

Public or Private Coverage After Health Reform: Who Gets What?



Introduction

The health insurance reform law is intended to expand public and private health insurance and insure over 30 million more Americans. It will do this through increasing Medicaid eligibility, providing tax breaks for lower-middle and middle class people who buy private health insurance, and adding tax penalties for nearly everyone who does not get insurance. Everyone – not just currently uninsured people – will be affected by the changes.

General Provisions Affecting Everyone's Coverage

While it is impossible in a short paper to describe completely how the health insurance system will work and be regulated under health reform, the bottom lines are these:

1. In every state, consumers will have access to approved private insurance plans with standard benefits which will be very similar to plans that currently exist, will be available both to employee groups and individuals, and through which members of Congress will also receive their health insurance;
2. The Medicaid and Children's Health Insurance Programs will be maintained, and at higher income levels than at present;
3. There will be some new health insurance options available, such as long term care insurance, in addition to the usual plans; and
4. There will be a number of consumer protections in every plan to assure that insurance won't be denied for pre-existing conditions or terminated because people get sick.

Who Will Get Which Kind of Health Insurance?

Health reform expands both public and private insurance programs, but when the dust settles it is expected that public insurance will continue to cover primarily elders (Medicare) and lower income children and adults (Medicaid and CHIP) and private insurance will continue to cover middle class non-elderly adults. Since age and income may be the two most important factors determining who gets what kind of insurance, the table is an attempt at a basic summary of what will usually result when health reform is fully implemented after 2014, assuming today's poverty levels. In general:

- People over the age of 65, no matter what their income, will have Medicare;
- People – both children and adults -- up to 133% of poverty will be eligible for Medicaid;
- If parents earn up to 200% of poverty (higher in some states), their children will stay on the Children's Health Insurance Program (CHIP) as they transition to private insurance;
- People earning between 133% and 400% of poverty will be eligible for tax breaks to limit the amount they have to pay for insurance;

- Eligibility will be coordinated among the public plans, and benefits “navigators” will be available to help people determine eligibility for, and enroll in, public insurance programs and/or to help determine eligibility for tax breaks;
- Everyone will be expected to have private health insurance if they are not eligible for public programs. Those who don’t get it will pay a tax penalty that will phase-in in 2014 and 2015 and become up to 2.5% of income in 2016 and thereafter.

Income Status (2010 levels)				Cap On	Age Group and Likely Insurer(s) for the Age Group			
Percent of Poverty		Individual Income	Family of 4 Income	Insurance Premium	0-18	18-26	27-64	65+
up to	100%	up to \$10,830	up to \$22,050	2% or \$217	Medicaid	Medicaid/ Employer/ Parent	Medicaid/ Employer	Medicare
up to	133%	up to \$14,404	up to \$29,327	3% or \$472	Medicaid	Medicaid/ Employer/ Parent	Medicaid/ Employer	Medicare
up to	150%	up to \$16,245	up to \$33,075	4% or \$650	CHIP/ Parent	Parent/ Employer	Employer/ Self/ or pay \$406*	Medicare
up to	200%	up to \$21,660	up to \$44,100	6.3% or \$1365	CHIP/ Parent	Parent/ Employer	Employer/ Self/ or pay \$542*	Medicare
up to	250%	up to \$27,075	up to \$55,125	8.05% or \$2180	CHIP**/ Parent	Parent/ Employer	Employer/ Self/ or pay \$677*	Medicare
up to	300%	up to \$32,490	up to \$66,150	9.5% or \$3087	Parent	Parent/ Employer	Employer/ Self/ or pay \$812*	Medicare
up to	400%	up to \$43,320	up to \$88,200	9.5% or \$4115	Parent	Parent/ Employer	Employer/ Self/ or pay \$1,083*	Medicare
over	400%	over \$43,320	over \$88,200	None	Parent	Parent/ Employer	Employer/ Self/ or pay 2.5% of Income*	Medicare
		over \$200,000	over \$250,000	None	Parent/ and pay Medicare Tax	Parent/ Employer/ and pay Medicare Tax	Employer/ Self/ or pay 2.5% of Income*/ and pay Medicare Tax	Medicare and pay Medicare Tax
							*2016 fines after 2014 and 2015 phase-in	
**some states provide CHIP above 200%								

In addition, the reform law provides for a new catastrophic-only plan to be available to people under the age of 30, but the plan will also have to cover at least some well-care and primary care. Also not reflected in the table is that a new long term care insurance plan will become available to adults, who will have the option of purchasing it in addition to, but not in place of, their regular health insurance. Also, at the income levels highlighted in blue there will be a new Medicare tax on investment, as well as earned, income.

The following examples are illustrations from the table of how people in different situations might get health insurance.

Example 1. An unmarried 24 year-old could stay on his parents' plan, unless his employer offers health insurance. If the employer does, the 24 year-old would have to go on the employer's plan.

Example 2. Any single individual earning \$32,490 who needs private insurance would have his premium capped at no more than 9.5% of his income, or \$3,087 annually. If he refuses to get insurance, he could be taxed (fined) up to 2.5 % of income, or \$812.

Example 3. A married individual earning up to \$29,327 with a spouse and two children would be eligible for Medicaid for the whole family. Benefits navigators will be available under reform to help the family enroll.

Example 4. An unmarried 45 year old earning \$43,320 would choose from a variety of plans approved by the state (or multiple states) available through an insurance "exchange." The "exchange" is very similar to what currently exists in each state, through which a variety of insurance companies (such as Blue Cross Blue Shield, Aetna, United, and others) offer health insurance plans. Insurance will be purchased either directly or through an employer. Either way, this person's premium is capped at 9.5% of income or up to \$4,115 annually, but if he or she chooses not to purchase insurance, he/she will pay a tax penalty of 2.5% of income, or up to \$1,083.

Conclusion

Insurance reforms under health reform will make changes that affect everyone. To most people who currently receive or purchase health insurance through their employer the changes may seem minor unless (on the positive side) they qualify for a new tax break or otherwise might have had a coverage problem because of a pre-existing condition, illness, or had a child turning age 19 or age 23 and being removed from the plan. On the negative side, those who do not want any health insurance will be penalized financially, and upper-income people will pay an increased Medicare tax on some earned income and a new Medicare tax on investment income.

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