



Health Care Reform Update



IMPORTANT NOTICE REGARDING HEALTHCARE REFORM Update #66 March, 2017

GOP Releases ACA Replacement Bill – American Health Care Act

On Monday house Republicans released the text of their proposed Affordable Care Act replacement bill, the American Health Care Act, which proposes to eliminate various taxes and penalties tied to the original legislation while still preserving certain patient protections.

Below are some of the highlights contained in the legislation:

Individual Mandate: This change is proposed to take effect retroactive to Dec. 31, 2015. This means people who did not purchase qualified health insurance coverage during 2016 would not have to pay a penalty when they file their 2017 tax returns.

Failure to Maintain Coverage: The new legislation would apply a penalty for failing to maintain coverage by allowing insurers to impose a surcharge of 30 percent for those who have a gap between health plans.

Employer Shared Responsibility: Elimination of the rules that require employers with 50 or more full-time workers to offer affordable health coverage or pay a penalty. This change is proposed to take effect retroactive to Dec. 31, 2015.

Premium Tax Credits: This change proposes to end the Affordable Care Act's subsidies for premium tax credits and out-of-pocket health costs for lower income people. As a replacement, the plan calls for issuing a refundable or advanced tax credit to customers of individual health plans, with the value of that credit tied to age and income. These credits would begin at \$2,000 for people in their 20s, and increase to \$4,000 for people over age 60. The plan allows these credits to be used for a broader range of health plans than are currently allowed credits would be available to individuals who earn up to \$75,000 annually, and to households that earn up to \$150,000. They would phase out at higher income levels.

It also appears tax credits will become available for unsubsidized COBRA premiums.

ACA Taxes: The proposed legislation will repeal the Affordable Care Act's taxes beginning in 2018. It however, will not repeal the Cadillac tax on the value of employer-based health plans that exceed stated thresholds, which was to be imposed by 2020 impose an excise tax. The legislation would extend the start of this tax out to 2025.

Health Savings Accounts: The proposed legislation increases the amount that can be contributed to a Health Savings Accounts. By 2018, the limits would be \$6,550 for an individual and \$13,100 for a family. The limits are set to mirror the amount of the high deductible health plan deductibles. Also, the tax associated with withdrawal of HSA funds for non-medical purposes will be changed from 20% to 10%

Flexible Spending Accounts: Annual contribution limits will be removed. Over the counter medications will be allowed from Flexible Spending Accounts starting with plan years beginning after December 31, 2017.



Health Care Reform Update



IMPORTANT NOTICE REGARDING HEALTHCARE REFORM Update #66 March, 2017

GOP Releases ACA Replacement Bill – American Health Care Act

Individual Health Plan Rating: Insurers also would be allowed to charge older people premiums up to five times the rate charged younger people, as opposed to the 3-to-1 rate allowed under Obamacare. That change could help insurers stem the losses from covering customers in the individual health plan market.

Medicaid Expansion Repeal: States would lose their authority to expand their Medicaid programs by 2020 and cap the amount of federal funding a state will receive per person. However, states would be given a total of \$100 billion to fund high-risk insurance pools or additional premium subsidies for their residents over a 10-year period.

Plan Design: Insurers would still be required to cover essential health benefits in their plans and from setting maximum limits. A qualified health plan will no longer include coverage for abortions, although insurers can opt to sell add on coverage for this. Tax credits will not be provided for the add on abortion coverage.

Planned Parenthood: The new proposal would target Planned Parenthood, rendering the women's health organization ineligible for Medicaid reimbursements or federal family planning grants.

Dependent to Age 26 and Preexisting Conditions: The legislation, meanwhile, would preserve protections for those with pre-existing conditions by prohibiting insurers from denying coverage or charging them more. It also would continue to allow young adults to stay on their parents' plans up to age 26.

The bill is certain to face hurdles in the Senate, where there has been some opposition to the idea of rolling back the current Medicaid expansion, the elimination of Planned Parenthood funding, and the risk of ending coverage for millions of Americans who have obtained insurance as a result of the ACA. Also, the bill has not yet been reviewed by the Congressional Budget Office, which will provide lawmakers with a proposed cost, and any revenues that would be generated.

Bernie Lowe & Associates, Inc. is not providing any legal advice with regard to compliance with the requirements of the Affordable Care Act ("ACA"). Bernie Lowe & Associates, Inc. makes no representation as to the impact of plan changes on a plan's grandfathered status or interpretation or implementation of any other provisions of ACA. Bernie Lowe & Associates, Inc. will not determine whether coverage is discriminatory or otherwise in violation of Internal Revenue Code Section 105(h).