

Richmond Times-Dispatch

Published: December 27, 2010

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Health reform changes starting in 2011

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Some of them are:

- **Accounting for premium dollars.** Insurers have to spend 80 to 85 percent of premium dollars on medical care, or provide rebates starting in 2012 to insurance plan members. The rationale for the medical loss ratio rule is that many insurance companies spend a big share of premium dollars on executive salaries, overhead and marketing instead of patient care. Starting in 2011, insurance companies have to publicly report how they spend premium dollars. Reports are due by June 1 each year, and the first report, containing calendar year 2011 data, will be due in 2012. Small group and individual plans have to meet the 80 percent standard, while large group plans are subject to the 85 percent standard.

Virginia residents can already see how some health maintenance organizations spend premium dollars. Virginia Health Information, an agency that receives funds to collect and report health data, reports how health maintenance organizations spend premium dollars. The information is available on the Web at www.vhi.org. In 2009, plans spent 71 to 92 percent of premium dollars on medical care. The overall state average was 84.2 percent for the plans reporting. Under the new federal rule, regulations define what can be counted as medical care versus administrative tasks.

- **"Doughnut hole" help.** Medicare Part D prescription plan members who go into the "doughnut hole" coverage gap where they have to pay the full cost of prescription drugs will get some relief. In 2011, plan members in the doughnut hole will get a 50 percent discount on covered, brand-name prescription drugs. People go into the doughnut hole after they and their plan have spent \$2,800 on prescription drugs. The plan member is then responsible for the full cost of drugs until reaching the maximum out-of-pocket limit of \$4,550, before prescription coverage kicks in again.

- **Primary-care doctors get a bonus.** Medicare will pay primary-care doctors a 10 percent bonus for providing primary-care services. In addition, general surgeons practicing in areas designated as health professional shortage areas will receive a 10 percent Medicare bonus payment.
- **Health-care flexible spending accounts and health savings accounts changes.** Pre-tax flexible spending account dollars can no longer be used to buy over-the-counter drugs without a doctor's prescription. Also, distributions from health savings accounts not used for qualified medical expenses will be counted as income and taxed at 20 percent. For more information, see Internal Revenue Service rules.
- **New center to study innovation.** The Center for Medicare and Medicaid Innovation will test new ways of delivering care to patients in the Medicare, Medicaid and the Children's Health Insurance programs.
- **Medicare free preventive care.** Seniors enrolled in original Medicare will get many preventive care services for free. Seniors in Medicare Advantage plans should check with their specific plans.
- **Community assistance demonstration projects.** Designed to reduce hospital readmissions for high-risk Medicare beneficiaries, five-year grants will focus on hospitals with high re-hospitalization rates. The Community Care Transitions Program grants will provide services to coordinate care and connect patients to services in their communities. Proposals from grant applicants will be accepted on a rolling quarterly basis beginning in early 2011.

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