



## **Wisconsin Benefit Planning, Inc.**

**Your Health, Life & Retirement Specialists**

315 E. Front St., P.O. Box 1089, Minocqua, WI 54548

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### **The Patient Protection and Affordable Care Act**

On March 23, 2010, the President signed into law H.R. 3590, the **Patient** Protection and Affordable Health Care Act. The Act implements sweeping changes in U.S. health insurance, including changes that affect employer-sponsored health plans. Most provisions of H.R. 3590 would not take effect until Jan. 1, 2014. However, some reforms will take place in 2010.

Please note, while these provisions appear in H.R. 3590, which has been signed into law, they are subject to amendment by way of a reconciliation bill, **H.R. 3962** that may impose changes, including costs and fees, effective dates and other substantive changes. HR & Benefits Essentials will update you as the legislative process develops.

The following are a number of the highlights of the bill that will affect businesses and individuals:

#### **For Individuals**

**Employer Coverage.** Generally, individuals would not be required to give up their employer-provided health coverage.

**Individual Mandate.** Starting in 2014, the law will require most U.S. citizens and legal residents to obtain health insurance. Increasing levels of penalties will be assessed on certain individuals who do not obtain coverage.

**Pre-existing Conditions.** Starting in 2014, plans will not be permitted to exclude individuals from coverage on the basis of pre-existing medical conditions. The prohibition on exclusions of children because of pre-existing conditions would begin 6 months from the date the law is enacted.

**Annual and Lifetime Caps.** Six months after passage of the Act, plans will not be permitted to impose lifetime limits on coverage. The law also restricts the use of annual limits.

• **Rescission/Dropping Individuals from Plans.** Plans will not be permitted to cancel policies because policyholders become ill, except in cases of fraud.

• **Extended Child Coverage.** In 2010, dependent children would be eligible for coverage under their parents' health plan up to age 26.

**Establishment of State Exchanges to Obtain Health Insurance** Starting in 2014, people without employer-sponsored coverage will be able to buy insurance on state-administered "exchanges." State-based American Health Benefit Exchanges and Small Business Health Options Program (SHOP) Exchanges will be administered by a government agency or non-profit organization, and allow individuals and small businesses with up to 100 employees to buy certain coverage.

**Establishment of High Risk Pool.** Within 90 days of the bill becoming law, certain individuals without employer coverage may be able to purchase coverage through a temporary high-risk pool. The temporary national high-risk pool will offer coverage to U.S. citizens and legal immigrants who have not been insured for at least 6 months, at reduced premiums.

**Premium Subsidies.** In 2014, the law would provide tax credits to individuals and families with incomes above Medicaid eligibility and below 400% of the federal poverty level to buy coverage through state-



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based Exchanges. These individuals and families would be entitled to the credits if they are not eligible for or offered other “acceptable coverage”.

• **Age Differences.** Starting in 2014, the law would prohibit premiums of older individuals from being more than 3 times the cost of younger peoples’ premiums.

### **For Businesses**

**Tax Credits for Some Small Businesses.** For tax years 2010-2013, employers of 25 or fewer employees with average annual wages of less than \$40,000 - \$50,000 may be able to receive a tax credit if they contribute at least 50% of the total premium cost. Employers of 10 or fewer employees with average annual wages of less than \$25,000 may be able to receive a full tax credit for their contributions.

For 2 years starting in 2014, eligible small businesses that buy health coverage on new state insurance exchanges may receive a tax credit of up to 50% of the contribution if the employer contributes at least 50% of the total premium cost.

**Establishment of State Exchanges to Obtain Health Coverage.** Starting in 2014, small businesses with up to 100 employees will be able to buy insurance on state-administered “exchanges.” State-based American Health Benefit Exchanges and Small Business Health Options Program (SHOP) Exchanges will be administered by a government agency or non-profit organization. A qualified health plan, to be offered through the new American Health Benefit Exchange, must provide essential health benefits which include cost sharing limits. No out-of-pocket requirements can exceed those in Health Savings Accounts, and deductibles in the small group market cannot exceed \$2,000 for an individual and \$4,000 for a family. Plans participating in the Exchanges will be accredited for quality, will present their benefit options in a standardized manner for easy comparison, and will use one, simple enrollment form. Individuals qualified to receive tax credits for Exchange coverage must be ineligible for affordable, employer-sponsored insurance any form of public insurance coverage.

**Temporary Reinsurance Program.** Within 90 days of enactment of the law, and until Jan. 1, 2014, a temporary reinsurance program will provide coverage for retirees who are over age 55 but not eligible for Medicare. The reinsurance program will reimburse employers or insurers 80% of retirees’ claims that are between \$15,000 and \$90,000.

**Excise Tax on High Cost Employer-Provided Health Coverage.** In 2013, insurers and plan administrators will pay a 40% tax for any health insurance plan that is above the threshold of \$8,500 for singles and \$23,000 for families. This excise tax would apply to the amount of the premium that is above these thresholds.

**Penalties for Large Businesses.** Starting in 2014, employers of 50 or more employees that have employees receiving premium subsidies created by the legislation will be assessed fees.

**Tax Increase on Nonqualified Medical Expense Distributions from HSAs.** Starting in 2011, the law would increase the tax on distributions from a Health Savings Account or Archer MSA if the distributions are not for a qualified medical expense. The tax on these distributions would increase to 20%, from 10% for HSAs and 15% for Archer MSAs. The law would also limit the amount of contributions to a flexible spending account (FSA) to \$2,500 annually. The threshold to itemize unreimbursed medical expenses as a deduction on tax returns would increase from 7.5% to 10% of adjusted gross income.



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In addition, the following are changes to Medicaid, CHIP, Medicare, and the creation of long-term care insurance programs.

### **Expanded Medicaid and CHIP**

- By 2014, Medicaid coverage would extend to all individuals under 65 who have incomes up to 133% of the federal poverty level. The law would also fund the Children's Health Insurance Program through 2015, and require states to maintain the current eligibility levels for children in the Medicaid and CHIP programs.

### **Medicare Part D**

- In 2010, the law closes the Medicare prescription drug coverage gap by \$500, and provides a 50% discount on brand name drugs for beneficiaries who fall into the coverage gap. There is a current gap in coverage for total drug costs between \$2,700 and \$6,154.

### **Community-Assisted Living Assistance Services and Supports**

- The law creates a voluntary long-term care insurance program called the CLASS Independence Benefit Plan. The program will permit individuals to purchase community living assistance services and supports. The coverage would have a 5-year vesting period for eligibility of benefits and provide an average cash benefit of at least \$50 per day.