

Health Care Reform FAQ

What is the Patient Protection and Affordable Care Act and why should I care about it?

The Patient Protection and Affordable Care Act is the name of the key bill passed by Congress to overhaul the provision of health care in the United States. The law makes many consumer-friendly changes to health insurance, mandates that individuals obtain health insurance or face fines, and requires certain employers to provide health care insurance for their employees. The provisions of the law will be implemented in phases between 2010 and 2018.

The incredible scope of the changes and the political debate on this topic has created confusion as to the exact impact of the new law on individuals and employers. This FAQ will provide guidance on the key areas of impact and provide links to additional resources.

As an individual, what changes does the new law make to my coverage?

Starting in 2010, the health care reform law will impose several consumer protection measures on insurance companies. Some of the highlights of these changes include:

- Elimination of pre-existing condition exclusions for people up to 19 years of age. This provision will expand to all consumers by 2014.
- Limits on the power of insurance companies to cancel existing policies.
- Limits the total annual out-of-pocket expenses for consumers to \$2,000 for individuals and \$4,000 for families.
- The law also requires wellness programs to be covered by insurance plans.

How will the new law expand health care coverage?

The new law institutes a concept called shared responsibility. Under this concept, it is the policy of the United States that the responsibility for health care is shared among individuals, employers and government.

Individuals are required to be covered by a health plan either through their employer or through an individual plan.

Employers, over a certain size, are required to provide coverage to their employees.

Government, at both the state and federal level, is charged with ensuring that such plans are affordable and for creating markets where consumers can purchase insurance. Under the new law, the government will be providing tax-credits and subsidies for individuals to purchase health insurance. The law also directs state governments to set up insurance exchanges by 2014, where consumers can purchase insurance coverage from private insurance companies.

What does it require of individuals?

By 2014, individuals will be required to carry health insurance. If a person decides not to obtain health insurance coverage, then the government may fine them. The fines take effect in 2014 and start at \$95 per person or 1 percent of total income, whichever is higher. The fines increase to \$695 or 2.5 percent of income by 2016.

To help ensure such coverage is affordable, the government will be providing tax-credits/subsidies for individuals to purchase health insurance if their income is between 133 and 400 percent of the federal poverty level (currently \$22,050 for a family of four). In such cases, the cost of the insurance will be limited to a percentage of income ranging from 2 to 9.5 percent. The tax credits are advanceable, meaning that they are applied at the time of purchase rather than refunded to the individual in the following tax year.

Does the health care law require me to provide insurance to my employees?

The law requires employers with 50 or more full-time equivalent employees (FTEs) to provide health care insurance to their workers. Employers with 200 or more employees will be required to automatically enroll employees in the company health care plan. Companies with fewer than 50 FTEs are exempt from the coverage mandate. This requirement would become effective in 2014.

Employers in the 50 or more FTE category will be required to offer plans that meet certain requirements. First, such plans must cover 60 percent of the cost of care provided by the insurance plan. In addition, the cost to the employee for participating in such plans cannot exceed more than 9.5 percent of the employee's total family income. If the employer plan does not meet these requirements, the employer could be fined.

If an employer of 50 or more FTEs does not offer a plan, and one of their employees buys insurance from an insurance exchange and qualifies for a tax credit to buy the insurance, then the employer will be fined \$2,000 per FTE, excluding the first 30 employees.

For example: A company of 51 employees does not provide a plan as required, and one employee qualifies for a government subsidy and buys insurance from an exchange, the employer will be fined \$42,000. (51 employees – 30 employee exclusion) X \$2,000 = \$42,000.

The law will also require employers to disclose to employees, in writing, the existence of the subsidies and the insurance exchanges. Such disclosures must include notice of the insurance exchanges, a description of the services provided by such exchanges, how an employee can contact the insurance exchanges, that the employee may be eligible to purchase a policy from the exchange, and that the employee may lose employer contributions to health coverage if he purchases a policy from such an exchange.

As an employer, what coverage will I be required to provide?

While additional details will be provided in forthcoming regulations, the law requires that all insurance plans cover “minimum essential health benefits.” This would include:

- Ambulatory patient services.
- Emergency services.
- Hospitalization.
- Maternity and newborn care.
- Mental health and substance abuse services.
- Prescription drugs.
- Rehabilitative services.
- Lab services.
- Prevention, wellness and chronic disease management.
- Pediatric services (+ dental/vision).

Does the plan I currently provide my employees meet the requirements of the new law?

If a current employer policy was effective on or before March 23, 2010, it will be considered a “grandfathered” plan and will be deemed to meet the coverage requirements of the law. Under a grandfathered plan, a company could add or remove employees from the plan, but if the costs for the employees changed or the benefits covered were adjusted, then it is likely the plan would not meet the law’s requirements. This provision is the cause of much debate and will require additional clarification by regulation or legislation.

Will my business taxes go up?

The new law does increase taxes and impose fees on certain industries. These taxes and fees include:

- 10 percent tax on tanning services.
- Annual cap on Flexible Spending Accounts of \$2,500 per year.
- A 0.9 percent increase in the Medicare payroll tax on an individual’s income in excess of \$200,000 and couples earning more than \$250,000.
- A new investment tax of 3.8 percent on unearned income for taxpayers with an adjusted gross income in excess of \$200,000 or couples earning more than \$250,000.
- Doubling the penalty for no qualified withdraws from a Health Savings Account from 10 percent to 20 percent.
- A 40 percent excise tax on high cost health plans.
- Fees on employer-provided insurance plans.
- Other fees on insurance providers, medical device manufacturers and pharmaceutical companies.

Where can I find out more about healthcare reform?

One of the challenges in understanding the impact of health care reform is sifting through the vast amount of information available on this topic. Below, are a few websites that provide focused, reliable and concise information on this topic.

[U.S. Chamber of Commerce Health Care Toolkit](#)

[Critical Employer Issues in the Patient Protection and Affordable Care Act](#)

[Kaiser Family Foundation Health Care Clearing House](#)

[Speaker of the House Health Care Page](#)

[Health Care Implementation Timeline](#)

[Section-by-Section Analysis of the Act](#)