Health Reform: **Beyond the Basics**

healthreformbeyondthebasics.org

Part II:

Premium Tax Credits

Coverage Year 2020

October 3, 2019

Presented by the Center on Budget and Policy Priorities

Tara Straw, Senior Policy Analyst

Center on Budget and Policy Priorities

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)

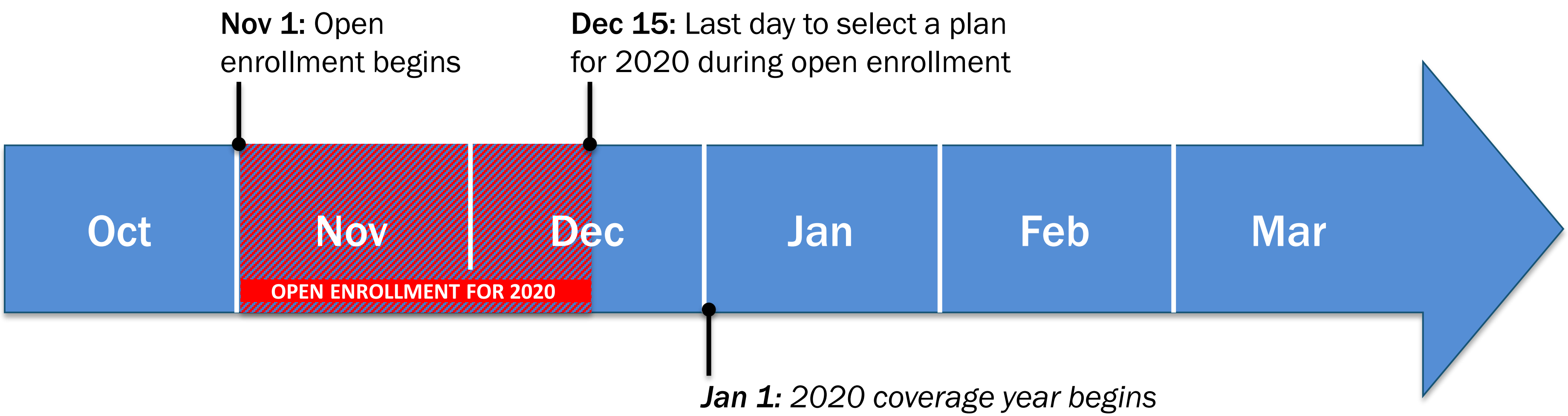
Register for upcoming webinars at

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 for OE6



- Open enrollment will run from November 1 through December 15, 2019: **45 days in total**

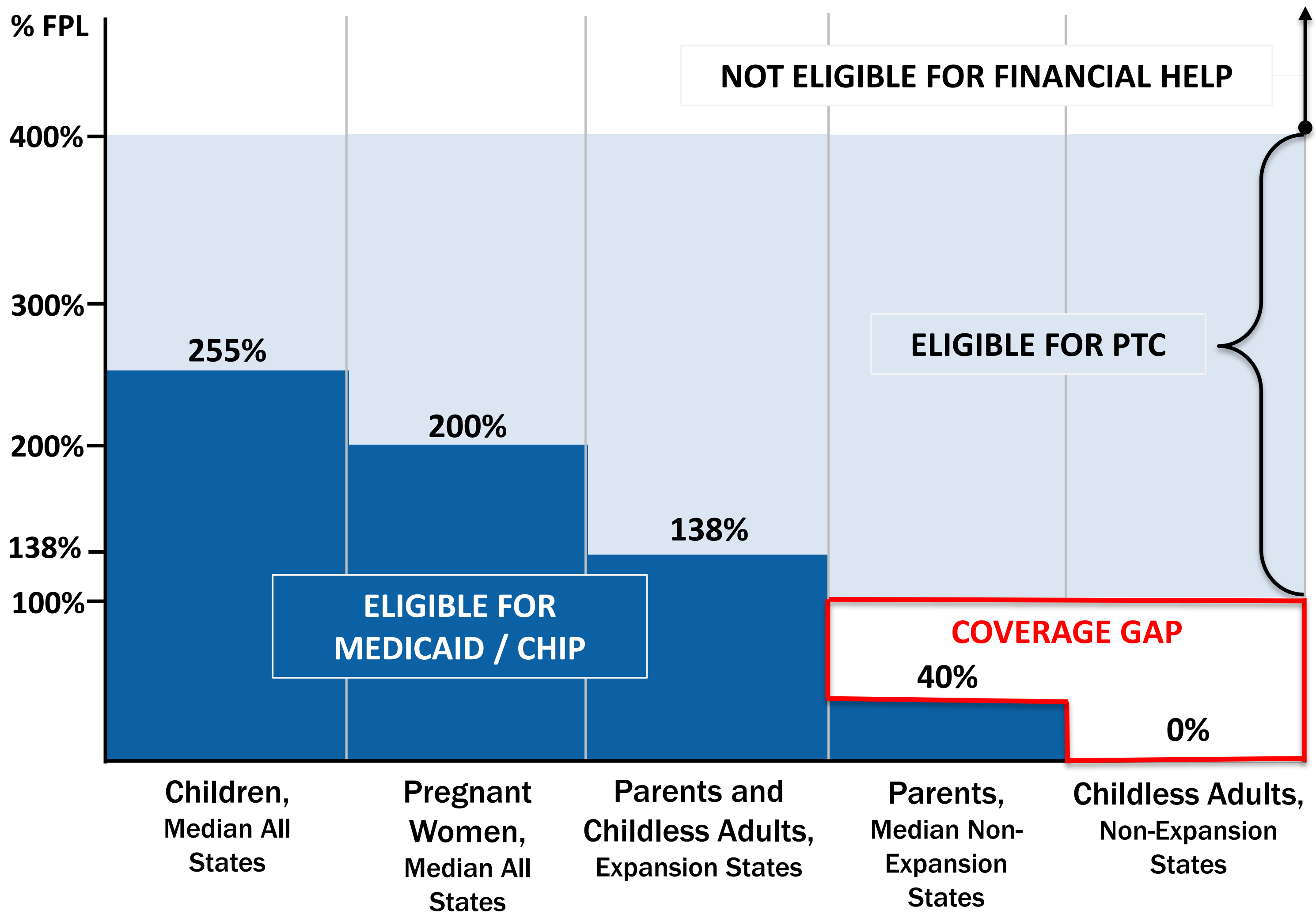
- State-Based Marketplaces can extend the open enrollment period by adding a supplemental special enrollment period

State-Based Marketplaces Can Extend Open Enrollment

State-Based Marketplaces Open Enrollment Periods for 2020 Coverage

• **California**	**October 15, 2019 – January 15, 2020** **permanent*
• **Colorado**	November 1, 2019 – **January 15, 2020** **permanent*
• **Connecticut**	November 1, 2019 – December 15, 2019
• **District of Columbia**	November 1, 2019 – **January 31, 2020** **permanent*
• **Idaho**	November 1, 2019 – **December 16, 2019**
• **Maryland**	November 1, 2019 – December 15, 2019
• **Massachusetts**	November 1, 2019 – **January 23, 2020**
• **Minnesota**	November 1, 2019 – **December 23, 2019**
• **Nevada**	November 1, 2019 – December 15, 2019
• **New York**	November 1, 2019 – **January 31, 2020**
• **Rhode Island**	November 1, 2019 – ?
• **Vermont**	November 1, 2019 – December 15, 2019
• **Washington**	November 1, 2019 – December 15, 2019

General Overview of the Coverage Landscape



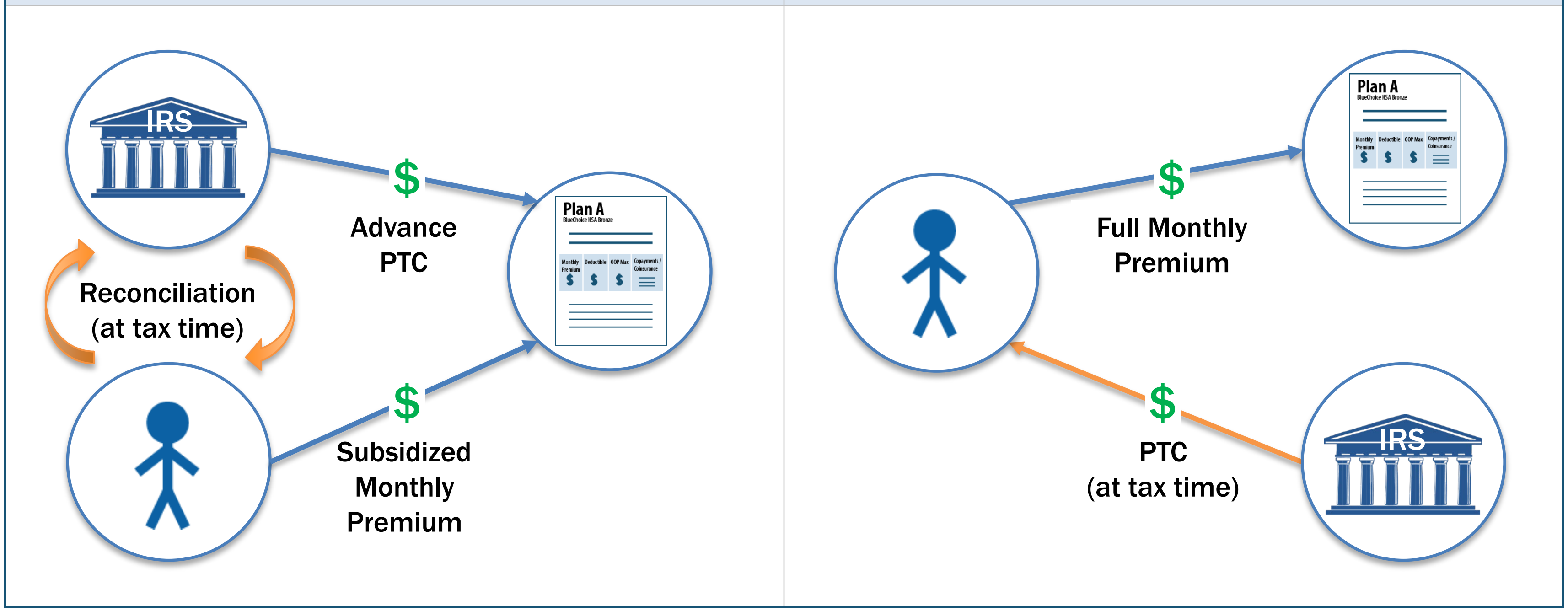
Source: Based on a national survey conducted by Kaiser Family Foundation with the Georgetown University Center for Children and Families, 2019: www.kff.org/medicaid/fact-sheet/where-are-states-today-medicaid-and-chip

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:	
In advance: Forwarded to insurer monthly to reduce premiums	**At tax time:** Claimed as a lump sum at the end of the year



Premium Tax Credit Eligibility

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

- 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*

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

Household Size	% of Federal Poverty Line (2020 coverage)				
	100%	138%	200%	250%	400%
1	$12,490	$17,236	$24,980	$31,225	$49,960
2	$16,910	$23,336	$33,820	$42,275	$67,640
3	$21,330	$29,435	$42,660	$53,325	$85,320
4	$25,750	$35,535	$51,500	$64,375	$103,000
5	$30,170	$41,635	$60,340	$75,425	$120,680

***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

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

* 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

Employer-Sponsored Insurance (ESI)

- 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), **<u>and</u>**
  2. Be considered affordable
- If the offer does not meet these requirements, the employee may be eligible for PTC despite the offer

Eligible Employer-Sponsored Plan	
An employer-sponsored plan is considered "eligible" if it is:	***An employer-sponsored plan is <u>not</u> "eligible" if it is:***
• An insured (including grandfathered) plan in the small or large group market; • A self-insured group plan; or • A government employee plan (except certain Department of Defense coverage)	• Limited benefit coverage (such as single-disease or single-benefit coverage or indemnity coverage with per-day or per-episode reimbursement)

Jumping the Firewall: Minimum Value (MV) Standard

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

Jumping the Firewall: Affordability

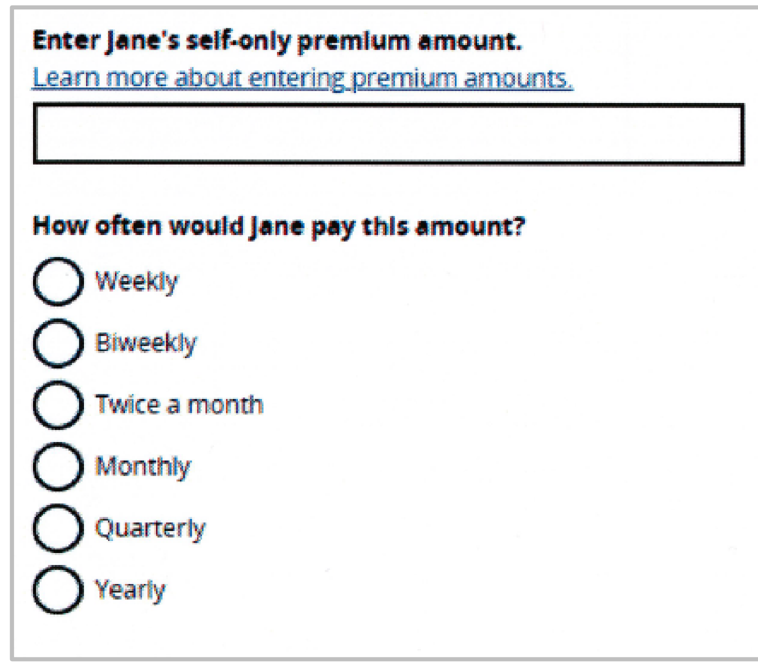
If an offer of employer coverage is considered unaffordable, the employee is eligible for PTC despite the offer

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


Enter Jane's self-only premium amount.
Learn more about entering premium amounts.

How often would Jane pay this amount?

- Weekly
- Biweekly
- Twice a month
- Monthly
- Quarterly
- Yearly

Jumping the Firewall: Affordability

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

Summary of Plan Costs and Household Income	
Household Income:	$40,000
Employee-only premium cost:	$150/month
Family premium cost:	$450/month
Minimum value (MV):	✓ 80% AV

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

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

✗ Monica is not eligible for PTC

Family firewall test:

Same test as for Monica

- Even though family coverage costs 13.5% of income, the coverage is still considered affordable since <u>employee-only</u> coverage costs less than 9.78% of income

✗ Monica's family is not eligible for PTC

Example: Offers of ESI and Eligibility for PTC

Summary of Plan Costs and Household Income	
Household Income:	$40,000
Employee-only premium cost:	$150/month
Employee + kids premium cost:	$350/month
Minimum value (MV):	✓ 80% AV
Spousal coverage:	*No offer*

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

In months of a waiting period for ESI

→ Can enroll in coverage with PTC during months in waiting period

Is Jane Taxpayer currently enrolled in JobABC's health coverage?

- ○ Yes
- ● No

Is Jane Taxpayer currently in a waiting or probationary period?

- ● Yes

  When could Jane Taxpayer enroll in coverage?

  MM/DD/YYYY

- ○ No

Is Jane Taxpayer a current or former employee of this employer?

- ● Yes
- ○ No

What's Jane Taxpayer's current work status at JobABC? (Select one.)

Currently working at this employ

Eligible for COBRA

* *Bars PTC eligibility if currently enrolled*

What's Jane Taxpayer's current work status at JobABC? (Select one.)

No longer working at this emplo

Is the coverage from JobABC COBRA coverage?

Learn more about COBRA coverage.

- ● Yes
- ○ No

Eligible for retiree coverage

* *Bars PTC eligibility if currently enrolled*

What's Jane Taxpayer's current work status at JobABC? (Select one.)

Retired

Is Jane Taxpayer's coverage from JobABC a retiree health plan?

- ● Yes
- ○ No

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.

Example: Coverage Choices for Young Adults

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	OFFER 2: Student Coverage	OFFER 3: Marketplace Coverage
Cost	$0/month (family coverage)	$150/month	$66/month after PTC
AV	90% AV	70% AV	94% AV after cost-sharing reduction

Overlapping Coverage

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.

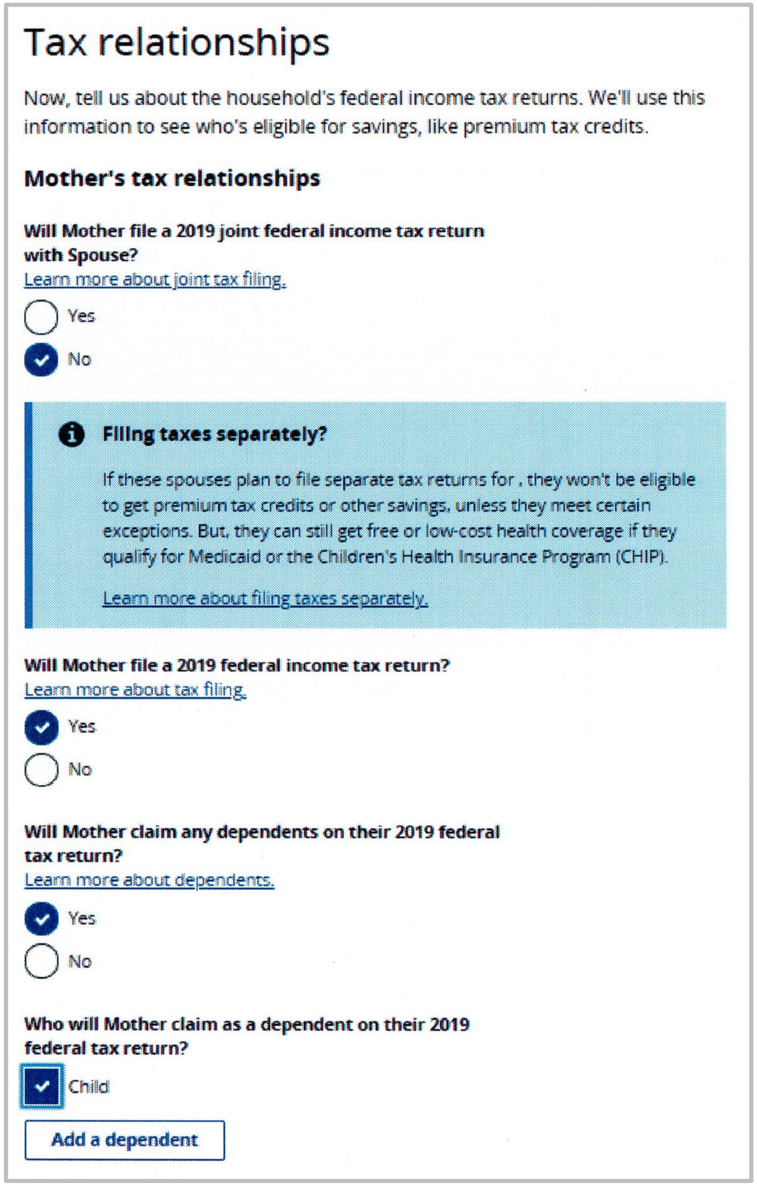
First-day rule	People who are eligible for PTC on the first day of the month are considered eligible for the full month.
Medicaid	If a person is enrolled in APTC but is later determined eligible for Medicaid: • PTC is allowed for months of retroactive Medicaid coverage • The person is generally eligible for PTC for the entire calendar year but may be identified through data matching
Medicare	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.
Employer-sponsored coverage	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!

See IRS Preparer Best Practices for further explanation

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



Tax relationships

Now, tell us about the household's federal income tax returns. We'll use this information to see who's eligible for savings, like premium tax credits.

Mother's tax relationships

Will Mother file a 2019 joint federal income tax return with Spouse?
Learn more about joint tax filing.

- [ ] Yes
- [x] No

Filing taxes separately?

If these spouses plan to file separate tax returns for , they won't be eligible to get premium tax credits or other savings, unless they meet certain exceptions. But, they can still get free or low-cost health coverage if they qualify for Medicaid or the Children's Health Insurance Program (CHIP).

Learn more about filing taxes separately.

Will Mother file a 2019 federal income tax return?
Learn more about tax filing.

- [x] Yes
- [ ] No

Will Mother claim any dependents on their 2019 federal tax return?
Learn more about dependents.

- [x] Yes
- [ ] No

Who will Mother claim as a dependent on their 2019 federal tax return?

- [x] Child

Add a dependent

Exceptions to the Joint Filing Requirement for PTC

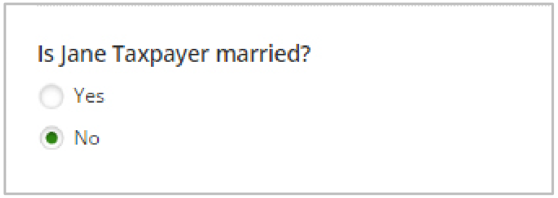
Head of Household

- 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.*

When can a married person file as Head of Household?
A married person is ***considered unmarried*** and is eligible to file as Head of Household if he or she can answer YES to each of the following questions: ☐ Will you file taxes separately from your spouse? ☐ Will you live apart from your spouse from July 1 to Dec 31? ☐ Will you pay more than half of the cost of keeping up your home? ☐ Is yours the main home of your child, stepchild, or foster child (of any age) for more than half the year? ☐ 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.) 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 = **Cost of Benchmark Plan** − **Expected Premium Contribution**

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

Costs covered by a plan

Premiums paid by consumer

QHP METAL LEVEL PLAN TIERS QHPs must provide plan designs consistent with actuarial values	
Platinum	90% actuarial value
Gold	80% actuarial value
Silver	70% actuarial value — **BENCHMARK PLAN**
Bronze	60% actuarial value
Catastrophic coverage	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)

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

Expected Contributions at Certain Income Levels (2020)

Annual Household Income		Expected Premium Contribution	
% of FPL	Income Amount (For HH of 1 using 2019 FPL)	% of Income	Monthly Dollar Amount (For HH of 1 using 2019 FPL)
< 133%[1]	<$16,611	2.06%	Varies
133%[1]	$16,611	3.09%	$42
138%[1]	$17,236	3.39%	$48
150%	$18,735	4.12%	$64
200%	$24,980	6.49%	$135
250%	$31,225	8.29%	$215
300%	$37,470	9.78%	$305
350%	$43,715	9.78%	$356
400%	$49,960	9.78%	$407
> 400%	> $49,960	n/a	n/a

[1] *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

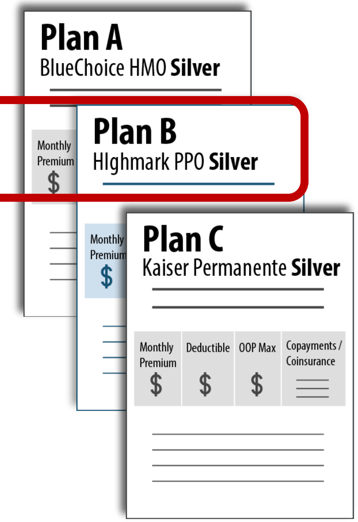
Teresa, Antonio, Gaby, and Michael

- 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)

BENCHMARK PLAN → $10,542/year ($879/month)



PTC Calculation

$10,542 − $3,342 = $7,200/year ($600/mo)

Example: Impact of Benchmark Plan on PTC Calculation

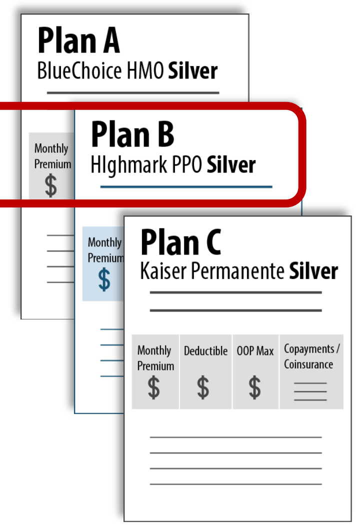
Teresa, Antonio, Gaby, and Michael

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

→ **Kids eligible for CHIP**

3 LOWEST COST SILVER PLANS THAT COVER TERESA AND ANTONIO:

- $7,000/year ($583/month)
- $7,322/year ($610/month) ← **BENCHMARK PLAN**
- $7,500/year ($625/month)



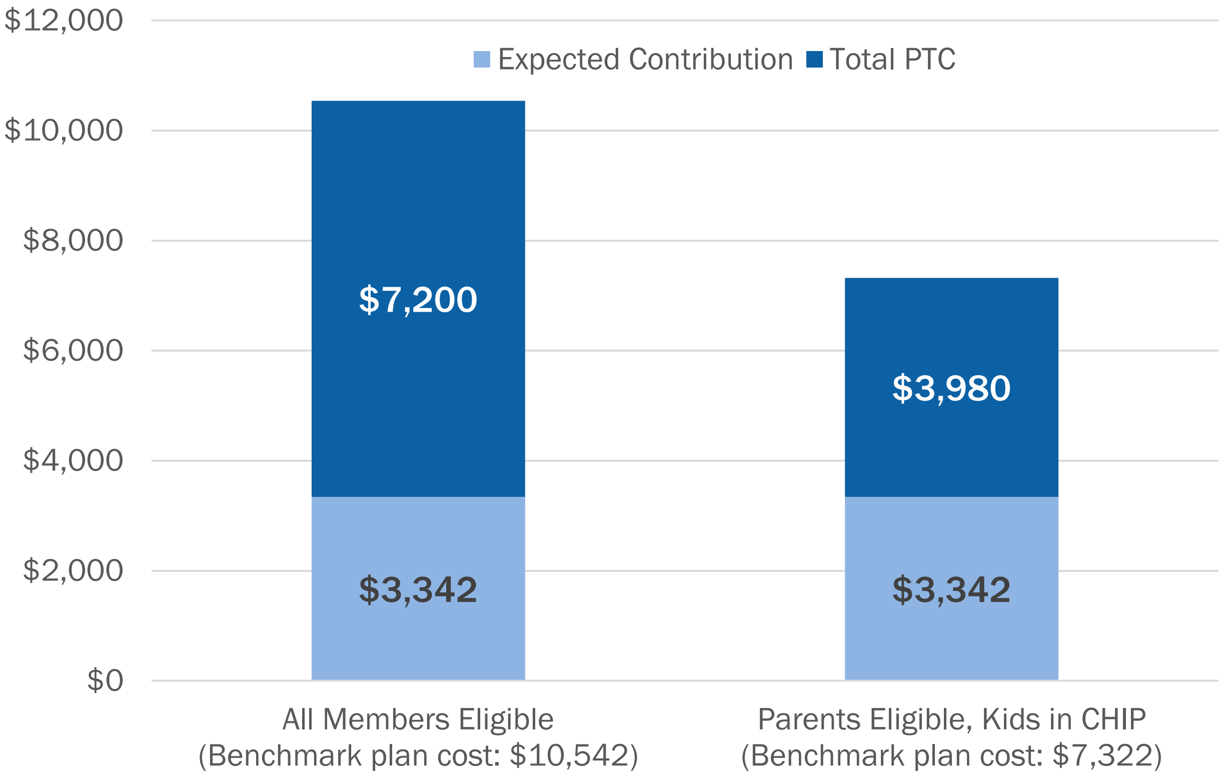
PTC Calculation

$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)



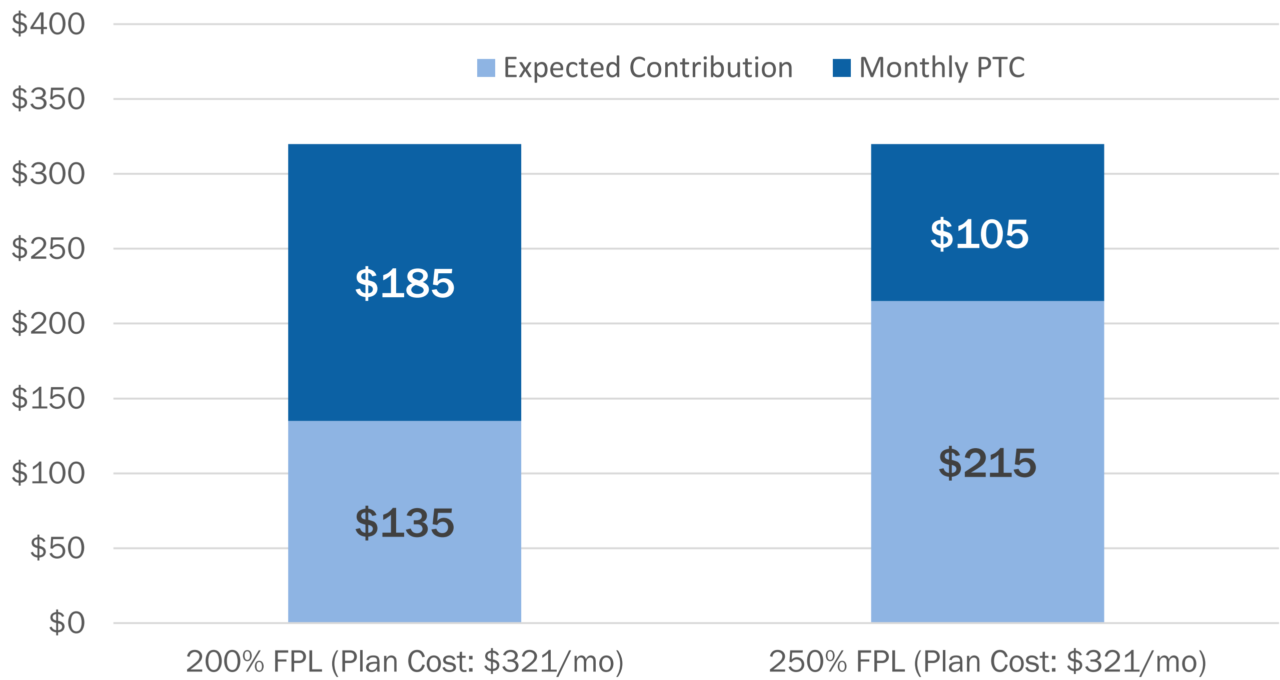
Key takeaway
In this situation, the benchmark plan affects the PTC amount but not the expected contribution

Example: Impact of Expected Contribution on PTC

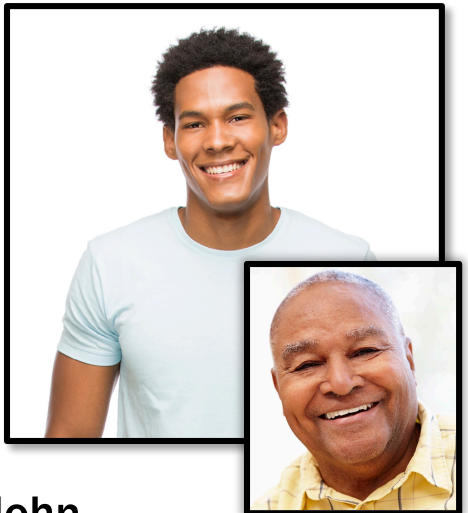
John, 24 years old

- Benchmark Plan: $3,852/year, $321/month

200% FPL	vs.	250% FPL
Income: $25,000 (200% FPL)		**Income:** $31,225 (250% FPL)
Expected Contribution: $1,622/year, $135/mo (6.49% of income)		**Expected Contribution:** $2,588/year, $215/mo (8.29% of income)
PTC: $2,230 ($185/mo)		**PTC:** $1,264 ($105/mo)



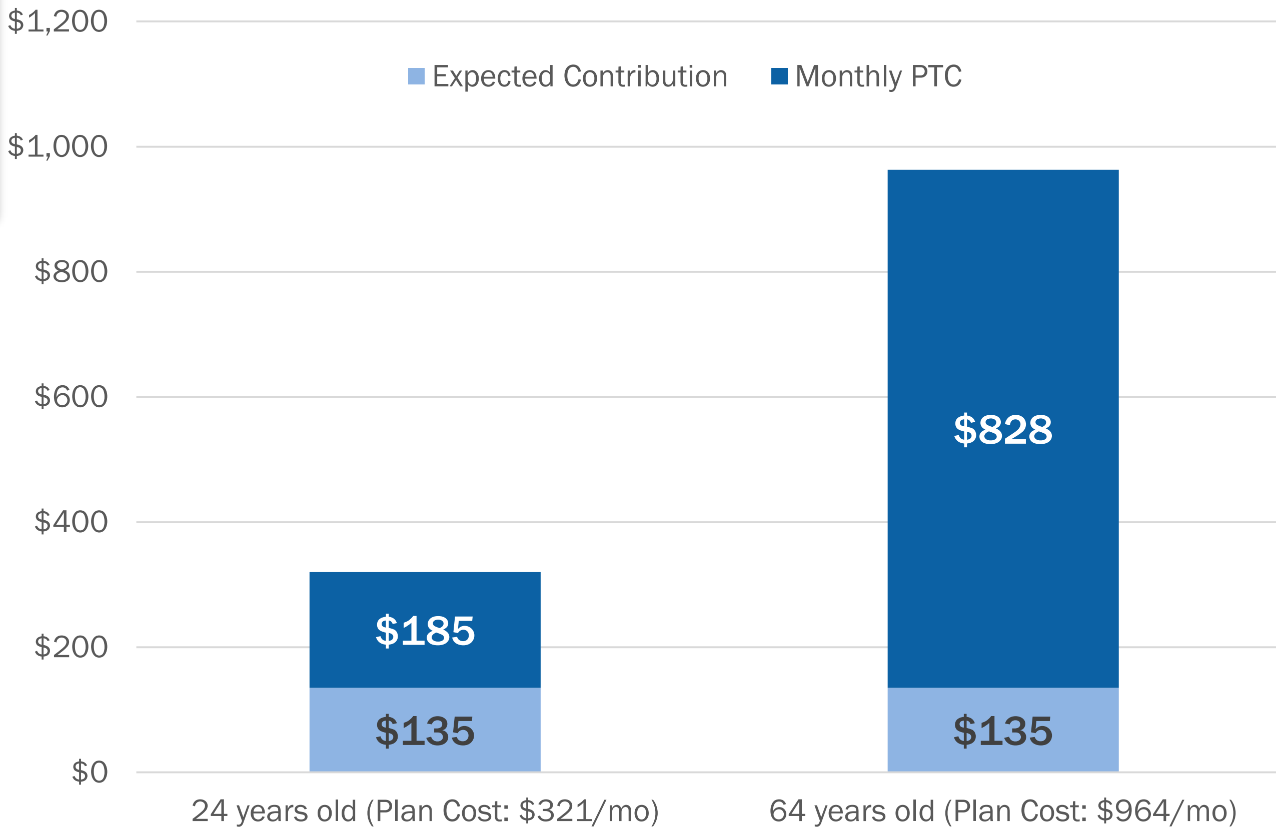
Example: Impact of Age on PTC Calculation



John

- Income: $25,000 (200% FPL)
- Expected Contribution: 6.49% of income, $1,621 ($135/month)

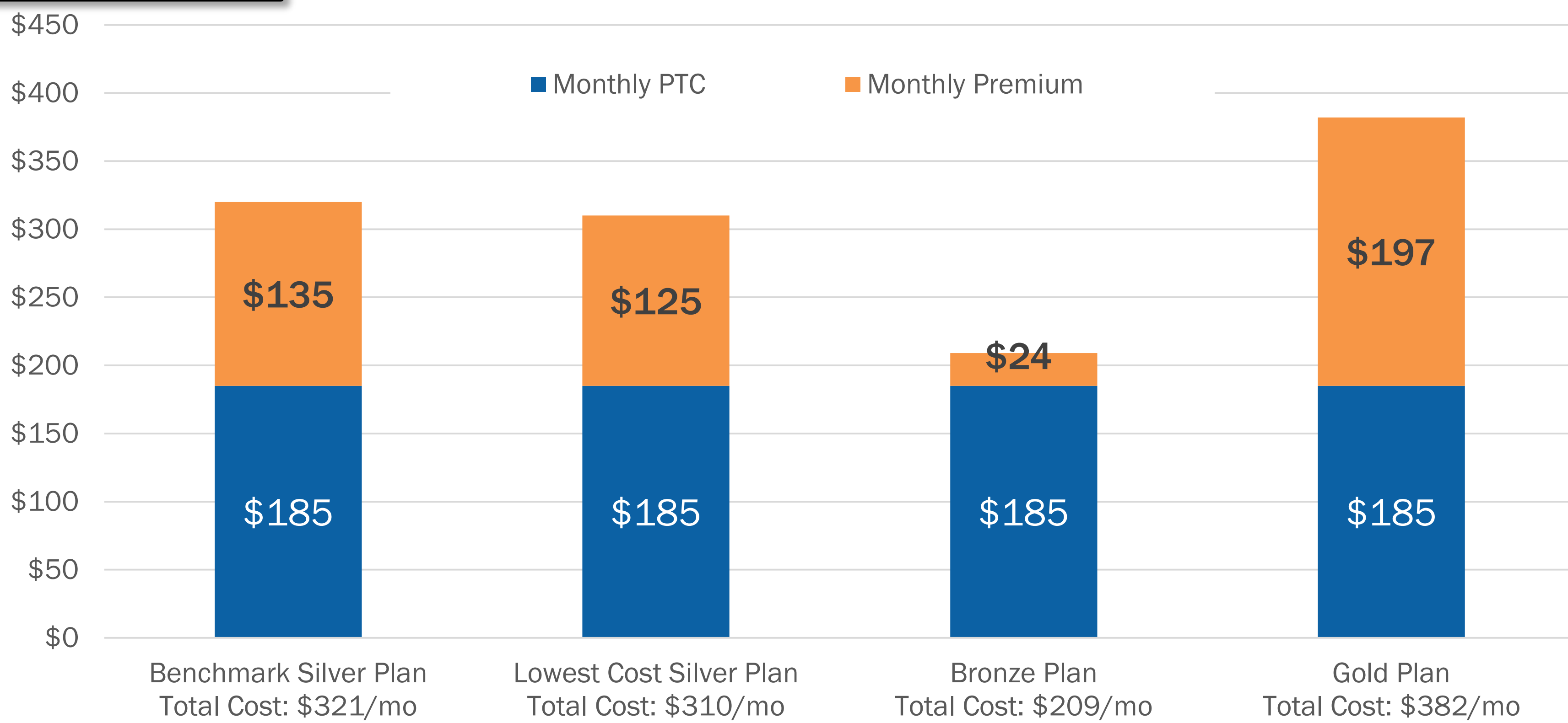
Age: 24	VS.	Age: 64
Benchmark Plan Cost: $3,852 ($321/mo)		**Benchmark Plan Cost:** $11,568 ($964/mo)
PTC: $2,231 ($185/mo)		**PTC:** $9,947 ($828/mo)



Example: Impact of Plan Choice on Premiums

PTC: $185/month ($2,231/year)

- Premiums fluctuate depending on plan choice



Silver Loading

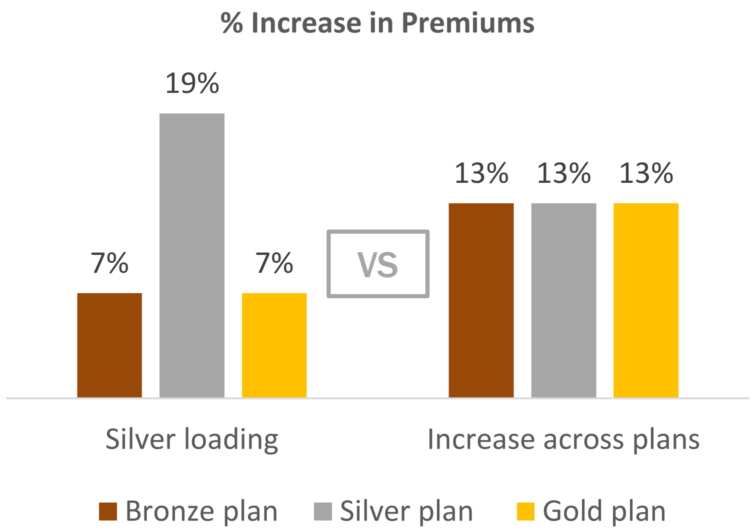
- In 2017, reimbursements from the federal government to insurance companies for cost-sharing reductions (CSR) were terminated
  - → People who are eligible for a CSR <u>can still</u> enroll in a (silver) plan with CSR
- This led to a practice known as **"silver loading":** insurers load the costs from 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.

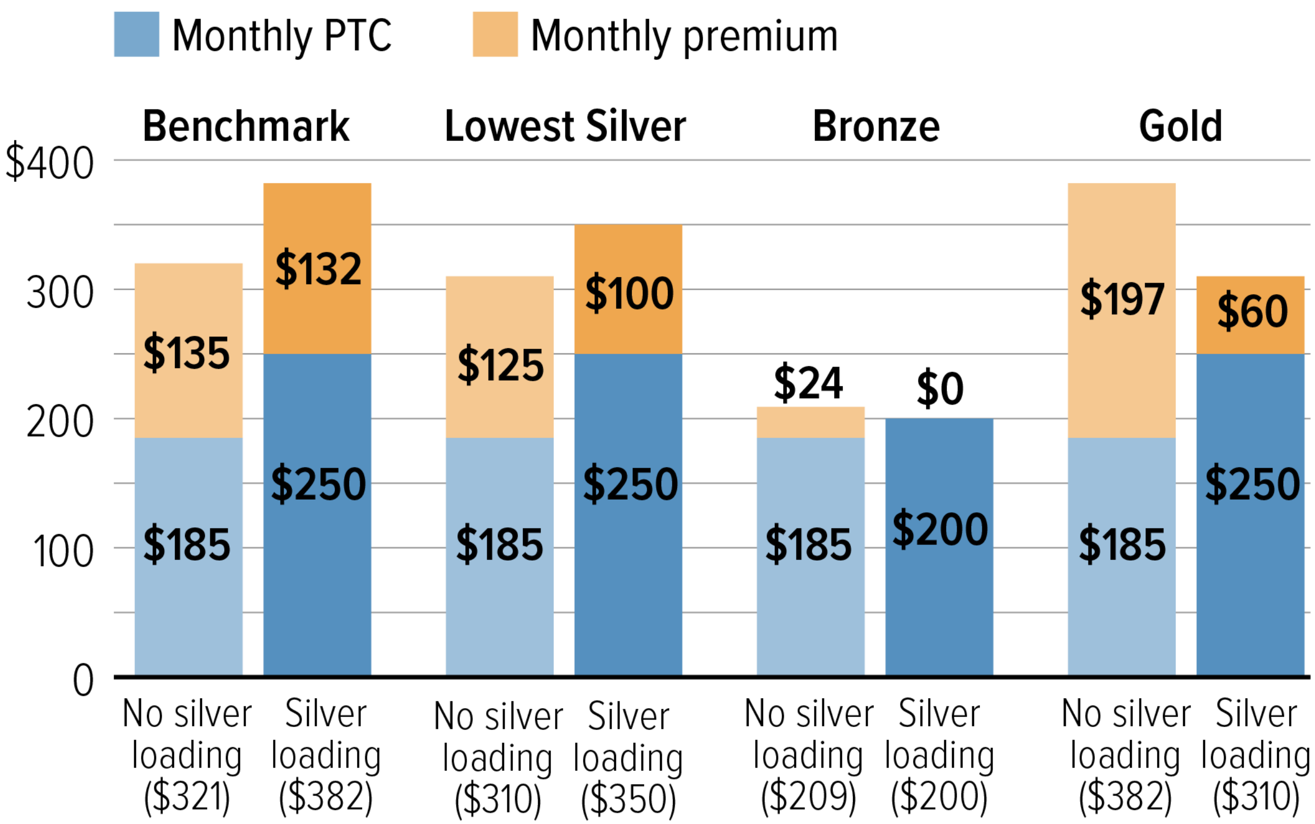


For more information on impact on premiums due to silver loading, see Kaiser Family Foundation: www.kff.org/health-reform/issue-brief/how-premiums-are-changing-in-2018

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)
    - If the QSEHRA is affordable, no PTC is allowed
    - 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

QSEHRA Example: Employer Coverage is Affordable

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?

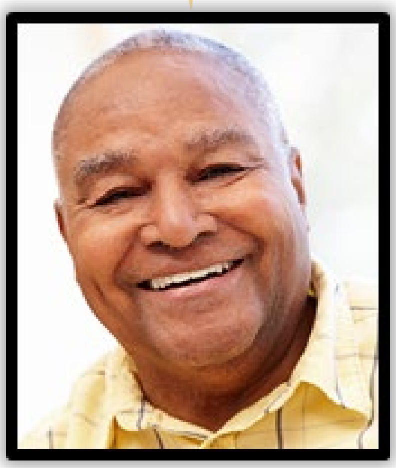
✓ Yes

→ 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.]

QSEHRA Example: Employer Coverage is Not Affordable



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?

x **No**

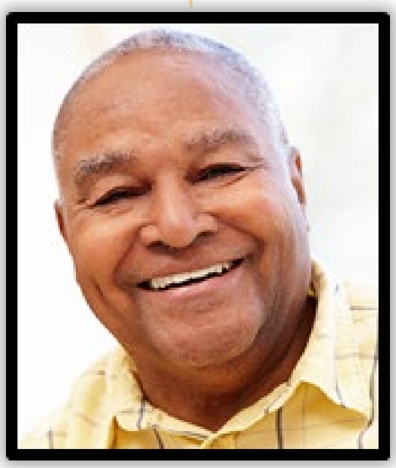
→ John's monthly contribution is $900 ($1,100 benchmark - $200 QSEHRA contribution). This is greater than his expected contribution of $204/month.

→ John does not have affordable employer-sponsored coverage and is eligible for PTC.

QSEHRA Example: Employer Coverage is Not Affordable

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

$1,100 − $135 = $965/mo

- $200

$765/mo

QSEHRA Example: Employer Coverage is Not Affordable

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.

QSEHRA Example: Employer Coverage is Not Affordable

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

$1,500 − $86 = $1,414/mo

- $400

$1,014/mo

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.

ICHRA Example: Employer Coverage is Not Affordable

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.

Resources

- 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