



Get to Know the Health Reform Law: How It Will Impact You and Your Business

Affordability of Health Coverage for the Self-Employed

October 3, 2012

By: Katie Vlietstra, NASE Director of Government Affairs

History of the Patient Protection and Affordable Care Act (ACA)

- Signed into law by President Obama on March 23, 2010
 - Passed the U.S. Senate on December 24, 2009, passed by reconciliation (needed only 51 votes)
 - Passed the U.S. House of Representatives on March 21, 2010



Universal Coverage v. Affordability

- One of the guiding principles of health care reform argues that prices will go down due to the fact that more people will be purchasing health care coverage:
 - The healthy folks will “off-set” those with more severe medical costs
 - Thus, incentivizing individuals in purchasing health insurance is KEY

Incentives for Individuals!

- **Health Insurance Subsidies**

- Beginning in 2014, federal subsidies will be available to individuals participating in the newly created health insurance exchanges.
 - The subsidies will be directed towards individuals who cannot afford health insurance;
 - It is estimated that nearly 19 million people will benefit from subsidies in the new health insurance exchange system by 2019.



How Individual Incentives Will Work

- **Premium Assistance Credits:**
 - Available for families with income up to 400% federal poverty level (FPL)
 - Ties the cost of health insurance to a percentage of income:
 - 3% of income at 133% of FPL
 - 9.5% of income between 300 and 400% FPL
 - Only available to those individual/families who are not eligible under other programs such as employer sponsored health plans, Medicaid, CHIP, etc.

Premium Assistance Under Health Reform

Table I. Income Levels for 400% of the Current Federal Poverty Line (FPL)

Number of Persons in Family	48 Contiguous States and DC	Alaska	Hawaii
1	\$43,320	\$54,120	\$49,840
2	\$58,280	\$72,840	\$67,040
3	\$73,240	\$91,560	\$84,240
4	\$88,200	\$110,280	\$101,440
5	\$103,160	\$129,000	\$118,640
6	\$118,120	\$147,720	\$135,840
7	\$133,080	\$166,440	\$153,040
8	\$148,040	\$185,160	\$170,240

Source: CRS computation based on “Annual Update of the HHS Poverty Guidelines,” 74 *Federal Register* 4200, January 23, 2009, <http://aspe.hhs.gov/poverty/09fedreg.pdf>.

Notes: Under PPACA, premium credits for eligible exchange coverage will not be available until 2014; individuals will get less or potentially no premium credit as their income approaches 400% FPL. “DC” is the District of Columbia. The Federal Poverty Guidelines are updated annually for inflation.

How Individual Incentives Will Work

Because it is a tax credit, individuals will apply for the credit when they file their taxes annually.

- However, dependent upon the cost of insurance, the enrollee can request an advance payment for health insurance.
- Allowing individuals and families to receive an advanceable tax credit will further incentivize the purchase of health insurance.



Small Business Tax Credits

ACA provides for tax credits for small businesses!

In tax years 2010-2013:

- Do you have 25 or less employees?
- Average wages of less than \$50,000?
- Contribute at least 50% of the total health insurance premium?
- Answer yes, to all of the above? You will be eligible for a tax credit up to 35% of the employee's health insurance premiums!



Small Business Tax Credits for Micro-Business

- Do you have 10 or fewer employees?
- Average wages of less than \$25,000?
- Contribute at least 50% of the total health insurance premium?
- Yes? You will be able to take the full tax credit for the cost of your employees health insurance premiums!



Small Business Tax Credits after 2014

After full implementation of the health reform law, Small Business Tax Credits are still accessible:

- Do you purchase health insurance through the exchange market?
- Contribute 50% of the total premium costs to your employees health insurance plan?
- Yes? You will be eligible for a 50% tax credit
- The credit will only be available for two consecutive tax years.
- **Full credit available for employers with 10 or less employees (no change)**



What are Essential Health Benefits (EHB)?

The Affordable Care Act not only addressed access to health coverage and affordability, but also outlined provisions to address the quality & type of health insurance.

- The goal of the Essential Health Benefits provisions in the reform law is to outline basic, minimum health coverage.
- This standard would be the floor and no health insurance plan could provide less coverage and benefits than this new standard.



Coverage Requirements

Requires all individual and small group health plans to cover items and services within at least 10 categories:

1. Ambulatory Services
2. Emergency Services
3. Hospitalization
4. Maternity and Newborn Care
5. Mental health and substance use services
6. Laboratory Services
7. Preventive and Wellness
8. Pediatric Services (oral and vision)
9. Prescription Drugs
10. Rehabilitative Services



Plans Offered Under New EHB Requirements

- Health insurance plans offered in the health exchange market must cover these services and must be certified
- In addition, all Medicaid state plans must be in align with the EHBs
- States can modify the EHB requirements to fit their state demographics
 - CA & WA will cover acupuncture
 - AR will offer prevention counseling for women at high risk of breast cancer
 - OR EHB plan will cover cochlear (hearing) implants

Cost of Essential Health Benefits

- Based on projections from reputable sources such as the Congressional Budget Office, new benefit requirements stemming from the Essential Health Benefit provisions will increase insurance premiums by 10%- 13%.
- Consumers will have higher quality coverage, however they will also have more costly coverage due to the increased level of covered benefits.

Cost of Essential Health Benefits

- The law requires that insurance carriers cover at least 60% of the value of the covered benefits, meaning the plan will pay 60% of health care costs while the enrollee will cover 40% through deductibles, copays or coinsurance.
- There are limits on annual cost sharing which are equal to the HSA limits in current law:
 - \$5,950- individual
 - \$11,900- family
- While States can tweak the EHB coverage, the more comprehensive the plan (acupuncture, hearing implants, etc.) the potential for higher costs with the exchange market.



Additional Questions? Ask The Experts!

- NASE members have the opportunity to utilize our health reform experts via our “Ask the Experts” membership benefit:
 - You can submit written questions and receive invaluable advice!
 - [Ask an Expert, today!](#)
- Also, our “Your Voice in D.C.” has the latest news on the health care reform act!
 - [Check it out today!](#)



The ACA Webinar Series Continues....

#4- Can You Keep Your Health Insurance You Have?

- *Wednesday, October 10, 2012*
- *2:00pm EST*

#5- Health Reform Law and the 2012 Presidential Election

- *Wednesday, October 17, 2012*
- *2:00pm EST*