

# Health Reform and OWL: A Summary

For the past thirty years, OWL has worked toward the goal of comprehensive, accessible healthcare that is publicly administered and financed. OWL has consistently advocated for a single-payer health care system. As the momentum for health care reform legislation gathered speed, OWL worked with a diverse set of organizations to foster change that addressed persistent problems including millions of Americans without insurance, ever-rising costs, lack of affordable long-term care coverage and inequities in the health insurance industry. OWL took a strong leadership position on gender and age rating of health insurance premiums and moved the dialogue forward on this topic despite strong opposition. As a result, the Patient Protection and Affordable Care Act (PPACA) essentially eliminated gender rating, and insurers are restricted to a 3 to 1 age ratio (rather than a 5 to 1 ratio).

OWL will continue to focus attention on health care reform as the government begins to implement the PPACA. Part of the work will be in the form of the 2011 Mother's Day Report. The report will provide a detailed look at the landmark law and how it affects midlife and older women. The following is a brief summary of major changes made by the PPACA. It will provide an initial resource for OWL members and an introduction to a comprehensive examination of the dramatic changes in the U.S. healthcare system.

## The Patient Protection and Affordable Care Act

### Private Insurance Changes

**Premium Regulation:** The new law establishes a process for reviewing increases in health plan premiums and requires plans to justify those increases. It also requires states to report on trends in premium increases and recommend whether certain plans should be excluded from the insurance exchanges (see below) based on unjustified premium increases. In 2011, a new independent health insurance appeals process for consumers will help level the playing field when insurers and consumers disagree on coverage decisions.

**Pre-existing Conditions:** The exclusions for pre-existing conditions will no longer be allowed for non-dependent children (up to age 26). Young adults up to age 26 can opt to stay covered under a parent's health insurance. When the insurance exchanges (see below) are up and running in 2014, pre-existing exclusions will be eliminated for all plans.

**Annual and Lifetime Limits:** Effective in 2014, new plans' annual limits on coverage are restricted, and insurers will no longer be allowed to place limits on lifetime coverage.

**Rescission:** The insurance industry practice of "rescission" is prohibited. This means that insurers are no longer allowed to drop coverage for people who have been paying premiums when they get sick. As a result, people will be able to rely on the security of having insurance when they need it.

**Medical Loss Ratio:** Individual and small-group insurers will be required to spend 80% of

premium dollars on medical services. Insurers will be required to spend 85% of premium dollars from large group policies on medical services. PPACA will prevent insurance companies from dramatically raising premiums to cover the cost of executive salaries and other administrative costs. This is a cost-containment measure which will also help ensure that premium dollars will be spent on actual health care service costs.

**Health Insurance Exchanges:** PPACA creates health insurance exchanges that would be run by a government agency or non-profit organization. Individuals and small businesses (fewer than 100 employees) can band together to obtain affordable health insurance. Businesses with more than 100 employees would be able to participate in a separate exchange program starting in 2017. Federal funding will be provided to states which establish health insurance exchanges until January 1, 2015.

### **Provisions for the Uninsured**

PPACA provides a \$5 billion reinsurance fund to help employers to provide health benefits to early retirees age 55-64. The program covers 80% of claims between \$15,000 and \$90,000 and is available until either the insurance exchanges begin or the funds are spent. This will help employers continue to provide coverage. The law provides for \$5 billion to states to create high-risk insurance pools for individuals denied health coverage due to pre-existing conditions and who have been without coverage for six months.

The law provides up to a 35% tax credit to small businesses that offer health care coverage. This provision benefits those who are already doing this and encourages others to do so. In 2013, primary care physicians who participate in Medicaid will receive payments equal to Medicare rates. In 2014, Medicaid will expand to cover more lower-income people, including children, parents, and adults with limited income.

### **Medicare Provisions**

**Preventive Care:** In 2011, Medicare benefits will expand to offer free coverage for wellness and preventive care. These include annual physical examinations, mammograms and colonoscopies. In 2012, providers who form accountable care organizations – teams of doctors who work to manage many aspects of health care and meet quality standards - will be eligible to share in any savings they achieve for the Medicare program. This will create incentives for doctors to work to keep patients healthy, reduce repeated testing and unnecessary procedures as well as save Medicare money.

**Medicare Part D Prescription Drug Benefit:** In 2010, those who reach the “donut hole” coverage gap in the Medicare Part D prescription drug plan will automatically receive a one-time \$250 rebate to help defray the cost of medication. This payment will be triggered automatically for Medicare beneficiaries. Starting in 2011, those who reach the donut hole will receive a 50% discount on brand name drugs and a 7% discount on generics. The “donut hole” coverage gap will gradually close. By 2020, the “donut hole” will be closed entirely.

**Medicare Advantage Plans:** In 2012, Medicare will begin paying private Medicare Advantage Plans the same amount as the cost of coverage in traditional Medicare. Reducing the overpayments, which are as high as 14% greater than the cost of traditional Medicare, will extend the solvency of the Medicare Trust Fund by nine years. Medicare Advantage plans deemed to be of exceptionally high quality will be eligible for bonus payments.

**Independent Payment Advisory Board:** A panel will be established in 2014 to review cost structures and make recommendations to Congress for promoting high quality of care and containing costs in Medicare.

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The historic Patient Protection and Affordable Care Act (PPACA, also referred to as the ACA) was signed into law on March 23, 2010 (P.L. 111-148). Legislation adding protections to the PPACA, the Healthcare and Education Reconciliation Act of 2010 (P.L. 111-152) became law two days later. Together they make important changes to the nation's health care system.

### **Long-term Care**

The Community Living Assistance Service and Supports Act (CLASS Act) was included in PPACA. The CLASS provisions, which go into effect in 2011, will provide individuals with physical and cognitive limitations a benefit that allows them to purchase long-term care services and/or assistive devices and products. This national, voluntary insurance program is available to adults who are in the workforce. Participants must pay into the program for at least five years of which at least three years of active work must overlap. Once a person meets eligibility criteria to receive the benefit, he or she can receive benefits as long as needed. When fully operational, the CLASS program will be the first publicly funded and administered long-term care program that is not means-tested.

### **Nursing Home Reform**

The new law includes the first significant nursing home reforms since 1987. The most visible change will be improvements in the information the government reports on its Nursing Home Compare website. That information will include the sufficiency of facilities' staffing; identify facilities' owners and operators; and disclose violations found by inspectors. The law also discourages nursing homes from using legal tactics to delay paying fines. It places

stronger emphasis on holding corporations accountable for what happens in their individual nursing homes. The PPACA also provides federal funding for criminal background checks on workers who provide long-term care services and requires facilities and workers to report neglect, abuse and exploitation of residents report neglect, abuse and exploitation of residents.

### **Elder Abuse Prevention and Protection**

Older Americans now have federal protection against abuse, neglect, and exploitation, similar to the protections provided for vulnerable children. The provisions of the Elder Justice Act were included in the final version of the PPACA, which authorizes \$777 million over four years to carry out the provisions. For the first time, \$400 million (\$100 million per year) of federal funds will be dedicated to adult protective services and it provides an additional \$100 million (\$25 million annually) for state demonstration grants to test methods to improve adult protective services. Almost thirty-three million dollars (\$32.5 million over 4 years) will go to support the Long-Term Care Ombudsman Program and an additional \$10 million per year over four years would go to training of national organizations and state long-term care ombudsman programs.

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This bill was included in the final PPACA. OWL joined with the Elder Justice Coalition to push Congress to enact federal protections against elder abuse.