

Health Care Reform 101: What will kick in Jan. 1?

Some parts of health care reform are already phasing in. **Here nine key provisions that take effect Jan. 1.**



In this March 23, 2010 file photo, President Obama signs the health care reform bill. Portions of the law go into effect tomorrow.

(Charles Dharapak/AP)

By Linda Feldmann, Staff writer Washington —

The clock is ticking for health care reform. As Republicans take control of the House, defunding and eventually repealing one of President Obama's signature legislative accomplishments are top GOP priorities. In addition, legal challenges against the individual mandate to purchase health insurance, due to take effect in 2014, are heading toward the US Supreme Court.

At the same time, other pieces of the Affordable Care Act are phasing in, as scheduled. **Beginning Jan. 1, the following provisions take effect:**

- **The “medical loss ratio” provision.** Health-insurance companies are required to spend 80 to 85 percent of premium dollars on medical care and quality improvements for patients, rather than on administrative costs. Those that fall short will be required to provide a rebate to their customers beginning in 2012. According to HealthCare.gov, the Department of Health and Human Services' website on health-care reform, the new rules will protect up to 74.8 million insured Americans. Some 9 million people could be eligible for rebates worth up to \$1.4 billion.
- **Closing the Medicare drug coverage “doughnut hole.”** Pharmaceutical companies are required to provide a 50 percent discount on brand-name prescription drugs to Medicare recipients who fall into the coverage gap in the Part D drug plans. In addition, federal subsidies are being phased in for generic prescriptions in the Part D coverage gap. This gap is to be closed within the next 10 years.
- **Medicare bonus for some physicians.** Primary-care physicians and general surgeons will receive a 10 percent bonus payment for treating Medicare patients.

- **Preventive care for seniors.** Medicare recipients get free preventive services, including annual checkups and certain screenings. No more cost sharing for those items. Seniors are also covered to receive personalized prevention plans.
- **Center for Medicare and Medicaid Innovation.** This center, which aims to test new ways of delivering care to patients that reduce costs but maintain or improve quality, was to be established by Jan. 1. But it's already up and running and has launched multiple initiatives. In one, eight states will take part in a Medicare demonstration project that evaluates the performance of health-care providers when they work together and receive more-coordinated payments.
- **Community Based Care Transitions Program.** The goal is to improve care for seniors after they leave the hospital, thereby reducing hospital readmissions. The program will coordinate care and connect patients to services in their communities.
- **Changes to Medicare Advantage payments.** Some Medicare recipients receive their benefits through private insurance companies, a system called Medicare Advantage. The Obama administration says this arrangement has resulted in overpayments to insurers and increased premiums for all Medicare beneficiaries. Beginning Jan. 1, Medicare Advantage payments will be set at increasingly smaller percentages of the traditional Medicare fee-for-service rates, eventually eliminating the discrepancy. The new law also sets 2011 payments at 2010 levels, and it bars Medicare Advantage plans from raising cost-sharing requirements for certain Medicare-covered benefits higher than what is required under traditional Medicare.
- **Incentives in Medicaid for prevention of chronic disease.** The plan includes \$25 million for state grants aimed at helping Medicaid (low-income) recipients address chronic problems, such as tobacco use, weight control, and various health conditions.
- **New rule for tax-free savings accounts.** Over-the-counter drugs not prescribed by a doctor are no longer eligible for reimbursement from flexible spending accounts and health reimbursement accounts.