

AFT Retiree Program

Benefits of Healthcare Reform

October 8, 2009



What Is Success?

- Affordable for High Quality Coverage for insured and uninsured
- Builds on Employer System
- Strengthens Medicare



Benefits of Reform

Combines House/Senate bills

- Major restructuring of insurance markets and practices will help those without employer-sponsored coverage
 - No “pre-existing condition” exclusions
 - Rating rules: less premium change with age
 - No annual or lifetime caps on coverage
 - Minimum standards for policies’ coverage
 - National or State “Health Exchange” will simplify selling/buying process



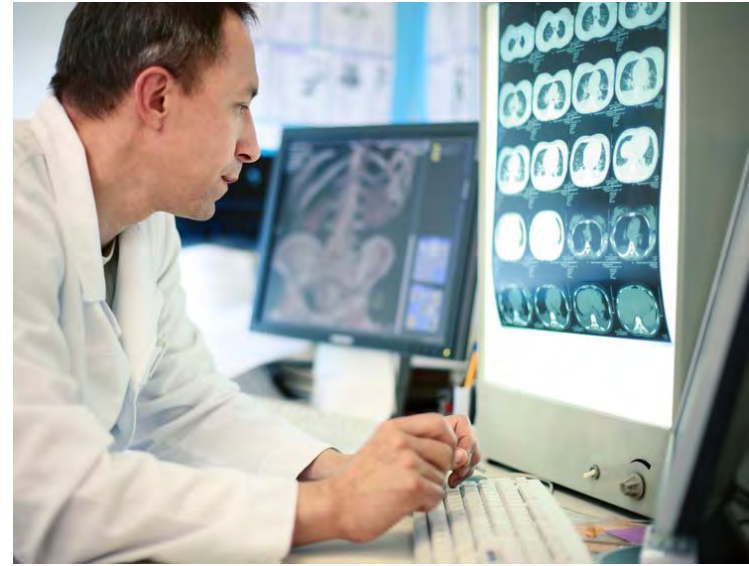
Benefits of Reform

- Standardized policies
- Subsidies up to \$66,000 / \$88,000 income for family of four
- Reduces need for brokers = up to 30% savings in the individual and small-group market



Benefits of Reform

- Investments in necessary long-term infrastructure
 - HIT – Health Information Technology
 - Comparative effectiveness
 - Additional monies for increased primary care doctor and nurse training



Benefits of Reform

- Important Delivery Reforms
 - Health promotion incentives
 - New incentives for doctors and hospitals to coordinate patient care
(Accountable Care Organizations – ACOs)
 - Quality standards – reporting and rewards
 - Chronic care reforms
(Incentives for better management of conditions over time)



Benefits of Reform

- New innovation possibilities opened
 - Flexibility granted for HHS Secretary to establish demonstration projects and move them quickly to widespread implementation
 - CLASS Act – “Community Living Assistance Services and Supports Act” – begins to lay groundwork for long-term care protection



Benefits of Reform - Medicare

- Phase out doughnut hole/50% discount on brand-name drugs for those in doughnut hole
- Major increases in funding for primary care physicians and nurses to improve access
- Free prevention and screening services
- Better care coordination
- Strengthened Medicare finances
- Phase out of Medicare Advantage subsidies



Medicare Policy Issues

- Who should set provider reimbursement policy in Medicare?
 - Allow MedPAC recommendations to go into effect unless Congress disapproves



House-Financing Combo

- Medicare/Medicaid savings of \$550 billion
- Individual mandate enforced by tax of 2% on income above \$8,950 – income tax filing threshold if not insured
- Employers “pay or play” payroll tax of 8%, up to Social Security tax level, small business exempt
- High income surtax of 1%-3% on high incomes (\$350,000/\$1 million)



Senate Financing Combo (Senate Finance Committee)

- Individual Mandate \$750 per person phased in 2013-17;
- No Real Employer Mandate (50 or more) \$400 per employee for subsidized employees or dropped employees
- Tax on Insurers of employer plans with combined employee/employer costs over \$8,000 (individual); \$21,000 (family)
- 10-year freeze on thresholds for increased Part B premiums (2010-2019)



Comparison of Current Proposals

	FINANCE	HELP	HOUSE
Percentage Covered	97%	97%*	97%
Cost-sharing	27%	24%	30%
Out-of-Pocket Cap		\$5,800	\$5,000
Age Rating	4:1	2:1	2:1
Medicaid Expansion	133% FPL	150% FPL*	133% FPL
Premium Subsidies	300% FPL	400% FPL	400% FPL
Employer Obligation	Penalties	\$750 per	2%-8%
Medicare Savings	\$500-600 b	*	\$550 b
New Revenues	\$400-\$500 b	*	\$550 b

As of Oct. 2, 2009

*Jurisdictional issues

