



Health Reform: **Beyond the Basics**

[healthreformbeyondthebasics.org](http://healthreformbeyondthebasics.org)

## Part I: **Premium Tax Credits**

*Center on Budget and Policy Priorities*

October 8, 2015

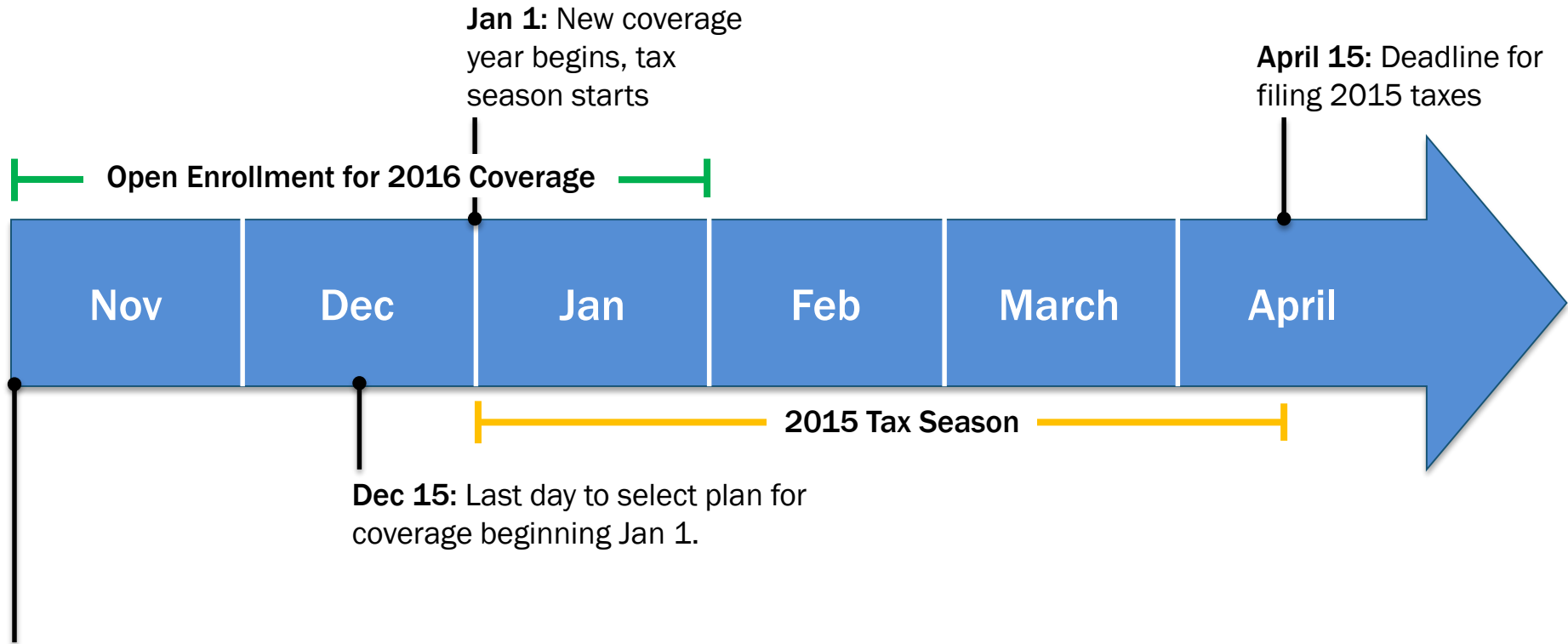
- Open enrollment and the coverage landscape
- Eligibility for premium tax credits
- Calculation of premium tax credits

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# Coverage Landscape

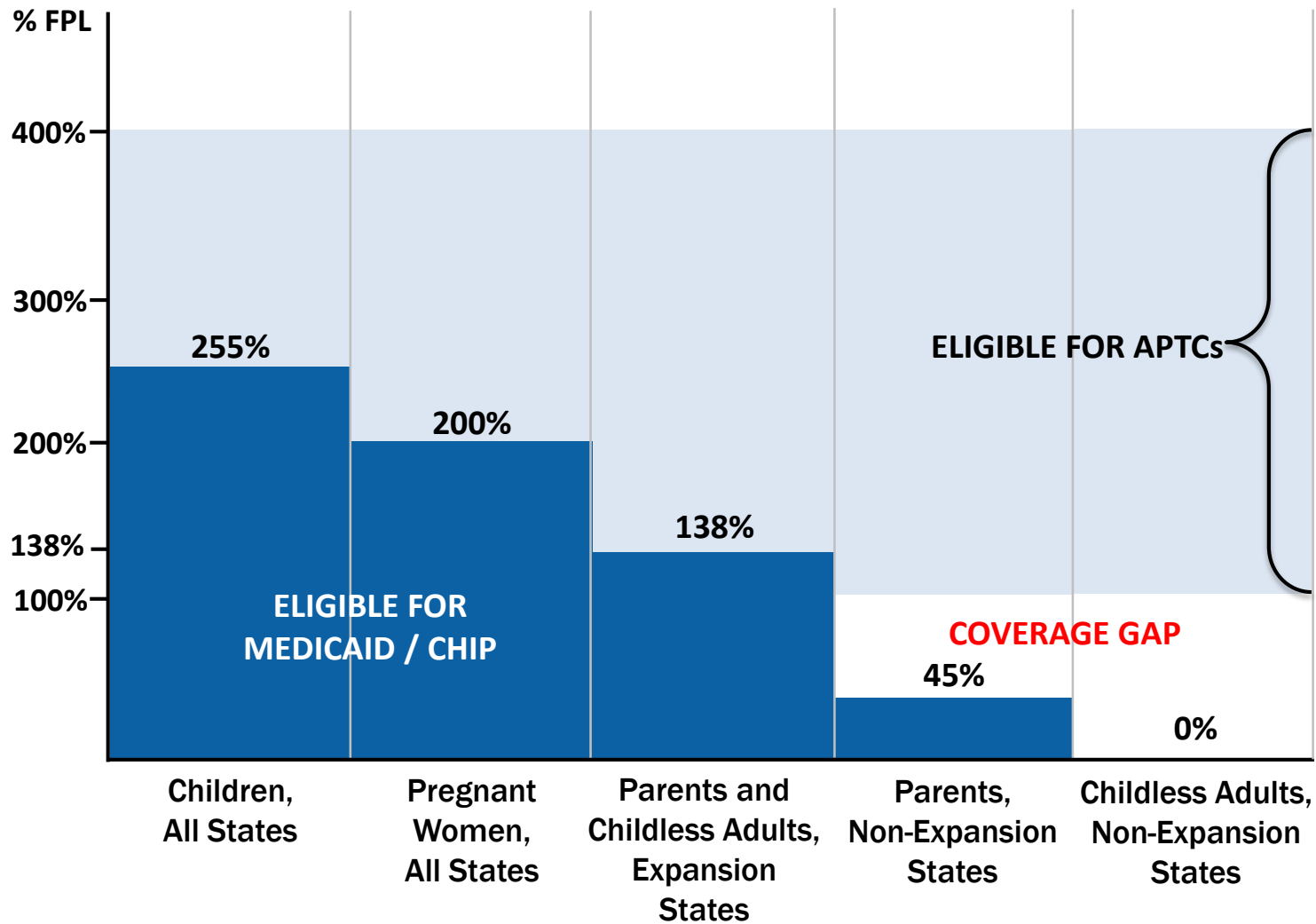
# 2016 Open Enrollment Timeline

4



## Pre-Nov 1

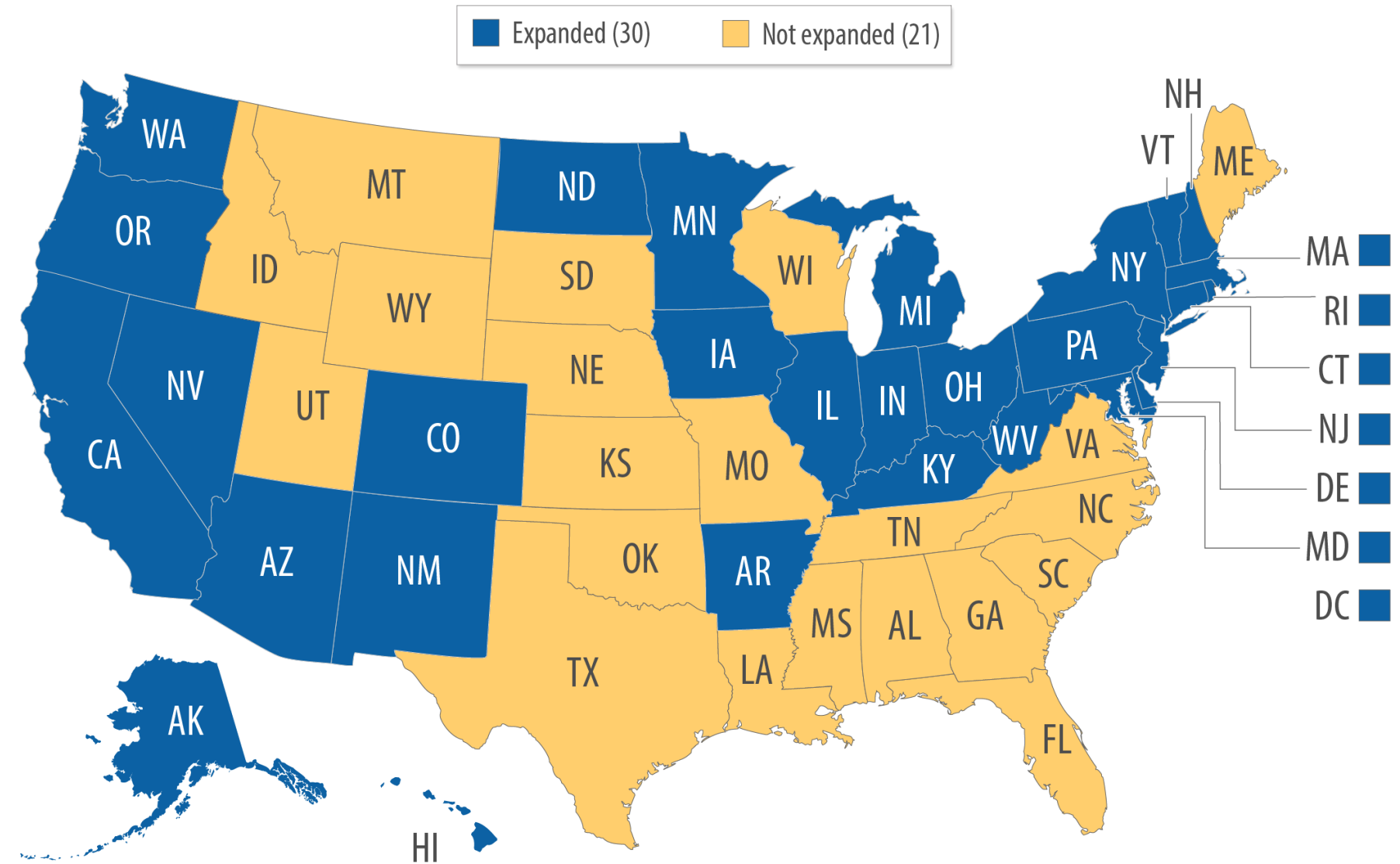
- Notices from the Marketplace sent out to enrollees about open enrollment
- Notices from issuers sent out to enrollees about renewal of 2015 coverage and (if applicable) information on product discontinuations



Source: Based on a national survey conducted by the Kaiser Commission on Medicaid and the Uninsured with the Georgetown University Center for Children and Families, 2015.

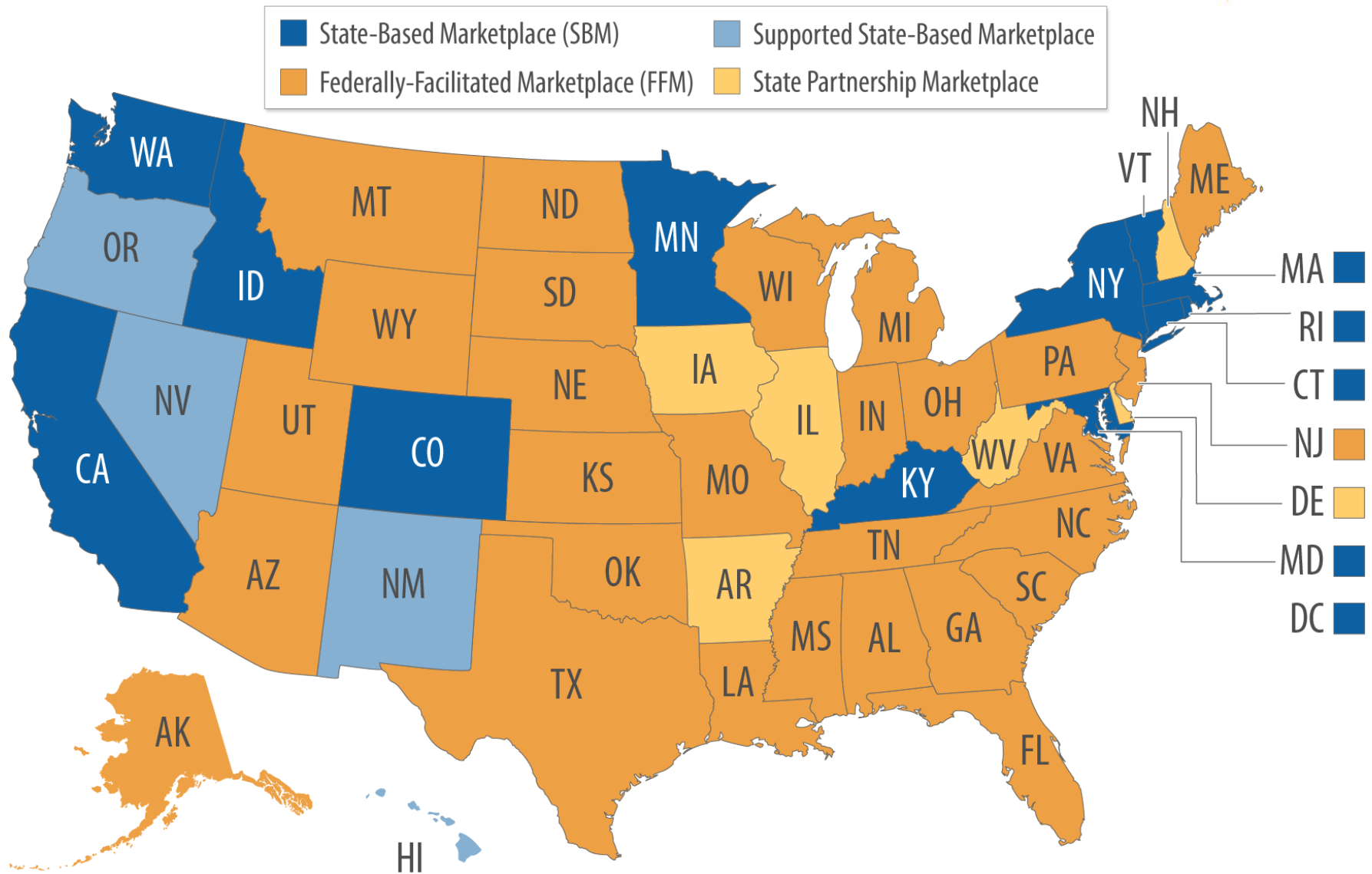
# Status of Medicaid Expansion

6



# Status of State Marketplaces

7



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# Premium Tax Credit Eligibility

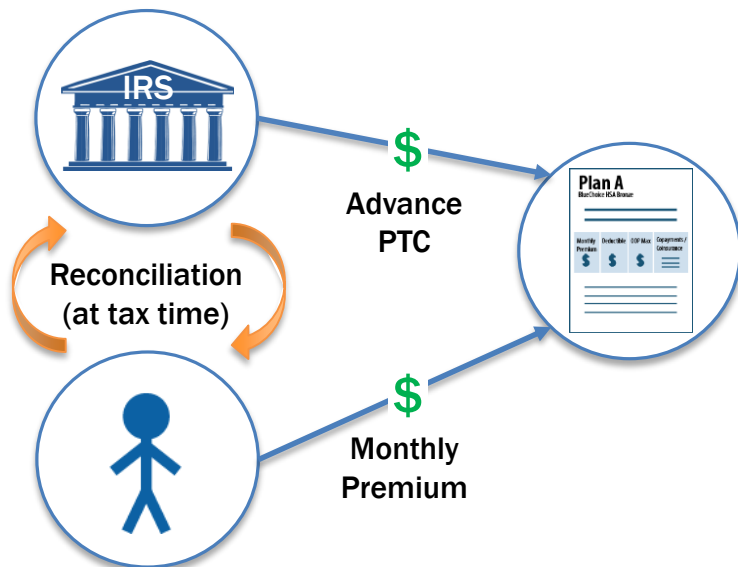


**Premium tax credits (PTCs):** Assistance with the cost of coverage for people purchasing coverage in a Health Insurance Marketplace

## PTCs can be taken:

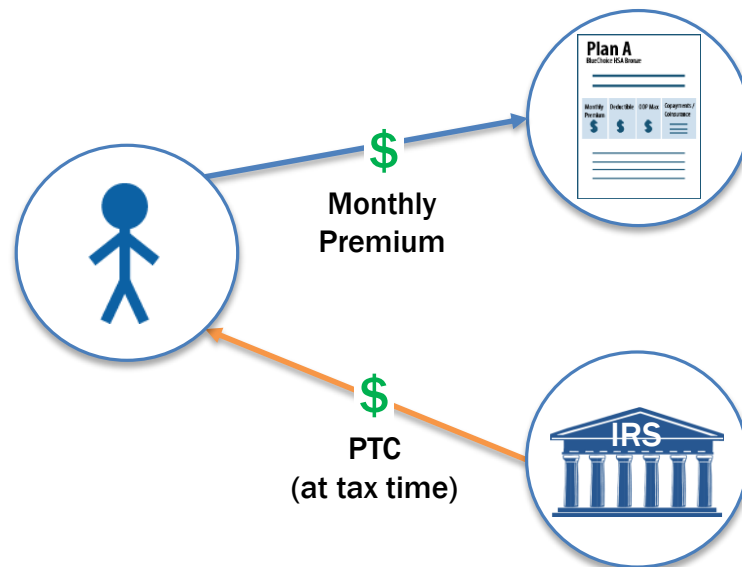
### In advance:

Forwarded to insurer monthly to reduce premiums



### At tax time:

Claimed as a lump sum at the end of the year



## Enrollment

Enrolled in QHP

Be enrolled in a Marketplace qualified health plan (QHP)

## Income

100%-400% FPL

Have income between 100% and 400%\* of the federal poverty line

\*Certain immigrants with income below 100% FPL may qualify

## Filing Status

Eligible filing status

Have an eligible tax filing status

## No MEC

Ineligible for other MEC

Be ineligible for other minimum essential coverage (MEC)

## Enrollment





Enrolled in QHP

Income

Filing Status

No MEC

- Requirements for enrollment in a Marketplace QHP:
  - ✓ Citizen or lawfully present
  - ✓ Not incarcerated (except if pending disposition of charges)
  - ✓ Resident of the service area of the Marketplace
- Must be enrolled in a metal-level plan (not a catastrophic plan)

QHP Metal Levels		
Platinum		90% actuarial value
Gold		80% actuarial value
Silver		70% actuarial value
Bronze		60% actuarial value

Costs covered by a plan

Premiums paid by consumer

Enrollment

**Income**  
100%-400% FPL

Filing Status

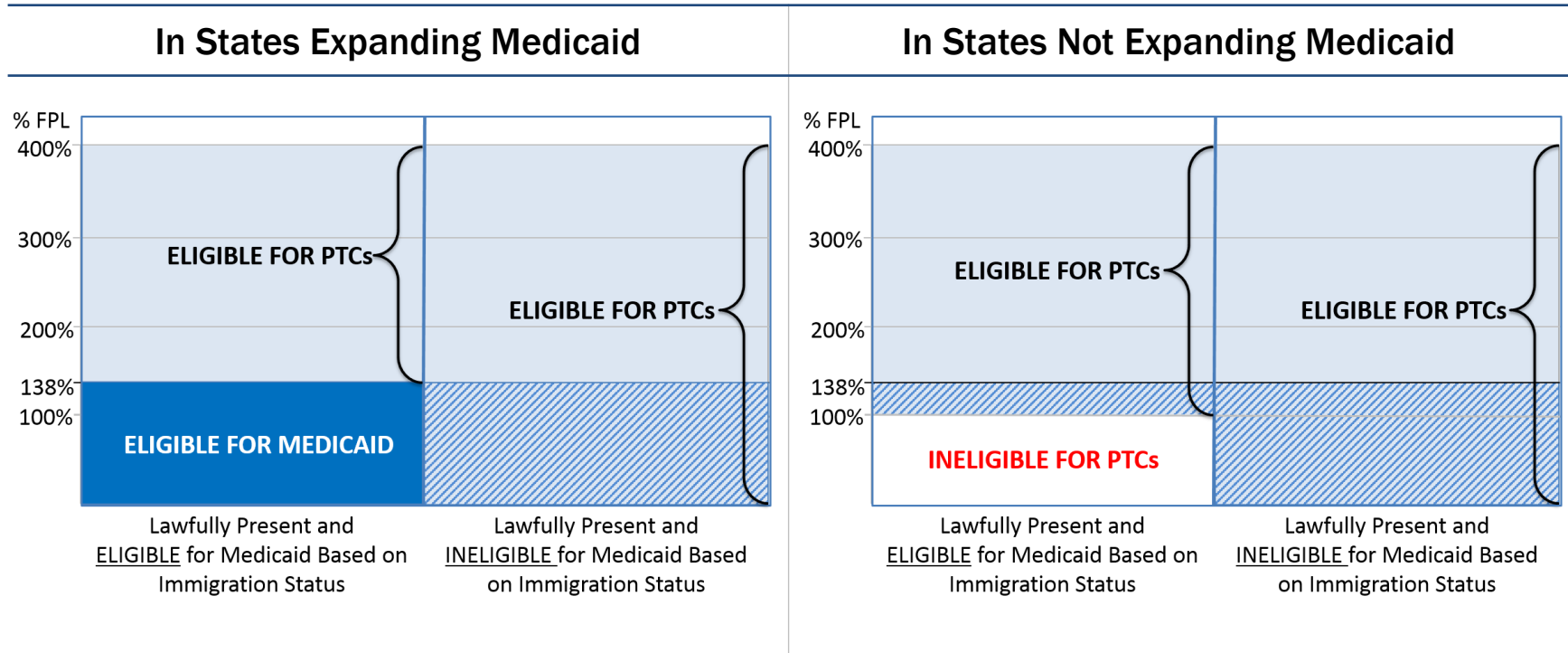
No MEC

- Must have income between 100% and 400% of the poverty line

Household Size	% of Federal Poverty Line (2015 figures)				
	100%	138%	200%	250%	400%
1	\$11,770	\$16,243	\$23,540	\$29,425	\$47,080
2	\$15,930	\$21,983	\$31,860	\$39,825	\$63,720
3	\$20,090	\$27,724	\$40,180	\$50,225	\$80,360
4	\$24,250	\$33,456	\$48,500	\$60,625	\$97,000
5	\$28,410	\$39,206	\$56,820	\$71,025	\$113,640

- *Note:* Lawfully present individuals with income under the poverty line are eligible for PTCs if they are ineligible for Medicaid because of their immigration status

# General PTC Eligibility for Lawfully Present Adults



Enrollment

Income

**Filing Status**  
Eligible filing status

No MEC

- Must be a taxpayer with an eligible filing status
  - ✓ Cannot be a dependent of another taxpayer (dependents can be eligible for PTCs if the taxpayer who claims them applies on their behalf)
  - ✓ If married, must file a joint return (i.e., cannot be Married Filing Separately)

*Three exceptions:*

- Head of Household
- Survivors of domestic abuse
- Abandoned spouses

## Head of Household

- Some people who are married but do not file taxes with their spouse are eligible for PTCs if they qualify and file as Head of Household.

### When can a married person file as Head of Household?

A married person is considered unmarried and is eligible to file as Head of Household if he or she can answer YES to each of the following questions:

- ☐ Will you file taxes separately from your spouse?
- ☐ Will you live apart from your spouse from July 1 to Dec 31?
- ☐ Will you pay more than half of the cost of keeping up your home?
- ☐ Will your child, stepchild, or foster child (of any age) live with you for more than half the year?
- ☐ Will either you or the child's other parent claim the child as a dependent?

If all the answers are Yes, the applicant is considered unmarried and can file as Head of Household. If the answer to any of these questions is No, the applicant cannot file as Head of Household.

## Domestic abuse

- A taxpayer who is Married Filing Separately can meet the joint filing requirement if he/she:
  - ✓ Lives apart from the spouse
  - ✓ Is unable to file a joint return because of domestic abuse

## Abandoned spouses

- A taxpayer who is Married Filing Separately can meet the joint filing requirement if he/she is:
  - ✓ Living apart from the spouse
  - ✓ Unable to locate spouse after using due diligence

*Note: Can be used for a maximum of three consecutive years*



Enrollment

Income

Filing Status

**No MEC**

Ineligible for other MEC

- Must be ineligible for other MEC (*other than individual market coverage*)

Government-Sponsored Coverage	Employer-Sponsored Insurance (ESI)	Secretary of HHS Certified Coverage
Includes: <ul style="list-style-type: none"><li>• Medicare (with some exceptions)</li><li>• Medicaid (with some exceptions)</li><li>• CHIP</li><li>• Other government-sponsored coverage</li></ul>	Includes most offers of ESI  Exceptions (eligible for PTCs if): <ul style="list-style-type: none"><li>• ESI is unaffordable or below minimum value</li><li>• Eligible because of relationship to employee offered ESI but not included on that person's tax return (e.g., non-dependent child under 26)</li></ul>	Includes any health plan certified as MEC by the Secretary of HHS Includes: <ul style="list-style-type: none"><li>• Certain coverage available outside U.S.</li><li>• Some student health plans</li></ul>

Eligibility for MEC ***includes an offer of coverage***, even if it is not taken

Not Eligible for PTCs	Eligible for PTCs
<i>If eligible for these benefits, whether or not enrolled</i>	<i>Despite eligibility for or enrollment in these benefits</i>
<ul style="list-style-type: none"><li>• Medicare Part A (premium free)</li><li>• Medicare Advantage</li><li>• Most Medicaid</li><li>• CHIP</li><li>• State high-risk insurance pools beginning on or before 12/31/14</li><li>• Refugee Medical Assistance</li><li>• Most TRICARE</li><li>• DoD Continuation Coverage (Nonappropriated Fund Health Benefits Program)</li><li>• Peace Corps coverage</li></ul>	<ul style="list-style-type: none"><li>• Medicaid providing only:<ul style="list-style-type: none"><li>- Family planning services</li><li>- Tuberculosis-related services</li><li>- Emergency treatment</li><li>- Pregnancy-related services (<i>if HHS does not consider coverage to be equivalent to full Medicaid benefits</i>)</li></ul></li><li>• Medicaid coverage of the medically needy</li><li>• 1115 Medicaid demonstration</li><li>• Space-available TRICARE</li><li>• Line-of-duty TRICARE</li><li>• AmeriCorps</li><li>• AfterCorps (for returning Peace Corps members)</li></ul>

Not Eligible for PTCs if:	Eligible for PTCs if:
<ul style="list-style-type: none"><li>• Eligible for ESI that is affordable <u>and</u> minimum value</li><li>• Enrolled in ESI (regardless of whether it is affordable or MV)</li></ul>	<ul style="list-style-type: none"><li>• Eligible for ESI that is not affordable</li><li>• Eligible for ESI that is not minimum value</li><li>• In months of a waiting period for ESI</li><li>• Eligible for COBRA coverage</li><li>• Eligible for retiree coverage</li></ul>

### Can Serena qualify for PTCs?

Last month, Serena left a job where she had health insurance. She has an offer of COBRA coverage through her former employer, but she finds the cost is too expensive.

She hasn't enrolled in it.



### Answer:

- Yes. The option to enroll COBRA coverage does not bar a person from eligibility for premium tax credits or cost-sharing reductions, including after open enrollment ends.
- If open enrollment is over and Serena does not enroll in COBRA, she can enroll in Marketplace coverage through the special enrollment period triggered by her loss of employment-sponsored insurance.

### Can Serena drop COBRA and qualify for PTCs?

She enrolled in COBRA because she didn't know she had a choice



#### Answer:

- Being enrolled in COBRA does not bar eligibility for PTCs or CSR, but must drop coverage to enroll in QHP
- During open enrollment: can drop COBRA coverage and enroll in QHP
- Outside of open enrollment: dropping COBRA coverage will not trigger a special enrollment period
  - May have to wait until the next open enrollment period to enroll in QHP

- An individual is **ineligible** for PTCs if **eligible** for employer-sponsored insurance that is adequate and affordable

## When is an offer of ESI not adequate or affordable?

Not affordable	OR	Not adequate
Coverage is not affordable if the employee contribution for self-only coverage is more than 9.66% of household income (in 2016)  <i>NOTE: Employee contribution for self-only coverage is used to determine affordability for both the employee and other members of the family offered ESI</i>		Coverage is not adequate if it has a minimum value (MV) less than 60% actuarial value  <i><b>Actuarial value</b> = the percentage the plan pays of the cost of coverage for essential health benefits for a typical population, after accounting for cost-sharing charges required under the plan</i>

Eligibility for ESI ***includes an offer of coverage***, even if it is not taken

- An employee's family member is **ineligible** for PTCs if **employee contribution for self-only coverage** is affordable

**Example:** Household income: \$40,000/year

**Employee-only coverage:**

\$150/month

*4.5% of income*

**Employee + family coverage:**

\$450/month

*13.5% of income*

Employee-only coverage is considered affordable, so family members are ineligible for PTCs

- **Exception:** If the family member is not claimed as a spouse or dependent on the employee's tax return, the offer of ESI does not make the individual ineligible for PTCs

## Teresa, Antonio, Gaby and Michael

- Teresa's employer offers ESI for herself and her children
- **Household income:** \$48,500 (200% FPL)
- **Employee-only premium:** \$198/month  
(4.9% of income)
- **Employee + children premium:** \$400/month  
(9.9% of income)
- No spousal coverage is offered

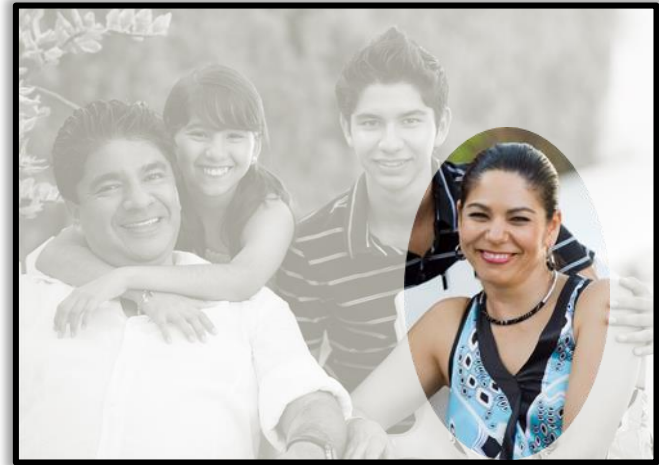




## Is Teresa eligible for PTCs based on ESI?

*Does the lowest-cost plan that covers only the employee cost more than 9.66% of household income?*

- No, the lowest cost employee-only plan is 8.2% of income
- The plan is considered affordable



Summary of Household Income and Plan Costs	
Household income:	\$48,500
Employee-only premium cost:	\$198/month
Employee + children premium cost:	\$400/month

✗ Not eligible for PTCs

### Are Gaby and Michael eligible for PTCs?

*Does the employee-only plan cost more than 9.66% of household income?*

- No, the kids are considered to have an affordable option for coverage because the employee-only plan is affordable
- This is known as the “family glitch”



#### Summary of Household Income and Plan Costs

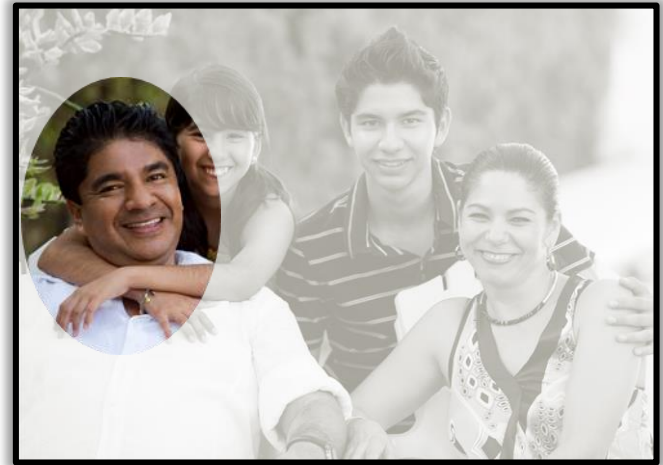
Household income:	\$48,500
Employee-only premium cost:	\$198/month
Employee + children premium cost:	\$400/month

✗ Not eligible for PTCs

## Is Antonio eligible for PTCs?

*Does Antonio have an offer of affordable employer coverage?*

- There is no offer of spousal coverage
- The affordability test does not apply



### Summary of Household Income and Plan Costs

Household income:	\$48,500
Employee-only premium cost:	\$198/month
Employee + children premium cost:	\$400/month

✓ Eligible for PTCs

# Example: Is ESI Offer Minimum Value?

- **Household income:** \$48,500 (200% FPL)
- Teresa's employer offers two plans
- **Plan A** is considered affordable and meets minimum value:
  - ✗ The family is ineligible for PTCS even if they do not enroll
- If they choose **Plan B**, it will be considered MEC even though it doesn't meet MV



PLAN A		
<b>Cost</b>	<b>Employee-only:</b> \$198/month (4.9% of income)	<b>Employee + family:</b> \$525/month (13% of income)
<b>AV</b>	80%	
	<i>Meets MV</i>	

PLAN B	
<b>Cost</b>	<b>Employee + family:</b> \$243/month (6% of income)
<b>AV</b>	40%
	<i>Does NOT meet MV</i>

- Small group coverage will generally meet MV
- Large employers may or may not meet this standard
  - Often self-insured
  - Coverage isn't required to fit into metal tiers

Tell us about the **health plan** offered by this employer.

14. Does the employer offer a health plan that meets the minimum value standard\*? ☐ Yes ☐ No

15. For the lowest-cost plan that meets the minimum value standard\* offered **only to the employee** (don't include family plans): If the employer has wellness programs, provide the premium that the employee would pay if he/ she received the maximum discount for any tobacco cessation programs, and did not receive any other discounts based on wellness programs.

a. How much would the employee have to pay in premiums for this plan? \$ \_\_\_\_\_

b. How often? ☐ Weekly ☐ Every 2 weeks ☐ Twice a month ☐ Once a month ☐ Quarterly ☐ Yearly

# Example: Coverage Choices for Young Adults

## John, 24 years old

- Income: \$23,540 (200% FPL), Employer offers ESI
- Tax Filing Status: Tax filer
- A 24-year-old child has the option of staying on his parent's ESI until he reaches age 26, even though he is no longer a dependent.
  - ✓ If he chooses to be on his father's ESI, it counts as MEC
  - ✓ If he chooses Marketplace coverage, he is still eligible for PTCs



CHOICE 1: Employer Coverage	
<b>Cost</b>	\$85/month (4.3% of income)
<b>AV</b>	40%, does not meet MV
✓ Still eligible for PTCs	

CHOICE 2: Marketplace Coverage	
<b>Cost</b>	\$123/month after PTC
<b>AV</b>	87% after cost- sharing reduction

CHOICE 3: Coverage from Dad's ESI	
<b>Cost</b>	\$0/month (Dad pays for family coverage)
<b>AV</b>	N/A
✓ Still eligible for PTCs	

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# Calculation of the Premium Tax Credit

# How is the Amount of PTC Calculated?



**Premium Tax Credit**



Difference between the cost of the benchmark plan and the expected premium contribution an individual is expected to pay



**Cost of Benchmark Plan**



The premium cost of the second lowest cost silver plan available to each eligible household member



**Expected Premium Contribution**



What an individual is expected to contribute towards the cost of premiums (based on an individual's income and is set on a sliding scale)



The benchmark plan is the second lowest cost silver plan available to each eligible household member

QHP METAL LEVEL PLAN TIERS		
QHPs must provide plan designs consistent with actuarial values		
Costs covered by a plan	Platinum	90% actuarial value
	Gold	80% actuarial value
	Silver	70% actuarial value
	Bronze	60% actuarial value
	Catastrophic coverage	High deductible health plan available for individuals up to age 30 or some individuals exempted from the individual responsibility requirement (PTCs do not apply to these plans)
Actuarial value is a measure of the percentage of expected health care costs a health plan will cover and is considered a general summary measure of health plan generosity. It represents an average for a population and does not necessarily reflect the actual cost-sharing experience of an individual.		

**BENCHMARK PLAN**

**NOTE:** When no one plan covers every member, benchmark may be based on one or more policies

## Age

- Limited to no more than 3 to 1 variation
- Each family member rated separately

## Family size

- Total premium for family = Sum of premiums for each family member
- *Exception:* In families with > 3 members under 21, count only 3 oldest children

## Geographic area

## **Tobacco use**

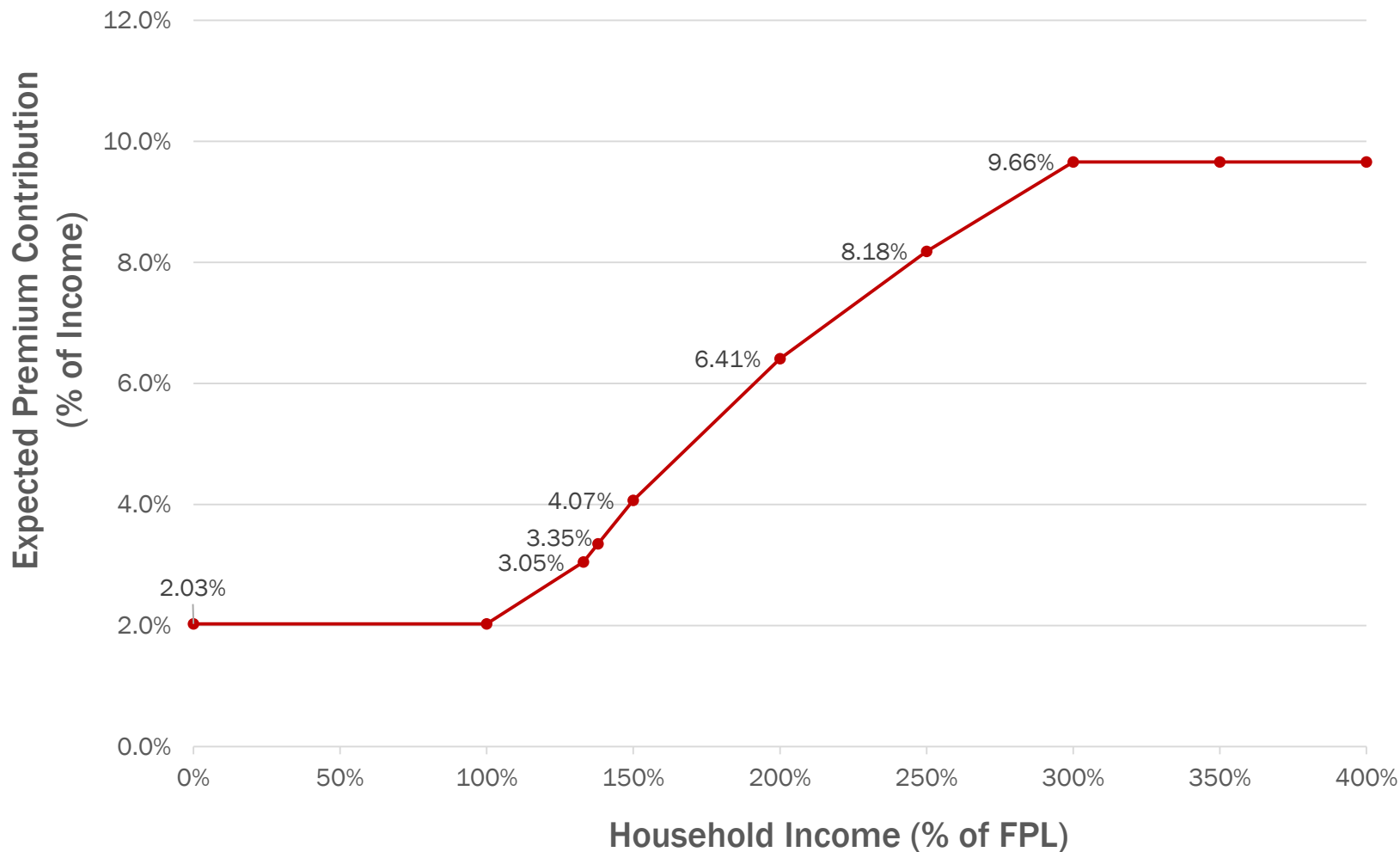
- Limit to no more than 1.5 to 1 variation
- Difference due to tobacco use not accounted for in PTC calculation

## **Plan chosen by consumer**

- Amount of PTC pegged to second lowest cost silver plan
- But consumer can purchase any metal plan

# Expected Premium Contribution in 2016

36



# 2016 Expected Contributions at Certain Income Levels

Annual Household Income		Expected Premium Contribution	
% of FPL	Income Amount (For HH of 1 using 2015 FPL)	% of Income	Dollar Amount (For HH of 1 using 2015 FPL)
< 133% <sup>1</sup>	< \$15,654	2.03%	\$318
133 - 138% <sup>1</sup>	\$15,654 - \$16,243	3.05% - 3.35%	\$477 - \$544
138 - 150%	\$16,243 - \$17,655	3.35% - 4.07%	\$544 - \$719
150 - 200%	\$17,655 - \$23,540	4.07% - 6.41%	\$719 - \$1,509
200 - 250%	\$23,540 - \$29,425	6.41% - 8.18%	\$1,509 - \$2,407
250 - 300%	\$29,425 - \$35,310	8.18% - 9.66%	\$2,407 - \$3,411
300 - 350%	\$35,310 - \$41,195	9.66%	\$3,411 - \$3,979
350 - 400%	\$41,195 - \$47,080	9.66%	\$3,979 - \$4,548
> 400%	> \$47,080	n/a	n/a

<sup>1</sup> Individuals with <138% FPL that would be eligible for Medicaid are ineligible for tax credits



**John, 24 years old**

- Income: \$23,540/year (200% FPL)
- Expected contribution: 6.41% of income (\$1,509/year, \$126/month)

### 3 Lowest Cost Silver Plans That Cover John:

- \$2,300/year (\$192/month)
- **\$2,535/year (\$211/month)**
- \$2,600/year (\$217/month)

**BENCHMARK PLAN**

<b>Plan A</b> BlueChoice HMO Silver			
Monthly Premium	\$		
<b>Plan B</b> Highmark PPO Silver			
Monthly Premium	\$		
<b>Plan C</b> Kaiser Permanente Silver			
Monthly Premium	Deductible	OOP Max	Copayments / Coinsurance
\$	\$	\$	

## PTC Calculation

$$\begin{array}{c} \text{Icon of a document with a dollar sign} \\ \$2,535 \end{array} - \begin{array}{c} \text{Icon of two people with a dollar sign} \\ \$1,509 \end{array} = \begin{array}{c} \text{Icon of a dollar sign} \\ \$1,026/\text{year} \\ (\$86/\text{month}) \end{array}$$



## Teresa, Antonio, Gaby, and Michael

- Income: \$48,500/year (200% FPL)
- Expected contribution: 6.41% of income (\$3,109/year, \$259/month)

## 3 Lowest Cost Silver Plans That Cover All:

- \$10,000/year (\$833/month)
- \$10,542/year (\$879/month)
- \$10,800/year (\$900/month)

### BENCHMARK PLAN

*Note: could be one or multiple policies*

Plan A		BlueChoice HMO Silver	
Monthly Premium	\$	Plan B	
		Highmark PPO Silver	
Monthly Premium	\$	Plan C	
		Kaiser Permanente Silver	
Monthly Premium	\$	Deductible	OOP Max
		Copayments/Coinsurance	

## PTC Calculation

$$\begin{array}{c} \text{\$10,542} \\ \text{---} \\ \text{\$3,109} \end{array} = \begin{array}{c} \text{\$7,433/year} \\ \text{(\$619/month)} \end{array}$$



## Teresa, Antonio, Gaby, and Michael

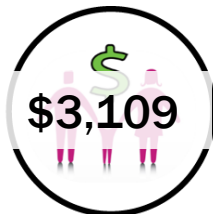
- Income: \$48,500/year (200% FPL)
- Expected contribution: 6.41% of income (\$3,109/year, \$259/month)
- Kids eligible for CHIP

## 3 Lowest Cost Silver Plans That Cover Teresa and Antonio:

- \$7,000/year (\$583/month)
- **\$7,322/year (\$610/month)**
- \$7,500/year (\$625/month)

### BENCHMARK PLAN

## PTC Calculation



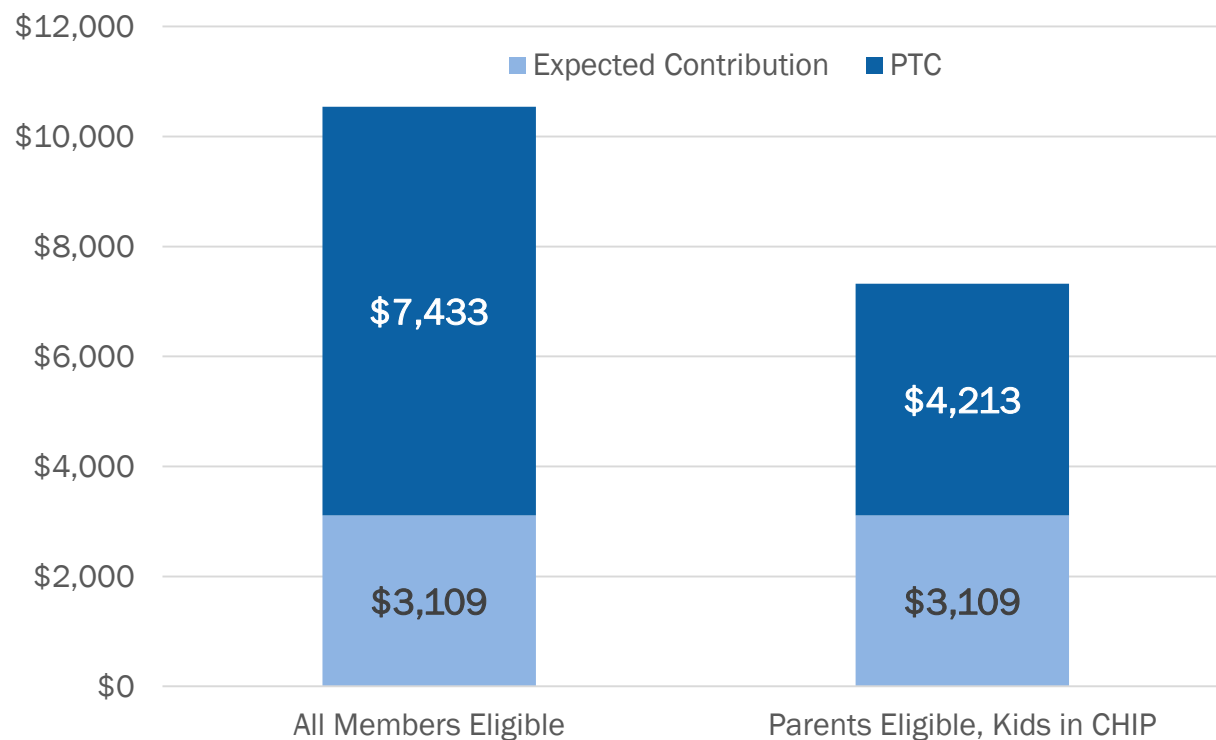
**\$4,213/year**  
**(\$351/month)**

Plan A BlueChoice HMO Silver			
Monthly Premium			
\$			
Plan B Highmark PPO Silver			
Monthly Premium			
\$			
Plan C Kaiser Permanente Silver			
Monthly Premium	Deductible	OOP Max	Copayments / Coinsurance
\$	\$	\$	



## Teresa, Antonio, Gaby, and Michael

- Income: \$48,500 (200% FPL)
- Expected contribution: 6.41% of income (\$3,109/year, \$259/month)



**Key takeaway**  
Benchmark plan affects PTC amount but not expected contribution

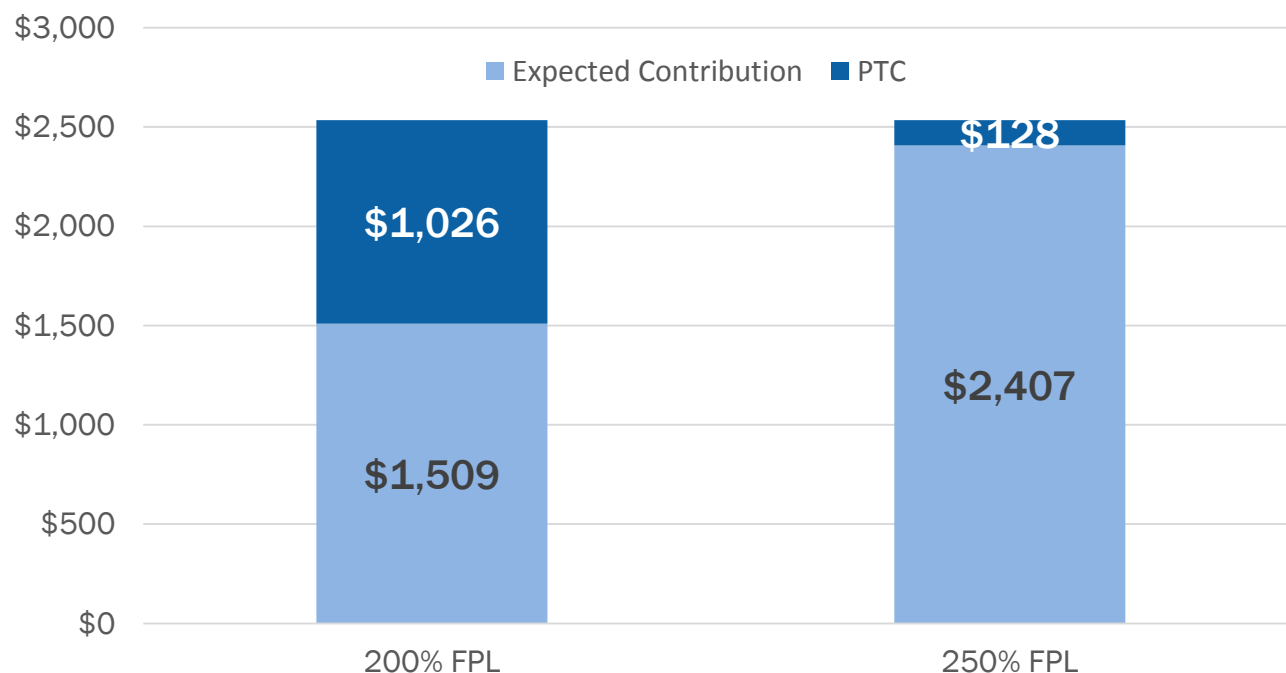
# Example: Impact of Expected Contribution on PTC



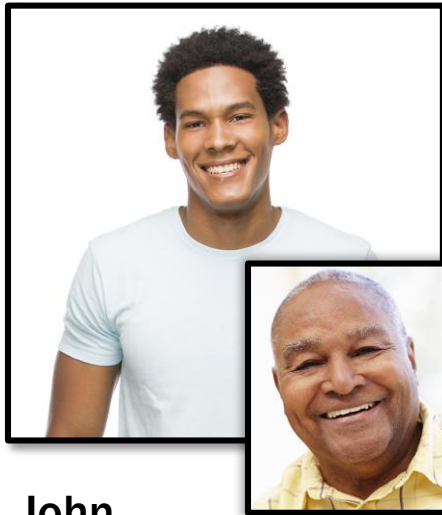
**John, 24 years old**

- Benchmark Plan: \$2,535/year, \$211/month

200% FPL	vs.	250% FPL
<b>Income:</b> \$23,540 (200% FPL)		<b>Income:</b> \$29,425 (250% FPL)
<b>Expected Contribution:</b> \$1,509/year, \$126/month (6.41% of income)		<b>Expected Contribution:</b> \$2,407/ year, \$200/month (8.18% of income)
<b>PTC:</b> \$1,026/year, \$86/month		<b>PTC:</b> \$128/year, \$11/month



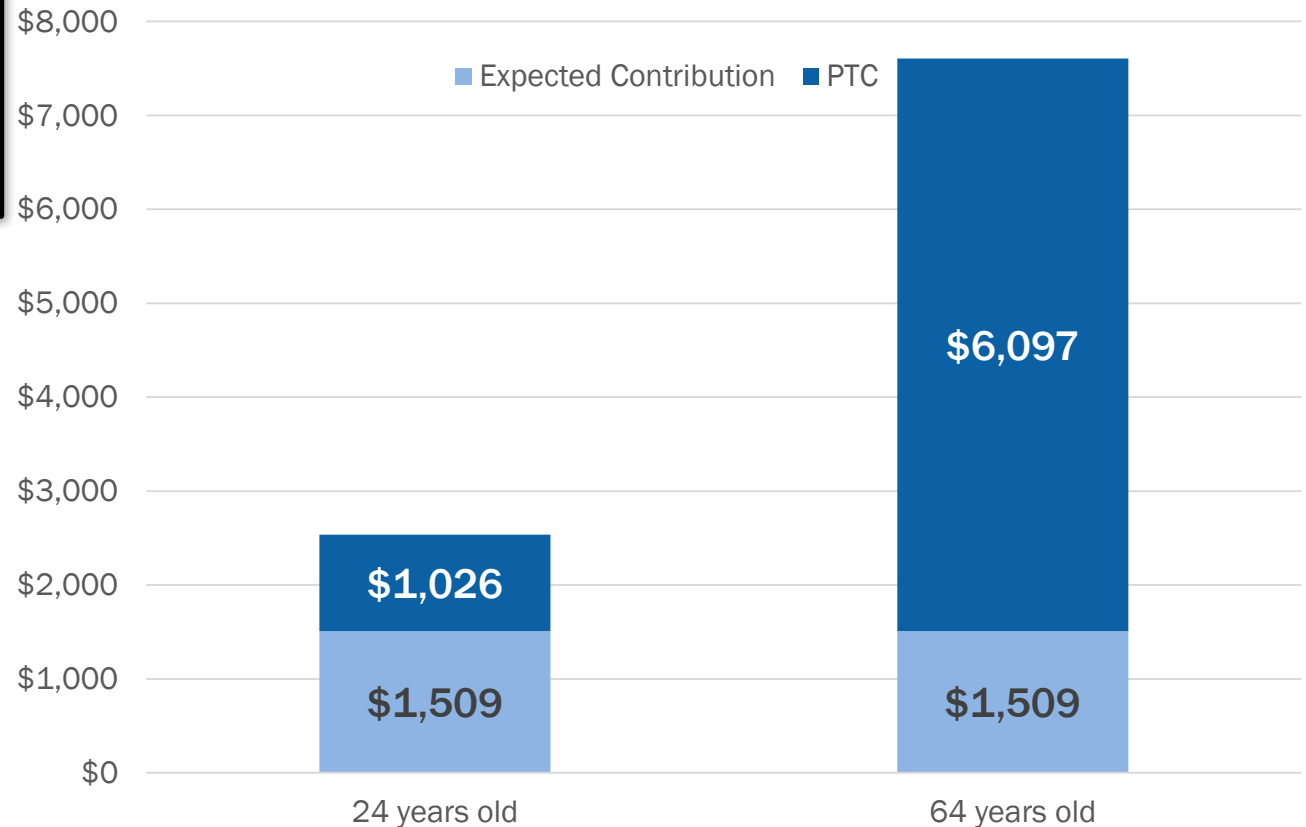
# Example: Impact of Age on PTC Calculation



**John**

- Income: \$23,540 (200% FPL)
- Expected Contribution: 6.41% of income, \$1,509 (\$126/month)

Age: 24	vs.	Age: 64
<b>Benchmark Plan Cost:</b> \$2,535 (\$211/month)		<b>Benchmark Plan Cost:</b> \$7,606 (\$634/month)
<b>PTC:</b> \$1,026 (\$86/month)		<b>PTC:</b> \$6,097 (\$508/month)



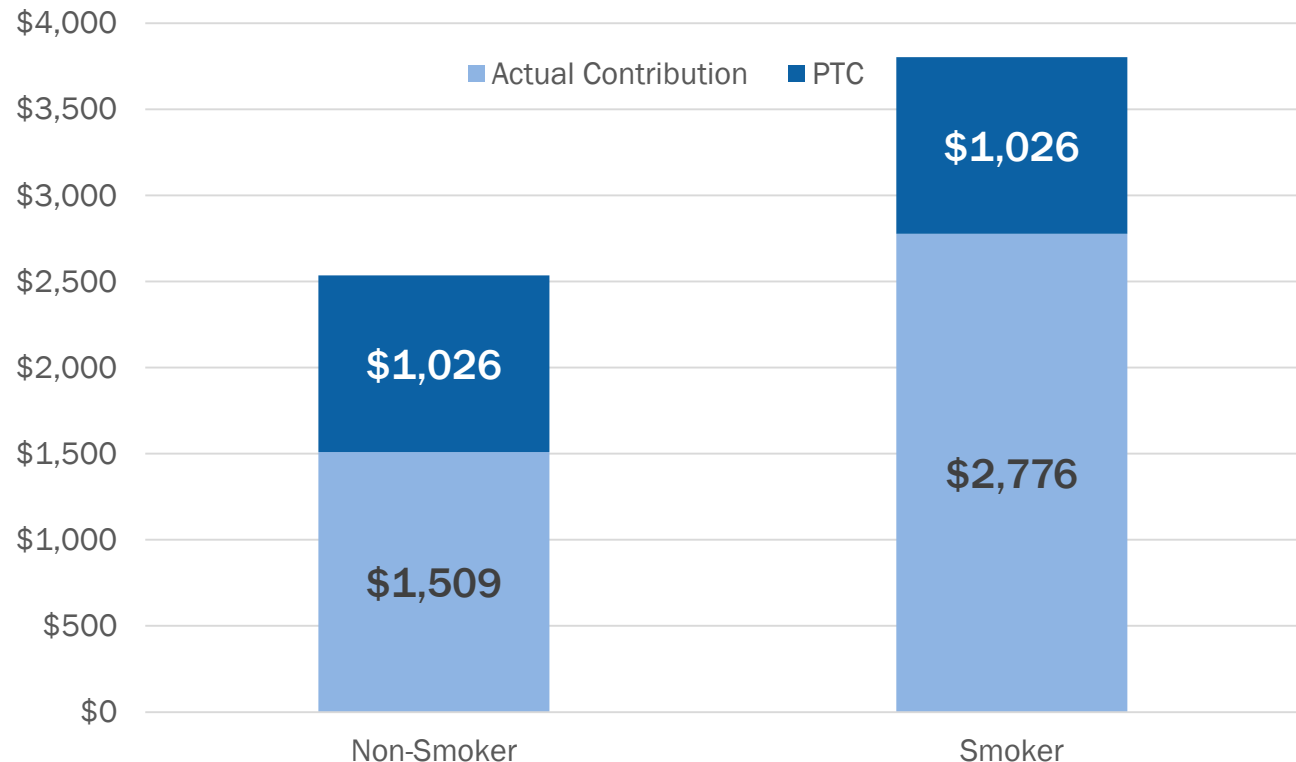
# Example: Impact of Tobacco Use on PTC Calculation



## John

- Income: \$23,540 (200% FPL)
- Expected Contribution: 6.41% of income, \$1,509 (\$126/month)

Non-Smoker	vs.	Smoker
<b>Benchmark Plan Cost:</b> \$2,535		<b>Benchmark Plan Cost:</b> \$2,535
<b>Premium Cost:</b> \$2,535 (\$211/month)		<b>Premium Cost:</b> \$3,802 (\$316/month)
<b>PTC:</b> \$1,026 (\$86/month)		<b>PTC:</b> \$1,026 (\$86/month)

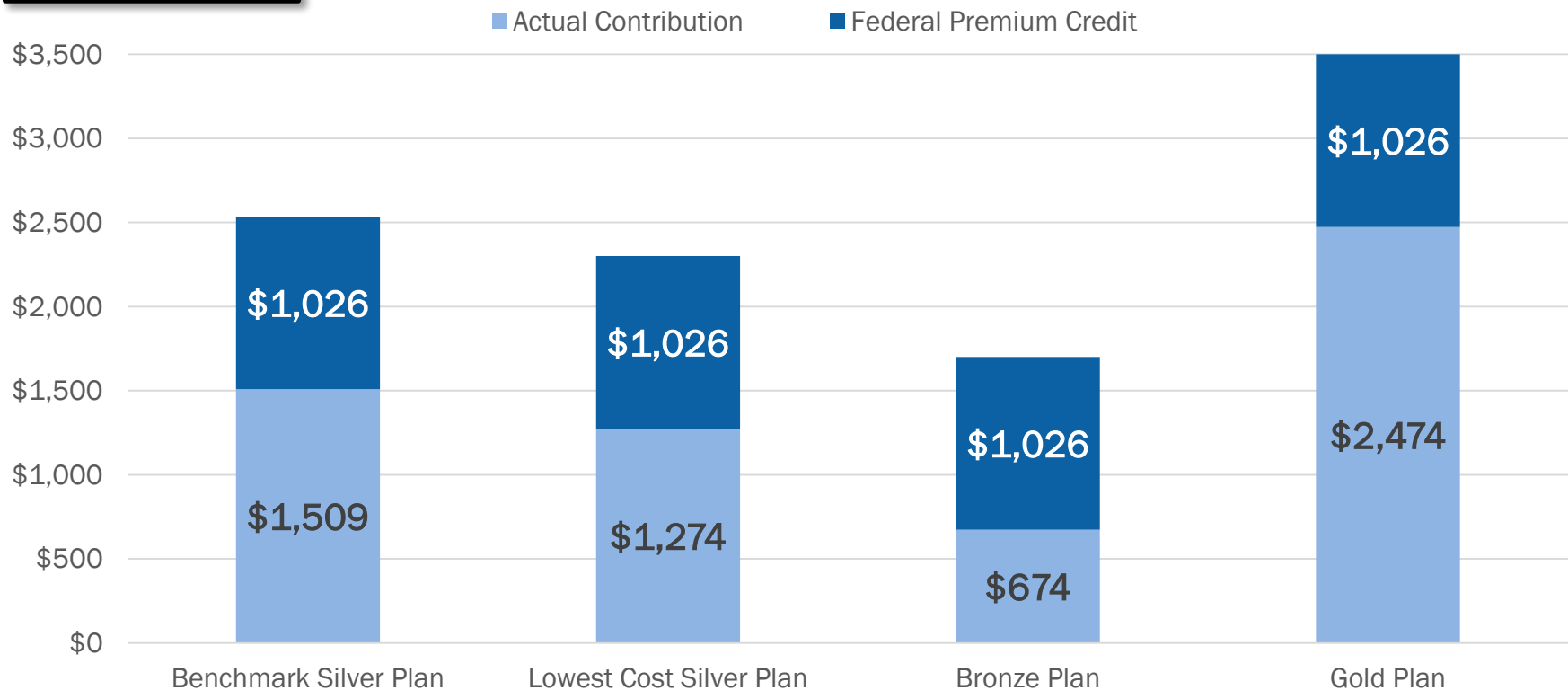


# Example: Impact of Plan Choice on Premiums



**John**

- PTC: \$1,026 (\$86/month)



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For more information and resources, please visit:

[www.healthreformbeyondthebasics.org](http://www.healthreformbeyondthebasics.org)

*This is a project of the Center on Budget and Policy Priorities, [www.cbpp.org](http://www.cbpp.org)*

## Part II: Determining Household Size and Income

- Thursday, October 15, 2015 | 2:00 pm Eastern (11:00 am Pacific)

## Part III: Plan Design

- Thursday, October 22, 2015 | 2:00 pm Eastern (11:00 am Pacific)

## Part IV: Exemptions and Penalties

- Thursday, October 29, 2015 | 2:00 pm Eastern (11:00 am Pacific)

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