

### A Comparison of the Affordable Care Act (ACA) and the American Health Care Act (AHCA)

	ACA	AHCA
Employee Pre-Tax Treatment of Group Plan Premiums	Requires employers to report the cost of coverage under an employer-sponsored group health plan.	<u>Does not</u> cap the employee tax deduction for employer-sponsored coverage; retains the obligation that the employer report coverage amounts on Form W-2, and an additional W-2 field is added: each month with respect to which an employee is eligible for a group health plan.
Insurance Subsidies	Provides income-based subsidies (available to eligible individuals with incomes between 100%-400% of the federal poverty level); computes such credits on a sliding scale with the credit amount decreasing as income increases.	<p>Replaces individual subsidies with a tax credit that is tiered by age:</p> <ul style="list-style-type: none"> <li>• \$2,000 per year for anyone under 30;</li> <li>• \$2,500 per year for 30-39;</li> <li>• \$3,000 per year for 40-49;</li> <li>• \$3,500 for 50-59; and</li> <li>• \$4,000 for over 60.</li> </ul> <p>Reduces the credit amount for individuals with income over \$75,000, or \$150,000 for joint filers, by 10% of gross income over those threshold amounts; includes an annual subsidy cap for any taxpayer of \$14,000, and would deny eligibility for the credit if coverage includes abortions or if married couples file individually.</p> <p>Limits the tax credit to individual market plans and unsubsidized COBRA coverage. Credits are not available to individuals who are eligible for a group health plan (including employer plans), Medicare, Medicaid or other government coverage. They also are not available for ACA grandfathered or grandmothered (i.e., grandfathered plans that received</p>

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		<p>transition relief from CCIIO) plans.</p> <p>Directs HHS and other federal agencies to establish an advance payment program under which credit payments can be made directly to health care providers on behalf of eligible tax payers.</p> <p>Establishes a new fund to provide around \$85 billion in tax credits for individuals age 50-64 who would see their premiums increase (note: the Senate would need to decide how to allocate this money).</p>
Individual Mandate	Requires individuals (unless exempted) to obtain ACA-compliant health insurance or else pay a tax penalty.	Repeals individual mandate retroactive January 1, 2016; creates a “continuous coverage” requirement, under which individuals who are without health insurance for more than two months will face a 30% penalty when they buy a new insurance plan.
Employer Mandate	Requires employers with 50 or more full-time employees to offer ACA-complaint health insurance; absent such an offering, imposes a tax penalty on the employers.	Repeals employer mandate retroactive January 1, 2016.
Essential Health Benefits	Requires insurers to offer ten essential health benefits to be deemed ACA-compliant.	Allows states to establish and define their own standards for essential health benefits beginning in 2018; however, [the MacArthur Amendment would reinstate EHBs as a federal standard but would instead allow states to apply for waivers to “encourage fair health insurance premiums,” according to the amendment text].
Wellness	Permits employers to adopt wellness incentives for group health plan participants to meet wellness targets.	Retains wellness incentives as permitted under the ACA.
HSAs	Leaves in place HSA rules authorized by the Medicare Modernization Act of 2003, including	Retains, modifies, and adds many requirements, including: <ul style="list-style-type: none"> <li>Increases annual tax free contribution limit to equal</li> </ul>

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	<ul style="list-style-type: none"> <li>• Allows individuals to put \$3,400 and families to put \$6,750 into a tax-free health savings account;</li> <li>• Non-qualified distributions are subject to a 20% tax penalty, though amounts withdrawn for qualified medical expenses are not subject to income tax; and</li> <li>• Establishes strict rules regarding HSA reimbursement of the cost of over-the-counter medications (only prescribed medicines are considered qualifying medical expenses and subject to preferred tax treatment).</li> </ul>	<p>the limit on out-of-pocket cost sharing under qualified high deductible health plans (\$6,550 for self only coverage, \$13,100 for family coverage in 2017);</p> <ul style="list-style-type: none"> <li>• Allows spouses to make catch-up contributions to the same HSA;</li> <li>• Reduces tax penalty for HSA withdrawals used for non-qualified expenses from 20% to 10%; retains provision that amounts withdrawn for qualified medical expenses are not subject to income tax; and</li> <li>• Eliminates the prohibition on over the counter drugs as qualified medical expenses.</li> </ul>
Taxes and Fees	Levies industry fees against insurance companies, pharmaceutical manufacturers, and medical device manufacturers; and taxes net investment income and high-cost, employer-sponsored coverage (“Cadillac tax”).	<p>Repeals several of the ACA taxes and fees beginning in 2017:</p> <ul style="list-style-type: none"> <li>• Annual provider fee;</li> <li>• Medicare tax increase;</li> <li>• ACA net investment income tax;</li> <li>• Prescription drug tax; and</li> <li>• Medical device tax.</li> </ul> <p>Eliminates the Cadillac tax for years 2020 through 2025 (leaving the possibility that the tax could be imposed beginning in 2026).</p>
Popular ACA Market Reforms	<p><u>Preexisting Condition Coverage</u>: Prohibits insurers from denying coverage to people who have preexisting medical conditions.</p> <p><u>Dependent Coverage (Under 26)</u>: Allows individuals to stay on their parents’ health insurance plans until the age of 26.</p> <p><u>Annual Lifetime Limits</u>: Prohibits insurers from setting a limit on how much they have to pay to cover an individual.</p>	<p>Retains all of the provisions; however, [the MacArthur Amendment’s creation of an “invisible risk pool” would effectively allow insurers in the individual market to charge a higher premium to individuals with preexisting condition. While the text provides that “nothing in this Act shall be construed as permitting insurers to limit access to health coverage for individuals with preexisting conditions,” the use of these pools indicates a more costly outcome for those with preexisting conditions].</p>

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Age Rating	Permits insurers to charge elderly customers no more than 3 times what they charge young adults.	Increases the ratio, allowing insurers to charge elderly customers up to 5 times what they charge young adults.
Medicaid Expansion	Allows states to expand Medicaid coverage for low-income individuals by expanding the eligibility cutoff.	Discontinues the Medicaid expansion in 2020 (but allows states to continue expansion with less federal support); allows states to impose a work requirement on nondisabled, nonelderly, non-pregnant adults as a condition of Medicaid coverage; and otherwise restructures the federal financing system for Medicaid.