

# Overview Timeline for Health Care Reform Implementation under The Patient Protection & Affordable Care Act

July 20, 2010

Health care reform will unfold incrementally. Although some major elements of reform begin in 2010, others will be implemented over the course of several years. The most substantial changes will take effect in 2014, including shared responsibility for coverage, expansion of Medicaid, creation of insurance exchanges, and creation of an essential benefits package. **The estimated impact of each major reform on Arkansans is indicated in red.\***

**Access to care:** Funding will be increased by \$11 billion over five years for community health centers and the National Health Services Corps. **Arkansas will be eligible for competitive grants to help federally-funded health centers in the state.**

**Small business tax credits:** Small businesses (equivalent of 25 or less full-time employees and average wages under \$50,000) will be eligible for tax credits of up to 35% of their premium costs until 2013. **In 2010, 41,000<sup>1</sup> small businesses employing 141,000<sup>2</sup> Arkansans will qualify.**

**Early retirees:** A temporary reinsurance program will help offset employers' costs of providing early retiree health benefits. **Arkansas employers currently cover 71,000<sup>3</sup> early retirees, spouses and dependents and will qualify for rebates for each covered person exceeding \$15,000 in annual claims.**

**Coverage for young adults:** Parents will be able to keep children on their health policies until their children turn 26. **About 14,000<sup>4</sup> young adult Arkansans are expected to benefit immediately.**

**"Donut hole" rebates:** Medicare will provide \$250 rebates to beneficiaries who hit the Medicare Part D prescription drug coverage gap known as the "donut hole." **In 2009, about 43,000<sup>5</sup> Arkansas seniors did not receive Medicare financial assistance for prescription drugs while in the donut hole. In 2010, those seniors reaching the donut hole will begin to receive rebates.**

**"Donut hole" discounts:** Medicare beneficiaries in the Part D prescription drug "donut hole" will receive 50% discounts on all brand-name drugs. **Arkansas Medicare Part D recipients in the "donut hole" who buy brand name drugs will see reduced costs.**

**Benefit disclosure:** Employers will be required to disclose the value of health insurance coverage on each employee's W-2 form. This benefit will not be included in taxable income.

**Pharmaceutical manufacturer fee:** An annual, nondeductible fee will be imposed on pharmaceuticals and importers' branded drugs, based on market share.

**Wellness program incentives:** Federal grants begin for up to five years for small employers who create wellness programs.

**New payment and delivery approaches:** A new Center for Medicare and Medicaid Innovation will test reforms that reward providers for quality of care. Medicare will increase payment to primary care physicians by 10% for primary care services.

**Medicare value-based purchasing:** Medicare will reward hospitals that provide higher quality or better patient outcomes.

**Medicaid demonstration projects:** Medicaid will create new demonstration projects to improve integrated care around a hospitalization, payment system, pediatric care and emergency psychiatric care.

**Administrative simplification:** Health insurers must follow simplification standards for electronic exchange of health information to reduce paperwork and administrative costs.

**Medicare pilot program:** Medicare will establish a national pilot program to develop and evaluate bundled payments for episodes of care.

**Flexible spending limits:** Contributions to Flexible Spending Accounts (FSAs) will be limited to \$2,500 a year, indexed to the Consumer Price Index (CPI).

**Medicaid FMAP increases for preventive care:** States that provide Medicaid recipients with no-cost preventive services and immunizations will receive a 1% increase in Federal Medical Assistance Percentage (FMAP) for these services.

**Financial disclosure:** Disclosure of financial relationships between providers and manufacturers and distributors of drugs and other medical supplies and devices will be required.

**CLASS Act:** A national, voluntary insurance program for purchasing community living assistance services and support (CLASS) will be established. All working adults will be automatically enrolled – unless they opt out – through payroll deductions that, after five years, will qualify them for monthly payments toward services to help them stay at home should they become disabled.

**Nutritional information:** Chain restaurants and vending machines will be required to disclose nutritional information of food sold.

**CMS Incentives:** The Center for Medicare and Medicaid Services will begin to make meaningful use incentive payments to eligible physicians and hospitals.

**OTC drug reimbursement restrictions:** Over-the-counter drugs not prescribed by a doctor will no longer be reimbursable through Flexible Spending Account (FSA) or Health Reimbursement Account (HRA) or on a tax-free basis in health savings accounts.

**Physician quality reporting:** Medicare will launch a public Physician Compare Web site comparing measures of physician quality and patient experience.

**Premium share spending:** Health plans will be required to offer rebates to enrollees if they pay out less than 85% (large group market) or 80% (small group market) of their premiums for direct medical care and quality measures.

**Preventive care:** Medicare will provide preventive health care services to beneficiaries at no out-of-pocket cost, including all recommendations of the U.S. Preventive Services Task Force. **All Arkansans enrolled in Medicare will be eligible for preventive care with zero out-of-pocket costs.**

**Employer responsibility for coverage:** Employers with the equivalent of 50+ full-time workers will be required to offer health benefits or face financial penalties. **17,000<sup>10</sup> Arkansas businesses have 50 or more employees, and 96.4%<sup>11</sup> already offer health insurance to their employees.**

**Personal responsibility for coverage:** U.S. citizens and legal residents will be required to have qualifying health insurance; penalties will be phased in for the uninsured, beginning with \$95 in 2014.

**Insurance industry fee:** Insurers will pay an annual fee, based on market share, to help pay for reform.

**New rules for insurers:** Insurers will be banned from restricting coverage or basing premiums on health status. Annual and lifetime limits on benefits are banned.

**Premium subsidies:** Financial assistance will be provided for people buying insurance through an exchange who have annual incomes of up to 400% of the Federal Poverty Level (FPL). FPL requirements are adjusted annually, but as a comparison, in 2010 the levels would be \$43,320 for individuals and \$88,200 for families of four. **In 2014, 323,000<sup>12</sup> Arkansans are expected to qualify for these subsidies.**

**Medicare managed care plans:** Medicare private managed care plans that receive a four- or five-star rating (very good or excellent) on quality designation will receive 5% bonuses based on quality measures.

**Essential benefits package:** DHHS will establish an essential standard benefits package for policies sold in the exchanges and individual and small-group markets with tiered plans that have different levels of cost-sharing.

**Insurance exchanges:** New marketplaces will offer small businesses and people without employer coverage a choice of health plans that meet benefit standards.

**Medicare savings:** An independent payment advisory board will identify areas of waste and federal budget savings in Medicare. The board's recommendations must not ration care, raise taxes, or change Medicare benefits, eligibility, or cost-sharing.

**Medicaid expansion:** Medicaid eligibility will be expanded to all legal residents with incomes up to 133% of the Federal Poverty Level. **An estimated 251,000<sup>13</sup> Arkansans will become newly eligible for Medicaid coverage.**

**State insurance compacts:** States will be permitted to form health care choice compacts, and insurers will be allowed to sell policies in any states that are members of the compact.

**High-cost insurance plans:** Insurers will face a 40% excise tax on employer-sponsored policies with premiums over \$10,200 for individual or \$27,500 for family coverage.

**Closing the "donut hole":** By 2020, the "donut hole" coverage gap will be closed. **All Arkansas seniors enrolled in Medicare Part D will be impacted.**

**Decrease in Medicare payments to some hospitals:** Medicare will reduce payments by 1% to certain hospitals for hospital-acquired infections and conditions.

2010

2011

2012

2013

2014

2015+

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<sup>1</sup> Agency for Healthcare Research and Quality. "Insurance Component State and Metro Area Tables: Table II.A.1 (2008) Number of private-sector establishments by firm size and State: United States, 2008." *AHRQ Medical Expenditure Panel Survey*. Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends, n.d. Web. 30 June 2010. <[http://www.meps.ahrq.gov/mepsweb/data\\_stats/summ\\_tables/insr/state/series\\_2/2009/tia1.pdf](http://www.meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/state/series_2/2009/tia1.pdf)>.

<sup>2</sup> Agency for Healthcare Research and Quality. "Insurance Component State and Metro Area Tables: Table II.B.3 (2009) Number of full-time private-sector employees by firm size and State: United States, 2009." *AHRQ Medical Expenditure Panel Survey*. Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends, n.d. Web. 30 June 2010. <[http://www.meps.ahrq.gov/mepsweb/data\\_stats/summ\\_tables/insr/state/series\\_2/2009/tib3.pdf](http://www.meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/state/series_2/2009/tib3.pdf)>.

<sup>3</sup> U.S. Census Bureau. "Current Population Survey, Annual Social and Economic Supplement, 2009; Health Insurance: Employment-Based, Covered, Not in Labor Force." *U.S. Census Bureau Current Population Survey (CPS) Table Creator For the Annual Social and Economic Supplement*. U.S. Census Bureau, 2009. Web. 30 June 2010. <[http://www.census.gov/hhes/www/cpssc/cps\\_table\\_creator.html](http://www.census.gov/hhes/www/cpssc/cps_table_creator.html)>.

<sup>4</sup> HealthReform.gov. "The Affordable Care Act: Immediate Benefits for Arkansas." *HealthReform.gov*. n.p., n.d. Web. 30 June 2010. <<http://www.healthreform.gov/reports/statehealthreform/arkansas.html>>. (Note: "U.S. Census Bureau, Current Population Survey. Annual Social and Economic Supplements, March 2009; and 45 CFR Parts 144, 146, and 147. [http://www.hhs.gov/ociio/regulations/pru\\_omnibus\\_final.pdf](http://www.hhs.gov/ociio/regulations/pru_omnibus_final.pdf)")

<sup>5</sup> HealthReform.gov. "The Affordable Care Act: Immediate Benefits for Arkansas." *HealthReform.gov*. n.p., n.d. Web. 30 June 2010. <<http://www.healthreform.gov/reports/statehealthreform/arkansas.html>>. (Note: "Office of the Actuary. Centers for Medicare and Medicaid Services. Number represents only non-LIS [low income subsidy] seniors.")

<sup>6</sup> U.S. Government Accountability Office. "GAO-09-730R State High-Risk Health Insurance Pools." *U.S. Government Accountability Office*. n.p., 22 July 2009. Web. 30 June 2010. <<http://www.gao.gov/new.items/d09730r.pdf>>.

<sup>7</sup> U.S. Government Accountability Office. "GAO-09-730R State High-Risk Health Insurance Pools." *U.S. Government Accountability Office*. n.p., 22 July 2009. Web. 30 June 2010. <<http://www.gao.gov/new.items/d09730r.pdf>>. (Note: "GAO data collection instrument administered to all 34 HRP's operational in 2008 and analysis of data from the 2006 Medical Expenditure Panel Survey (MEPS) and U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2007*. GAO estimated the potentially eligible population, including dependents, by (1) determining the percentage of uninsured individuals with at least one chronic condition using 2006 MEPS data, and (2) applying that percentage to Current Population Estimates (CPS) estimates of the 3-year average uninsured population in each of the 34 states with an HRP (2005-2007). The CPS estimates are subject to sampling error of plus or minus 1.3 percent at the 90 percent confidence level. The MEPS and CPS data used were the most current available at the time we performed our work.")

<sup>8</sup> Democratic Policy Committee. "Special Report: The Benefits of Health Reform In Arkansas." *Democratic Policy Committee*. n.p., 22 June 2010. Web. 30 June 2010. <[http://dpc.senate.gov/docs/sr-111-2-41\\_states/ar.pdf](http://dpc.senate.gov/docs/sr-111-2-41_states/ar.pdf)>. (Note "staff estimate using Agency for Healthcare Research and Quality (AHRQ), 4/09 and HealthReform.gov, accessed 3/20/10")

<sup>9</sup> Arkansas Comprehensive Health Insurance Pool. "Draft Application for Federal High Risk Pool Coverage." *Arkansas CHIP Draft Proposal to Administer the Temporary Federal High-Risk Pool in Arkansas*. July 1, 2010.

<sup>10</sup> Agency for Healthcare Research and Quality. "Insurance Component State and Metro Area Tables: Table II.A.1 (2008) Number of private-sector establishments by firm size and State: United States, 2008." *AHRQ Medical Expenditure Panel Survey*. Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends, n.d. Web. 30 June 2010. <[http://www.meps.ahrq.gov/mepsweb/data\\_stats/summ\\_tables/insr/state/series\\_2/2009/tia1.pdf](http://www.meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/state/series_2/2009/tia1.pdf)>.

<sup>11</sup> Agency for Healthcare Research and Quality. "Insurance Component State and Metro Area Tables: Table II.A.2 (2008) Percent of private-sector establishments that offer health insurance by firm size and State: United States, 2008." *AHRQ Medical Expenditure Panel Survey*. Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends, n.d. Web. 30 June 2010. <[http://www.meps.ahrq.gov/mepsweb/data\\_stats/summ\\_tables/insr/state/series\\_2/2008/tia2.pdf](http://www.meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/state/series_2/2008/tia2.pdf)>.

<sup>12</sup> The Democratic Policy Committee. "Special Report: The Benefits of Health Reform In Arkansas." *Democratic Policy Committee*. n.p., 22 June 2010. Web. 30 June 2010. <[http://dpc.senate.gov/docs/sr-111-2-41\\_states/ar.pdf](http://dpc.senate.gov/docs/sr-111-2-41_states/ar.pdf)>. (Note: HealthReform.gov, accessed 6/15/10; Senate Finance Committee")

<sup>13</sup> Holahan, John, and Linda Blumberg. "How Would States Be Affected by Health Reform?" *Timely Analysis of Immediate Health Policy Issues* (Jan. 2010): n.p. Web. 30 June 2010. <[http://www.urban.org/UploadedPDF/412015\\_affected\\_by\\_health\\_reform.pdf](http://www.urban.org/UploadedPDF/412015_affected_by_health_reform.pdf)>.

\*All population numbers have been rounded to the nearest 1,000 with the exception of high-risk pool enrollees referenced in endnote 9.

**NOTE: The date of this timeline is July 20, 2010. Information shared is based on the law as it is known at this time and is our best interpretation of the data. As the law is written into rules, it will be further interpreted. Details may change during this time.**

