

SUMMARY ANALYSIS OF AMENDED BILL

Author: Portantino Analyst: David Scott Bill Number: AB 1178
 Related Bills: See Prior Analysis Telephone: 845-5806 Amended Dates: August 16 & 19, 2010
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: 2010 Health Care Acts Conformity

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENTS CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED

August 5, 2010, STILL APPLIES.

OTHER – See comments below.

SUMMARY

This bill would conform California law to provisions of the March 2010, federal health care acts (the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act of 2010 (HCERA)).

SUMMARY OF AMENDMENTS

The August 16, 2010, amendments removed provisions that would have conformed California law to:

- Health savings accounts; and
- The increased adjusted-gross-income threshold for the itemized deduction for medical expenses beginning in 2013.

The August 19, 2010, amendments removed provisions that would have conformed California law to the codification of economic substance. As a result of the amendments, the “This Bill” and “Economic Impact” discussions as provided in the department’s analysis of the bill as amended August 5, 2010, have been revised. The remainder of that analysis still applies.

Board Position:	Legislative Director	Date
<input type="checkbox"/> S <input type="checkbox"/> NA <input type="checkbox"/> NP <input type="checkbox"/> SA <input type="checkbox"/> O <input type="checkbox"/> NAR <input type="checkbox"/> N <input type="checkbox"/> OUA <input checked="" type="checkbox"/> PENDING	Brian Putler	8/25/10

POSITION

Pending.

SUMMARY OF SUGGESTED AMENDMENTS

A technical amendment is suggested and provided with this analysis.

ANALYSIS

FEDERAL/STATE LAW

See the Franchise Tax Board's (FTB's) report titled "[Summary of March 2010, Federal Health Care Acts](#)" for a detailed discussion of federal and state laws affected by this bill.

THIS BILL

This bill would conform to the following provisions, of the PPACA and the HCERA:

	Act / Section	Description
1	PPACA 9023	Exclusion of grants provided in lieu of therapeutic discovery project credits
2	PPACA 10908	Exclusion of certain health professional's student loan repayments or student loan forgiveness
3	PPACA 10909	Increase to the adoptions assistance exclusion
4	PPACA 9021	Exclusion of Indian tribal government health benefits
5	HCERA 1004	Exclusion for adult dependent health care benefits (dependents under 27)
6	PPACA 9003	New limitations on FSA / HRA distributions
7	PPACA 9004	Increase in additional tax on nonqualified MSA distributions (<i>California's additional tax would increase from 10 percent to 12.5 percent</i>)
8	PPACA 9008	Denial of deduction of annual fee on branded prescription pharmaceutical manufacturers and importers
9	PPACA 9022	Establishment of cafeteria plans for small businesses
10	PPACA 9005	New limitations on FSA contributions
11	PPACA 9015	Denial of deduction for additional hospital insurance tax
12	PPACA 1515	Adding Exchanges to cafeteria plans
13	PPACA 10108	Exclusion of Free Choice Vouchers

TECHNICAL CONSIDERATIONS

Subdivision (c) of section 17131.12 appears to have a word omitted. Suggested language is provided.

ECONOMIC IMPACT

Revenue Estimate

AB 1178 AS AMENDED August 19, 2010 CONFORMITY TO: PATIENT PROTECTION AND AFFORDABLE CARE ACT Public Law 111-148, March 23, 2010 HEALTH CARE AND EDUCATION RECONCILIATION ACT OF 2010 Public Law 111-152, March 30, 2010 Assumed Enactment Date By September 30, 2010							
Year	Section #	Title	2010-11	2011-12	2012-13	2013-14	2014-15
2009	PPACA 9023	Exclusion of grants provided in lieu of therapeutic discovery project credits	-\$1,100,000	-\$1,400,000	-\$800,000	-\$500,000	-\$200,000
	PPACA 10908	Exclusion for assistance provided to participants in state student loan repayment programs for certain health professionals	-\$600,000	-\$350,000	-\$350,000	-\$350,000	-\$350,000
2010	PPACA 10909	Expansion of adoption assistance programs	-\$2,700,000	-\$2,200,000	-\$800,000	-\$200,000	-\$200,000
	PPACA 9021	Exclusion of health benefits provided by Indian tribal governments	\$0	\$0	\$0	\$0	\$0
	HCERA 1004	Benefits for children under age of 27	-\$15,000,000	-\$16,000,000	-\$19,000,000	-\$20,000,000	-\$22,000,000
2011	PPACA 9003	Distributions for medicine qualified only if for prescribed drug or insulin	Baseline	Baseline	Baseline	Baseline	Baseline
	PPACA 9004	Increase in additional tax on distributions from Archer MSAs not used for qualified medical expenses (to 12.5%)	\$150,000	\$300,000	\$400,000	\$500,000	\$500,000
	PPACA 9008	Denial of deduction of annual fee on branded prescription pharmaceutical manufacturers and importers	\$3,800,000	\$12,000,000	\$14,000,000	\$13,000,000	\$14,000,000
	PPACA 9022	Establishment of simple cafeteria plans for small businesses (safe harbor)	\$0	\$0	\$0	\$0	\$0

Year	Section #	Title	2010-11	2011-12	2012-13	2013-14	2014-15	
2013	PPACA 9005, 10902 & HCERA 1403	Limitation on health flexible spending arrangements under cafeteria plans	Baseline	Baseline	Baseline	Baseline	Baseline	
	PPACA 9015	Exclusion of additional hospital insurance tax	\$0	\$0	\$2,400,000	\$4,400,000	\$4,900,000	
2014	PPACA 1515	Small Business Health Options program	Included in estimate of section 9022 (see above)					
	PPACA 10108	Exclusion of free choice vouchers	\$0	\$0	\$0	-\$9,000,000	-\$16,000,000	
Total			-\$15,450,000	-\$7,650,000	-\$4,150,000	-\$12,150,000	-\$19,350,000	

LEGISLATIVE STAFF CONTACT

Legislative Analyst
 David Scott
 (916) 845-5806
david.scott@ftb.ca.gov

Revenue Manager
 Monica Trefz
 (916) 845-4002
monica.trefz@ftb.ca.gov

Legislative Director
 Brian Putler
 (916) 845-6333
brian.putler@ftb.ca.gov

Analyst	David Scott
Telephone #	(916) 845-5806
Attorney	Pat Kusiak

FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 1178
As Amended August 19, 2010

AMENDMENT 1

On page 3, lines 39, after "enactment", insert:

of