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## The Affordable Care Act: An Overview

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*Both before and after the June 28, 2012 Supreme Court ruling which largely upheld the Affordable Care Act, we have fielded many questions about how it changes people's health insurance choices and tax liabilities. While certain details of "Obamacare" (such as the expansion of Medicaid) will be decided by each state individually, here is a helpful overview of key changes to health insurance and tax laws that may affect you.*

### Young Adults



If you are under 26, you may already be able to get health insurance through your parents' coverage. Beginning in 2014, when most Americans will be required to have insurance or pay a tax penalty, you'll have to buy coverage independently if you don't have it through your parents, a job or a government program. You may find that prices are more expensive than today's, since beginning that year, insurers won't be able to set premiums based on risk anymore. (Currently, if you're young and healthy, you are "low-risk" and therefore enjoy some of the lowest health insurance premiums.)

While most Americans will need comprehensive health insurance to fulfill the individual mandate, if you are an adult under 30 you will be able to meet the requirement with cheaper insurance that covers less.



### Women

As of August 1, 2012, more than 47 million women in America will now have cost-free access to the following services:

- ✓ **An annual well-woman preventive care visit** for adult women to obtain the recommended preventive services, plus additional visits if women and their doctors determine they're necessary.
- ✓ **Gestational diabetes screening**
- ✓ **HPV DNA testing:** Women who are 30 or older will now have access to high-risk human papillomavirus (HPV) DNA testing every three years,
- ✓ **STI counseling:** Sexually active women may receive annual counseling on sexually transmitted infections (STIs).
- ✓ **HIV screening and counseling**

- ✓ **Contraception and contraceptive counseling:** Women will have free access to all government-approved contraceptive methods, sterilization procedures and patient education and counseling. This does not include abortion drugs. Most workers in employer-sponsored plans are currently covered for contraceptives; however, employers with religious affiliations will not be required to pay for birth control. Rather, insurance companies providing health plans to such employers will cover the cost.
- ✓ **Breast-feeding support, supplies and counseling**
- ✓ **Interpersonal and domestic violence screening and counseling**

Read more: <http://healthland.time.com/2012/08/01/the-8-preventive-health-services-that-women-start-getting-free-today/#ixzz22nC9ycYT>

## **Low-to-Middle Income Earners**

Beginning in 2014, you may qualify for Medicaid if you earn less than 133% of the federal poverty level: \$14,856 in 2012. (Medicaid is a program funded and run jointly by the states and federal government, and part of the Supreme Court ruling said states can decide whether to adopt this new federal eligibility level.) If you earn more than 133% of the poverty level but less than 400% (\$44,680 in 2012) and don't have affordable job-based insurance, you may be eligible for federal subsidies to help you purchase insurance independently beginning in 2014.



## **Small Business Owners**



If your company has 25 or fewer employees, you may already be eligible for federal tax credits to help you buy health insurance for your workers. If you employ 50 or more workers and don't provide them with insurance – or they can't afford the insurance you offer – you could be fined starting in 2014. Depending on the size of your business and the state in which it is located, you may be able to purchase a less expensive small-group policy through a highly regulated health insurance exchange.

## **Employees at a Large Company**



Not much is likely to change for you right away. Employers with more than 200 workers will be required, beginning in 2014, to enroll them in health insurance plans. You can opt out if you don't want what's offered, but then you will need to purchase insurance on your own. If you enroll in coverage at work, you won't have much choice in insurance plans, as your employer will choose coverage options for you. New federal regulations will require that insurance to meet minimum standards.

## Seniors 65+ and other Medicare Enrollees

If you are enrolled in Medicare, you can already receive preventive care, like annual checkups, at no out-of-pocket cost. If you have prescription-drug coverage through Medicare and hit what's known as the doughnut hole – in which you must cover all of your drug expenses once total costs reach \$2,930 and until you spend \$4,700 out of pocket – you may have already received deep discounts on brand-name drugs and a \$250 rebate from the federal government. Over time, the doughnut hole will disappear.



If you have a Medicare Advantage plan, a private insurance policy under the auspices of Medicare, any extra benefits you receive beyond traditional Medicare coverage may eventually be cut.

## Those With A Pre-Existing Condition



You may already be eligible to enroll in a new “high-risk” pool for uninsured people in your state with pre-existing conditions. Beginning in 2014, insurance companies will not be able to turn you away based on your health status or set prices higher if you have a pre-existing health condition. In 2014, if you buy insurance independently, you will be able to start shopping for coverage that is vetted by the federal government or the state.

## Will You Be Penalized For Not Having Insurance?

You will not be penalized for going without health insurance if you are:

- A member of a religion that opposes health insurance;
- An undocumented immigrant;
- In jail;
- A member of an Indian tribe;
- Earning so little that you are not required to file an income tax return;
- Unable to find insurance that costs less than 8% of your income; or
- Already have insurance through a government program like Medicare or Medicaid or through your employer.

If none of the above apply to you, beginning in 2014 you must purchase health insurance independently or pay a penalty. The annual penalty per individual in 2014 will be \$95, in 2015 it will be \$325, in 2016 it will be \$695, and it will continue to increase every year you go without health insurance.

## Key ACA Changes to Health Insurance & Tax Policy

Now	By 2014
<ul style="list-style-type: none"> <li>• Public insurance plans have been set up in the states to cover some people with pre-existing conditions.</li> <li>• Insurers are required to cover some adult children up to age 26 on their parents' policies.</li> <li>• Some health insurance plans provide 100% coverage for preventive services.</li> <li>• Seniors with Medicare prescription-drug coverage who hit a coverage gap known as the doughnut hole – in which seniors must cover all of their drug expenses once their total costs hit \$2,930 and until they spend \$4,700 out of pocket – have received \$250 federal rebates and deep discounts on brand-name drugs.</li> <li>• <b>Since Jan. 1, 2011, employees with health savings accounts, flexible spending accounts or health reimbursement accounts have no longer been able to use pre-tax funds stashed in these accounts to buy over-the-counter medicines for allergy relief and the like without a doctor's prescription (there's an exception for insulin).</b></li> <li>• <b>Since July 1, 2010, folks using indoor tanning salons face a new 10% excise tax.</b></li> <li>• <b>Since Jan. 1, 2011, taxpayers who withdraw money from health savings accounts for non-medical expenses before age 65 face a 20% penalty, up from 10% before.</b></li> </ul> <p style="text-align: center;"><b>Starting in January 2013</b></p> <p><b>ACA's tax provisions include a 3.8% extra income tax on dividends, interest and capital gains for households making \$250K+/year (or individuals making \$200K plus each year).</b></p> <p><b>Employees will face a \$2,500 cap on the amount of pre-tax salary deferrals they can make into a healthcare flexible spending account. There is no cap under current law.</b></p>	<ul style="list-style-type: none"> <li>• Insurance companies will be required to price and sell policies to everyone, regardless of health status.</li> <li>• Nearly all Americans will be required to have health insurance, with some notable exceptions, including people whose only coverage options (after federal subsidies and employer contributions) exceed 8% of their income. <b>Anyone not buying "qualifying" health insurance must pay an income tax surtax. It goes up each year until 2016 and beyond when a couple would pay a tax of the higher of \$1,360 or 2.5% of adjusted gross income.</b></li> <li>• Millions may receive federal subsidies to help them afford insurance that's purchased independently. Subsidies may be available to people earning 133% to 400% of the federal poverty level (\$14,856 to \$44,680 in 2012).</li> <li>• States will have the option of expanding their Medicaid programs to include all individuals earning less than 133% of the federal poverty level.</li> <li>• <b>Individuals earning more than \$200,000 per year (\$250,000 for couples) will face a 0.9% tax hike (as the Medicare portion of income tax on these earners increases from 1.45% to 2.35% from 2.9% to 3.8% for self-employed high earners).</b></li> <li>• <b>Companies that employ 50 or more workers and don't provide insurance benefits – or that offer coverage their employees can't afford – may be fined.</b></li> <li>• <b>Starting in 2018, there will be a new 40% excise tax on taxpayers who are covered by "Cadillac" high-cost health insurance plans (with premiums at or above \$10,200 for a single or \$27,500 for a family). Insurers or employers who are self-insured will pay the tax, but it is expected to trickle down to mean higher costs for consumers.</b></li> </ul>

