

## THE AFFORDABLE CARE ACT: CONSUMER TAX CREDITS

Tax credits are available to individuals and families who purchase private health plans through health insurance exchanges. The credits are available to those with incomes between 100 percent and 400 percent of the federal poverty level. The credit is applied immediately by the health insurance exchange so that consumers don't have to wait for a tax refund.

The chart below shows the amount a single person will pay in health insurance premiums and receive in tax credits each month, based on income and age. For example, a 20-year-old who makes \$16,245 a year (150 percent of poverty) will pay \$58 a month in premiums; the tax credit will be \$225 a month, almost 80 percent of the total premium.

Monthly Premiums and Tax Credits for Single Persons, by Age and Income

Annual Income (and % of poverty)	20-Year-Olds		60-Year-Olds	
	Premiums	Subsidies	Premiums	Subsidies
\$10,830 (100%)	Medicaid	Medicaid	Medicaid	Medicaid
\$16,245 (150%)	\$58	\$225	\$58	\$790
\$21,660 (200%)	\$121	\$162	\$121	\$727
\$32,490 (300%)	\$273	\$9	\$273	\$574
\$43,320 (400%)	\$283	\$0	\$364	\$483
Over \$43,320	\$283	\$0	\$848	\$0

The Kaiser Family Foundation offers an online calculator where people can determine what their tax credits and premium costs will be. Go to <http://healthreform.kff.org/SubsidyCalculator.aspx>.



## THE AFFORDABLE CARE ACT: CARE WE NEED AT A PRICE WE CAN AFFORD

In March 2010, Congress passed and President Obama signed into law the Patient Protection and Affordable Care Act. Under the new law:

**Access:** Americans will have better access to affordable health plans. Individuals, families, and businesses will be eligible for new tax credits to help them buy health insurance. Low-income workers will gain health coverage through Medicaid.

**Security:** Insurers will no longer be able to deny coverage or charge higher rates due to a pre-existing condition. Insurance reforms will also ban other discriminatory practices, such as lifetime caps on benefits. People will have the security of knowing they won't lose their coverage because of changes in their health, age, employment or income.

**Quality:** Health care quality will be improved through greater emphasis on prevention and wellness, more research about which treatments and drugs have the best outcomes for patients, and stronger focus on addressing racial disparities in health and health care.

**Efficiency:** New methods of curbing cost increases will be implemented, including strengthening preventive services and primary care, limiting the amount that insurance companies can charge for administrative overhead, and paying for quality and not just the quantity of services provided in Medicare.

*“We have a profound opportunity to build a strong new foundation for West Virginia and create a more secure and reliable health care system that works for all.”*

– Senator Jay Rockefeller



West Virginians for Affordable Health Care

[www.wvahc.org](http://www.wvahc.org)

# THE AFFORDABLE CARE ACT:

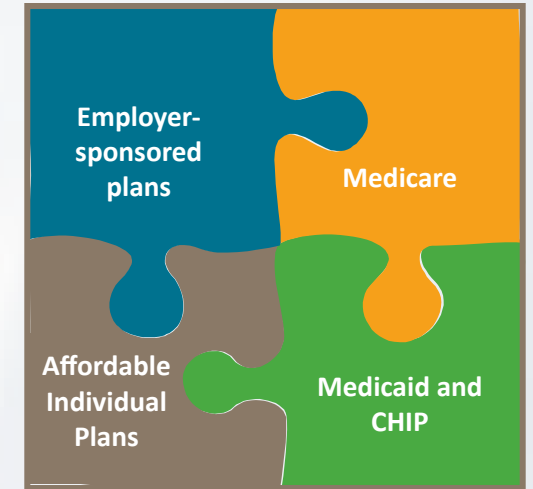
## Moving Forward in West Virginia

### A Brief Guide to the Patient Protection and Affordable Care Act of 2010



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## THE AFFORDABLE CARE ACT: A HEALTH PLAN FOR EVERYONE

The Affordable Care Act closes most of the current gaps in health care coverage by strengthening our current system of Medicare, Medicaid, and private insurance.

**Employer-sponsored plans** will continue to cover people who get health insurance at work. Small business tax credits will make it easier for many employers to offer health plans.

**Medicare** will continue to cover people who are elderly or disabled. The “donut hole” in coverage for prescription drugs will be reduced and eventually eliminated.

**Medicaid and CHIP** will still cover income-eligible children. Medicaid will expand in 2014 to cover more low-income adults, including many low-wage workers who don't have employer coverage. Everyone under the age of 65 who lives in a family that earns less than 133 percent of the federal poverty level will qualify for Medicaid. About 122,000 West Virginians will benefit from this expansion.

**Affordable individual plans** will be offered through new health insurance exchanges to people who don't have coverage through their employers, Medicare, or Medicaid. As many as 178,300 West Virginians will be eligible for tax credits in 2014 to purchase health policies in the health insurance exchange.

This brief guide provides highlights of the new law. A pdf of this guide along with in-depth information on the many provisions of the Act is available at [www.wvahc.org](http://www.wvahc.org).

For information on the implementation of the Affordable Care Act in West Virginia visit [www.healthreformwv.org](http://www.healthreformwv.org).

## THE AFFORDABLE CARE ACT: KEY INSURANCE REFORMS IN 2010

NOTE: The 2010 reforms to individual and group health policies take effect during the annual renewal of those policies on or after September 23, 2010. For most policies, these reforms became effective on January 1, 2011.

### Lifetime Limits:

The Affordable Care Act prohibits insurance companies from placing lifetime limits on the dollar value of essential benefits. This will protect people with cancer and other expensive medical conditions from losing their insurance.

### Medicare Donut Hole:

Seniors with high prescription drug costs will save thousands of dollars each year under the Affordable Care Act. Currently, Medicare does not cover prescription drug costs that fall above \$2,840 and under \$6,448 in a given year (referred to as the “donut hole”). In 2010, seniors who reached the donut hole received a one-time payment of \$250 to help offset their costs. In 2011, they will receive a 50 percent discount on brand-name drugs and a seven percent discount on generic drugs. By 2020 the donut hole will be completely eliminated.

### Pre-Existing Conditions in Children:

Insurance companies may no longer deny coverage to children under the age of 19 due to pre-existing conditions, nor may they issue policies that exclude coverage for pre-existing conditions. The Affordable Care Act does not immediately prohibit insurance companies from charging a higher premium for children with pre-existing conditions, a practice called medical underwriting. Medical underwriting is not prohibited until 2014.



## THE AFFORDABLE CARE ACT: MORE INSURANCE REFORMS IN 2010

### Rescissions:

Insurance companies are prohibited from retroactively cancelling health insurance policies—except in cases of fraud or intentional misrepresentation of a material fact.

### Preventive Services:

All new insurance plans must cover preventive measures that have been clinically proven to be effective by the US Preventive Services Task Force. Insurance companies may not charge consumers a deductible, copayment, or co-insurance for these services. The services include well child visits, pap smears, mammograms, colorectal exams, immunizations for both children and adults, and many other screens.



### Patient Protection:

The three components of patient protection are:

1. patients and parents can choose any primary care physician or pediatrician who is in their insurance company's network and is accepting new patients;
2. women can go to their OB/GYN physician without obtaining prior authorization from their primary care providers; and
3. patients can seek emergency care without prior authorization even if the hospital or medical provider is not in the insurance company's network. New limits are placed on how much insurance companies can charge patients if they receive emergency services in out-of-network hospitals.

## THE AFFORDABLE CARE ACT: KEY INSURANCE REFORMS IN 2014

### Pre-Existing Conditions, All Ages:

Insurance companies may no longer deny coverage to anyone due to pre-existing conditions, issue policies that exclude pre-existing conditions, or charge higher premiums because of them.

### Guarantee Issuance and Renewal:

Insurance companies will be required to offer insurance policies to all applicants and to renew an insurance policy upon request.

### Medical Underwriting:

Insurance companies will be prohibited from charging higher premiums based on a person's health status or gender. Insurance companies will be allowed to charge higher premiums based only on age, tobacco use, geographic area, and family size. Employer-sponsored insurance plans may charge different premiums to employees who achieve wellness goals and those who don't.

### Annual Limits:

Insurance companies may not impose any annual limits on the dollar value of essential benefits.

### Individual Responsibility:

Beginning in 2014, individuals will be required to have qualified health insurance or pay a penalty. There are exemptions from the individual responsibility, including people with incomes below the IRS threshold for filing income taxes; those for whom the lowest cost plan would consume more than eight percent of their income; those with religious objections; and those who are uninsured for less than three months.



Information on the effort to implement the provisions of the Affordable Care Act in West Virginia can be found at [www.healthreformwv.org](http://www.healthreformwv.org).

## THE AFFORDABLE CARE ACT: AND EMPLOYERS

### Small Business Tax Credits, Phase I:

About 90 percent of West Virginia's small businesses qualify for the Phase I tax credits in effect from 2010 through 2013. Employers with 10 or fewer employees and average wages of \$25,000 or less will qualify for tax credits of 35 percent of the employers' contribution to premiums. The credit is phased out on a sliding scale to those employers with fewer than 25 employees and average wages of less than \$50,000.

Employers that pay 50 percent or more of the total premium are eligible for the tax credit.

Nonprofit organizations qualify under the same criteria except their tax credit is capped at 25 percent of the employers' premium payment. Since nonprofit organizations do not pay income tax, their payroll taxes are reduced in order to receive the tax credit.

### Small Business Tax Credits, Phase II:

Small businesses that purchase health insurance through a health insurance exchange will be eligible for tax credits. Most of the same criteria for the tax credits in Phase I apply to the tax credits in Phase II, although the maximum percentage of tax credits increases from 35 percent to 50 percent of the employer's premium contribution, and from 25 percent to 35 percent for nonprofits. Note: Tax credits in Phase II can only be taken for two years.

### Employer Responsibility:

Currently, businesses that provide employee health insurance are at a competitive disadvantage compared to those that don't. The Affordable Care Act helps level the playing field among large businesses with 50 or more employees by requiring them to provide health coverage or pay a penalty, beginning in 2014. A very small percentage of large employers would be subject to penalties under the Affordable Care Act, and small employers are exempt altogether.

