



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

**Insurers**

- Caps insurance industry executives' salary deductibility at \$500,00 beginning in 2013 (Section 9014)
- Imposes health-related excise taxes:
  - Annual fee on medical device makers that can rise to \$3 billion (Section 9009)
  - \$10 billion annual tax on insurance companies beginning in 2011 (Section 9010)
  - \$2.3 billion tax on pharmaceutical manufacturers (Section 9008)
- Strikes the House's federal government-run public option and replaces it with state-run exchanges (Section 1311 and Section 1334)
  - Office of Personnel Management shall enter into contracts with health insurers to offer at least two multistate qualified health plans through the exchange in each state, at least one of which must be non-profit
  - The plans must be licensed in each state and meet federal and state requirements
  - At least one plan must not offer coverage for elective abortion services
  - Enrollees in the multistate plan will be treated as a separate risk pool from enrollees in the Federal Employee Health Benefits Program
- Requires all plans to submit a justification for any premium increase in advance (Section 2794)
  - Allows the Exchange to reject insurance company bids that have "excessive" price increases – legislation does not define the term "excessive"
- Uninsured individual is eligible for health insurance even if they have a pre-existing condition (Section 1101)
- Prohibits the reimbursement of over-the-counter drugs from Health Savings Accounts (HSAs), Flexible Savings Accounts (FSAs), and Medical Savings Accounts (Section 9003)

- Requires insurers with a medical loss ratio of less than 80 percent in the individual and small group market, or 85 percent in the large group market, to offer rebates to beneficiaries (Section 2718 and Section 9016)
  - Applicable period applies both before and after the Exchanges are in effect
- Requires all insurers to implement internal claims denial appeals and mandates that states make available external appeals processes (Section 2719 and Section 2793)
- Repeals the current allowance of tax deductibility of subsidies offered to companies who offer prescription drug coverage to retirees (Section 9012)
- Raises the threshold to itemize health expenses from 7.5 percent to 10 percent of adjusted gross income beginning in 2013 (Section 9013)
- Creates a high-deductible catastrophic policy for young adults under the age of 30 with an initial \$5,950 deductible, indexed over time (Section 1302)
- Directs the Secretary of Health and Human Services to establish a national strategy to improve the delivery of health care services, including a comparative effectiveness trust fund (Section 3011 and Section 6301)
  - This initiative and other demonstration projects are to be funded through transfers from the Federal Hospital Insurance Trust Fund and Federal Supplemental Medical Insurance Trust Fund
- Every insurer in the individual or group market in a state must accept every individual or employer in the state that applies for such coverage and must renew or continue coverage at the option of the plan sponsor or individual (Section 2702 and Section 2703)
- Does not allow underwriting based on age or gender (Section 3203)
- No underwriting based on age allowed for enrollment in the CLASS Independence Benefit Plan (Section 3203)
- Health insurer offering group or individual coverage must make coverage for a dependent adult child who is not married until the age of 26 (Section 2714)