



## House Republicans Pass Amended American Health Care Act (AHCA)

On May 4, 2017, the US House of Representatives voted to pass an amended version of the American Health Care Act (AHCA). The AHCA is intended to replace the current Affordable Care Act (ACA). The law now goes to the Senate, where changes will likely be made to it before a vote happens. It is important to note that unless the AHCA is passed by the Senate and signed into law by President Trump, the ACA will remain intact.

### New Additions to the AHCA

#### State Waivers

The MacArthur Amendments added to the AHCA allow states to obtain limited waivers from certain federal standards in order to lower premiums and increase the number of insured people. States can apply for waivers based on the ACA's EHB requirement and community rating rules, but cannot allow rating based on gender, age, or health status.

#### State Stability Fund

The amendments to the AHCA establishes an additional Patient and State Stability Fund that will be in effect for 2018-2023. States that are granted a waiver from community rating can receive an additional \$8 billion in funding to provide assistance in reducing premiums or out of pocket costs for those who may be subject to an increase in premium costs because they reside in a state with an approved waiver, have a pre-existing condition, are uninsured due to a lapse in coverage, or purchase health care in the individual market.

### About the AHCA

#### What Parts of the ACA Will Not Be Impacted?

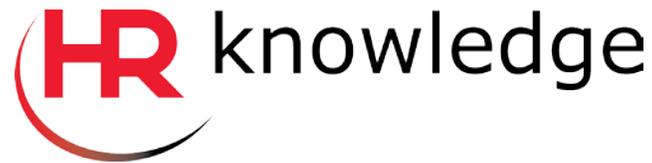
The American Health Care Act would keep the following ACA provisions in place:

- Cost-sharing limits on essential health benefits (EHBs) for non-grandfathered plans
- Prohibition on lifetime and annual limits for EHBs
- Requirements to cover pre-existing conditions
- Coverage for adult children up to age 26
- Guaranteed availability and renewability of coverage
- Nondiscrimination rules (on the basis of race, nationality, disability, age or sex)
- Prohibition on health status underwriting
- Age rating restrictions continue to apply with age ratio limit revised to 5:1, and states can set their own limits
- EHBs are reinstated as the federal standard, but states can obtain waivers from these rules (MacArthur amendment)

#### Removal of Employer and Individual Mandates

The American Care Act would effectively repeal the employer and individual mandates of the ACA by reducing the penalties imposed to zero. These changes would also apply retroactively for any months beginning after December 31, 2015.

#### Continuous Coverage Incentive



If the act is passed, starting with open enrollment for 2019, insurance providers would be permitted to add a 30% late enrollment surcharge to the premium cost for applicants that had a lapse in coverage during the previous 12 months for 63 days or more. This surcharge would be discontinued after 12 months.

### **Replacing Health Insurance Subsidies with Tax Credits**

Currently, the ACA offers premium tax credits as a federal subsidy for certain low-income individuals who purchase coverage through the Exchanges. The American Health Care Act would repeal these subsidies and replace them with a portable, monthly tax credit that all individuals can use to purchase any state approved major medical health insurance and unsubsidized COBRA coverage. The ACA small business tax credit would also be repealed beginning in 2020.

### **Enhancements to Health Savings Accounts (HSAs)**

The American Health Care Act would allow HSA contributions up to the maximum out-of-pocket limits allowed by law. Beginning in 2018, the law would also allow married spouses to make catch-up contributions to one HSA if both are eligible and have family coverage. Also in 2018, HSA funds can be used to pay for expenses incurred prior to the establishment of the HSA, if the HSA is established within 60 days after HDHP coverage starts.

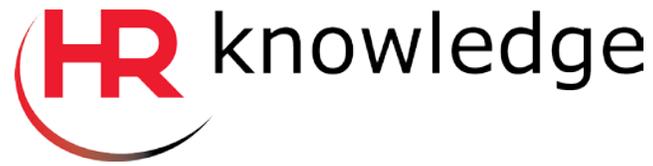
### **Relief from ACA Tax Changes**

The following taxes would be repealed or altered by the American Health Care act if passed:

- Cadillac tax: the 40% excise tax on high cost employer-sponsored health coverage would become effective after December 31, 2025 instead of the current 2020 start date.
- Using HSAs for over-the-counter medications: the new law would allow the use of certain tax-advantaged HSAs to be used for OTC purchases starting in 2017.
- HSA withdrawal tax: the new law would lower the tax rate on distributions from an HSA that are not used for qualified medical expenses made after December 31, 2017.
- FSA limits: Currently under the ACA, individuals can contribute a maximum of \$2,600 to a health FSA. The American Health Care Act would remove this limit on contributions.
- Medicare tax: The tax rate for high-income individuals increased under the ACA, requiring an additional .9 percent of wages, compensation, and self-employment income over certain thresholds to be withheld would be repealed starting in 2023.
- Deduction limitation for Medicare Part D subsidy: The new law would reinstate the business-expense deduction for retiree prescription drug costs without reduction by the amount of any federal subsidy.
- Other repealed taxes include medical device excise tax, health insurance annual providers fee, and the annual fee on certain brands of pharmaceutical manufacturers. The medical expense deduction income threshold will return to pre-ACA levels in 2018.

### **Medicaid Changes**

The American Health Care Act would repeal the ACA's Medicaid expansion, and make certain other changes aimed at modernizing the Medicaid program. Enhanced federal payments would be made to states that already expanded their Medicaid programs, and financing for Medicaid would be transitioned into a "per capita allotment" model in 2020, where per-enrollee limits would be imposed on federal payments to states. States will also have the option to implement a work requirement for nondisabled, nonelderly, and nonpregnant adults in order to receive Medicaid coverage.



### **What's Next?**

The AHCA now goes to the Senate, where it is expected they will make additional changes to the law before voting on it. The ACA will remain intact until the Senate passes the AHCA and President Trump signs it into law. We have prepared an info sheet with additional information on the law, which can be [accessed here](#). Please [contact us](#) if you have any additional questions on the proposed AHCA changes.

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