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Labor & Employment Alert
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Obama Signs Patient Protection and Affordable Care Act

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On March 21, 2010, the United States House of Representatives passed a comprehensive health care reform package known as the Patient Protection and Affordable Care Act (the "Act"). The Act had previously been passed by the United States Senate in December 2009. President Obama signed the Act into law on March 23, 2010. The House also passed a bill making changes to the Act that will now go before the Senate.

Some requirements of the Act begin to take effect in the months following passage:

1. A high-risk pool will be established to provide coverage for those with pre-existing conditions.

2. A program will be set up under which insurers will have to justify rate increases and may have such increases deemed unreasonable.

3. Health plans will have to begin allowing dependent coverage up to age 26.

4. Lifetime maximums for coverage will be prohibited starting six months after passage of the Act.

5. Plans will be prohibited from excluding children based on a preexisting condition.

The Act also includes the following provisions that begin to take effect in 2014:

1. Penalties of up to $2,000 per full-time employee on employers with more than 50 employees who either do not offer health coverage or who have full-time employees who receive a premium tax credit.

2. Individuals will be required to have qualifying health coverage or be subject to a tax penalty. Premium tax credits will be available to subsidize coverage for those up to 400% of the federal poverty level.

3. Health benefit exchanges will be established in states to allow individuals and smaller businesses the ability to purchase health coverage.

4. In order to be a qualifying health benefit plan, the plan will have to provide an essential health benefits package.

5. Plans will be prohibited from having annual limits on coverage.

6. The Act imposes an excise tax on so-called "Cadillac plans."

The Act is similar in many ways to the Massachusetts Health Care Reform Act of 2006 in that it imposes a fee on employers who do not provide insurance and a tax on individuals who do not purchase insurance. However, compared to the Massachusetts law, the Act includes somewhat heavier penalties on employers and lesser penalties on individuals. The Act's insurance exchanges would act similarly to the Massachusetts Health Care Connector Authority in negotiating rates with insurers and allowing individuals to purchase insurance at those rates.

Congress expects that the Act will be paid for with a combination of taxes and cuts in Medicare. The changes that the House has sent to the Senate in a separate bill include increased subsidies, a delay in the Cadillac plan tax until 2018, and removing special provisions for certain states. The Senate will now take up those changes.

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If you have any questions or concerns with regard to the implementation of the Act, please contact Katherine A. Hesse, Brian P. Fox or the attorney assigned to your account.

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