

May 4, 2017

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

	<b>ACA</b>	<b>AHCA</b>
<b>Employee Pre-Tax Treatment of Group Plan Premiums</b>	Premiums for employer-sponsored coverage excluded from employees' taxable income; employers required to report cost of coverage on Form W-2.	<u>Does not</u> cap the employee tax benefit 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.
<b>Insurance Subsidies</b>	Federal income-based subsidies (available to eligible individuals with incomes between 100%-400% of the federal poverty level) for individual coverage purchased on the exchanges.	<p>Replaces federal subsidies with a refundable tax credit that is tiered by age:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> \$2,000 per year for anyone under 30;</li> <li><input type="checkbox"/> \$2,500 per year for 30-39;</li> <li><input type="checkbox"/> \$3,000 per year for 40-49;</li> <li><input type="checkbox"/> \$3,500 for 50-59; and</li> <li><input type="checkbox"/> \$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; credits capped for family at \$14,000 per year; no credit eligibility if coverage includes abortions.</p> <p>Limits the tax credit to individual market plans and unsubsidized COBRA coverage (on or off exchanges). 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</p>

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		available for ACA grandfathered or grandmothers (i.e., grandfathered plans that received transition relief from CCIO) plans.
<b>Individual Mandate</b>	Requires individuals (unless exempted) to obtain ACA-compliant health insurance or else pay a tax penalty.	Effectively eliminates the individual mandate by making penalty \$0 as of 2016; incentivizes continuous coverage by imposing a 30% surcharge on otherwise-applicable premiums for individuals who go more than 2 months without coverage (subject to state waivers that permit health status underwriting in some circumstances).
<b>Employer Mandate</b>	Requires employers with 50 or more full-time employees to offer ACA-complaint health insurance; absent such an offering, imposes penalties on covered employers.	Effectively eliminates the employer mandate by making penalty \$0 as of 2016.
<b>Essential Health Benefits</b>	Requires individual and small group plans to offer 10 essential health benefits; no dollar limits allowed on essential health benefits (including in large group market)	States may apply for waivers to establish their own essential health benefit requirements for individual and small group markets
<b>Wellness</b>	Permits employers to adopt wellness incentives, within certain nondiscrimination parameters, for group health plan participants to meet wellness targets.	Retains ACA wellness program structure.
<b>HSAs</b>	Leaves in place HSA rules authorized by the Medicare Modernization Act of 2003, including: <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>□ Only prescribed medicines (non OTC) are considered qualifying medical expenses that get preferred tax treatment.</li> </ul>	Modifies certain HAS rules, including: <ul style="list-style-type: none"> <li>□ Increases annual tax free contribution limit to equal 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);</li> <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);</li> </ul>

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		and <ul style="list-style-type: none"> <li><input type="checkbox"/> Allows OTC drugs as qualified medical expenses.</li> </ul>
<b>Taxes and Fees</b>	Levies various fees and taxes on, <i>inter alia</i> , insurance companies, pharmaceutical manufacturers, and medical device manufacturers; and taxes net investment income and high-cost, employer-sponsored coverage (“Cadillac tax”).	Eliminates the Cadillac tax for years 2020 through 2025 (leaving the possibility that the tax could be imposed beginning in 2026).  Repeals several other ACA taxes and fees beginning in 2017: <ul style="list-style-type: none"> <li><input type="checkbox"/> Annual provider fee;</li> <li><input type="checkbox"/> Net investment income tax;</li> <li><input type="checkbox"/> Prescription drug tax; and</li> <li><input type="checkbox"/> Medical device tax.</li> </ul> Medicare payroll tax increase repealed as of 2023.
<b>Popular ACA Market Reforms</b>	<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 certain dollar limits on how much they will pay.</p>	Retains ACA market reforms.  Regarding preexisting conditions - states may apply for waivers that allow health status underwriting, in certain circumstances, for individuals who do not maintain continuous coverage (in lieu of 30% surcharge).
<b>Age Rating</b>	Permits insurers to charge elderly customers no more than 3 times what they charge young adults.	Increases the ACA ratio, allowing insurers to charge elderly customers up to 5 times what they charge young adults.  State waivers also available to further increase the age rating ratio.
<b>Medicaid Expansion</b>	Allows states to expand Medicaid coverage for low-income individuals, and provides federal support for such expansion.	Discontinues the ACA’s Medicaid expansion in 2020 (but allows states to continue expansion with less federal support); allows states to impose a work requirement on

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		nondisabled, nonelderly, non-pregnant adults as a condition of Medicaid coverage; and otherwise restructures the federal financing system for Medicaid into a per capita model (with per-enrollee caps on federal payments).