Obamacare Basics: Understanding the Affordable Care Act

The [Patient Protection and Affordable Care Act (ACA)](http://www.gpo.gov/fdsys/pkg/PLAW-111publ148/pdf/PLAW-111publ148.pdf), a piece of federal legislation commonly referred to as "Obamacare," made sweeping changes to how health insurance is procured and paid for. Signed into law on 2010, ACA requires individuals who don't receive health insurance benefits through their employers to purchase coverage or pay a penalty. The law also puts certain limits on what insurers may or may not do with respect to eligibility and coverage. The ACA has numerous, often-complex provisions that phase in over time (through 2022).

This article provides a concise overview of Obamacare, how it affects you, and what you need to do to take advantage of its benefits. See FindLaw's [Health Care Law](http://healthcare.findlaw.com/) section for related articles and resources. To learn more about your rights and responsibilities as an employee, see [Health Insurance Benefits](http://employment.findlaw.com/wages-and-benefits/health-insurance-benefits.html).

Obamacare Provisions at a Glance

The Affordable Care Act seeks to lower health care costs by making sure more people participate and receive preventive care, while prohibiting some of the insurance industry's more restrictive practices. The following is a list of key ACA provisions (with the implementation date in parentheses, where applicable):

* Dependents may be [covered by their parents' insurance plans until they turn 26](https://www.healthcare.gov/how-does-the-health-care-law-protect-me/#part=7).
* Insurers may not [cancel policies when policy holders become sick](https://www.healthcare.gov/how-does-the-health-care-law-protect-me/#part=5).
* State health insurance exchanges (the "[Health Insurance Marketplace](https://www.healthcare.gov/what-is-the-health-insurance-marketplace/)") allow businesses and individuals to compare plans and enroll for coverage.
* Insurers may not place a lifetime [monetary limit on hospital stays](https://www.healthcare.gov/how-does-the-health-care-law-protect-me/#part=9) or other benefits deemed "essential" in new policies.
* Insurers may not deny coverage to individuals for [pre-existing conditions](https://www.healthcare.gov/what-if-i-have-a-pre-existing-health-condition/), and must offer the same premiums within the same age and geographical group regardless of gender and pre-existing conditions, except tobacco use.
* Individual mandate takes effect, requiring all individuals (with some limited exceptions) to [carry health insurance or pay a tax penalty](https://www.healthcare.gov/glossary/fee/). Subsidies will help low-income people comply with this mandate.
* Medicaid eligibility expands to include those earning 133 percent of the official poverty level, including adults without dependents, in participating states.
* Subsidies (in the form of refundable tax credits) available on the state health insurance exchanges for individuals with a household income up to 400 percent of the official poverty level.
* Minimum standards for health insurance policies enforced.
* Employers may not require employees to wait more than 90 days for health insurance eligibility.
* Tax credits offered to small businesses (25 or fewer full-time employees, defined as 30 hours per week) for compliance with ACA.
* Larger employers (more than 50 full-time employees) will be charged a $2,000 penalty per full-time employee that lacks health coverage.

Already Covered? How Obamacare Affects You

If you haven't had health insurance in the past, the Affordable Care Act gives you and your employer some incentives and options. But if you already have coverage—whether it's Medicare, Medicaid, a private insurance plan, or through your employer—you may keep your current plan. You are free to explore your options in the broader marketplace, however you will not be eligible for subsidies (likewise, your employer will not be penalized if you voluntarily leave your work-based health insurance plan).

The following ACA provisions will impact existing plans ([if purchased after March 23, 2010](https://www.healthcare.gov/what-if-i-have-a-grandfathered-health-plan/)):

* Insurers are required to provide individuals with a standardized, plain-language [summary of benefits](https://www.healthcare.gov/how-does-the-health-care-law-protect-me/#part=4) (which also helps with plan comparisons).
* Rate [increases of more than 10 percent](https://www.healthcare.gov/how-does-the-health-care-law-protect-me/#part=10) must be publicly justified; 80 percent of premiums must be spent on actual health care services.
* Insurers may not cancel your plan in response to an illness.
* Certain types of [preventive care](https://www.healthcare.gov/what-are-my-preventive-care-benefits/) must be covered at no additional cost to the patient.
* Patients are free to choose [any physician within the plan's network](https://www.healthcare.gov/how-does-the-health-care-law-protect-me/#part=6) and may use an out-of-network emergency room without penalty.
* Annual and lifetime [dollar limits on care are prohibited](https://www.healthcare.gov/how-does-the-health-care-law-protect-me/#part=9).
* Patients are granted [the right to appeal](https://www.healthcare.gov/how-does-the-health-care-law-protect-me/#part=11) whenever an insurer denies payment for health care services.

The Individual Mandate and Noncompliance Penalties

Perhaps the most controversial provision of Obamacare is the individual mandate, the requirement that nearly every individual in the U.S. have health care coverage. The rationale for requiring coverage is that young, relatively healthy people who pay regular insurance premiums ultimately help cover the costs of older and less-healthy individuals. And since insurance companies may not refuse to cover those with pre-existing conditions, the mandate will discourage people from simply waiting until they have a health care emergency.

If you refuse to get coverage, [you will be charged a penalty](https://www.healthcare.gov/what-if-someone-doesnt-have-health-coverage-in-2014/) (likewise, businesses who fail to offer health benefits to full-time employees are subject to a penalty). For 2014, the first year of the mandate, those without insurance will be charged 1 percent of their income or $95, whichever is greater. Families will be charged $47.50 per uninsured child and the most a family would pay in 2014 is $285. This fee increases each year (totaling 2.5 percent of your annual income or $695 in 2016, whichever is higher).

The ACA offers some limited exemptions from the non-compliance penalty:

* You are uninsured for less than three months per year.
* You have a very low income.
* You would [qualify for expanded Medicaid](https://www.healthcare.gov/what-if-my-state-is-not-expanding-medicaid/) in a state that has chosen not to expand eligibility.
* You are a member of a [recognized American Indian tribe](http://www.bia.gov/cs/groups/public/documents/text/idc-041248.pdf) (PDF).
* You belong to a health care sharing ministry.
* You have religious objections to health insurance.

Obamacare Affordability and Options

While those with very low incomes are exempt from the individual mandate, the Affordable Care Act provides ways to make health care coverage more accessible. Visit the [Health Insurance Marketplace](https://www.healthcare.gov/marketplace/individual/) and provide information about your household (size, annual income) to find out whether you qualify for free or low-cost coverage.

The [Marketplace offers four categories of coverage](https://www.healthcare.gov/how-do-i-choose-marketplace-insurance/) to help with comparisons: Bronze, Silver, Gold, and Platinum. Bronze plans typically charge the lowest premiums, but pay a smaller share of costs when care is rendered. Platinum plans typically charge the highest monthly premiums, offer the lowest out-of-pocket costs, and pay more of the costs if you need expensive medical care.

Those with an income below a certain level may be eligible for [Medicaid](https://www.healthcare.gov/do-i-qualify-for-medicaid/) or the [Children's Health Insurance Program](https://www.healthcare.gov/are-my-children-eligible-for-chip/) (CHIP).

Supreme Court Challenges to the Affordable Care Act

The U.S. Supreme Court took up two separate challenges to the ACA, decided in 2012 and 2015 (respectively), but justices ultimately upheld key parts of the Act. In the first case, the Court ruled that the penalty paid by those without insurance technically was a tax and thus legally permissible. In the second case, the Court ruled that states without their own health care exchanges were nevertheless entitled to federal subsidies.

Consider speaking with a [health care attorney](http://lawyers.findlaw.com/lawyer/practice/health-health-care-law) if you have any additional questions or concerns about Obamacare.

- See more at: http://healthcare.findlaw.com/patient-rights/obamacare-basics-understanding-the-affordable-care-act.html#sthash.aKxK1uvB.dpuf