



H.R. 3590, “Patient Protection and Affordable Care Act”
Passed U.S. Senate December 24, 2009 – 60 to 39

Employers

- Taxes large employer plans (more than 50 workers) that impose longer than 30-day waiting periods on coverage eligibility up to \$600 per full-time employee (Section 1513)
- Imposes tax on large employers who do not offer health coverage or offer coverage that costs more than 9.8 percent of an employee’s modified gross income, beginning 6 months after the legislation is passed(MGI), thereby forcing the individual to seek a subsidy (Section 10108)
 - Penalty when no coverage is offered is \$750 per employee
 - Penalty when coverage offered is more than 9.8 percent of MGI is \$3,000 per employee receiving subsidies or \$750 per employee, whichever is less
- Requires employers who offer coverage to provide vouchers to low- and middle-income workers to obtain insurance on their own through state-based insurance exchanges (Section 10108)
 - Individuals who earn up to 400 percent of the Federal Poverty Level (\$88,200 for a family of four) would be eligible for the vouchers if their group premium costs exceed 9.8 percent of their modified gross income
 - Employees can use value of value of employer’s contribution to find insurance through a state-based exchange with tax-free voucher if employer coverage is deemed insufficient
- Permanently grandfathers in employer plans existing at time of passage of the Act offering any level of coverage (Section 1251 and Section 1401)
 - These plans are not required to adopt insurance reforms or quality standards, with several small exceptions
 - Congressional Budget Office found that relatively few non-group policies would remain grandfathered by 2016¹

- Imposes a 40-percent excise tax on the excess cost of employer-sponsored plans that are above threshold amounts, a.k.a. “Cadillac plans” (Section 9001)
 - 2013: \$8,000 threshold amount for individual policy and \$23,000 threshold amount for family policy
 - Higher threshold for individuals in “high-risk” professions
 - Tax not indexed to medical inflation
 - Disproportionately affects small businesses because they lack the numbers to adequately spread risk and are burdened by state-mandated benefit requirements
 - Would raise \$148.9 billion over ten years²

- Places cap on Flexible Savings Account contributions beginning in 2012 (Section 9001)

¹ Congressional Budget Office. *An Analysis of Health Insurance Premiums Under the Patient Protection and Affordable Care Act*, available at <http://cbo.gov/ftpdocs/107xx/doc10781/11-30-Premiums.pdf>. 30 November 2009.

² Joint Committee on Taxation. *Estimated Revenue Effects of the Manager’s Amendment to the Revenue Provisions Contained in the “Patient Protection and Affordable Care Act,”* available at <http://www.jct.gov/publications.html?func=startdown&id=3641>. 19 December 2009.