Answers to Frequently Asked Questions

Beyond the Basics of Health Reform

Center on Budget and Policy Priorities

December 11, 2013

Cost-Sharing Charges and Plan Selection

How does cost-sharing work?

Cost-Sharing Charges

- Deductible
  - Enrollee must pay an amount out-of-pocket before the plan begins to pay for most benefits
  - Set on a yearly basis
- Copayments
  - Dollar amount that enrollee must pay for an item or service that enrollees must pay
- Coinsurance
  - Percentage of the charge or cost of an item or service that enrollees must pay

What counts toward the deductible?

- Any in-network spending by the enrollee on benefits covered by the plan generally counts toward the annual deductible.
- Some plans do not apply the deductible to certain services. This means the enrollee might be charged a copayment instead of the full charge even if she had not met the deductible.
- For example, a plan might charge a copayment for physician visits (or a limited number of physician visits). Some Marketplace plans do not apply the deductible to prescription drugs.

What counts toward the out-of-pocket maximum?

- Puts a cap on what the enrollee has to pay in cost-sharing charges each year
  - Set on a yearly basis
  - 2014 maximum amounts: $6,350 individual/$12,700 family
- All enrollee spending on deductibles, coinsurance, and copayments related to in-network essential health benefits count.
- Premiums, additional cost-sharing amounts for using out-of-network providers, and spending for non-covered services do not count.

How does cost-sharing work for out-of-network care?

- Some plans do not cover any out-of-network items or services provided, which means the enrollee would pay the full charge.
- If plans do provide out-of-network coverage, they typically charge larger cost-sharing amounts compared to in-network care.

	Annual Deductible	Annual OOP Limit	Hospital Stay	Primary Care Visit	Specialist Visit
In-Network	$3,750	$6,350	$500 copay + 30%	$10	$75
Out-of-Network	$6,000	None	$1,000 + 50%	50%	50%

How do Cost-Sharing Reductions work?

How do Cost-Sharing Reductions (CSRs) work?

- A federal benefit that reduces the out-of-pocket charges an enrollee must pay for medical care covered by the plan
- 3 levels of cost-sharing reductions based on income
- Available to people with income up to 250% FPL
- Must enroll in a silver plan through the Marketplace
- Enrollee cost-sharing charges are automatically reduced when an eligible person or family enrolls in a silver plan

Sample Cost-Sharing Reduction Plans

	Base Silver Plan	CSR Plan for 201%-250% FPL ($22,981-$28, 725)	CSR Plan for 151%-200% FPL ($17,236-$22,980)	CSR Plan for up to 150% FPL (up to $17,235)
Actuarial Value	70%	73%	87%	94%
Deductible (indiv.)	$3,000	$2,500	$500	$0
Maximum OOP Limit (indiv.)	$6,350	$5,200	$1,500	$500
Hospital Admission	$250 + 20%	$250 + 20%	$250 + 20%	$250 + 20%
Primary Care Visit	$35	$35	$35	$35

Do Cost-Sharing Reductions vary with plan design?

- Yes.
- Insurers have to create plan variations for all of the silver plans they offer.
- The variations must meet certain standards, but in general insurers decide how to set specific cost-sharing charges, just as they can with the base silver plans.
- Result: People eligible for cost-sharing reductions will see different out-of-pocket charges among the silver plans available to them.

Base Silver Plans

	#1	#2	#3
Deductible (Indiv.)	$2,750	$0	$5,000
OOP Max.(Indiv.)	$6,350	$6,350	$5,000
Hospital Stay	20% (post-ded.)	$2,000 per day	0% (post-ded.)
Primary Care Visit	$30	$30	$30

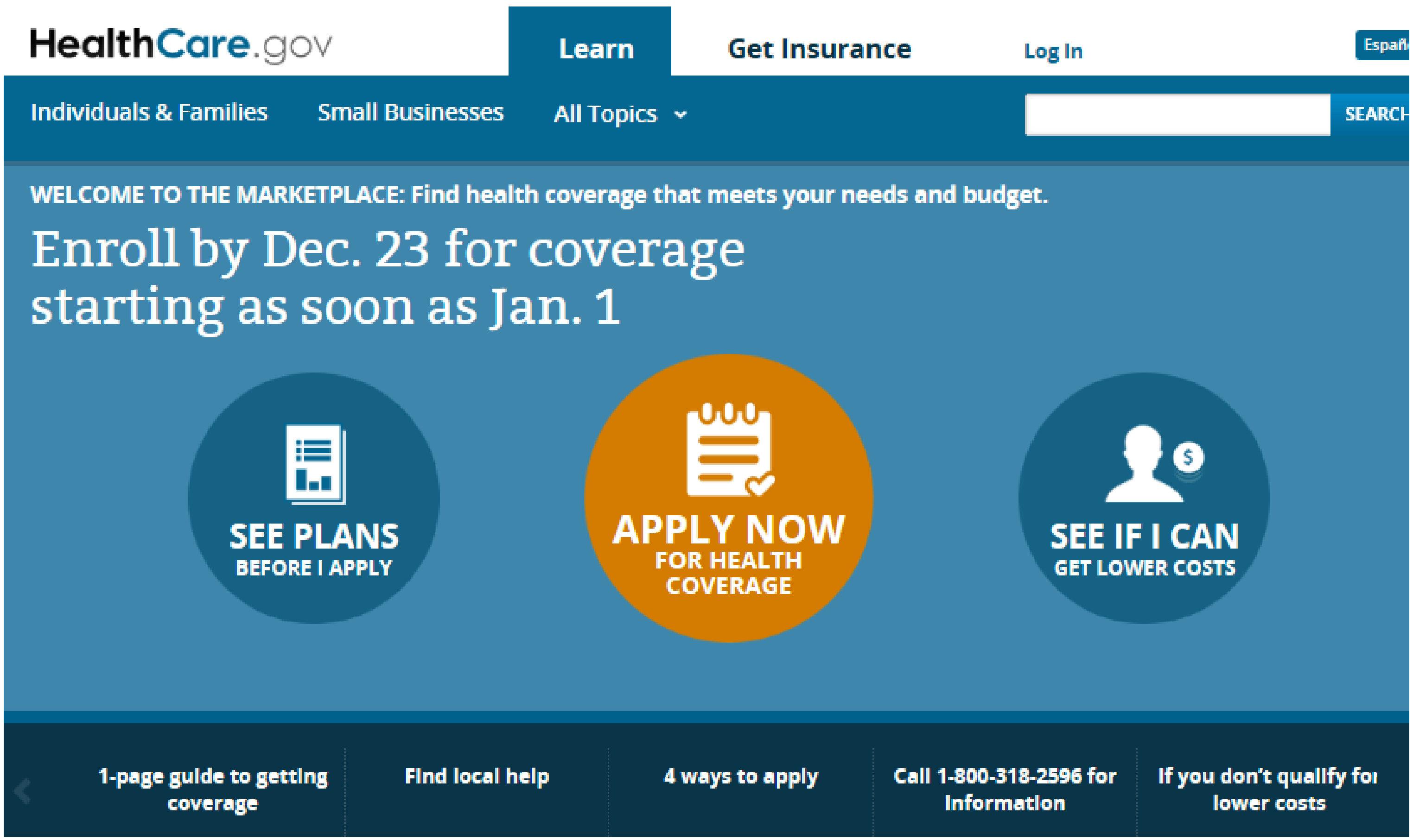
Corresponding CSR Plans

	#1 – 94% AV	#2 -- 94% AV	#3 -- 94% AV
Deductible (Indiv.)	$200	$0	$600
OOP Max.(Indiv.)	$575	$500	$600
Hospital Stay	20% (post-ded.)	$2,000 per day	30% (post-ded.)
Primary Care Visit	$30	$30	$30

How can you assist consumers in narrowing down the number of plan options and ultimately selecting a plan that meets their needs?

Health Plan Shopping with John (Western PA)

Age:	30	FPL:	200%
Household size:	1	Tax Credit:	$364/year
Income:	$22,980		



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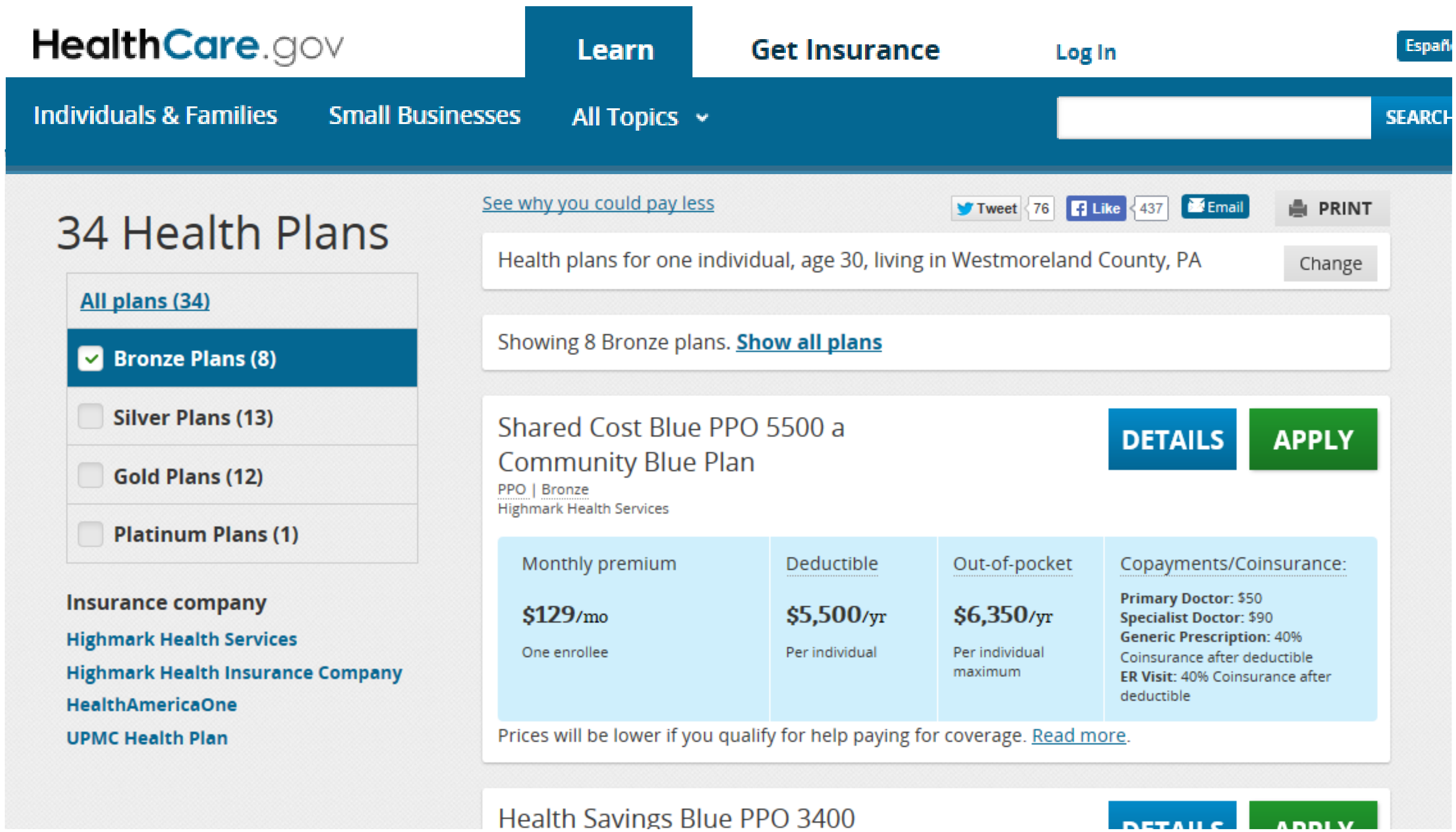
Age: 30

Household size: 1

Income: $22,980

FPL: 200%

Tax Credit: $364/year



Health Reform: **Beyond the Basics**

Health Plan Shopping with John (Western PA)

Age:	30	FPL:	200%
Household size:	1	Tax Credit:	$364/year
Income:	$22,980		
Health Conditions:	asthma, sprained knee		

Shared Cost Blue PPO 5500 a Community Blue Plan

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Highmark Health Services

PPO | Bronze

More information from the insurance company:

- Summary of Benefits
- Plan Brochure
- Provider Directory
- List of Covered Drugs

This health plan includes child dental coverage.

Deductibles (per year):

Medical deductible (family total)	$11,000
Medical deductible (per individual)	$5,500
Prescription drug deductible (family total)	Included in Medical
Prescription drug deductible (per individual)	Included in Medical

Out-of-pocket maximum (per year):

Health care out-of-pocket maximum (family total)	$12,700
Health care out-of-pocket maximum (per individual)	$6,350
Prescription drug out-of-pocket maximum (family total)	Included in Medical
Prescription drug out-of-pocket maximum (per individual)	Included in Medical

Copayments/Coinsurance:

Health Plan Shopping with John (Western PA)

Age: 30

Household size: 1

Income: $22,980

Health Conditions: asthma, sprained knee

FPL: 200%

Tax Credit: $364/year

	Health Plan A		Health Plan B
	Bronze	Silver-CSR	Silver-CSR
Monthly Premium	$98.05	$113.94	$119.62

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Monthly Premium	$98.05	$113.94	$119.62
Deductible	$5,500	$500	$500
Maximum OOP limit	$6,350	$2,000	$1,500
Inpatient hospital	40%	10%	20%
Office visit	$50-$90	10%	$10-$40

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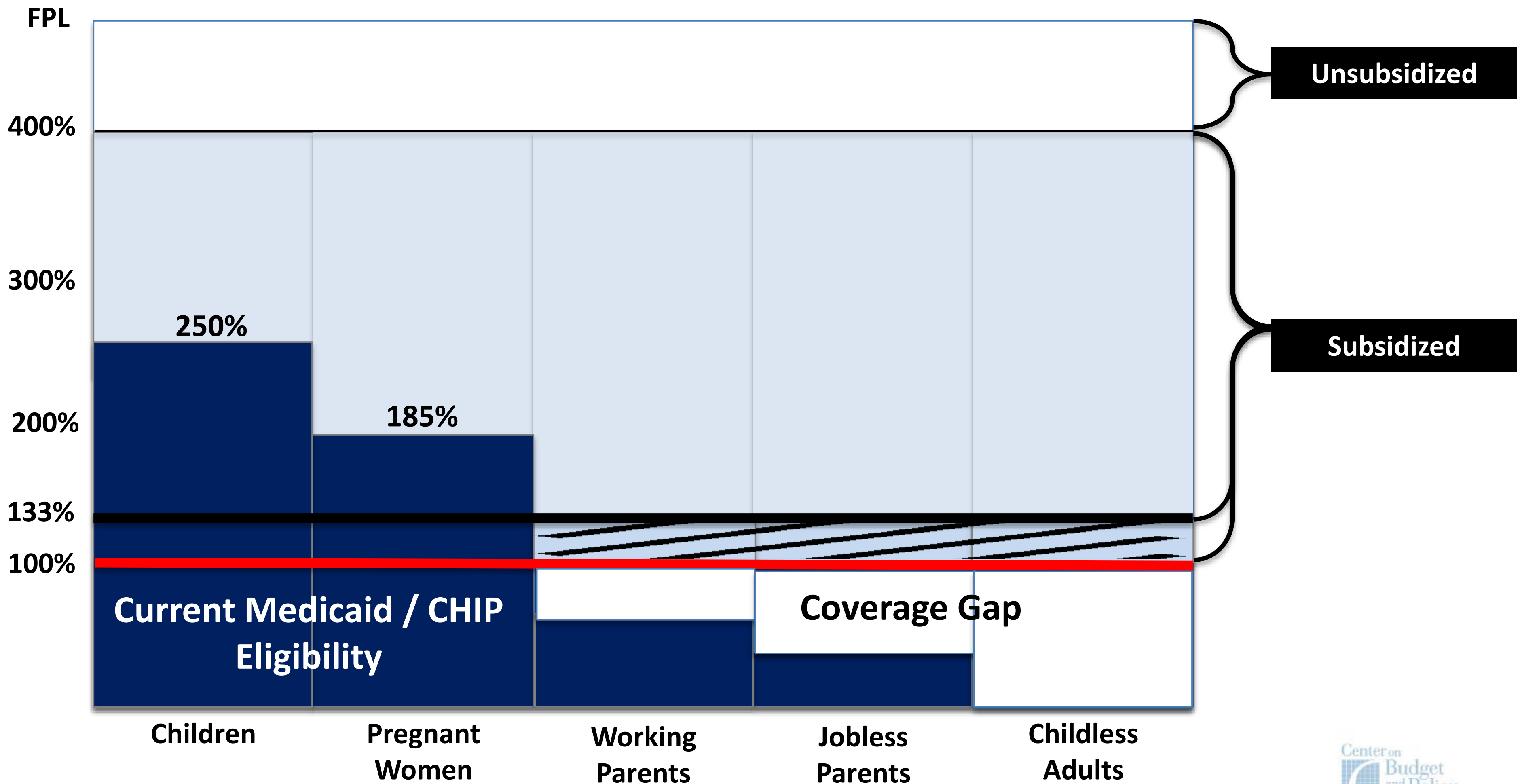
Deductible	$5,500	$500	$500
Maximum OOP limit	$6,350	$2,000	$1,500
Inpatient hospital	40%	10%	20%
Office visit	$50-$90	10%	$10-$40
Doctors in network?	none	some	all
Prescriptions covered?	some	all	all
Physical therapy visit limits	12	12	20

Determining Household Size and Income

Who is eligible for premium tax credits in states that don't expand Medicaid?

Health Reform: **Beyond the Basics**

Eligibility for Insurance Affordability Programs in 2014



Medicaid and CHIP coverage, based on 2012 eligibility levels in a typical state
Source: Kaiser Commission on Medicaid and the Uninsured

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Eligibility for Premium Tax Credits

- Available to individuals and families with incomes between 100 and 400% of the poverty line
  - Must not be eligible for other “minimum essential coverage” (MEC) including Medicaid
  - Must be US citizens or lawfully present in the US
    - Special rule for lawfully present immigrants with incomes below the poverty line who are not eligible for Medicaid because of their immigration status

Eligibility for Premium Tax Credits in Non-Expansion States

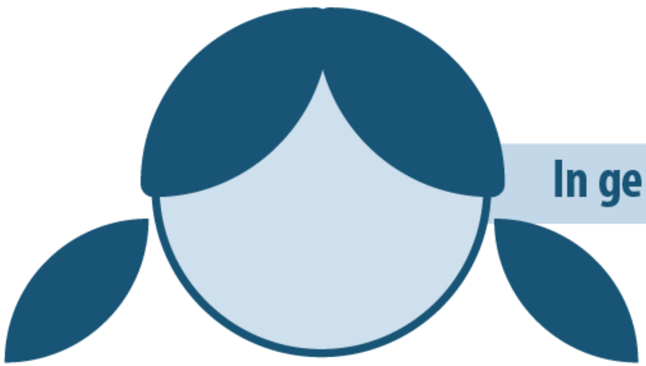
- Individuals and families with incomes between 100-138% of the FPL will be eligible for premium tax credits and cost-sharing reductions in states that don't expand Medicaid because they are not eligible for Medicaid.
- In addition, lawfully residing immigrants not eligible for Medicaid because of their immigration status will qualify for premium tax credits if their incomes are below the poverty line in both expansion and non-expansion states.

Can an individual claim his or her domestic partner as a tax dependent?

Who Qualifies as a Tax Dependent?

Children

A child can include your child, step child, adopted child, foster child, brother, sister, niece, nephew or grandchild



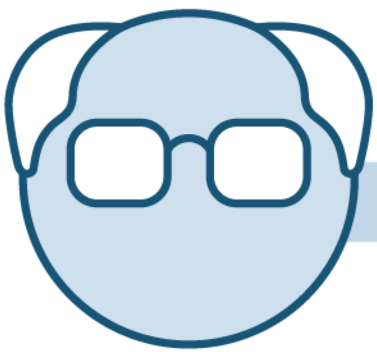
In general qualify if…

- Are a U.S. citizen or resident of the U.S., Canada or Mexico
- Live with you for more than half the year
- Under 19 at the end of the year (or 24 if a full-time student or any age if disabled)
- Child doesn't provide more than half of his own support

Who Qualifies as a Tax Dependent?

Other individuals

Other individuals can include a relative, in-law or a full-time member of your household



In general qualify if…

- Are a U.S. citizen or resident of the U.S., Canada or Mexico
- Provide more than 50% of the dependent's support
- Be related to you or live in your home all year
- Make less than $3,950 (in 2014). Generally doesn't include social security

Can an individual claim his or her domestic partner as a tax dependent?

- A domestic partner may be claimed as a tax dependent by his/her partner, if he or she meets all the criteria for a "qualified individual" under tax rules

How does household size affect eligibility?

Household Size is needed to convert income to a percentage of the federal poverty line

Household size	100%	133%	200%	250%	400%
1	$11,490	$15,282	$22,980	$28,725	$45,960
2	$15,510	$20,628	$31,020	$38,775	$62,040
3	$19,530	$25,975	$39,060	$48,825	$78,120
4	$23,550	$31,322	$47,100	$58,875	$94,200
5	$27,570	$36,668	$55,140	$68,925	$110,280

Who is in the household determines whose income counts

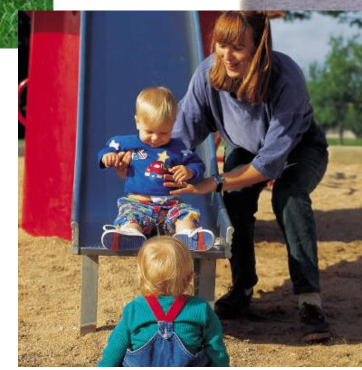
Is the household used to determine eligibility for premium tax credits the same as the household that can enroll as a family in a Marketplace qualified health plan (QHP)?

Households for determining eligibility are not always the same as families that can enroll in the same plan

- A household member may be ineligible to enroll in a QHP
- A household member may be eligible for other minimum essential coverage
- Household members may live in different states or parts of the state
- Health plan rules may not treat some tax filing units as families for the purposes of family coverage

Can you explain how Medicaid determines who is in a household?

Determining Household Size for MAGI Medicaid



- MAGI rules apply to:
  - Children
  - Pregnant women
  - Parents / Caretaker relatives

  (whether or not state is expanding Medicaid)
  - New adult group

  (only in states that are expanding Medicaid)
- Current household and income rules apply to:
  - Seniors (people 65 and over)
  - Most people with disabilities

Determining Household Size for MAGI Medicaid

Separate determination for each individual

- Members of a family could have different household sizes
- Three categories of individuals
  - Tax filers not claimed as a tax dependent
  - Tax dependents
  - Non-filers <u>and</u> not claimed as a tax dependent
- Based on <u>expected</u> tax filing status

Medicaid Rules for Households that include a Pregnant Woman

- Pregnant women counted as 2 people (or more if multiple births) with state option to:
  - Count pregnant woman as 1 or 2 (or more) people in determining household size of her family members

<table>
<tr><th colspan="3">If an individual expects to be a:</th></tr>
<tr><th>Tax Filer Not Claimed as a Dependent</th><th>Tax Dependent</th><th>Non-Filer/
Non-Dependent</th></tr>
<tr><th colspan="3">Individual’s household is…</th></tr>
<tr><td>Tax filer and all persons whom taxpayer expects to claim as a tax dependent</td><td>The household of the tax filer claiming individual as a dependent</td><td rowspan="3"><u>For adults:</u>
Household is the individual plus, if living with individual, spouse and children

<u>For children:</u>
Household is the child plus siblings and parents (including step-parents) living with child

At state option, children are either:
▪ Under age 19, or
▪ Under age 19, or full-time students under age 21</td></tr>
<tr><th colspan="2">Exceptions and special rules:</th></tr>
<tr><td>For married couples filing jointly, each spouse is considered a tax filer.

Married couples living together are always in each other’s household regardless of how they file.</td><td>Apply the rule for <u>non-filers</u> for:
▪ Tax dependents not a child or spouse of the taxpayer
▪ Children living with both parents not expected to file a joint return
▪ Children claimed as tax dependent by non-custodial parents</td></tr>
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Example: Three-Generation Household

- Rose lives with and supports her 60-year old mother, Cecilia, and 7-year old daughter, Anna
- Rose is the tax filer and claims Cecilia and Anna as her dependents

- Who is counted in the household?

	Counted in HH			HH Size for Medicaid
	Rose	Anna	Cecilia	
Rose	✓	✓	✓	3
Anna	✓	✓	✓	3
Cecilia			✓	1

Why is Cecilia a household of one for Medicaid?

	Counted in HH			HH Size for Medicaid
	Rose	Anna	Cecilia	
Rose	✓	✓	✓	3
Anna	✓	✓	✓	3
Cecilia			✓	1

- She is Rose's tax dependent, but she is not Rose's child or spouse. Therefore, she is treated as a non-filer.
- As a non-filer, Cecilia's household includes herself and any spouse or children living with her. Rose is her daughter, but she is not considered a child because of her age.

Example: Non-Married Parents

- Dan and Jen live together with their 2 children, Drew and Mary
- Dan and Jen both have income
- For taxes, Dan claims the children, Jen files on her own

- Who is counted in the household?

	Counted in HH				HH Size for Medicaid
	Dan	Jen	Drew	Mary	
Dan	✓		✓	✓	3
Jen		✓			1
Drew	✓	✓	✓	✓	4
Mary	✓	✓	✓	✓	4

How are Social Security benefits treated in determining a family's MAGI?

Modified Adjusted Gross Income (MAGI)

Adjusted Gross Income (AGI, as defined by IRS)
\+ Excluded foreign income
\+ Tax exempt interest
<u>+ Non-taxable Social Security benefits of the taxpayer</u>
= MAGI

- For many people, Social Security benefits are not taxable, unless the family has additional income.
- All Social Security benefits received by the taxpayer (both taxed and untaxed) are included in MAGI.

20a	Social security benefits	20a			b Taxable amount . . .	20b	

When do you count the income of dependents in determining a family's MAGI?

Whose Income Counts?

- For premium tax credits, household income includes:
  - MAGI of the taxpayer (and joint filer)
  - Anyone in the household with a tax filing requirement
- For Medicaid:
  - MAGI is the sum of the MAGI-based income of every one in the household *except* for tax dependents and children included in the household of their parents who are not expected to be required to file a tax return for the year in which eligibility is being determined.

When do dependents have to file a tax return?

- In general, a single dependent under age 65 has a filing requirement if (2013 figures):
  - Unearned income of >$1,000, OR
  - Earned income of >$6,100, OR
  - Taxable gross income was greater than either: $1,000 or earned income (up to $5,750) plus $350.

Example: Single Adult with Dependent

- Jill lives with Ryan, her 14-year-old grandson, and claims him as a tax dependent.
  - $18,000 – Jill's income
  - $5,000 – Ryan's income from Social Security survivors' benefits
    - This income is not taxable so he does not have a tax filing requirement.

- Household income for Medicaid and PTC:

	Medicaid			Premium Tax Credits		
	HH	Income	FPL	HH	Income	FPL
Jill	2	$18,000	116%	2	$18,000	116%
Ryan	1	$5,000	44%	2	$18,000	116%

Example: Single Adult with Dependent

- Jill lives with Ryan, her 14-year-old grandson, and claims him as a tax dependent.
  - $18,000 – Jill's income
  - $7,000 – Ryan's income from a summer job
    - Ryan's income is above the filing threshold for a dependent.
- Household income for Medicaid and PTC:

	Medicaid			Premium Tax Credits		
	HH	Income	FPL	HH	Income	FPL
Jill	2	$25,000	161%	2	$25,000	161%
Ryan	1	$7,000	61%	2	$25,000	161%

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For more information and resources, please visit:

www.healthreformbeyondthebasics.org

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