

John James Newsletter

Lead Story Headline

The Health Care reform bill signed into law this week.

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The complex \$940 billion restructuring of the nation's fast-growing health care system will unfold over the next five years, with provisions, taxes and fees gradually phased in and most starting in 2014.

The ambitious plan will create the biggest expansion of health coverage since Medicare in 1965, but that will come at a cost primarily to higher-wage earners, insurers, employers and the medical industry.

Here is a snapshot of the benefits and costs.

EMPLOYERS

Employers remain the backbone of the health care insurance system, and the overhaul makes that role official. The plan encourages businesses, nonprofits and others to offer health insurance to their workers, but puts the onus on larger employers with 50 or more workers.

Benefits

Provides a federal tax credit of up to 35 percent of a small business' contribution to providing health insurance to employees, and 25 percent to small nonprofits, beginning this year. Increases the tax credit to small employers to 50 percent in 2014.

Allows small employers to shop for insurance for their workers on state-based exchanges beginning in 2014.

Costs

Requires larger employers to offer insurance coverage to their workers. If they don't, and any of their employees gets a federal tax credit to buy insurance, the employer must pay \$2,000 for each full-time employee, except for the first 30.

HIGH-WAGE EARNERS

The health overhaul pays for its expansion of coverage in a number of ways, including with a 10 percent tax on indoor tanning services that begins in July. But none is more likely to affect the upper middle class and above than the new taxes on high-wage earners.

Benefits

High-wage earners who have insurance now would enjoy the new protections and benefits for



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"Whether or not you have health insurance right now, the reforms we seek will bring stability and security that you don't have today.

This isn't about politics. This is about people's lives. This is about people's businesses. This is about our future. "

- President Barack Obama



all the insured.

Costs

Individuals will pay 2.35 percent on the amount of their income above \$200,000, a bump up from the current 1.45 percent. Couples will be taxed for amounts above \$250,000.

Individuals also will pay a new 3.8 percent tax on unearned income, such as interest or dividends, above a \$200,000 income threshold. Couples will pay the same tax for unearned income above a \$250,000 income level.

Both taxes begin in 2013.

THE ELDERLY

Those on Medicare will see new benefits, such as free checkups, but they'll also see changes in the way the federal program is operated. The overhaul seeks to trim escalating Medicare costs by squeezing out fraud and waste, limiting provider pay and shifting away from paying for each procedure rather than overall treatment. Critics warn cuts in Medicare costs could lead to cuts in care.

Benefits

Seniors will get \$250 to help pay for the prescription "doughnut hole" gap in drug payments in October, and see the gap closed over 10 years beginning in 2011.

Costs

Seniors in privately run Medicare Advantage plans will see subsidies for the plans phased out beginning in 2011, possibly resulting in paring of the plans' extra benefits, such as health club memberships.

THE INSURED

Most Americans already insured will see some new protections this year, but also could see premiums rise if they opt for better insurance plans. Union members and others might face increased premiums from new taxes on so-called "Cadillac" or high-cost plans, but that won't begin until 2018.

Benefits

Coverage can no longer be denied for children with pre-existing conditions beginning in October, and for everyone in 2014.

Adults who are ill now can join an interim high-risk pool to get insurance.

Annual caps on care will be banned for "needed care" in October and for all care in 2014.

Families can keep children on their health insurance until age 26 beginning in October.

Costs

A 40 percent tax will be levied on insurers on the amount in excess of \$10,200 for a health insurance premium for an individual and over \$27,500 for a family of four starting in 2018.



MEDICAL INDUSTRY

The infusion of more than 32 million new paying patients and customers is the primary benefit to hospitals, doctors and other care providers, private insurers, drug firms and medical device manufacturers. But the overhaul extracts taxes and fees from each segment of the industry to help pay the expensive tab for expanding health care coverage.

Benefits

Boosts investment in training programs for primary care doctors, and offers loans, scholarships and other incentives for students and professionals in health care this year.

Begins payment and quality control programs for physicians and hospitals to eliminate waste, improve treatment results and cut down on readmissions in 2012.

Costs

Imposes an annual fee on prescription drug makers, beginning at \$2.5 billion in 2011.

Imposes an annual fee on private health insurers, starting at \$8 billion in 2014 and rising to \$14.3 billion in 2018.

Sources: Congressional Budget Office, Kaiser Family Foundation, Democratic analysis

THE UNINSURED

Health coverage will be extended to nearly all Americans, but nearly everyone also must obtain health insurance or face a fine. About 32 million uninsured people either will get federal subsidies to buy insurance or qualify for Medicaid coverage for low-income families, increasing the proportion of Americans covered from 83 percent to 95 percent.

Benefits

Individuals earning less than \$14,404 and families of four making less than \$29,326 would be eligible for expanded Medicaid coverage. That benefit does not kick in until 2014.

People will be able to buy insurance in new marketplaces called exchanges in 2014. Federal subsidies will be available on a sliding scale for individuals earning between \$14,404 and \$43,320, and families making between \$29,326 and \$88,200.

Costs

Beginning in 2014, people will have to get insurance or pay fines start at \$95 and rise by 2016 to \$695, or up to 2.5 percent of income.

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