



On March 23, 2010, President Obama signed the Patient Protection and Affordability Act. This historic health care legislation will extend coverage to millions of uninsured Americans, increase consumer protections particularly for those with pre-existing conditions, and extend additional financial assistance to seniors on Medicare. A week later, the President signed the Health Care and Education Reconciliation Act of 2010, which made several important “fixes” to the original bill.

Together, these new federal laws will support Massachusetts’ commitment to health reform by making coverage more affordable for the state and its residents and by providing funding for primary care and public health. The new laws will extend coverage to 31 million Americans by expanding public and private insurance coverage, instituting an individual mandate (requiring all adults to have health coverage if affordable) and requiring employer participation.

So how will federal health reform impact Massachusetts and when? Here are some of the highlights:

#### Massachusetts State Government:

- **Medicaid Funding:** Beginning in 2014, Massachusetts will receive enhanced federal reimbursement (FMAP) to help pay for insurance coverage for lower-income residents. Over a 10-year period, this will add up to almost \$2 billion in additional federal assistance.
- **Coverage for Legal Immigrants:** Beginning in 2014, Massachusetts will receive federal funding to provide health insurance for legal immigrants. Currently, Massachusetts provides subsidized health insurance to legal immigrants who have been here fewer than five years, but does not receive any federal funds for this coverage. This coverage costs the state at least \$70 million each year. Immigrants in the country illegally would not qualify for coverage.

#### Massachusetts Residents:

- **Affordability:** Beginning in 2014, the federal plan will begin to provide additional subsidies to moderate-income Massachusetts residents to help them pay for premiums. Massachusetts offers subsidies for individuals and families with incomes up to 300% of the federal poverty level (or \$66,000 for a family of four). The final health law will provide subsidies up to 400 % of the federal poverty level (or \$88,200 for a family of four). It is estimated that 75,000 Massachusetts residents will qualify for this assistance.
- **Preventive Services:** The federal plan requires all new insurance policies to provide coverage for preventive care and immunizations and exempts these services from co-pays or deductibles. This provision takes effect in the fall of 2010 and will be fully implemented by 2011.
- **Consumer Protections:** The federal plan implements several policies over the next year to protect consumers in the health insurance market. Specifically, it eliminates lifetime and unreasonable annual limits on benefits, and prohibits insurance companies from rescinding insurance policies due to claims. It prohibits pre-existing condition exclusions for children by the end of 2010. It provides \$5 billion in immediate federal assistance for those who are uninsured because of pre-existing conditions to participate in a temporary high-risk insurance pool. By 2014, all insurance companies will be prohibited from denying coverage due to pre-existing conditions.

- **Dependent Coverage:** Effective fall 2010, children will be allowed to stay on their parents' health plans until they turn 26. In Massachusetts, dependents can stay on their parents' plan for two years after the loss of dependent status under the IRS, or until age 26, whichever comes first.
- **Prescription Drug Benefits for Seniors:** The federal plan would close the prescription drug "doughnut hole" for Medicare prescription drug plans through a series of reforms, beginning in July 2010. About 80,700 Massachusetts seniors will see their prescription drug coverage improve.
- **Medicare Advantage:** The measure reduces overpayment to Medicare Advantage insurance plans by instituting a competitive bidding process for insurers who wish to participate in this market. This change could cause some insurers to leave this market, which would require some seniors to have to switch coverage. There are about 198,000 Massachusetts residents enrolled in Medicare Advantage.
- **Tax Code Changes:** Beginning in 2013, there will be a 40% tax on the most expensive insurance plans, which have been called "Cadillac" plans. This will affect only about 8,600 of the 6.2 million people insured in Massachusetts and will not be in effect until 2018. Also in 2013, the bill adds 0.9 of a percentage point to the Medicare payroll tax for individuals with earned income above \$200,000 and for couples making above \$250,000, and imposes a new 3.8 percent tax on investment income of people in those tax brackets.

#### Massachusetts Businesses:

- **Small Employer Responsibility:** Beginning in 2014, the federal plan will require all employers with 50 workers or more to pay a tax penalty of \$750 per employee per year if they do not offer health insurance. Massachusetts law currently requires companies with 11 or more full-time equivalent workers to offer coverage or face a penalty.
- **Small Business Tax Credits:** The federal government will begin offering assistance – in the form of generous tax credits – to small businesses (those with fewer than 25 employees) who provide health insurance coverage to their employees. This will begin in the fall of 2010.
- **Tanning Business Excise Tax:** The bill includes a 10 percent excise tax on tanning services beginning in July 2010.

#### Massachusetts Health Care System:

- **Community Health Centers:** This bill provides immediate and generous increases in funding to community health centers. This funding would help the 52 community health centers in the state that provide high quality health care to those in need regardless of their ability to pay. Community health centers in Massachusetts currently serve more than 760,000 state residents through 285 sites statewide.
- **Prevention Grants:** The health care bill invests \$15 billion in prevention grants over the next 10 years, and then maintains that funding by providing \$2 billion each year thereafter. 75% of current health care costs are the result of chronic disease, much of which is preventable. This funding will help communities and local health departments reduce long-term health care spending by preventing chronic disease.
- **Invests in Primary Care:** Approximately 464,000 people, or 7 percent of the Massachusetts population, cannot access a primary care provider due to shortages in their communities. Health insurance reform will expand and improve programs to increase the number of health care providers, including doctors, nurses, and dentists, especially in rural and other underserved areas. Through loan repayment programs, scholarships, and changes in reimbursement policy, beginning in fall 2010, the legislation encourages health professionals to pursue careers in primary care, which will help alleviate the shortages that Massachusetts has experienced in this critical area.
- **Hospitals and Physicians:** The health care package would bring less immediate change to hospitals and health care providers in Massachusetts than those in other states because the state's 2006 law already brought most uninsured residents onto insurance rolls.