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Obama's Health-Care Plan: What It Means for You

Source: SmartMoney

More than $1 trillion will be needed to pay for the Obama administration's ambitious health-care reform plan. To come up with the money, the president has pledged to trim fat from the Medicare and Medicaid programs. But when all is said and done, it may be consumers who end up paying the price.

Over the next 10 years, the government hopes to save $622 billion by reducing overpayments to private insurers and curtailing fraud in the Medicare and Medicaid programs. Over the weekend, President Obama unveiled a proposal on how nearly half of that savings – $313 billion – can be attained. The plan is vague at best, leaving the details to be hammered out by Congress in the following months.

Even without the specifics, it's clear that health-care providers will take a hit, says Julius Hobson, senior policy adviser at the law firm Bryan Cave and a former director of Congressional affairs at the American Medical Association. Hospitals will receive less funding from the government to pay for providing care to the uninsured, for example, while pharmaceutical companies may have to start accepting lower prices for their drugs.

How doctors and hospitals will react remains to be seen, but reducing their payments will inevitably impact patients, says Paul Keckley, executive director of the Deloitte Center for Health Solutions. Hospitals, for example, are going to be under “intense pressure to operate more efficiently and to operate at a higher level of safety,” he says, and may stop offering some services.

Here are some of the cuts the Obama administration suggests and how they may impact consumers:

Proposal 1: Lower the annual rate of pay increases for Medicare

Projected savings: $110 billion over 10 years

The government plans to reduce the rate at which Medicare payments to hospitals and other health providers increase each year. The rationale behind these cutbacks is that hospitals continue to reduce their expenses through productivity measures like negotiating better prices with vendors. Instead of letting health providers keep those savings – i.e., the extra dollars that they receive from Medicare -- the government will simply pay them less and use the money to offset the cost of its health-care reform. “The hospitals have been doing everything they could to improve their costs,” says Keckley. “Now the government is taking those savings.”

What it means for you: Forced to improve their profitability, hospitals may close certain units or clinical programs that operate at a loss, Keckley says. Typically, such programs serve Medicare or Medicaid patients, including pediatric practices, neonatal intensive-care units and burn centers. As a result, some patients, including many Medicare recipients, may have to travel further to receive certain types of care. “Most people in a community think a good hospital ought to do most everything,” Keckley says. “But looking down the road, that’s not possible.”

Proposal 2: Reduce hospital subsidies for treating the uninsured

Projected savings: $106 billion over 10 years

Hospitals that treat a large number of uninsured patients receive federal government subsidies from Medicare/Medicaid Disproportionate Share Hospital (DSH) programs. Under Obama's plan, these facilities will receive fewer government subsidies as the new health-care plan kicks in and the number of uninsured patients decreases.

Continued...

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- About Us
- Meet the PFA Team
- PFA in the News
- Contact Us
- Calculators
- Web Links

Market Watch

	6/26/2009	YTD
DJIA	8,438	-3.85%
S&P 500	918	+1.66%
NASDAQ	1,838	+16.55%

Credit Cardholders’ Bill of Rights

Under the new law, credit card companies:

- Cannot increase interest rates arbitrarily. Rate increases are allowed only if you pay your bill more than 60 days late, if a promotional rate expires, if the rate is variable, or if you don't comply with a payment agreement.
- Must give at least 45 days notice before increasing interest rates or changing fees.
- Cannot use tiny print in their disclosures. They must use 12-point font.
- Must apply payments to the debt with the highest interest rate first.
- Must mail bills to you 21 days before the due date and must also accept payments as on time if the due date falls on a Sunday or holiday and the payment is received the following day.
- Can no longer charge interest on portions of balances that were already paid on time.