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Health-Care Reform: Replacing Myths with Facts

Does the ACA create a new "government-run" insurance plan as an alternative to private insurance? No, there is no provision in the law that creates a health insurance plan run by the government. However, the ACA does expand Medicaid to include more low-income individuals, and the law adds free services to Medicare participants.

The Patient Protection and Affordable Care Act (ACA) passed in 2010 is incredibly broad in scope, so it's probably not surprising that there's a good deal of confusion about it, and a number of inaccurate and misleading claims that have been circulated. Here's some information to help separate fact from fiction.

Myth: The health-care law cuts basic Medicare benefits and services

Fact : Just the opposite is true. The ACA mandates that no guaranteed Medicare benefits are cut. In fact, the ACA expands Medicare benefits to include a free annual wellness assessment. Many important preventive screenings and vaccines are now offered free of charge, including screenings for colorectal cancer, cholesterol, and diabetes; mammograms, flu and pneumonia vaccines; and counseling for smoking cessation and nutrition therapy.

The ACA also attempts to slow the increasing cost of Medicare premiums and ensure that Medicare will not run out of funds. To help achieve these goals, the health-care reform law specifically targets Medicare fraud and wasteful overpayments to insurance companies, coupled with some cuts in Medicare spending.

If you're a participant in the Medicare Part D (prescription drug) plan, the ACA attempts to close the "donut hole" in which plan beneficiaries pay full price for prescription drugs after exceeding a gap in the annual coverage. The ACA offers a variety of discounts and federal subsidies through 2020, at which time participants will pay no more than 25% out of pocket for most prescriptions.

Myth: You'll have to give up your current health insurance

Fact: The ACA provides that health insurance plans in existence on March 23, 2010 that haven't been materially changed and that include certain minimum benefits are considered grandfathered. If you have a grandfathered health plan, you don't have to replace it with new insurance that otherwise meets all of the ACA's coverage requirements. But your insurance company may cancel your plan if that plan doesn't meet the ACA's coverage requirements. So if your plan is grandfathered, you can keep it--unless your insurer decides to cancel it.

Myth: All small businesses have to provide insurance to their employees

Fact: If you are a small business owner (meaning you employ fewer than 50 full-time equivalent employees), you are not required to provide health insurance to your employees. The "insurance mandate" applies only to large employers having at least 50 full-time employees.

On the other hand, if you're a small employer and you do offer health insurance coverage to your employees, you may be eligible for a tax credit. The credit is available to employers that have 25 or fewer full-time equivalent employees with annual wages averaging less than $50,000 per employee, and that pay at least 50% of the health plan costs.

Myth: The ACA provides subsidies to illegal immigrants

Fact: The ACA specifically defines who is eligible for federal payments, credits, and subsidies. Only U.S. citizens or nationals, and aliens lawfully present in the United States may receive federal payments, credits, or cost-sharing reductions applicable toward the purchase of health insurance. Undocumented immigrants in the United States may not acquire insurance through a state-based Exchange or Medicaid, nor are they eligible for federal subsidies for health insurance.

Another myth suggests that Medicare Advantage plans will be eliminated by the health-care law. The ACA does not get rid of these plans, but it does attempt to bring down the taxpayer cost to maintain Medicare Advantage plans to be in line with basic Medicare.

Myth: Individuals have to pay taxes on their health benefits

Fact: Nothing in the health-care law requires individuals to pay income taxes on their health-care benefits. Starting in 2022, an excise tax is assessed to insurers of high-cost, employer-sponsored health plans with aggregate expenses exceeding $10,200 for individual coverage and $27,500 for family coverage. The tax does not apply to insured plan participants.

Other taxes that are part of the ACA include:

- A tax of 10% on the amount paid for indoor tanning services
- A 20% tax (increased from 10%) on distributions from a health savings account or an Archer medical savings account that are not used for qualified medical expenses
- An increase in the Medicare Part A tax rate on wages by 0.9% (from 1.45% to 2.35%) on high-income individuals
- An excise tax of 2.3% on the sale of certain medical devices
- A tax on large employers (more than 50 full-time equivalent employees) that do not offer affordable health insurance to employees, and
- A tax on individuals who do not have qualifying health insurance (many exceptions apply)

Myth: The ACA promotes end-of-life decisions for seniors

Fact: While early drafts of the law allowed Medicare to reimburse doctors for talking to older patients about advance-care planning, no such provisions made it into the final version of the law. Nothing in the ACA forces seniors to have consultations about end-of-life choices. On the other hand, the Medicare Modernization Act of 2003 allows Medicare to pay for doctor's visits with seniors in the first year of joining the program, during which time patients may voluntarily discuss end-of-life planning as part of their visit. The ACA does provide Medicare participants with free annual wellness visits and personalized prevention plan services. These provisions afford Medicare participants an opportunity to discuss important issues such as hospice, home care, and additional services available to seniors. However, the ACA does not mandate these discussions, nor does it tell doctors what options to discuss with their patients.

Myth: The ACA taxes all real estate sales

Fact: This misstatement is somewhat understandable based on the applicable part of the law. Beginning in 2013, the ACA imposes a tax of 3.8% on certain net investment income of individuals, estates, and trusts that have income above the statutory amounts. As it relates specifically to home sales, the tax applies only if you have modified adjusted gross income over $200,000 (individual), or $250,000 (married filing jointly), or $125,000 (married filing separately), and it would apply only to any taxable gain that results from the sale of your home. Since most people are able to exclude $250,000 ($500,000 in the case of a married couple) in gain from the sale of a personal residence, the application of the tax is limited.

Myth: The health-care law will lead to government takeover of health care

Fact: While provisions of the health-care law place some responsibility on the government to ensure that qualified insurance is available to most individuals, there is nothing in the law that directly promotes government takeover of our health-care system. For instance, many mistakenly believe that state-based health insurance Exchanges sponsor only government-provided health insurance. In fact, these Exchanges are intended to provide a marketplace that brings together consumers looking to buy health insurance with insurance companies looking to sell health insurance.

Beware of health-care scams

Probably due to the complexity of the law, many unscrupulous individuals are trying to scam people based on the uncertainty of some of the law's provisions. For instance, you may get a call, e-mail, or visit from someone claiming that if you don't have health insurance, you'll go to jail. These same scammers may claim to be government officials and offer to sell you qualifying health insurance. Their goal is to get unsuspecting and frightened individuals, particularly seniors, to divulge personal information. To protect yourself, never buy insurance without checking with your state insurance department to be sure the seller is licensed and the policy is legitimate. Don't give out your credit card or bank card information, and don't give your Social Security number to anyone you don't know.