

Health reform questions answered



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READY, SET ... the biggest change ever in the way Americans buy health insurance will roll out this fall, thanks to the Affordable Care Act of 2010. On Oct. 1, a health insurance "exchange," or marketplace, will open for business in every state, selling plans that begin on Jan. 1, 2014. That's the date by which almost all Americans will be required to have health insurance or pay a fine.

Individuals and small businesses will be able to access their state exchange online, on the phone, or in person, and compare and purchase health plans that meet new, higher standards for quality and value. They will also be able to find out whether they qualify for subsidies or tax credits to help pay the premiums.

The outline sounds simple, but the devil is in the details. And boy, are there a lot of them. As the CONSUMER REPORTS health insurance blogger, I've been getting more and more questions to my "Ask Nancy" column about how the Affordable Care Act will work for people in different

situations. Here, to kick off our 2013 coverage of health reform, are answers to key questions on the minds of consumers.

Q I make about \$35,000 a year, and my employer doesn't provide health insurance. I barely make it through the month as it is, and I definitely won't be able to afford health insurance or a fine once the Affordable Care Act mandate starts. I'm afraid of what will happen.

ANSWER The affordability of health insurance is somewhat in the eye of the beholder. I'm betting you're generally healthy and have never experienced the breathtaking bills that can come with a serious illness or injury. If you had, you might be more motivated to find room in your budget for health insurance.

In the fall you'll access your state's exchange to find out, among other things, how much insurance is going to cost you based on your age, income, family size, and whether you smoke. To get a rough idea of what you might pay in 2014, check out the Kaiser Family Foundation's online subsidy calculator (healthreform.kff.org/subsidycalculator). If you are single, age 40, and making \$35,000 a year, you'll qualify for a subsidy of about \$98 a month, which will be paid directly to the health plan you choose. (The calculator's regional cost factor was set at "medium.")

You would then choose a "tier" of coverage.

They are, in descending order of generosity, platinum, gold, silver, and bronze. If you buy a midpriced silver plan (the only type the Kaiser calculator includes), you'll be expected to pay an additional \$277 a month yourself. Like all plans sold on the exchange, it would provide comprehensive coverage of all types of medical care.

You can opt for a bronze plan, in which case your \$98 subsidy will cover a larger share of your premium. The trade-off is a higher deductible, copays, and/or coinsurance.

If your share of the premium for the cheapest bronze plan on your exchange is more than 8 percent of your income—which in your case works out to about \$233 a month—you'll be exempt from paying a fine for not having health insurance. But you would qualify for catastrophic insurance. The exact dollar amount will depend on the prices available on your state exchange. Those under 30 will be eligible for catastrophic insurance regardless of income.

The catastrophic plan will probably be slightly cheaper than a bronze plan, but the only things covered without a deductible will be preventive care and three primary-care doctor visits a year, and the deductible could be as high as about \$6,250. You may think it's not worth it, but if you should come down with something as minor as appendicitis, you'd run through that deductible in no time, and everything above it would be covered 100 percent.

Q I'm on Medicare. Do I have to buy additional insurance to comply with Obamacare?

ANSWER Nope. Pretty much any kind of decent health insurance will comply with the mandate for everybody to have health insurance. Medicare definitely qualifies, as does Medicaid for lower-income Americans, CHIP for kids, employer group plans, private insurance purchased on your own, VA and Tricare for active military and veterans, and the Indian Health Service. Americans living abroad are exempt from the mandate.

However, for your own protection, you should consider buying supplemental coverage (Medigap) even though it's not required. Medicare does not pay 100 percent of your medical expenses. There's a deductible for every hospital stay (\$1,184 in 2013), and for outpatient expenses you're liable for 20 percent

DID YOU KNOW?

Because of the new health care law, 12.8 million individuals and businesses received \$1.1 billion in rebates in 2012 from insurance companies that underspent on medical care.

of the tab, which can add up frighteningly fast if you need expensive treatments such as chemotherapy and radiation.

Q My employer told me she will soon have to pay \$1,800 per employee annually for Obamacare. Does that sound accurate? She doesn't provide us health insurance right now.

ANSWER You told me in a follow-up e-mail that there are fewer than 50 full-time employees in your company. That's significant, because businesses of that size have no obligation whatsoever under the law to provide insurance to their employees. So, frankly, I don't know what your employer was talking about.

What is accurate is that the Affordable Care Act will make it easier, and in many cases cheaper, for small businesses to provide quality group health insurance for employees.

Today small businesses must scramble to obtain insurance on the private market, and many can't afford coverage. That's why only about a third of workers in small business have insurance through their jobs, compared with 71 percent of workers in companies with 100 or more employees, according to a 2010 survey by the Commonwealth Fund, a nonpartisan health policy research group based in New York.

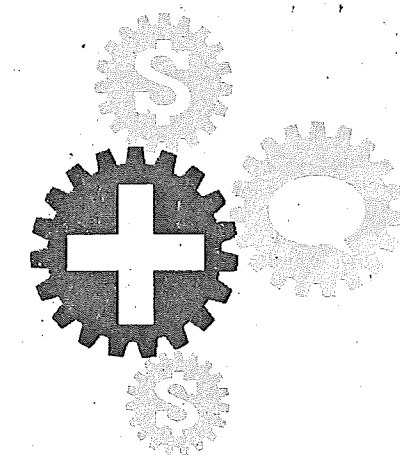
That will change as of 2014, when every state will have a special insurance exchange, the Small Business Health Options Program (SHOP), where small employers can select from a menu of comprehensive plans to offer their workers. For-profit businesses with 25 or fewer employees and average annual wages of less than \$50,000 can get a tax credit for up to 50 percent of their contribution toward the premium in 2014.

Because those SHOP exchanges promise to be more efficient than the current system, the cost of group insurance is expected to drop by more than 7 percent for small employers once the tax credits are factored in, according to a 2012 analysis by the Urban Institute, a nonpartisan Washington think tank.

But again, it will be up to employers to decide whether to take advantage of that. And if they don't, employees won't be left uninsured because they can purchase coverage for themselves and their families through their state's individual exchange.

Q I'm confused about CEOs claiming that Obamacare will force them to reduce employees' hours due to the cost of insuring them. Aren't large employers already obligated to provide health insurance to full-time employees?

ANSWER They are not, but almost all of them do anyway. That's especially true of companies that employ full-time, higher-paid, skilled workers, who otherwise might balk at taking the job. What you've probably been reading about in the media are threats by companies, such as restaurants and retail chains, that



employ a lot of lower-wage and part-time employees. A much smaller percentage of those companies offer health insurance, and when they do, it may be a plan with benefits that top out at only a few thousand dollars a year.

But as of 2014, companies with more than 50 full-time employees (defined as employed an average of 30 hours a week or more) will face a choice. If they don't offer adequate health coverage and even one of their full-time employees gets a subsidy to buy individual coverage on a state exchange—a likely prospect—they'll be hit with an annual penalty of \$2,000 per full-time worker, with the first 30 workers excluded. So, for instance, a company with 400 employees would owe an assessable payment of \$740,000, or 370 times \$2,000.

One way for a company to dodge the requirement would be to make sure its low-wage, unskilled employees work fewer than 30 hours a week—a tactic that some employers already use to hold down the numbers of workers who get health coverage.

But even if that happens, those low-paid employees will—in 2014, for the first time—have access to good insurance they can afford.

Q I was told that Obamacare would take cancer care away from those over 76 years old. True?

ANSWER Not true. As best I can determine, that rumor originated from several viral e-mails and online posts. They recount convincing-sounding conversations with doctors who claim to have been briefed on a provision of the Affordable Care Act that will supposedly deny older Medicare beneficiaries treatments for serious conditions such as heart disease and cancer. Reputable fact-checking sites, such as Snopes.com and Factcheck.org, have documented that the stories are fake.

"Nothing in health care reform or in Medicare limits your care based on your age," says Joe Baker, president of the Medicare Rights Center, a nonprofit consumer advocacy and information group.

Far from cutting Medicare benefits, the new health care law has expanded them. Beneficiaries are now entitled to a long list of free preventive-care services that previously weren't covered. And the law is also closing the notorious "doughnut hole" in Part D drug plans.

Q Does the health reform law cover people who are not legal U.S. residents?

ANSWER No. The law states that it does not allow federal payments, credits, or help with cost-sharing for "individuals who are not lawfully present in the United States."

Who will be eligible for lower-cost health insurance?

When the health insurance exchanges open in every state in October 2013, individuals and families who use them will be eligible for subsidies to buy insurance if their income falls within certain limits. If their income is very low, they will qualify for free or almost-free Medicaid coverage. The guidelines for subsidies and Medicaid are shown in the table at right.

An important exception: As of January, the governors of 11 states have said they would not expand Medicaid, according to a count by Avalere Health, a private consulting firm. In those states, households with incomes below the federal poverty level (\$11,170 for one person; up to \$23,050 for four people) will not qualify for Medicaid unless they fall into existing eligibility categories, such as pregnant women or certain parents of minor children. And they also won't be eligible for subsidies on their state's exchange, because when the law was written they

were intended to have coverage under an expanded Medicaid program.

The 11 states (as of press time) are Alabama, Florida, Georgia, Louisiana, Mississippi, Oklahoma, South Carolina, South Dakota, Texas, Utah, and Virginia.

In June 2012, the Supreme Court ruled that states can refuse to expand Medicaid to all low-income adults. Governors in states that have declined cite costs, even though federal funding would cover 100 percent of the costs of expanded Medicaid for the first three years and at least 90 percent thereafter. However, states can opt into the expansion at a later date if they choose.

Family size	Eligible for Medicaid (annual income)	Eligible for a subsidy (annual income)
1	Up to \$14,856	\$11,170 to \$44,680
2	Up to \$20,123	\$15,130 to \$60,520
3	Up to \$25,390	\$19,090 to \$76,360
4	Up to \$30,657	\$23,050 to \$92,200

Source: Federal poverty guidelines for 2012-13.