

What does the new health care law mean for Virginians?

By Ali Faruk, Health Care Policy Analyst

Introduction

Before the Patient Protection and Affordable Care Act was signed into law on March 23, 2010, the health care debate had been under way for the better part of two years. Misinformation and partisanship during that time and since have left many Virginians confused about what the final law does and how it will affect their lives. As the new health reform law includes significant reforms and changes that will benefit Virginians in the near and long term, it is important that Virginians understand how national health reform impacts them.

First, the uninsured and underinsured will get access to quality, affordable health care. Virginia's children will finally be protected from discrimination based on a pre-existing condition and our young adults will be eligible to stay on their parents' health plans for longer. The new health care law means Virginia's seniors, struggling with high prescription drug costs, will get some much needed relief, and the life of the Medicare trust fund will be extended. Virginia's small businesses will receive tax credits to help them afford health insurance for their employees, and they will be able to pool their employees with other small businesses to help bring costs down. The new law also has programs designed to tackle the obesity epidemic and promote healthy lifestyles for long-term health gains and cost savings. Finally, the Commonwealth of Virginia will receive significant federal funding support to expand the state's Medicaid program for low-income Virginians. This will result in a reduction in uncompensated care at Emergency Rooms and significant savings to providers.

This report examines these key components of the new health care law and explains what benefits Virginians can expect in the years to come.

Virginia's Uninsured & Underinsured

The new health care law will dramatically reduce the number of uninsured and underinsured Virginians. Even before the recent recession began, there were about one million uninsured Virginians¹. That number has grown as Virginians lost their jobs and their access to health insurance. Virginians who work for and own small businesses are especially hard hit. A disproportionate number of uninsured people work full-time for employers that do not provide health coverage for their employees.

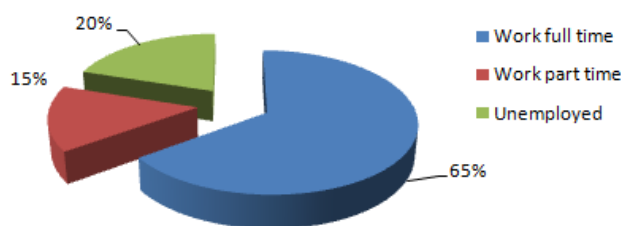
The vast majority of Virginia's uninsured (80 percent) live in households with at least one full- or part-time worker². Forty-six percent of uninsured Virginians live in households with a worker employed by a small business (100 or fewer employees) or with a self-employed worker³. By contrast, over 92 percent of people working for companies with 500 or more employees are insured. Only

one in four uninsured Virginians (26.8 percent) live in households that have an offer of employer-sponsored health insurance. The overwhelming majority of Virginians without insurance are U.S. citizens (81 percent). Fifty percent of uninsured Virginia adults are Caucasian/non-Hispanic, 20 percent are African-American, 20 percent are Hispanic, and 10 percent classify themselves as "other."⁴

Underinsurance is also a significant problem. There are many Virginians who have health insurance, but they have little actual coverage and often end up paying large sums of money towards out-of-pocket costs such as co-pays, deductibles and coverage caps. These so-called "mandate-free" or "mandate-light" plans provide no real security, as a big chunk of people's health care needs are not covered. In many instances

they may end up receiving high-cost emergency room care for routine situations, the cost for which is spread among the rest of the insurance market.

Who's Uninsured I: 80% Work Full Time



Source: Cook Allison. "Profile of Virginia's Uninsured." [The Urban Institute](#). January 2010.

The new health care law also removes lifetime limits on coverage. If you have health insurance, your insurer can no longer deny you coverage when you have hit a lifetime limit⁵. This reform will help many Virginians who have chronic conditions requiring expensive treatments. More significantly, the law also places restrictions on annual dollar limits set by insurance companies⁶. Your insurance company now has a cap on how much they can limit your health care coverage each year. In the past Virginians who hit these annual limits and lifetime caps often ended up spending large sums from their savings and retirement accounts, or racking up large debts, to pay for health care that their insurance company refused to cover. Thanks to the new health care law, these families are protected.

In addition, the new law also includes many provisions to significantly decrease the number of uninsured Virginians by improving access and affordability:

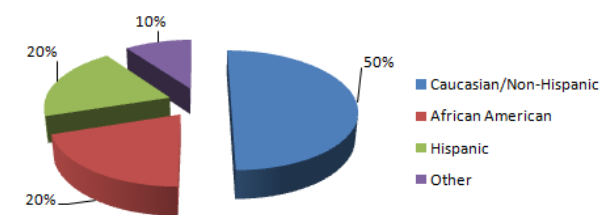
- The law provides tax credits for up to 684,000 Virginians to help make health insurance more affordable, bringing \$11.1 billion in premium and cost-sharing tax credits into Virginia during the first five years of the health insurance exchange⁷.
- The law ensures immediate access to affordable insurance options for as many as 111,961 uninsured Virginians who have a pre-existing condition⁸.
- The law ensures that the 1.2 million uninsured Virginians and 344,000 Virginians who purchase health insurance through the individual market have access to affordable health insurance options through state-based health insurance exchanges⁹.

Virginia's Children & Young Adults

Virginia has worked hard to reduce the number of uninsured children in the Commonwealth. Our Children's Health Insurance Program (CHIP), called Family Access to Medical Insurance Security (FAMIS) here in Virginia, covers children up to 200% of the federal poverty level (FPL)¹⁰. FPL is defined as roughly \$22,000 for a family of four. Unfortunately this leaves around 180,000 children uninsured in Virginia (up to 18 years of age)¹¹. In addition, there are about 590,000 uninsured non-elderly adults without dependent children in Virginia¹². An estimated 41.9 percent of all uninsured in Virginia are between the ages of 19 and 34¹³.

Young adults, especially those in college, often become

Who's Uninsured II: Half are White/Non-Hispanic



Source: Cook Allison. "Profile of Virginia's Uninsured." The Urban Institute. January 2010.

uninsured because they are often too old to remain on their parent's health insurance plans. Also, many young adults just starting out in the work force do not have access to employer provided health care. Nationally, only 53 percent of young adults are eligible for the health insurance offered by their employers¹². Forty percent of young adults earning less than \$10 per hour have no health coverage and more than one-third of all working young

adults earn less than \$10 per hour¹⁴.

Fortunately, the new law provides many benefits and protections for young Virginians to improve quality, affordability and access to health insurance:

- The law prohibits insurance companies from excluding coverage of pre-existing conditions for the 1.8 million children in Virginia, starting this year.
- The law reduces family health insurance premiums by \$1,550 - \$2,210 for the same benefits, as compared to what they would be by 2016 without health reform.
- The Act allows 768,778 young adults to stay on their parents' insurance plans
- The Act means 1.2 million Virginians under age 30 will have access to less costly catastrophic-only health insurance plans, when health insurance exchanges are operational in 2014.

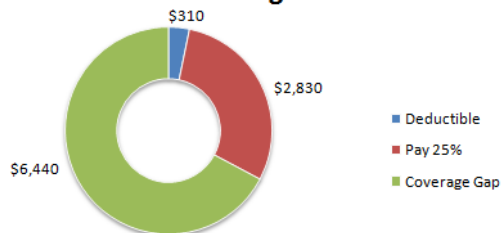
Virginia's Seniors

As of 2008, there were 1,071,681 Virginians enrolled in Medicare¹⁵. Many of these are seniors struggling with high prescription drug prices. The Medicare Part D Prescription Drug program passed by Congress in 2003 allowed Medicare beneficiaries to enroll in a prescription drug plan to help them afford their medications.

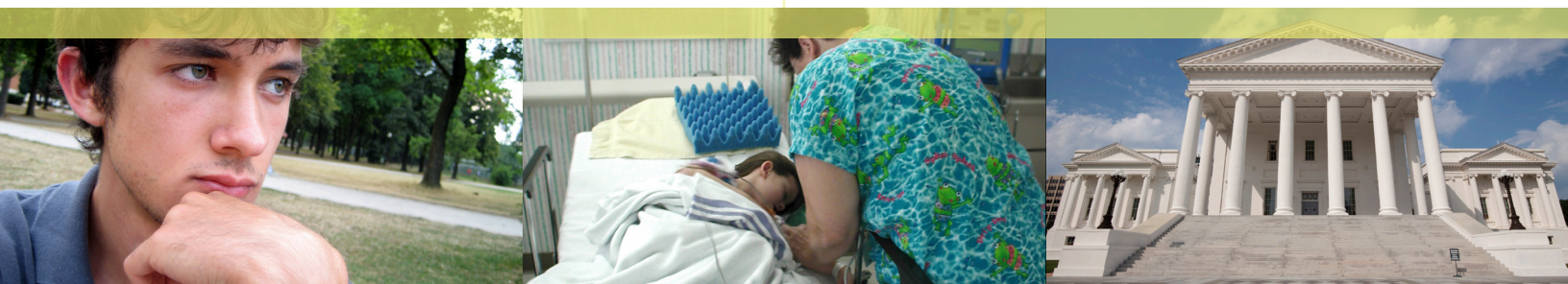
Unfortunately, a gap in coverage, the so-called "doughnut hole," leaves many beneficiaries with extremely high deductibles before coverage kicks in. Under these prescription drug plans, in 2010, the standard benefit requires payment of a deductible (\$310 maximum). The beneficiary then pays 25% of the cost of covered Part D prescription drugs up to an initial coverage limit of \$2,830. After

this limit, the beneficiary pays the full cost for prescription drugs until they reach another limit of \$6,440 (\$4,550 total out of pocket so far). The size of the actual coverage gap or "Doughnut Hole" is about \$3,610. After that the enrollee pays only 5% of the

In The Hole: Without Reform Seniors are Stuck in the "Doughnut Hole"



Source: "The Medicare Prescription Drug Benefit Fact Sheet." Kaiser Family Foundation. #7044-10.



costs with Medicare and the drug plan picking up the rest of the cost¹⁶. The chart “In the Hole” on the previous page provides a visual representation of the coverage problem seniors face in the Medicare Prescription Drug Plan. The chart does not show the drug coverage that kicks in after the seniors surpass the coverage gap limit.

The new health care law has addressed this gap in coverage, and as a result our seniors will see tangible benefit improvements this year. Key provisions of enhanced coverage for Virginia seniors include:

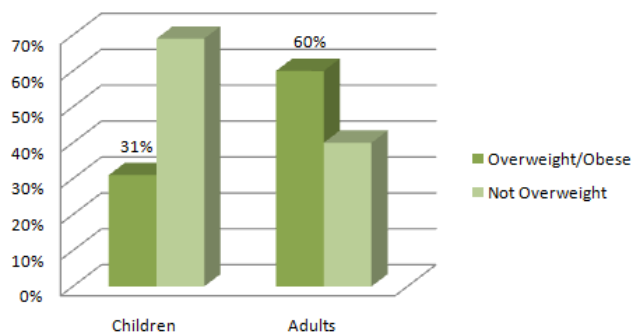
- 190,000 seniors caught in the Medicare Part D “doughnut hole” will see their brand-name drug costs reduced by half¹⁷.
- Seniors not yet receiving Medicare Extra Help will get a one-time, tax free \$250 rebate check to fill the “doughnut hole.” These checks began mailing on June 10, 2010.
- By 2012, 50 percent of the “doughnut hole” will be filled.
- The life of the Medicare Trust Fund will be extended by 12 years¹⁸ through savings from the elimination of waste fraud and abuse over the next 20 years.
- The Affordable Care Act will lower Medicare costs for the 934,000 Virginia seniors not enrolled in Medicare Advantage, by as much as \$45 in premium costs each year¹⁹.

Virginia's Small Businesses

Presently only about 45 percent of Virginia's small businesses provide health insurance to their employees²⁰. Small businesses are the backbone of our economy and they have been suffering more from high health care costs than large corporations. Forty-six percent of uninsured Virginians live in households with a worker employed by a small business (100 or fewer employees) or with a self-employed worker. And over half of Virginia's small businesses do not provide health insurance. By contrast, less than eight percent of those working for companies with 500 employees or more are uninsured²¹. Because of this, lowering health care costs for small businesses was a major health reform priority.

The new law provides tax credits to help reduce the cost of health insurance for small businesses. After the law passed in March the IRS sent postcards to 108,736 potentially tax credit eligible employers in Virginia. Of these, 99,565 – over 91 percent – are small businesses. Together, these businesses employ about 393,500 Virginians. These tax credits will reduce the cost of health insurance for small businesses. The savings will enable Virginia's small businesses to create 6,600 – 10,600 jobs by reducing the cost of providing health care insurance to their

Big Problem: Obesity



Source: “Virginia: Percent who are overweight or obese in 2008.” StateHealthFacts.org.

employees²². The new health care law ensures that all firms with fewer than 50 employees will be exempt from employer responsibility requirement.

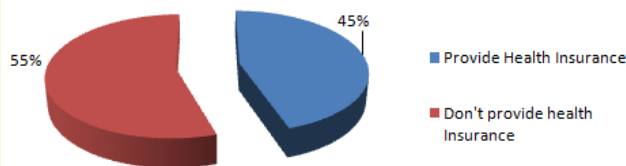
The Obesity Epidemic

The Virginia Interfaith Center is deeply involved with fighting obesity, especially among children and youth. Obesity leads to other chronic health conditions such as high cholesterol and diabetes. Obesity now costs employers \$13 billion a year, a level that keeps rising. The chronic conditions associated with obesity are expensive to treat²³. It is estimated that nearly 93 million Americans are obese and that number is predicted to climb to 120 million within the next five years²⁴. Addressing obesity is important because the statistics are troubling:

- In 2008, over 60% of Virginia's adults were overweight or obese.
- In 2007 31% of children were overweight or obese²⁵.

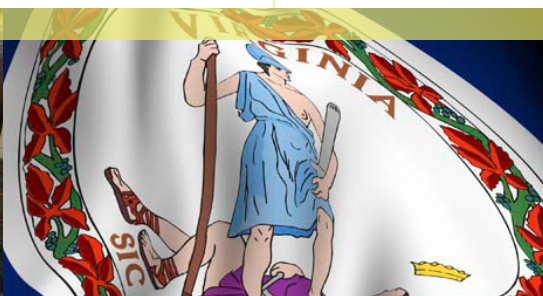
The new health care law has several initiatives to promote prevention and wellness.

Virginia's Small Businesses & Health Insurance



Source: AHRQ 2008 Medical Expenditure Panel Survey-Insurance

- The law requires restaurants and food sold from vending machines to disclose the nutritional content of each item.
- The law provides grants for up to five years to small employers that establish wellness programs.
- The law establishes a grant program to support the delivery of evidence-based and community-based prevention and wellness services aimed at strengthening prevention activities, reducing chronic disease rates and addressing health disparities, especially in rural areas.
- The law requires qualified health plans to provide, at a minimum, coverage without cost-sharing for preventive services rated A or B by the U.S. Preventive Services Task Force, recommended



immunizations, preventive care for infants, children, and adolescents, and additional preventive care and screenings for women.

- The law provides technical assistance and other resources to evaluate employer-based wellness programs.
- The law assesses employer-based health policies and programs.

(Source: "Summary of New Health Reform Law." Focus on Health Reform.

Kaiser Family Foundation. 21 April 2010. Available online www.kff.org)

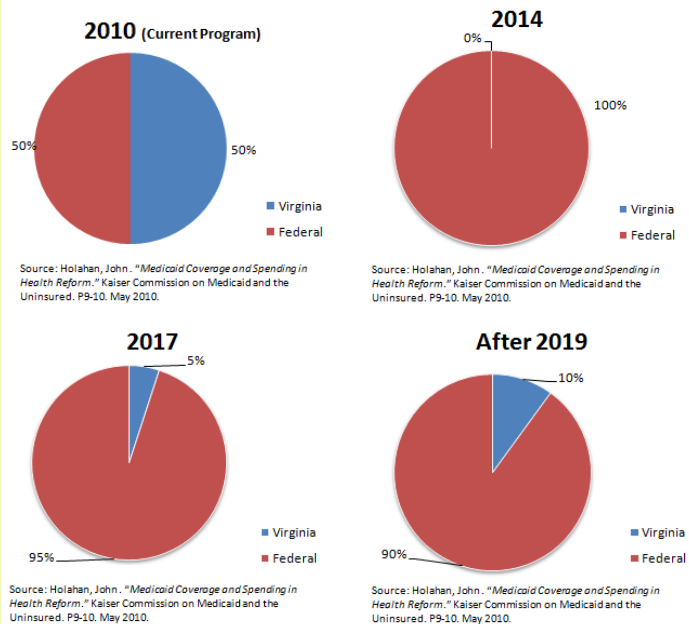
A Good Deal for the Commonwealth

Finally, the new health care law provides for a significant expansion of eligibility for previously uninsured low-income Virginians to access quality health care. At present there are roughly one million uninsured Virginians. By 2019 about 245,840 previously uninsured Virginians will be enrolled in the state's Medicaid program.

Critics have focused their attention on the additional demand the Medicaid expansion will place on the State's finances. However, a more critical look reveals that this Medicaid expansion is a good deal for the Commonwealth. The newly-eligible matching rate assures that the federal government finances much of the cost of the Medicaid expansion to 133 percent of the Federal Poverty Level (FPL). In addition, under the new law:

- The federal government pays for the vast majority (over 95%) of this expansion.
- The Commonwealth will only have to pay, on average, roughly \$100 million a year between 2014-2019*.
- When the Medicaid expansion starts, in 2014, through 2019, the Commonwealth will only pay \$498 Million*.
- That's only a 1.8% increase in state Medicaid spending to drastically reduce Virginia's uninsured rate²⁶.
- The federal government will pay 90 percent of these expansion costs after 2020, compared to the current contribution in Virginia of 50 percent of costs²⁷.

Medicaid Expansion Matching Rates 2010-2019+²



Conclusion

The new health care law will provide Virginians with tangible benefits, increased protections, lower costs and more security and stability for their families. It is an important step forward that will finally protect our families by providing affordable health insurance options. It will help our small businesses grow and be more competitive, and our children and young adults will have better access to health care to promote better health later in life. Our seniors will be pulled out of the prescription drug "doughnut hole" and Virginians will no longer be denied health care because of a pre-existing condition.

1. Cook Allison, Kenney Genevieve and Emily Lawton. "Profile of Virginia's Uninsured." The Urban Institute. pp 2. January 2010.

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3. Cook Allison, Kenney Genevieve and Emily Lawton. "Profile of Virginia's Uninsured." The Urban Institute. pp 4. January 2010.

4. Cook Allison, Kenney Genevieve and Emily Lawton. "Profile of Virginia's Uninsured." The Urban Institute. pp 5. January 2010.

5 "Fact Sheet: The Affordable Care Act's New Patient Bill of Rights." HealthReform.gov. 22 June 2010.

6 "Fact Sheet: The Affordable Care Act's New Patient Bill of Rights."

7 "The Benefits of Health Reform in Virginia." Special Report, Democratic Policy Committee. 5 April 2010. Available Online: dpc.senate.gov

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11 Cook Allison, Kenney Genevieve and Emily Lawton. "Profile of Virginia's Uninsured." The Urban Institute. pp 13. January 2010.

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13 Cook Allison, Kenney Genevieve and Emily Lawton. "Profile of Virginia's Uninsured." The Urban Institute. pp 11. January 2010.

14 "Young Invincible and Healthcare." YoungInvincibles.org. 17 June 2010.

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16 "The Medicare Prescription Drug Benefit Fact Sheet." Kaiser Family Foundation. Available online kff.org. #7044-10. November 2009.

17 "The Benefits of Health Reform in Virginia."

18 "The Affordable Care Act: Important Benefits for Seniors." The White House, Office of the Press Secretary. 8 June 2010.

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23 Darling, Helen. "We Need to Address Obesity Now." RollCall.com. 30 July 2009.

24 "All About Obesity." Obesity Action Coalition. Online. 16 June 2010. www.obesityaction.org

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26 Holahan, John and Irene Headen. "Medicaid Coverage and Spending in Health Reform." Kaiser Commission on Medicaid and the Uninsured. P9-10. May 2010.

27 "The Benefits of Health Reform in Virginia."

*This data assumes a "standard participation" scenario. There are different estimates for scenarios with high rates of participation and low rates of participation. For more information see reference 26.