Part II:

Premium Tax Credits

Coverage Year 2020

October 3, 2019
Upcoming Webinars

Part III: Auto-Renewal Process for 2020
• Tuesday, October 8 | 2 pm ET (11 am PT)

Part IV: Preventing & Resolving Data-Matching Issues
• Thursday, October 10 | 2 pm ET (11 am PT)

Part V: Plan Design
• Tuesday, October 15 | 2 pm ET (11 am PT)

Part VI: Plan Selection Strategies
• Thursday, October 17 | 2 pm ET (11 am PT)

Register for upcoming webinars at
www.healthreformbeyondthebasics.org/events
Webinar Logistics

• All attendees are muted and in listen only mode

• To ask a question:
  – Click on the Q&A icon in the control panel at the bottom of your webinar screen
  – Type your question into the box

• We will monitor questions and pause to answer a few during the presentation

• You can also email questions to beyondthebasics@cbpp.org

• All webinars are recorded and will be available for viewing at www.healthreformbeyondthebasics.org
- Open enrollment will run from November 1 through December 15, 2019: **45 days in total**

- State-Based Marketplaces can extend the open enrollment period by adding a supplemental special enrollment period
<table>
<thead>
<tr>
<th>State</th>
<th>Open Enrollment Periods for 2020 Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>October 15, 2019 – January 15, 2020 *permanent</td>
</tr>
<tr>
<td>Colorado</td>
<td>November 1, 2019 – January 15, 2020 *permanent</td>
</tr>
<tr>
<td>Connecticut</td>
<td>November 1, 2019 – December 15, 2019</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>November 1, 2019 – January 31, 2020 *permanent</td>
</tr>
<tr>
<td>Idaho</td>
<td>November 1, 2019 – December 16, 2019</td>
</tr>
<tr>
<td>Maryland</td>
<td>November 1, 2019 – December 15, 2019</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>November 1, 2019 – January 23, 2020</td>
</tr>
<tr>
<td>Minnesota</td>
<td>November 1, 2019 – December 23, 2019</td>
</tr>
<tr>
<td>Nevada</td>
<td>November 1, 2019 – December 15, 2019</td>
</tr>
<tr>
<td>New York</td>
<td>November 1, 2019 – January 31, 2020</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>November 1, 2019 – ?</td>
</tr>
<tr>
<td>Vermont</td>
<td>November 1, 2019 – December 15, 2019</td>
</tr>
<tr>
<td>Washington</td>
<td>November 1, 2019 – December 15, 2019</td>
</tr>
</tbody>
</table>
General Overview of the Coverage Landscape

Source: Based on a national survey conducted by Kaiser Family Foundation with the Georgetown University Center for Children and Families, 2019: www.kff.org/medicaid/fact-sheet/where-are-states-today-medicaid-and-chip
Premium Tax Credit Eligibility
What is the Premium Tax Credit?

Premium tax credit (PTC): Assistance with the cost of coverage for people purchasing coverage in the Health Insurance Marketplaces

PTC CAN BE TAKEN:

<table>
<thead>
<tr>
<th>In advance:</th>
<th>At tax time:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forwarded to insurer monthly to reduce premiums</td>
<td>Claimed as a lump sum at the end of the year</td>
</tr>
</tbody>
</table>

**Advance PTC**

Subsidized Monthly Premium

Reconciliation (at tax time)

**Full Monthly Premium**

PTC (at tax time)

IRS
**Premium Tax Credit Eligibility**

<table>
<thead>
<tr>
<th>Income: 100-400% FPL</th>
<th>Ineligible for Other MEC</th>
<th>Eligible Filing Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Income must be between 100% and 400% of the federal poverty line</td>
<td>• Cannot be eligible for another type of MEC, such as Medicaid or employer coverage</td>
<td>• If married, cannot file as married filing separately</td>
</tr>
<tr>
<td></td>
<td>• Some exceptions apply</td>
<td>• Cannot be a tax dependent</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Some exceptions apply</td>
</tr>
</tbody>
</table>

- In addition, requirements to enroll in Marketplace coverage include:
  - Must be a U.S. citizen or have a status considered “lawfully present”*
  - Cannot be incarcerated (except if pending disposition of charges)
  - Must be a resident of the service area of the Marketplace

* For a list of immigration statuses considered “lawfully present,” see Healthcare.gov: [www.healthcare.gov/immigrants/immigration-status](http://www.healthcare.gov/immigrants/immigration-status)
1. Income Requirements: Between 100 – 400% FPL

Exception to the 100% FPL limit:

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

- If someone projects income above 100% FPL and receives APTC, but at the end of the year has income below 100% FPL, they are protected by a safe harbor
  → If someone attests on the application to having income above 100% FPL, but tax data say otherwise, the applicant will be asked to verify their income projection

Exception to the 400% FPL limit:

- None! If a taxpayer’s income is 401% FPL or higher, the entire credit must be repaid

<table>
<thead>
<tr>
<th>Household Size</th>
<th>100%</th>
<th>138%</th>
<th>200%</th>
<th>250%</th>
<th>400%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$12,490</td>
<td>$17,236</td>
<td>$24,980</td>
<td>$31,225</td>
<td>$49,960</td>
</tr>
<tr>
<td>2</td>
<td>$16,910</td>
<td>$23,336</td>
<td>$33,820</td>
<td>$42,275</td>
<td>$67,640</td>
</tr>
<tr>
<td>3</td>
<td>$21,330</td>
<td>$29,435</td>
<td>$42,660</td>
<td>$53,325</td>
<td>$85,320</td>
</tr>
<tr>
<td>4</td>
<td>$25,750</td>
<td>$35,535</td>
<td>$51,500</td>
<td>$64,375</td>
<td>$103,000</td>
</tr>
<tr>
<td>5</td>
<td>$30,170</td>
<td>$41,635</td>
<td>$60,340</td>
<td>$75,425</td>
<td>$120,680</td>
</tr>
</tbody>
</table>

Note: 2019 federal poverty guidelines are used to determine eligibility for 2020 coverage.
2. Ineligible for Other MEC

• To qualify for PTC, a person cannot be eligible for another type of minimum essential coverage (MEC)
  → An offer of qualifying MEC bars eligibility, even if it is not taken

• To bar eligibility for PTC, the offer of MEC generally must be:

  **Considered affordable** (for offers of employer coverage)
  • Offers of employer coverage that cost under a certain percentage of household income bar eligibility for PTC

  **Comprehensive**
  • An offer of coverage with comprehensive benefits generally bars eligibility for PTC
    → Most types of public coverage
    → Employer coverage that meets a “minimum value” standard

For more information on what counts as MEC, see the *Health Reform: Beyond the Basics* [MEC Reference Chart](#)
Government-Sponsored Coverage Options

• To bar eligibility for PTC, government-sponsored coverage must have comprehensive benefits

<table>
<thead>
<tr>
<th>Comprehensive Benefits (NOT ELIGIBLE FOR PTC)</th>
<th>Limited Benefits (ELIGIBLE FOR PTC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Medicare Part A (premium free)</td>
<td>• Medicaid providing only:</td>
</tr>
<tr>
<td>• Medicare Advantage</td>
<td>- Family planning services</td>
</tr>
<tr>
<td>• Most Medicaid</td>
<td>- Tuberculosis-related services</td>
</tr>
<tr>
<td>• CHIP</td>
<td>- Emergency treatment</td>
</tr>
<tr>
<td>• State high-risk insurance pools beginning on or before 12/31/14</td>
<td>- Pregnancy-related services*</td>
</tr>
<tr>
<td>• Refugee Medical Assistance</td>
<td>• Medicaid coverage of the medically needy*</td>
</tr>
<tr>
<td>• Most TRICARE</td>
<td>• 1115 Medicaid demonstration*</td>
</tr>
<tr>
<td>• DoD Continuation Coverage (Nonappropriated Fund Health Benefits Program)</td>
<td>• Voluntary Medicare**</td>
</tr>
<tr>
<td>• Peace Corps coverage</td>
<td>• Space-available TRICARE</td>
</tr>
<tr>
<td></td>
<td>• Line-of-duty TRICARE</td>
</tr>
<tr>
<td></td>
<td>• AmeriCorps</td>
</tr>
<tr>
<td></td>
<td>• AfterCorps (returning Peace Corps members)</td>
</tr>
</tbody>
</table>

* Coverage benefits vary by state (see [state-by-state MEC designations](#)). If coverage consists of or is equivalent to full Medicaid benefits, it is considered MEC and bars eligibility for PTC.

** Comprehensive but considered unaffordable regardless of income
To bar eligibility for PTC ("firewall"), an offer of employer coverage must be an “eligible employer-sponsored plan” and both:

1. Meet minimum value (MV), **and**
2. Be considered affordable

If the offer does not meet these requirements, the employee may be eligible for PTC despite the offer.

<table>
<thead>
<tr>
<th>Eligible Employer-Sponsored Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>An employer-sponsored plan is considered “eligible” if it is:</strong></td>
</tr>
<tr>
<td>• An insured (including grandfathered) plan in the small or large group market;</td>
</tr>
<tr>
<td>• A self-insured group plan; or</td>
</tr>
<tr>
<td>• A government employee plan (except certain Department of Defense coverage)</td>
</tr>
<tr>
<td><strong>An employer-sponsored plan is not “eligible” if it is:</strong></td>
</tr>
<tr>
<td>• Limited benefit coverage (such as single-disease or single-benefit coverage or indemnity coverage with per-day or per-episode reimbursement)</td>
</tr>
</tbody>
</table>
If an offer of employer coverage does not meet MV, the employee is eligible for PTC despite the offer

### Minimum Value

An employer plan does not meet minimum value if:

- It has an **actuarial value** of less than 60%

**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.

---

Job-based health coverage

**Need help completing this section?**

Does Employer ABC (Jane’s job) offer a health plan that meets the minimum value standard?

Most job-based plans meet the minimum value standard.  
Learn more about the minimum value standard.

- [ ] Yes
- [ ] No
Affordability

An employer plan is considered **unaffordable** if:

- Employee contribution for self-only coverage is more than 9.78% of household income (in 2020)

Employee contribution for self-only coverage is used to determine affordability for both the employee and other members of the family offered coverage.

If an offer of employer coverage is considered unaffordable, the employee is eligible for PTC despite the offer.
Offer of coverage through a family member’s employer

- Employee contribution for self-only coverage is used to determine affordability for both the employee and other members of the family offered coverage
  - “Family glitch”: If the cost of the plan that covers the employee only is considered affordable, then any member of the family who is offered coverage through that employer is also ineligible for PTC (regardless of the actual cost of family coverage)

- **Exception**: If a family member is not on the same tax return as the employee, the offer of employer coverage does not bar eligibility for PTC regardless of cost
Example: Offers of ESI and Eligibility for PTC

- Monica and Roberto are married and have two children, Elena and Miguel
- Their household income is $40,000
- Monica’s employer offers one plan that meets minimum value. There are two premium options:
  - Just Monica -- $150 per month; or
  - Family -- $450 per month
- Monica wants to know if she qualifies for PTC, despite her offer of ESI
Example: Offers of ESI and Eligibility for PTC

Does this offer of ESI make Monica or her family ineligible to receive PTC?

<table>
<thead>
<tr>
<th>Summary of Plan Costs and Household Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Income:</td>
</tr>
<tr>
<td>Employee-only premium cost:</td>
</tr>
<tr>
<td>Family premium cost:</td>
</tr>
<tr>
<td>Minimum value (MV):</td>
</tr>
</tbody>
</table>

Employee firewall test:
Is the lowest-cost employee-only premium (for a plan that meets MV) less than 9.78% of household income?
- Monica’s share of the cost of employee-only coverage is 4.5% of household income

Family firewall test:
Same test as for Monica
- Even though family coverage costs 13.5% of income, the coverage is still considered affordable since employee-only coverage costs less than 9.78% of income

✖ Monica is not eligible for PTC
✖ Monica’s family is not eligible for PTC
What if Monica’s employer doesn’t offer spousal coverage?

**Firewall test for Monica plus kids:**
Same as previous test: *Is the employee-only premium less than 9.78% of income?*
- Even though the cost to cover Monica and the kids is 10.5% of income, the firewall test only looks at the cost of *employee-only* coverage, which is 4.5% of income

× Not eligible for PTC

**Roberto: No offer of ESI**
- No firewall test
- No bar to receiving PTC, if otherwise eligible

✓ Eligible for PTC
Additional Rules and Exceptions in ESI

• If employer coverage is not affordable or MV but the employee enrolls in ESI anyway, they are not eligible for PTC in those months
  → Would need to drop the coverage to enroll in a marketplace plan with PTC
  → Note: Dropping coverage for this reason does not trigger a special enrollment period

• If a person could’ve enrolled in employer coverage but missed the employer open enrollment period, that offer still bars eligibility for PTC if it meets affordability and MV standards

• If there is a waiting period before an employee can enroll in an employer plan, they are eligible for PTC during those months

• Offers of COBRA or retiree coverage do not bar eligibility for PTC (unless currently enrolled)
  → Student health plans work in the same way. They don’t bar eligibility for PTC (unless currently enrolled)
# Types of ESI That Do NOT Bar Eligibility for PTC

<table>
<thead>
<tr>
<th>In months of a waiting period for ESI</th>
<th>Eligible for COBRA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can enroll in coverage with PTC during months in waiting period</td>
<td>* Bars PTC eligibility if currently enrolled</td>
</tr>
</tbody>
</table>

**Is Jane Taxpayer currently enrolled in JobABC’s health coverage?**
- Yes
- No

**Is Jane Taxpayer currently in a waiting or probationary period?**
- Yes
- No

**When could Jane Taxpayer enroll in coverage?**
- MM/DD/YYYY

**Is Jane Taxpayer a current or former employee of this employer?**
- Yes
- No

**What's Jane Taxpayer's current work status at JobABC?**
- Currently working at this employer

**Is the coverage from JobABC COBRA coverage?**
[Learn more about COBRA coverage.]

**What's Jane Taxpayer's current work status at JobABC?**
- No longer working at this employer

**Is Jane Taxpayer's coverage from JobABC a retiree health plan?**
- Yes
- No

* Bars PTC eligibility if currently enrolled
Example: Option to Enroll in COBRA

• Last month, Serena left a job where she had health insurance
• She has an offer of COBRA coverage through her former employer, but the premium is very expensive

**She does not enroll in COBRA: Can Serena qualify for PTC?**

• Yes: The option to enroll in COBRA coverage does not bar a person from eligibility for a premium tax credit or cost-sharing reduction
  → She can enroll in marketplace coverage at the next open enrollment period or through the special enrollment period triggered by her loss of employer coverage

**She does enroll: Can she drop COBRA coverage and qualify for PTC?**

• It depends: An offer of COBRA doesn’t bar eligibility for PTC, but once enrolled, the person is no longer eligible for PTC
  → During open enrollment: Serena can drop COBRA and enroll in marketplace coverage with PTC
  → Outside of open enrollment: Dropping COBRA coverage will not trigger a special enrollment period so Serena would not have access to marketplace coverage

Note: Offers of retiree coverage and student health plans have the same rules.
Kala, 24 years old

- Graduate student, single tax filer
- Income: $18,500 (148% FPL)
- Her dad’s employer offers family coverage
  - Even though she is no longer a tax dependent, Kala has the option of staying on her parent’s ESI until she reaches age 26
  - Offer does not bar eligibility for PTC because Kala is not on the same tax return as her dad
- Her school offers coverage through a student health plan
  - Offer of a student health plan does not bar eligibility for PTC (unless currently enrolled)

---

**OFFER 1:** Coverage from Dad’s ESI  
Cost: $0/month (family coverage)  
AV: 90% AV

**OFFER 2:** Student Coverage  
Cost: $150/month  
AV: 70% AV

**OFFER 3:** Marketplace Coverage  
Cost: $66/month after PTC  
AV: 94% AV after cost-sharing reduction
In general, to be eligible for PTC, the taxpayer must not be eligible for (or enrolled in) other MEC, but there are some special rules.

<table>
<thead>
<tr>
<th><strong>First-day rule</strong></th>
<th>People who are eligible for PTC on the first day of the month are considered eligible for the full month.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Medicaid</strong></td>
<td>If a person is enrolled in APTC but is later determined eligible for Medicaid:</td>
</tr>
<tr>
<td></td>
<td>• PTC is allowed for months of retroactive Medicaid coverage</td>
</tr>
<tr>
<td></td>
<td>• The person is generally eligible for PTC for the entire calendar year but may be identified through data matching</td>
</tr>
<tr>
<td><strong>Medicare</strong></td>
<td>A person loses eligibility for PTC when they become Medicare-eligible, even if they fail to enroll in Medicare. The loss of eligibility occurs on the first day of the fourth full month after the person became eligible for Medicare.</td>
</tr>
<tr>
<td><strong>Employer-sponsored coverage</strong></td>
<td>If the taxpayer accurately informed the marketplace of the cost of employer-sponsored coverage (no intentional or reckless disregard for the facts) and, despite the affordable offer, it awarded APTC anyway, the taxpayer can claim PTC. The safe harbor does not apply unless the offer is updated at re-enrollment!</td>
</tr>
</tbody>
</table>
3. Eligible Tax Filing Status

Must file a tax return and have 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 *New questions!
    - Survivors of domestic abuse
    - Abandoned spouses
  - People eligible for the DV and abandoned spouse exceptions can indicate they are not married on application
Head of Household

- A married person can be considered unmarried by the IRS if they qualify to file as Head of Household. New HealthCare.gov questions will ask about this.

<table>
<thead>
<tr>
<th>When can a married person file as Head of Household?</th>
</tr>
</thead>
<tbody>
<tr>
<td>A married person is <strong>considered unmarried</strong> and is eligible to file as Head of Household if he or she can answer YES to each of the following questions:</td>
</tr>
<tr>
<td>□ Will you file taxes separately from your spouse?</td>
</tr>
<tr>
<td>□ Will you live apart from your spouse from July 1 to Dec 31?</td>
</tr>
<tr>
<td>□ Will you pay more than half of the cost of keeping up your home?</td>
</tr>
<tr>
<td>□ Is yours the main home of your child, stepchild, or foster child (of any age) for more than half the year?</td>
</tr>
<tr>
<td>□ Are you eligible to claim the child as a dependent? (You meet this test if you are eligible to claim the child but the child is instead claimed by a noncustodial parent.)</td>
</tr>
</tbody>
</table>

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.

**Note:** A special rule allows the resident spouse of a nonresident (as defined for tax purposes) to qualify as **considered unmarried** if they have a qualifying person and meet the other tests.
Exceptions to the Joint Filing Requirement for PTC

A married person can also claim to be unmarried* on the marketplace application under either of these circumstances:

**Domestic abuse**
- A taxpayer who is Married Filing Separately can meet joint filing requirement if she:
  - Lives apart from her spouse
  - Is unable to file a joint return because of domestic abuse

**Abandoned spouses**
- A taxpayer who is Married Filing Separately can meet joint filing requirement if she:
  - Lives apart from her spouse
  - Is unable to locate spouse after using reasonable diligence

* Work around still needed.

**Note:** These exceptions can be used by people filing as “Married Filing Separately” for a maximum of three consecutive years.
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 (SLCSP) 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).
What Is the Benchmark Plan and How Is It Determined?

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

<table>
<thead>
<tr>
<th>QHP METAL LEVEL PLAN TIERS</th>
<th>QHPs must provide plan designs consistent with actuarial values</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Platinum</strong></td>
<td>90% actuarial value</td>
</tr>
<tr>
<td><strong>Gold</strong></td>
<td>80% actuarial value</td>
</tr>
<tr>
<td><strong>Silver</strong></td>
<td>70% actuarial value</td>
</tr>
<tr>
<td><strong>Bronze</strong></td>
<td>60% actuarial value</td>
</tr>
<tr>
<td><strong>Catastrophic coverage</strong></td>
<td>High deductible health plan available for individuals up to age 30 or those 30 and older who are granted a hardship exemption (PTC do not apply to these plans)</td>
</tr>
</tbody>
</table>

**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 2020 Plan Year

- 2.06%
- 3.39%
- 4.12%
- 6.49%
- 8.29%
- 9.78%

0% 2.0% 4.0% 6.0% 8.0% 10.0% 12.0%

0% 50% 100% 150% 200% 250% 300% 350% 400%

Expected Premium Contribution (% of Income)

Household Income (% of FPL)
### Expected Contributions at Certain Income Levels (2020)

<table>
<thead>
<tr>
<th>Annual Household Income</th>
<th>Expected Premium Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of FPL</td>
<td>Income Amount (For HH of 1 using 2019 FPL)</td>
</tr>
<tr>
<td>&lt; 133%&lt;sup&gt;1&lt;/sup&gt;</td>
<td>&lt;$16,611</td>
</tr>
<tr>
<td>133%&lt;sup&gt;1&lt;/sup&gt;</td>
<td>$16,611</td>
</tr>
<tr>
<td>138%&lt;sup&gt;1&lt;/sup&gt;</td>
<td>$17,236</td>
</tr>
<tr>
<td>150%</td>
<td>$18,735</td>
</tr>
<tr>
<td>200%</td>
<td>$24,980</td>
</tr>
<tr>
<td>250%</td>
<td>$31,225</td>
</tr>
<tr>
<td>300%</td>
<td>$37,470</td>
</tr>
<tr>
<td>350%</td>
<td>$43,715</td>
</tr>
<tr>
<td>400%</td>
<td>$49,960</td>
</tr>
<tr>
<td>&gt; 400%</td>
<td>&gt; $49,960</td>
</tr>
</tbody>
</table>

<sup>1</sup> Individuals with income below 100% FPL in states that did not expand Medicaid and individuals that are eligible for Medicaid at any income level are ineligible for PTC.

Note: 2019 federal poverty guidelines are used to determine eligibility for 2020 coverage.
Rating Factors Affect the Cost of the Benchmark Plan

Age
• Limited to no more than 3-to-1 variation
• Each family member is 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
Factors Affecting Premiums (But Not the Benchmark)

**Tobacco use**
- Limit to no more than 1.5-to-1 variation
- Difference due to tobacco use is not accounted for in PTC calculation

**Plan chosen by consumer**
- Amount of PTC pegged to the benchmark, but the consumer can purchase any metal plan
Example: Calculating the PTC

Teresa, Antonio, Gaby, and Michael

- Income: $51,500/year (200% FPL)
- Expected contribution: 6.49% of income ($3,342/year, $279/month)

3 LOWEST COST SILVER PLANS THAT COVER ALL:

- $10,000/year ($833/month)
- $10,542/year ($879/month)
- $10,800/year ($900/month)

PTC Calculation

$10,542 \[\text{Benchmark Plan} \] - $3,342 \[\text{Expected Contribution} \] = $7,200/year ($600/month)
Example: Impact of Benchmark Plan on PTC Calculation

Teresa, Antonio, Gaby, and Michael

- Income: $51,500/year (200% FPL)
- Expected contribution: 6.49% of income ($3,342/year, $279/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)

PTC Calculation

$7,322 - $3,342 = $3,980/year ($332/mo)
Example: Impact of Benchmark Plan on PTC Calculation

Teresa, Antonio, Gaby, and Michael

- Income: $51,500/year (200% FPL)
- Expected contribution: 6.49% of income ($3,342/year, $279/month)

Key takeaway
In this situation, the benchmark plan affects the PTC amount but not the expected contribution.
Example: Impact of Expected Contribution on PTC

John, 24 years old
- Benchmark Plan: $3,852/year, $321/month

<table>
<thead>
<tr>
<th>FPL Level</th>
<th>Income</th>
<th>Expected Contribution</th>
<th>PTC</th>
</tr>
</thead>
<tbody>
<tr>
<td>200% FPL</td>
<td>$25,000</td>
<td>$1,622/year, $135/mo (6.49% of income)</td>
<td>$2,230 ($185/mo)</td>
</tr>
<tr>
<td>250% FPL</td>
<td>$31,225</td>
<td>$2,588/year, $215/mo (8.29% of income)</td>
<td>$1,264 ($105/mo)</td>
</tr>
</tbody>
</table>

200% FPL (Plan Cost: $321/mo) vs. 250% FPL (Plan Cost: $321/mo)

- **Expected Contribution**: Difference in monthly cost due to income level.
- **PTC**: Difference in financial assistance due to income level.
### Example: Impact of Age on PTC Calculation

<table>
<thead>
<tr>
<th>Age</th>
<th>Benchmark Plan Cost:</th>
<th>PTC:</th>
</tr>
</thead>
<tbody>
<tr>
<td>24 years old</td>
<td>$3,852 ($321/mo)</td>
<td>$2,231 ($185/mo)</td>
</tr>
<tr>
<td>64 years old</td>
<td>$11,568 ($964/mo)</td>
<td>$9,947 ($828/mo)</td>
</tr>
</tbody>
</table>

**John**

- **Income:** $25,000 (200% FPL)
- **Expected Contribution:** 6.49% of income, $1,621 ($135/month)
Example: Impact of Plan Choice on Premiums

PTC: $185/month ($2,231/year)
- Premiums fluctuate depending on plan choice
Silver Loading

- In 2017, reimbursements from the federal government to insurance companies for cost-sharing reductions (CSR) were terminated
  - People who are eligible for a CSR can still enroll in a (silver) plan with CSR
- This led to a practice known as “silver loading”: insurers load the costs from the termination of federal CSR payments entirely onto the premiums of silver plans

  → Silver plan premiums rose.
  → PTC rose to cover the premium increases, even in states where insurers increased premiums across all plans.
  → In many areas, the unsubsidized lowest-cost gold plan has comparable cost to the lowest-cost silver plan.
  → For many people above 200% FPL non-silver plans may now be a better deal.

Example: Impact of Silver Loading on Premiums

PTC: $250/month ($3,000/year)

- Silver loading raised silver plan premiums and PTC
  - In some areas, gold plans may be cheaper than silver plans
  - Larger PTC make bronze plans much cheaper, or even zero
Health Reimbursement Arrangements (HRAs)
HRA Integrated with Group Coverage

• Integrated HRA
  -> Employer reimbursement paired with the employer’s *group* coverage
  -> When entering the employer premium in the marketplace application, reduce the employee contribution by the HRA to determine whether the employer coverage is affordable

Is JJ’s employer coverage is affordable?

-> JJ’s monthly premium for self-only employer coverage is $400. Monthly family coverage is $800.
-> His employer puts $100/month in an HRA for employee-only coverage or $250/month in an HRA for family coverage.
-> When entering his premium on the application, enter $300 ($400 self-only premium minus the $100 self-only HRA).
-> The marketplace application will determine if his employer-sponsored coverage is affordable.
-> [Note that the calculation will be the same even if he gets family coverage since employer affordability only considers the cost of self-only coverage (family glitch) and the self-only HRA.]
HRAs Affect PTC Eligibility and Amount

• Qualified Small Employer Health Reimbursement Arrangement (QSEHRA)
  → A small employer can fund a tax-free employee account for reimbursement of medical expenses, including a marketplace plan
  → The QSEHRA is affordable if the employee-only SLCSP minus the QSEHRA makes the employee’s contribution affordable (less than 9.78% of household income)
    o If the QSEHRA is affordable, no PTC is allowed
    o If the QSEHRA is unaffordable, PTC is allowed but is reduced by the amount in the QSEHRA
      – Subtract the entire QSEHRA contribution (which may be family coverage)
  → The employee must adjust their APTC to account for QSEHRA contributions or they’re at risk of repaying APTC when filing their taxes
JJ works for a small employer. The employer funds a QSEHRA with $2,400 ($200/month) for an employee or $4,800 ($400/month) for a family.

- Income: $25,000 (200% FPL for a household of 1)
- Expected contribution for employer coverage: 9.78% of income ($2,445/year, $204/month)
- Benchmark plan: $4,000/year ($333/month)

Is JJ’s QSEHRA affordable?

✓ Yes

→ JJ’s monthly contribution toward the benchmark plan would be $133 ($333 benchmark - $200 QSEHRA contribution). This is less than his expected contribution of $204/month.

→ JJ has affordable employer-sponsored coverage and is not eligible for PTC.

→ [Note that the calculation will be the same even if he gets family coverage since employer affordability only considers the cost of self-only coverage (family glitch) and the self-only HRA.]
John works for a small employer. The employer funds a QSEHRA with $2,400 for an employee or $4,800 for a family.

- Income: $25,000 (200% FPL for a household of 1)
- Expected contribution for employer coverage: 9.78% of income ($2,445/year, $204/month)
- Benchmark plan: $13,200/year ($1,100/month)

Is John’s QSEHRA affordable?

- No
  - John’s monthly contribution is $900 ($1,100 benchmark - $200 QSEHRA contribution). This is greater than his expected contribution of $204/month.
  - John does not have affordable employer-sponsored coverage and is eligible for PTC.
John works for a small employer. The employer funds a QSEHRA with $2,400 for an employee or $4,800 for a family.

- Income: $25,000 (200% FPL for a household of 1)
- Expected contribution for marketplace coverage: 6.49% of income ($1,623/year, $135/month)
- Benchmark plan: $13,200/year ($1,100/month)

What is John’s PTC?

- John’s PTC is $765/month. This is the normal PTC formula minus his available QSEHRA contribution.

**PTC Calculation**

\[ \text{Benchmark Plan: } $1,100 \quad - \quad \text{Expected Contribution: } $135 \quad = \quad $965/\text{mo} \quad - \quad $200 \quad = \quad $765/\text{mo} \]
Edward works for a small employer. The employer funds a QSEHRA with $2,400 for an employee or $4,800 for a family. Edward has one dependent, Malcolm, who will enroll in his plan.

- Income: $25,000 (150% FPL for a household of 2)
- Expected contribution for employer coverage: 9.78% of income ($2,445/year, $204/month)
- Benchmark plan for Edward only: $13,200/year ($1,100/month)
- Benchmark plan for Edward and Malcolm: $18,000/year ($1,500/month)

Is Edward’s QSEHRA affordable?

x No (The affordability test is for self-only coverage.)

→ Edward’s monthly contribution is $900 ($1,100 benchmark - $200 QSEHRA contribution). This is greater than his expected contribution of $204/month.

→ Edward and Malcolm are eligible for PTC.
Edward works for a small employer. The employer funds a QSEHRA with $2,400 for an employee or $4,800 for a family. Edward has one dependent, Malcolm, who will enroll in his plan.

- Income: $25,000 (150% FPL for a household of 2)
- Expected contribution **for marketplace coverage**: 4.12% of income ($1,030/year, $86/month)
- Benchmark plan for Edward only: $13,200 ($1,100/mo)
- Benchmark plan for Edward and Malcolm: $18,000 ($1,500/mo)

**What is Edward’s PTC?**

- Edward’s PTC is $1,014/month. This is the normal PTC formula minus his available QSEHRA contribution.

**PTC Calculation**

\[ \begin{align*}
\text{Benchmark Plan for Edward and Malcolm: } & \quad $18,000 \\
\text{Expected Contribution: } & \quad - $86 \\
\text{Edward’s PTC: } & \quad = $1,014/mo
\end{align*} \]
HRAs Affect PTC Eligibility and Amount

- **Individual Coverage HRA (ICHRA)  New!**
  - Employer reimbursement paired with *individual market* coverage, including a marketplace plan
  - Open to employers of any size
  - A plan is affordable if the *lowest-cost* silver plan minus the ICHRA makes the employee’s contribution affordable (less than 9.78% of household income)
    - If the ICHRA is affordable, no PTC (for the employee or dependents)
    - If the ICHRA is not affordable, PTC is allowed only if the employee opts out of the ICHRA. Unlike with a QSEHRA, you cannot have both.
      - Therefore, PTC is **not reduced** by the value of the ICHRA
ICHRA Example: Employer Coverage is Affordable

JJ’s employer funds an ICHRA with $2,400 for an employee or $4,800 for a family.

- Income: $25,000 (200% FPL for a household of 1)
- Expected contribution for employer coverage: 9.78% of income ($2,445/year, $204/month)
- Lowest-cost silver plan: $4,000/year ($333/month)

Is JJ’s ICHRA affordable?

✓ Yes

→ JJ’s monthly contribution is $133 ($333 lowest cost silver plan - $200 ICHRA contribution). This is less than his expected contribution of $204/month.

→ JJ has affordable employer-sponsored coverage and is not eligible for PTC.

→ Note that the result would be the same if JJ had a spouse or dependents since affordability is measured by the cost of self-only coverage.
JJ’s employer funds an ICHRA with $1,200 for an employee or $4,800 for a family.

- Income: $25,000 (200% FPL for a household of 1)
- Expected contribution for employer coverage: 9.78% of income ($2,445/year, $204/month)
- Lowest-cost silver plan: $4,000/year ($333/month)

Is JJ’s ICHRA affordable?

x No

→ JJ’s monthly contribution is $233 ($333 lowest cost silver plan - $100 ICHRA contribution). This is more than his expected contribution of $204/month.
→ JJ does not have affordable employer-sponsored coverage and is eligible for PTC if he opts out of the ICHRA. He cannot collect both.
→ In the marketplace, his PTC is not reduced by the value of the ICHRA.
• Reference Guide: *Yearly Guidelines and Thresholds*
  → *Coverage Year 2020 (PDF)*

• Reference Chart: *Minimum Essential Coverage*

• Key Facts:
  → *Premium Tax Credits*
  → *Employer-Sponsored Coverage and PTC Eligibility*
Upcoming Webinars

Part III: Auto-Renewal Process for 2020
• Tuesday, October 8 | 2 pm ET (11 am PT)

Part IV: Preventing & Resolving Data-Matching Issues
• Thursday, October 10 | 2 pm ET (11 am PT)

Part V: Plan Design
• Tuesday, October 15 | 2 pm ET (11 am PT)

Part VI: Plan Selection Strategies
• Thursday, October 17 | 2 pm ET (11 am PT)

Register for upcoming webinars at
www.healthreformbeyondthebasics.org/events
Contact Info

- Tara Straw, tstraw@cbpp.org
  → Twitter: @TaraStraw
- General inquiries: beyondthebasics@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*