

# **Timeline analysis of the new Healthcare law's impact on NAHB members:**

## **2010**

### **Small Business Tax Credit**

A temporary small business tax credit will be made available for some firms that provide qualified health coverage. Only firms with 10 or fewer employees will receive the full credit. For a firm with 11 to 25 employees, the credit is reduced per employee. Firms with more than 25 employees get no credit. Additionally, only firms who pay their employees an average of \$25,000 or less are eligible for the full credit. The credit is reduced as the average wage increases, stopping when wages reach \$50,000. Only firms covering 50% or more of insurance costs will be eligible for the credit, which will be available for a maximum of six years.

### **Parent's Policy**

Children can stay on their parents' insurance policy until age 26.

## **2011**

### **Reporting**

Employers will be required to report employees' health benefits on W-2s.

### **HSA and FSA Limits**

Consumers are prohibited from using Health Savings Accounts and Flexible Spending Accounts to purchase non-prescribed items, including over-the-counter medication (except insulin). The penalty for using HSA's for non-qualified purchases increases to 20%.

### **Federally Subsidized Long-Term Care**

Employers may voluntarily participate in the Community Living Assistance Services and Supports (CLASS) long-term care program. Participating firms' employees will be automatically enrolled and subject to payroll deductions unless they choose to opt out.

### **Cafeteria Plans (Safe Harbor)**

Employers will have to meet minimum contribution requirements to receive protection from nondiscrimination requirements under cafeteria plans.

## **2012**

### **1099 Reporting**

Businesses will have to send Form 1099s for every business-to-business transaction of \$600 or more.

## **2013**

### **Deductible Medical Expenses**

New limits are placed on the deductibility of medical expenses on individual income tax returns. This provision raises the 7.5% floor on medical expenses to 10% of Adjusted Gross Income. The AGI floor for those 65 and older remains at 7.5% through 2016.

### **Broadened Medicare Hospital Insurance Tax Base**

An additional surtax of 0.9% is placed on earned income in excess of \$200,000 for individuals and \$250,000 for couples. The surtax is not indexed to inflation. There will also be a 3.8% surtax on investment income for taxpayers with AGIs in excess of \$200,000 for individuals and \$250,000 for couples. The surtax is not indexed to inflation.

### **FSA Limits**

Cafeteria plan FSAs will be limited to a maximum of \$2,500 (inflation-adjusted after 2013).

## **2014**

### **Health Insurance Exchanges**

Exchanges are open to individuals and small businesses with up to 50 employees (individual states may opt to increase that number to 100).

### **Premium Credits**

The government begins subsidizing individuals up to 400% of the federal poverty line — \$88,000 for a family of four. These credits will subsidize individuals purchasing insurance in exchanges (but not those with traditional employer-sponsored plans).

### **Medicaid Eligibility Expansion**

The income level of Medicaid eligibility rises.

### **Individual Mandate**

All U.S. citizens and legal residents must have qualifying health coverage or pay penalties. For an individual, the penalty begins in 2014 at the greater of \$95 or 1.0% of household income. In 2015, it grows to \$325 or 2.0%. In 2016, it reaches \$695 or 2.5%. After 2016, the amount will rise by a cost of living adjustment.

### **Employer Mandate**

The law contains a somewhat complex employer mandate requiring some firms to provide insurance, pay penalties, or both. For employers with 50 or fewer employees, there is no mandate or penalty. Employers with 200 employees or more will be required to automatically enroll employees in the employer's health plans (employee may opt out). Otherwise:

- If there are more than 50 full-time employees, the employer does not offer insurance and one or more of the employees receives government premium subsidies, then the employer must pay \$2,000 per subsidized employee, minus the first 30 employees.
- If there are more than 50 full-time employees, the employer offers insurance and one or more of the employees receives premium subsidies, then the penalty is the lesser of \$3,000 per subsidized employee or \$2,000 per full-time employee, minus the first 30 employees.

### **Voucher**

If an employee's household income is below 400% of the federal poverty line and his or her insurance premium falls between 8% and 9.8% of household income, the employer must offer the employee a voucher to purchase insurance in the exchange. The voucher must be equal to the amount the employer contributes toward an employee's premium. An employee with these characteristics will not trigger the employer penalties.

### **Waiting Period**

There are penalties for firms who have a waiting period of more than 90 days before employees are eligible for insurance.

## **2016**

### **Interstate Health Choice Compacts**

Qualified health plans can be offered in all participating states, but insurers will be subject to the consumer protection laws of the purchaser's state.

## **2017**

### **Large Employer Participation in Exchanges**

States may allow large employers to offer coverage to their employees through the exchanges.

## **2018**

### **Cadillac Tax**

The government will collect a 40% excise tax on health coverage in excess of \$10,200 annually for an individual or \$27,500 annually per family.