Transitions in Coverage: Avoiding Gaps and Penalties
Beyond the Basics

Center on Budget and Policy Priorities
October 23, 2013
To Understand How to Avoid Gaps and Penalties

We will dig deep into the rules on:

• Enrollment Periods
  – Open enrollment
  – Special enrollment

• Grace Periods

• Exemptions and Penalties
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
Review: Eligibility Requirements to Enroll in a Qualified Health Plan (QHP)

- Must be a U.S citizen or national or a non-citizen lawfully present in the U.S.
- Must not be incarcerated, other than incarceration pending the disposition of charges
- Must be a resident of the service area of the Marketplace
Review: Additional Eligibility Requirements for Premium Tax Credits (PTC) and Cost-Sharing Reductions (CSR)

• Must not be eligible for other “minimum essential coverage (other than coverage in the individual market)

• For PTC, must have income between 100 and 400 percent of the federal poverty line
  – Exception: Lawfully residing immigrants with incomes below the poverty line not eligible for Medicaid

• For CSR, must have income below 250% of the poverty line
ENROLLMENT PERIODS

When Can People *Enroll* in Qualified Health Plans Offered in the Marketplaces?
Open Enrollment: Annual Period When All Eligible Individuals Can *Enroll* in a Qualified Health Plan (QHP)

- Marketplaces will determine eligibility to enroll in a QHP, assess (or determine) eligibility for Medicaid and CHIP, and determine eligibility for premium tax credits and cost-sharing reductions *all* year.
- But can only enroll in a QHP during open enrollment (unless meet requirements for a “special enrollment” period).
### Initial Open Enrollment

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>October 1, 2013</strong></td>
<td>First day to apply for Jan. 1 coverage</td>
</tr>
<tr>
<td><strong>Dec. 15, 2013</strong></td>
<td>Last day to sign up for coverage that starts Jan. 1</td>
</tr>
<tr>
<td><strong>March 31, 2014</strong></td>
<td>Last day of open enrollment</td>
</tr>
</tbody>
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### Open Enrollment for 2015

<table>
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<th>Event</th>
</tr>
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<tbody>
<tr>
<td><strong>October 15, 2014</strong></td>
<td>First day of 2015 open enrollment period</td>
</tr>
<tr>
<td><strong>December 7, 2014</strong></td>
<td>Last day of the 2015 open enrollment period</td>
</tr>
</tbody>
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Enrollment Periods Apply to QHPs Not Medicaid and CHIP

- Except for states with a waiting period for CHIP coverage, eligible individuals can enroll in Medicaid and CHIP at any time during the year.
- Marketplaces will assess (or determine) eligibility for Medicaid and CHIP and refer to state Medicaid and CHIP agencies for enrollment in coverage.
Review: Effective Dates of Coverage for 2014 Open Enrollment Period

- Plan selection date determines when coverage will take effect.
- Coverage will start on schedule only if the enrollee pays the first month’s premium on time.
- Deadlines for the first month’s premium are typically set by the insurer.

<table>
<thead>
<tr>
<th>Plan Selection Date</th>
<th>Coverage Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov. 1, 2013</td>
<td>Jan. 1, 2014</td>
</tr>
<tr>
<td>March 31, 2014</td>
<td>May 1, 2014</td>
</tr>
</tbody>
</table>
Review: Paying the First Month’s Premium

Scenario #1
- Dec. 15 Selects plan
- Dec. 27 Premium paid
- Jan. 1. Coverage starts

Scenario #2
- Dec. 15 Selects plan
- Dec. 27 Misses deadline
- Dec. 28 Coverage cancelled

Scenario #3
- March 20 Selects plan
- March 31 Misses deadline
- Enrollment period closed
People’s Circumstances Can Change at any Time
Some Changes Trigger a Special Enrollment Period (SEP)

- Periods outside open enrollment when people may enroll in a qualified health plan (QHP) or change their QHP or coverage level
- In most (but not all) cases, special enrollment periods last for 60 days from the triggering event

Jane moves from New York to Texas on April 10

Her special enrollment period starts on April 10 and ends on June 9
Some Special Enrollment Periods Are Just for People Already Enrolled in a QHP

- Enrollee or dependent demonstrates substantial contractual violation by the QHP
- Enrollee (or enrollee’s dependent enrolled in the same QHP) is determined newly eligible or ineligible for advanced payment of premium tax credits or has a change in eligibility for cost sharing reductions
Jane is Determined Newly Eligible for APTC but the Determination Does not Trigger a Special Enrollment Period Because She Isn’t an “Enrollee”

- Jane is self-employed and expects to make $50,000/year.
- She does not qualify for APTCs based on her expected income.

Jane does not apply for coverage

Jane realizes she will only make $30,000 in 2014; she applies for coverage in the Marketplace in April

Open enrollment starts: Jane can apply and select a plan (now based on 2015 estimated income)

January 2014

April

October

January 2015

Jane is uninsured

Jane is found eligible for APTCs but cannot enroll in a QHP
Other Special Enrollment Periods Not Restricted to Enrollees

- Loss of minimum essential coverage (but not due to failure to pay premiums on a timely basis)
- Gain a dependent (or become a dependent) through marriage, birth, adoption or placement in foster care
- Change in status to become a citizen or lawfully present
- Enrolled or not enrolled due to error by exchange
- Loss of employer coverage within next 60 days
- Access to new QHP through a permanent move
- Exceptional circumstances, including loss of eligibility for a hardship exemption
- Certain Native Americans can enroll or change plans once a month
Effective Dates of Coverage for Special Enrollment Periods Vary

<table>
<thead>
<tr>
<th>Triggering Event</th>
<th>Coverage Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birth</td>
<td>Date of birth</td>
</tr>
<tr>
<td>Adoption</td>
<td>Date of adoption</td>
</tr>
<tr>
<td>Placement for Adoption/Foster Care</td>
<td>Date of placement</td>
</tr>
<tr>
<td>Marriage</td>
<td>First day of following month following plan selection</td>
</tr>
<tr>
<td>Loss of minimum essential coverage</td>
<td>First day of month following plan selection</td>
</tr>
<tr>
<td>Other reasons</td>
<td>Generally follow same rules as open enrollment</td>
</tr>
</tbody>
</table>
Special Enrollment Period for Loss of Minimum Essential Coverage: John Loses His Medicaid Coverage

John is unemployed, applies for and begins receiving Medicaid on January 1

John starts a new job on April 15 at $25,000/year (no offer of coverage), Medicaid will end April 30

John applies for coverage at the Marketplace on April 20, obtains eligibility determination

John selects a QHP on April 25

John’s QHP coverage starts on May 1

Special enrollment period starts on the date John loses eligibility for Medicaid.
Special Enrollment Period: Birth

Dan, Jen and their two children are enrolled in a QHP and receive APTCs. Jen is pregnant with their third child.

Baby Olivia is born on August 25

Dan and Jen apply to add baby Olivia to their QHP on September 16

Baby Olivia’s coverage is effective back to August 25

60-day Special Enrollment Period (until October 24)
The Reyes family’s household income is $45,000 a year. In April the family learns that employee-only premiums for Mrs. Reyes’ employer coverage will increase to $400 a month beginning July 1.

The Reyes family learns employer coverage will be unaffordable in May or June.

The Reyes family applies for coverage through the Marketplace on June 1.

Marketplace coverage and APTCs start on July 1 after employer coverage terminates.
GRACE PERIODS

What Happens When People Enrolled in a QHP Don’t Pay Their Premiums
Grace Periods in General

• Period after non-payment of a monthly premium during which will not lose coverage if make the payment or payments that are past due

• Insurers can determine grace periods for people not receiving advance payments of premium tax credits
People Receiving Advance Premium Tax Credits (APTCs) Have a 3-Month Grace Period

- Does not apply unless at least one month’s premium has been paid
- All outstanding premiums must be paid by end of grace period to avoid termination of coverage
- APTCs continue to be paid but insurer must return APTCs for second and third months if enrollee does not pay all outstanding premiums
- After first month, insurer can “pend” (i.e. hold off paying) claims from providers until outstanding premiums are paid
What Happens During a Grace Period

May monthly premium paid by April 30

June monthly premium NOT paid by May 31

Grace period month 1:
- APTC is sent to issuer
- Provider claims still paid

Grace period month 2:
- APTC is sent to issuer
- Provider claims pend

Grace period month 3:
- APTC is sent to issuer
- Provider claims pend

3 month grace period (until August 31)
What Happens During a Grace Period

- **May**
  - May monthly premium paid by April 30

- **June**
  - June monthly premium NOT paid by May 31
  - Coverage terminated as of June 30
  - 3 month grace period (until August 31)

- **July**
  - APTC returned to Treasury for July and August

- **August**
  - Full payment not made by August 30

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Grace Periods: John missed a payment, but later pays in full

- John receives APTCs.
- John’s share of premium is $150/month

John makes $150 payment for May by April 30

John fails to make June payment by May 31 ($150 past due)

John makes $300 payment on July 11 (no longer in grace period)

August payment due ($150)

New 3-month grace period triggered if August payment is not made
Grace Periods: John missed a payment, but does not pay in full

- John receives APTCs
- John’s share of premium is $150/month

- John makes $150 payment for May by April 30
- John fails to make June payment by May 31 ($150 past due)
  - 3 month grace period (until August 31)
- John makes $200 payment on July 11 (less than total past due)
- John fails to make July payment by June 30 ($300 past due)
- John fails to make August payment by July 30 ($250 past due)
  - Full payment not made by August 31, coverage terminates back to June 30
- John is responsible for any medical claims
Individual Responsibility
Obligations and Exemptions
Requirement to Have Health Coverage

- Everyone is required to have *minimum essential coverage* (MEC) beginning in 2014 or pay the shared responsibility penalty, unless exempt
  - Coverage requirement, penalties, and most exemptions apply on a monthly basis
  - A person has coverage for the month if they have coverage for at least one day in the month
  - Taxpayer is responsible for dependents
Lisa lives with her son, Simon. As a part of their divorce and child support agreements, her ex-husband claims Simon as his dependent.

Simon is uninsured in 2014 until May when Lisa enrolls him in CHIP.

Because Lisa’s ex-husband claims Simon as his dependent, he is responsible for any penalty for the four months Simon was uninsured.
Key Types of Minimum Essential Coverage

**Government-Sponsored Coverage**
- Medicare
- Most types of Medicaid
- Most veterans and military coverage
- CHIP

**Private Insurance**
- Nearly all employer-sponsored insurance
- Most plans sold in the insurance market (inside or outside the Marketplace)

**Other Insurance**, as designated by the Secretary of HHS

“Single-benefit” coverage is not MEC, e.g., Medicaid for family planning.

Regardless of minimum value or affordability

Not short-term coverage or “excepted benefits,” like stand-alone vision or dental insurance
### The Penalty for Failure to Obtain Coverage

**Annual Penalty is the GREATER of:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Flat dollar amount</th>
<th>Percentage of income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2014</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Each adult</td>
<td>$95</td>
<td>1% of applicable income</td>
</tr>
<tr>
<td>Each child</td>
<td>½ adult ($47.50)</td>
<td></td>
</tr>
<tr>
<td>Maximum</td>
<td>$285</td>
<td></td>
</tr>
<tr>
<td><strong>2015</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Each adult</td>
<td>$325</td>
<td>2% of applicable income</td>
</tr>
<tr>
<td>Each child</td>
<td>½ adult ($162.50)</td>
<td></td>
</tr>
<tr>
<td>Maximum</td>
<td>$975</td>
<td></td>
</tr>
<tr>
<td><strong>2016 and beyond</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Each adult</td>
<td>$695</td>
<td>2.5% of applicable income</td>
</tr>
<tr>
<td>Each child</td>
<td>½ adult ($347.50)</td>
<td></td>
</tr>
<tr>
<td>Maximum</td>
<td>$2,085</td>
<td></td>
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**2013 Filing Thresholds (under age 65)**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
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<tbody>
<tr>
<td>Single</td>
<td>$10,000</td>
</tr>
<tr>
<td>Head of Household</td>
<td>$12,850</td>
</tr>
<tr>
<td>Married Filing Jointly</td>
<td>$20,000</td>
</tr>
<tr>
<td>Married Filing Separately</td>
<td>$3,900</td>
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Exemptions from the Penalty

Exemptions Granted by the Marketplace

- Religious conscience
- Hardship
  - Financial hardship
  - State failure to expand Medicaid
  - Unaffordability of insurance

Exemptions Granted by Either

- Indian tribe membership
- Incarceration
- Health care sharing ministry

Exemptions Granted through Tax Filing

- Income below filing threshold
- Insurance is unaffordable
- Undocumented resident
- Short coverage gap (< 3 months)
Marketplace Exemptions

- The taxpayer must apply to the Marketplace in a timely way with supporting documentation.
- An exemption makes a person eligible to purchase catastrophic coverage.
- In general, a person who is granted an exemption by the Marketplace must report if they have a change in circumstances.
# Marketplace Exemptions: Hardship

## Types of Hardship

<table>
<thead>
<tr>
<th>Financial or domestic circumstances</th>
<th>Duration</th>
</tr>
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</table>
| Homelessness, eviction, foreclosure • utility shut-off • bankruptcy • domestic violence • recent death of family member • disaster • debt from medical expenses • high expenses caring for ill, disabled or aging relative | At least one month before and after hardship
| Special rule: Can be claimed up to 3 years after the hardship                                       |

## Example

- Rose is uninsured and supports her mother, who is 66-years-old. (Her daughter receives Medicaid.)
- Her mother has Medicare but had a serious illness that led to high out-of-pocket costs.
- Because Rose was trying to pay her mother’s medical bills, she couldn’t afford insurance for herself.
- Rose can apply for an exemption for herself due to the high expense of caring for an ill relative.
# Marketplace Exemptions: Hardship

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<td>- high expenses caring for ill, disabled or aging relative</td>
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<tr>
<td><strong>Lack of affordable coverage based on projected income</strong></td>
<td>All remaining months in year</td>
</tr>
<tr>
<td>- Marketplace coverage that costs &gt;8% of income (lowest cost bronze plan, after premium tax credits)</td>
<td>Special rule: (1) Must apply during open enrollment, (2) Applies regardless of change in circumstances</td>
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<tr>
<td>- ESI that costs &gt;8% of income for the family (lowest cost family plan)</td>
<td></td>
</tr>
<tr>
<td>- ESI that costs &gt;8% of income due to wellness penalties</td>
<td></td>
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</table>
Mom is offered health insurance at work. 

Household Income: $47,000

Premium Cost to Employee for Employee-Only Plan: $196/mo ($2,350/yr) 5% of income

Premium Cost to Employee for Family Plan: $509/mo ($6,110/yr) 13% of income

Bottom Line: No one is eligible for premium tax credits. Family coverage is considered affordable because self-only coverage is affordable (<9.5%).
Affordability Test for Exemption from Penalty

Affordability Test for Firewall

Affordable if <9.5% of household income

Family coverage is affordable if self-only coverage is affordable

Affordability Test for Penalty

Affordable if <8% of household income

Family coverage is affordable if it is <8% of household income

Bottom Line:
Mom’s coverage is affordable so she is not exempt. Dad and the children may apply for an exemption.
# Marketplace Exemptions: Hardship

## Types of Hardship

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**Special rule:** Can be claimed up to 3 years after the hardship

## Lack of affordable coverage based on projected income

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**Special rule:** (1) Must apply during open enrollment, (2) Applies regardless of change in circumstances

## Ineligible for Medicaid based on state decision not to expand

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</tr>
</thead>
<tbody>
<tr>
<td>Entire year unless there is a change in circumstance</td>
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For more information, visit [cbpp.org](http://cbpp.org).
Scenario 1

In January, Jane did not apply for health coverage or an exemption.

Jane’s health insurance starts August 1.

Jane cannot use the exemption for people in non-expansion states because she didn’t receive a Medicaid denial.

Scenario 2

In January, Jane applies for coverage.

Her state did not expand Medicaid, so she is denied. She applies for an exemption.

JANE is exempt for January - July and must report the start of her new insurance in August.

JANE is unemployed until she gets a job in July. Her insurance starts August 1.

Income: $11,000
Residence: Texas
Exemptions at Tax Filing

Types of Exemption Granted by the IRS

Income below filing threshold
Single: $10,000       Married Filing Jointly: $20,000

Insurance is unaffordable (>8% of household income)
- Unaffordable Marketplace coverage (lowest cost bronze plan, after premium tax credits)
- ESI is unaffordable for the employee (lowest cost employee-only plan)
- ESI is unaffordable for the family (lowest cost family plan)
- Two members of the household have employer coverage and aggregate cost of self-only coverage is greater than 8% of household income
Exemption: Aggregate Cost of Coverage

Bob and Joan have jobs that offer health coverage.  

**Household Income:** $45,000  

**Premium cost for Bob:** $2,400/year  
5.3% of income  

**Premium cost for Joan:** $2,100/year  
4.6% of income  

**Aggregate cost:** $4,500/year  
10% of income  

**Bottom Line**  
- Bob and Joan are not eligible for PTC because they each have affordable coverage.  
- However, if they don’t enroll in employer coverage, they can claim an exemption because the total cost exceeds 8% of income.
# Exemptions at Tax Filing

## Types of Exemption Granted by the IRS

### Income below filing threshold

- **Single:** $10,000
- **Married Filing Jointly:** $20,000

### Insurance is unaffordable (>8% of household income)

- Unaffordable Marketplace coverage (lowest cost bronze plan, after premium tax credits)
- ESI is unaffordable for the employee (lowest cost employee-only plan)
- ESI is unaffordable for the family (lowest cost family plan)
- Two members of the household have employer coverage and aggregate cost of self-only coverage is greater than 8% of household income

### Undocumented resident

### Short coverage gap (<3 months)

- If the coverage gap is 3 months or longer, none of the months in the gap qualify for exemption.
- If there are multiple gaps in a year, only the first gap qualifies.
Exemption: Short Coverage Gap

John doesn’t have insurance in January, February or March. He gets a new job in March and his insurance starts April 1.

**Bottom Line:**
John does not qualify for the exemption for a short coverage gap because the gap is not *less than* three full calendar months.
Contact Info

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www.centeronbudget.org

www.healthreformbeyondthebasics.org