Putting it Together:
Beyond the Basics

Center on Budget and Policy Priorities
September 18, 2013
Topics

- Review and apply key concepts to three family scenarios:
  - Household and income determinations
  - Premium tax credit eligibility
  - Impact of offers of employer-sponsored coverage on the premium tax credit calculation
  - How cost-sharing reductions work

- Variations based on frequently asked questions
Coverage Landscape in 2014

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

John is 24 years old, single, lives alone and earns $23,000. He pays $100 in interest monthly on his student loans. He is currently uninsured.

• Let’s consider John’s:
  – Household
  – Income
  – Offers of “minimum essential coverage”
  – Premium tax credit eligibility
  – Cost-sharing reduction eligibility
John’s Household

John is 24 years old, single, lives alone and earns $23,000. He pays $100 in interest monthly on his student loans. He is currently uninsured.

Who is in John’s household?

– John files a tax return, is not claimed as a dependent by anyone else, and has no dependents of his own.
– John is a household of 1 for Medicaid and premium tax credits.
John’s Income?

What is John’s gross income?
– $23,000

What is John’s Modified Adjusted Gross Income (MAGI)?
– $21,800 ($23,000 minus $1,200 in deductible student loan interest)
Modified Adjusted Gross Income (MAGI)

Adjusted Gross Income (1040, line 37)
  + Foreign income
  + Tax exempt interest
  + Non-taxable Social Security benefits

MAGI

• For many people, Social Security benefits are not taxable. Having additional income can make benefits taxable.
• To calculate MAGI, include all Social Security benefits received by the taxpayer – both taxed and untaxed.
Is John Eligible for Other MEC?

John is 24 years old, single, lives alone and earns $23,000. He pays $100 in interest monthly on his student loans. He is currently uninsured.

Is John eligible for Medicaid or other public coverage?

No, John’s income is too high (190% FPL)

Does John have an offer of employer coverage?

No.

Does John have any other offer of coverage?

Yes, his father’s employer-sponsored coverage.

Dad’s Plan
Cost: $0 to John (Dad pays for family coverage)

John can join his Dad’s family plan because he is under age 26.

BUT the offer does not make him ineligible for a premium tax credit.
John: Calculation of Premium Tax Credit

**Credit amount =**

Cost of benchmark plan – Expected premium contribution

**MAGI:** $21,800 (190% FPL)

**What is John’s expected premium contribution?**
5.83% or $1,270

**What is John’s benchmark?**
Second lowest-cost silver plan in John’s area
- Plan A: $3,200
- Plan B: $3,018 **Benchmark**
- Plan C: $2,600

**Premium Credit** = $3,018 - $1,270 = $1,748
What Kind of Coverage Can John Buy with the Premium Credits?

<table>
<thead>
<tr>
<th>Plan Tier</th>
<th>Actuarial Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Platinum</td>
<td>90%</td>
</tr>
<tr>
<td>Gold</td>
<td>80%</td>
</tr>
<tr>
<td>Silver</td>
<td>70%</td>
</tr>
<tr>
<td>Bronze</td>
<td>60%</td>
</tr>
</tbody>
</table>

**Actuarial Value**

- Indicates what percentage of a typical population’s costs for covered services the plan would pay for.
- Does not represent what the plan would pay for any particular individual.
Impact of Plan Choice on What John Pays

**John:**
Eligible for a premium credit of $1,748 regardless of the plan he chooses.

<table>
<thead>
<tr>
<th>Plan</th>
<th>Actual Contribution</th>
<th>Federal Premium Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benchmark Silver Plan ($3,018)</td>
<td>$1,270</td>
<td>$1,748</td>
</tr>
<tr>
<td>Lowest Cost Silver Plan ($2,600)</td>
<td>$852</td>
<td>$1,748</td>
</tr>
<tr>
<td>Bronze Plan ($2,000)</td>
<td>$252</td>
<td>$1,748</td>
</tr>
<tr>
<td>Gold Plan ($4,000)</td>
<td></td>
<td>$2,252</td>
</tr>
</tbody>
</table>
Cost-Sharing Reductions

- Who is eligible?
  - People with income up to 250% FPL
  - Must enroll in a silver plan in the Marketplace to receive cost-sharing reductions

<table>
<thead>
<tr>
<th>Standard silver: No cost-sharing reduction</th>
<th>Cost-sharing reduction varies by income</th>
<th>Actuarial value after cost-sharing reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>70%</td>
<td>&lt;150% FPL</td>
<td>94%</td>
</tr>
<tr>
<td></td>
<td>151-200% FPL</td>
<td>87%</td>
</tr>
<tr>
<td></td>
<td>201-250% FPL</td>
<td>73%</td>
</tr>
</tbody>
</table>
Impact of Cost-Sharing on Plan Choice

Premium Credit: $1,748  
MAGI: $21,800 (190% FPL)

<table>
<thead>
<tr>
<th>Example 1: Silver Plan</th>
<th>Example 2: Bronze Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Premium:</strong></td>
<td><strong>Total Premium:</strong></td>
</tr>
<tr>
<td>$3,018</td>
<td>$2,000</td>
</tr>
<tr>
<td><strong>John’s Premium</strong></td>
<td><strong>John’s Premium</strong></td>
</tr>
<tr>
<td>Contribution:</td>
<td>Contribution:</td>
</tr>
<tr>
<td>$106/month</td>
<td>$21/month</td>
</tr>
<tr>
<td><strong>Plan AV with CSR:</strong></td>
<td><strong>Plan AV without CSR:</strong></td>
</tr>
<tr>
<td>87%</td>
<td>60%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sample Silver-CSR Plan (enrollee pays)</th>
<th>Sample Bronze Plan (enrollee pays)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deductible</strong></td>
<td><strong>$250</strong></td>
</tr>
<tr>
<td><strong>Maximum OOP limit</strong></td>
<td><strong>$2,000</strong></td>
</tr>
<tr>
<td><strong>Inpatient hospital</strong></td>
<td><strong>$250 / admission</strong></td>
</tr>
<tr>
<td><strong>Office visit</strong></td>
<td><strong>$15</strong></td>
</tr>
<tr>
<td><strong>50% of the charge</strong></td>
<td><strong>$50</strong></td>
</tr>
</tbody>
</table>
Reyes Family

Mrs. Reyes works at Acme. She earns $35,000/year. Mr. Reyes receives $1,000/month in unemployment benefits.

Let’s consider the Reyes family’s:
  • Household
  • Income
  • Eligibility for other MEC
  • Premium tax credit eligibility
  • Cost-sharing reduction eligibility
Reyes Family: Household and Income

Mrs. Reyes earns $35,000.
Mr. Reyes receives $1,000/month ($12,000/year) in unemployment benefits.

Who is in the Reyes household?
Mr. and Mrs. Reyes are joint tax filers and they claim their children as dependents. The family is a household of 4.

What is the Reyes household’s income?
$47,000 ($35,000 + $12,000)

What is the Reyes household’s MAGI?
$47,000 (200% of the poverty line)
Reyes Family: Other MEC?

MAGI: $47,000 (200% of the poverty line)

• **Is anyone eligible for Medicaid or CHIP?**  
  **YES:** The Reyes family lives in a state where children under 19 are eligible for CHIP if family income is less than 250% of the poverty line. The Reyes children are eligible for CHIP and not eligible for premium tax credits.

• **Is anyone eligible for employer-sponsored coverage?**  
  **YES:** Mrs. Reyes is offered coverage at work for herself and her family
Impact of Mrs. Reyes’ offer of employer-sponsored coverage

1) Is the coverage affordable?
2) Does it meet minimum value?

- If the answer to either question is no, Mr. and Mrs. Reyes can jump the firewall and obtain premium tax credits.
- If the answer to both questions is yes, Mr. and Mrs. Reyes are ineligible for premium tax credits.

How will Mrs. Reyes know whether her coverage is affordable and meets minimum value?

- Employer form included in application
- Summary of benefits and coverage
Is Mrs. Reyes’ Offer Affordable and Minimum Value?

**MAGI:** $47,000 (200% of the poverty line)

<table>
<thead>
<tr>
<th>Plan A: Employee-Only</th>
<th>Plan B: Employee-Only</th>
<th>Plan B: Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost: $196/mo</td>
<td>Cost: $376/mo</td>
<td>Cost: $550/mo</td>
</tr>
<tr>
<td>5% of income</td>
<td>9.6% of income</td>
<td>14% of income</td>
</tr>
<tr>
<td>MV: 58%</td>
<td>MV: 85%</td>
<td>MV: 85%</td>
</tr>
</tbody>
</table>

**Is employee-only plan affordable?**
- Yes, cost <9.5%
- No, cost > 9.6%

**Is employee-only plan adequate?**
- Yes, MV >60%
- No, MV <60%
Mr. and Mrs. Reyes Jump the “Firewall” Between Employer Coverage and Premium Tax Credits

Because insurance is 
unaffordable or 
inadequate

Offer of Employer Coverage

Premium Tax Credits
How will the Reyes Family Calculate their Premium Tax Credit?

**MAGI:** $47,000 (200% of the poverty line)

**Expected contribution:** 6.28% or $2,952

**Note:** Even though Mr. and Mrs. Reyes are seeking coverage for themselves and not their children, household size is still 4.

What is the Reyes household’s benchmark plan?
Second lowest-cost silver plan covering Mr. and Mrs. Reyes.

- Plan A: $7,500
- Plan B: $8,000 *Benchmark*
- Plan C: $8,500

**Premium Credit:** $8,000 - $2,952 = $5,048
What does this mean for the Reyes’s plan choice?

**Income:** $47,000 (200% of the poverty line)

**Expected contribution:** 6.28% or $2,952

**Premium credit:** $5,048

### Plan Choices for the Mr. and Mrs. Reyes

<table>
<thead>
<tr>
<th>AV</th>
<th>Bronze</th>
<th>Silver</th>
<th>Gold</th>
<th>Platinum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost-sharing reduction</td>
<td>60%</td>
<td>70%</td>
<td>80%</td>
<td>90%</td>
</tr>
<tr>
<td>Plans in Tier</td>
<td>$6,010</td>
<td>$7,500</td>
<td>$8,010</td>
<td>$8,810</td>
</tr>
<tr>
<td></td>
<td>$6,134</td>
<td>$8,000</td>
<td>$8,300</td>
<td>$9,000</td>
</tr>
<tr>
<td></td>
<td>$6,534</td>
<td>$8,010</td>
<td>$8,500</td>
<td>$9,225</td>
</tr>
<tr>
<td></td>
<td>$6,730</td>
<td>$8,300</td>
<td>$8,650</td>
<td>$9,800</td>
</tr>
<tr>
<td></td>
<td>$7,236</td>
<td>$8,500</td>
<td>$8,810</td>
<td>$10,000</td>
</tr>
</tbody>
</table>
Rose: Three-generation household

Rose lives with and supports her 60-year-old mother and 7-year-old daughter. Her mother earns about $3,000 during the year by doing household tasks for an elderly neighbor. Rose has asthma, which is aggravated by her mother’s smoking.

What is Rose’s household MAGI?

- Rose’s salary: $35,000 (counted)
- Mom’s income: $3,000 (not counted for PTC; counted for Medicaid)

Who is in Rose’s household for premium tax credits and Medicaid?
Who qualifies as a dependent?

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

- 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)
- Child doesn’t provide more than half of his own support

Special rules for divorced, separated or never married parents!
Who qualifies as a dependent?

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

- 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 $3,900 (in 2013). Generally doesn’t include social security
## How are Households Determined in Medicaid?

### If an individual expects to be a:

<table>
<thead>
<tr>
<th>Tax Filer Not Claimed as a Dependent</th>
<th>Tax Dependent</th>
<th>Non-Filer/Non-Dependent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individual’s household is...</strong></td>
<td></td>
<td></td>
</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>For adults: Household is the individual plus, if living with individual, spouse and children</td>
</tr>
<tr>
<td><strong>Exceptions and special rules:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For married couples filing jointly, each spouse is considered a tax filer.</td>
<td>Apply the rule for non-filers for:</td>
<td>For children: Household is the child plus siblings and parents (including step-parents) living with child</td>
</tr>
<tr>
<td>Married couples living together are always in each other’s household regardless of how they file.</td>
<td></td>
<td>At state option, children are either:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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Who is in Rose’s Household?

Rose lives with and supports her 60-year-old mother and 7-year-old daughter. Her mother earns about $3,000 a year by doing tasks for an elderly neighbor.

<table>
<thead>
<tr>
<th></th>
<th>Medicaid</th>
<th>PTC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rose</td>
<td>3 (Rose, daughter, mom)</td>
<td>3 (Rose, daughter, mom)</td>
</tr>
<tr>
<td>Daughter</td>
<td>3 (Rose, daughter, mom)</td>
<td>3 (Rose, daughter, mom)</td>
</tr>
<tr>
<td>Mother</td>
<td>1 (mom)</td>
<td>3 (Rose, daughter, mom)</td>
</tr>
</tbody>
</table>

FAQ: Why is Rose’s mother a household of one for Medicaid?

Answer:

• She is Rose’s tax dependent but she is not Rose’s child or spouse, which means she is treated as a non-filer.

• Under the rules for non-filers, Mom’s household includes herself and any spouse or children living with her. Rose is her daughter, but she is not considered a child because she is 35 years old.
Is anyone in Rose’s household eligible for other coverage?

<table>
<thead>
<tr>
<th>EXPANSION STATE</th>
<th>Medicaid/CHIP</th>
<th>Premium Tax Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HH</td>
<td>Income</td>
</tr>
<tr>
<td>Rose</td>
<td>3</td>
<td>$35,000</td>
</tr>
<tr>
<td>Daughter</td>
<td>3</td>
<td>$35,000</td>
</tr>
<tr>
<td>Mother</td>
<td>1</td>
<td>$3,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NON-EXPANSION STATE</th>
<th>Medicaid/CHIP</th>
<th>Premium Tax Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HH</td>
<td>Income</td>
</tr>
<tr>
<td>Rose</td>
<td>3</td>
<td>$35,000</td>
</tr>
<tr>
<td>Daughter</td>
<td>3</td>
<td>$35,000</td>
</tr>
<tr>
<td>Mother</td>
<td>Not eligible</td>
<td>3</td>
</tr>
</tbody>
</table>

Let’s assume Rose lives in a state that is not expanding Medicaid.

**Result:**
- Rose’s daughter is eligible for CHIP.
- Rose and her mother are eligible for premium tax credits.

**Note:** If Rose’s mother’s was not Rose’s dependent, she would not be eligible for Medicaid or premium tax credits.
What is Rose’s Premium Tax Credit?

Household Size: 3 (Rose, mother, daughter)
MAGI: $35,000 (179% of the poverty line)

What is the household’s benchmark plan?

- Second lowest-cost silver plan covering Rose and her mother or
- If no plan covers them both, combine each person’s individual benchmarks to achieve one family benchmark.

Rose’s Benchmark: $3,700 (Second-lowest cost silver plan for a 35-year-old)
Mom’s Benchmark: $8,200 (Second-lowest cost silver plan for a 60-year-old)

Household benchmark: $3,700 + $8,200 = $11,900
What is Rose’s Premium Tax Credit?

**Household Size:** 3 (Rose, mother, daughter)  
**MAGI:** $35,000 (179% of the poverty line)  
**Cost of Benchmark plan(s):** $11,900  
**Expected contribution:** 5.34% of income ($1,869/year, $156/month)

Credit amount = Cost of benchmark plan – Expected premium contribution

**Premium credit amount:** $11,900 – $1,869 = $10,031
What will Rose and her mother actually pay?

**Premium credit amount:** $10,031

- Rose selects a silver plan with an actuarial value of 87% that costs $4,500/year. A cost-sharing reduction raises her AV and lowers her out-of-pocket costs for frequent doctor visits.
- Mom selects a silver plan with an AV of 87% (after her cost-sharing reduction) that costs $8,000/year. But, because she smokes, the insurer adds a 50% tobacco surcharge, Mom’s premium is $12,000/year.
- The total cost of health coverage for Rose and her mother is: \( \text{Combined premium (4,500 + 12,000)} - 10,031 = 6,469 \)
- If Rose’s mother did not smoke, they would pay $2,469.
John: Frequently Asked Questions

• What happens if John loses his job and moves in with his parents?
  – Can they claim him as a dependent?
    • Must provide >50% of support and he must earn less than $3,900 (for 2013)

  – If they can claim him as a dependent ...
    • Parent’s income will count for both premium tax credits and Medicaid

  – If they cannot claim him as a dependent
    • He will be a household of one for both premium tax credits and Medicaid
Reyes Family: Frequently Asked Questions

• What happens if the Reyes son gets a summer job?
  – If the child has a tax filing requirement (earnings >$5,950), then his income counts toward the family’s MAGI.
  – If he does not have a filing requirement, his income doesn’t count.

• What if one of the children received Social Security survivor’s benefits?
  – As long as the child did not have a tax filing requirement, the benefits would not count toward family’s MAGI.
What if Rose’s mother was supporting Rose and her daughter and claimed them as dependents?

- Rose’s daughter would be a dependent claimed by someone other than a spouse or parent, so non-filer rules would apply.
- Under the non-filer rules for a child, she is in a household with her mother (Rose).

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<tr>
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<th>PTC</th>
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<tr>
<td>Rose</td>
<td>3 (mom, Rose, daughter)</td>
<td>3 (Rose, daughter, mom)</td>
</tr>
<tr>
<td>Daughter</td>
<td>2 (Rose, daughter)</td>
<td>3 (Rose, daughter, mom)</td>
</tr>
<tr>
<td>Mother</td>
<td>3 (mom, Rose, daughter)</td>
<td>3 (Rose, daughter, mom)</td>
</tr>
</tbody>
</table>
Contact Info

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CNN Money Facebook Chat on the ACA,
Friday, September 20 at 2:30 pm Eastern