Patient Protection and Affordable Care Act (ACA) Summary

There is a lot of published information regarding the new Health Care Act. You may even read the 2400+ page bill. We thought, however, that we would highlight some items that are of general interest to our clients, recognizing that there is much more to this Act than we can summarize.

Many of the changes will become effective January 1, 2014, but there are a few that are already in effect or be effective January 1, 2013.

What is Effective Now?

- All plans offering dependent coverage will be required to allow children to remain under their parents' plan until age 26.
- Children can no longer be denied insurance coverage because of pre-existing conditions.
- Insurers may not cancel or deny coverage to sick individuals except in cases of fraud.
- Adults with pre-existing conditions will have access to temporary high-risk pools until 2014, when coverage cannot otherwise be denied for pre-existing conditions.
- A rebate of $250 to Medicare Part D beneficiaries subject to the coverage gap (beginning January 1, 2010) and gradually reducing the beneficiary coinsurance rate in the coverage gap from 100% to 25% by 2020.
- Small Employer tax credits are now in effect.

Summary of Key Provisions to be Effective on or Before January 1, 2014

- **All Americans must carry health insurance or face a penalty (in the form of a tax) of up to 2.5% of household income on individuals, with exceptions for economic hardship, religious beliefs, and other situations.**
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  - **2014 Annual Penalty: $47.50 for each uninsured child and $95 for each uninsured adult. The maximum family penalty is the greater of $285 or 1% of the family's income.**
  - **Penalties increase in 2015 to: $162.50 for each uninsured child and $325 for each uninsured adult. The maximum family penalty is the greater of $975 or 2% of the family's income.**
  - **Penalties increase again in 2016 to: $347.50 for each uninsured child and $695 for each uninsured adult. The maximum family penalty is the greater of $2,085 or 2.5% of the family's income.**
- **Employers with more than 50 employees must offer health insurance for their employees or be fined (taxed) per employee.**
- **Adults with pre-existing conditions cannot be denied coverage or have their insurance cancelled due to pre-existing conditions.**
- **Tax credits will be available to *qualifying families* to offset the cost of health insurance premiums.**
- **The medical expense income tax deduction threshold will increase from 7.5% to 10% effective January 1, 2013.**
- **There will be an increase on the Medicare Part A tax rate by .9% on wages over $200,000 for individuals ($250,000 for married couples) (effective January 1, 2013).**
- **A new tax assessment of 3.8% on some or all of the net investment income for these higher-income individuals (effective January 1, 2013).**
- **New taxes or fees will be imposed on health insurance providers and drug companies (effective January 1, 2014).**
- **Doctors and hospitals will receive less compensation from government sources (effective January 1, 2014).**
- **The establishment of an American Health Benefit Exchange**

that facilitates the purchase of qualified health plans and includes an Exchange for small businesses. This also requires employers that contribute toward the cost of employee health insurance to provide free choice vouchers to qualified employees for the purchase of qualified health plans through Exchanges (effective January 1, 2014).

- In states that agree, individuals under age 65 with income below 133% of the federal poverty level will be eligible for Medicaid (effective January 1, 2014).
- In states that agree, low-income adults without children will also be guaranteed coverage through Medicaid (effective January 1, 2014).

Other Changes

- Lifetime limits on the dollar value of benefits may not be established.
- No annual limits on the dollar value of benefits except with respect to the essential health benefits [under Section 1302(b)].
- Coverage may not be rescinded with respect to an enrollee once the enrollee is covered except in cases of fraud.
- Health Plans and Insurance Issuers must allow, without cost sharing requirements, coverage for:
    - Immunizations
    - Evidence-based items or services that have in effect a rating of A or B in the current recommendations of the US Preventative Services Task Force.
    - Preventative care and screenings (as listed in the comprehensive guidelines) for infants, children and adolescents.
    - Additional screenings for women's health as provided in the comprehensive guidelines. The recommendations of the US Preventive Service Task Force regarding breast cancer screening, mammography and prevention shall be considered the most current.

Wellness in Medicare - Accountable Care Act

Reporting requirements for group health plans and health insurance issuers will be established to determine reimbursement structures that:

- **Improve health outcomes through the implementation of activities such as quality reporting, effective case management, care coordination, chronic disease management, and medication and care compliance initiatives.**
- **Implementation of activities to prevent hospital readmissions such as patient-centered education and counseling, comprehensive discharge planning, and post discharge reinforcement by an appropriate health care professional.**
- **Implementation of activities to improve patient safety.**
- **Implementation of wellness and health promotion activities which include:**
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            - **Smoking cessation**
            - **Weight management**
            - **Stress management**
            - **Physical fitness**
            - **Nutrition**
            - **Heart disease prevention**
            - **Health lifestyle support**
            - **Diabetes prevention**

Accountable Care Act

The Accountable Care Act specifies a range of services that must be covered by all individual and small group health plans. Beginning in 2014 these health plans must provide one of 4 levels of coverage based on the percentage of expected per member benefit cost:

- **60% (a bronze plan);**

- **70% (a silver plan);**
- **80% (a gold plan); and**
- **90% (a platinum plan)**

Beginning in 2014, health plans must also cap maximum out-of-pocket costs using the same limits as HSA qualified health plans. Current limits are $5,950 for an individual and $11,900 for a family. These limits will continue to be adjusted over time.

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Sincerely,

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