Health Care Reform and You

Timelines and Implications of the Law for Individuals

Updated as of February 2016

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The *Patient Protection and Affordable Care Act* and the *Health Care and Education Reconciliation Act of 2010* (collectively referred to as "health care reform") were signed into law in March 2010. The law was upheld as constitutional by the U.S. Supreme Court in June 2012, and the legality of tax credits for coverage obtained on the federal exchanges was upheld in June 2015. The primary purpose of the law is to extend health care to millions of uninsured Americans.

To prepare for the short- and long-term impacts of this health care law, you should be aware of changes that have occurred.

This overview highlights provisions of the law that are already in effect to help you understand the potential impact of these changes. The laws may affect your health care options, in some cases ensuring coverage will be available where none may have been before.

Your CPA will help guide you through this law. For more information on upcoming provisions, contact your CPA today — they look forward to hearing from you!

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Health Care Reform Timeline

The health care law contains provisions that have had and will continue to have a significant impact on health coverage. The IRS will administer the tax provisions included in the law. Review these highlighted provisions to better understand the health insurance coverage and financial assistance options for individuals and families.

Health Care Provisions

PROVISION	EFFECTIVE DATE	WHAT THIS MEANS FOR YOU
Individual Shared Responsibility Payment: Individuals and their dependents must either have health care coverage or an exemption from coverage — if not, they may be subject to a tax penalty. The penalties for not carrying individual coverage include: • **2014:** $95 per adult and $47.50 per child up to $285 per family or 1% of household income above the tax-filing threshold, whichever is greater. • **2015:** $325 per adult and $162.50 per child up to $975 per family or 2% of household income above the tax-filing threshold, whichever is greater. • **2016:** $695 per adult and $347.50 per child up to $2,085 per family or 2.5% of household income above the tax-filing threshold, whichever is greater. Note that most individuals already have qualifying health care coverage and will not need to do anything more than maintain that coverage. *Income is defined as total gross income in excess of the filing threshold ($10,150 per individual or $20,300 per family in 2014). The penalty is prorated by the number of months in a year. The penalty cannot be greater than the national average premium for Bronze coverage in the health insurance marketplace. After 2016, penalty amounts are increased annually by the cost of living.	2014	Similar to car insurance for licensed drivers, minimum health insurance coverage is required for most U.S. citizens and legal residents. If you do not obtain health insurance through your employer, you can go to a public or private marketplace. **Exemptions from coverage:** • You're uninsured for less than three months of the year • The lowest-priced coverage available to you would cost more than 8% of your household income • You don't have to file a tax return because your income is too low • You're a member of a federally recognized tribe or eligible for services through an Indian Health Services provider • You're a member of a recognized health care sharing ministry • You're a member of a recognized religious sect with religious objections to insurance, including Social Security and Medicare • You're incarcerated (either detained or jailed) and not being held pending disposition of charges • You're not lawfully present in the United States • You qualify for a hardship exemption For more information visit healthcare.gov.
Individuals With Pre-existing Conditions: The Pre-Existing Condition Insurance Plan (PCIP) was created to provide temporary health insurance (until 2014) to individuals uninsured due to pre-existing conditions.	2014	If you had difficulty getting insurance due to a pre-existing condition, the PCIP provided temporary insurance that covered primary and specialty care, hospital care and prescription drugs. The PCIP did not charge a higher premium because of medical conditions and did not base eligibility on income. More information is available from PCIP at pcip.gov. *Note: The Federal PCIP Plan stopped accepting new enrollments in February 2013 until further notice*
Premium Tax Credit: This credit can help make the cost of purchasing health insurance coverage through the health insurance marketplace more affordable for individuals and families with low to moderate incomes.	2014	In general, you may be eligible for the credit if you meet all of the following: buy health insurance through the health insurance marketplace; are ineligible for coverage through an employer or government program; are within certain income limits; file a joint return, if married; and cannot be claimed as a dependent by another person. The Department of Health and Human Services administers the requirements for the marketplace and the health plans they offer. For more information visit healthcare.gov.
Waiting Period Limits: Employers cannot wait longer than 90 days from when the employee is eligible under the plan to provide health insurance.	2014	You should be offered enrollment into your employer's health insurance plan no later than 90 days after you are eligible for coverage.
Health Insurance Marketplace: The open-enrollment period to purchase health care coverage through the Health Insurance Marketplace begins in November.	November through January of following year	You may have received a letter from your employer providing information about the new marketplace and any health insurance coverage your employer may offer. Learn more at healthcare.gov.
FSA Contribution Limit: Contributions to medical FSA are limited to $2,550 per year (to adjust annually for inflation) or the plan maximum.	2013	If you contribute funds from your paycheck to a medical flexible spending account, the maximum amount you will be allowed to contribute per year will be the lesser of the plan maximum or $2,550 (statutory maximum — raised from $2,500 in 2014). This maximum will be adjusted annually for inflation.

Health Care Provisions

PROVISION	EFFECTIVE DATE	WHAT THIS MEANS FOR YOU
Medicare Taxes: The employee portion of Medicare increased by 0.9% (from 1.45% to 2.35%) on employee wages or compensation that exceed $200,000 for individuals, $250,000 for married filing jointly or $125,000 for married filing separately.	2013	If you are a high-income taxpayer, you can expect to see these increases in taxes to support Medicare. Contact your CPA to determine the actual impact you will experience from these tax increases.
Itemized Medical Deduction: The itemized deduction threshold for unreimbursed medical and dental expenses increases to 10% of adjusted gross income (but remains 7.5% through 2016 for individuals age 65 or older).	2013	You can claim an itemized deduction for unreimbursed medical expenses in excess of 10% of your adjusted gross income. This deduction threshold is increased from 7.5% of adjusted gross income. Contact your CPA to determine if this change will have an impact on you.
Medical Loss Ratio Rebates of Health Insurance Premiums: Insurance carriers must issue rebates to policyholders if less than a standard percentage of their premiums was spent on clinical services and health care quality improvement activities.	2012	Beginning in 2012, health plans were required to report the percentage of each premium dollar that was spent on medical claims in the prior year. This calculation was based on aggregate market data in each state. If the percentage was less than 80% (for small groups and individuals), rebates for the difference were sent to policyholders prior to Aug. 1 of the following year.
W-2 Reporting Requirement: Employers filing 250 or more Form W-2s in the prior year must report the aggregate value of health coverage benefits.	2012 (for employers filing 250 or more Form W-2s in the previous year)	Additional documentation is required for employers filing 250 or more Form W-2s for informational purposes only. The value of health care coverage as reported by your employer is found in box 12 and identified by Code DD on your Form W-2. This requirement does not represent a new tax to be imposed on you.
Ineligible Medicines: Over-the-counter drugs and medicines (other than insulin) are no longer eligible for reimbursement under a HRA, HSA or medical FSA unless prescribed by a doctor. (This does not affect other eligible medical care items, such as bandages, contact lens solution, etc.)	2011	You may purchase over-the-counter drugs or medicines without a doctor's prescription, but the funds for these purchases cannot be reimbursed to you by your HRA, HSA or FSA.
HSA Distribution Penalty: Penalties for HSA distributions used for purposes other than qualified medical expenses increased from 10% to 20%.	2011	Since HSA contributions are not taxed, if HSA funds are used for reasons other than qualified medical expenses, you will be charged a penalty of 20% on the funds used. The term "qualified medical expenses" includes amounts paid for the medical care of yourself, your spouse or your dependents, but only if the amounts are not compensated by insurance or otherwise. Refer to your HSA plan or your insurance provider for a list of qualified medical expenses.
Brand-Name Prescription Discount: Pharmaceutical manufacturers are providing a 50% discount on brand-name prescriptions filled in the Medicare Part D coverage gap.	2011	If you are on Medicare and your total drug costs have reached the Part D coverage gap level, the cost of brand-name prescriptions will be discounted 50% by the pharmaceutical manufacturer.
Lifetime Limits: Insurers no longer can impose lifetime limits on essential benefits or drop coverage due to serious illness.	2010	To ensure no individual is dropped from health coverage, lifetime limits on essential benefits are no longer allowed and insurers cannot drop your coverage due to serious illness.
Dependent Coverage: Participants of a health FSA can submit eligible expenses incurred by their dependents on or after March 30, 2010, through the end of the calendar year in which the dependent turns 26.	2010	Contact your benefits provider or plan administrator for specifics related to your FSA plan. *Note: Prior to Jan.1, 2014, grandfathered plans were not required to provide coverage to a dependent if they had access to their own employer-sponsored coverage.*

The health care reform law aims to expand access to health care coverage and reduce the number of uninsured in the United States.

Some of the provisions included in the law will have a positive impact on individuals, including:

- Insurance companies are no longer able to refuse coverage based on pre-existing conditions or lifetime dollar limits
- Employers must offer health insurance to eligible employees within 90 days
- The Health Insurance Marketplace, which offers varied benefit levels and pricing for health insurance plans with the possibility to receive advance payments of the premium tax credit that will immediately help lower monthly premiums
- Contributions to medical FSAs were raised to $2,550 per year

However, some of the provisions required by the law may pose challenges to individuals, including:

- Over-the-counter drugs and medicine will no longer be eligible for reimbursement under an HRA, HSA or medical FSA unless prescribed by a doctor
- The penalty for a non-qualified HSA distribution increased from 10% to 20%
- Increased Medicare taxes for certain higher-income individuals

Your CPA can help guide you through this law. For more information on current and upcoming provisions of health care reform, contact your CPA today.

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