

State Health Reform Assistance Network

Charting the Road to Coverage

ISSUE BRIEF
February 2014

Consumer Assistance Resource Guide: Minimum Essential Coverage

Prepared by *Manatt Health Solutions*

Early evidence from across the nation suggests that consumer assisters are playing a vital role in helping people enroll in the new coverage options made possible by the Affordable Care Act. The State Health Reform Assistance Network has engaged with a number of states to develop easy to understand materials to educate consumer assisters about various issues that may confuse consumers and the assisters trying to help them during the eligibility determination and enrollment process. The following resource guide on Minimum Essential Coverage is part of a [series](#) developed to help consumer assisters answer some of the most common eligibility and enrollment questions.

Minimum Essential Coverage

Individuals who are eligible for health insurance that is considered “Minimum Essential Coverage,” or MEC, are not eligible for Advance Premium Tax Credits or Cost-Sharing Reductions through the Marketplace and may be subject to a penalty under the shared responsibility requirement if they do not enroll in the available MEC coverage. This guide describes the types of employer-sponsored, public health insurance or COBRA coverage considered MEC. The guide also explains the potential impact a change in MEC coverage during the year could have on eligibility determinations.

ABOUT STATE NETWORK

State Health Reform Assistance Network, a program of the Robert Wood Johnson Foundation, provides in-depth technical support to states to maximize coverage gains as they implement key provisions of the Affordable Care Act. The program is managed by the Woodrow Wilson School of Public and International Affairs at Princeton University. For more information, visit www.statenetwork.org.

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For more information, please contact Kinda Serafi at KSerafi@manatt.com or 212.790.4625.

Consumer Assistance Resource Guide

Minimum Essential Coverage ("MEC")



February 2014

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The 101 on MEC Rules

Individuals who are eligible for “minimum essential coverage” or MEC are not eligible for Advance Premium Tax Credits/Cost-Sharing Reductions (APTC/CSR) through the Marketplace. In addition, individuals who are eligible for MEC, but choose not to enroll in that coverage, may be subject to a penalty under the shared responsibility requirement.

“Minimum essential coverage” refers to insurance coverage in the following categories:

- Government-sponsored insurance, with some limited exceptions;
- Employer-sponsored insurance that is considered “*affordable*” and that provides “*minimum value*” (these terms are explained in greater detail below);
- Grandfathered health plans; and
- Other coverage that is recognized by the Secretary of Health and Human Services (HHS) as MEC.

MEC does not include coverage that offers limited benefits such as: vision or dental care; Medicaid family planning services; workers’ compensation; or disability policies.

The MEC Rules Explained

What types of government-sponsored coverage are considered MEC?

The government-sponsored coverage programs listed below are considered MEC. Individuals eligible for these programs are considered to have access to MEC, and accordingly are not eligible for tax credits or Cost-Sharing Reductions. Individuals who enroll in these coverage programs will not be subject to the shared responsibility payment.

- Medicaid/CHIP
- Medicare Part A
- Medicare Advantage plans (Medicare Part C)
- TRICARE or other veterans health insurance
- Peace Corps and AmeriCorps volunteer programs
- Refugee medical assistance supported by the Administration for Children and Families
- State high risk pool coverage

The MEC Rules Explained

What types of employer-sponsored coverage are considered MEC?

To qualify as MEC, employer-sponsored plans must: fall into one of the four categories listed below; be “affordable”; and provide “minimum value.” The four categories of employer-sponsored plans that may be MEC are:

- Group health insurance plan offered to employees
- Self-insured group health plans offered to employees, regardless of whether the plan could be offered in the large or small group market in a state
- COBRA coverage
- Retiree coverage

Affordable. Employer-sponsored coverage is “affordable” if:

- The cost of the annual premium for the lowest-cost self-only coverage is less than 9.5% of the consumer’s household income for the year the consumer is seeking coverage.
- The affordability determination is based only on the amount an employee would pay for self-only coverage. The cost of family coverage is not included in the affordability assessment, and coverage will be considered affordable even where the cost of family coverage is more than 9.5% of the consumer’s household income.
- If the self-only coverage offered to the employee meets the definition of affordable, the plan is considered affordable for the employee AND for all of the employee’s household members. Accordingly, no family member in the household would be eligible for a premium tax credit. Consumers may purchase coverage through the Marketplace for the other family members at full cost without premium tax credits.
- If a consumer chooses to enroll in employer-sponsored coverage, it is considered MEC regardless of whether the plan in fact meets the affordability standards.

Minimum Value. Employer-sponsored insurance provides “minimum value” if:

- The plan is designed to pay at least 60% of enrollee’s medical costs after payment of the premium; that is, the plan has an actuarial value of 60%.

Most wellness programs (except tobacco cessation programs) are not taken into account when determining whether coverage is affordable or meets minimum value, even if consumers may reduce their premiums or Cost-Sharing by participating in them.

Employees can sometimes use employer contributions to Health Savings Accounts and Health Reimbursement Accounts to reduce their premiums or Cost-Sharing. These employer contributions are usually taken into account when determining a plan’s affordability and minimum value.

The MEC Rules Explained

What other private health plans are considered MEC?

Other private plans that are considered MEC include:

- Plans offered to an employee by a third party, such as a professional employer organization or leasing company
- Individual market plans, including a plan purchased through the Marketplace in which the individual is enrolled
- Grandfathered health plans. A grandfathered plan is an individual or group health insurance plan that was in existence prior to March 23, 2010, has continuously provided coverage since then, and has not undergone a substantial change
- Self-funded student health coverage (for plan years that begin prior to or on December 31, 2014; after this date, plans must secure recognition from HHS to be deemed MEC)

What types of health coverage are not considered MEC?

- Limited Medicaid coverage (e.g., family planning services)
- Accidental death and dismemberment coverage
- Disability insurance
- General liability insurance
- Automobile liability insurance
- Workers' compensation
- Credit-only insurance (e.g., mortgage insurance)
- Coverage for employer-provided on-site medical clinics
- Limited-scope dental or vision benefits
- Long-term care benefits
- Benefits provided under most health flexible spending arrangements
- Policies that cover only a specified disease or illness (e.g., cancer-only policies)
- Supplemental coverage, such as Medicare supplemental policies, TRICARE supplemental policies and similar supplemental coverage to coverage under a group health plan.

Addressing the More Complicated Issues

Employer-Sponsored Insurance Affordability & Minimum Value: How do consumers know if their employer-sponsored insurance is “affordable” and meets the “minimum value” standards? How do they demonstrate this on their application?

- Consumers can ask their employer for help figuring out if the plan offered to them is affordable and meets the minimum value standard. One way to get the information is for the applicant to ask their employer to complete the information on the paper application.
- Again, it is important to note that if an individual is enrolled in coverage that is otherwise considered MEC, the coverage is considered affordable regardless of whether it costs more than 9.5% of the individual’s income.

Loss of Employer-Sponsored Insurance Mid-Year: What happens if consumers have employer-sponsored insurance at the time they apply for coverage, but lose it during the year (e.g., as a result of a job change)?

- Consumers who lose employer-sponsored health insurance during the year qualify for a special enrollment period and can apply for coverage at the Marketplace immediately, without waiting for the next open enrollment period.
- Consumers who know in advance that they will lose employer-sponsored insurance can apply at the Marketplace immediately, thereby minimizing any gap in coverage.

Medicaid MEC: Does all Medicaid coverage count as MEC?

- No. Consumers who receive comprehensive Medicaid benefits have MEC.
- Consumers who receive more limited benefits under Medicaid are not considered to have MEC for the purpose of determining eligibility for premium tax credits and for the shared responsibility requirement.
- The following types of Medicaid coverage are not considered to be MEC:
 - Coverage of pregnancy-related services provided to pregnant women under selected Medicaid eligibility categories
 - Optional coverage of family planning services
 - Coverage of emergency medical conditions for individuals who are ineligible for Medicaid due to their immigration status
 - Optional coverage of tuberculosis-related services

Addressing the More Complicated Issues

Eligible for Government Coverage But Not Enrolled: If a consumer is eligible for Medicaid, but is not enrolled, are they eligible for a premium tax credit?

- No. If consumers are eligible for government-sponsored MEC, they are ineligible for a premium tax credit even if they are not enrolled in coverage. This includes Medicaid, CHIP, TRICARE and other veterans health insurance, and state high risk pool coverage.

Effective Coverage Date: In evaluating eligibility for APTCs, are consumers considered eligible for government-sponsored MEC while they are waiting for their application to be approved or for their coverage to take effect?

- No. In general, consumers eligible for government-sponsored insurance are not eligible for a premium tax credit. However, recognizing that in some cases there may be a delay in coverage while applications are being processed or before coverage becomes effective, there are special rules that allow consumers to obtain premium tax credits while they wait. Consumers are considered to have MEC on the first day of the month they begin receiving benefits under government-sponsored coverage.
- Consumers are not considered eligible for government-sponsored health insurance (and therefore **are** eligible to receive a premium tax credit) during:
 - 1) the period of time between application submission and approval; and
 - 2) the period of time between application approval and their effective date of coverage.

Loss of CHIP and MEC: If children lose CHIP coverage due to a parent's failure to pay premiums, are they considered to have MEC for determining APTC eligibility?

- Yes. Children age one and above who lose CHIP coverage due to a parent's failure to pay premiums and who may not re-enroll in CHIP for four months are treated as eligible for CHIP (and therefore MEC), and do not qualify for APTC/CSR during that time period.

Addressing the More Complicated Issues

Verification of MEC: How does the Marketplace and the IRS verify whether consumers have MEC?

- In determining eligibility for APTC/CSR, the Marketplace uses the MEC information consumers provide on the application.
- For the shared responsibility payment, consumers will report on next year's income tax return that they had coverage during the year. Insurers are required to provide information that will help consumers demonstrate they had MEC during 2014.

COBRA Coverage: Is COBRA considered minimum essential coverage?

- Yes. Consumers who enroll in continuation coverage as authorized under federal (e.g., COBRA) or state law are considered enrolled in MEC for the months in which they are enrolled in coverage. Consumers enrolled in COBRA coverage are not subject to the shared responsibility payment requirement.
- If a consumer declines an offer to sign up for COBRA coverage, the consumer is eligible for an APTC/CSR if they meet all the other eligibility requirements.
- If a consumer drops COBRA coverage during the open enrollment period, the consumer is eligible for an APTC/CSR if they meet all the other eligibility requirements.
- If a consumer signs up for COBRA coverage, that coverage continues until the earlier of the date the COBRA coverage expires or the next open enrollment period. Consumers cannot drop COBRA coverage mid-year and obtain an APTC/CSR; however, consumers are eligible for an APTC/CSR when their COBRA coverage expires if they meet all the other eligibility requirements.
- If a consumer signs up for COBRA coverage but then stops paying the premium mid-year, they are not eligible for an APTC/CSR at that time because individuals do not qualify for a special enrollment period if they drop COBRA prior to its expiration.

Short MEC Gaps: If consumers do not have MEC for a short period of time, are they subject to the shared responsibility payment?

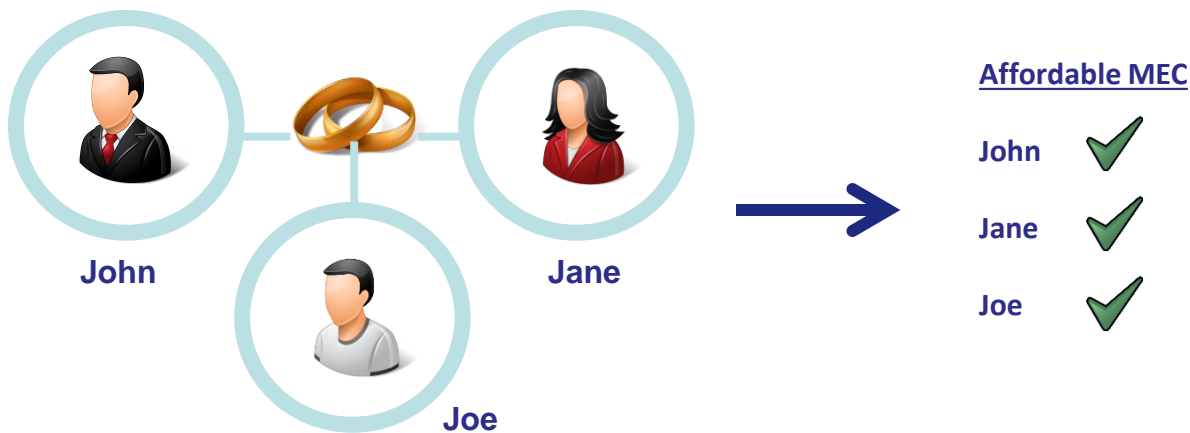
- Consumers who are without MEC for less than three continuous months do not have to pay the shared responsibility payment.
- Consumers who do not have MEC for three or more continuous months must make the shared responsibility payment for all months they did not have MEC.
 - For example, if an individual does not have MEC for four months during the year, he or she must pay the shared responsibility payment for four months.
- If a consumer goes without MEC for less than three continuous months at two different times during the year, the consumer only has to make a shared responsibility payment for the second coverage gap.

Let's See How it Works

Scenario 1: Determining Affordability

Meet John: John is married to Jane and they have one child, Joe. John is offered coverage through his job for himself. The annual premiums for his coverage amount to 8% of his annual household income. John's job also offers family coverage that covers John, Jane and Joe. The premiums for family coverage amount to 11% of the family's household income.

- John, Jane and Joe are all considered to have "affordable" employer-sponsored coverage, which counts as MEC.
- All family members are ineligible for APTC/CSRs.



Scenario 2: Short MEC Gaps

Meet Tim: Tim does not have MEC from January through February. He gets a new job and gets affordable employer-sponsored coverage from March through October, but then does not have MEC from November through December.

- Tim is exempt from the shared responsibility payment for January through February because the coverage gap was less than three months.
- Tim must make the shared responsibility payment for November through December because it is his second coverage gap of less than three months during the year.

