The Patient Protection and Affordable Care Act (PPACA, or "Obamacare") will change your health insurance, healthcare, income, and job. You'll gain some benefits, but also a long list of burdens. All of this is scheduled to occur on January 1, 2014, though it is increasingly doubtful that state and federal governments will be ready to implement the changes by that date.

CribSheet 12-17 9/28/12

PPACA: A Healthcare Law Guide for Employees

BENEFITS: Your kids can stay on your policy until age 26.

Some items may benefit employees. Your children can remain on your health insurance policy up to age 26. Previously, many would have needed their own policies at an earlier age. This provision has increased premiums by around 1%.

Insurers won't be able to refuse to sell to you if you are ill.

"Guaranteed issue" means that an insurer must sell you an insurance policy at any time, even if you are seriously ill or are likely to have an expensive medical condition in the future. The insurer can't charge you higher premiums because you have a pre-existing medical condition.

Insurers can't cancel you if you become ill.

For many years, it has been unlawful for an insurer to cancel your insurance when you develop a serious medical condition. PPACA restates this longstanding prohibition on "recission."

Insurers must cover preventive services.

PPACA entitles you to a sizable list (65 as of 9/7/12) of preventive services with no out-of-pocket costs. In other words, you can get these services without any co-pays or deductibles.

Some employees will get subsidies.

If your household income is below 4 times the federal poverty level, government subsidies may help you pay for your health insurance. However, subsidies will not be available to employees who are insured through an employer's plan, and PPACA will not allow an employee to leave an employer plan unless his share of the premium exceeds 9.5% of household income.

Insurance premiums will appear on W-2s.

Beginning in 2013, your IRS Form W-2 will show the total amount your employer spent on your health insurance in the previous year.

Some employers get a temporary tax credit.

PPACA offers some employers a temporary tax credit to encourage them to provide insurance. 170,300 small businesses have received the credit, with an average of $2,748 each.

Medicare's "doughnut hole" will close.

For employees with Medicare Part D plans, the "doughnut hole" will disappear by 2020. The doughnut hole is a range of spending on drugs above the Part D plan's coverage limit but below Medicare's Catastrophic Coverage. In this range, the recipient has previously covered all costs out of pocket.

TAX BURDENS: You must buy health insurance or else pay a large tax.

Employees will pay a long list of new taxes, some of them hidden. PPACA's individual mandate tax requires most Americans to have health insurance or to pay a tax for not having insurance. For example, in 2016, a family of 3 with annual income of $26,000 will have to buy insurance or else they will pay a $2,085 tax. (The calculations are explained here.)

You may have to pay a new tax on insurance.

If you get insurance through a small business or buy it on your own, you'll have to pay a new Health Insurance Tax (HIT) of around $500 in increased premiums per year per family. The tax doesn't apply to most employees who get insurance through big businesses, labor unions, or government employers.

You'll pay a new tax on brand-name drugs.

Drug companies will pay a new tax on brand-name prescription drugs, but the tax will be passed along to you through higher premiums.

You'll pay a new tax on medical devices.

Medical device manufacturers will pay a new 2.3% tax on their products but will pass the tax on to you through higher premiums. One industry analysis suggests this may cause a loss of more than 43,000 jobs. Medical devices range from bedpans to MRI machines.

For many, there's a new tax on over-the-counter purchases.

Before PPACA, an employee with a Flexible Spending Account (FSA) or Health Savings Account (HSA) could use pre-tax dollars to buy over-the-counter medications and other healthcare items. PPACA prohibits that, so this is effectively a tax increase on employees.

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Flexible Spending Accounts are now limited to $2,500 per year.

Before PPACA, you could use an FSA to pay for high-cost health-related expenses with pre-tax dollars, but PPACA limits the annual amount to $2,500. **Example**: You can no longer pay for your disabled child's $14,000 special needs school tuition with pre-tax dollars. Under PPACA, only $2,500 of the expense is tax-free; you must pay the remaining $11,500 with fully-taxed dollars.

OTHER BURDENS:

PPACA may require you to go on Medicaid.

Employees will lose choices. If your income and family size qualify you for Medicaid, PPACA won't allow you to stay on your employer's plan. Example: A couple with 3 children and income of $41,000 can get private insurance through an employer. If the couple has a fourth child, however, PPACA will force them to leave the employer's insurance and go on Medicaid because the **federal poverty level (FPL)**, which determines who is and is not on Medicaid, increases with family size.

You may have to change insurance plans frequently.

If your household income tends to fluctuate, you may have to move back and forth between a private insurance policy and Medicaid – possibly **multiple times per year**. Each time this happens, you may have to change doctors, hospital, etc.

PPACA may force your insurer to drop you as a customer.

PPACA's rules will render some policies unprofitable, so your insurer could cease offering your policy. We have already seen this happening in certain markets. For example, PPACA rendered child-only insurance policies unprofitable, so most **insurers ceased selling** child-only plans.

PPACA penalizes many employers for keeping full-time employees.

An employer with 50 or more full-time employees or full-time equivalents will face **heavy penalties** if any full-time employees obtain subsidies. A business can escape some or all of these **penalties** by using part-time rather than full-time employees or by downsizing below 50 employees.

PPACA may lead to scarcity among providers.

PPACA greatly increases the demand for doctors and other healthcare providers, but it does not add significantly to the supply of those providers in the near term. Demand will increase as 30 million Americans gain insurance coverage and all Americans gain an extensive list of free services. Thus, you may find it harder to get an appointment with a doctor, and the price may be higher.

EHB mandates fall primarily on small business.

The Essential Health Benefits (EHB) mandates only apply to insurance you get on your own or through a small business – not on most employees who get insurance through big businesses, labor unions, or government employers. These mandates will increase the cost of insurance.

PPACA reduces Medicare reimbursements.

According to the nonpartisan Congressional Budget Office, PPACA reduces Medicare payments by over $700 billion in order to fund other portions of the law. A board will have the power to determine which procedures Medicare pays for and to cut the pay that physicians and hospitals receive for services.

Some employees will lose Medicare Advantage plans.

Medicare currently allows some older employees and retirees to pay extra for access to competing private insurance plans through Medicare Advantage. Under PPACA, many seniors will lose their access to Medicare Advantage and will be shifted into traditional Medicare coverage.

You should ask your Representative and Senators to explain.

How can you learn more? By enacting PPACA, Congress and the President made decisions that will strongly affect your health, your wealth, and your life. Find out what the law means to you. If you have questions, you may want to ask your elected officials to explain the law and to justify what it does to you.

You need to stay informed.

NFIB provides information on PPACA at **www.nfib.com/healthcare**, **www.nfib.com/cribsheet**, and at **NFIB Healthcare Playbook**. However, these sites only provide general information—not legal advice. For more specific information, stay in touch with your employer, an insurance agent, an accountant, etc.

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