

Understanding Health Care Reform and Its Effect on Our Senior Population

During the month of March, and after much debate, the Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Affordability Reconciliation Act of 2010 were signed into law. This new legislation, commonly referred to as "health care reform," made sweeping changes to health care as we currently know it, including the introduction of new programs aimed to assist older Americans with long term care.

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This issue of *The ElderCounselor*[™] will focus on four areas where health care reform impacts our senior population and their loved ones: Medicare improvements, prescription drug help, expansion of Medicaid to home-based services, and long term care insurance available for any working adult.

Medicare Improvements

Preventive benefits. Older adults will no longer have to pay out of pocket for preventive care services such as cancer and diabetes screenings. Effective January 1, 2011, all deductibles and co-insurance for preventive benefits will be eliminated. Medicare recipients will also receive one free annual wellness visit.

Dual-eligible subsidy improvements. Those seniors who are eligible for both Medicare and Medicaid (called "dual-eligibles") and are enrolled in home and community-based services waiver programs will no longer have to pay cost sharing for their Part D prescription drugs.

Reduced government subsidies to Medicare Advantage plans. Medicare Advantage plans are run by private insurers as an alternative to traditional Medicare. Historically, private insurers offering Medicare Advantage plans have received subsidies from the government for entering the Medicare market. As a result, care for people in Medicare Advantage plans costs approximately 13% more on average than care for people enrolled in traditional Medicare. Under the new legislation, subsidies to private insurers offering Medicare Advantage programs will be frozen at the 2010 levels. Then, cuts averaging 12% per year will be phased in over the next six years to bring payments closer to what traditional Medicare spends to provide medical care.

Planning Note: Individuals currently enrolled in a Medicare Advantage plan may see reductions in their covered services in the near future and should review their coverage closely in the coming months.

Prescription Drug Help

Closing the doughnut hole. The coverage gap in the Medicare Part D prescription drug benefit, often called the "doughnut hole," will be completely closed by 2020. Currently, this gap begins when a beneficiary's total prescription drug costs reach \$2,830. Beneficiaries must pay the next \$3,610 in prescription drug costs themselves, then catastrophic coverage begins.

Under the new legislation, beneficiaries who fall into the doughnut hole will receive a \$250 rebate in 2010. Starting in 2011, they will receive a 50% discount on name-brand drugs and other discounts on generic drugs. These discounts will increase each year until 2020, when beneficiaries will be responsible for 25% of the cost of drugs until the catastrophic limit is reached. This 25% co-pay is the same percentage beneficiaries pay for initial coverage under Part D.

Planning Note: The "doughnut hole" will be gradually reduced until completely closed in 2020. Rebates and discounts on prescription drugs begin this year. Contact us to learn about other programs that may provide assistance with prescription drugs and other out-of-pocket medical expenses.

More In-Home Services Provided by Medicaid

Incentives to encourage in-home Medicaid services. Under the new legislation, states are given more incentives to offer home and community-based services. One incentive is offered under the "Community First Choice" option. With this option, states that did not offer these types of services previously can begin to do so by amending their state Medicaid plan beginning October 1, 2011. Those states that offer home and community-based services under the "Community First Choice" option will receive an increase in Medicaid matching dollars for the cost of the program. States that already offer home and community-based programs are also eligible for increased Medicaid matching dollars if they submit an application that includes a detailed plan and budget for increasing the use of non-institutional care. For a five-year period beginning in 2014, states will be required to extend the same spousal impoverishment protections currently provided to spouses of nursing home residents to spouses of individuals receiving home and community-based services.

Planning Note: The Medicaid qualification rules are complex and change often. It is important to consult with an elder law attorney to discuss planning options and to understand what programs provide the most benefits.

Long Term Care Insurance with No Health Limitations

Government-operated long term care insurance program. Beginning in January, 2011, Community Living Assistance Services and Supports (CLASS) will be available to working adults. While premiums and benefits have not yet been set, an individual must be enrolled in the program for 5 years and maintain the minimal work requirements for 3 of the first 5 years of employment. Premiums will be deducted automatically from the individual's paycheck and are expected to range from \$150 to

\$240/month depending on the age of the enrollee (with decreased premiums available to persons with low income). The \$50/day minimum benefit can be used to pay for personal care needs, medical equipment and in-home care.

Planning Note: Not everyone who pays a premium for 5 years is eligible to receive benefits. During those five years the employee must have earned the equivalent of a quarter of coverage under the Social Security program and paid premiums for at least 24 consecutive months.

Conclusion

There are a number of provisions within the health care reform legislation that can provide significant benefits to seniors and their loved ones. However, it will be months and years before many benefits are fully realized, if at all. This new legislation and the need for it brings to light the potential financial crisis that many seniors may face once long term care is required. It is vitally important for individuals to create a long term care plan that covers how care will be obtained, how it will be paid, and who will act on behalf of the individual in the event of incapacity.

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