



# Article

<b>Article Title:</b>	Understanding Covered California Premium Assistance		
<b>Domain</b>	Individual Market: Eligibility and Enrollment	<b>Subject:</b>	Eligibility for Individuals and Families
<b>Topic:</b>	Eligibility for Covered California	<b>Subtopic:</b>	Eligibility for Financial Assistance
<b>Date Published:</b>	1/30/2014		

**Introduction** 1 or 2 paragraphs that can be used to set context or be used as talking points

### **Premium Assistance (Advanced Premium Tax Credits)**

Premium assistance is also referred to as advanced premium tax credit (APTC), tax credit, tax subsidy, and financial assistance. Individuals and families who do not have affordable or adequate coverage through an employer, are not eligible for or enrolled in any other minimum essential coverage, and with household incomes between 100% - 400% of the federal poverty level (FPL), may be eligible to receive a federal tax credit which can be paid in advance to lower the cost of monthly plan premiums or claimed during tax filing process. In California, premium assistance is only available to consumers who purchase a health plan through Covered California.

The APTC is calculated according to income, family size, and rating region, based on the cost of the second-lowest silver plan available to a consumer. Consumers are not obligated to enroll in the second-lowest silver plan; they may apply premium assistance to any plan available to them and thereby lower the cost of the premium. Generally, consumers that are eligible for or enrolled in minimum essential coverage are ineligible for premium assistance.

### **Minimum Essential Coverage (MEC)**

For purposes of eligibility for premium assistance, MEC means coverage under any of the following:

1. Government sponsored programs, which includes:
  - a. Medicare program;
  - b. Medicaid program (Medi-Cal program in California);
  - c. CHIP program;
  - d. TRICARE program;
  - e. Veterans programs;
  - f. Peace Corp program; or
  - g. Non-appropriated Fund Health Benefits Program of the Department of Defense.
2. An employer-sponsored plan, including COBRA and retiree health coverage, that is affordable and provides minimum value. An employer-sponsored plan is affordable if the total annual premium an employee pays for “self-only” coverage is not more than 9.5 percent of the employee’s annual household income. An employer-sponsored plan provides minimum value if the plan pays at least 60 percent of the total allowed costs of benefits the plan provides to the employee.
3. Self-funded student health coverage for plan or policy years beginning on or before December 31, 2014.
4. Refugee Medical Assistance supported by the Administration for Children and Families.
5. Medicare advantage plans.
6. State high risk pool coverage for plan or policy years beginning on or before December 31, 2014.



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## Introduction *1 or 2 paragraphs that can be used to set context or be used as talking points*

For certain types of MECs, if a consumer is eligible but chooses not to enroll, the consumer may still qualify for premium assistance. These MECs include:

- Retiree health coverage offered by a former employer
- COBRA coverage
- Student health plan coverage
- Medicare Part A that requires the enrollee to pay a premium (most people do not have to pay a premium for Part A)
- Veteran's coverage
- Coverage under the following Tricare programs:
  - Continued Health Care Benefit Program,
  - Retired Reserve,
  - Young Adult, and
  - Reserve Select
- State high-risk pool plan (e.g., Major Risk Medical Insurance Program or MRMIP)

However, for other MECs, just being eligible – even if the consumer chooses not to enroll – will make the consumer ineligible for premium assistance, no matter what his or her income is. These MECs include:

- Employer-sponsored coverage that is affordable and provides minimum value
- Full-scope Medi-Cal coverage, including Medi-Cal for children program or CHIP (restricted-scope Medi-Cal, such as, Medi-Cal for pregnancy-related services or emergency services only is not considered MEC for purposes of eligibility for premium assistance)
- Premium-free Medicare (Medicare Part A that does not require the enrollee to pay a premium)

### **Cost-Sharing Subsidies**

In addition to being eligible for APTC, individuals and families who earn between 100% - 250% FPL are also eligible for cost-sharing subsidies, which increase the actuarial value of the benchmark plan, and decrease the out-of-pocket costs (co-pays, coinsurance, and deductible) for those enhanced plans. However, these individuals and families must enroll in silver tier plans to be eligible for the cost-sharing subsidies.

### **Cost-Sharing Subsidies Vs. Premium Assistance( Advance Premium Tax Credit)**

The primary difference between cost-sharing subsidies and premium assistance is that cost-sharing subsidies help reduce your costs when you are seeking care. They increase the actuarial value of your health plan which directly lowers what you spend on out-of-pocket costs such as co-payments, deductibles, and coinsurance rates. Premium assistance (APTC) is applied directly to your monthly premium and is not directly related to the utilization of care.

## Key Points *3-5 bullet points*

### **Premium Assistance**



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## Key Points *3-5 bullet points*

- Premium assistance is only available through Covered California, not through employer coverage or other private plans.
- Premium assistance cannot be used to pay for a Minimum Coverage/ Catastrophic plan.
- Premium assistance can be applied directly to the premium at the time an individual or family enrolls in health insurance, immediately reducing the monthly premium for the consumer. Alternatively, individuals and families can also choose to claim the tax credit when they file their taxes.
- Premium assistance is paid by the federal government directly to the health plan an individual or family chooses through Covered California.
- At tax filing time, the amount of premium assistance an enrollee (a taxpayer) received in advance during the benefit year (or APTC) will be reconciled with the amount of premium assistance the enrollee is determined eligible for based on the enrollee's actual income reported on his or her tax return. An enrollee whose premium assistance for the taxable year exceeds the enrollee's APTC may receive the excess as an income tax refund. On the other hand, an enrollee whose APTC for the taxable year exceeds the enrollee's premium assistance owes the excess to IRS as an additional income tax liability.
- The amount of premium assistance (on a sliding scale) may be chosen by the consumer once they are determined eligible. Consumers can take less tax credit than they are eligible for to avoid APTC repayment during reconciliation with the IRS.

### Cost-Sharing Subsidies

- Cost-sharing subsidies reduce out-of-pocket costs (such as copayments, coinsurance and deductibles) for families with incomes at or below 250% FPL by enhancing the actuarial value of the silver tier plans available to them.

### Good To Know

- **Tax Filing:** Even if a consumer has a legal basis for currently not filing taxes (regardless of the reason), if that consumer wants to elect APTC currently or in the future, that consumer **MUST** agree to and file taxes for 2014 (in 2015). The public policy reason for this rule is simple: this is the only way the IRS can ultimately determine if and if so, for what amount of APTC the consumer was eligible to take in 2014.
- **Extensions:** We received many questions about consumers who either do or want to reserve the right to take extensions of time to file their taxes. The application requires the enrollee to attest that they will file their taxes by April 15, 2015. This attestation must be signed, however IF the enrollee is otherwise legally entitled to take an extension of time to file AND if they do not owe any taxes on April 15, 2015 and IF they do not have to reimburse the government for tax credit, they are OK taking an extension of time. However, current IRS requirements that all taxes for 2014 owed are due and payable no later than April 15, 2015 also applies to APTC that may be owed to the government due to the enrollee owing APTC back in the event they took more than their income ultimately allowed them to take.



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## Details *Elaborate key points*

### **How do you calculate Premium Assistance?**

APTC is based on the difference between a consumer's "fair share" contribution to his or her health plan premiums, and the cost of the second-lowest silver tier plan available to that consumer. The fair share amount is a sliding scale according to household income, as follows:

Household Income (as percentage of Federal Poverty Line (FPL))	Premium as a Percent of Household Income
Less than 138%	2% of income
138-150%	3-4% of income
150-200%	4-6.3% of income
200-250%	6.3-8.05% of income
250-300%	8.05-9.5% of income
300-400%	9.5% of income

APTC would fill the gap between a consumer's expected fair share contribution, and the cost of the second-lowest silver tier plan available to them. The amount of APTC does not need to be applied to a silver tier plan, however. A consumer may use APTC toward the purchase of a higher or lower tier plan.

### **How do I utilize and manage Premium Assistance?**

Consumers who experience changes in income and household size over the course of the year should report these changes to the Covered California when they happen because those changes can affect the amount of their premium tax credits. Consumers whose income decreases may be able to get a higher advance payment of the premium tax credit for the rest of the year, which would lower their monthly premium payments (they may also receive more help with their cost-sharing). Consumers whose income increases should report the change and have their credits for the rest of the year lowered to avoid having to pay back excess advance payments when they file their taxes. Household changes which affect family income as a percentage of the federal poverty level, such as having a baby or having a child leave the home, will also affect the amount of the credit and should be reported.

An important way to avoid having to pay back advance payments at tax time -- especially for those consumers with income that fluctuates from year to year and those who anticipate substantial changes to occur -- is to take less than the amount calculated based on their estimated income.

Consumers, who receive advance payments of the premium tax credit and who, partway through the year, receive an offer of employer coverage that is considered affordable and adequate should also report this change to the health insurance marketplace, as should those who become eligible for other MECs, such as Medicare or Medi-Cal. Having other MECs would make consumers ineligible for premium credits for the rest of the year.



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## Details *Elaborate key points*

## Scenarios *2-5 scenarios*

### The Fair Share Scenario:

The APTC calculation is done by taking MAGI (in this case, the reported income)

A person making \$40,000 per year falls at 348% FPL where affordability is calculated as 9.5% of income

Divide by 12 or:

$$\$40,000/12 = \$3,333 \text{ per month}$$

The 9.5% fair share for an individual making this amount is \$317 per month in health care premium. Calculation of the tax premium is based on the cost of the second lowest silver plan in the zip code which in this case is the HealthNet Silver 70 PPO. This means that a consumer is not expected to pay more than \$317 per month for this health plan and any difference in cost is made up by the tax credit in order for the coverage to be affordable.

	2 <sup>nd</sup> lowest silver Premium – HealthNet	Tax credit to reach \$317 for 9.5% affordability =	<b>Net premium for 2<sup>nd</sup> lowest silver (affordability mark)</b>	Lowest Bronze premium - Anthem	Resulting affordable premium with tax credit
64 year old making 40k in 93940	\$992	\$675	<b>\$317</b>	\$677	\$2
53 year old making 40k in 93940	\$737	\$358	<b>\$317</b>	\$460	\$102
43 year old making 40k in 93940	\$449	\$132	<b>\$317</b>	\$306	\$174



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## Scenarios 2-5 scenarios

33 year old making 40k in 93940	\$396	\$79	<b>\$317</b>	\$270	\$191
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The affordability test is based on income which helps determine the standard “affordable” premium of \$317 in this case. The tax credit is the difference between the second lowest silver plan and the affordable premium according to % of income. The older the consumer, the higher the premium for this plan and thus the higher tax credit available. When applied to the lowest bronze in a region where the split between the second lowest silver rate and the lowest bronze rate is sizable, the bigger tax credit spend goes further( See Chart Above).

### **Fair Share is greater than Second Lowest Silver Plan Example:**

Premium assistance is calculated based on the second lowest silver plan in the zip code. In cases where a consumer’s fair share is greater than the premium rate they would be charged, they will not receive APTC ( premium assistance) because their premium is already considered affordable. This occurs most in regions with low premiums. In these cases “fair share” of 9.5% can max out well under the 400% income level.

**For example: An individual making \$37,000 in Sacramento County has a Fair Share of \$292. The second lowest silver plan on which the APTC is based is \$270 for a 26 year old which means it’s below the consumers fair share amount and they will not receive premium assistance.**

### **Financial Assistance Scenario\***

*The following example(below) illustrates the amount of assistance that different kinds of individuals and families will receive*

## Scenarios 2-5 scenarios

▶ **Jane Smith, age 45, no children, annual income of \$22,000 (just over 200 percent of poverty):**

If the annual premium for the silver reference plan in the exchange in Jane's zip code is \$3,000, the most Jane would have to spend out of her own pocket on annual premiums would be about \$1,386 (or about \$115 a month). The remainder of her premium for the silver reference plan would be covered in the form of a tax credit for \$1,614 (or that amount could be credited toward the premiums for a more or less expensive plan of her choice).

▶ **The Johnsons, a family of four (two adults, two children under age 18), annual income of \$33,075 (150 percent of poverty):**

If the annual premium for the silver reference plan for family coverage in the exchange in the Johnson's zip code is \$4,500, the most the Johnson family would have to spend out of their own pockets on annual premiums to cover their family would be about \$1,323 (or about \$110 a month). The remainder of their premium for the silver reference plan would be covered in the form of a tax credit for \$3,177 (or that amount could be credited toward the premiums for a more or less expensive plan of their choice).<sup>4</sup>

\* Chart property of Families USA

**FAQs** *Frequently asked Questions and Answers. This will be used for a variety of different uses including Certification Exam Questions, Marketing/Communications, etc.*

### 1. What is a premium tax credit?

*Premium Tax credits are available to help lower the cost of health coverage for individuals and families who meet certain income requirements and are not enrolled in any type, or not eligible for certain types, of MECs.*

### 2. If a consumer is eligible for APTC but later, due to a drop in income, the consumer becomes eligible for Medi-Cal; do they have to repay premium assistance (APTC)?

*If your income is verified as APTC eligible and then later you become Medi-Cal eligible, you do not have to repay the premium assistance (APTC) received as long as you report the income change within 30 days. It is your responsibility to report this change to Covered California so we can help you switch programs. You will have to claim all premium tax credits on your taxes.*

### 3. Can I apply for APTC (Advance Payments of Premium Tax Credit) at my local County Social Service Department?

*Yes, consumers can apply for APTC (Advance Payments of Premium Tax Credit) at their local County Social Service Department. Further details will be published as they emerge.*



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### **4. Are employers notified when an employee enrolls in Covered California?**

*Yes, the Affordable Care Act requires notices to be sent to employers when one of their employees enrolls in a Covered California plan AND receives, or is determined eligible to receive, Advanced Payments of Premium Tax Credits (APTC) and Cost-Sharing Reductions.*

### **5. If my income changes will my tax credit change immediately?**

*No, your premium assistance will not change immediately. We will process any new information we have. And, we will tell you if the amount of your premium assistance changes. It is important to report income changes to Covered California that impact the amount of premium assistance (or tax credits) that you receive. If your income decreases, you may qualify to receive a higher amount of premium assistance and reduce your out-of-pocket expenses even more. However, if your income increases, you may receive too much premium assistance and may be required to repay some of it back when you file your taxes for the benefit year.*

### **6. When will the advanced premium tax credit be applied?**

*Premium tax credits can be applied to the cost of your health plan when you enroll. You do not need to wait until you file a tax return at the end of the year.*

### **7. What if I have a split family or family members choose different plans?**

*You can still claim your premium tax credit.*

*The premium tax credit for the enrollees in the unsubsidized plan can be claimed when your taxes are filed, but cannot be applied on an advanced basis.*

*When deciding which group of family members to apply the advanced credit on, we advise that it be applied to the group with the larger overall premium.*

### **8. Can I receive premium assistance even if I am not required to file taxes?**

*Premium Assistance is available to a person even if he or she is not required to file taxes nor has any tax liability. Even if you had not filed taxes for the previous year(s), you must attest (promise) that you will file taxes for the benefit year. (Example: 2015 filing for 2014 premium assistance).*

### **9. Is there a limit to how long individuals can receive premium assistance and subsidies?**

*There is no limit to how long individuals can receive premium assistance and subsidies as long as they maintain the eligibility criteria prescribed by state and federal law.*

### **10. I have insurance from my employer; can I apply for premium assistance?**

*Covered California will determine if that health plan is affordable and provides adequate coverage. If that coverage is determined to be affordable and adequate, then you cannot receive premium assistance for new insurance.*



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**FAQs** *Frequently asked Questions and Answers. This will be used for a variety of different uses including Certification Exam Questions, Marketing/Communications, etc.*

### **11. Are employees who opt out of employer provided health coverage eligible for tax credits and subsidies?**

*If you already have health insurance provided by your employer that is affordable and adequate, you do not need to do anything. If you are paying more than 9.5 percent of your household income toward insurance premiums, or your employer-sponsored health plan covers less than 60 percent of the total allowed costs of covered benefits provided to you, then you may be eligible for premium tax credit or financial assistance available through Covered California. If you have insurance from your employer and apply for a tax credit, Covered California will determine if that health insurance plan is affordable and provides adequate coverage. If that coverage is determined to be affordable and adequate, then you cannot receive a government tax credit for new insurance.*

**Supporting Materials** Please include the title and all relevant links to Scripting; step action table; charts/visuals; helpful hints; flowcharts; publications or materials. (The majority of Covered California developed materials should be stored in SharePoint)

## Congressional Budget Office Estimate of Premiums and Subsidies for Exchange Enrollees in 2016

### Single Policy



Income Relative to Federal Poverty Level	Premium Cap as a Share of Income <sup>1</sup>	Middle of Income Range <sup>2</sup>	Enrollee Premium for the 2nd Lowest Cost Silver Plan <sup>3</sup>	Premium Subsidy <sup>4</sup>
100–150%	2.1%–4.7%	\$14,700	\$300	94%
150–200%	4.7%–6.5%	\$20,600	\$1,200	77%
200–250%	6.5%–8.4%	\$26,500	\$2,000	62%
250–300%	8.4%–10.2%	\$32,400	\$3,000	42%
300–350%	10.2%	\$38,300	\$3,900	25%
350–400%	10.2%	\$44,200	\$4,500	13%
400–450%	NA	\$50,100	\$5,200	0%

### Family Policy (Family of Four)



Income Relative to Federal Poverty Level	Premium Cap as a Share of Income <sup>1</sup>	Middle of Income Range <sup>2</sup>	Enrollee Premium for the 2nd Lowest Cost Silver Plan <sup>3</sup>	Premium Subsidy <sup>4</sup>
100–150%	2.1%–4.7%	\$30,000	\$600	96%
150–200%	4.7%–6.5%	\$42,000	\$2,400	83%
200–250%	6.5%–8.4%	\$54,000	\$4,000	72%
250–300%	8.4%–10.2%	\$66,400	\$6,100	57%
300–350%	10.2%	\$78,300	\$7,900	44%
350–400%	10.2%	\$90,100	\$9,200	35%
400–450%	NA	\$102,100	\$14,100	0%

Source: Congressional Budget Office, Letter to the Honorable Evan Bayh, 2009; Staff of the Joint Committee on Taxation

**Supporting Materials** Please include the title and all relevant links to Scripting; step action table; charts/visuals; helpful hints; flowcharts; publications or materials. (The majority of Covered California developed materials should be stored in SharePoint)

## New Health Premium Tax Credit for Lower- and Middle Income Families

Take it Now or Take it Later: Your Tax Credit is the Same



### Step 1

**October 2013 – March 31, 2014**

Choose a health plan from your state's Health Insurance Marketplace.

Choose to take your tax credit now or later — or some now and some later.

### Step 2

**January 1, 2014 – December 31, 2014**

*Take it Now:* Pay a lower monthly premium

*Take it Later:* Pay the full monthly premium

### Step 3

**January 1, 2015 – April 15, 2015**

*Take it Now:* Report your advanced tax credit

*Take it Later:* Use your tax credit to reduce the tax you owe or increase your refund if you don't owe.

Last updated: 5/15/2013

## Exhibit 1. Premium Tax Credits and Cost-Sharing Protections Under the Affordable Care Act

Federal poverty level	Income for a family of four	Taxpayer premium contribution as a share of income	Percent of medical costs covered on average
<133%	<\$29,726	2%	94%
133%–149%	\$29,726–<\$33,525	3.0%–4.0%	94%
150%–199%	\$33,525–<\$44,700	4.0%–6.3%	87%
200%–249%	\$44,700–<\$55,875	6.3%–8.05%	73%
250%–299%	\$55,875–<\$67,050	8.05%–9.5%	70%
300%–399%	\$67,050–<\$89,400	9.5%	70%
≥400%	≥\$89,400	—	—

### Four levels of cost-sharing

1st tier (Bronze) actuarial value: 60%  
 2nd tier (Silver) actuarial value: 70%  
 3rd tier (Gold) actuarial value: 80%  
 4th tier (Platinum) actuarial value: 90%

### Annual OOP limits (individual/family)

100%–199% FPL: 1/3 HSA limit, \$1,983/\$3,967  
 200%–299% FPL: 1/2 HSA limit, \$2,975/\$5,950  
 300%–399% FPL: 2/3 HSA limit, \$3,967/\$7,933

**Catastrophic policy with essential benefits package available to young adults and people who cannot find plan premium ≤8% of income**

**Cost-sharing is eliminated for preventive services**

Note: FPL refers to Federal Poverty Level. OOP refers to out-of-pocket costs. Actuarial values are the average percent of medical costs covered by a health plan. Premium and cost-sharing credits are for silver plan.  
 Source: Federal poverty levels are for 2011; Commonwealth Fund Health Reform Resource Center: What's in the Affordable Care Act? (PL 111-148 and 111-152), <http://www.commonwealthfund.org/Health-Reform/Health-Reform-Resource.aspx>.



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## **Bibliography/Reference Material** (*Links and citations to law/regis; advocates' material; CovCA formal background*)

### **Regulations**

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### **Healthcare.gov**

<https://www.healthcare.gov/glossary/advanced-premium-tax-credit/>

<https://www.healthcare.gov/will-i-qualify-to-save-on-monthly-premiums/>

### **Center for Budget and Policy Priorities: Premium Tax Credits: Answers to Frequently Asked Questions**

<http://www.cbpp.org/files/QA-on-Premium-Credits.pdf>

### **IRS.gov**

<http://www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions>

<http://www.irs.gov/uac/The-Premium-Tax-Credit>

<http://www.irs.gov/uac/Newsroom/Questions-and-Answers-on-the-Premium-Tax-Credit>

### **Robert Woods Johnson Foundation**

<http://www.rwjf.org/en/research-publications/find-rwjf-research/2013/08/advance-premium-tax-credits-and-cost-sharing-reductions.html>

## **Key Words** (*Top Search words to find article*)

Tax Credit, Tax, Credit, APTC, Premium, Premium Assistance, CSR