Implementation of the Major Provisions of Obamacare: The Timeline

2010

Federal Insurance Regulations

- Prohibits lifetime limits on coverage, restricts rescission of policies, and provides health coverage for persons with pre-existing conditions through a national high risk pool.
- Establishes a requirement to provide coverage for non-dependent children up to age 26 to all existing health insurance plans starting six months after enactment.
- Requires that all new group health plans in the individual health insurance market must provide first dollar coverage for preventative services.

New Taxes and Tax Credits

- Provides a tax credit for small businesses for up to 35% of their contribution to purchasing health insurance for their employees. Estimated at $40 billion over 10 years.
- Imposes a 10% tax on indoor tanning.
- Provides for the adoption tax credit and increases the adoption assistance exclusion by $1,000. Credit is refundable and extended through 2011.

Medicare

- Provides a $250 rebate for all Medicare Part D enrollees who enter the "donut hole" in 2010.

Medicaid

- Allows States to cover parents and childless adults up to 133% of the Federal Poverty Level and receive Federal Medical Assistance Percentage (FMAP).

Other Miscellaneous Provisions

- Physicians are prohibited from referring patients to hospitals they own. The law will provide a limited exception to hospitals that treat the highest percentage of Medicaid patients in their county and are not the sole hospital.
- The law establishes a new temporary reinsurance program for companies that provide early retirees health benefits for those aged 55-64.
- The law also provides $5 billion in federal taxpayer funding for health insurance coverage through high-risk pools for eligible individuals.

2011

Federal Insurance Regulations

- The law will limit health plans to medical loss ratios of less than 85% and will require health insurance companies to provide rebates below this limit.

Medicare

- Pharmaceutical manufacturers must provide a 50% discount on "brand name" prescriptions filled in Part D coverage gap. It completely closes the "donut hole" (a congressionally created gap in coverage) with federal subsidies to provide 75% discounts on brand-name and generic drugs by 2020.
- The law freezes Medicare Advantage payments.
- The law will provide a 10% Medicare bonus payment for primary care physicians and general surgeons.

New Taxes

- The law will impose a pharmaceutical industry fee on sales of brand name pharmaceuticals for use in government health programs ($2.5 billion for 2011, $2.8 billion per year for 2012 and 2013, $3.0 billion per year for 2014 through 2016, $4 billion for 2017, $4.1 billion for 2018, and $2.8 billion for 2019 and thereafter).
- The law will increases the additional tax for Health Savings Accounts withdrawals prior to age 65 that are not used for qualified medical expenses from 10% to 20%.

Community Health Centers

- The law will provide for increased federal taxpayer funding for community health centers to $11 billion over five years (FY 2011 – FY 2015).

2012

Medicare

- The federal benchmark payment to Medicare Advantage plans that now cover an estimated 20 percent of seniors will be reduced. Further payments changes then will be phased-in over several years.

2013

Medicaid

- The law will require that Medicaid payment rates to primary care physicians for furnishing primary care services be no less than 100% of Medicare payment rates in 2013 and 2014. It will further provide 100% federal taxpayer funding for the incremental costs to States of meeting this payment requirement.

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2013 (cont'd)

New Taxes

- The law will impose an annual limitation on contributions to a health Flexible Spending Account (FSA) to $2,500 per year, indexed to inflation as measured by the Consumer Price Index (CPI).
- The law will impose a 2.3% excise tax on medical device manufacturers. It will exempt eyeglasses, contact lenses, hearing aids, and any device that is generally purchased by the public at the retail level. Estimated to raise $20 billion.
- The law will eliminate the existing deduction for the subsidy for employers who maintain prescription drug plans for their Medicare Part D eligible retirees.
- The law will increase the income threshold for claiming the itemized tax deduction for medical expenses from 7.5% to 10%. Individuals over 65 would be able to claim the itemized tax deduction for medical expenses at 7.5% of adjusted gross income through 2016.
- The law will increase the Medicare Part A hospital insurance tax rate by 0.9 percentage points on an individual taxpayer earning over $200,000 ($250,000 for married filing jointly). It will expands the taxable base to include net *investment income* in the case of taxpayers earning over $200,000 ($250,000 for joint returns). This is a new category of income for Medicare taxation.

Other Miscellaneous Provisions

- The law will require that health insurance plans must adopt and implement uniform standards and business rules for the electronic health information.
- The law will allow states to create a Basic Health Plan for uninsured individuals between 133%-200% of the federal poverty line (FPL) in lieu of these individuals receiving premium subsidies to purchase coverage in the state based health insurance exchanges.

2014

Federal Insurance Regulations

- The law will prohibit health plans from imposing annual limits on the amount of coverage an individual may receive.
- The law will extend the prohibition on excessive waiting periods to existing health plans.

Medicare

- The law will cut federal payments to Disproportionate Share Hospital (DSH) program, but it will lower the ten-year reduction by $3 billion.

Medicaid

- Provides federal Medicaid matching payments for the costs of services to expansion populations at the following rates in all states: 100% in 2014, 2015, and 2016; 95% in 2017; 94% in 2018.
- Lowers the reduction in federal Medicaid DSH payments from $18.1 billion to $14.1 billion.

New Taxes and Tax Credits

- The law will impose a new insurance industry fee (the scheduled increase will be: $8 billion in 2014, $11.3 billion in 2015 and 2016, $13.9 billion in 2017, $14.3 billion in 2018, and indexed to medical cost growth thereafter).
- The law will provide "tax credits" available through the health insurance exchange system for people with incomes above Medicaid eligibility but below 400% of the federal poverty level (FPL) who are not eligible for or offered other acceptable coverage.
- The law will require persons to obtain "acceptable" health insurance coverage (the individual mandate) or pay an annual penalty. Families will pay half the amount for children, up to a cap of $2,250 per family. After 2016, dollar amounts of the penalty for disobedience are indexed.

Federally Mandated Health Insurance Exchanges

- The law will create state-based American Health Exchanges and Small Business Options Program (SHOP); SHOP is, in effect, a form of a health insurance exchange for individuals and small businesses with up to 100 employees.

The Employer Mandate and Penalties Begin

- The law will impose an employer mandate; businesses must either offer an acceptable level of health insurance coverage or pay a penalty. The law increases the fee to $2,000 for each full-time employee for businesses with more than 50 employees that do not offer coverage. Up to 30 employees are exempt when calculating the fine. It provides for a fine of $3,000 for each low-income employee receiving federal taxpayer subsidies for insurance in those instances *where employers already offer coverage.*

The Individual Mandate Penalties

- The law provides a phase in for the individual mandate and its penalties: $95 penalty or 1.0% of individuals' income. It rises to $325 or 2.0% of income in 2015, and $695 or 2.5% of income in 2016.

The Federal Premium Subsidies for Insurance

- Premium subsidies begin. The federal cap on insurance cost as a percent of a person's income is to be 2% for up to 133% of the Federal Poverty Level, 3-4% of income for those up to 150% of FPL, 4-6.3% of income for those up to 200% of FPL, 6.3-8.05% of income for those up to 250% of FPL, 8.05-9.5% of income for those up to 300% of FPL, 9.5% of income for those up to 400% of FPL.
- The law will impose federal limits on any individual contribution to cost-sharing. Health insurance plans are to cover 94% of costs for persons who have incomes at 100-150% of FPL, 87% for those with incomes up to 200% of FPL, 73% for those with incomes up to 250% of FPL, and 70% for those with incomes up to 400% of FPL.

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Implementation of the Major Provisions of Obamacare: The Timeline (continued)

2017

State Options for Small Businesses
States may allow businesses with more than 100 employees to purchase insurance in the Exchanges/SHOP.

2018

New Taxes
- The new law will impose a 40% excise tax on "high-value" or "Cadillac" health insurance plans. The threshold for the imposition of the new tax will be $10,200 for individual plans and $27,500 for family coverage; this is to be increased to $30,950 (family) and $11,850 (single) for retirees and employees in "high risk" professions.