Diving Deep on Commonly Encountered Eligibility and Enrollment Issues

Center on Budget and Policy Priorities
February 26, 2014
Section III:

REPORTING CHANGES IN CIRCUMSTANCES
New healthcare.gov functionality
Changes affecting eligibility

• Life changes that affect eligibility must be reported within 30 days. This includes:
  – Changes in income
  – Changes in who is in the household
  – Changes regarding the availability of minimum essential coverage
• Changes will be verified by the Marketplace and eligibility will be re-determined based on the new information
Changes in income

• A new monthly APTC is calculated based on:
  – the new estimate of annual income
  – the amount of APTC that has already been received

When John enrolled in Marketplace coverage in Nov. 2013, he projected an income of $20,000 for 2014.

On May 1, John started a new job with a salary of $30,000. He reported the change to the Marketplace.

Original APTC calculation
Income: $20,000
Household: 1
APTC: $1,514/yr ($126/mo)

Jan  Feb  Mar  April  May  June  July  Aug  Sept  Oct  Nov  Dec
Monthly income @ $20k
$1,667/mo x 4 = $6,668

Monthly income @ $30k
$2,500/mo x 8 = $20,000

$1,667/mo x 4 = $6,668
Changes in income

- A new monthly APTC is calculated based on:
  - the new estimate of annual income
  - the amount of APTC that has already been received

When John enrolled in Marketplace coverage in Nov. 2013, he projected an income of $20,000 for 2014.

**Original APTC calculation**
- Income: $20,000
- Household: 1
- APTC: $1,514/yr ($126/mo)

On May 1, John started a new job with a salary of $30,000. He reported the change to the Marketplace.

**New APTC calculation**
- Income: $26,668
- Household: 1
- APTC: $556/yr ($46/mo)

**Adjust APTC by amount already received**
- $556 total allowable credit
- -$504 credit received
- $52 credit remaining
- ~$6/mo (or opt to take none)
Changes in filing status

Chuck is separated from his wife but not divorced. They will not file taxes together in 2014. Chuck has an adult son, Michael, who is unemployed, has no income and is living with Chuck. They both need health insurance.

Chuck plans to file his 2014 taxes as head of household.

Head of Household Rules

- Must be unmarried OR considered unmarried (lived apart from spouse for the last 6 months of the tax year)
- Must pay more than half the cost of keeping up the home for a “qualifying person”
  - Your qualifying child
  - A qualifying relative who is related to you and lived with you for more than 6 months
  - A parent who is a dependent

Original APTC calculation

Income: $40,000
Household: 2
APTC: $4,094/yr ($341/mo)
Changes in filing status

• In June, Michael gets a job and will no longer be his father’s dependent.
• Chuck reports this to the Marketplace and his eligibility is redetermined.
• Chuck cannot be head of household. He is now married filing separately so the Marketplace tells him he is ineligible for premium tax credits.
Changes in dependency

• Like filing status, dependency is determined at the end of the year for the entire year. (There is no “half-year dependent.”)
• In many cases, dependency will be straightforward
• But changes can often occur regarding “qualifying relatives” (unrelated or adult dependents) and older children.
Example: Katie, the college student

Katie is 22-years-old, a full-time student and will graduate with a B.A. in May 2014. Katie and her parents are uninsured.

- **Katie’s Parents**
  - Income: $50,000

- **Katie**
  - Income: $2,500 from a work-study job on campus
  - Tuition: $10,000
    - $5,000 in academic scholarships
    - $2,000 from Katie’s parents
    - $3,000 in Stafford loans in Katie’s name
## Student “income”

### NOT INCOME
- Scholarships *for tuition* if:
  - Student is a degree candidate AND
  - Terms specify that it should be applied to tuition or it can be used for tuition and is *not more than* tuition
- Grants
- Loans

### INCOME
- Scholarships for things other than tuition
  - When terms specify that it should be used for anything other than tuition (e.g., room & board, books, etc)
- Money with a work requirement
  - Will be reported on W-2 as earned income
- Federal work-study

---

**What is counted in Katie’s income?**

- $2,500 from a work-study job on campus – YES
- $5,000 in academic scholarships – NO
- $2,000 from Katie’s parents – NO
- $3,000 in Stafford loans in Katie’s name – NO
Is Katie a dependent?

**Children**
A child can include your child, step child, adopted child, foster child, brother, sister, niece, nephew or grandchild

- **In general qualify if...**
  - Are a U.S. citizen or resident of the U.S., Canada or Mexico
  - Live with you for more than half the year
  - Under 19 at the end of the year (or 24 if a full-time student or any age if disabled)
  - Child doesn’t provide more than half of his own support

- **Support includes educational expenses. Loans in the child’s name are considered the child’s own support.**
- **Living away from home while attending school is a “temporary absence” and is still considered time in the home.**
- **“Full-time student” = full-time for at least 5 months of the tax year.**
Is Katie a dependent?

Based on what we know right now, Katie *might be* her parents’ dependent.

<table>
<thead>
<tr>
<th>SUPPORT</th>
<th>TOTAL COST</th>
<th>KATIE PAYS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing &amp; Utilities</td>
<td>$600/mo</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$7,200</td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>$200/mo</td>
<td>$100/mo</td>
</tr>
<tr>
<td></td>
<td>$2,400</td>
<td>$1,200</td>
</tr>
<tr>
<td>Clothing</td>
<td>$150/mo</td>
<td>$100/mo</td>
</tr>
<tr>
<td></td>
<td>$1,800</td>
<td>$1,200</td>
</tr>
<tr>
<td>Medical</td>
<td>$2,500</td>
<td>$0</td>
</tr>
<tr>
<td>Education</td>
<td>$10,000</td>
<td>$3,000</td>
</tr>
<tr>
<td>Other</td>
<td>$1,000</td>
<td>$500</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$24,900</td>
<td>$5,900 (21% of total support)</td>
</tr>
</tbody>
</table>

Yes, Katie is a dependent.
Is Katie a dependent?

Based on what we know right now, Katie *might be* her parents’ dependent.

<table>
<thead>
<tr>
<th>Support</th>
<th>Total Cost</th>
<th>Katie Pays</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing &amp; Utilities</td>
<td>$600/mo $7,200</td>
<td>$0</td>
</tr>
<tr>
<td>Food</td>
<td>$200/mo $2,400</td>
<td>$100/mo $1,200</td>
</tr>
<tr>
<td>Clothing</td>
<td>$150/mo $1,800</td>
<td>$100/mo $1,200</td>
</tr>
<tr>
<td>Medical</td>
<td>$2,500</td>
<td>$0</td>
</tr>
<tr>
<td>Education</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Other</td>
<td>$1,000</td>
<td>$500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$24,900</strong></td>
<td><strong>$12,900 (52% of total support)</strong></td>
</tr>
</tbody>
</table>

*But what if….*

Katie takes out $10,000 in loans instead of $3,000?

She is paying more than 50% of her own support. Therefore, she will not be a dependent.
Katie is a dependent

Katie and her parents enroll in Marketplace coverage

Household: 3
Income: $50,000 (256% FPL)

Premium costs for 3: $10,623
Premium tax credit for 3: $6,511 ($543/mo)

Is Katie’s $2,500 of income added to MAGI?
No, Katie’s $2,500 income does not create a filing requirement.

When does a dependent have a filing requirement?
In general, a single dependent under age 65 has a filing requirement if (2013 figures):

- Earned income >$6,100, OR
- Unearned income >$1,000, OR
- Taxable gross income was greater than either: $1,000 or earned income (up to $5,750) plus $350.
Surprise! Katie gets a job starting September 1. It pays $40k/yr and includes health insurance!

Is Katie still a dependent?

Children
A child can include your child, step child, adopted child, foster child, brother, sister, niece, nephew or grandchild.

In general qualify if...
- Are a U.S. citizen or resident of the U.S., Canada or Mexico
- Live with you for more than half the year
- Under 19 at the end of the year (or 24 if a full-time student or any age if disabled)
- Child doesn’t provide more than half of his own support

Budget and Policy Priorities
**Surprise!** Katie gets a job starting September 1. It pays $40k/yr and includes health insurance!

**Is Katie still a dependent?**

**Other individuals**

Other individuals can include a relative, in-law or a full-time member of your household

- Are a U.S. citizen or resident of the U.S., Canada or Mexico: ✔️
- Provide more than 50% of the dependent's support: ✗
- Be related to you or live in your home all year: ✔️
- Make less than $3,950 (in 2014). Generally doesn’t include social security: ✗
Change in circumstances

Katie’s parents report a change in circumstances on September 1.

Katie is projected to be a dependent (Jan – Aug)

Household: 3
Income: $50,000 (256% FPL)
Premium costs for 3: $10,623
Premium tax credit for 3: $6,511 $543/mo

Katie’s parents realize she is not a dependent

Household: 2
Income: $50,000 (322% FPL)
Premium costs for 2: $7,804
Premium tax credit for 2: $3,054

September 1 Redetermination
APTC received (Jan-Aug): $4,340
Maximum PTC for parents: $3,054
$0 PTC allowed for remaining months.
Contact Information

- Sarah Lueck, lueck@cbpp.org
- January Angeles, angeles@cbpp.org
- Tara Straw, tstraw@cbpp.org
- Halley Cloud, cloud@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