

AHCA Introduced as Proposed Replacement for ACA

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On Monday March 6, House Republicans introduced the American Health Care Act, couched as a replacement for the Affordable Care Act. President Trump declared his support for the bill, though congressmen on both the left and the right have already declared their displeasure with many (if not all) of the bill's provisions. Many changes can be expected as it works through the House and ultimately the Senate, and Speaker Paul Ryan has indicated that the bill will be open to amendments. On March 8, the first day of hearings before the House Energy and Commerce Committee, Democratic members required the clerk to read the entire bill out loud and ranking member Frank Pallone (D-NJ) indicated that Democrats plan to introduce about 100 amendments to the bill. One can expect that it will be some time before a final bill is sent to the floor for a vote and to the Senate for further debate.

Key Tax Aspects

- Replaces premium subsidies with universally available tax credits of \$2,000 to \$14,000, depending on age and income
- Expands health savings account ("HSA") contribution opportunities, with limits of up to \$6,550 for individuals and \$13,100 for families in 2018, and expands catch-up opportunities for those age 50 or older
- Eliminates individual penalties for not obtaining health insurance (retroactive to 2016)
- Eliminates employer penalties for not offering health insurance (retroactive to 2016)
- Further delays the "Cadillac Tax" to 2025
- Restores the ability to purchase over-the-counter medications on a pretax basis through health savings accounts
- Eliminates the \$2,500 cap on employee and employer contributions to health flexible spending accounts
- Restores employer tax deduction for retiree prescription drug expenses covered by employer

plans while preserving federal subsidies for employers offering such coverage

- Restores lower (7.5% of AGI) threshold for itemized medical expense deductions (the ACA set the threshold at 10%)
- Eliminates 0.9% Medicare tax increase applicable to high income taxpayers
- Eliminates 3.8% tax on certain investment income received by high income taxpayers
- Eliminates the 2.3% tax on certain medical devices
- Eliminates 10% tax on indoor tanning services
- Preserves prohibition on preexisting conditions, but allows insurers to charge a 30% premium surcharge to those who allow their insurance coverage to lapse and want to re-enroll in coverage
- Phases-out Medicaid expansion by 2020

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National Law Review, Volume VII, Number 67

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