



## **Affordable Care Act Individual Mandate Sept. 19, 2012**

On June 28, 2012, the U.S. Supreme Court ruled that the Affordable Care Act (ACA) was constitutional. The individual mandate was upheld under congressional authority to levy, collect and spend taxes. The individual mandate satisfies the two requirements of taxing power: raises revenue and protects the general welfare. If an individual pays the tax, according to Chief Justice John Roberts, “they have fully complied with the law and are not prosecuted nor are they viewed as lawbreakers.”

- U.S. citizens and legal residents who do not have health insurance will be required to have coverage by 2014. Coverage status will be reported by individuals, insurers and employers to the IRS.
- For those individuals who opt not to buy insurance, an annual tax penalty of \$95 or up to 1 percent of income (whichever is greater) is imposed initially. By 2016, the tax penalty rises to \$695 or 2.5 percent of income with a maximum tax penalty of \$2,085 per household. Beginning after 2016, the tax penalty will be increased annually by the cost-of-living adjustment.
- Exemptions from the mandate will be granted for religious objections, those without coverage for less than three months, incarcerated individuals, American Indians, those for whom the lowest cost plan option exceeds 8 percent of an individual’s income, and those with incomes below the tax filing threshold (\$9,350 for individuals and \$18,700 for couples in 2009).
- Each state is authorized to set up an exchange through which individuals can purchase insurance. Through the exchange, federal subsidies will be available on a sliding fee scale for individuals and families with incomes between 100 and 400 percent of the current federal poverty level.\*
- Insurance may be purchased through the health insurance exchange set up by states or, should a state not set up an exchange, the federal government. (See OHA Backgrounder on *Affordable Care Act – Health Insurance Exchanges*.)
- Insurers will still be able to sell insurance to individuals and small businesses outside of the exchange. However, premium tax credits and cost-sharing subsidies will only be available through the exchange.
- If a state chooses not to expand Medicaid under the ACA (an option the Supreme Court decision made possible), an unintended consequence could be that there will be no financial assistance to purchase health insurance for individuals at or below 100 percent of the federal poverty level.\*

\*For more information on the Federal Poverty Level (FPL), see <http://bit.ly/NA03P5>.

The Oklahoma Hospital Association has prepared Fact Sheets on numerous topics related to the ACA of interest to hospitals. The Fact Sheets may be accessed at [www.okoha.com/aca](http://www.okoha.com/aca).