



The Patient Protection and Affordable Care Act is currently being implemented. The following table lists some of the provisions affecting small businesses that take effect in 2013.

Patient Protection and Affordable Care Act Provisions Effective in 2013

Provision Law, Section (Effective Date)	Description	Consequences for Small Businesses
Medicare Tax Increase P.L. No. 111-148, Sec. 9015 (January 1, 2013)	The Medicare Part A tax rate on wages increases from 1.45% to 2.35% for those single filers earning over \$200,000 (\$250,000 for married joint filers). A new and additional 3.8% tax will be assessed on unearned income such as taxable capital gains, dividends, rents, royalties, and interest for taxpayers with modified adjusted gross income (MAGI) over \$200,000 single and \$250,000 married joint filers.	Small businesses structured as pass-through entities that earn over the threshold amount will pay a significantly higher Medicare Part A tax rate. Small businesses relying on unearned income will be taxed an additional 3.8%.
New Medical Device Tax P.L. No. 111-148, Sec. 9009 (January 1, 2013)	A 2.3% excise tax will be levied on manufacturers, producers, or importers on the sale of most medical devices that are not directly marketed to consumers.	Higher costs for the manufacturers of medical devices are likely to be passed on to health care entities (often small and solo practice physicians and hospitals) and patients who rely on them. Several device manufacturers have already announced job cuts in anticipation of this tax.
Decrease in Deductions for Medical Expenses P.L. No. 111-148, Sec. 9013 (January 1, 2013)	The threshold for claiming an itemized deduction on medical expenses rises from 7.5% to 10% of adjusted gross income for those under age 65 effective in 2013; for those 65 or older, the 10% threshold will be effective after 2016.	Given the increased qualifying threshold, fewer small business owners and workers may be permitted to claim itemized deductions for medical expenses.
Limit on Flexible Spending Account (FSA) Contributions P.L. No. 111-148, Sec. 9005 (January 1, 2013)	Caps FSA contributions at \$2,500 per year.	The new limit increases the tax burden for small business owners and employees with FSAs.

Provision Law, Section (Effective Date)	Description	Consequences for Small Businesses
Elimination of Deduction for Employer Part D Subsidy P.L. No. 111-148, Sec. 9012 (January 1, 2013)	Prior to ACA, employers were able to deduct the cost of providing Medicare Part D to retirees and also were not taxed on the subsidy they received for providing this coverage. ACA eliminated the additional deduction employers receive for providing Part D coverage.	The number of employers offering prescription drug plans for Medicare-eligible retirees is likely to decrease, as there will be a reduced incentive to sponsor such plans.
Reduced Medicare Disproportionate Share Hospital (DSH) Payments P.L. No. 111-148, Sec. 3133 (October 1, 2013)	Medicare DSH payments, paid to qualifying hospitals that serve low-income patients, will be reduced by 75% starting October 1, 2013. A hospital will receive an additional payment based on three factors: 1) the remaining pool of DSH payments that would have been paid absent these changes; 2) current estimates of the uninsured compared to the estimate for 2013, the last year before the expansion of coverage; and 3) the hospital-specific share of uncompensated care. The estimate of the percentage of individuals who are uninsured will be decreased by 0.1 percentage points for FY2014 and by 0.2 percentage points for each year from FY2015-FY2019.	Small hospitals that currently receive Medicare DSH payments may find their DSH payments reduced.
Reduced Medicaid Disproportionate Share Hospital Payments P.L. No. 111-148, Sec. 2551 as modified by Sec. 10201(e); P.L. 111-152: Sec. 1203 (October 1, 2013)	In FY2012, Medicaid DSH allotments to states (i.e., the maximum amount of federal matching funds that each state is permitted to claim for Medicaid DSH payments) totaled \$11.3 billion. Medicaid DSH allotments to states will be reduced by \$500 million in FY2014, \$600 million in FY2015, \$600 million in FY2016, \$1.8 billion in FY2017, \$5.0 billion in FY2018, \$5.6 billion in FY2019, and \$4.0 billion in FY2020. The Secretary of Health and Human Services is responsible for determining how to distribute the aggregate DSH reductions among the states using some broad statutory guidelines.	Small hospitals that currently receive Medicaid DSH payments may find their DSH payments reduced.

Provision Law, Section (Effective Date)	Description	Consequences for Small Businesses
Increase in Medicaid Payments for Primary Care P.L. No. 111-418, Sec. 1202 (January 1, 2013)	Medicaid payments for primary care services furnished by physicians with a specialty designation of family medicine, general internal medicine, or pediatric medicine will increase to 100% of Medicare payment rates for CY2013 and CY2014 (i.e., January 1, 2013 and December 31, 2014).	Small and solo practices with physicians specializing in family medicine, general internal medicine, or pediatric medicine will receive larger Medicaid reimbursements (equal to 100% of Medicare payments) for primary care services for a 2-year period beginning in January 2013.
State Notification Regarding Exchanges P.L. No. 111-148, Sec. 1321 (December 14, 2012; February 15, 2013)	States will have indicated to the Department of Health and Human Services by December 14, 2012 whether they will be creating a state-based American Health Benefit Exchanges and Small Business Health Options (SHOP) Exchanges. A state must declare its intention to create a partnership exchange by February 15, 2013.	Small businesses with 100 or fewer employees (or 50 or fewer employees, at state option) may be able to purchase insurance through these exchanges. All non-grandfathered plans offered in the individual and small group markets (both inside and outside an exchange) must cover certain minimum benefits (the essential health benefits).

Prepared by Small Business Committee Republican staff.

Sources:

- The Henry J. Kaiser Family Foundation, Health Reform Source, Implementation Timeline, 2012.
- The Commonwealth Fund, Health Reform Resource Center, Find Health Reform Provisions Tool, 2012.
- U.S. House of Representatives Committee on Ways and Means, Timeline of Major Provisions in the Democrats' Health Care Package, 2010.