THE AFFORDABLE CARE ACT SIMPLIFIED?

THE MONEY MARATHON BY ED DOUGLAS CFP®

As Nancy Pelosi once famously said "But we have to pass this bill (2000 plus pages) so we can find out what is in it." Since it is the law of the land, I thought I would try to simplify the bill as much as possible.

Beginning January 1, 2014, the positive provisions of the law are:

1) Insurers can't reject people or charge them higher premiums for preexisting conditions.

2) Premiums charged to older Americans by insurance companies are capped.

3) Most plans won't have lifetime or annual caps on coverage.

The law requires everyone to have insurance or pay a penalty. The penalty is capped for 2014 at 1% of income with a $95 maximum (almost nothing). However in 2016, the penalty is 2.5% of income up to a $695 penalty.

Of course if a person has insurance through an employer all of this doesn't apply. It only applies to people who are self-employed, unemployed or those who decide to buy a policy on their own.

Beginning in 2014 health insurance must have 10 essential health benefits including emergency room care, maternity and newborn care, preventive tests prescription drugs and hospital care. There are five different levels of plans. Those plans are platinum, gold, silver, bronze and catastrophic. Respectively, each plan successively costs less and covers less than the previous plan. There are exchanges that are either run by each state or run directly by the federal government (In Missouri, the exchange is run by the Federal government). The exchanges allow a person to shop for the policy that best fits their needs.

There are premium subsidies available from the federal government based on modified adjusted gross income between 100% and 400% of the federal poverty level. For the year 2013, 400% of the federal poverty level is $46,000 for individuals and $94,000 for a family of four. According to Kiplinger's magazine, (October 2013-"Get Ready for Obamacare" written by Kimberly Lankford) the size of the subsidy is the difference between the premium and what a person is expected to pay based on a person's income. As an example, "if your modified adjusted gross income is $70,650 for a family of four, you're expected to pay 9.5% of your income or $6,712 toward the benchmark plan's premiums. If the premiums were $12,500 you get a tax credit worth about $5,790 according to Families USA." There are also cost sharing subsidies for anyone below 250% of the poverty level which is $28,725 for an individual.

Older adults may get a break on policies in that policy premiums for older adults can't be more than three times the premium for younger adults. However, this also means that younger adults are expected to have a large percentage increase in premiums. In some instances, younger healthier adults may see their premiums go up a considerable amount. According to Avik Roy "In 13 States plus DC Obamacare will increase health premiums by 24% on average", (9-04-13) for a 27 year old male the average premium increases 43%.

Beginning October 1st of this year, if you are planning to buy your own insurance it may be advisable to go online at www.healthcare.gov to link to an exchange to see what the premium choices for each type of plan. Be sure to compare costs, deductibles, the type of care provided and the providers that you can use that will be covered by the insurance. Also, I think if you will potentially qualify for a subsidy based on your modified adjusted gross income that you should seek advice from a tax accountant or other financial professional to make sure you have received the appropriate subsidy.

In my own case, my premiums for my health care for my plan and for my wife's plan are scheduled to increase 9.9% next year. When I visited with my insurance carrier last week, he encouraged me to call back after October 1st, at which time he would check to see if any of the 10 plans available through the exchanges would offer any reduced cost choices.

In some states premiums will increase and in other states that have already had similar plans to the Affordable Care Act, premiums may go down. Regardless, Affordable Care is the Law and it will take some planning on the part of people who buy their own insurance to determine which plan is best.

Remember that every investor's situation is unique and that it is important to review your specific situation with a financial professional.

Ed Douglas is a Certified Financial Planner CFP®/Consultant, Chairman Emeritus of Citizens Bancshares, and author of three books: *Making a Million With Only $2000-Every Young Person Can Do It, The Money Marathon: 7 Simple Steps to Financial Freedom* and *25 Truths: Life Principles of the Happiest and Most Successful Among Us*, available at www.eddouglas.com and on Amazon. Ed may be contacted for financial planning services or seminars based on his books at ed@eddouglas.com or at his office at 660-646-2066