ConsumerReports®

Health Reform:

7 Things You Need to Know to be Ready

UNDERSTAND THE NEW HEALTH LAW

Consumer Reports has developed this brief guide to help you understand how the changes brought about by health reform, the Affordable Care Act (ACA) of 2010, will affect you and your family as it is fully implemented in January 2014. It's a far-reaching, complicated law, so we have tried to give you the information most likely to be helpful and important for you to know. Providing easy-to-understand comparative information to help consumers make the best decisions in the marketplace has been the mission of Consumer Reports since our founding 77 years ago.

The ACA keeps in place many parts of the existing private insurance system, but it makes major changes as well. It is not surprising that many consumers are confused and are now trying to understand what health reform does and does not do, and how it may affect their families. It's crucial for all of us to understand how the law changes options for ourselves and our loved ones as circumstances change due to illness, job changes, or aging.

We hope you find this guide helpful, and that you will share it with others. Copies are available for download on our website at ConsumerReports.org/cro/healthguides and in Spanish at espanol.ConsumerReports.org/salud. And please don't miss our free new HealthLawHelper.org Web tool, and in Spanish at AseguraTuSalud.org, which gives you more personalized guidance.

As always, we welcome your feedback, your partnership, and your collaboration as we work together to address the concerns of America's health care consumers.

Jim Guest
President
Consumer Reports

Big changes:

THE NEW HEALTH law went into effect back in 2010, but its four biggest changes kick in Jan. 1, 2014:

- The long-standing insurance-industry practice of turning people down or charging them extra because of pre-existing health problems will be outlawed.
- Low- and moderate-income households will get financial help from a new kind of tax credit that they can use right away to help pay for their premiums in new state marketplaces where they can shop for insurance.
- Just about everyone in the United States—except for foreign tourists, undocumented residents, prisoners, and a few other exceptions—will be required to have

"My wife and I are self-employed. The health insurance premiums by far represent our largest yearly expense."

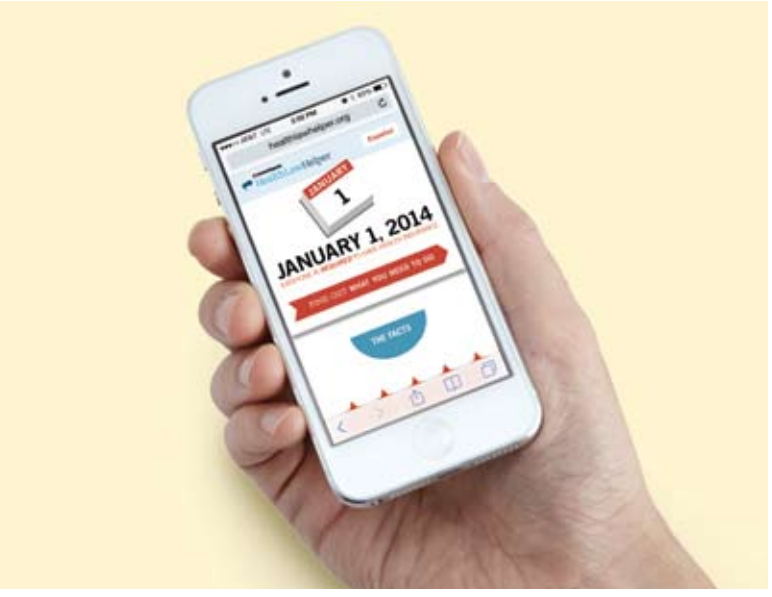
—Greg G. of Seattle, Wash., whose family may get discounted insurance through the new marketplace.

What to expect in 2014

some kind of health insurance.

• If they don't, most will have to pay a penalty at tax time. For an individual, the tax starts at $95 a year or up to 1 percent of income, whichever is greater, and by 2016 rises to $695 per individual or 2.5 percent of income. For a family, the tax is capped at $285 in 2014 and rises to $2,085 or 2.5 percent of income in 2016.

PHOTO: BARBARA KINNEY



GET INFORMED WITH OUR NEW ONLINE TOOL

This guide gives some basic information on the health reform law, especially new changes happening Jan. 1, 2014. But the U.S. health care system and the new law itself are complicated, and many people need more specific guidance on what they need to do.

So we've created an online guide, HealthLawHelper.org, to help people understand what their options and responsibilities are, as well as the exact steps to take and when and where to take them. After answering a series of simple questions about your family size, income range, current insurance situation, and a few others, you'll receive personalized information on what, if anything, you need to do next. It takes only a few minutes.

Although your answer won't include the name of a particular insurance plan to buy, we do provide plenty of advice on how to make the best decision for you and your family. HealthLawHelper.org is free and designed to be used anonymously—you don't have to give your name or contact information to use it. The tool is also available in Spanish, at AseguraTuSalud.org.

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1 A new health care marketplace

The biggest addition to the health care system in 2014 is a new way of shopping for and buying individual health insurance known as "marketplaces," which open for business Oct. 1, 2013. These new marketplaces apply to those of you who currently buy your own insurance or don't have a policy. If you are already covered by your employer, you do not need to use the marketplace. But you might be able to find a better deal through it, as we discuss later.

In the marketplace, which is a kind of virtual insurance store, millions of Americans will be able to compare and sign up for the private insurance plan of their choice, with no questions asked about pre-existing conditions or medical history. More than half of these consumers will find out that they will get financial help with the cost of premiums through tax credits based on their income.

Every state will have an insurance marketplace. If your state leaders chose not to run their own exchange, the federal government is doing it. This year only, you'll be able to sign up for insurance in the marketplace between Oct. 1, 2013, and March 31, 2014 (this is called the "open enrollment" period). Going forward, the open enrollment period will be Oct. 15 to Dec. 7. There are some exceptions for special life events (see page 5).

"I'm hoping this insurance through the marketplace is really going to be affordable. Hopefully less than the fines."

— Misty W. of Lenoir City, Tenn., a stay-at-home mom caring for her 11-year-old son with a disability.

PHOTO: ANDY ARMSTRONG

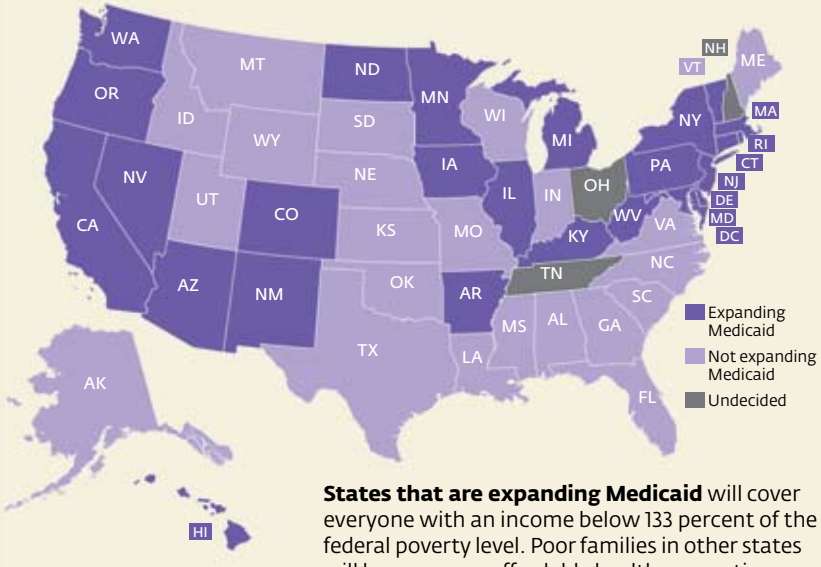
Can I get help paying for health insurance?

Maybe, depending on how much you make and where you live.
Financial help is based on how much your household income is above or below a standard called the federal poverty level, which varies by family size.
Use the three steps below to see what you may be able to get.

1 Check the table below to see your income as a percentage of the federal poverty level

Family size	Annual income			
1	$11,490	$15,282	$28,725	$45,960
2	$15,510	$20,628	$38,775	$62,040
3	$19,530	$25,975	$48,825	$78,120
4	$23,550	$31,322	$58,875	$94,200
5	$27,570	$36,668	$68,925	$110,280
Federal poverty level	**100%**	**133%**	**250%**	**400%**

2 Check the map see whether your state has agreed to expand Medicaid



States that are expanding Medicaid will cover everyone with an income below 133 percent of the federal poverty level. Poor families in other states will have no new affordable health care option.

3 Check the chart below to see what you are eligible for

Percentage of federal poverty level				
Is your state expanding Medicaid?	**You are eligible for ...**			
	0% to **100%**	**100%** to **133%**	**133%** to **250%**	**400% and over**
NO	No new affordable health insurance options.	Help with premiums and cost-sharing for plans bought in marketplaces.	Help with premiums for plans bought in marketplaces.	No subsidies.
YES	Medicaid*.			

*In a few states, people may be enrolled in Medicaid at somewhat higher income levels.

IF I DON'T GET INSURANCE, CAN'T I JUST BUY IT WHEN I GET SICK?

People who choose to pay the penalty or for whatever reason fail to enroll by March 31, 2014, will not be able to buy insurance again in the marketplace until the next open enrollment period: Oct. 15 to Dec. 7, 2014.

There are exceptions to this rule that allow special enrollment when a major change happens in your life. Examples of these "qualifying life events" are losing a job, moving to a new state, and changes in your family size (for example, if you marry, divorce, or have a baby). In those cases you will have 60 days from the life event to get new insurance coverage.

EXAMPLE: Family of 4, $45,000 income, living in Kansas. Their income is between 133% and 250% of the poverty level, so they can get financial help with premiums and cost-sharing if they buy in the marketplace.

If the same family earns $20,000, they could get Medicaid in some states but won't in Kansas because that state chose not to expand.

"It's a terrifying feeling being without insurance. I hope every day that something catastrophic doesn't happen."

—Hannah R. of Nyack, N.Y., a 28-year-old freelancer who has never had a job with benefits.

2 Buying insurance on your own

The marketplace is designed for people who need to buy their own insurance—whether you are self-employed, lost your insurance, or your employer doesn't provide it. You can't compare the marketplace to anything you have already experienced because it's an entirely new thing—a centralized resource where you can do the following:

Investigate financial help. Find out, based on your income, whether you qualify for assistance with your premiums, lower out-of-pocket costs, or free or almost-free Medicaid. (See the table on page 5 for types of help available depending on your income level.) You can still buy private insurance outside the marketplace, but you can get financial assistance only in the marketplace. The help will come in the form of a tax credit that you can use to bring down the cost of your premium each month. Lower-income households will also receive help with out-of-pocket costs. Like most things tax-related, it can be a little difficult to understand. For details on the tax credit, you can download our free brochure at ConsumerReports.org/healthtaxcredit.

Shop for health plans. You can compare, apples-to-apples, private insurance plans offered in your state. These plans should offer more comprehensive health benefits than many plans have provided in the past. You'll be able to see the premium amounts you would pay, the doctors and health care providers who belong to each plan's network, how much you would pay in deductibles and co-pays, and in some states, quality ratings.

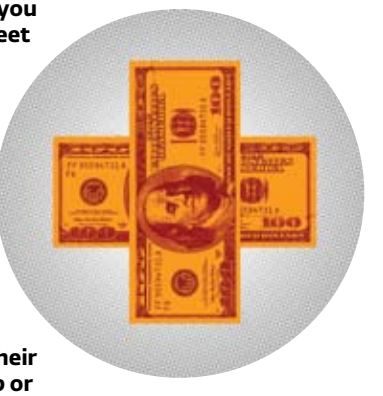
PHOTO: BARBARA KINNEY

Enroll in a plan. Your coverage can start as early as Jan. 1, 2014. You won't have to provide any information on your health history because insurance companies will no longer be able to use it to charge you more, or refuse to cover you, because of a previous or existing health problem.

Get Medicaid or CHIP. You may be able to enroll in Medicaid or the Children's Health Insurance Program plan for your kids, if your income qualifies. More people will be eligible for Medicaid in states that are expanding the program (see section below).

Where to find your marketplace. You can get started by looking at our HealthLawHelper.org website. Or you can call the federal information line at 800-318-2596 to talk with a real person.

If you already have health insurance



If you buy it on your own, you can keep it and you will meet the new requirement to have insurance. But it still pays to check out your marketplace options. You might find that you qualify for a better plan at lower cost or that you may be eligible for financial help.

The requirement to have health insurance is also met for anyone who gets their insurance through their job or someone else's job, as well as people who get their insurance through the government. That includes Medicare, most Medicaid coverage, CHIP, certain Veterans Affairs coverage, and Tricare (coverage for active-duty military, retirees, and their families).

3 Expanded Medicaid in some states

Medicaid is a joint federal- and state-funded program that provides health care for low-income Americans. Prior to the new health law, about 60 million Americans, mostly children, pregnant women, individuals with disabilities, and people at least 65 years old who need help at home or live in nursing homes got Medicaid. Most low-income, working adults under 65 could not receive Medicaid.

With passage of the new law in 2010, all very-low income people were going to be eligible for Medicaid, including adults without dependent children, covering up to 17 million more poor Americans. At least 90 percent of the cost of this expansion was to be paid for with federal funds. If a state refused to expand coverage, it would lose all of its federal Medicaid funds. This was expected to motivate all states to agree.

The U.S. Supreme Court overturned that requirement, saying that each state can decide whether to expand its Medicaid program without losing its current federal Medicaid funding. States that opt out of the expansion will be leaving many of their poorest citizens without any way to get insurance in 2014.

Many states have expanded Medicaid, many have said they will not expand, and others are still in the process of deciding. Check the map on page 5 to see where your state stands on Medicaid expansion. Or better yet, check our HealthLawHelper.org for more up-to-date information about your eligibility for Medicaid or other insurance, as decisions are continuing to be made in various states.

In the meantime, the federal government is boosting funding to community health centers and increasing rates paid to primary care physicians who accept Medicaid in preparation for the growing number of newly insured people who will be seeking care.

4 New rules for insurance companies in 2014

From now on, whether your health insurance is purchased by you or your employer, the health law has outlawed practices that have left people without health insurance when they need it most. These protections include:

No more pre-existing conditions denials. Starting in January 2014, insurers cannot deny coverage to anyone, regardless of pre-existing conditions. They cannot charge you more because of your gender or more than they charge a healthy person your age. That means you can buy health insurance even if you are seriously ill.

No more yearly dollar limits on your policy. Insurance companies are prohibited from setting a dollar amount limit on your insurance policy for any year. That means if you have a major illness or injury during a specific year, your policy will cover you. Exceptions: Insurers can still impose other types of benefit limits, such as doctor-visit limits, prescription limits, or limits on days in the hospital. So it is important to still be sure you understand what those are when you are picking your health plan.

OTHER PROTECTIONS AND BETTER BENEFITS

These protections are already in place to ensure that you have good insurance:

Ban on lifetime limits. Major or long-term illness can rack up serious medical bills. Health insurance policies used to set lifetime limits on how much they would pay for an individual's medical bills. These are now illegal, meaning people with insurance won't have to go into debt because their coverage runs out.

Free preventive care and annual checkups. The law focuses on prevention and primary care to help people stay healthy and to manage chronic medical conditions before they become more complex and costly to treat. New private health plans must cover and eliminate cost-sharing (co-payment, co-insurance, or deductible) for proven preventive measures such as immunizations and cancer screenings. Additional preventive measures are in place for women, including free well-woman visits, screening for gestational diabetes, domestic violence screening, breast-feeding supplies, and contraception, all with no cost-sharing. Exceptions: Workplaces run by religious organizations that object to birth control do not have to pay for contraception, but insurers must pick up the cost.

Rebates if insurance companies underspend on medical care. Most insurers now must spend at least 80 percent (85 percent for insurers covering large employers) of the premiums you pay on medical care and quality improvements. If insurance companies spend too much on their overhead, such as salaries, bonuses, or administrative costs, as opposed to health care, they must issue premium rebates to consumers each summer.

Expanded coverage option for young adults. This widely used option lets parents keep their young adult children on their policy until age 26.

Standard disclosure forms. All health plans must use a standardized form to summarize benefits and coverage, including information on co-payments, deductibles, and out-of-pocket limits. Insurers must note any excluded services all in one place. Insurers must also calculate and disclose your typical out-of-pocket costs for two medical scenarios: having a baby and treating type 2 diabetes. Future years will include more coverage examples.

More primary care doctors and coordinated care. With millions more insured Americans on the way, the current national shortage of primary care physicians presents an ongoing challenge. The health law has begun to fund training for more primary care physicians and increased resources for community health centers. It also promotes better-coordinated care and increased payment rates for primary care doctors who accept Medicaid or work in rural areas.

ESSENTIAL HEALTH BENEFITS

- **Emergency services**
- **Hospitalization**
- **Laboratory tests**
- **Maternity and newborn care**
- **Management of chronic diseases such as diabetes**
- **Mental health and substance-abuse treatment**
- **Outpatient care**
- **Pediatric services including dental and vision care**
- **Prescription drugs**
- **Preventive services such as immunizations, mammograms, and colonoscopies**
- **Rehabilitation and habilitation services**

"I got stuck with a $120,000 medical bill that I'm still struggling to pay off. I'm using money that could be going toward my education to pay these bills. I'm doing my best. But it's tough."

—Edith G., 27, of San Francisco, Calif., who was denied coverage for gallbladder surgery because her insurance company determined she had a pre-existing medical condition. The hospital eventually forgave about $82,000, and she is now paying off the rest.

5 Health insurance 101: Picking a plan

Health care can be very expensive, far beyond the means of most people. It costs about $30,000 to deliver a baby or to stay in the hospital for three days, and breast cancer treatment can top $100,000. Health insurance reduces your costs by sharing risk with others. That works because most people are mostly healthy most of the time. Here are three things you need to know when choosing insurance:

What does the plan cover? Before health reform, insurers were allowed to sell plans that didn't cover important services, such as prescription drugs, mental health, and maternity care. Plans for individuals and small businesses that take effect on or after Jan. 1, 2014, must offer these "essential health benefits" (see page 8). Most plans through large employers will provide the same benefits.

What does it cost? You pay for health insurance in two ways: up front in the form of a monthly premium and when you actually receive health care—out-of-pocket expenses such as deductibles, co-insurance, and co-pays.

Whether you are better off with a high premium and low out-of-pocket expenses or vice versa depends on your situation:

- If you know you have an expensive medical condition, consider a plan with a higher premium that covers more of your costs.

- If you are generally healthy, you could consider paying a lower premium and a bigger share of costs for the services you use. But you must then be prepared to pay more out of pocket if you unexpectedly become sick or injured.

What providers can you see? No private health plan gives unrestricted access to doctors and hospitals. Every plan has a network of doctors, hospitals, laboratories, imaging centers, and pharmacies that provide services to plan members at a contracted price. Every marketplace plan must provide a directory of participating providers that you can see before you make your final plan selection.

PHOTO: VANCE JACOBS

6 What's changing with employer-based insurance?

If you get health insurance through your work or someone else's, you've met your obligation to be insured. Your only job will be to keep a couple of forms that you'll be given:

• By Oct. 1, 2013, your employer should have given you a form with the name, "New Health Insurance Marketplace Coverage Options and Your Health Coverage," or something similar. Don't throw the form away because you may need it later to determine whether you can get a tax credit.

• At some point in early 2015, your insurer will send you a form verifying that you have insurance. You'll need to submit that when you file your 2014 tax return.

Even if you have insurance through your employer, there are two situations where you might need to consider other options:

Your employer cancels your plan for 2014. That could happen, especially if you have a so-called "mini-med" plan that provides severely limited benefits. Those plans had an exemption to continue operating through the end of 2013 only. If you lose your employee coverage, you may be able to get better insurance through your state marketplace and possibly qualify for subsidies to help pay for it.

You have a very expensive plan. In that case, you may—or may not—qualify for some financial relief. Dig out

"We seem to fall into the lower-middle class and through a crack that leaves us uninsured."

—Maria A. of Del Valle, Texas, whose family is currently uninsured.

PHOTO: DESTRY JAIMES

that employee form (see page 10) that you got in the fall. You should find what your employer charges employees for the cheapest individual plan it offers. If that number is more than 9.5 percent of your household income, and your income is below certain levels, you can turn the plan down and purchase your own coverage on your state's marketplace, with a tax credit. But if it's less than 9.5 percent, you can get a subsidy only if your plan covers less than a "minimum value" of expected medical costs. The form should include information about that.

But some employees who cover multiple family members on their employer policy may face a glitch in the law. For example, let's say your employer charges you $20 a month, but it costs you $750 more to add your spouse and $250 more to add your kids. Though your total premium adds up to more than 9.5 percent of your family's income, you can't get a marketplace subsidy because the employee-only contribution is the one that counts. It's unfair and needs to be fixed with new legislation. Until then, if that happens to you, price out plans in the marketplace for your dependents anyway. Even at full price it might be cheaper than keeping them on your employer plan.

7 Are you on Medicare? What you should know

You don't have to do anything or buy anything extra because Medicare Part A and Medicare Advantage plans fully meet the requirement to have insurance under the new law. There are no big changes to Medicare in 2014. Benefits and programs will work the same as they do now.

But if you are on Medicare and your spouse isn't yet, the new health care law might help. Previously, when the older spouse retired and enrolled in Medicare, the younger, often nonworking spouse, might have suddenly been without insurance. The younger spouse often had a hard time buying an individual policy because of pre-existing conditions. Now the younger spouse can get a plan in the marketplace and not worry about getting turned down or charged extra because of a pre-existing condition. Note: Any tax credits or financial help buying a plan in the marketplace will be based on the couple's joint income even though the plan will only cover the younger spouse.

Most of the reforms to Medicare under the health law are already in place:

Cheaper drugs. Older adults who have Part D drug coverage and reach the "doughnut hole"—the point at which they must start paying the full prescription drug expenses themselves—get a 52.5 percent discount when buying brand-name drugs and a 28 percent discount on generic drugs covered by Medicare Part D in 2014. The prescription-drug coverage gap continues shrinking until disappearing completely in 2020, when only the usual drug co-pays will apply.

Free preventive care. Seniors no longer need to put off preventive care or yearly checkups because of cost. People on Medicare are now eligible for free cancer screenings, wellness visits, personalized prevention plans, vaccines, flu shots, and more.

Changes to Medicare Advantage. The law reduces federal payments to Medicare Advantage plans run by private insurance companies as an alternative to traditional Medicare. In the past, Medicare paid these companies over $1,000 more per person on average than was spent in traditional Medicare. These overpayments are slowly being reduced, and instead insurers are awarded bonuses for quality of services. The law also slows the rate of growth in payments to some providers. For more information about Medicare, go to Medicare.gov.

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How to reach us Write to us at Consumer Reports, 101 Truman Ave., Yonkers, NY 10703-1057, attn: Customer Service.

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