



Health Reform: **Beyond the Basics**

healthreformbeyondthebasics.org

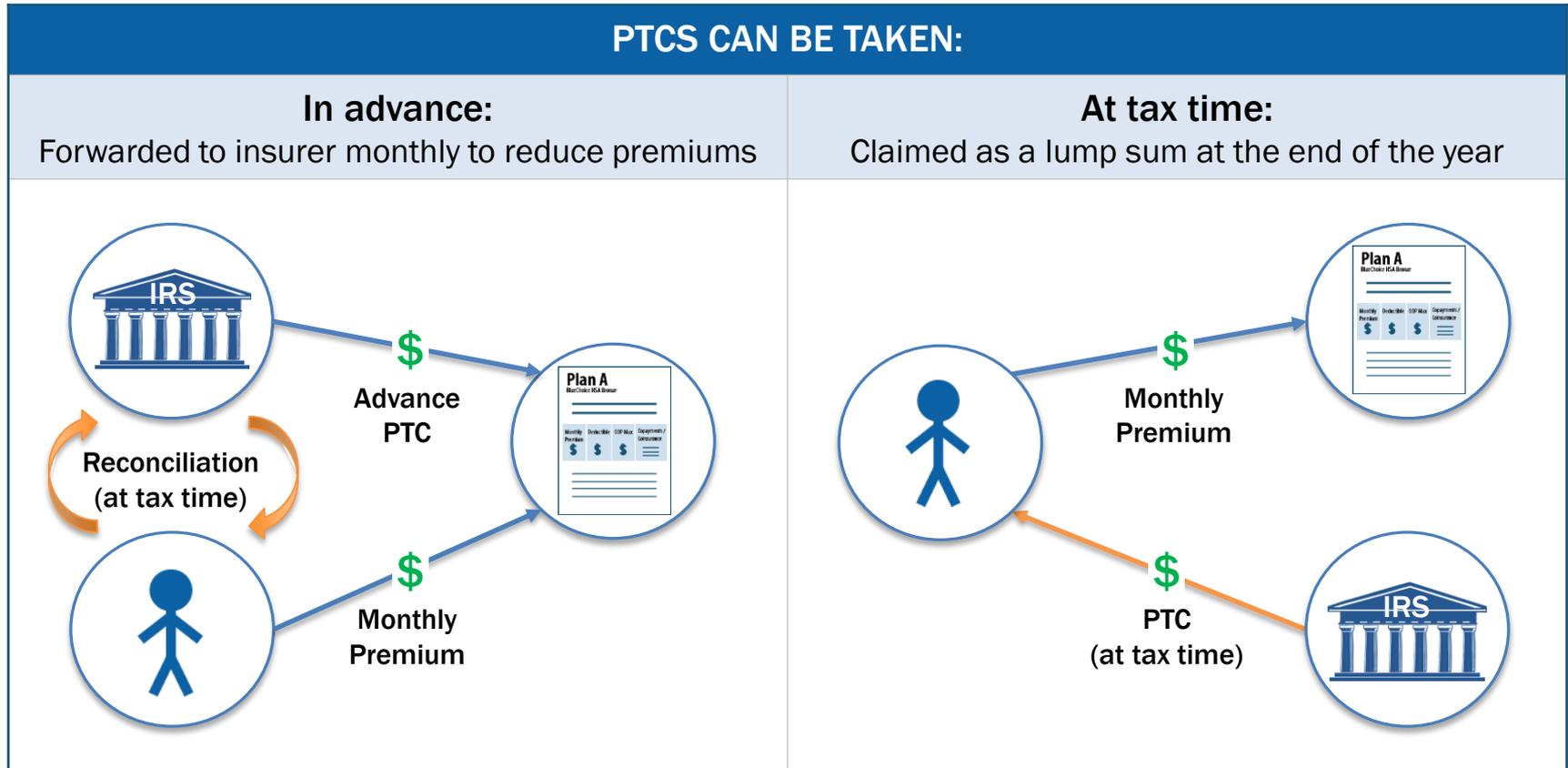
Part I: Premium Tax Credits

Center on Budget and Policy Priorities

September 27, 2016

Premium Tax Credit Eligibility

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





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:

- ✓ U.S. citizen or have a status considered “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 QHP (*not a catastrophic plan*)

QHP Metal Levels		
Costs covered by a plan	Platinum	90% actuarial value
	Gold	80% actuarial value
	Silver	70% actuarial value
	Bronze	60% actuarial value
Premiums paid by consumer		

Enrollment

Income
100%-400% FPL

Filing Status

No MEC

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

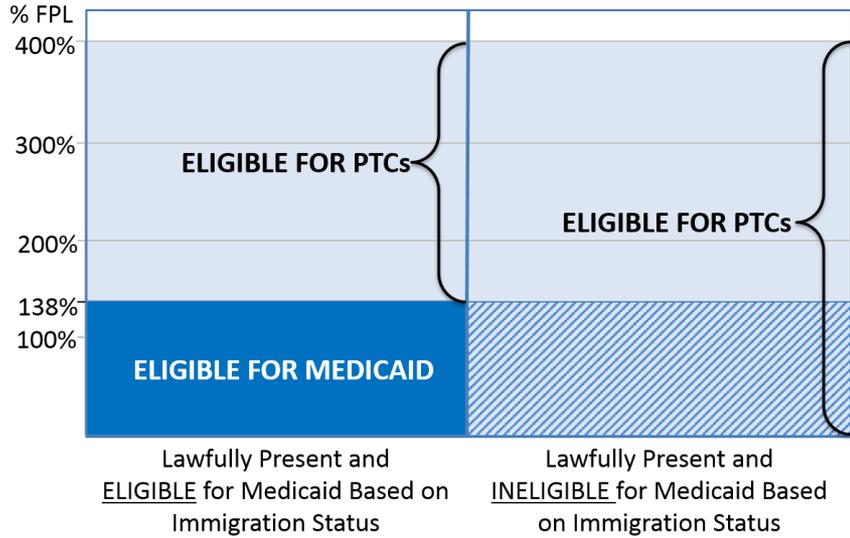
Household Size	% of Federal Poverty Line (2016 thresholds)				
	100%	138%	200%	250%	400%
1	\$11,880	\$16,394	\$23,760	\$29,700	\$47,520
2	\$16,020	\$22,108	\$32,040	\$40,050	\$64,080
3	\$20,160	\$27,821	\$40,320	\$50,400	\$80,640
4	\$24,300	\$33,534	\$48,600	\$60,750	\$97,200
5	\$28,440	\$39,247	\$56,880	\$71,100	\$113,760

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

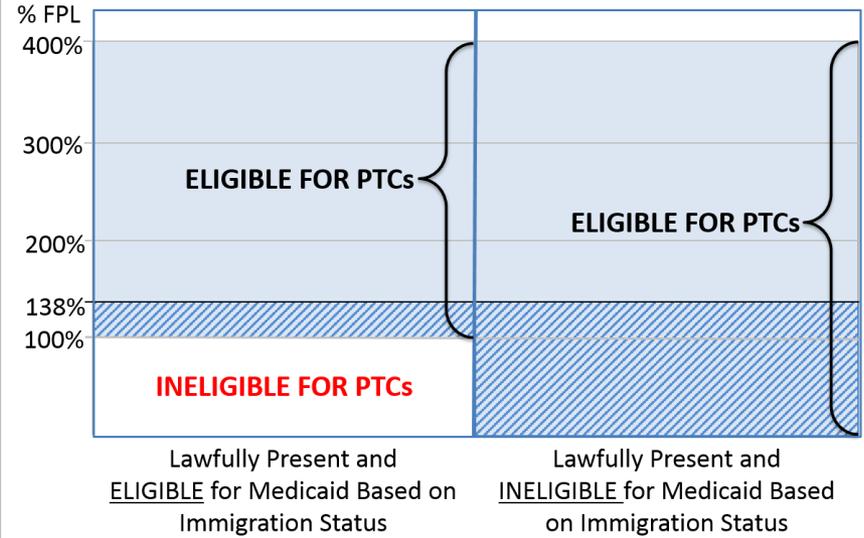
General PTC Eligibility for Lawfully Present Adults



In States Expanding Medicaid



In States Not Expanding Medicaid



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 to joint filing requirement:

- 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, such as:

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

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



Not Eligible for PTCs:	Eligible for PTCs:
IF ELIGIBLE FOR THESE BENEFITS, WHETHER OR NOT ENROLLED	DESPITE ELIGIBILITY FOR OR ENROLLMENT IN THESE BENEFITS
<ul style="list-style-type: none"> • Medicare Part A (premium free) • Medicare Advantage • Most Medicaid • CHIP • State high-risk insurance pools beginning on or before 12/31/14 • Refugee Medical Assistance • Most TRICARE • DoD Continuation Coverage (Nonappropriated Fund Health Benefits Program) • Peace Corps coverage 	<ul style="list-style-type: none"> • Medicaid providing only: <ul style="list-style-type: none"> - Family planning services - Tuberculosis-related services - Emergency treatment - Pregnancy-related services* • Medicaid coverage of the medically needy* • 1115 Medicaid demonstration* • Space-available TRICARE • Line-of-duty TRICARE • AmeriCorps • AfterCorps (for returning Peace Corps members)
<p>* Medicaid coverage for pregnant women, the medically needy, and under 1115 demonstration waivers is MEC if it consists of or is equivalent to full Medicaid benefits. HHS maintains a list of state-by-state MEC designations for such coverage.</p>	





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



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 not eligible for PTCs if eligible for ESI that is **adequate and affordable**

WHEN IS AN OFFER OF ESI NOT CONSIDERED MEC?		
Not affordable	OR	Not adequate
Coverage is <u>not</u> affordable if the employee contribution for self-only coverage is more than 9.69% of household income (in 2017)		Coverage is <u>not</u> adequate if it has a minimum value (MV) less than 60% actuarial value
<i>Employee contribution for self-only coverage is used to determine affordability for both the employee and other members of the family offered ESI</i>		<i>Actuarial value = % 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 MEC *includes an offer of coverage*, even if it is not taken

- An employee's family member is not eligible 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 on the same tax return as the employee, the offer of ESI does not bar eligibility for PTCs

Example: ESI and Eligibility for PTCs

- **Household income:** \$48,500 (200% FPL)
- Monica's employer offers two plans
- **Plan A** is considered affordable and meets MV (even though family coverage is over 9.69% of income)
- **Plan B** is considered affordable, but does not meet MV



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

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

- ✗ The **entire family is ineligible for PTCs** because the employee-only offer is affordable and meets MV

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	
Cost	\$85/month (4.3% of income)
AV	40%, does not meet MV
✓ Still eligible for PTCs	

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

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

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

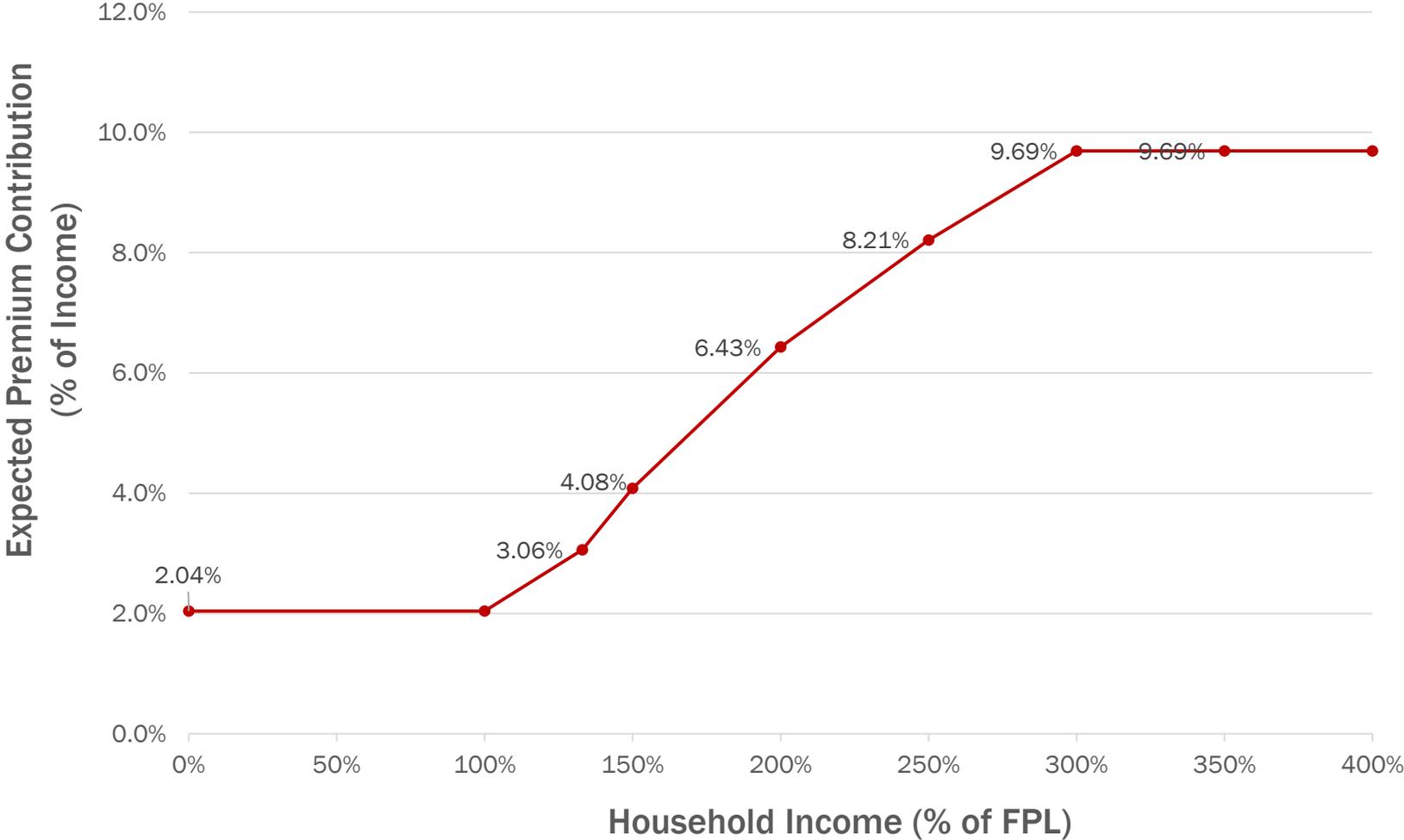
QHP METAL LEVEL PLAN TIERS		
QHPs must provide plan designs consistent with actuarial values		
Costs covered by a plan	Platinum	90% actuarial value
	Gold	80% actuarial value
	Silver	70% actuarial value
	Bronze	60% actuarial value
	Catastrophic coverage	High deductible health plan available for individuals up to age 30 or some individuals exempted from the individual responsibility requirement (PTCs do not apply to these plans)
		Premiums paid by consumer

BENCHMARK PLAN

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.

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

Expected Premium Contributions for 2017 Plan Year



Expected Contributions at Certain Income Levels (2017)

Annual Household Income		Expected Premium Contribution	
% of FPL	Income Amount (For HH of 1 using 2016 FPL)	% of Income	Annual Dollar Amount (For HH of 1 using 2016 FPL)
< 133% ¹	< \$15,800	2.04%	\$322
133 - 138% ¹	\$15,800 - \$16,394	3.06% - 3.36%	\$484 - \$551
138 - 150%	\$16,394 - \$17,820	3.36% - 4.08%	\$551 - \$727
150 - 200%	\$17,820 - \$23,760	4.08% - 6.43%	\$727 - \$1,528
200 - 250%	\$23,760 - \$29,700	6.43% - 8.21%	\$1,528 - \$2,438
250 - 300%	\$29,700 - \$35,640	8.21% - 9.69%	\$2,438 - \$3,454
300 - 350%	\$35,640 - \$41,580	9.69%	\$3,454 - \$4,029
350 - 400%	\$41,580 - \$47,520	9.69%	\$4,029 - \$4,605
> 400%	> \$47,520	n/a	n/a

¹ Individuals with <138% FPL that would be eligible for Medicaid are ineligible for PTCs

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
 - 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

Example: Calculating the PTC



Teresa, Antonio, Gaby, and Michael

- Income: \$48,500/year (200% FPL)
- Expected contribution: 6.43% of income (\$3,119/year, \$260/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

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

PTC Calculation

$$\begin{array}{c}
 \text{Benchmark Plan} \\
 \$10,542
 \end{array}
 -
 \begin{array}{c}
 \text{Expected Contribution} \\
 \$3,119
 \end{array}
 =
 \begin{array}{c}
 \text{PTC} \\
 \$7,423/\text{year} \\
 (\$619/\text{month})
 \end{array}$$

Example: Impact of Benchmark Plan on PTC Calculation



Teresa, Antonio, Gaby, and Michael

- Income: \$48,500/year (200% FPL)
- Expected contribution: 6.43% of income (\$3,119/year, \$260/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)

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
\$	\$	\$	

BENCHMARK PLAN

\$7,322/year (\$610/month)

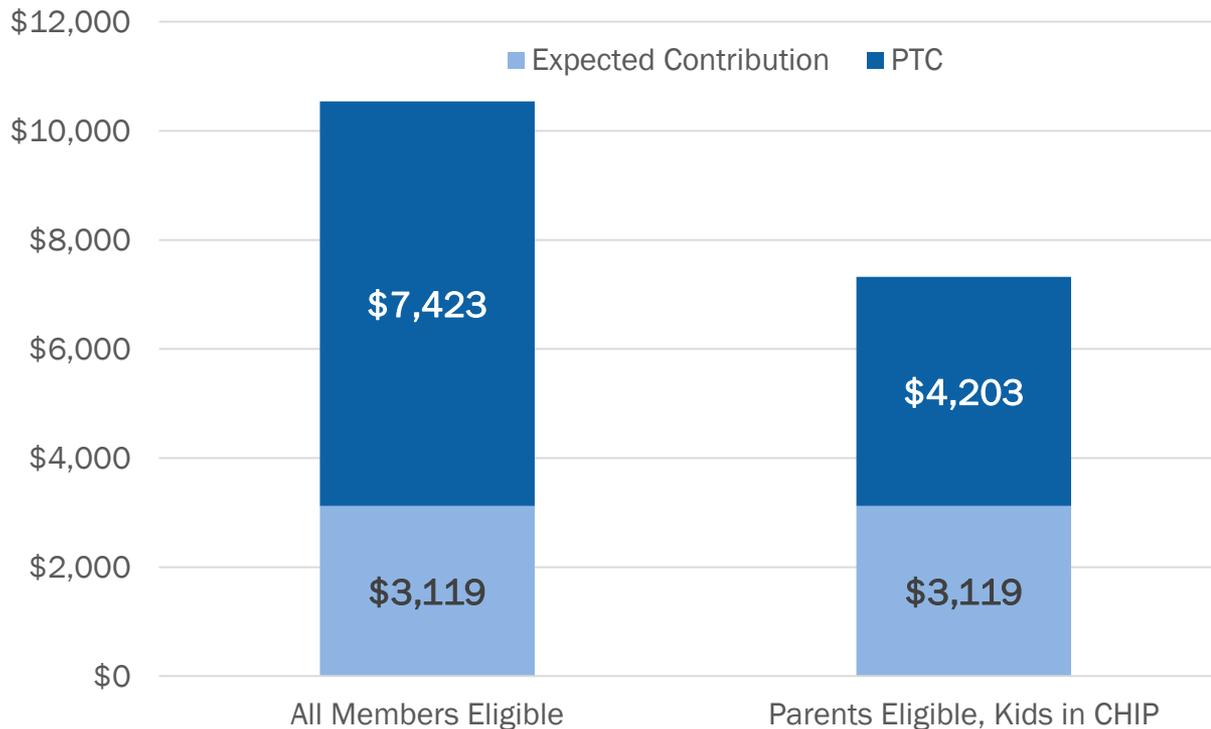
PTC Calculation



Example: Impact of Benchmark Plan on PTC Calculation

Teresa, Antonio, Gaby, and Michael

- Income: \$48,500 (200% FPL)
- Expected contribution: 6.43% of income (\$3,119/year, \$260/month)



Key takeaway
In this situation, benchmark plan affects PTC amount but not expected contribution

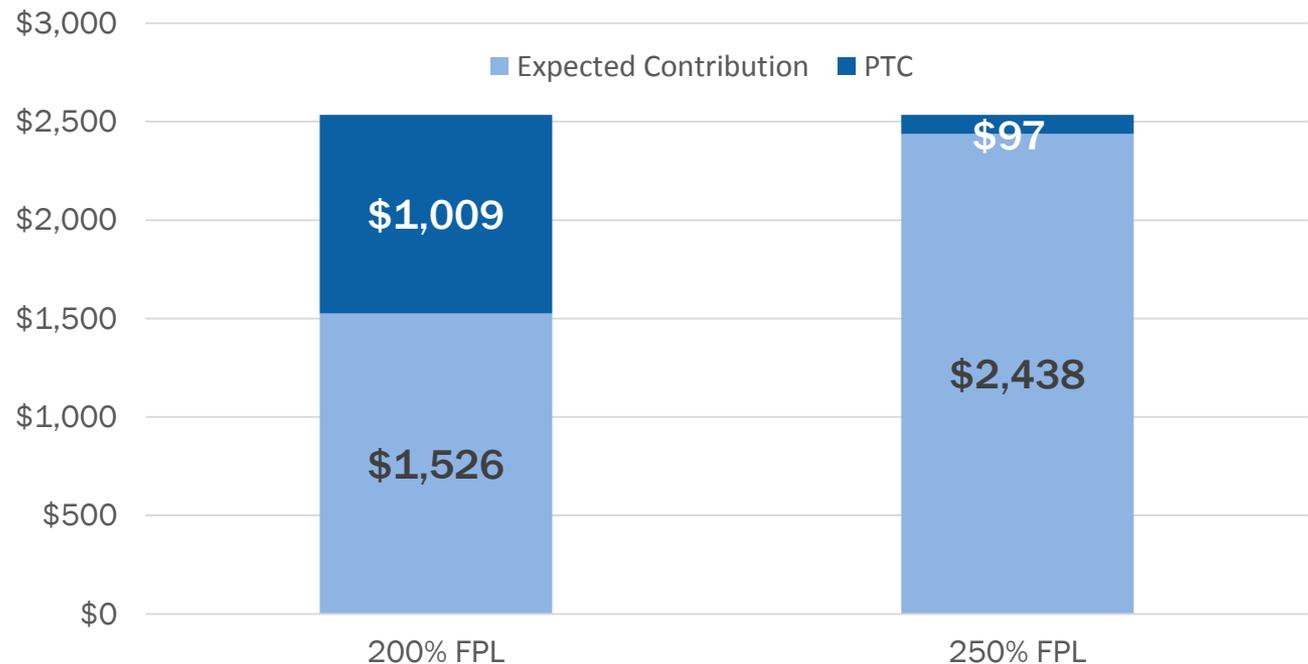
Example: Impact of Expected Contribution on PTC



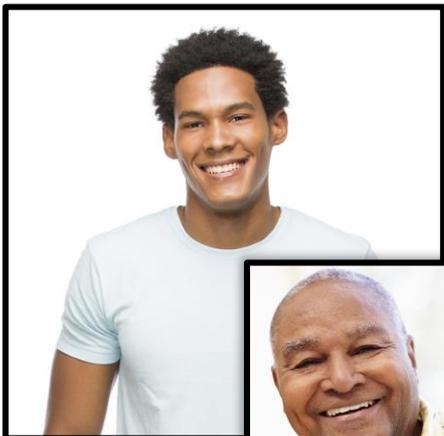
John, 24 years old

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

200% FPL	VS.	250% FPL
Income: \$23,760 (200% FPL)		Income: \$29,700 (250% FPL)
Expected Contribution: \$1,526/year, \$127/month (6.43% of income)		Expected Contribution: \$2,438/ year, \$203/month (8.21% of income)
PTC: \$1,009/year, \$84/month		PTC: \$97/year, \$8/month



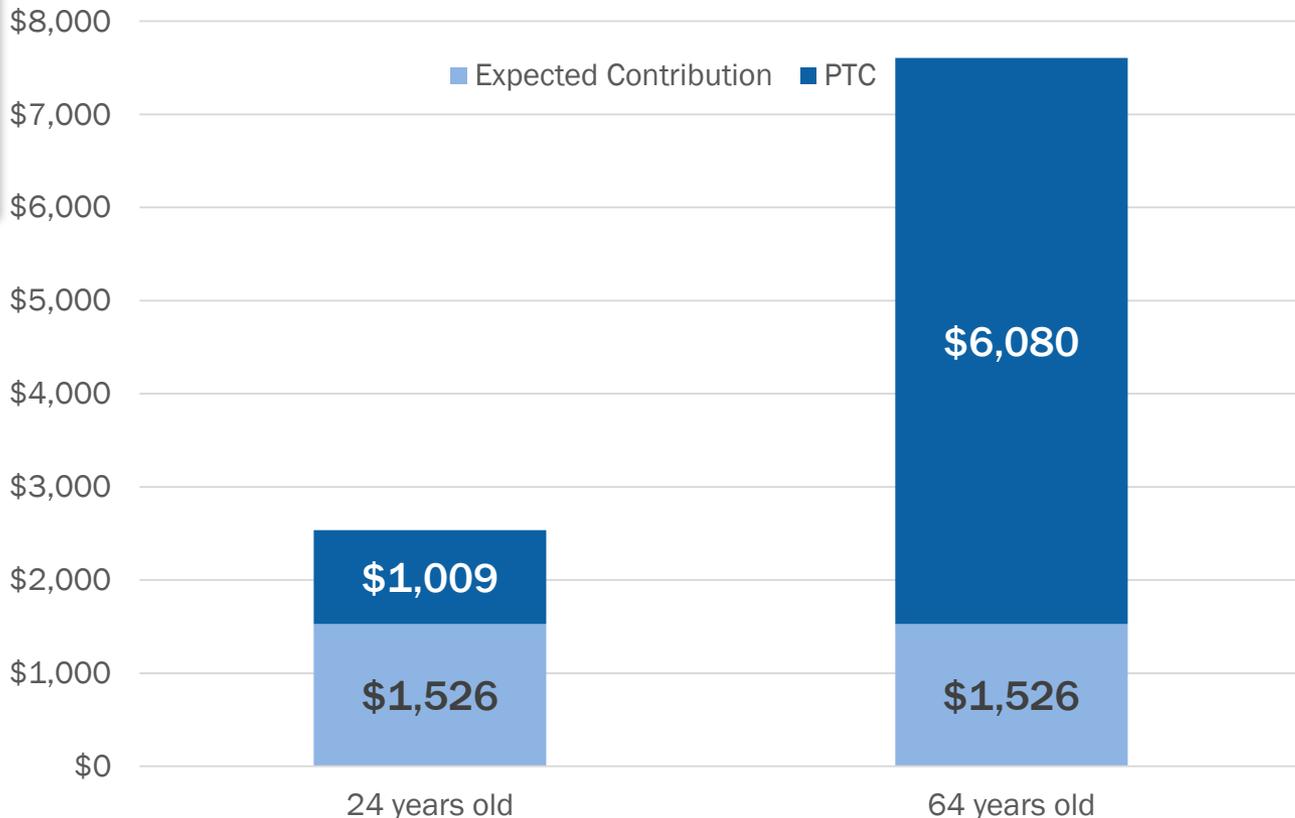
Example: Impact of Age on PTC Calculation



John

- Income: \$23,760 (200% FPL)
- Expected Contribution: 6.43% of income, \$1,526 (\$127/month)

Age: 24	vs.	Age: 64
Benchmark Plan Cost: \$2,535 (\$211/month)		Benchmark Plan Cost: \$7,606 (\$634/month)
PTC: \$1,009 (\$84/month)		PTC: \$6,080 (\$507/month)



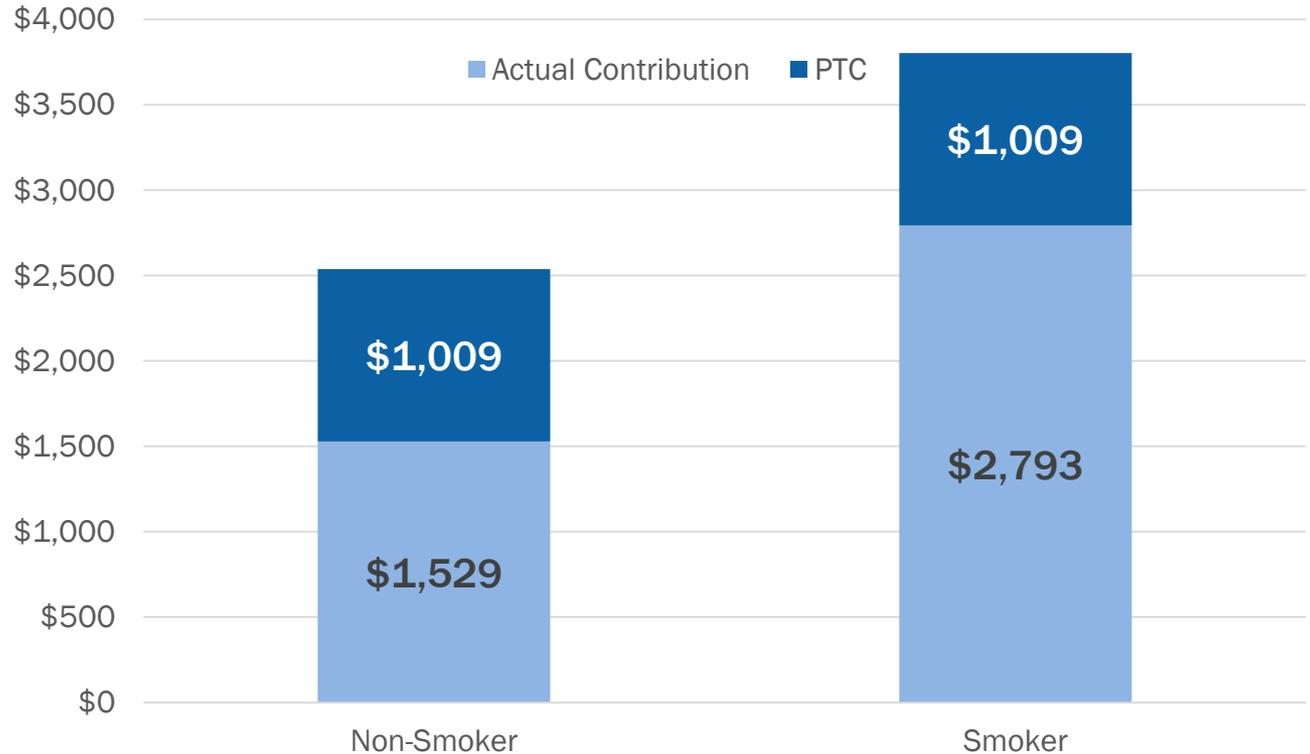
Example: Impact of Tobacco Use on PTC Calculation



John

- Income: \$23,760 (200% FPL)
- Expected Contribution: 6.43% of income, \$1,526 (\$127/month)

Non-Smoker	vs.	Smoker
Benchmark Plan Cost: \$2,535		Benchmark Plan Cost: \$2,535
Premium Cost: \$2,535 (\$211/month)		Premium Cost: \$3,802 (\$316/month)
PTC: \$1,009 (\$84/month)		PTC: \$1,009 (\$84/month)

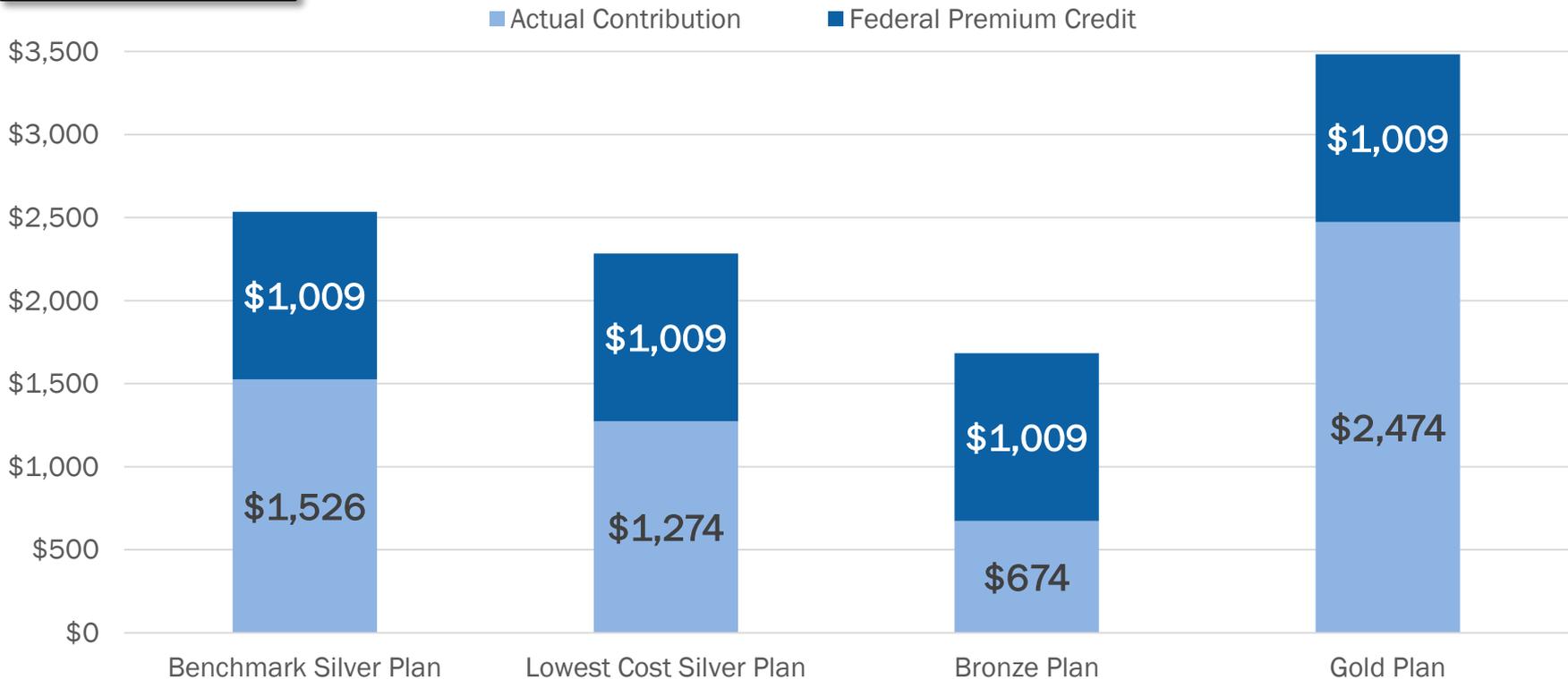


Example: Impact of Plan Choice on Premiums



John

- PTC: \$1,009 (\$84/month)



- Judy Solomon, solomon@cbpp.org
 - Twitter: @JudyCBPP
- Halley Cloud, cloud@cbpp.org
- General inquiries: beyondthebasics@cbpp.org

For more information and resources, please visit:

www.healthreformbeyondthebasics.org

This is a project of the Center on Budget and Policy Priorities, www.cbpp.org