



# **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

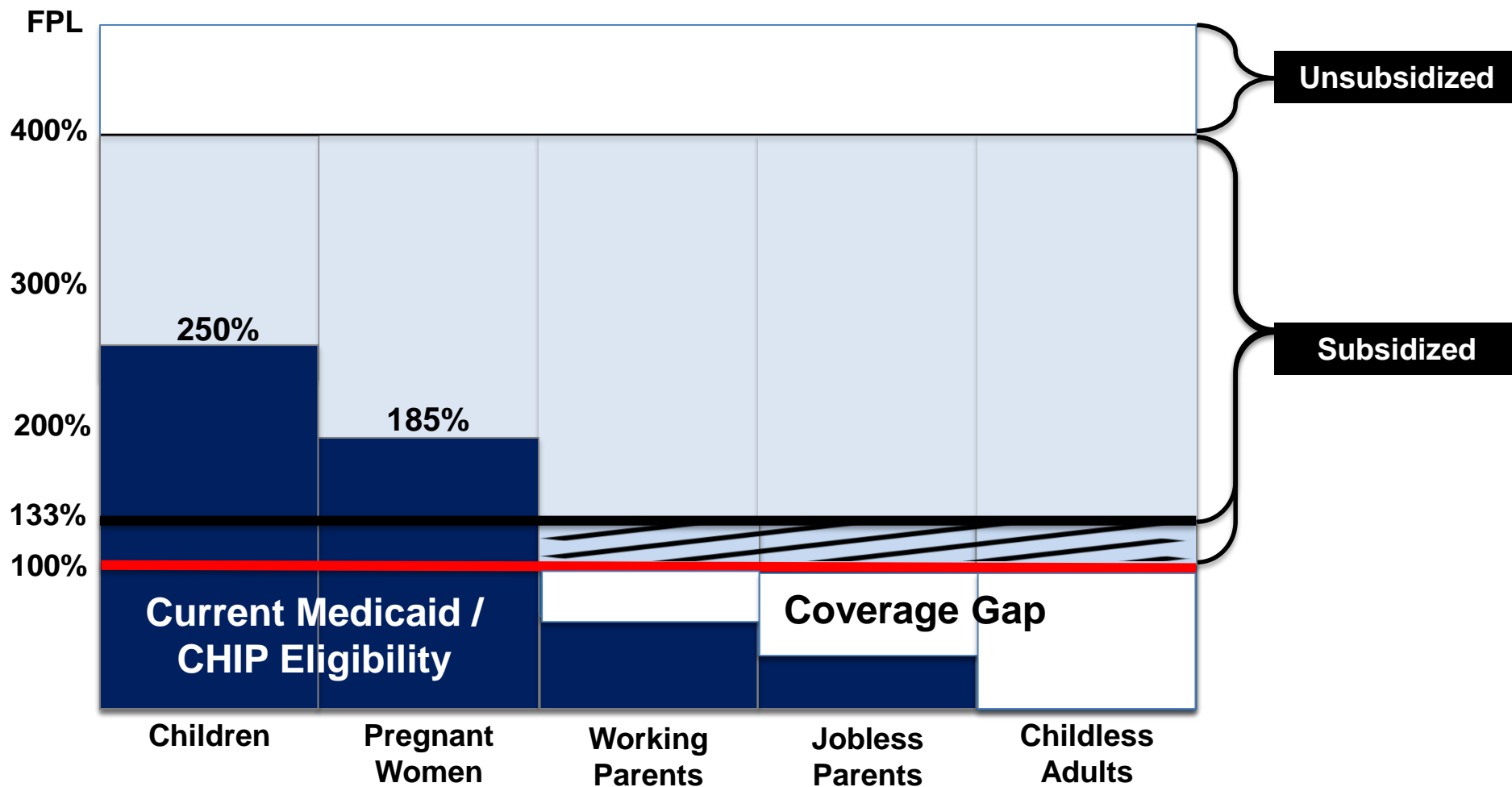


We will dig deep into the rules on:

- 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

October 1, 2013

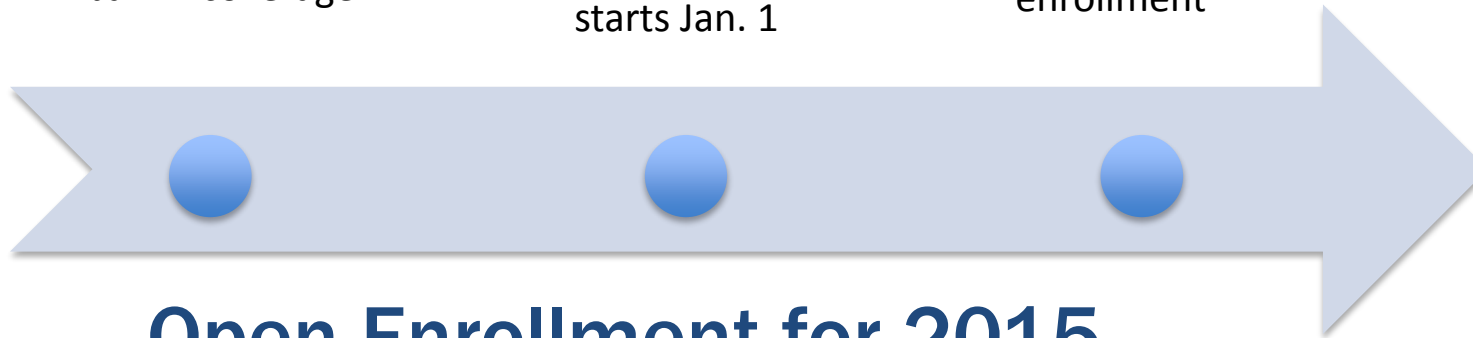
First day to apply for  
Jan. 1 coverage

Dec. 23, 2013

Last day to sign up  
for coverage that  
starts Jan. 1

March 31, 2014

Last day of open  
enrollment



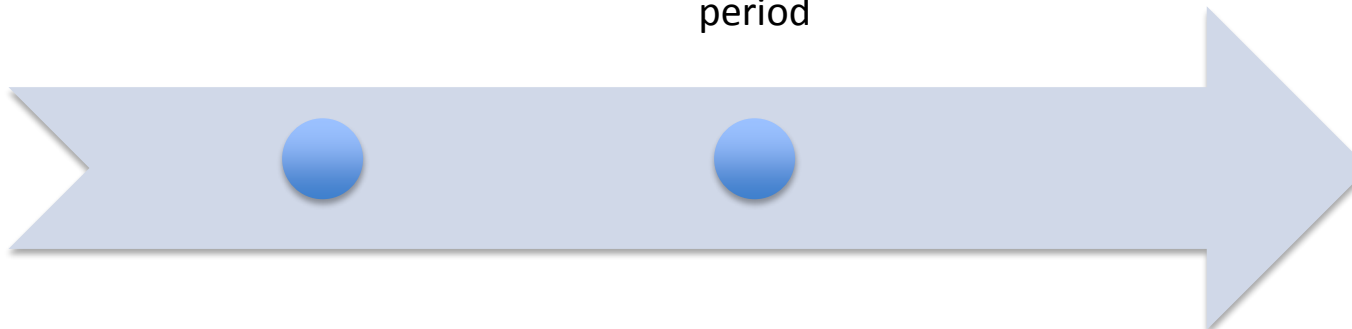
## Open Enrollment for 2015

November 15, 2014

First day of 2015 open  
enrollment period

February 15, 2015

Last day of the 2015  
open enrollment  
period







## 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



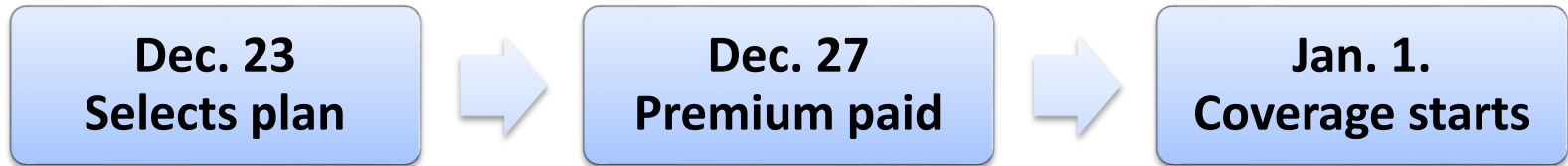
- Plan selection date determines when coverage will take effect.
- Coverage will start on schedule only if the enrollee pays the first month's premium on time.
- Deadlines for the first month's premium are typically set by the insurer.

Plan Selection Date	Coverage Effective Date
Nov. 1, 2013	Jan. 1, 2014
Dec. 23, 2013	Jan. 1, 2014
Dec. 31, 2013	Feb. 1, 2014
March 31, 2014	May 1, 2014

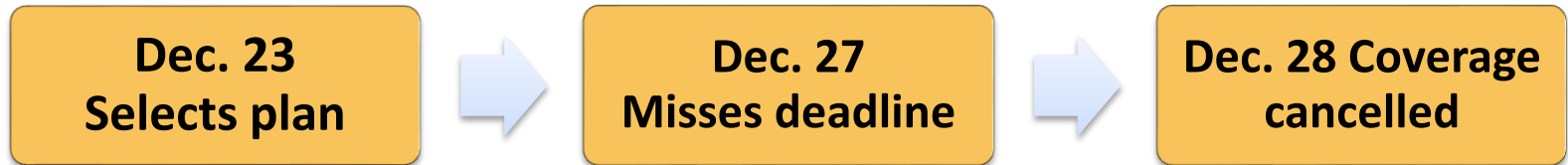


# Review: Paying the First Month's Premium

## Scenario #1



## Scenario #2



## Scenario #3





# People's Circumstances Can Change at any Time

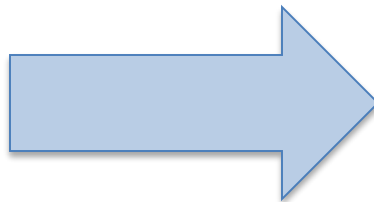




## Some Changes Trigger a Special Enrollment Period (SEP)

- 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



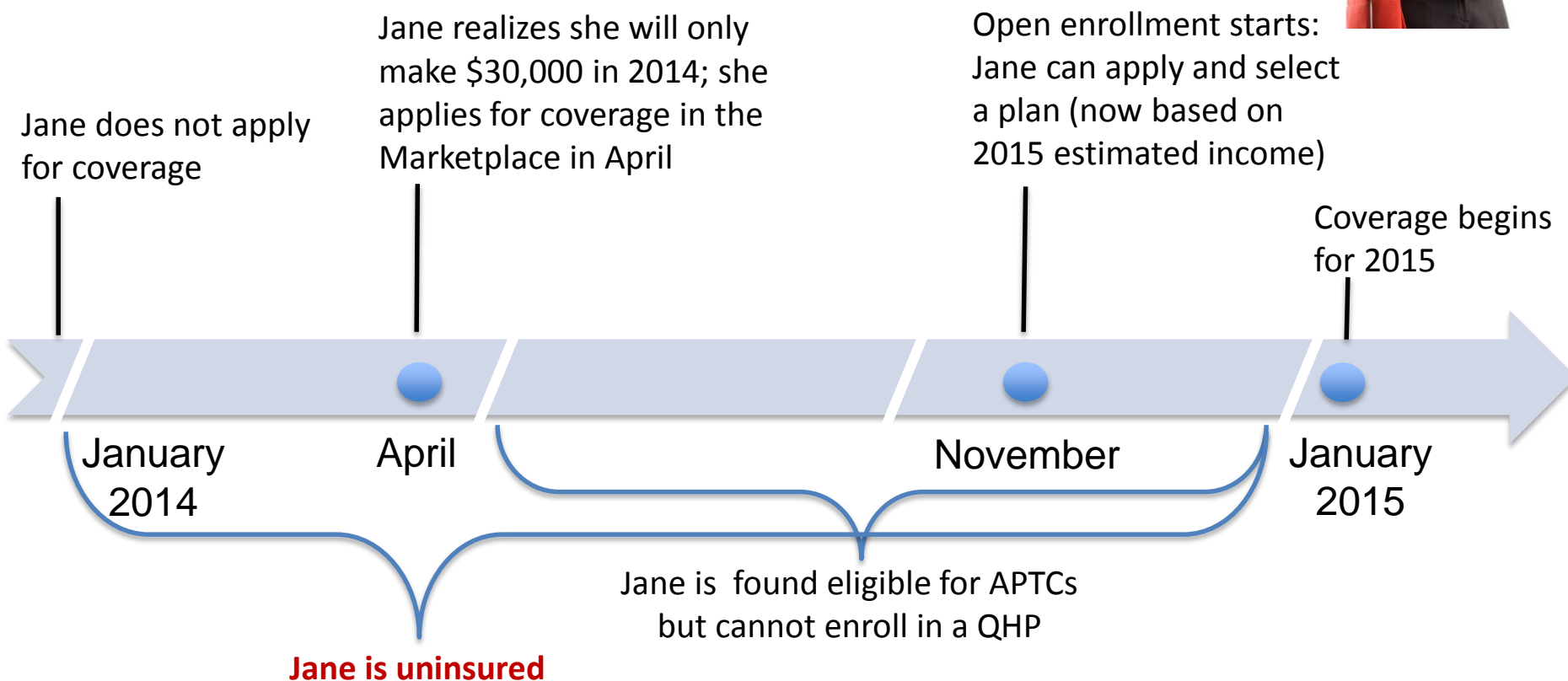
# Some Special Enrollment Periods Are Just for People Already Enrolled in a QHP

- 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.





# 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



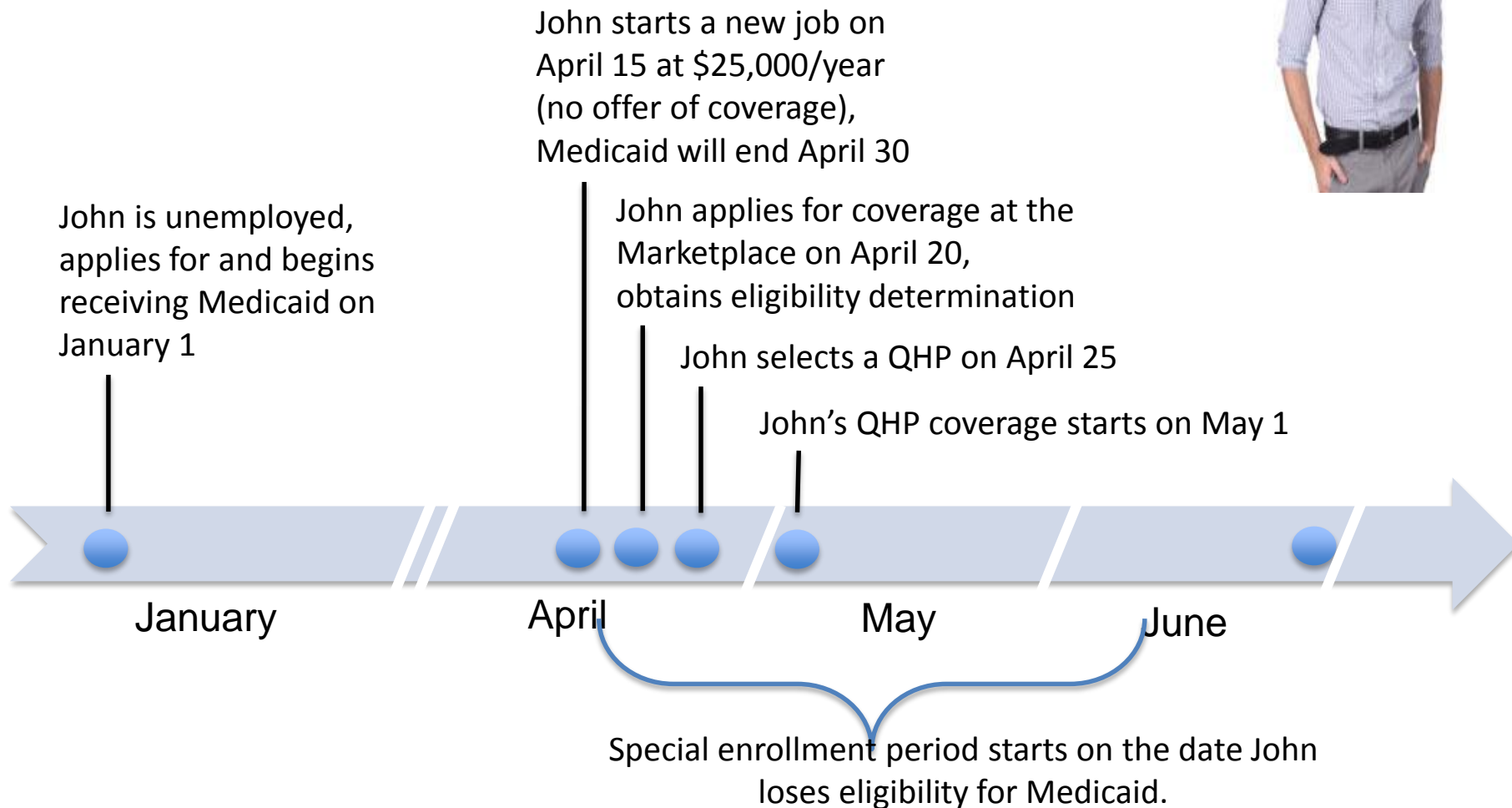


# Effective Dates of Coverage for Special Enrollment Periods Vary

Triggering Event	Coverage Effective Date
Birth	Date of birth
Adoption	Date of adoption
Placement for Adoption/Foster Care	Date of placement
Marriage	First day of following month following plan selection
Loss of minimum essential coverage	First day of month following plan selection
Other reasons	Generally follow same rules as open enrollment



# Special Enrollment Period for Loss of Minimum Essential Coverage: John Loses His Medicaid Coverage





# Special Enrollment Period: Birth

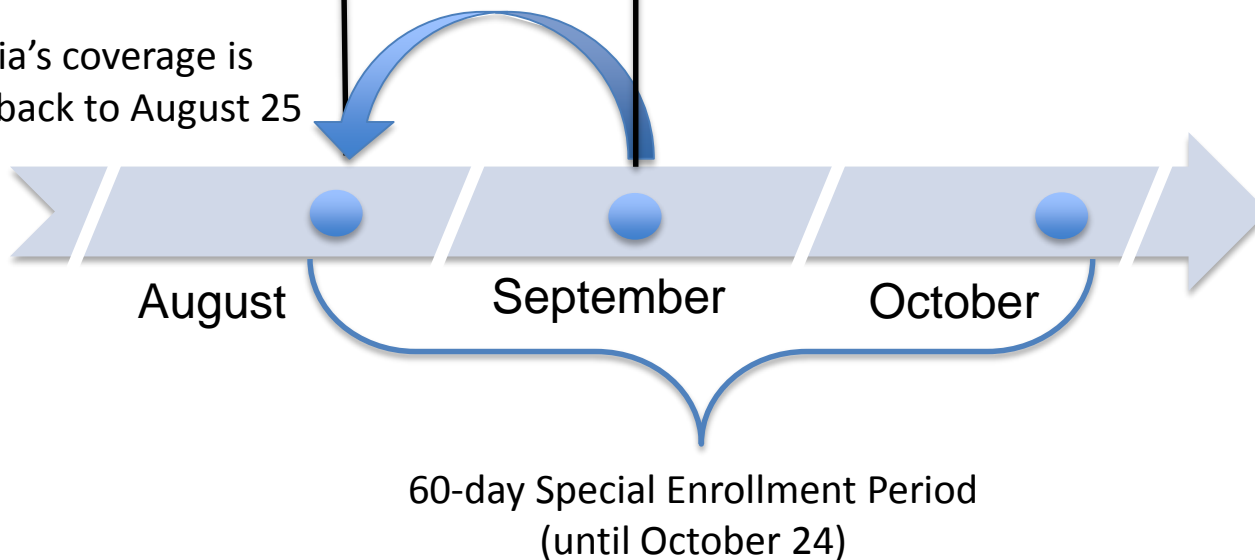
**Dan, Jen and their two children are enrolled in a QHP and receive APTCs. Jen is pregnant with their third child.**



Baby Olivia is born  
on August 25

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

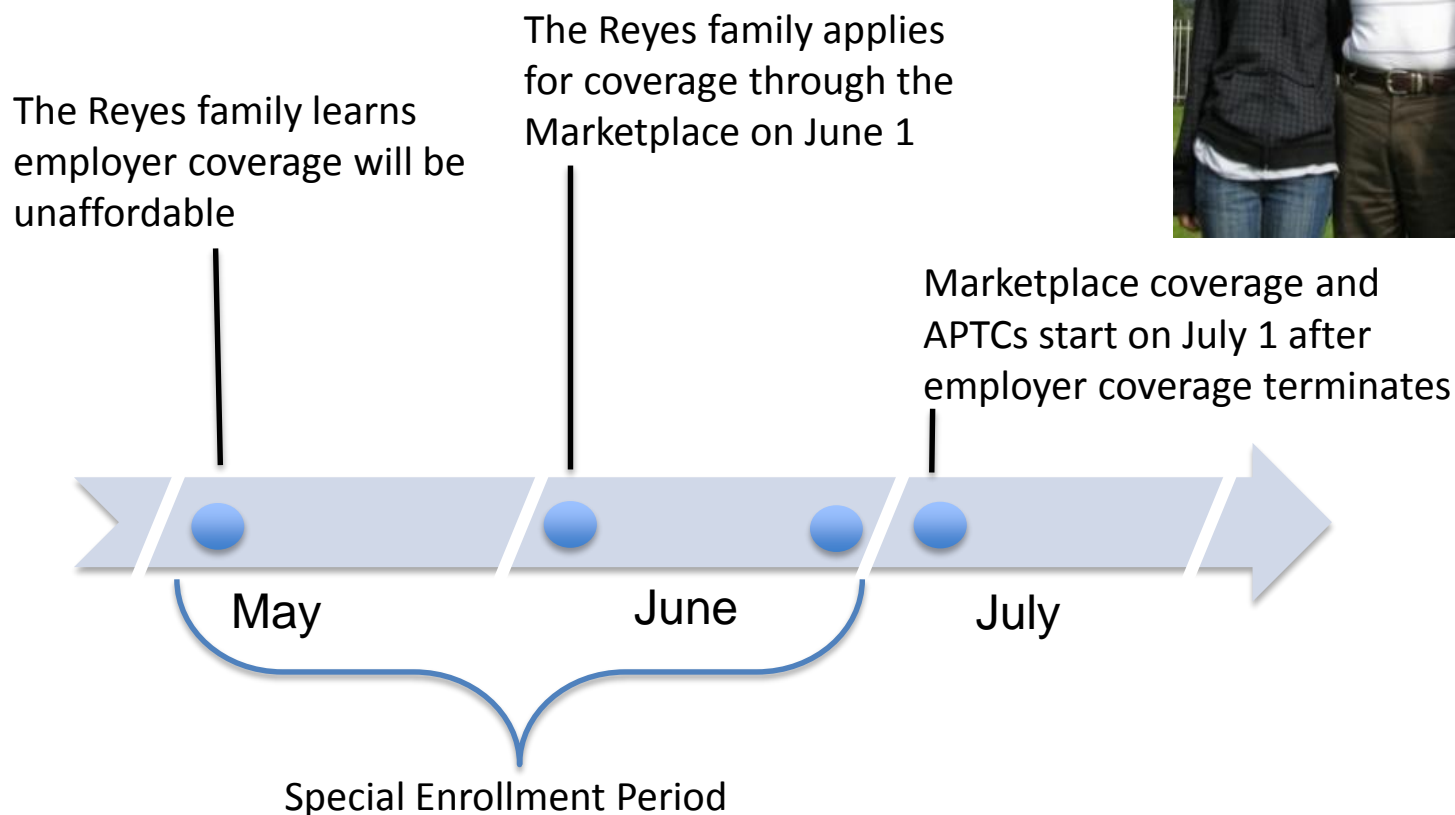
Baby Olivia's coverage is  
effective back to August 25





# Employer Coverage Becomes Unaffordable

- 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.





# 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

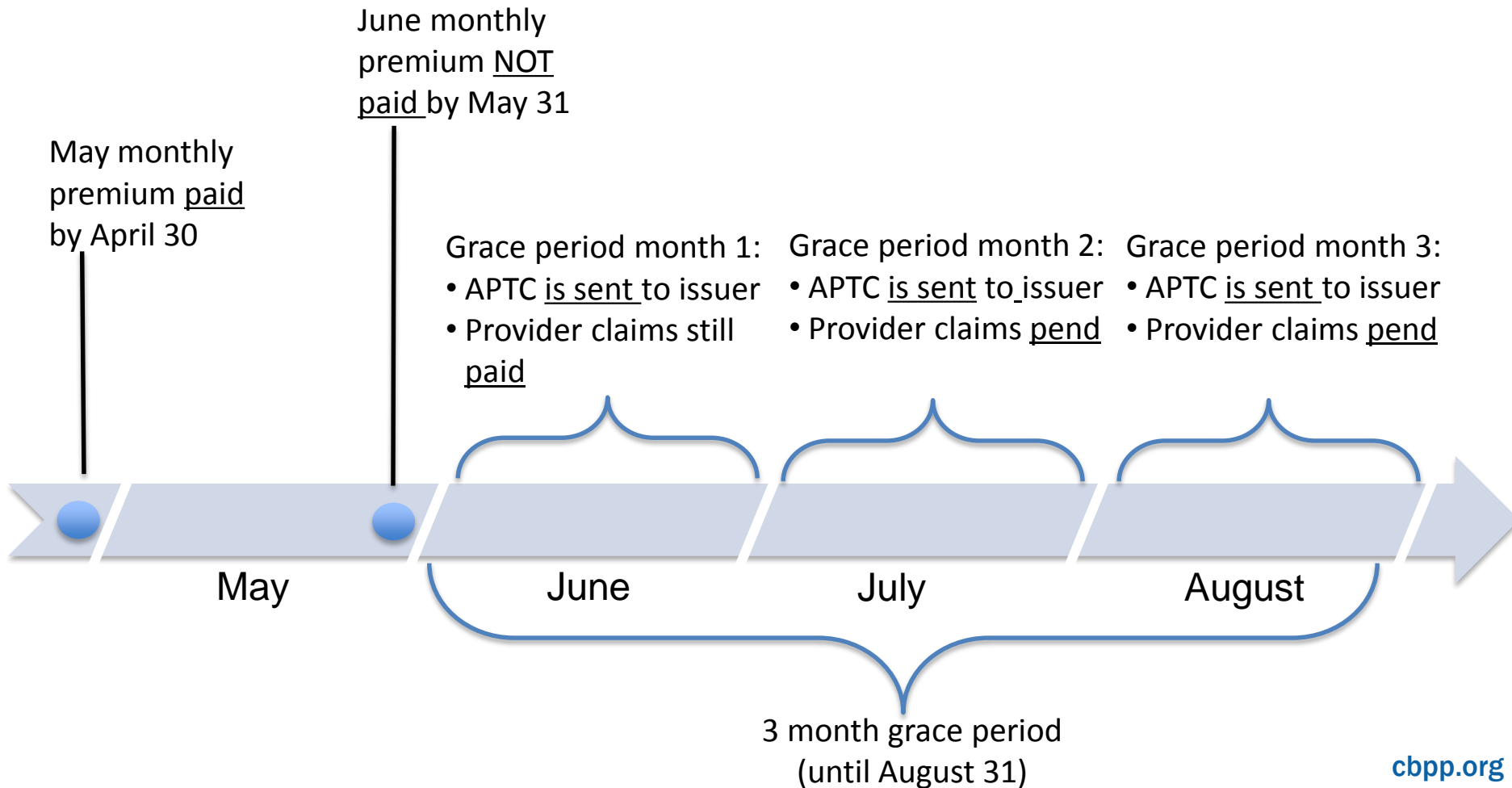


# People Receiving Advance Premium Tax Credits (APTCs) Have a 3-Month Grace Period

- 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



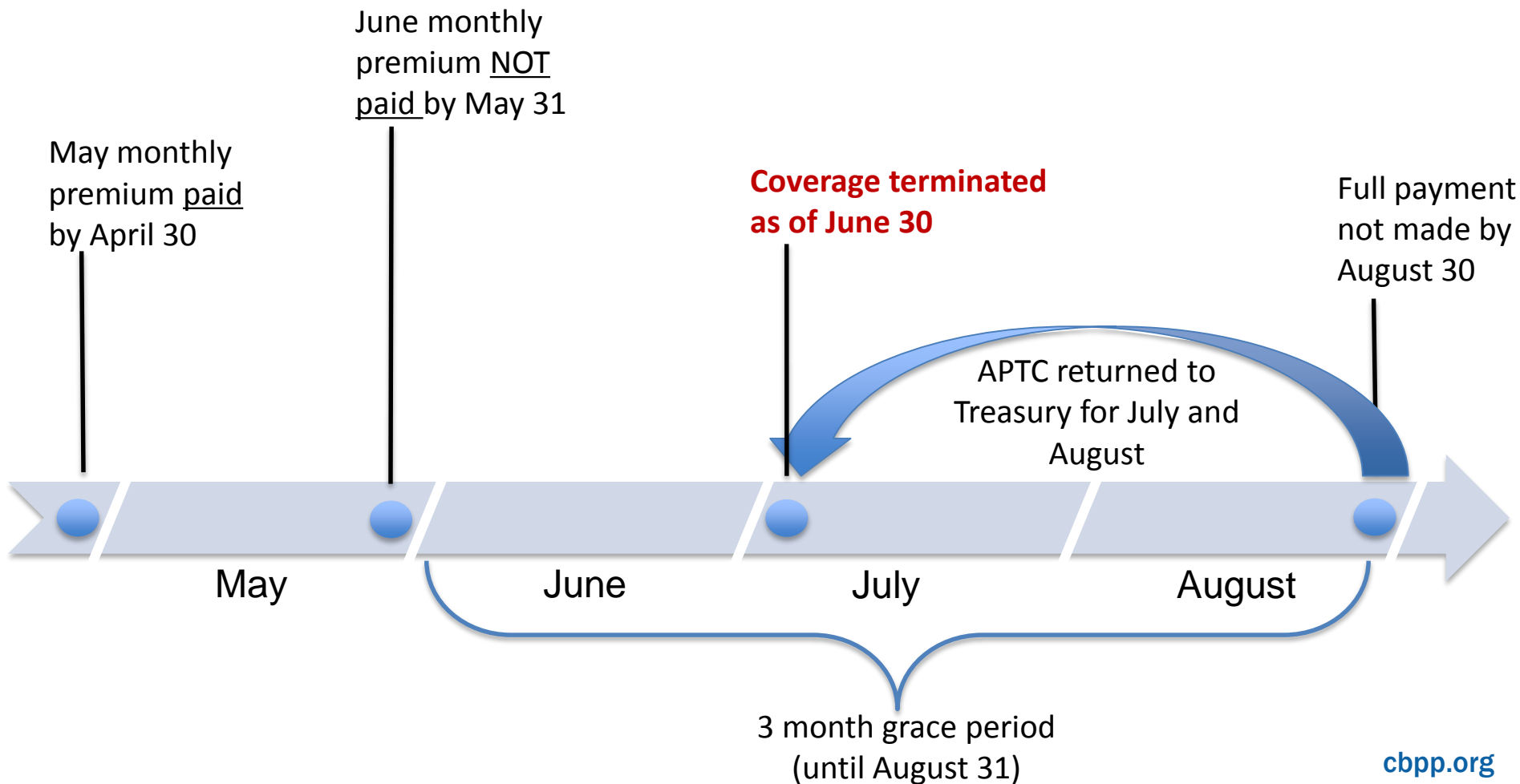
# What Happens During a Grace Period







# What Happens During a Grace Period





# 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 fails to make July payment by June 30 (\$300 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

May

June

July

August

3-month grace period (until August 31)



# 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)

John fails to make July payment by June 30 (\$300 past due)

John makes \$200 payment on July 11 (less than total 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

May

June

July

August

3 month grace period (until August 31)

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



# Taxpayer 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.



*Simon is uninsured.*

*Simon is enrolled 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



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

## Private Insurance

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

Regardless of minimum value or affordability

Not short-term coverage or “excepted benefits,” like stand-alone vision or dental insurance

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



# The Penalty for Failure to Obtain Coverage

Annual Penalty is the <u>GREATER</u> of:		
	Flat dollar amount	OR Percentage of income
<b>2014</b>	Each adult: \$95	1% of applicable income  <i>Applicable income:</i> Income above the tax filing threshold
	Each child: ½ adult (\$47.50)	
	<i>Maximum: \$285</i>	
<b>2015</b>	Each adult: \$325	2% of applicable income
	Each child: ½ adult (\$162.50)	
	<i>Maximum: \$975</i>	
<b>2016 and beyond</b>	Each adult: \$695	2.5% of applicable income
	Each child: ½ adult (\$347.50)	
	<i>Maximum: \$2,085</i>	

2013 Filing Thresholds ( <i>under age 65</i> )	
Single: \$10,000	Head of Household: \$12,850
Married Filing Jointly: \$20,000	Married Filing Separately: \$3,900





# Exemptions from the Penalty

## Exemptions Granted by the Marketplace

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

## Exemptions Granted through Tax Filing

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

## Exemptions Granted by Either

- Indian tribe membership
- Incarceration
- Health care sharing ministry



# 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.



Form Approved  
OMB No. 0938-100X

## Application for Exemption from the Shared Responsibility Payment for Individuals Who Experience Hardships



**Use this application to apply for an exemption from the shared responsibility payment**

- Starting in 2014, every person needs to have health coverage or make a payment on their federal income tax return called the "shared responsibility payment."
- Some people are exempt from making this payment. This application includes one category of exemption. There are other applications for other categories of exemptions. You may apply for certain other categories of exemptions when you file your federal income tax return.



**Who can use this application?**

- Use this application if you and/or anyone in your tax household have experienced a hardship that keeps you from getting health coverage. See Table A (after the signature page of this application) for the list of hardships.
- If you get a hardship exemption, you may qualify for catastrophic coverage.
- You may use one application to ask for this exemption for more than one person in your tax household.



**What you may need to apply**

- Documents that support your claim of hardship (see Table A after the signature page of this application)
- Social Security numbers, if you have them
- Information about people in your tax household



**Why do we ask for this information?**

We ask for Social Security numbers and other information to make sure your exemption is counted when you file your federal income tax return. **We'll keep all the information you give private and secure, as required by law.** To view the Privacy Act Statement, go to [HealthCare.gov](http://HealthCare.gov).



**What happens next?**

Send your complete, signed application to the address on page 3. We'll follow-up with you within 1-2 weeks. You'll get instructions on the next steps to complete the exemption process. If you don't hear from us, visit [HealthCare.gov](http://HealthCare.gov), or call 1-800-318-2596. TTY users should call 1-855-889-4325.



**Get help with this application**

- Online: [HealthCare.gov](http://HealthCare.gov).
- Phone: Call our Health Insurance Marketplace Call Center at 1-800-318-2596.
- In person: There may be counselors in your area who can help. Visit [HealthCare.gov](http://HealthCare.gov) or call 1-800-318-2596 for more information.
- En Español: Llame a nuestro centro de ayuda gratis al 1-800-318-2596.

THINGS TO KNOW



# Marketplace Exemptions: Hardship

Types of Hardship	Duration
<b>Financial or domestic circumstances</b> <i>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</i>	At least one month before and after hardship  <u>Special rule:</u> 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

## Types of Hardship

### Financial or domestic circumstances

*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*

### Lack of affordable coverage based on projected income

- *Marketplace coverage that costs >8% of income (lowest cost bronze plan, after premium tax credits)*
- *ESI that costs >8% of income for the family (lowest cost family plan)*
- *ESI that costs >8% of income due to wellness penalties*

## Duration

At least one month before and after hardship

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

All remaining months in year

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



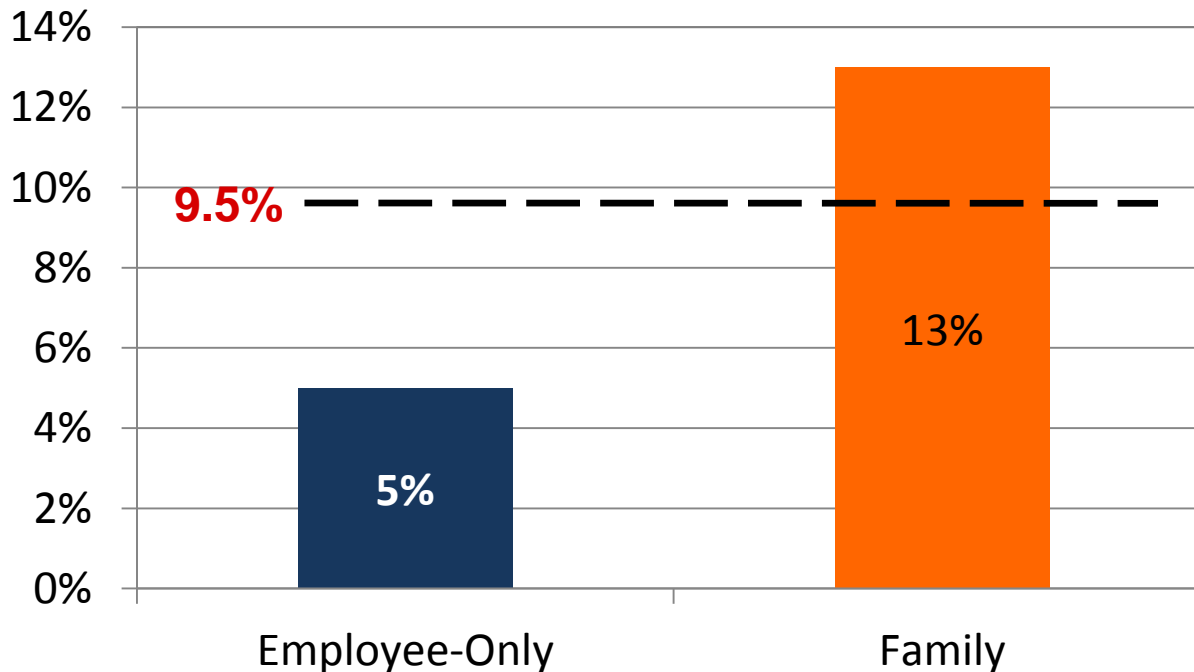
## Review: Affordability Test for *Firewall*

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%). [cbpp.org](http://cbpp.org)



# Affordability Test for *Exemption from Penalty*

## Affordability Test for Firewall

Affordable if  $<9.5\%$  of household income

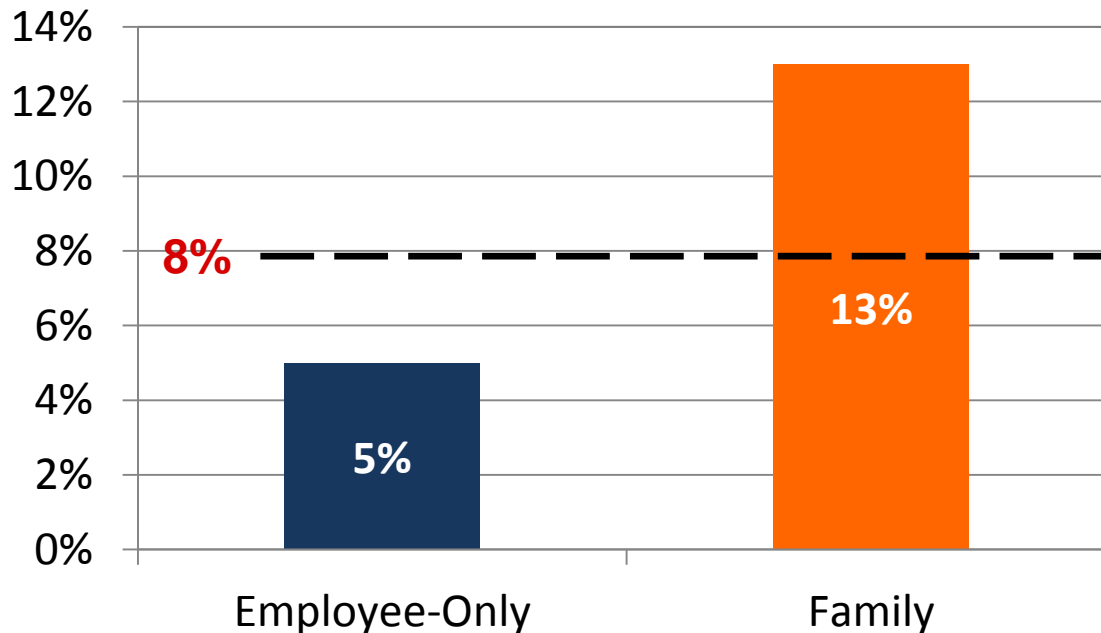
Family coverage is affordable if self-only coverage is affordable



## 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	Duration
<b>Financial or domestic circumstances</b> <i>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</i>	At least one month before and after hardship  <u>Special rule:</u> Can be claimed up to 3 years after the hardship
<b>Lack of affordable coverage based on projected income</b> <ul style="list-style-type: none"><li>▪ <i>Marketplace coverage that costs &gt;8% of income (lowest cost bronze plan, after premium tax credits)</i></li><li>▪ <i>ESI that costs &gt;8% of income for the family (lowest cost family plan)</i></li><li>▪ <i>ESI that costs &gt;8% of income due to wellness penalties</i></li></ul>	All remaining months in year <u>Special rule:</u> (1) Must apply during open enrollment, (2) Applies regardless of change in circumstances
<b>Ineligible for Medicaid based on state decision not to expand</b>	<i>Entire year unless there is a change in circumstance</i>



# Marketplace Exemption: Medicaid Coverage Gap

## 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.

**JANE** is unemployed until she gets a job in July. Her insurance starts August 1.  
**Income:** \$11,000  
**Residence:** Texas



## 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.





# 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

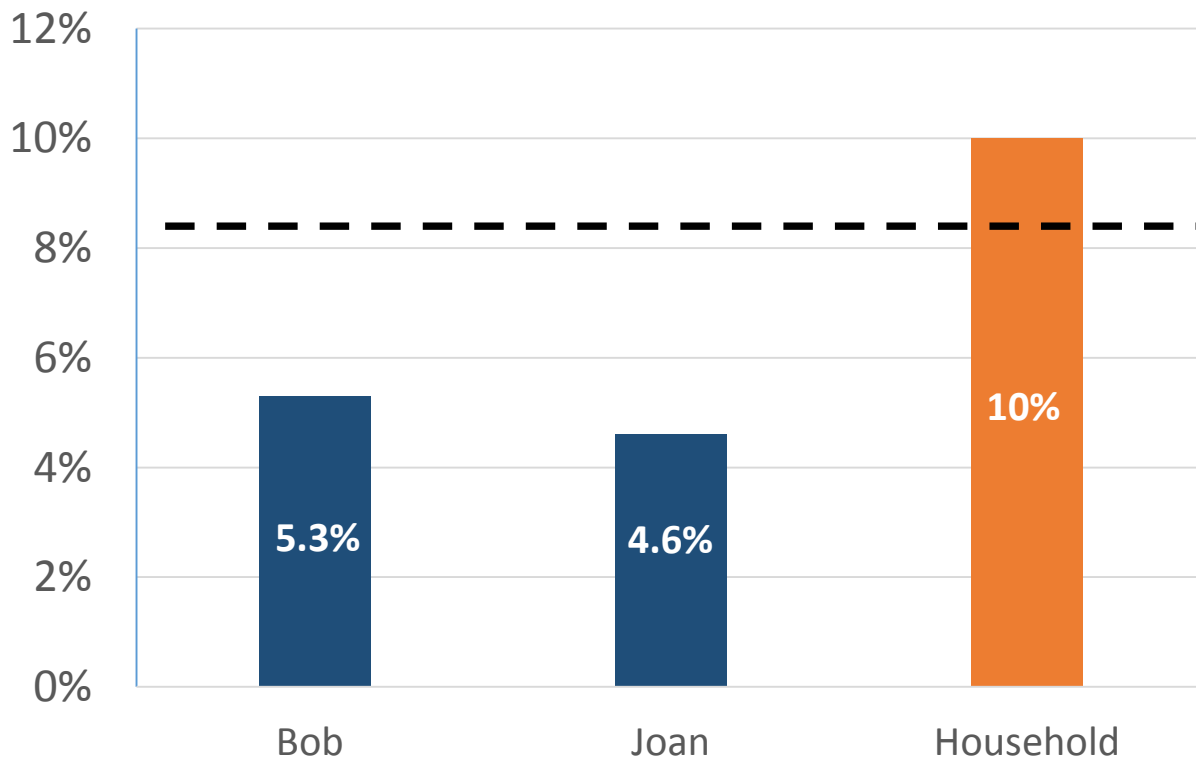
Bob and Joan have jobs that offer health coverage.

**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)**

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- *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)**

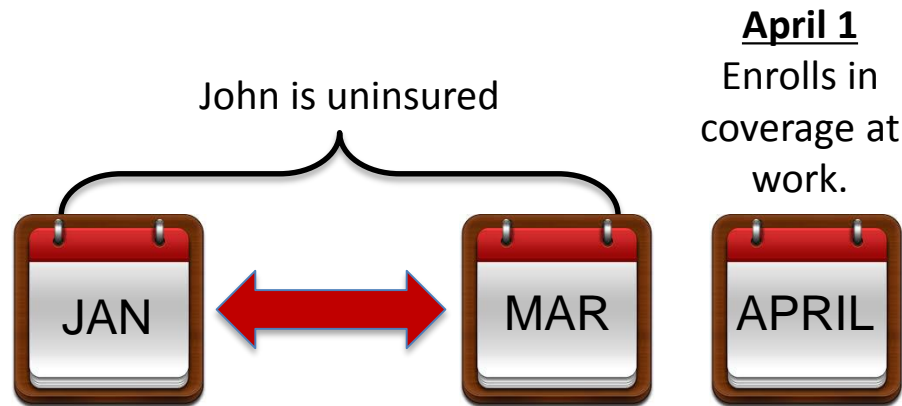
- *If the coverage gap is 3 months or longer, none of the months in the gap qualify for exemption.*
- *If there are multiple gaps in a year, only the first gap qualifies.*



## 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](http://www.centeronbudget.org)

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