

The Affordable Care Act (ACA)

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (most commonly referred to as Obamacare).



The goal of the ACA is to provide all US citizens with affordable health insurance and to reduce the cost of health care spending.

This goal is to be achieved by requiring all Americans to have insurance, penalizing those who do not have it, and imposing new taxes to raise revenue so all Americans can have affordable care, even those who were previously uninsurable.

In spite of Republican efforts to repeal the legislation, the Supreme Court upheld the constitutionality of the law on June 28, 2012. The high court determined that requiring Americans to have health insurance, and charging penalties to enforce it are a tax that Congress is authorized to levy. The Supreme Court also ruled in favor of the ACA on June 25th, 2015 (upholding the legality of subsidies for health insurance purchased on the federal and state exchanges).

The health insurance requirement:

Beginning on January 1, 2014 US citizens and residents were required to have minimum essential health insurance coverage including at least the following ten essential health benefits:

- Ambulatory patient services (outpatient care)
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and substance use disorder services
- Prescription drugs
- Rehabilitative services and devices
- Laboratory services
- Preventive and wellness services and chronic disease management
- Pediatric services

Those with existing plans (as of the date that the ACA become law) that fall short of the above benefits are able to keep their plans. Such plans must disclose if they are “grandfathered” in all materials describing plan benefits.

The penalty:

Taxpayers who are not covered will pay a penalty. The penalty started small and increases over time. It will be paid as an additional tax on the annual tax return.

In 2014: Uninsured individuals paid the greater of \$95 or 1% of their income over the tax filing threshold.

In 2015: Uninsured individuals will pay the greater of \$325 or 2% of their income over the tax filing threshold.

In 2016: Uninsured individuals will pay the greater of \$695 or 2.5% of their income over the tax filing threshold.

After 2016: The penalty will be indexed for inflation.