

# The Affordable Care Act

By Yahne Miorini, LL.M.

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On March 23, 2010 President Obama signed the Affordable Care Act into law, setting in motion a historic transformation of the nation's healthcare system. The new law should allow approximately 32 million uninsured Americans to obtain medical coverage by 2019. Uninsured and self-employed people should be able to obtain medical insurance through an exchange program organized by each state. This exchange program should also assist individuals and families in greatest need to pay insurance premiums. The government will provide financial incentives for the establishment of these exchanges until 2015.

Other important measures include: (1) free preventive medical care, (2) increased assistance with drug costs for the elderly by eliminating the "Medicare Part D doughnut hole" (3) benefits to companies that offer medical insurance to early retirees, (4) elimination of clauses limiting medical coverage including denial of insurance for pre-existing conditions.

The timing of this reform is:

- Within 3 months
  - Insurance companies have to provide insurance to high risk persons who were previously denied insurance due to pre-existing medical conditions.
- Within 6 months
  - Insurance companies are prohibited from canceling

coverage when the insured becomes sick.

- Insurance companies are prohibited from denying health insurance to children with a pre-existing medical condition.
- Insurance companies are barred from imposing a lifetime limit for reimbursement.
- Youth under 26 are automatically covered by their parents' medical insurance.
- Within the year:
  - Insured individuals whose Medicare drug expenses exceed the reimbursement limit receive a \$ 250 rebate.
- In 2011:
  - Limitation on insurance companies' profits kicks in. Insurers must spend 80% of premiums collected on medical costs when insuring small groups or independent individuals, and up to 85% when insuring large groups. Management and administrative fees for private insurance companies currently range between 20 and 30%, while these costs are estimated at 2 or 3% for the Medicare administration. The high cost of management and administration of private insurance companies are not only due to increased marketing and advertising, but also the time spent tracking down fraud and

selecting clients based on their health profile. For comparison, in France, the health branch of the Social Security spends 3.5% to 4% of distributions to management fees.

- Elimination of "Medicare Part D doughnut hole." The phase-out plan begins with federal assistance to cover the cost of generic drugs prescribed under Medicare Part D. This phase is gradual and will cover 75% of the cost of generic drugs in 2020.
- Elimination of "Medicare Part D doughnut hole." The second phase of the plan will require drug companies to offer a 50% discount on their brand-name drugs when they are prescribed to a person with Medicare Part D.
- In 2013:
  - The tax base for health insurance is broadened and is now also levied on dividends, interests, and other unearned income for singles making more than \$200,000 and couples making more than \$250,000.
- In 2014:
  - Financial assistance is available to help the poorest families buy health coverage.
  - The majority of companies will offer medical insurance or face criminal sanctions.
  - The majority of individuals will have medical insurance,

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- on pain of criminal sanctions.
  - In 2018:
    - A 40% tax is levied on Cadillac health insurance plans.
  - In 2019:
    - Health insurance should cover the 32 million currently uninsured.
  - In 2020:
    - Elimination of "Medicare Part D doughnut hole"
9. Share Medicare savings due to improved productivity.
  10. Reduce the "protective" medicine developed in response to the fear of medical malpractice lawsuits.
  11. Create a system of bonuses to keep people healthy.
  12. Reduce time spent completing medical records.

This reform is highly controversial because it is estimated to cost \$ 940 billion over 10 years. However, this reform also incorporates a series of measures that should reduce the cost of health. The Obama administration estimates that over the next 15 years, the U.S. will save \$ 814 billion in health costs. These savings will stem from the following 12 measures:

1. Reduce medical errors.
2. Reduce the galloping increase in health insurance premiums.
3. Transfer patients from emergency to regular care units more quickly.
4. Reduce the use of ineffective treatments.
5. Eliminate unnecessary tests and procedures.
6. Manage chronic health problems.
7. Computerize medical records.
8. Create more competition for insurance companies.