

The Affordable Care Act (ACA) 411

What is the Affordable Care Act (ACA)? The Patient Protection and Affordable Care Act, is often referred to as the ACA. It is the federal health care reform law, signed into law by President Barack Obama on March 23, 2010. The ACA is primarily intended to expand health care coverage, and contains measures intended to control health care costs and change the health care delivery system.

The ACA contains many new health insurance mandates, including measures specifying the types of health care services that must be covered and that insurance companies not deny a person based on pre-existing conditions. It includes mandates on individuals and employers, subsidies, and tax credits that are intended to help increase the coverage rate and reduce the number of uninsured individuals. It also contains new penalties and taxes, reductions in Medicare payments, and other measures to try to help pay for new subsidies.

Why should you be concerned about ACA? Per the ACA law, if you are able to afford health insurance but do not have coverage in 2014, you may have to pay a penalty. The penalty for 2014 is 1% of your annual income or \$95 per person for the year, whichever is higher.

What is the Exchange? The ACA will facilitate the purchase and sale of qualified health care coverage in the individual market. To do this, states had to decide between one of the following three options:

1. Develop a state-based exchange;
2. Develop a partnership exchange with the federal government; or
3. Use the federal exchange known as the Federally Facilitated Marketplace (FFM).

Pennsylvania is among the 51 percent of states that have chosen this model.

The Federally Facilitated Marketplace is often referred to as the Exchange. The Exchange is scheduled to be operational on October 1, 2013, with the start of open enrollment. Beginning October 1st, individuals should be able to go onto the Exchange and purchase insurance. The Exchange will also determine eligibility for the Advanced Premium Tax Credit (APTC) and Cost Sharing Reductions for household with income between 100 and 400 percent of the federal poverty level (FPL).

What are the Advance Premium Tax Credit and Cost Sharing Reduction? The Advance Premium Tax Credit is a new tax credit beginning in 2014 intended to help individuals and families afford health care coverage purchased through the Exchange. Advance payments of the tax credit can be used to lower monthly premium costs, and would be furnished directly to an individual's selected insurance company.

The cost sharing reduction is a discount that lowers the amount paid out-of-pocket for deductibles, coinsurance, and copayments. Individuals may qualify for this reduction if they purchase health insurance through the Exchange and their income is below a certain level.

What does PA need to do to prepare for the ACA? The ACA includes over 70 mandatory requirements and changes that the Department of Public Welfare (DPW) must implement. For the past two years, DPW has invested significant resources to comply with the provisions of the ACA. ACA requires significant changes to DPW's Medicaid eligibility system.

How can an individual apply for Medicaid? The ACA requires a 'no wrong door' when applying for health insurance. Starting October 1, 2013, individuals can apply for health care, including Medicaid, through several options: the Exchange, Pennsylvania's online COMPASS application, submitting a paper application to a county assistance office, or over the phone.

What is MAGI? The modified adjusted gross income (MAGI) standard will be the new measure of income used for eligibility determination for Medicaid for certain eligibility categories. MAGI is a measure of income defined by the Internal Revenue Service (IRS) in the federal tax rules; it is based on adjusted gross income, with some modifications such as rental losses, taxable social security, and student loan interest.

MAGI will be used to determine the financial eligibility for adults, children, pregnant women, parents and caretaker relatives. MAGI does NOT apply to Supplemental Security Income (SSI) recipients; children in foster care; individuals eligible based on being aged, blind, or disabled; working disabled; or individuals in a facility/eligible for home and community-based care.

What Medicaid eligibility changes does the ACA require? Medicaid will now use income up to 133 percent of the FPL to assess eligibility for children ages 6-18. This is increased from the current level of 100 percent FPL. Also under the ACA, youth who were in Pennsylvania's foster care system and were enrolled in Medicaid on or after their 18th birthday will be eligible beginning January 1, 2014 for Medicaid coverage until age 26.

It's important to note that ACA will not change eligibility or benefits for our home and community based waiver programs for individuals with physical and intellectual disabilities.

If you have more questions about Pennsylvania's implementation of the Affordable Care Act, please go to www.dpw.state.pa.us for more information.