

## Health reform and you: A new guide

How do the House and Senate bills differ? What do they mean for you?

By Jordan Rau, Julie Appleby, Phil Galewitz and Mary Agnes Carey

**Kaiser Health News**

updated 9:54 a.m. CT, Mon., Dec . 28, 2009

Now that the Senate has passed a hotly debated health care bill, Congress is headed to the next step: House of Representatives-Senate negotiations in January to hammer out a final version.

Given the Senate's difficulty in passing a bill, the final legislation is likely to tilt strongly toward that chamber's version. Here's where things stand and how you might be affected.

### **Q: What are the biggest disputes?**

A: There are scores of disagreements, but the biggest battles will come over how the legislation would be paid for, whether to include a government-run insurance plan and how much to spend on subsidies to help lower- and middle-income Americans afford insurance.

Abortion remains perhaps the thorniest issue. The Senate bill would allow insurance plans that operate in newly created exchanges, or marketplaces, to offer abortion coverage, but enrollees would have to write separate checks for it. The House bill has even tighter language: Insurers in the exchanges that accept federal subsidies - which is likely to be most if not all of them - couldn't provide abortion coverage at all.

### **Q: I don't have health insurance. Would I have to get it, and what happens if I don't?**

A: Under both bills, most Americans would be required to have coverage or to pay a penalty. Some would be exempted from the requirement, called an individual mandate, due to financial hardship or religious reasons. Under the House bill, you'd have to have coverage by 2013 or pay up to 2.5 percent of your income; the penalty couldn't exceed the average cost of a plan sold in the exchanges.

The Senate version would take effect in 2014. The penalty for not having coverage would be \$95 in 2014 or 0.5 percent of an individual's income, whichever is higher. The penalty would rise in 2016 to \$750, or 2 percent of income, up to the cost of the cheapest health plan.

### **Q: I'm over 65. How would the legislation affect seniors?**

A: The Medicare prescription-drug benefit would be improved substantially under both bills,

though only the House bill would eliminate the sizable coverage gap called the "doughnut hole" by 2019. Both bills would enable most seniors to get half-price brand-name drugs when they hit the gap. The final bill to emerge from conference might favor the more generous House approach.

Under both bills, government payments to Medicare Advantage, the private-plan part of Medicare, would be cut back. If you're one of the 10 million beneficiaries whom those private plans cover, you could lose extra benefits that many of the plans offer, such as free eyeglasses, hearing aids and gym memberships.

Both bills would make all Medicare preventive services, such as screenings for colon, prostate and breast cancer, free to beneficiaries.

**Q: I want health coverage, but can't afford it. How would the legislation affect me?**

A: Both bills would expand Medicaid, the state-federal program for poor people and those with disabilities, to include millions of people, including childless adults, who aren't generally eligible. Under the House bill, individuals with incomes up to 150 percent of the federal poverty level, or \$16,245, would be eligible for Medicaid. Under the Senate bill, eligibility would reach 133 percent of poverty, or \$14,404 for individuals.

Even if you make too much for Medicaid, you could get help buying private insurance in the new marketplaces, called exchanges. Both bills would provide billions of dollars for subsidies once premiums exceed a certain percentage of annual income. The House bill is more generous than the Senate's is if your income is on the lower end; the Senate is more generous for those on the higher end. The subsidies end at four times the poverty level, \$88,200 for a family of four.

Even if you make too much to qualify for subsidies, you could get some financial relief. Both bills would require your insurer to pick up your out-of-pocket costs - such as coinsurance, the portion of the bills that you pay - once they exceed a certain amount. The House limits are up to \$5,000 a year for an individual and \$10,000 for a family; the Senate's are slightly higher. Many people who are eligible for subsidies would pay less out of pocket.

If you work for a company, however, you may not have to buy your insurance directly, because both the House and the Senate place new responsibilities on employers, and in some cases offer them financial incentives to begin offering insurance.

The House's subsidies would cost about \$93 billion in 2016; the Senate's \$55 billion. Though House members want the Senate to cough up more for subsidies, it may be tough.

**Q: How much is all this going to cost? Will it increase my taxes?**

A: The House-passed bill is estimated to cost \$1 trillion over a decade, the Senate bill \$871 billion. The final measure probably will be closer to the Senate bill. President Barack Obama has said he'd like the cost kept below \$900 billion.

Both bills hit up the wealthy, but in different ways. The House would impose a 5.4 percent income tax surtax on individuals who earn more than \$500,000 a year and couples that earn more than \$1 million. The Senate would increase the Medicare payroll tax rate from 1.45 percent to 2.35 percent for people who earn more than \$200,000 a year and families that earn more than \$250,000.

To raise money to pay for the legislation, the Senate would impose a 40 percent tax on the portion of most employer-sponsored health coverage that exceeds \$8,500 a year for individuals and \$23,000 for families. The Senate also would raise the threshold for deducting medical expenses to 10 percent of income, up from 7.5 percent.

Overall, the financing provisions could spur a pitched battle; the House hates the Senate tax on high-cost policies, while the Senate opposes the House's income-tax surcharge.

**Q: How would the legislation affect the kind of insurance I can buy? Would it make it easier for me to get coverage, even if I have health problems?**

A: If you have a medical condition, both bills would make it easier for you to get coverage; insurers would be barred from rejecting applicants based on health status once the exchanges are operating, in 2013 in the House bill and 2014 in the Senate version.

In the meantime, both bills would create a temporary high-risk pool for people who've been rejected for coverage or have pre-existing medical conditions. Both bills also would bar insurers from retroactively canceling the policies of individuals who fall ill with costly conditions.

Under the bills, the exchanges initially would be open only to individuals who buy their own insurance and to certain small businesses. New policies sold on an exchange would have to cover a range of benefits, including hospitalization, doctor visits, prescription drugs, maternity care and certain preventive tests. Both bills say insurers couldn't set lifetime coverage limits;

the Senate also restricts annual limits. Those who want to keep their existing policies - even if they don't meet the new standards - generally could do so.

**Q: I buy my own insurance. How would the legislation affect how much I pay?**

A: Because insurers wouldn't be permitted to charge sick people more, their premiums might initially cost less compared with what they'd pay under current law. Younger, healthier people might pay more. Also, under the House bill, older people could be charged only two times more than younger people; in the Senate, older people could be charged up to three times more.

**Q: I understand that the public option isn't in the Senate bill. Is Congress still likely to approve it? If not, what's the alternative?**

A: The Senate is unlikely to accept the government-run "public option" health insurance measure in the House bill. Instead, Senate Democrats would create large, privately run, multi-state insurance plans and have the federal Office of Personnel Management administer them. Every exchange would offer at least two such plans, one of which must be nonprofit. The final deal is expected to include this Senate provision.

**Q: I own a small business. Would I have to buy insurance for my workers? What help could I get?**

A: Both the House and Senate bills would exempt small businesses from having to provide coverage, and would provide tax credits for some small firms. Your firm's bottom line is more likely to benefit from the Senate version.

The Senate would exempt companies with fewer than 50 workers from having to offer insurance. The House excuses companies with annual payrolls of less than \$500,000; firms that are bigger would pay a fee equivalent to a portion of their payroll costs if they don't offer insurance. That payment would rise to 8 percent of payroll for the largest firms.

If your firm has no more than 25 employees, it might be eligible for tax credits as high as 50 percent of premium costs under both bills. The full credits are for the smallest firms with low-wage workers; they shrink as the size of your company and your work force's earnings rise.

The House tax credits are available only if your employees' average wages don't exceed \$40,000 a year, while the Senate allows firms with average wages of up to \$50,000 to qualify.

The House's tax credits aren't available to employers for workers who earn more than \$80,000 a year.

*© 2009 This information was reprinted from kaiserhealthnews.org with permission from the Henry J. Kaiser Family Foundation. You can view the entire Kaiser Daily Health Policy Report, search the archives and sign up for email delivery. © Henry J. Kaiser Family Foundation. All rights reserved.*

URL: [http://www.msnbc.msn.com/id/34609984/ns/health-health\\_care/](http://www.msnbc.msn.com/id/34609984/ns/health-health_care/)

[MSN Privacy](#) . [Legal](#)

© 2009 MSNBC.com