

Obamacare coming slowly to Illinois

By Jim Nowlan

WARNING: Do not buy anything from anyone who says he understands the Affordable Care Act (ACA, or Obamacare) fully. I have been reading about Obamacare for hours now and feel I have only a sketchy sense of what is to come. Here are some of the basics.

The provisions of the original 3,000-page bill are slowly being rolled out over a 10-year period, and the coming year will be critical to implementation of what might be called a well-intended monstrosity of a program.

After his first election, Obama was able in 2009 to pass a health care bill that will increase significantly the number of Americans covered and provide protections against both denial of coverage and limits on coverage for the insured.

At present, Illinois has about 1.9 million uninsured out of 12.8 million residents. When Obamacare coverage is provided in 2014, the number of uninsured should be about halved, according to Laura Minzer, an executive with the Illinois Chamber of Commerce who specializes in health care.

The effects of the law will be different across the states. For example, in Illinois childless adults with up to 133 percent of the federal poverty level will be eligible for the first time for free Medicaid coverage. In a recent decision, however, the U.S. Supreme Court ruled that states do not have to provide coverage up to this level of income, and a number of governors say they will not. Expect Illinois to provide the coverage.

Most individuals who at present lack health insurance will be mandated to buy such coverage, subject to a penalty for not doing so of, initially, \$95 and later a penalty of up to \$600-700 annually.

The federal government will subsidize the insurance coverage, on a sliding scale, for persons with up to 400 percent of the federal poverty income level (\$88,200 for a family of four in 2010).

For example, a family of four with 133 percent of poverty level income (about \$31,900) will be required to pay out of pocket \$992 on a policy estimated to cost about \$11,300. A family of four with \$88,200 in income will be required to pay \$8,379, or 9.5 percent of income, and will receive a subsidy of \$2,395.

To implement this coverage, the federal government has directed the states to create insurance exchanges, places online where people can comparison shop and buy health insurance from private insurers. But, according to Karen Pollitz of the Kaiser Family Foundation, “an exchange will be a lot more understandable and consumer friendly than where you buy insurance today.”

Since many people will be eligible for financial help in paying for their insurance premiums, each state is to identify a plan that constitutes an “essential benefits package” in 10 categories of benefits such as doctor visits, outpatient services, prescription drugs, maternity and others.

To be a state-approved plan, all insurers will have to provide comparable coverage in their plans. Illinois has selected the Blue Advantage PPO (a plan from Blue Cross-Blue Shield) as the model plan in terms of balancing comprehensive care with cost effectiveness.

While the exchanges may sound straight-forward, they require exquisite information technology coordination among state and federal governments and health insurers. The costs of starting up and maintaining the Illinois exchange are estimated at \$80-100 million, and it hasn't been decided who will pay—the state or insurance providers.

The exchanges are to be up and running by October 2013, with coverage to be effective at the beginning of 2014. Myriad questions need to be answered and additional federal and state legislation will be needed this coming year.

The expansion of benefits and coverage to scores of millions more Americans will cost billions. Revenue will be generated from many sources, including prominently an increase in the Medicare tax rate of 0.9 percent and a new 3.8 percent tax on the unearned income (dividends, capital gains), both assessed on joint filers with incomes of more than \$250,000.

Businesses employing more than 50 persons will either have to provide coverage or pay a “shared responsibility” fee of \$3,000 if the government has to subsidize an employee's health care. A big question is whether some employers will decide that it is cheaper to pay the fee than provide coverage and thus drop their current employee insurance plans.

Policymakers will be tweaking Obamacare fast and furiously during the coming year. When you read about a provision you don't like or one you want to trumpet, contact your state and federal lawmakers. The situation is fluid.