



Health Reform: **Beyond the Basics**

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

**Part I:**

# **Premium Tax Credits**

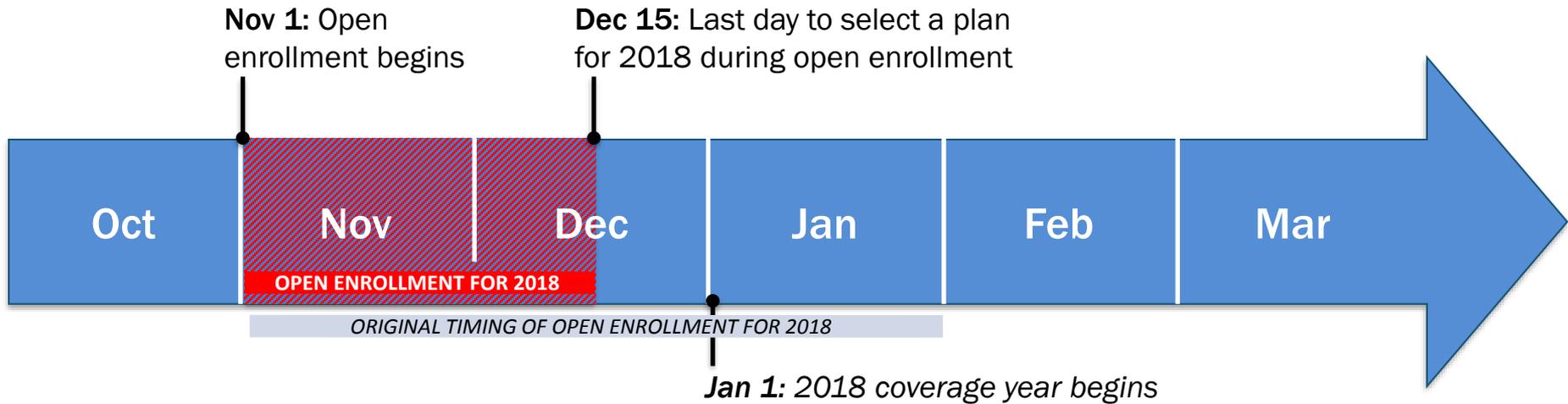
*Coverage Year 2018*

*Center on Budget and Policy Priorities*

*September 19, 2017*

---

# Overview of Upcoming Open Enrollment



- Open enrollment will run from November 1 through December 15, 2017: **45 days in total**
- State-Based Marketplaces can extend the open enrollment period by adding a supplemental special enrollment period

*As of September 14, 2017, the following states with State-Based Marketplaces have extended their upcoming open enrollment past December 15:*

---

- **California:** November 1, 2017 – January 31, 2018
- **Colorado:** November 1, 2017 – January 12, 2018
- **Connecticut:** November 1, 2017 – December 22, 2017
- **District of Columbia:** November 1, 2017 – January 31, 2018
- **Massachusetts:** November 1, 2017 – January 23, 2018
- **Minnesota:** November 1, 2017 – January 14, 2018
- **New York:** November 1, 2017 – January 31, 2018
- **Rhode Island:** November 1, 2017 – December 31, 2017
- **Washington:** November 1, 2017 – January 15, 2018

---

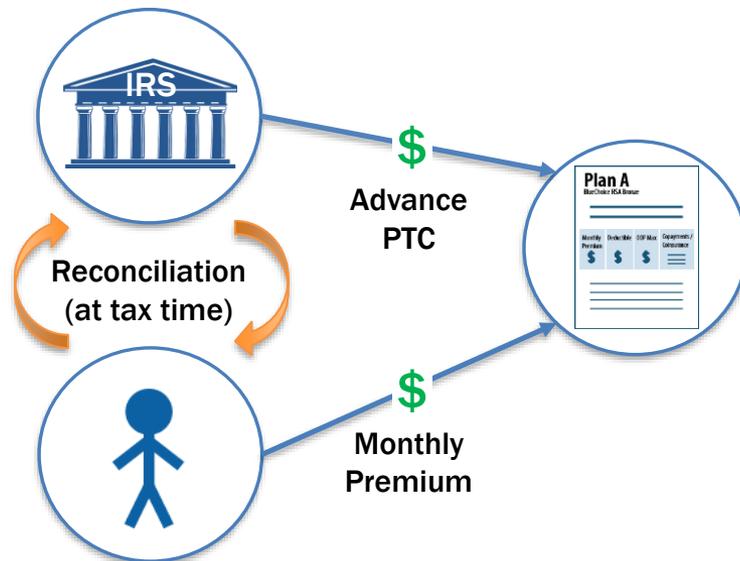
# Premium Tax Credit Eligibility

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

## PTCS CAN BE TAKEN:

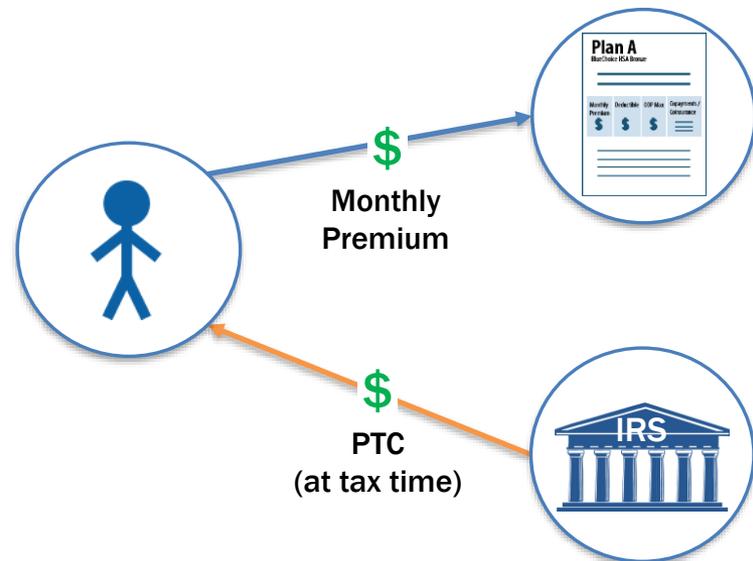
### In advance:

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

Enrollment in a Marketplace qualified health plan (QHP)

## Income

100%-400% FPL

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 most other MEC

Be ineligible for other minimum essential coverage (MEC) with some exceptions

## 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		
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

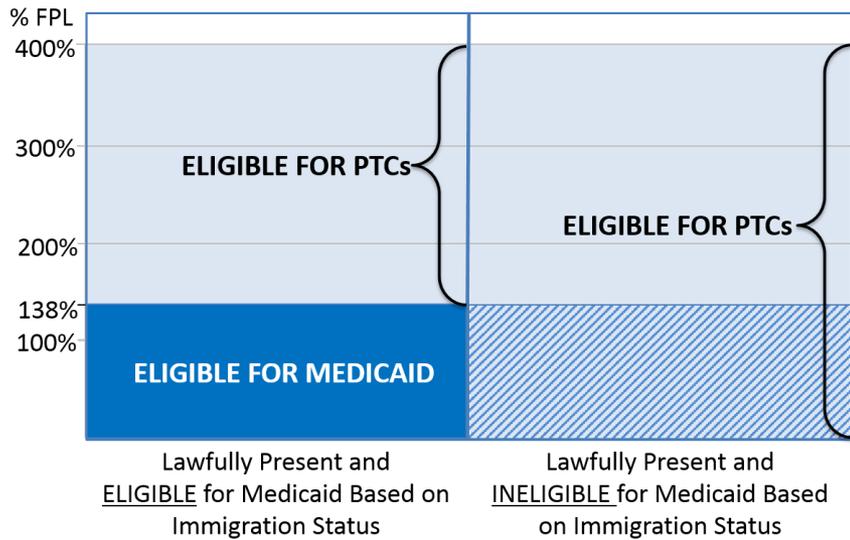
**Must have income between 100% and 400% of the poverty line**

Household Size	% of Federal Poverty Line (2017 guidelines)					
	100%	138%	200%	250%	300%	400%
1	\$12,060	\$16,643	\$24,120	\$30,150	\$36,180	\$48,240
2	\$16,240	\$22,411	\$32,480	\$40,600	\$48,720	\$64,960
3	\$20,420	\$28,180	\$40,840	\$51,050	\$61,260	\$81,680
4	\$24,600	\$33,948	\$49,200	\$61,500	\$73,800	\$98,400
5	\$28,780	\$39,716	\$57,560	\$71,950	\$86,340	\$115,120

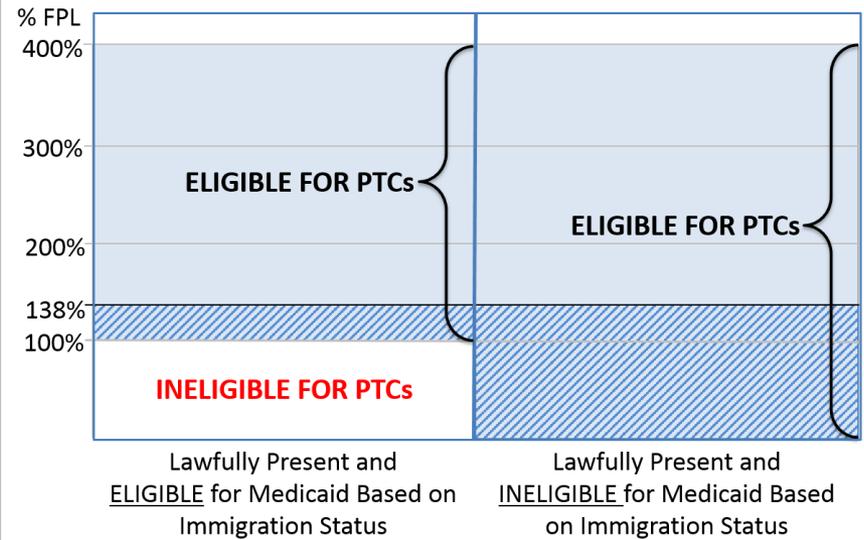
→ **Exception:** Lawfully present individuals with income under the poverty line are eligible for PTC if they are ineligible for Medicaid because of their immigration status



## 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 PTC 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 PTC 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 for the year he or she is seeking coverage:

- 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:** *These exceptions can be used by people filing as “Married Filing Separately” for a maximum of three consecutive years*



Enrollment

Income

Filing Status

**No MEC**  
Ineligible for most other MEC

## Must be ineligible for other MEC, with some exceptions:

Government-Sponsored Coverage	Employer-Sponsored Insurance (ESI)	Secretary of HHS Certified Coverage
<p>Includes:</p> <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>	<p>Includes most offers of ESI</p> <p>Exceptions—eligible for PTC if:</p> <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>	<p>Any health plan certified as MEC by the Secretary of HHS</p> <p>Includes:</p> <ul style="list-style-type: none"> <li>• Certain coverage available outside U.S.</li> <li>• Some student health plans</li> </ul>

→ An **offer** of qualifying MEC bars eligibility for PTC, even if it is not taken





Not Eligible for PTC:	Eligible for PTC:
IF ELIGIBLE FOR THESE BENEFITS, WHETHER OR NOT ENROLLED	DESPITE ELIGIBILITY FOR OR ENROLLMENT IN THESE BENEFITS
<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*</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>
<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 <a href="#">state-by-state MEC designations</a> for such coverage.</p>	





Not Eligible for PTC if:	Eligible for PTC 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 PTC?

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 Serena doesn't 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 PTC?

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



#### Answer:

- Being eligible for COBRA doesn't bar eligibility for PTC 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 PTC if eligible for ESI that is **adequate and affordable**

WHEN AN OFFER OF ESI DOES NOT BAR ELIGIBILITY FOR PTC		
Not affordable	OR	Not adequate
Coverage is <u>not</u> affordable if the employee contribution for <b>self-only coverage is more than 9.56%</b> of household income (in 2018)  <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>		Coverage is <u>not</u> adequate if it has a minimum value (MV) <b>less than 60% actuarial value</b>  <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>

→ An **offer** of affordable, adequate ESI bars eligibility for PTC, even if it is not taken

- An employee's family member is not eligible for PTC 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 PTC**

- **Exception:** If the family member is not on the same tax return as the employee, the offer of ESI does not bar eligibility for PTC

## Example: ESI and Eligibility for PTC

- **Household income:** \$49,200 (200% FPL)
- Monica's employer offers two plans
- **Plan A** is considered affordable and meets MV (even though family coverage is over 9.56% of income)
- **Plan B** is considered affordable, but does not meet MV



PLAN A		
<b>Cost</b>	<b>Employee-only:</b> \$198/month (4.8% 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 (5.9% of income)
<b>AV</b>	40%
	<i>Does NOT meet MV</i>

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

# Example: Coverage Choices for Young Adults

## John, 24 years old

- Income: \$24,120 (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 Marketplace coverage, he is eligible for PTC



CHOICE 1: Employer Coverage	
<b>Cost</b>	\$85/month (4.2% of income)
<b>AV</b>	40%, does not meet MV
✓ Still eligible for PTC	

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 PTC	

---

# 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 a sliding scale tied to household income)

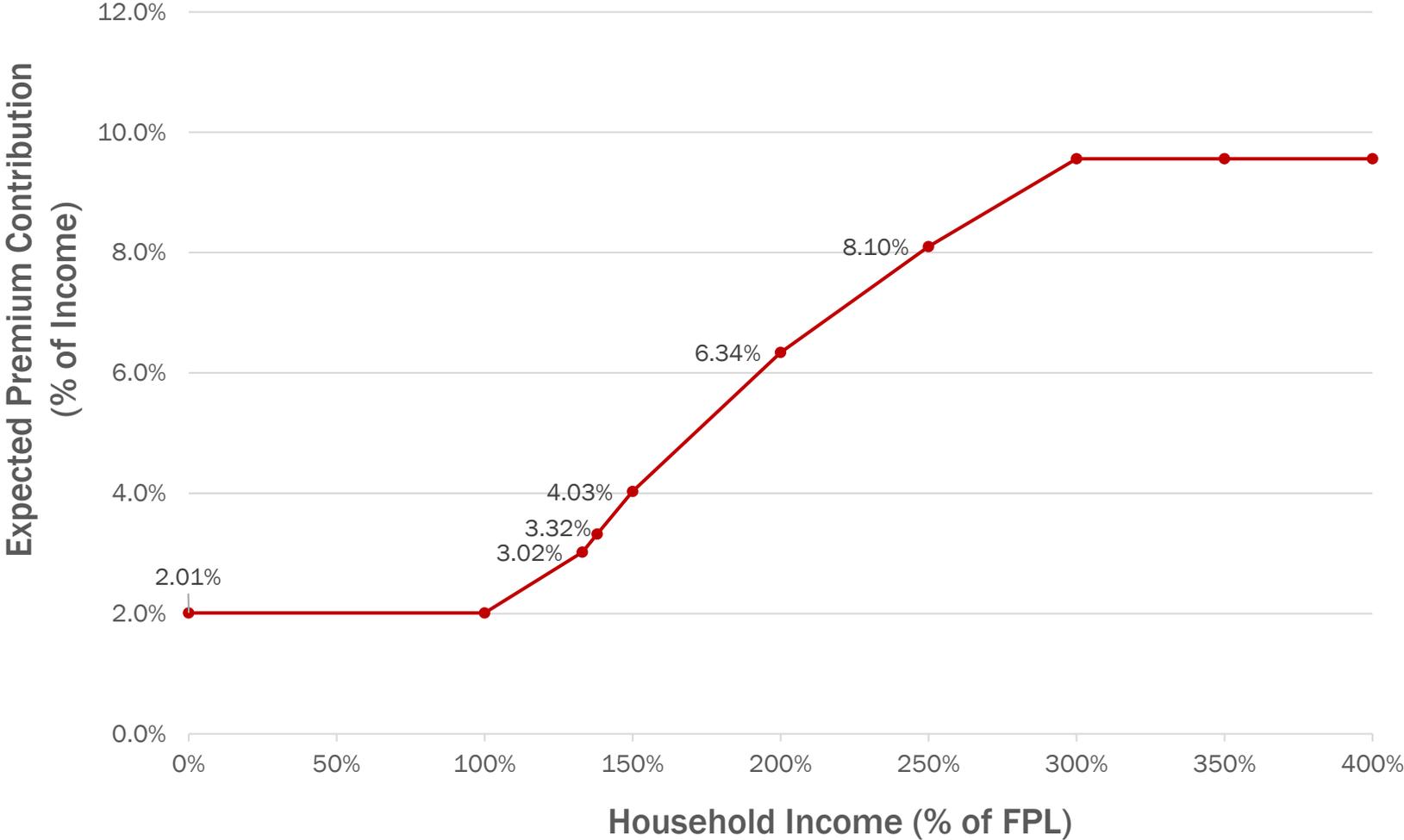
The benchmark plan is the second lowest cost silver plan available to each eligible household member

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 (PTC 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.

# Expected Premium Contributions for 2018 Plan Year



# Expected Contributions at Certain Income Levels (2018)



Annual Household Income		Expected Premium Contribution	
% of FPL	Income Amount (For HH of 1 using 2017 FPL)	% of Income	Annual Dollar Amount (For HH of 1 using 2017 FPL)
< 133% <sup>1</sup>	< \$16,040	2.01%	\$322
133% <sup>1</sup>	\$16,040	3.02%	\$484
138% <sup>1</sup>	\$16,643	3.32%	\$553
150%	\$18,090	4.03%	\$729
200%	\$24,120	6.34%	\$1,529
250%	\$30,150	8.10%	\$2,442
300%	\$36,180	9.56%	\$3,459
350%	\$42,210	9.56%	\$4,035
400%	\$48,240	9.56%	\$4,612
> 400%	> \$48,240	n/a	n/a

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

## 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: \$49,200/year (200% FPL)
- Expected contribution: 6.34% 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 Name	Plan Type	Monthly Premium	Deductible	OOP Max	Copayments/Coinsurance
Plan A	BlueChoice HMO Silver	\$833			
Plan B	Highmark PPO Silver	\$879			
Plan C	Kaiser Permanente Silver	\$900			

## PTC Calculation



# Example: Impact of Benchmark Plan on PTC Calculation



**Teresa, Antonio, Gaby, and Michael**

- Income: \$49,200/year (200% FPL)
- Expected contribution: 6.34% 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)

<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
\$	\$	\$	

**BENCHMARK PLAN**



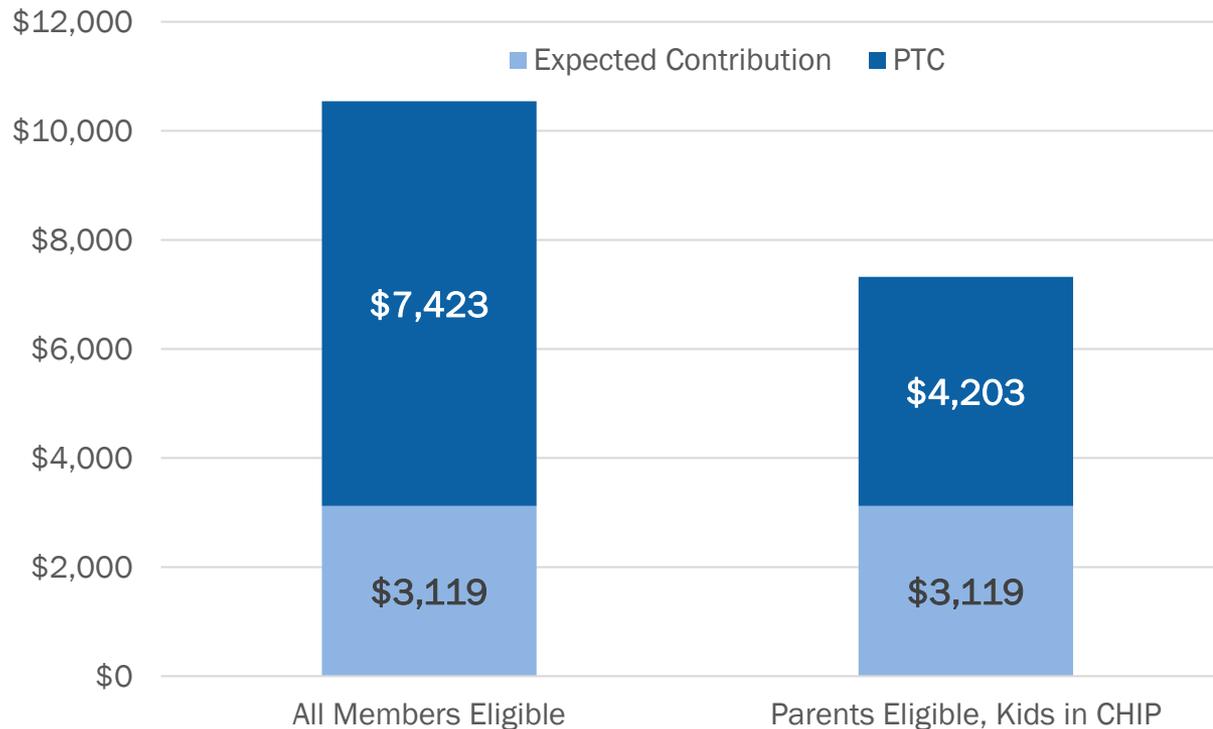
## PTC Calculation



# Example: Impact of Benchmark Plan on PTC Calculation

## Teresa, Antonio, Gaby, and Michael

- Income: \$49,200 (200% FPL)
- Expected contribution: 6.34% of income (\$3,119/year, \$260/month)



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

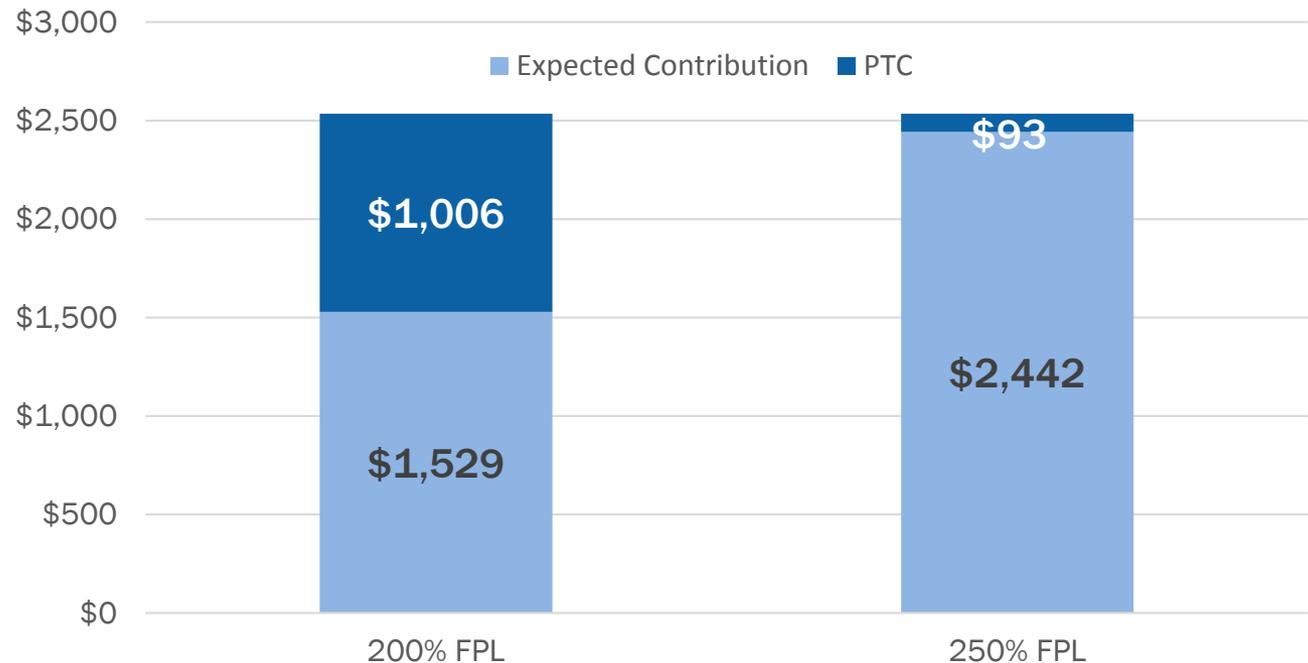
# Example: Impact of Expected Contribution on PTC



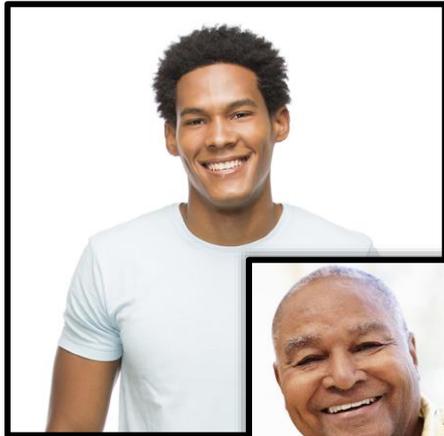
**John, 24 years old**

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

200% FPL	vs.	250% FPL
<b>Income:</b> \$24,120 (200% FPL)		<b>Income:</b> \$30,150 (250% FPL)
<b>Expected Contribution:</b> \$1,529/year, \$127/month (6.34% of income)		<b>Expected Contribution:</b> \$2,442/ year, \$204/month (8.10% of income)
<b>PTC:</b> \$1,006/year, \$84/month		<b>PTC:</b> \$93/year, \$8/month



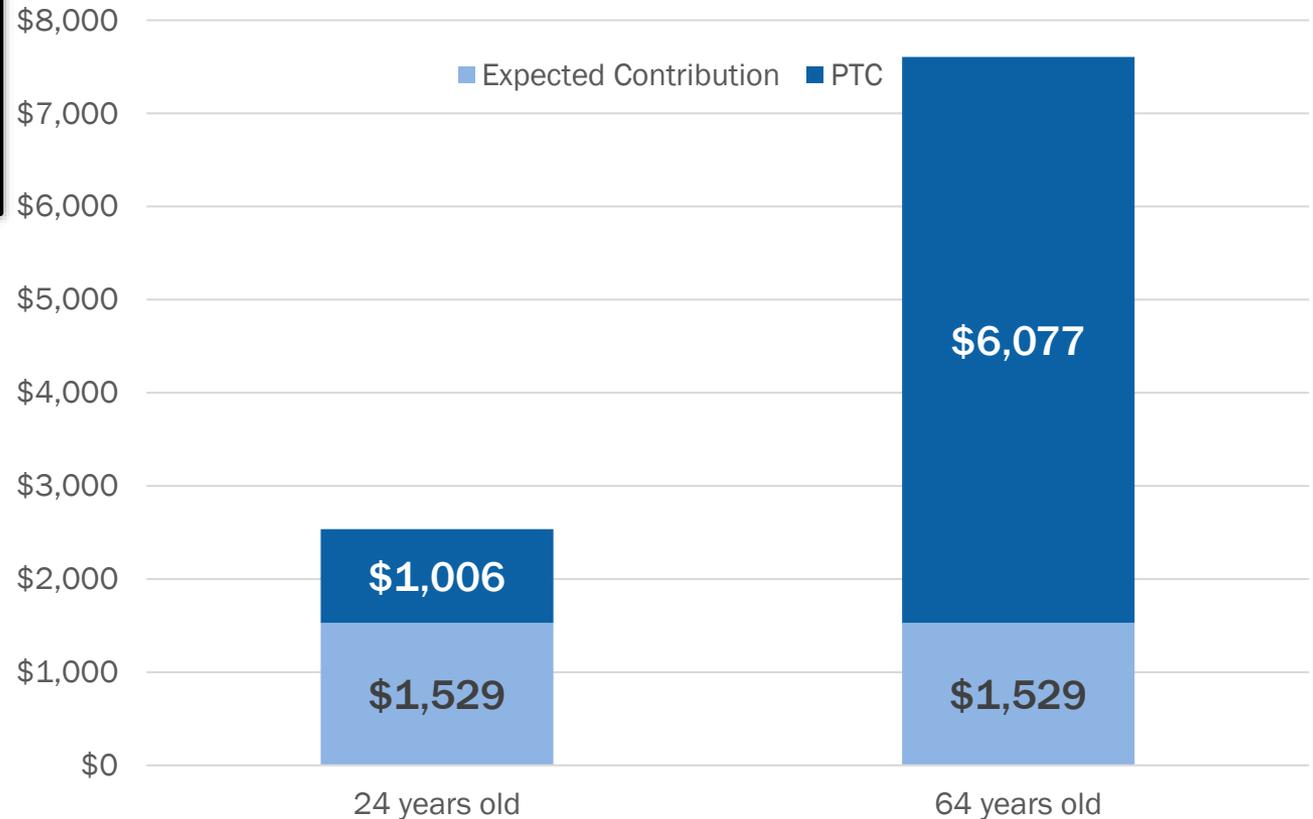
# Example: Impact of Age on PTC Calculation



**John**

- Income: \$24,120 (200% FPL)
- Expected Contribution: 6.34% of income, \$1,529 (\$127/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> \$1,006 (\$84/month)		<b>PTC:</b> \$6,077 (\$506/month)



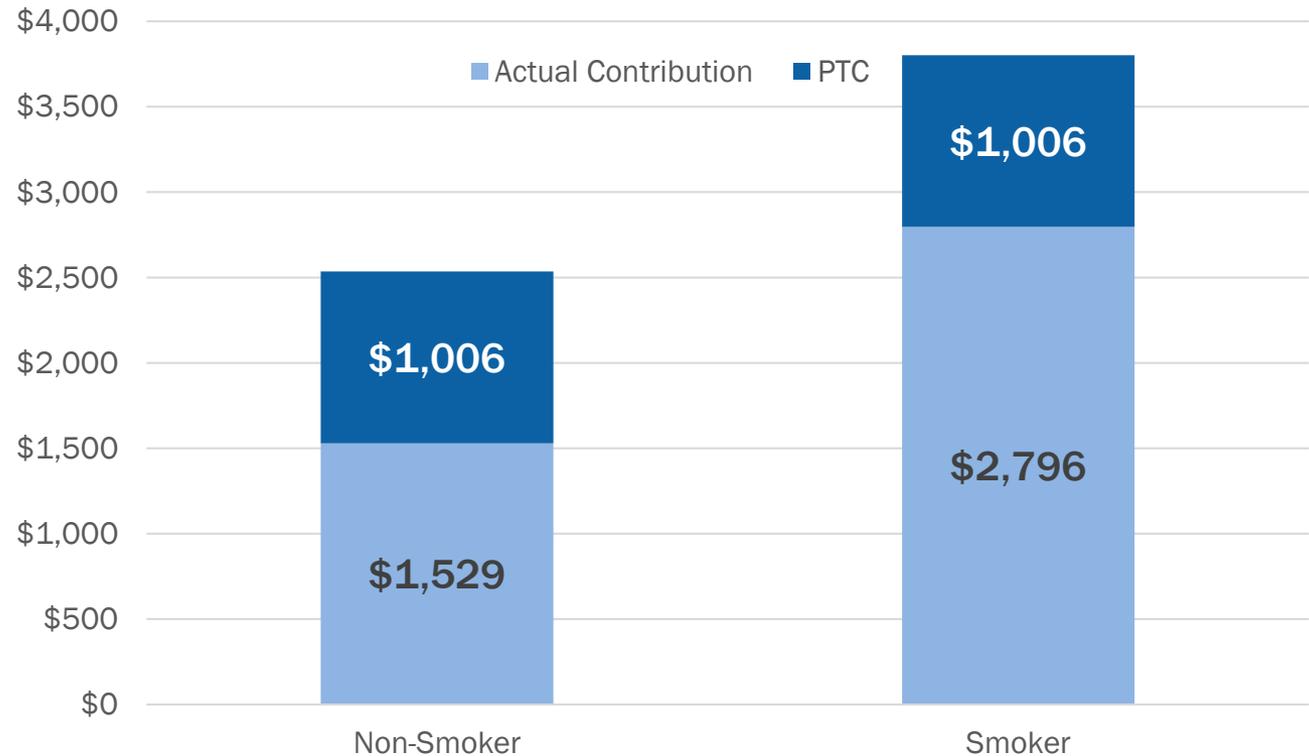
# Example: Impact of Tobacco Use on PTC Calculation



## John

- Income: \$24,120 (200% FPL)
- Expected Contribution: 6.34% of income, \$1,529 (\$127/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> \$1,006 (\$84/month)		<b>PTC:</b> \$1,006 (\$84/month)

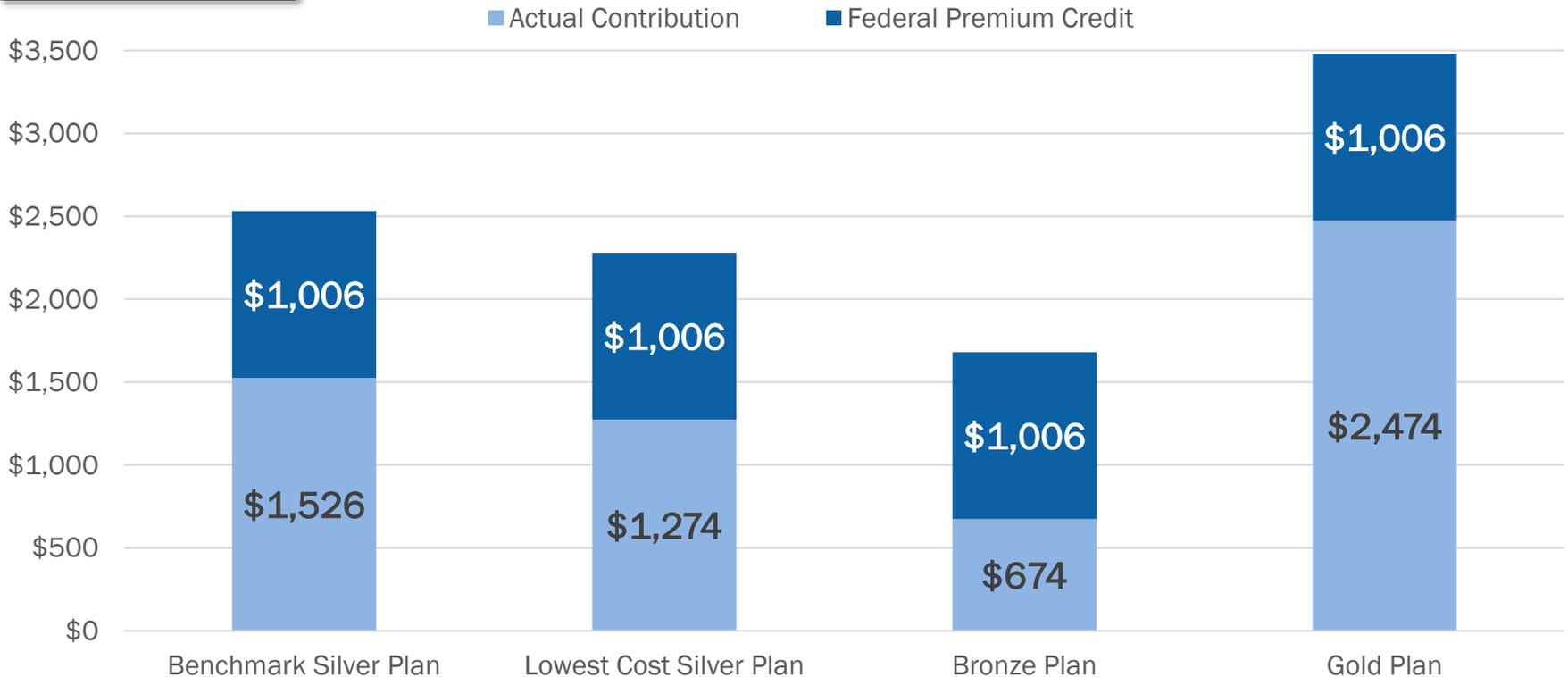


# Example: Impact of Plan Choice on Premiums



**John**

- PTC: \$1,006 (\$84/month)



- Judy Solomon, [solomon@cbpp.org](mailto:solomon@cbpp.org)
  - Twitter: @JudyCBPP
- Halley Cloud, [cloud@cbpp.org](mailto:cloud@cbpp.org)
- General inquiries: [beyondthebasics@cbpp.org](mailto:beyondthebasics@cbpp.org)

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, September 21 | 2:00 pm ET (11:00 am PT)

## Part III: Plan Design

- Tuesday, September 26 | 2:00 pm ET (11:00 am PT)

## Part IV: Exemptions and Penalties

- Thursday, September 28 | 2:00 pm ET (11:00 am PT)

## Immigrant Eligibility for Coverage Programs

- Wednesday, October 4 | 2:00 pm ET (11:00 am PT)

*Register for upcoming webinars at*  
[Health Reform: Beyond the Basics, Upcoming Webinars](#)