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To: FCA Members  
From: Government Relations Advisory Committee  
Subject: **The Supreme Court Decision on the Affordable Care Act (ACA)**  
Date: July 9, 2012

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On Thursday, June 28, 2012, the U.S. Supreme Court ruled in favor of the Affordable Care Act (ACA) with a vote of 5-4. The ruling upheld the individual mandate requiring nearly all Americans to obtain health insurance or pay a penalty.

As the provisions of the law are implemented, more information regarding the impact to multi-employer plans will be forthcoming.\*\*\*

#### **Overview:**

- Supreme Court votes 5-4 to uphold the health mandate;
- Requirement to carry insurance counts as a tax, is constitutional; and
- Federal Government may not take Medicaid from states that refuse to take part.

#### **Ruling's Impact:**

The decision leaves in place the individual mandate, the requirement on Americans to have or buy health insurance beginning in 2014 or face a penalty, although many are exempt from that provision. In 2014, the penalty will be \$285 per family or 1 percent of income, whichever is greater. By 2016, it goes up to \$2,085 per family or 2.5 percent of income.

#### **The Insured:**

Because the requirement remains for people to have or buy insurance, the revenue stream designed to help pay for the law remains in place so insured Americans may be avoiding a spike in premiums that could have resulted if the court tossed out the individual mandate but left other requirements on insurers in place.

#### **Young Adults:**

Young adults up to age 26 who have gained health insurance due to the law will be able to keep it. The law requires insurers to cover the children of those they insure up to age 26. About 2.5 million young adults from age 19 to 25 obtained health coverage as a result of the Affordable Care Act, per the U.S. Department of Health and Human Services.

#### **People with Pre-Existing Conditions:**

Since the law remains in place, the requirement that insurers cover people with pre-existing medical conditions remains active. The law also established that children under the age of 19 could no longer have limited benefits or be denied benefits because they had a pre-existing condition. Starting in 2014, the law makes it illegal for any health insurance plan to use pre-existing conditions to exclude, limit or set unrealistic rates on coverage.

### **All Taxpayers:**

There continues to be a heated dispute over what impact the health care law will have on the country over the long term. The federal government is set to spend more than \$1 trillion over the next decade to subsidize coverage and expand eligibility for Medicaid. It is not immediately clear how the high court's ruling on the part of the law dealing with the expansion of Medicaid eligibility could affect spending.

The nonpartisan Congressional Budget Office estimated that the law could reduce deficits modestly in the first 10 years and then much more significantly in the second decade. The CBO said a repeal of the mandate could reduce deficits by \$282 billion over 10 years, because the government would be subsidizing insurance for fewer people. But the nation faces costs in various ways for having people who are uninsured.

Meanwhile, the Flexible Spending Accounts (FSA) that millions of Americans use to save money tax-free for medical expenses will be sliced under the law. FSAs often allow people to put aside up to \$5,000 pre-tax; as of 2013, they were to face an annual limit of \$2,500.

### **Small Business Owners:**

The rules and benefits small business owners face as a result of the health care law remain in place. As of 2014, under the law, small firms with more than 50 full-time employees would have to provide coverage or face expensive fines.

### **Doctors and Health Care Providers:**

The law requires doctors to report supplies they get from medical supply companies; demands more breastfeeding rooms; requires all chain restaurants to list calories under every menu item, and includes numerous other provisions, which now remain in place. Health care providers have already begun making changes based on the 2010 law, and in preparation for what will go into effect in 2014. Those plans continue.

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