



# National Health Reform: Myth vs. Fact

National health reform is an enormous victory for every working family who ever worried about how to pay for their children's healthcare, struggled in the face of medical bankruptcy or saw their dreams taken away by skyrocketing healthcare costs. SEIU members should be very proud to share this good news with their family, friends and neighbors.

Here are the facts.

**MYTH #1: The new health reform law is basically a government takeover of healthcare.** America's hospitals will have long lines, I won't be able to keep my doctor, and people will get sicker, faster.

**FACT: The law is not a government takeover of health care, nor does it shape our healthcare system to be more like healthcare in Canada or Britain.** The U.S. government will not "take over" hospitals or other privately run health care businesses. Doctors and nurses will not become government employees. The law will help people buy insurance from private insurance companies through "health insurance exchanges" for people who have to buy insurance on their own, so they can more easily compare plans and prices. It will also put in place new insurance market regulations to work to end insurance company abuses and discrimination. All of this means greater health security and stability, with you and your doctor in charge of your care, not an insurance company.

The fundamental parts of the current U.S. system – job-based coverage, Medicare, Medicaid – all of these elements stay in place and the new law works to improve and strengthen them. <sup>1</sup>

**MYTH #2: Insurance companies have made out like bandits because millions more people will have to have health insurance.**

**FACT: It's true that insurance companies will have millions more new customers, but they will also be regulated much more closely.** The new law brings greater accountability to health care by laying out clear regulations to keep premiums down and prevent insurance industry abuses and denial of care. It will end discrimination against children and individuals with pre-existing conditions and stop insurers from stopping your coverage if you get sick. Insurance companies will be told the minimum services they must cover, including preventive care. In addition, state insurance commissions still retain discretion to impose tighter reviews and regulations to protect consumers. The new law doesn't change that.

**MYTH #3: You will go to jail if you don't have health insurance.**

**FACT: The going to jail part? False. The importance of having health insurance? True.** The new health reform law is about ensuring that the vast majority of Americans have access to regular, preventive care and are insured against sudden illness or serious disease. In order to lower costs for everyone over time, everyone must participate in health reform and be accountable to taxpayers, including employers, individuals and the state and federal government.

Most people will never notice the "individual mandate" because they have health insurance through their employer. But as of January 1, 2014, for those who aren't exempt due to a financial hardship and aren't insured, the choice will be this: purchase insurance or pay a fine of \$695 a year or 2.5 percent of income, whichever is higher.<sup>2</sup>

The law specifically says that no criminal action or liens can be imposed on people who don't pay the fine, but as the nation's largest union of nurses, doctors and healthcare workers, we'd like to see more Americans receive the preventive care they need, and not end up in an emergency room.

**MYTH #4: The law encourages employers to "dump" their employees into the market to buy insurance on their own.**

**FACT: It's just the opposite. Health reform was designed to encourage employers, especially large employers, to offer insurance to employees.** Large employers with 50 or more employees can continue to offer coverage, as most do currently. If large employers choose not to offer coverage, they will pay \$2,000 per full-time employee, and all of their employees will be eligible for affordable coverage through the exchange.

Small employers with fewer than 50 employees will face neither penalties nor a requirement to offer coverage, but they will be eligible for immediate tax credits if they offer coverage and contribute to the premium. Plus, the exchange will give small employers access to a large pool and enjoy the same buying power and choices that larger employers have.

**MYTH #5: My healthcare premium is going to increase dramatically as a result of paying for everyone who's uninsured.**

**FACT: The vast majority of people will not see significant declines in premium costs over the next few years, but they won't see significant increases, either.**

That's definitely a huge step in the right direction when you think about the premium increases Americans are paying now: anywhere from 11 to 35 percent this year. When we talk about premiums going down, we mean each year the costs won't increase as much as they are now increasing now. The majority of people who get their insurance through their employer will not see an increase and may even see savings of roughly 3 percent by 2016.<sup>3</sup>

In addition, the law means Americans get more coverage for their money. By 2011, most insurance plans will have to allow dependents up to age 26 to remain on their parent's plan, will have to lift lifetime and annual caps on benefits, and many will have to begin providing preventive services at no cost. Insurance companies will also have to justify their premium increases and show they are spending our premium dollars on care, not on overhead and administrative costs.

People who qualify for new tax credits to buy insurance, as well as small businesses, would likely see the biggest drops in premium costs.

**MYTH #6: Health reform is going to bankrupt Medicare, doctors will leave the Medicare system, and seniors will have no where to turn for their medical care.**

**FACT: The reality: Medicare expenditures are projected to exceed its income by as early as 2017.** The new law seeks to protect and secure Medicare for the long haul by eliminating waste, fraud and abuse; ending overpayments to private HMOs under Medicare Part D; and rewarding doctors, hospitals, and other providers for quality, not quantity. Congress is also poised to enact legislation to stabilize Medicare physician payments in the next few months.

**Here are the facts about changes to Medicare:**

**Basic Medicare benefits will not be cut, they will be expanded.** Next year, all Medicare preventive services, such as screenings for colon, prostate and breast cancer, will be free. Annual wellness visits will also be free starting in 2011.

- **The law gets to work closing the Medicare Part D prescription drug “doughnut hole” this year and closes it completely by 2020.** This year you will receive a one-time check for \$250 to help pay for your medications in the coverage gap. In 2011, you will get a 50 percent discount on brand-name and biologic drugs. The law gradually reduces expenses in the gap until 2020, when the gap will disappear entirely. According to a Congressional analysis, the average person who falls into the “doughnut hole” will save \$700 in 2011 and \$3,000 in 2020, when the gap will be eliminated.
- **Private Medicare Advantage plans will get lower subsidies. Why? They received higher subsidies than Basic Medicare to begin with.** Beginning in 2012, Medicare will start lowering the subsidies to these private plans, which cost the government more on average than traditional Medicare. While they cannot reduce basic, guaranteed Medicare benefits, some extras—such as free eyeglasses and gym memberships—will likely be pared down. The costs of the plans may rise, but what happens will depend on the business decisions insurers make. Plans that meet certain quality standards will receive bonuses,

which mean that even while the subsidies are cut, plans that provide quality care will be rewarded<sup>4</sup>.

**MYTH #7: Health reform is about taxing union members to pay for covering the uninsured.**

**FACT: We need to pay for the cost of covering the uninsured – an additional 32 million Americans – there’s no doubt about that.** The new health reform does this, while at the same time not increasing our national deficit, through a balance of new taxes, fees on industries involved in health care, and improvements in care delivery and reducing waste and fraud - primarily under Medicare.

The so called “Cadillac tax” is a new tax on insurers, not on individuals, and it doesn’t take effect until 2018. The threshold for the tax on high-cost (not necessarily high-quality) plans has been raised to \$10,200 for individual premiums and \$27,500 for family premiums, with even higher thresholds for retirees. In addition, dental and vision coverage will not be taxed.

In a recent survey of healthcare plans in Massachusetts, the state estimated that roughly 8,600 residents would be subject to the tax in 2018 if the medical inflation rate remains the same.<sup>5</sup>

The tax is a wake up call to insurance companies, employers, and state government to get serious about lowering overall healthcare costs while improving quality. SEIU members are supporting state-based efforts to do just that as we enter this next stage of healthcare reform.

**MYTH #8: Our tax dollars are being used to fund abortions under health reform.**

**FACT: The federal government does not and will not pay for elective abortions. This does not change under national health reform.** What health reform will do is improve the quality of care women of all ages receive by: extending health care coverage to tens of millions of women and families; guaranteeing access to affordable, lifesaving screenings for breast and cervical cancer; protecting women against gender discrimination by insurance companies; and ending the practice of dropping coverage because of “pre-existing conditions,” like pregnancy. In addition, the law significantly increases insurance coverage of reproductive health care, including family planning.<sup>6</sup>

**MYTH #9: Undocumented immigrants will get free care under health reform.**

**FACT: There are no new healthcare benefits for undocumented immigrants under the new law.** However, it does deliver billions in new funding to community health centers to expand affordable, comprehensive health care and services to working families, regardless of their status.

## Here are the facts about health reform and undocumented workers:

- Children of undocumented parents who were born in U.S and are citizens may be eligible for State Children's Health Insurance Program (SCHIP) if the families' annual income is below 250% FPL (roughly \$55,100 for a family of four).
- Undocumented children and adults will not be eligible for Medicaid, or for tax credits through the state-based health insurance exchange, and undocumented persons cannot purchase coverage through the exchange.
- The five-year waiting period for legal immigrants who are adults to sign up for coverage through Medicaid is still in place. However, the new law expands to cover eligible, single adults in 2014. Single adults who are legal immigrants as of 2014 with incomes below 133% FPL (roughly \$14,400) may be eligible for Medicaid.
- If undocumented persons are eligible for and buy healthcare coverage either at work or outside the exchange, they will pay cost-sharing and premiums as required by these employer-sponsored or individual plans. Insurance market reforms will apply to these plans as they take effect.

### **MYTH #10: Health reform is going to put small businesses out of business.**

#### **FACT: False. Very False. Help is on the way for small businesses in the form of an immediate tax credit to offset skyrocketing insurance premiums.**

Millions of business owners will be notified by the IRS in the coming weeks suggesting they check and see if they are eligible for the 2010 tax credit. To be eligible for the credit, a business must have fewer than 25 full-time workers or the equivalent (the hours worked by part-timers count), pay an average annual wage of less than \$50,000, and cover at least half the cost of health insurance premiums for their workers. Businesses with fewer than 10 employees and average wages less than \$25,000 can max it out, while larger firms and those with higher payrolls collect a reduced credit.

For 2010 through 2013, the tax credit covers up to 35% of the money a qualifying business spends on its health insurance premiums. In 2014, the top tax credit bumps up to 50%. The credit is available for a maximum of six years.<sup>7</sup>

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<sup>1</sup> Politifact: March 18, 2010.

<sup>2</sup> Ezra Klein, "How Does the Individual Mandate Work?" *The Washington Post*, March 25, 2010.

<sup>3</sup> [www.ncsl.org](http://www.ncsl.org): "Health Insurance and the States."

<sup>4</sup> [www.aarp.org](http://www.aarp.org) : [http://bulletin.aarp.org/yourhealth/medicare/articles/medicare\\_question.2.html](http://bulletin.aarp.org/yourhealth/medicare/articles/medicare_question.2.html)

<sup>5</sup> Sean P. Murphy, "Health Tax May Wallop Towns," *The Boston Globe*, April 5, 2010.

[http://www.boston.com/yourtown/framingham/articles/2010/04/05/mass\\_communities\\_likely\\_to\\_feel\\_cost\\_of\\_employees\\_cadillac\\_plans/?rss\\_id=Boston.com+++Latest+news](http://www.boston.com/yourtown/framingham/articles/2010/04/05/mass_communities_likely_to_feel_cost_of_employees_cadillac_plans/?rss_id=Boston.com+++Latest+news)

<sup>6</sup> <http://www.plannedparenthoodaction.org/healthreform/>

<sup>7</sup> Catherine Clifford "Health Reform Starts Now, 2010 Tax Breaks," [www.CNNmoney.com](http://www.CNNmoney.com) April 13, 2010.