions in the Act assist states to move from an "institutional bias" (in which individuals are directed to nursing homes) toward home and community based services. One such provision increases funding for Aging

¹ www.seniorjournal.com, Seniors Pressing to Know How Healthcare Reform Will Help Them.

and Disability Resource Centers which offer information and counseling about the various long term healthcare options available to seniors. Another provides matching funds to states that increase the availability of home care services.

- Over time, the "doughnut hole", the time period in which seniors must pay for their own medications under Medicare Part D will be closed. Initially a \$250 refund will be given to seniors when they reach this point, followed by 50 percent discount on pharmaceuticals. The hole will be closed by 2020 thereby lowering drug costs to seniors and improving their compliance with medication regimes.
- The Act increases the accountability of nursing homes by making them provide information about such things as ownership, consumer rights and quality of care. Ethics and compliance programs will also be required. Consumers will have access to information about staffing and turnover levels, sanctions and inspection reports.
- Contained within the Act is The Elder Justice Act which establishes an Elder Justice Coordinating Council providing federal resources to support states' efforts to curb elder abuse, particularly in nursing facilities. The Act also includes measures to improve workforce training in long term care.

Medicare and Medicaid Related Issues

Throughout the lengthy debate about healthcare reform, seniors have been fearful about a reduction in Medicare benefits. With the passage of the Act, it is generally accepted that traditional Medicare benefits will not be reduced. However, changes are anticipated in Medicare Advantage plans since these plans have not been found to be cost effective. Also, Medicaid funding will now be available to more seniors. Finally, the Act calls for demonstration projects that will improve the coordination of health care and monitor the care provided in certain settings.

- The Office of the Speaker (Nancy Pelosi) reports that the solvency of the Medicare Trust Fund will be extended nine years² (to 2026) with the implementation of this Act. This is expected to occur as a result of a requirement that all individuals by 2014 must acquire minimal health insurance, a focus on prevention, a reduction in Medicare costs and control of fraud and abuse and revenue offsets including an excise tax on "boutique" healthcare plans.
- Seniors in Medicare Advantage programs through private insurers such as AARP, Blue Cross and Blue Shield and many others may see an increase in premiums or a reduction in benefits. This is a result of the government's plan to phase out expensive subsidies to these programs to bring them more in line with the cost of traditional Medicare programs. A bonus to high quality Advantage plans will continue. This is expected to save Medicare

² www.speaker.gov Health Insurance Reform, A Guide for Seniors.

\$130 billion over 10 years³. It is anticipated that some private insurers may opt out of the program as a result.

- Although the Act does not contain cuts to traditional Medicare benefits, it does include cuts to home health care (a reduction of \$40 billion through 2019⁴), \$15 billion over the next decade to nursing facilities⁵ that are Medicare certified and \$22 billion in payments to hospitals during the next decade. These cuts are predicted to impact seniors indirectly by affecting services available in these settings.
- Medicaid coverage under the Act will be expanded to cover individuals and families with incomes up to 133 percent of the federal poverty limit.
- The Community First Choice Option makes it easier for individuals, particularly the disabled to get Medicaid for home care rather than being placed in a nursing home. Also, seniors will no longer be forced into poverty as they spend down their resources paying for home care before they become eligible for Medicaid.
- The Act calls for demonstration projects to assess the impact of various programs on seniors. These include
 1. Utilizing geriatric assessments and comprehensive care plans to coordinate the care of individuals with multiple chronic conditions
 2. Developing an independent monitoring program to oversee interstate and large intrastate nursing home chains
 3. Evaluating community-based prevention and wellness programs for Medicare beneficiaries and
 4. Bundling payments between hospitals and other care providers such as rehabilitation facilities and home care agencies to promote coordinated care after discharge from the hospital.

Private Insurance Related Issue

Prior to reaching age 65 and Medicare eligibility, Baby Boomers have specific health insurance needs that often go unaddressed, leaving them without coverage. Several provisions in the Act improve access to healthcare for this vulnerable population. The cost and access to long term care insurance and general protections from insurance companies are also tackled in the Act.

- Effective 2010, individuals who retire prior to age 65 will be eligible for a "re-insurance program". Under this temporary program, expensive health insurance premiums that early retirees (age 55 through 64) must pay and the expensive health claims for employers are reduced, making health insurance more affordable and allowing this age group to remain insured.
- By 2014, those individuals not yet eligible for Medicare or those with pre-existing conditions will have the option to join a high risk pool, enabling them to purchase affordable health insurance. A system of state insurance Health Benefit Exchanges will be created.

³ www.seniorjournal.com, Seniors Pressing to Know How Healthcare Reform will Help Them.

⁴ Christian Science Monitor. Healthcare Reform Bill 101: What Does it Mean for Seniors? April 19, 2010.

⁵ Elder Law Answers Articles. Health care reform, what changes are in store for the elderly? April 8, 2010.

- As part of the Act, the Community Living Assistance Service and Supports Act (CLASS) will make long term care insurance available to all Americans beginning January 1, 2011. Individuals can chose to opt out of the program, but those that stay in will pay a premium and after five years will be eligible for \$50 to \$75 per day to be used to offset the cost of long term care services. CLASS funds can be used to pay for home care, adult day care, transportation, and safety features like grab bars and handrails as well as assisted living and nursing facilities.
- Within six months of enactment, the Act also prohibits insurance companies from dropping people from coverage when they get sick or placing annual limits or lifetime caps on coverage.

As this article demonstrates, seniors will be impacted directly and indirectly as healthcare reform is implemented. Hopefully, these provisions will improve health and wellness, increase the availability of home and community based services and protect seniors from the loss of health care coverage.

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