

Patient Protection and Affordable Care Act (ACA)

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2013

- The threshold for itemized deductions of medical expenses increases from 7.5% to 10% of adjusted gross income.
- Medicare Part A tax rate on wages will increase from 1.45% to 2.35% on earnings over \$200,000 for singles and \$250,000 for couples filing jointly
- A new Medicare tax of 3.8% on unearned income will take effect. The tax will apply to the lesser of (1) net investment income or (2) modified adjusted gross income over \$200,000 for singles, \$250,000 for married filing jointly or \$125,000 for married filing separately
- Consumer Operated and Oriented Plan (CO-OP) program will establish non-profit, member-run health insurance companies in all 50 states to offer insurance



2014

- State-based Health Benefit Exchanges and Small Business Health Option Program will be established.
- Program will be administered by a governmental agency or non-profit organization from which individuals and small businesses with up to 100 employees can buy insurance coverage



2014

Effects on Individuals

- Most U.S. citizens and aliens legally in the United States must have qualified health insurance or pay a penalty
- In 2014 the penalty will be the greater of \$95 or 1 percent of household income
- In 2015 the penalty will be the greater of \$325 or 2 percent of household income
- In 2016 the penalty will be the greater of \$695 or 2.5 percent of household income



Effects on Individuals (con't)

- Individuals with income between 133 and 400 percent of the federal poverty level (currently \$88,200 for a family of four) may be eligible for premium tax credits and subsidies to buy insurance through the Exchanges.
- Family's total penalty is capped at 300% of the flat dollar amount
- Penalty for those under age 18 is one-half of the adult penalty.
- Individuals whose cost toward employer sponsored coverage exceeds 8% of household income are exempt from the penalty
- Individuals will not be eligible for premium tax credits unless the employer provided coverage provides less than 60% of premium or the employee's premium contribution exceeds 9.5 percent of household income.



2014

Effects on Employers

- Employers with 50 or more full-time employee equivalents that do not offer minimum qualified health insurance coverage AND have at least one employee who receives a premium tax credit will pay a penalty equivalent to 1/12 of \$2,000 (\$166.67) for each employee for any month.
- Employers with 50 or more employees that do offer insurance coverage and have at least one employee receiving a premium tax credit will pay the lesser of a monthly penalty of 1/12 of \$3,000 (\$250) for each employee receiving the credit or \$166.67 for all full-time equivalent employees
- Under the ACA, full time is 30 hrs/week



Effect on Employers (con't)

- The first 30 employees are excluded from the penalty payment calculation
- Employers with less than 50 full time equivalent employees are exempt from the penalties.
- Seasonal employees who work less than 120 days are not included in determining if an employer has 50 or more workers
- Leased employees are likely included in the determination of employer size
- Employers with more than 200 employees must automatically enroll employees in health insurance plans offered by the employer. Employees may opt out.



Effects on Employers (con't)

- Employers who offer coverage must provide a free choice voucher to employees whose incomes are less than 400 percent of the federal poverty level and whose share of the premium exceeds 8% but is less than 9.8% of household income and who choose to enroll in a plan offered by the Exchanges. The value of the voucher is equal to what the employer would have paid to provide coverage to the employee.
- Waiting periods for company sponsored coverage cannot exceed 90 days.



Effects on Employers (con't)

- Employers of more than 100 employees will be required to report to the Secretary of HHS whether they offer coverage and if so they must also report:
 - The length of any waiting period
 - The months the plan was available
 - The monthly premium for the lowest cost option in the plan
 - The employer's share of total allowed costs in the plan
 - The number of full time employees for each month
 - The name, address, and taxpayer ID number of each full time employee and the months they were covered
- Must furnish by January 31 of each year a written statement to the employee containing the information that was sent to the Secretary



To Be Determined

- How will full time employees (30 hours/wk) who work less than a month be treated for penalty purposes or employer size determination?
- How will H-2A guest workers be treated?
- Outcome of the regulatory process?
- ~~Result of legal challenges against the law?~~
- Future legislative changes?



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