

The Patient Protection and Affordable Care Act 2010

1. Coverage—Health Insurance Plans starting after September 15: must offer coverage to dependents up to age 26 so long as they have no group coverage option; must offer coverage to children with no pre existing conditions limits; much more difficult to execute rescissions; no lifetime limits on coverage. Five billion dollars appropriated to cover high risk adults 2010-2013 at standard rates; another five billion appropriated to establish reinsurance subsidy for employers providing coverage to retirees 55-65. Subsidy to small employers providing coverage to relatively low income workers.
2. Medicare—enrollees who go into the doughnut hole receive \$250 rebate. Medicaid-- states are allowed to cover adults up to 138% of poverty at existing Medicaid match rates

2011

1. Coverage—States required to develop more capacity to regulate insurance rates and insurers, to begin to plan for Health insurance exchanges, and to develop health insurance consumer entities.
2. Medicare—brand name drugs bought in the doughnut hole will be at 50% discount and generics will be subsidized; Medicare begins 10% subsidy for primary physicians and surgeons; premiums for Medicare Advantage Plans frozen. States have more flexibility for offering home and community services for the disabled under Medicaid.

2012

Payment rates begin to be reduced for Medicare Advantage Plans. Incentives to develop Accountable Care Organizations and Electronic Medical Records.

2013

Primarily tax and fee changes—see Financing Page

2014

1. Coverage—Employers with 50 or more employees must offer coverage or pay a fine of \$2,000 per employee[less 30] if any employee receives subsidized coverage through the exchange. All persons who are legally in the country and file an income tax must obtain coverage or pay a phased in fine[see table]; Subsidies are introduced for small employers who offer coverage; small employers can obtain coverage through the new exchanges as can individuals who do not have access to group coverage or for whom group coverage would cover less than 60% of the actuarial value of the coverage or for whom the premium would exceed 9.5% of income and if they are not eligible for Medicare and Medicaid; CLASS Program underway.
2. Medicare and Medicaid—All citizen adults under 138% of poverty eligible for Medicaid-100% federal match. All legal children under 138% of poverty eligible for Medicaid and the rest under 00% of poverty eligible for CHIP—infants still eligible for Medicaid to 185%. All currently eligible.

Federal Subsidies for Individuals and Families

Premium subsidies can be applied to any plan in the exchange, but only people enrolled in the silver plan are eligible for cost-sharing subsidies. Undocumented immigrants are not included in family size for purposes of calculating FPL, but their incomes are taken into account. Plans must reduce cost-sharing for eligible people so that the minimum AV of the plans for subsidized individuals and families are the following:

- 94% for 133-150% FPL;
- 87% for 150-200% FPL;
- 73% for 200-250% FPL; and
- 70% for 250-400% FPL.ⁱ

The federal government will make payments to health plans equal to the value of the reductions. Out-of-pocket maximums (annual cap) for enrollees are based on a percentage of the health savings accounts limits in individual high-deductible plans in 2014 and will be indexed to the average rate of premium growth.ⁱⁱ The maximums in 2010 dollars for various levels of income are as follows for individuals/families (small group market deductibles are different):

- \$1,983/\$3,967 for 100-200% FPL;
- \$2,975/\$5,950 for 200-300% FPL;
- \$3,967/\$7,933 for 300-400% FPL; and
- \$5,950/\$11,900 for incomes of 400% FPL or more.ⁱⁱⁱ

The following example shows White House and Congressional Budget Office estimates of the income-based premium caps and average premiums for a silver plan for a family of four in 2016 (the FPL is projected to be about \$24,000 for a family of four in 2016).^{iv}

Examples of Family Insurance Costs at Various Income Ranges, 2016

Annual Income	Premium Cap as a Share of Income	Middle of Income Range (family of 4)	Avg Annual Premium (family)	Premium Subsidy (share of premium)	Avg Cost-Sharing Subsidy
100-150% FPL	2.1–4.7%	\$30,000	\$600	96%	\$3,300
150-200% FPL	4.7–6.5%	\$42,000	\$2,400	83%	\$1,800
200-250% FPL	6.5–8.4%	\$54,000	\$4,000	72%	0
250-300% FPL	8.4–10.2%	\$66,000	\$6,100	57%	0
300-350% FPL	10.2%	\$78,000	\$9,200	44%	0
350-400% FPL	10.2%	\$90,100	\$14,100	35%	0

The following table shows examples of costs through the health insurance exchange starting in 2014 for families at various income levels. Annual premium costs, actuarial value, caps on out-of-pocket spending (not including premiums), and caps on total spending are shown.^v

Examples of Family Insurance Costs at Various Incomes, 2014

Income for Family of Four	Maximum Annual Premiums	Average Percent of Health Costs Covered by Plan (“actuarial value”)	Cap on Uncovered Spending (excluding premiums)	Cap on Total Family Spending
150% FPL (\$33,075)	\$880	94%	\$3,967	\$4,847 (15% income)
250% FPL (\$55,125)	\$4,465	73%	\$5,950	\$10,415 (19% income)
350% FPL (77,175)	\$7,332	70%	\$7,9763	\$15,305 (20% income)
450% FPL (\$99,225)	no max	buyer’s choice: 60-90%	\$11,900	none

Keeping health insurance affordable requires spreading the risk over a large pool that includes healthy people, so an individual mandate will take effect in 2014. At that time, most U.S. citizens and legal residents will be required to have coverage for themselves and their dependents that meets minimum standards, or they will have to pay a penalty (undocumented residents are not included). The penalty is designed to create an incentive for personal responsibility, and also to help support the safety net for the uninsured. People are exempt from the penalty if the lowest-priced exchange plan costs more than 8% of family income, they are below the income level that has to file taxes, they have financial hardship (to be defined), they are religious objectors or are incarcerated, they are Native Americans, they are undocumented, or they have a gap in coverage of less than three months.^{vi}

The penalty is an income tax penalty based on the number of uninsured in a family, and the family maximum when fully phased starting in 2016 will be the greater of three times the individual adult penalty or 2.5% of family income.^{vii} There will be annual updates for inflation. The average cost of family coverage under a group insurance policy in Texas is about \$13,000 per year, so with the maximum family penalty of \$2,085 being only 16% of the typical cost of insuring a family, some might choose the penalty instead.^{viii,ix}

Annual Penalties for People without Health Insurance (Unless Exempt)

	In 2014	In 2015	In 2016 and after
Adults (18+)	Higher of \$95 or 1%	Higher of \$325 or 2%	Higher of \$695 or 2.5%
Children	Half of adult rate	Half of adult rate	Half of adult rate
Max per family	\$285 or 1%	\$ 975 or 2%	\$2,085 or 2.5%

Sources of financing for the plan and where it goes 2010-2019.

1. Net cuts to Medicare \$416.5 billion-- Cost of Exchanges and related spending \$464 billion
2. Increase Medicare tax on high income \$210 billion Medicaid and CHIP \$434 billion
3. Other Revenue \$149 billion
4. Fees on Health Industry \$109 billion Small Employer Tax Credits \$40 billion
5. Penalty payments \$69 billion
6. Other net spending cuts \$52 billion
7. Net cuts to Medicaid \$45 billion
8. Excise tax on high end health plans \$32 billion

Total of \$1.08 trillion in revenue \$938 billion in expenses—estimated reduction in deficit \$143 billion

New Medicare Payroll taxes for individuals over \$200,000 a year in earnings and couples more than \$250,000 the Medicare tax will increase from 1.45% to 2.35% for the amount over these levels.

New Medicare Tax on Investment income: “High earners’ will have to pay 3.8% Medicare contributions on unearned income including interest, dividends, annuities, royalties, rents and capital gains. Individuals threshold is \$200,000, couples \$250,000, and \$125,000 for married individuals filing separately.

In 2013 Increase from 7% to 10% the floor before medical expenses are deductible, Flex accounts capped at \$2500 starting in 2013, tax insurance plans for “Cadillac plans’ starting in 2018 that are larger than \$10,200 for individuals and \$27,500 for family coverage. In 2011 over the counter drugs will no longer be eligible as creditable expenses in HSAs or flex plans. Savings to Medicare include cuts in Medicare Advantage, reductions of payments to hospitals, and an Independent Payment Advisory Board etc. The premiums for the CLASS Act are included in the Revenues for the most part since the liabilities will only begin after 2016.

ⁱ Ibid.

ⁱⁱ Legislative Analyst’s Office (California), “The Patient Protection and Affordable Care Act: An Overview of Its Potential Impact on State Health Programs” (5/13/10), available at http://www.lao.ca.gov/reports/2010/hlth/fed_healthcare/fed_healthcare_051310.aspx, accessed 8/25/10.

ⁱⁱⁱ U.C. Berkeley Labor Center, “Summary of Affordable Care Act Provisions Affecting Children, Non-Elderly Adults and Employers” (updated 8/5/10), available at http://laborcenter.berkeley.edu/healthpolicy/health_reform_summary09.pdf, accessed 8/25/10.

^{iv} Wikipedia, “Patient Protection and Affordable Care Act,” available at http://en.wikipedia.org/wiki/Patient_Protection_and_Affordable_Care_Act#Provisions, accessed 8/4/10.

^v Center for Public Policy Priorities, “Health Reform Roadshow: Houston,” available at http://www.cppp.org/events/event_details.php?eid=259, accessed 8/13/10, Powerpoint slide 31.

^{vi} Center for Public Policy Priorities, “Health Reform Roadshow: San Antonio,” available at http://www.cppp.org/events/event_details.php?eid=256, accessed 8/6/10, Powerpoint slides 35-36.

^{vii} UC Berkeley Labor Center, “Summary of Affordable Care Act Provisions Affecting Children, Non-Elderly Adults and Employers,” (updated 8/5/10),” available at http://laborcenter.berkeley.edu/healthpolicy/health_reform_summary09.pdf, accessed 8/20/10.

^{viii} Center for Public Policy Priorities, “Health Reform Roadshow: San Antonio,” available at http://www.cppp.org/events/event_details.php?eid=256, accessed 8/6/10, Powerpoint slides 36-37.

^{ix} U.C. Berkeley Labor Center, “Summary of Affordable Care Act Provisions Affecting Children, Non-Elderly Adults and Employers” (updated 8/5/10), available at http://laborcenter.berkeley.edu/healthpolicy/health_reform_summary09.pdf, accessed 8/24/10.