



RECONCILIATION TALKING POINTS

Background

The Affordable Care Act (ACA) created federal subsidies for eligible individuals for the purchase of health insurance through Covered California. These subsidies are the centerpiece of the law and are designed to provide financial assistance to millions of Californians who could not otherwise afford health coverage. Promoting broader participation in health insurance and making coverage more affordable are the fundamental missions of the law; however, requirements that may increase the tax liability for some who receive advance payments of the subsidies, and later have changed circumstances, could lead to a decrease in enrollment and a distrust of Covered California.

Whether applicants use the prior year's income or more current income when applying for the advance payments, it is likely that income will be different from what is ultimately reported on the tax return at the end of the year. Many people's income fluctuates throughout the year – the income of hourly workers can change as the number of hours worked varies, but even salaried workers with more stable earnings can receive bonus payments that increase their income or change jobs. Changes in circumstances, such as job loss or job gain, can also alter income from what may have been used to determine the advance payments. These changes are often unpredictable. As a result, many people may be required to repay a portion of the advance payments appropriate at the time received, but no longer apply.

Talking Points

- Premium assistance is a federal tax credit that helps make the amount consumers pay for their insurance each month lower. How much premium assistance a consumer receives is based on how much money they make, their family size, and where they live.
- Consumers may also be receiving cost-sharing reductions. This type of financial help lowers the portion they pay when they visit a doctor or hospital or fill their prescriptions.
- Some consumers were asked to verify their income when they enrolled into coverage.
- For 2014 only, if a consumer did not verify their income by providing documents to Covered California, there will be no action taken against them by Covered California.
- Consumers should be encouraged to report changes in their income and family size, especially during the renewal period.
- Starting in 2015 Covered California will take action against consumers who fail to provide the verification documentation that is requested.
- A consumer whose premium tax credit for the taxable year exceeds the taxpayer's advance credit payments may receive the excess as an income tax refund.
- A consumer whose advance credit payments for the taxable year exceed the taxpayer's premium tax credit owes the excess as an additional income tax liability.
- Consumers may receive more premium assistance than they qualify for if:
 - They made more money than they reported on their application
 - Their family size was smaller than they reported on their application
- Any additional tax imposed because of excess advance credit payments for a taxpayer whose household income is less than 400 percent of the Federal Poverty Line (FPL) is capped.
- There is no cap for any additional tax imposed because of excess advance credit payments for a taxpayer whose household income is more than 400 percent of the FPL.
- The exchange will furnish to each tax filer a written summary of benefits (Form 1095).



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- Consumers can choose to take less of the premium assistance credit each month. Their monthly premiums will still be lower, but not as much. By taking the rest of the credit at tax time, there is less chance they will owe back money.
- Consumers can also choose to pay the full premium amount each month. If they choose this option, when they file their taxes, they would subtract their tax credit from the tax they owe – or get a bigger refund if they didn't owe anything.
- For consumers already enrolled in a Covered California Health Plan, APTC can only be adjusted by using the Report a Change function.
- If they need help, a Covered California Certified Enrollment Counselor or Certified Licensed Agent can walk them through the process. They can find someone in their area at: <http://www.coveredca.com/enrollment-assistance/>
- They can also call the Covered California Service Center at 1-800-300-1506 or 1-888-889-4500 (888-TTY-4500).