

Obamacare and You

Obamacare has three main themes:

- It expands access to health care.
- It is designed to end insurance abuse.
- It is designed to make health care more affordable.

47 million Americans are uninsured. The Affordable Care Act contains 2402 pages of legislation to fix this situation. How will this happen? Read inside.



The Affordable Care Act (Obamacare)

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (most commonly referred to as Obamacare).

The goal of Obamacare is to provide all US citizens with affordable health insurance and to reduce the cost of health care spending.

This goal is to be achieved by requiring all Americans to have insurance, penalizing those who do not have it, and imposing new taxes to raise revenue so all Americans can have affordable

care, even those who were previously uninsurable.

In spite of Republican efforts to repeal the legislation, the Supreme Court upheld the constitutionality of the law on June 28, 2012. The high court determined that requiring Americans to have health insurance, and charging penalties to enforce it are a tax that Congress is authorized to levy.



Health Care Reform Timetable

The following changes have already taken effect from 2010 to 2012:

- Indoor tanning services are paying a 10% excise tax on services performed.
- Small employers can get a tax credit for providing medical insurance.
- Employer health plans are allowed to extend coverage for children up to age 27.
- Over the counter medicines are no longer reimbursed through flex plans.

- Non-qualifying HSA/MSA distributions pay a 20% penalty.

The following changes are now taking place in 2013:

- High earning taxpayers will pay an additional Medicare tax of .9%.
- High income taxpayers will pay a surtax of 3.8% on unearned income.
- The threshold for deducting medical expenses will increase to 10% for those under 65.
- Annual FSA contributions are capped at \$2,500.

- A tax of 2.3% will be imposed on the seller, manufacturer or importer of any medical device.

In 2014 the following are scheduled to happen:

- Individuals not having health insurance will face a penalty.
- An excise tax will be imposed on health insurance providers.

In 2015:

- Large employers not offering health insurance will pay a penalty.

The Health Insurance Requirement

Beginning on January 1, 2014 US citizens and residents are required to have minimum essential health insurance coverage including at least the following ten essential health benefits:

- Ambulatory patient services (outpatient care)
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and substance use disorder services
- Prescription drugs
- Rehabilitative services and devices
- Laboratory services
- Preventive and wellness services and chronic disease management
- Pediatric services



Beginning October 1, 2013, taxpayers can purchase health insurance for 2014 from exchanges. Insurance must be purchased by December 15, 2013 to be effective on January 1, 2014.

The Penalty

Taxpayers who are not covered will pay a penalty. The penalty will start small and increase over time.

In 2014:

- Uninsured individuals will pay the greater of \$95 or 1% of their income over the tax filing threshold.

In 2015:

- Uninsured individuals will pay the greater of \$325 or 2% of their income over the tax filing threshold.

In 2016:

- Uninsured individuals will pay the greater of \$695 or 2.5% of their income over the tax filing threshold.

After 2016:

- The penalty will be indexed for inflation.

This penalty will be paid as an additional tax on the annual tax return.

The Health Insurance Marketplace

Each state will have an exchange (marketplace) where you can buy minimum essential coverage. So far, 23 states are running their own exchange. The remaining states have exchanges run by the Federal government.

You can find a link to your state's exchange at www.healthcare.gov.

At the exchange you can fill out an application to see what plans are available in your area.

You can apply online, by mail, or in person.



Marketplace plans

Marketplace plans can not discriminate for preexisting conditions, gender, family history, or occupation. They are priced using only two criteria: age and tobacco use. Nearly one of every 5 adults smokes. The Affordable care act allows health insurers to charge smokers buying individual policies up to 50% more. The law also allows the states to limit or change the smoking penalty.

There are five categories of plans that you can purchase:

Platinum: This plan must cover 90% of average health care costs.

Gold: The gold plan must cover 80% of average health care costs.

Silver: The silver plan must cover 70% of average health care costs.

Bronze: The bronze plan must cover 60% of average health care costs.

Catastrophic: This plan is only available for individuals under age 30.

The cost of insurance will rise, and in general, the deductible will fall as you move up the scale from bronze to platinum.



If you're uninsured, it's time to go shopping.

The Premium Assistance Credit

When you enter the marketplace, you will need birthdates and Social Security numbers for yourself and other family members listed on your tax return. You will also need to know information about your income, so having a copy of your tax return handy would be a good idea.

Premium Assistance Credits are tied in with the Federal Poverty Level (FPL). For example, in 2012, the FPL for

One person families is \$11,170.

Two person families is \$15,130, and

Four person families is \$23,050.

Taxpayers below 133% of the FPL are generally eligible for Medicaid.

Those with incomes under 400% of the FPL will generally get reduced insurance costs. The Premium Assistance Credit is paid to the insurance company to reduce premiums paid for insurance.

The credit only applies to insurance purchased through the marketplace (exchange).

Both telephone help and online chat are available to help you if you have trouble shopping for insurance.

Who does not need to apply?

Individuals who are incarcerated, not legally present in the United States, members of certain religious sects, and American Indians are exempt.

If you are already on Medicare or Medicaid, Children's Health Insurance, military coverage, veterans health care, or any other government insurance, you are already covered and



do not need to use the exchange.

If you are part of your employer's eligible plan, you are already covered.

If you have a plan that you have purchased that provides minimum essential coverage, you can keep with that plan. You might, however, find a better deal with the marketplace (exchange).

The biggest challenge to the American consumer will be understanding the new health insurance laws enough to make a purchase.

How Obamacare legislation affects you

Individuals will have many coverage options during open enrollment. You will not be denied coverage even if you are ill. Costs to insure the ill and injured will be shared among those insured, increasing premiums.

Were you unable to get affordable insurance in the past because of preexisting conditions? You are the big winner. The marketplace will provide you with an affordable plan.

Are you young and healthy? If you are under age 30, you can buy a cheap catastrophic policy. Those over age 30 are more likely to pay a higher premium in order to provide insurance for all.

Does your employer already provide the minimum essential health insurance coverage? You will probably not see a lot of change.

Do you work for a large employer (over 50 full time employees) who does not provide insurance? The employer mandate to purchase insurance has been delayed until 2015. At that point, your employer will be penalized for not insuring you if you are a full time employee.

If you are an early retiree paying Cobra premiums? You may find that the marketplace will give you a cheaper rate.

Do you have your own previously purchased policy? If your income is under the 400% of the Federal Poverty level, you may get a subsidy if you purchase insurance on the state run exchange. It's time to go shopping.

Is your income under 133% of the Federal Poverty level? You may qualify for Medicaid.

Is your income over \$200,000 (single) or \$250,000 (married/joint)? In order to fund Obamacare, you will be paying a surtax of 3.8% in tax to the extent your investment income exceeds the above threshold.

You will also be paying a Medicare surtax of .9% on your earned income (from working) exceeds the above levels.

Do you usually deduct medical expenses on your tax return? The threshold for deducting medical expenses was raised from 7.5% to 10% for those under age 65 in order to fund Obamacare.

Do you have a flexible spending account for medical expenses at work? Pretax deposits were limited to \$2,500 for 2013 and beyond.

Obamacare seems to be here to stay. So far, it has been upheld by the Supreme Court, and many of the provisions are beginning to take shape. Hopefully, the 47 million uninsured Americans will find a place in this new system.

Sources For More Information

- A wealth of information is available to further research the Affordable Care Act at www.healthcare.gov. The information on this website is written in simple, easy to read language. Use this site to link to your state's marketplace. Online help is available 24/7 with a chat function.
- Questions can also be answered at any time by calling 1-800-318-2596.
- You can also get in-person help from "navigators" who are trained to help you apply.
- Local health centers have received \$150 million in grants to help with applications.
- The Kaiser Family Foundation has done extensive research on Obamacare. You can check them out at kff.org. They have created a subsidy calculator tool to help with premium assistance.
- The IRS has also created a new section on its website (irs.gov) to help explain the Affordable Care Act to taxpayers.

