
Understanding

The Affordable Care Act



With the implementation of the Patient Protection and Affordable Care Act (PPACA, better known as ObamaCare) scheduled for January 1, 2014¹, many people are still not aware of how the new health care law will affect them. Certain provisions of the law are incredibly far-reaching; others are specific to certain small groups. However, there are several important points of which every American should be aware.

Individuals

First, certain aspects of the law have already been enacted. Currently, the following provisions of PPACA are already in effect²:

- Insurance companies cannot deny coverage to children under 19 years of age because of a pre-existing condition
- Young adults are covered by their parents' insurance policies until they are 26 years old, provided their parents' policies include dependent coverage
- Several tax credits for small businesses have already been implemented
- Senior citizens are entitled to discounts on certain prescription drugs
- Insurance companies are no longer allowed to spend more than 20 percent of the premiums they collect on administrative costs, meaning 80 percent of premium payments go directly toward health care
- New preventative services for women and senior citizens

It is important to be familiar with these provisions, as they affect nearly every resident of the United States in some way.

On October 1, open enrollment in the insurance exchanges begins. This means that people will be able to purchase health insurance through one of the online exchanges created by PPACA. The exchange each individual will use depends on the state in which he or she resides, as the law allows each state to choose whether it will create its own exchange, or use the exchange being set up by the federal government. Pennsylvania will be using the federal government's insurance exchange, which can be accessed at www.healthcare.gov once the exchanges open³.

Some important information to know regarding the insurance exchanges:

- There are four "tiers" of plans from which to choose, with varying levels of coverage that are based on out-of-pocket cost to the consumer; more expensive plans offer more

¹<http://www.healthcare.gov/>

² <http://reform.interactforhealth.org/already-in-effect>

³ <http://philadelphia.cbslocal.com/2013/07/30/pennsylvania-the-affordable-care-act/>

comprehensive coverage⁴

- All of the plans available from the exchanges are supplied by private companies and meet certain standards to ensure everyone has essential health benefits such as⁴:
 - Ambulatory services
 - Emergency services
 - Hospitalization
 - Maternity and newborn care
 - Mental health and substance abuse services
 - Prescription drug coverage
 - Rehabilitation and habilitation services
 - Preventative and wellness services
 - Pediatric services
- People who already have health care coverage from their jobs or those receiving government-subsidized health care through programs such as Medicare or Medicaid are under no obligation to buy a new health care plan through the exchanges⁵
- Open enrollment in the exchanges begins October 1, 2013¹
- Health care plans purchased through the exchanges take effect January 1, 2014¹
- Initial ends for 2014 on March 31, 2014¹
- Additional open enrollment for 2014 is from October 15, 2014 – December 7, 2014

January 1, 2014 is a particularly important date to know because several other provisions of the law take effect on that day:

- Insurance companies cannot deny coverage to anyone because of a pre-existing condition; previously, this rule applied exclusively to children⁶
- The Individual Shared Responsibility Payment provision takes effect, meaning that anyone who fails to obtain health care coverage by January 1 will have to pay a penalty⁷
- Insurance companies will be prohibited from using a person's gender as a factor in determining the cost of coverage⁷
- Insurance companies cannot withdraw coverage because of a mistake made by the policy holder⁷
- All policy holders have the right to appeal the insurance companies' decisions to deny payment⁷
- Insurance companies may no longer set lifetime limits on coverage⁷
- The expansion of Medicaid takes effect⁷

The expansion of Medicaid has been controversial in the news. In the original text of PPACA, states were required to expand Medicaid to cover anyone making up to 133 percent of the federal poverty level. Last year, the United States Supreme Court ruled that a federally mandated expansion of Medicaid unconstitutional. As a result, states now have the option of whether or not to expand Medicaid⁸. Here are some details on the Medicaid expansion:

- States who choose to accept the expansion will now have to cover anyone making up to 138 percent of the federal poverty level
- The federal government will pay for the cost of the expansion in full initially, and then slowly shift the financial burden back onto the states, so that by 2020 the federal government will be paying for 90 percent of the cost of expansion⁹

⁴ <https://www.healthcare.gov/how-do-i-choose-marketplace-insurance/>

⁵ <https://www.healthcare.gov/what-if-i-have-job-based-health-insurance/>

⁶ <http://www.hhs.gov/healthcare/rights/pre-existing/childrens-pre-existing-conditions.html>

⁷ <http://www.hhs.gov/healthcare/rights/index.html>

⁸ <http://www.politico.com/story/2013/09/states-medicaid-expansion-96661.html?hp=r10>

⁹ <http://www.usnews.com/debate-club/is-medicaid-expansion-good-for-the-states>

- Pennsylvania Governor Tom Corbett has declined to expand Medicaid under PPACA. Rather, he is trying to pursue a program where the federal government would use the money it would have otherwise used to expand Medicaid in Pennsylvania to provide subsidies to low-income individuals for them to purchase private insurance via the health care exchange¹⁰

Additionally, many children currently insured by the Children's Health Insurance Program (CHIP) in Pennsylvania will be switched over to Medicaid. Governor Corbett has resisted the change, claiming that many doctors who accept CHIP do not accept Medicaid. The result, the governor contends, will be that many children will need to find new doctors¹⁰. Alternately, several groups, such as Community Legal Services of Philadelphia, have endorsed the change, saying that Medicaid's coverage is more comprehensive than CHIP's¹¹.

Businesses and Non-Profits

PPACA is bringing changes for employers, as well. In general, businesses and non-profit organizations follow the same rules, with the exception of several minor differences. Therefore, non-profits should adhere to the same rules as any other small business of a similar size. Here is some information that every employer should know:

- All businesses will be able to continue using their current insurance plans⁵
- All employers covered under the Fair Labor Standards Act are required to notify their employees about the insurance exchanges, and whether or not they will be providing coverage for their employees¹²
- Employers must also provide employees with a summary of their benefits and coverage under any health care plan provided by the company¹²
- Employee contributions to Flexible Spending Accounts are now capped at \$2,500¹³
- Employees with incomes over \$200,000 (single filers) and married joint filers with incomes over \$250,000 will see their portion of Medicare Part A Hospital Insurance rise from 1.45 percent to 2.35 percent, to be withheld by the employer¹⁴
- When a company hires a new employee whose health care coverage will be provided by the company, that employee's coverage must begin within 90 days of employment¹⁵
- Employers can be reimbursed between 20 percent and 50 percent of health care coverage costs for implementing Workplace Wellness programs that promote lowering cholesterol and cutting back on tobacco use¹⁶
- Beginning January 1, 2014, employers with self-insured plans will be required to submit reports to the IRS detailing information about each covered individual, with the first reports being filed in 2015¹⁷

¹⁰<http://www.post-gazette.com/stories/news/politics-state/corbett-to-announce-health-care-plan-this-afternoon-703576/>

¹¹<http://www.clsphila.org/learn-about-issues/facts-about-affordable-care-act-aca-and-chip-pennsylvania>

¹²<https://www.healthcare.gov/how-does-the-health-care-law-protect-me/#part=4>

¹³<https://www.healthcare.gov/can-i-use-a-flexible-spending-account-fsa/>

¹⁴<http://www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions>

¹⁵<http://www.irs.gov/pub/irs-drop/n-12-59.pdf>

¹⁶<http://www.sba.gov/community/blogs/community-blogs/health-care-business-pulse/workplace-wellness-improving-health-and->

¹⁷http://www.eisneramper.com/Trends_and_Developments/Employee-Benefits-Health-Plans-0613.aspx

In respect to specific businesses, implementation of the law varies greatly depending on the size of the business:

- Self-employed individuals
 - All individuals are required to obtain health care coverage; otherwise, unless they qualify for an exemption, they will be forced to pay a penalty⁶
- Businesses with up to 25 employees
 - Some small businesses will be eligible for Small Business Health Care Tax Credits¹⁸
- Businesses with up to 50 employees
 - Starting October 1, 2013, small businesses with up to 50 employees will be able to participate in the Small Business Health Options Program (SHOP). When small businesses participate in SHOP, they are able to pool their risks with other small businesses¹⁹
- Businesses with 50 or more employees
 - Any business with 50 or more full-time employees is required to provide health insurance to its full-time employees²⁰, effective January 1, 2015
 - Businesses that do not provide health insurance to their employees will have to pay a penalty if at least one of their full-time employees is able to receive a premium tax credit in an individual health insurance marketplace²¹
 - The federal government defines a full-time employee as any employee working more than 30 hours a week on average²¹
 - Businesses with more than 100 full-time employees in most states will be able to take advantage of the insurance exchanges beginning in 2017²¹

¹⁸<https://www.healthcare.gov/will-i-qualify-for-small-business-health-care-tax-credits/>

¹⁹<https://www.healthcare.gov/what-is-the-shop-marketplace/>

²⁰<https://www.healthcare.gov/what-is-the-employer-shared-responsibility-payment/>

²¹<http://tinyurl.com/lzugdly> (The Washington Post)



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