

# The Affordable Care Act: What Californians Should Know

Revised July 2012

The federal Affordable Care Act (ACA) aimed at reforming our nation's health care system became law in March 2010, but its implementation is staged over a number of years. Some provisions have already taken effect and others will be implemented in 2014 and beyond. This overview summarizes the effects of the ACA on Californians.

## ACA Impact on Californians To Date





- About 435,000 Californians age 19-26 kept health insurance by remaining on their parents' plans. Without the ACA, most would have lost coverage when they turned 19 or ceased to be full-time students.
- About 11,000 Californians with serious medical conditions have coverage through a new Pre-Existing Condition Insurance Program. Without the ACA, they would have been uninsured.
- Children under 19 can no longer be denied coverage due to a pre-existing medical condition.

- New policies can no longer impose lifetime limits on benefits. This change protects the very sick from potentially devastating costs.

## ACA Impact on Californians in 2014: Overview






- Medi-Cal eligibility will be expanded.
- Insurers will be prohibited from denying coverage because of a pre-existing medical condition.
- Individuals will be required to obtain health insurance—through an employer-sponsored plan, a public program such as Medi-Cal, or by purchasing it on their own—or face a penalty.
- Large employers will be required to provide health insurance or be subject to potential penalties.
- A **health benefit exchange** will be established to help consumers compare and enroll in insurance plans.
- Federal subsidies will be provided to help qualifying individuals, families, and small businesses to afford health insurance.

## Changes in 2014 for Californians with No Insurance

| Annual Income   |   | Coverage Options  | Cost   |
|---|---|---|--|
| Individual<br> | Family of Four<br> |    |   |
| Up to \$14,856  | Up to \$30,657  | <b>Eligible for Medi-Cal.</b> Low-income Californians who are U.S. citizens, as well as most legal immigrants, can enroll in Medi-Cal, the state's Medicaid program.  | Small copayments for selected services. A provider may not refuse care if a patient cannot pay for the cost of a visit.  |
| Up to \$44,680  | Up to \$92,200  | <b>Eligible to buy subsidized private coverage through a new health insurance exchange market.</b> Participating insurers must offer a package of "essential" benefits that covers at least 60% of average health expenses. | Buyer's share of premium may not exceed 2% of annual income at the low end of the earning scale to 9.5% at the top. Yearly limits on out-of-pocket costs also apply. |
| \$44,681 and above  | \$92,201 and above  | <b>Required to buy private coverage.</b> Consumers in this income category are ineligible for subsidy.  | Subject to market rates. Individuals who remain uninsured will be liable for penalties of up to 2.5% of their income unless they qualify for certain exemptions.     |

**What if I'm sick and need coverage before 2014, but no insurer will sell it to me?** Uninsured Californians with health problems may qualify for insurance through a temporary, state-run program at market rates, with no lifetime or annual payout limits. More information on the Pre-Existing Condition Insurance Plan is available at (877) 428-5060 or <http://www.pcip.ca.gov/Home/default.aspx>.

## Changes in 2014 for Californians with Insurance

| Source of Coverage  | Coverage Options   | New Costs and Benefits   |
|---|---|---|
| <p>Employer Plan</p>       | <ul style="list-style-type: none"> <li>• <b>Stay in employer plan.</b> If your employer continues to offer coverage, you can keep it.</li> <li>• <b>Shop for coverage through the health benefit exchange.</b> Small businesses and people whose employer offers only minimal benefits, or who must pay more than 9.5% of their income in premiums, can look for better options in the exchange.</li> </ul>   | <p>Lifetime dollar limits on insurance payouts are eliminated.</p> <p>Medicare taxes will increase for individuals with annual incomes above \$200,000, or families earning more than \$250,000.</p> <p>Annual contributions to Flexible Spending Accounts will be capped at \$2,500, and can no longer be used for over-the-counter drugs.</p> <p>Employer-provided insurance valued at \$10,200 or higher (\$27,500 for families) will be subject to federal tax.</p> |
| <p>Individual Policy</p>  | <ul style="list-style-type: none"> <li>• <b>Keep current plan.</b> If your insurer continues to offer the same coverage, you can renew it. However, new policies must comply with federal minimum coverage standards; older plans that don't meet this test cannot enroll new customers.</li> <li>• <b>Shop for coverage through the health benefit exchange.</b> Individuals with incomes below \$43,320 can qualify for federal tax credits to help offset premium costs.</li> </ul>  | <p>Lifetime dollar limits on insurance payouts are eliminated. Caps on out-of-pocket costs apply.</p> <p>Medicare taxes will increase for individuals with annual incomes above \$200,000, or families earning more than \$250,000.</p>   |
| <p>Medicare</p>          | <ul style="list-style-type: none"> <li>• <b>Basic benefits and eligibility.</b> No change. All Californians who qualify under today's rules will continue to do so.</li> <li>• <b>Medicare Advantage.</b> Medicare Advantage plans will eliminate cost-sharing for many preventive services.</li> <li>• <b>Access to services.</b> Physicians who treat Medicare patients in rural areas, inner cities, and other underserved areas will be paid a 10% bonus, which may make it easier for beneficiaries to obtain care.</li> </ul> | <p>Free annual check-ups and wellness programs, including screening tests.</p> <p>Gaps in drug coverage phased out.</p> <p>Monthly premium payments for drug coverage will increase for individuals with incomes above \$85,000 and couples earning more than \$170,000.</p>  |

### Will the ACA be implemented as planned?

In 2012 and beyond, federal and state developments could affect whether and how the ACA takes effect. The recent Supreme Court decision largely upheld the law as written, but allows states to opt out of the broad Medicaid expansion slated for 2014 without losing all federal funding they receive for Medicaid.

Congress might act to overturn or amend the law, particularly if the 2012 national election results in major shifts in Congress and a new President. Federal and state budget negotiations could also influence how the law is implemented.

### Where to go for more information

Details on the health reform law are available at [healthreform.gov](http://healthreform.gov). General questions can be emailed to [healthreform@hhs.gov](mailto:healthreform@hhs.gov).