

Patient Protection and Affordable Care Act (Provided by SHRM | March 24, 2010)

Yesterday, President Obama signed into law [H.R. 3590](#), the Patient Protection and Affordable Care Act. This sweeping reform law includes many provisions that will impact both employers and employees.

- **Employer Requirement** – Penalties would be assessed on employers with 50 or more employees who fail to offer coverage to employees. The penalty would be assessed if even one employee receives a subsidy to purchase coverage through a health insurance exchange. Employers would also incur penalties if the coverage they offer is considered “unaffordable” to the employee or if the health plan has an actuarial value of less than 60 percent or pays less than 60 percent of covered health care expenses.
- **Individual Requirement** – The new law requires individuals to purchase health insurance coverage or pay a tax penalty beginning in 2014. The penalty, which is phased in, starts at \$95 or 0.5% of income per individual in 2014 and increases to \$750 or 2% of income in 2016. The penalties for families would be capped at \$2,250. Religious and hardship exemptions are available.
- **Excise Tax on High - Value Health Plans (“Cadillac” tax)** – Employers offering health plans that exceed a certain cost (the total employee and employer cost) would be subject to an excise tax on the amount above that value. For individual coverage, the threshold would be \$8,500; for family coverage, the threshold would be \$23,000. These thresholds would be indexed at Consumer Price Index plus one percentage point. Certain high-risk provisions would have a higher cost threshold.
- **Insurance Market Reforms** – The new law requires insurance plans to provide coverage to any individual who requests insurance. It also includes a prohibition on pre-existing condition restrictions in the individual and small group health care market. Health insurance premiums would be allowed to vary based only on tobacco use, age, family composition, and geographic location. Large employers that purchase coverage through a health care exchange would be eligible for the above insurance protections. Both self-insured and fully-insured plans are required to provide dependent coverage for children up to age 26. Health plans are also prohibited from establishing annual and lifetime dollar limits on coverage.
- **Wellness Programs** – Employers can offer increased incentives or rewards to employees for participation in a wellness program or for meeting certain health status targets beginning in 2014. Rewards or premium reductions up to 30 percent of the cost of coverage are now permissible.
- **Free Choice Vouchers** – Employers offering coverage are required to provide “free choice vouchers” to qualified employees to purchase insurance through the exchanges. To be eligible for a voucher, an employee’s contribution under the employer’s plan would be between 8 percent and 9.8 percent of income, and the employee’s income would be at or below 400 percent of the Federal Poverty Level.
- **Flexible Spending Accounts (FSAs)** – Contributions to health FSAs would be capped at \$2,500 beginning in 2011 and over-the-counter medicines would only qualify for reimbursement with a doctor’s prescription.
- **Medicare Hospital Insurance Tax** – Beginning in 2013, an additional Medicare tax of 0.9 percent is imposed on individuals with income in excess of \$250,000 for joint filers or \$200,000 for single filers.

More Changes Pending

While the new health care legislation was signed into law just this week, some additional changes are expected to be made in the coming days as part of what is called budget reconciliation. These changes, which include several of the effective dates and requirements outlined above, are being made as part of the agreement negotiated between the House and Senate to approve the overall health care reform package.

To review a side-by-side chart of the new health care law and the anticipated changes to it contained in the budget reconciliation bill, click [HERE](#).

SHRM is committed to helping you understand this new law and implement it now and as it continues to evolve. A number of resources are available to SHRM members immediately to help you navigate this complex issue – and more will be announced soon.

- [SHRM's Health Care Resource Page](#) is the go-to place for all the latest offerings in the health care realm.
- Click [HERE](#) to listen to a free pre-recorded overview of the final health care reform package by Mike Aitken and Lisa Horn of SHRM's Government Affairs department.
- Click [HERE](#) to sign-up for an in-depth webcast titled "Health Care Reform: Leading Your Organization's Response" on April 7. This special SHRM session will be conducted by Frank McArdle, Principal and Manager, Hewitt and Associates.