Health-Care Reform: How Does It Affect You?

Now that comprehensive health-care reform has been signed into law, how will it affect you? While some portions of the law become effective in 2010, other provisions are phased in over time. Nevertheless, it is almost certain that at least some of these reforms will have an effect on you and your family.

How will health coverage change?

The health-care reform law contains provisions that expand benefits, improve access to health care, and protect the rights of consumers. Here are some of the changes that will apply to most health plans (although some will apply only to new, not existing, coverage).

- Plans must fully cover certain wellness and preventive care benefits (e.g., immunizations, cancer, diabetes, and heart disease screenings, smoking cessation programs)
- Plans can no longer charge more for out-of-network emergency care
- Plan can't impose lifetime limits on health coverage (annual limits will be gradually phased out, and will be fully phased out by 2014)
- Children can remain on a parent's health plan up to age 26
- Health coverage can't be rescinded due to illness (only for fraud or intentional misrepresentation)

Changes to employer-sponsored high-deductible health spending accounts aren't quite so favorable. For example, if you participate in a health flexible spending account (health FSA), health reimbursement account (HRA), health savings account (HSA), or Archer medical savings account (MSA), the cost of over-the-counter drugs not prescribed by your doctor will not be considered a qualified medical expense (an exception applies for insulin). And you'll pay an increased penalty tax of 20 percent on money you take out of your HSA or Archer MSA that isn't used for qualified medical expenses. And, beginning in 2013, contributions to health FSAs that are part of a cafeteria plan will be limited to $2,500 per year.

How will Medicare be affected?

If you're a Medicare beneficiary, you will also see some changes to your coverage. You'll be covered for most preventive and wellness care expenses without co-payments beginning in 2011. If you're covered by Medicare Part D and you've been paying all of the cost of your prescriptions after reaching a minimum threshold, a situation referred to as the "donut hole," your out-of-pocket expenses will gradually decrease, beginning in 2010 with the payment of a $250 rebate, until 2020, when the donut hole is completely filled. If you're a Medicare Advantage beneficiary, however, beginning in 2011, you may see some of the extra benefits offered by these plans dropped as government reimbursements to these plans are restructured and, in some cases, reduced. And, beginning in 2013, if your annual earnings are equal to or more than $200,000 ($250,000 for couples), your Medicare payroll tax will increase by 0.9 percent, and a Medicare tax of 3.8 percent will be applied to some types of investment income, such as rent, capital gains, and annuity payments.

What if you don't have insurance?

By 2014, you'll be required to have health insurance or face a tax penalty (some exceptions apply). However, if you don't have insurance, or if it's too expensive, the reforms may make it easier for you to get and keep health insurance. By 2014, insurers will have to accept you regardless of your health history, and premiums can only vary based on tobacco use and age, not on health status or gender. If you don't have access to affordable health insurance through an employer, you'll be able to purchase coverage through state-based American Health Benefit Exchange. Premium and cost-sharing subsidies will be available to individuals and families with incomes at or below 400 percent of the Federal Poverty Level (FPL), which will help reduce the cost of insurance purchased through an exchange. In addition, Medicaid availability will be expanded to those under age 65 with incomes up to 133 percent of the FPL. Prior to 2014, if you haven't been able to get insurance for at least six months due to a pre-existing condition, you will be able to purchase insurance through temporary high-risk pools.