

Health Care Reform

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Landmark Health Care Reform

On March 23, 2010, President Obama signed the Patient Protection and Affordable Care Act (Patient Act) into law. The House of Representatives also passed a reconciliation bill, the Health Care and Education Affordability Reconciliation Act of 2010, which makes changes to the Patient Act and is currently before the Senate for approval. Together, both pieces of legislation make sweeping reforms to health care in the United States.

U.S. citizens and legal residents will be required to have qualifying health insurance (exceptions apply) by 2014, or pay a fine. It is estimated that more than 32 million uninsured Americans will gain coverage through government subsidies to offset premiums, and through Medicaid coverage. The Congressional Budget Office projects that the final legislation will cut the national deficit. Nevertheless, the bill is projected to cost about \$940 billion. Some of that cost will be paid by:

- Imposing a tax of up to 2.5% of household income on individuals who lack qualifying health care coverage, to be phased in beginning in 2014
- Increasing the medical expense income tax deduction threshold to 10% of adjusted gross income, up from the current 7.5%
- Increasing the Medicare Part A tax rate by 0.9% on wages for individuals with earnings over \$200,000 and for married couples with earnings exceeding \$250,000, and assessing a new 3.8% tax on unearned income for these higher-income individuals
- An excise tax on so-called “Cadillac Plans”
- Imposing taxes or fees on health insurance providers and drug companies, while doctors and hospitals will receive less compensation from government sources

Key provisions effective within six months following enactment include:

- A provision that children covered by insurance can no longer be denied coverage because of pre-existing conditions
- Payment of \$250 rebate to Medicare Part D beneficiaries subject to the coverage gap (beginning January 1, 2010) and gradually reducing the beneficiary coinsurance rate in the coverage gap from 100% to 25% by 2020
- Insurers will not be able to impose lifetime caps on insurance coverage
- All plans offering dependent coverage will be required to allow children to remain under their parents' plan until age 26
- Insurers cannot cancel or deny coverage if you are sick except in cases of fraud
- Adults with pre-existing conditions will be able to buy coverage from temporary high-risk pools until 2014, when coverage cannot otherwise be denied for pre-existing conditions
- The creation of a long-term care insurance program to be financed by voluntary payroll deductions (effective January 1, 2011)

Key provisions effective on or before January 1, 2014, include:

- All Americans must carry health insurance or face a fine, with exceptions for economic hardship, religious beliefs, and other situations (e.g., a couple has income of less than \$19,000)
- Extends Medicaid coverage to non-disabled adults with incomes at or below 133% of the Federal Poverty Level
- Adults with pre-existing conditions cannot be denied coverage or have their insurance cancelled due to pre-existing conditions
- Requirement that states establish an American Health Benefit Exchange that facilitates the purchase of qualified health plans and includes an Exchange for small businesses; also requires employers that contribute toward the cost of employee health insurance to provide free choice vouchers to qualified employees for the purchase of qualified health plans through Exchanges
- Tax credits will be available to qualifying families to offset the cost of health insurance premiums
- Employers with more than 50 employees must offer health insurance for their employees or be fined per employee

Part of the Reconciliation Act passed by the House and presently before the Senate adds student loan provisions including:

- An end to the bank-based system of distributing federal student loans—private lenders would no longer receive government subsidies to make federal student loans and all such loans would now be made directly from the federal government to borrowers
- Annual inflation-adjusted increases would apply to the Pell Grant beginning in 2013
- \$2 billion would be paid over four years to community colleges to improve educational and career-training programs
- \$1.5 billion would be available over ten years to increase income-based repayment benefits for student loan borrowers—mandatory monthly payments would be limited to 10% of discretionary income (down from the current 15%), and outstanding loan balances would be forgiven after 20 years (down from the current 25 years)
- \$750 million over five years would be available for College Access Challenge grants to support state efforts to help more low-income students graduate from college
- \$255 million a year would be allocated to historically black colleges and minority-serving institutions