Health Insurance News



MADISON
INSURANCE GROUP
Business • Life & Health • *Private Client*

ACA/AHCA Update
WHAT'S HAPPENING 'ON THE HILL'?

June 26, 2017

As we all know, the Senate's discussion draft of the American Health Care Act (AHCA) came out late last week. Here's a summary of how it compares to the House's plan on some major items.

Employer Mandate - As with the House bill, the employer mandate would be eliminated as of January 1, 2016.
Employer Reporting - As with the House bill, the discussion draft does not address the 1095-C and 1094-C reporting rules. Unlike the House bill however, the discussion draft does not impose a new W-2 reporting requirement. Accordingly, this discussion draft would make it less likely that Treasury could decide not to enforce the 1095-C and 1094-C reporting requirements.
Cadillac Tax - As with the House bill, the Cadillac Tax would be delayed until 2026.
Tax Exclusion for Employer-Provided Healthcare - As with the House bill, the discussion draft would not limit the value of health coverage that could be provided to employees on a tax-free basis.
Pre-Existing Conditions - Unlike the House bill, the discussion draft would not allow states to waive the community rating requirements. As under current law, insurance companies would remain unable to price individual insurance policies based on the health status of the applicant.
Continuous Coverage Requirements - Unlike the House bill, the discussion draft does not contain penalties for failure to maintain continuous coverage. As under current law, employers would not need to provide evidence of creditable coverage.

> ***Note:*** *As with the House bill, this discussion draft reduces the individual mandate penalty to $0 retroactive to 2016. Without an individual mandate or an incentive to maintain continuous coverage, it is unclear how this bill would avoid "death spirals" in the insurance market.*

Essential Health Benefits - Unlike the House bill, the discussion draft does not contain a separate provision to allow states to waive the essential health benefit requirements. However, under current law, states can waive the essential health benefit requirements as part of a State Innovation Waiver. The discussion draft would modify the requirements for State Innovation Waivers to make it easier for states to qualify for them.
Plan Design Provisions - As with the House bill, this discussion draft would not change or remove any of the plan design provisions (sometimes referred to as "market reform provisions") of the ACA.
OTC Drug Reimbursements - As with the House bill, HSAs and FSAs would again be allowed to reimburse over-the-counter drugs beginning in 2017.
FSA Limit - As with the House bill, the healthcare FSA reimbursement limit (currently $2,600) would be eliminated. However the House bill would eliminate the limit in 2017, whereas, this discussion draft would eliminate the limit beginning in 2018.
HSA Provisions - As with the House bill, beginning in 2018:

- The maximum HSA contribution amount (currently $3,400/self or $6,750/family) would be increased to equal the maximum out-of-pocket maximum (currently $6,550/self and $13,100/family).
- If both spouses are eligible to make catch-up contributions, they could make them both to the same HSA.
- If an HSA is established within 60 days of the date an individual begins high deductible health coverage, qualified medical expenses incurred during the period of high deductible health coverage would be reimbursable tax-free from the HSA -- even if they were incurred before the HSA was established.

As with the House bill, beginning in 2017, the penalty tax for using HSA funds for non-medical purposes would decrease from 20% to the pre-ACA level of 10%.

RDS Deduction - As with the House bill, Medicare Part D retiree drug subsidies would again become deductible as a business expense beginning in 2017.
Individual Tax Credit - Unlike the House bill, this discussion draft would not replace the current premium tax credit with a new individual tax credit. However, this discussion draft would modify the credit in a number of ways, including:

- The credit would not be available to individuals who are eligible for employer-provided health plan coverage other than accepted benefits. As with the new credit in the House bill, even unaffordable or non-minimum value coverage would disqualify the individual.
- The credit would be reduced if the individual was provided a qualified small employer health reimbursement arrangement (QSEHRA). As with the new credit in the House bill, this reduction would be similar to the reduction applicable under current law but would not include an affordability component.
- Instead of requiring the individual to have household income of 100%-400% of the federal poverty level, the bill would require the individual to have household income under 350% of the federal poverty level. By contrast, eligibility for the new credit in the House bill is not tied to household income but would phase-out based on income above a certain level (which level would be significantly higher than 400% of the federal poverty level).
- The amount of the credit would be modified, but it would still be primarily based on income level. By contrast, the House bill's new tax credit would be a flat amount based on age with a phase-out based on income above a certain level.

Small Business Tax Credit - As with the House bill, the small business tax credit would be repealed beginning in 2020. Between 2018 and 2020, the small business tax credit generally would not be available for plans that provide coverage relating to elective abortions.

Please give us a call with any questions: Glenn Niccolai – (973) 200.4762 & Denise Heller – (973) 200.4782

65 MADISON AVENUE, SUITE 330, MORRISTOWN, NJ 07960 WWW.MADISONINSURANCE.COM