

# Health Care Reform: Summary of Changes 2010 - 2018

Presented by: **Sabrina Hanson**  
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Prepared for:

**The Patient Protection and Affordable Care Act** (H.R. 3590), originally approved by the Senate on December 24, 2009, was passed by the House on March 21, 2010 and signed into law by President Obama on March 23, 2010.

The protections and requirements of the Patient Protection and Affordable Care Act are being phased in over a period of years. The information that follows summarizes the insurance reform and tax changes that are scheduled to take effect from 2010 to 2018. As you review the summary, pay particular attention to any provisions you feel may impact on your situation.

## 2010: Insurance Reform

- Access to a temporary national high-risk pool for people who are uninsured because of pre-existing health conditions. Provided coverage through 2014 when state insurance exchanges became operational.
- Non-dependent adult children must be allowed to remain on a parent's health insurance policy until age 26.
- Insurers cannot deny coverage to children with pre-existing conditions.
- Insurers cannot place lifetime limits on the dollar value of coverage. Prohibits use of restrictive annual limits on coverage.
- Insurers cannot deny or rescind coverage of insureds who become sick.
- All new group health plans and plans in the individual market must provide first-dollar coverage for certain preventive services and immunizations.

## 2010: Tax Changes

- A 10% tax on the amount paid for indoor tanning services provided on or after July 1, 2010 must be paid.

## 2011: Insurance Reform

- Large group plans must spend at least 85% of premium dollars on medical services; 80% for small group and individual plans. Effective January 1, 2011, rebates must be provided to customers of plans that spend a lower percentage of premium dollars on medical services.
- Chain restaurants and food sold from vending machines must disclose the nutritional content of each food item.

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## 2011: Tax Changes

- Costs for over-the-counter drugs not prescribed by a doctor cannot be reimbursed through an HRA or health FSA, or reimbursed on a tax-free basis through an HSA.
- The penalty tax on distributions from an HSA that are not used for qualified medical expenses is increased from 10% to 20% of the distribution.

## 2013: Insurance Reform

- Created the CO-OP (Consumer Operated and Oriented Plan) program to foster creation of non-profit, member-run health insurance companies.
- Limited annual contributions to health FSAs to \$2,500 per year, indexed for inflation in subsequent years.
- Adopted a single set of operating rules for eligibility, enrollment and claims processing.
- Required disclosure of financial relationships between all health entities.

## 2013: Tax Changes

- Increased the itemized deduction threshold for unreimbursed medical expenses from 7.5% of adjusted gross income to 10% of adjusted gross income.
- The itemized deduction threshold increase is waived for individuals age 65 and older for tax years 2013 through 2016.
- Increased the Medicare Part A payroll tax rate on wages by 0.9% (from 1.45% to 2.35%) on earnings over \$200,000 for individual taxpayers and over \$250,000 for married taxpayers filing jointly; applies only to the employee portion of the tax.
- Imposed an unearned income 3.8% Medicare contribution on net investment income received by higher-income taxpayers (over \$200,000 individual/\$250,000 married filing jointly). Net investment income includes interest, dividends, rents, royalties, gain from disposing of property, and income earned from a trade or business that is a passive activity. Self-employed individuals, as well as estates and trusts, will also be liable for this tax. Distributions from qualified retirement plans, however, will be exempt from paying the additional tax.
- Eliminated the tax deduction for employers who receive Medicare Part D retiree drug subsidy payments.

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## 2014: Insurance Reform

- Unless they qualify for an exemption, U.S. citizens and legal residents are required to have minimum essential health insurance coverage or pay a penalty.
- Individuals who fail to maintain minimum essential coverage in 2014 are liable for a penalty equal to the greater of \$95 or 1% of income, which increases to the greater of \$695 or 2.5% of income by 2016.
- Health insurance premium subsidies are available to eligible individuals and families with incomes between 133% and 400% of the federal poverty level.
- Medicaid coverage is provided to all individuals under age 65 with incomes up to 133% of the federal poverty level, based on modified adjusted gross income, assuming the state in which the individual resides did not opt out of the Affordable Care Act Medicaid expansion.
- Taxpayers below the threshold for filing an income tax return are exempt from the minimum essential coverage penalty.
- State-based health insurance exchanges are created, through which individuals and small businesses can comparison shop for standardized health insurance coverage.
- Guaranteed issue and renewability is required, meaning that insurers cannot deny or cancel coverage to anyone with a pre-existing condition.
- Any waiting periods for coverage cannot exceed 90 days.
- Health insurance plans cannot impose annual limits on the amount of coverage an individual may receive.
- For individual and small group policies, as well as policies sold through Exchanges, premium rating variations can be based only on age, premium rating area, family composition and tobacco use.
- The out-of-pocket limits paid by those with incomes up to 400% of the federal poverty level are reduced.

## 2015: Tax Changes

- Employers with 100 or more full-time employees must offer health care coverage or pay penalties.

## 2018: Tax Changes

- Impose a 40% nonrefundable excise tax on group insurers of employer-sponsored plans on the portion of annual premiums that exceed an inflation-adjusted \$10,200 for individual coverage and \$27,500 for family coverage.
- While insurers will be responsible for calculating and paying the tax, they can pass along the excise tax to their customers in the form of higher premiums.
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