Advanced Affordable Care Act: Stranger Than Fiction

TALS

October 9, 2013

Michele Johnson
Gordon Bonnyman
Chris Coleman
Kristin Ware

Agenda

- Calculating Premium Tax Credits, MAGI, and Household Size – 40 minutes
- Employer coverage makes who ineligible for credits – 15 minutes
- Cost sharing help – 15 minutes
- Practice tips – 15 minutes
- Primal scream therapy – 5 minutes

Premium Tax Credits Under the Affordable Care Act: The Basics

Who is Eligible?

Individuals and families with income between 100% and 400% FPL

- Must be lawfully present in the U.S.

- Must not be eligible for other “minimum essential coverage”

FPL and Eligibility

FPL	Affordability Program	Annual Income by Household Size			
		1	2	3	4
100% FPL	Medicaid (?)	$ 11,490	$ 15,510	$ 19,530	$ 23,550
138% FPL	Medicaid (?)	$ 15,856	$ 21,404	$ 26,951	$ 32,499
150% FPL	PTC & CSR1	$ 17,235	$ 23,265	$ 29,295	$ 35,325
200% FPL	PTC & CSR2	$ 22,980	$ 31,020	$ 39,060	$ 47,100
250% FPL	PTC & CSR3	$ 28,725	$ 38,775	$ 48,825	$ 58,875
300% FPL	PTC	$ 34,470	$ 46,530	$ 58,590	$ 70,650
400% FPL	PTC	$ 45,960	$ 62,040	$ 78,120	$ 94,200

How is the Amount of the Tax Credit Determined?

Credit amount

=

Cost of benchmark plan

-

Expected premium contribution

Expected Premium Contribution

(for an individual)

Annual Household Income		Expected Premium Contribution	
% of FPL	Income Amount	% of Income	Annual Dollar Amount
100-150%	$11,490 - $16,755	2 - 4%	$230 - $670
150-200%	$16,755 - $22,340	4 - 6.3%	$670 - $1,407
200-250%	$22,340 - $27,925	6.3 – 8.05%	$1,407 - $2,262
250-300%	$27,925 - $33,510	8.05 – 9.5%	$2,262 – $3,183
300-400%	$33,510 - $44,680	9.5%	$3,183 - $4,245
> 400%	> $44,680	n/a	n/a

Gunnar

<u>3 Lowest Cost Silver Plans for Gunnar</u>

- Plan A: $4,800
- Plan B: **$5,000** ← Benchmark
- Plan C: $5,200

<u>Premium Credit</u>

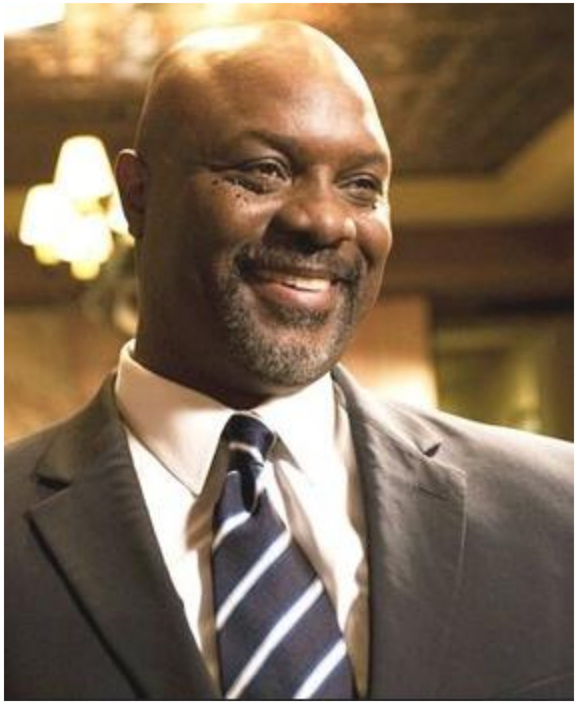
$5,000 - $1,448 = **$3,552**

25 years old

Income of $22,340 (200% FPL)

Expected contribution: 6.3% or **$1,448**

Coleman



3 Lowest Cost Silver Plans for Gunnar

- Plan A: $14,800
- Plan B: **$15,000** ← Benchmark
- Plan C: $15,200

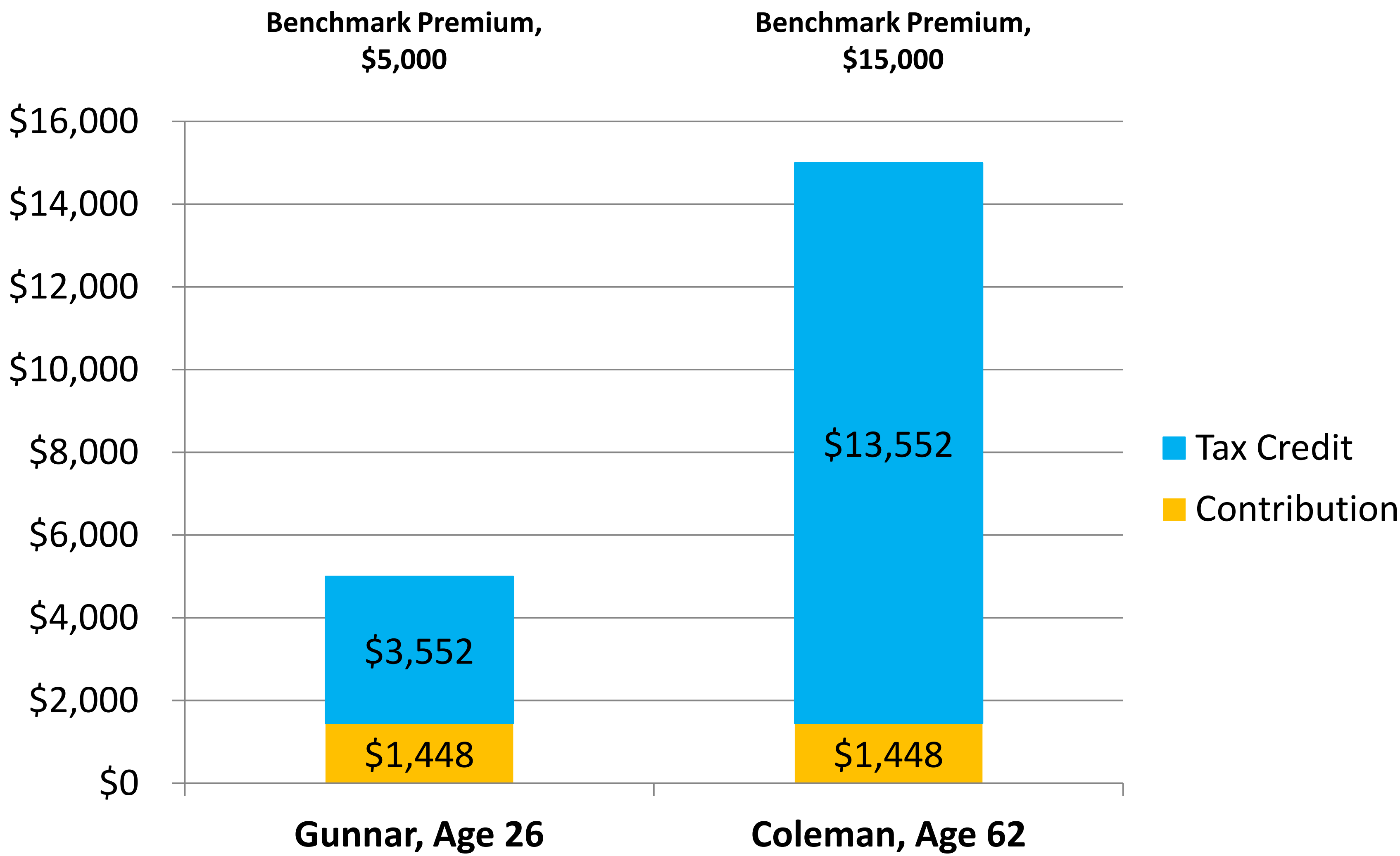
Premium Credit

$15,000 - $1,448 = **$13,552**

62 years old

Income of $22,980 (200% FPL)

Expected contribution: 6.3% or **$1,448**


Benchmark Premium, $5,000
Benchmark Premium, $15,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
$3,552
$1,448
$13,552
$1,448
Tax Credit
Contribution
Gunnar, Age 26
Coleman, Age 62

What is MAGI?

- MAGI is a methodology for how income is counted for purposes of Medicaid eligibility, Premium Tax Credits, and Cost-Sharing Subsidies.
- MAGI is based on federal tax rules for determining adjusted gross income (with some modification)
- No asset test or disregards (except across the board 5% disregard)

Whose eligibility is based on MAGI?

MAGI	Non-MAGI
Parents and Caretaker Relatives	Anyone for whom agency not required to make income determination (e.g., SSI, federal foster care or adoption assistance recipients)
Pregnant Women	CHOICES
Children	Spend-down
New “adult group” (if Tennessee expands Medicaid)	Medicare cost-sharing programs
	Breast and cervical cancer

Household Income using MAGI

- Household income = sum of MAGI of every individual in the household, minus 5% of FPL for applicable household size.

- Not included:
  - Income of tax dependents (except spouse) not expected to file taxes.

MAGI Methodology Differs Significantly from Current Medicaid Rules

- Some income that is currently counted is not counted
- Elimination of asset/resource limits
- Elimination of income disregards
- New disregard equal to 5 percentage points of the poverty line
- New household rules result in changes in whose income is counted (e.g. step-parents)

Differences in Income Sources: MAGI and Current Medicaid Rules

Income Source	Current Medicaid Rules	MAGI Medicaid Rules
Self-employment income	Counted with deductions for some, but not all, business expenses	Counted with deductions for most expenses, depreciation, and business losses
Salary deferrals (flexible spending, 401(k) plans)	Counted	Not counted
Child support received	Counted	Not counted
Alimony paid	Not deducted from income	Deducted from income
Veterans' benefits	Counted	Not counted
Workers' compensation	Counted	Not counted
Gifts & inheritances	Counted as lump sum in the month received	Not counted
TANF & SSI	Counted	Not Counted

TennCare Eligibility Standards Using MAGI

	Children				Pregnant Women	Adult Caretakers
	Medicaid Ages 0-1	Medicaid Ages 1-5	Medicaid Ages 6-18	CHIP		
Current Eligibility Standard	185%	133%	100%	250%	185%	HH of 2: 109%* HH of 3: 104% HH of 4: 99%
MAGI Standard	195%	142%	133%	195%	195%	HH of 2: 103% HH of 3: 99% HH of 4: 95%

*Factors in maximum earned income disregard

Why Household Size Matters

Necessary to convert income to a federal poverty level (FPL) standard.

Household size	100%	133%	200%	250%	400%
1	$11,490	$15,282	$22,980	$28,725	$45,960
2	$15,510	$20,628	$31,020	$38,775	$62,040
3	$19,530	$25,975	$39,060	$48,825	$78,120
4	$23,550	$31,322	$47,100	$58,875	$94,200
5	$27,570	$36,668	$55,140	$68,925	$110,280

Household Size Under MAGI

- Individual-based determination
  - Members of the same household could have different household sizes
- Three categories of individuals
  - Tax filers not claimed as a tax dependent
  - Tax Dependents
  - Non-filers **and** not claimed as a tax dependent
- Based on **expected** tax filing status

Household Size for Premium Tax Credits

Household size = Tax filing unit

- Tax filer (includes married taxpayers filing jointly) and *all* claimed tax dependents.
- Includes family members and unrelated individuals claimed as a tax dependent by a taxpayer (e.g., stepchild, grandchild, niece, taxpayer's parent).

Household Size for Premium Tax Credits

Household size = 3

Household Size for Medicaid:
Tax Filers

Household size = Tax filing unit

For tax **filers**, rules for household size are always the same, regardless of the program.

Medicaid Rule for Non-filers Not Claimed as a Dependent

- Adults: Household = individual plus spouse and children (including step-children)

- Children: Household = child plus siblings and parents (including step-parents) living with child.

There are only two possibilities

1. **Household size = tax filing unit** (always applies to Premium Tax Credits and to Tax Filers for Medicaid)

2. **Household size = Parents, children, and siblings living together** (always applies to non-filers not claimed as a dependent; only applies to Medicaid)

Medicaid Rule for Tax Dependents

- Household = household of the tax filer claiming the dependent (tax filing unit),

  unless . . .

  - Tax dependent is not the child or spouse of the tax filer
  - Tax dependent is a child living with both parents who are unmarried
  - Tax dependent is a child claimed as a tax dependent by a non-custodial parent

Deacon

- Deacon lives alone, of course.
- Deacon is not claimed as a dependent on anyone else's tax return and has no tax dependents.

	Counted in HH	HH Size
	Deacon	
Deacon	✔	1

TENNESSEE JUSTICE CENTER

Conrad-James Family (pre-divorce)

- Conrad-James family: married couple with 2 children
- Teddy and Rayna file a joint return and claim both children as dependents

	Counted in HH				HH Size for Medicaid
	Rayna	Teddy	Maddie	Daphne	
Rayna	✔	✔	✔	✔	4
Teddy	✔	✔	✔	✔	4
Maddie	✔	✔	✔	✔	4
Daphne	✔	✔	✔	✔	4

Conrad≠James Family (after divorce)

- Rayna lives with both daughters and files taxes as a single individual
- Teddy claims girls as tax dependents

	Counted in HH				HH Size for Medicaid
	Rayna	Maddie	Daphne	Teddy	
Rayna	✔				1
Maddie	✔	✔	✔		3
Daphne	✔	✔	✔		3
Teddy		✔	✔	✔	3

Juliette – Three-Generation Household



- Juliette lives with and supports her 44-year old mother, Jolene, and her 1-year old daughter
- Juliette is the tax filer and claims her Jolene and daughter as dependents

	Counted in HH			HH Size for Medicaid
	Juliette	Jolene	Daughter	
Juliette	✔	✔	✔	3
Jolene		✔		1
Daughter	✔	✔	✔	3

Deacon and Rayna Move in Together

- Deacon and Rayna live together
- Deacon adopts Maddie and Daphne
- Deacon claims the children on his taxes. Rayna files alone.

	Counted in HH				HH Size for Medicaid
	Deacon	Rayna	Maddie	Daphne	
Deacon	✔		✔	✔	3
Rayna		✔			1
Maddie	✔	✔	✔	✔	4
Daphne	✔	✔	✔	✔	4

Are you eligible for Premium Tax Credits?

Offers of employer coverage

Topics

- How an offer of coverage affects premium tax credit eligibility

- How affordability and adequacy of employer sponsored insurance are measured for employees and families

Premium Tax Credits & Employer Coverage

- An individual is <u>not eligible</u> for premium tax credits if he is eligible for other minimum essential coverage (MEC)

Minimum Essential Coverage

- Most employer sponsored coverage is MEC
- An offer of coverage - **even if it's not taken** - can make someone ineligible for premium tax credits
- BUT Wait…

Exception

- an individual may be eligible for premium tax credits if the employer plan is *unaffordable* or *inadequate* and if the employee does *not enroll* in it

Small & Large Employers: Insurance Market Definitions

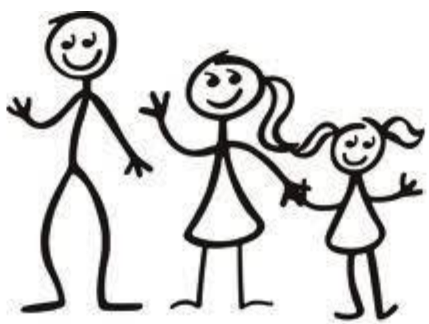
Small Employer	**Large Employer**
Average of at least **1 but not more than 100 employees** during calendar year In 2014 and 2015, at state option **no more than 50**	Average of at least **101 employees** during calendar year In 2014 and 2015, at state option **51**

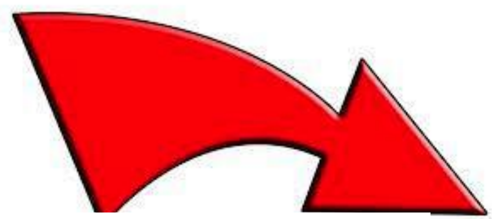
Requirements for Employer-Sponsored MEC

Small-Group Market	Large-Group Market & Self-Insured
Benefits: • Essential health benefits Enrollee Cost Protections: • No annual or lifetime limits • Out-of-pocket limits • Limits on deductibles	Benefits: • Preventive services Enrollee Cost Protections: • No annual or lifetime limits • Out-of-pocket limits

Jumping the "Firewall" Between Employer Coverage and Premium Tax Credits

If unaffordable or inadequate





Offer of Employer Coverage

Premium Tax Credits

Is it Affordable?

- Affordable = employee contribution for **self-only** coverage is less than **9.5%** of household income
- Yes that's right! Cost of self only coverage used to determine affordability for both employee and dependents !!??!

Affordability of Employee-Only Coverage

Juliette

Example 1:

Income: **$40,000**
Juliette's share of the premium: **$200/month**

Is the plan affordable?
Cost: **$2,400**
Share of income: **6%**

The plan **is affordable**.
Juliette cannot qualify for premium tax credits.

Example 2:

Income: **$25,000**
Juliette's share of the premium: **$200/month**

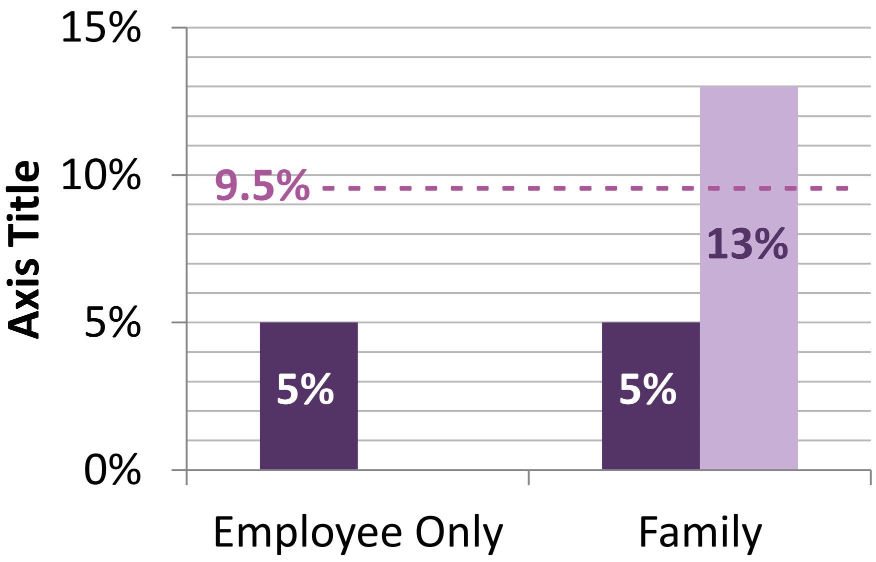
Is the plan affordable?
Cost: **$2,400**
Share of income: **10.4%**

The plan **is not affordable**.
Juliette may qualify for premium tax credits.

Affordability of Family Coverage (Conrad Family)

Mom works at Edgehill She earns $35,000. Dad is an politician and earns about $12,000.

Family Income: $47,000
Premium Cost to Employee for Employee-Only Plan: $196/mo ($2,350/yr) *5% of income*
Premium Cost to Employee for Family Plan: $509/mo ($6,110/yr) *13% of income*

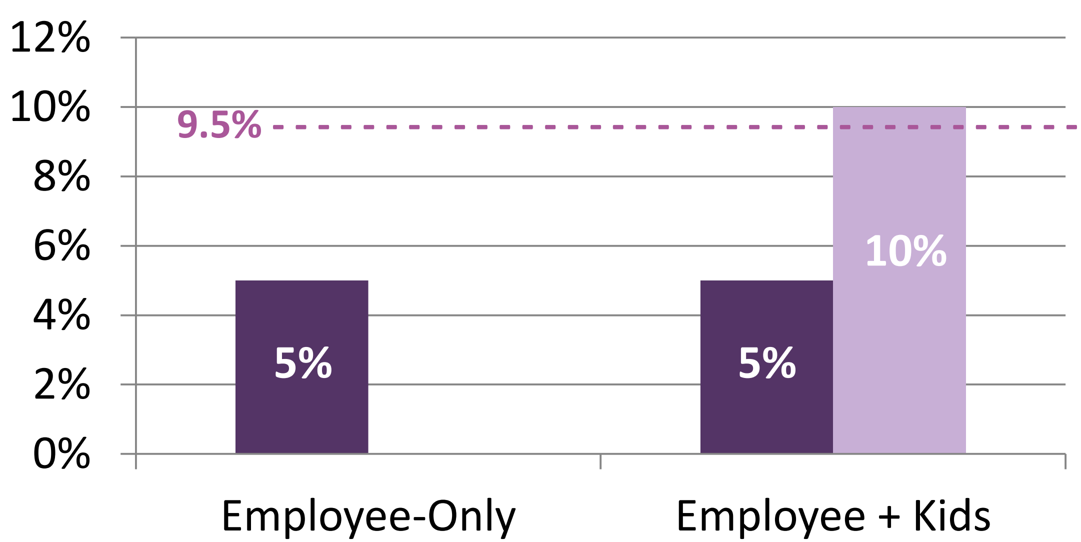


Bottom Line:
No one is eligible for premium tax credits because family coverage is considered affordable.

Affordability of Family Coverage (Conrad Family)

Family Income: $47,000
Premium Cost to Employee for Employee-Only Plan: $196/mo ($2,350/yr) *5% of income*
Premium Cost to Employee + Kids Plan: $392/mo ($4,700/yr) *10% of income*

Family coverage is not offered.



Mom and Kids

-Employee + kids plan is considered **affordable** because employee-only plan is affordable.

-Mom and kids are **not eligible** for premium tax credits.

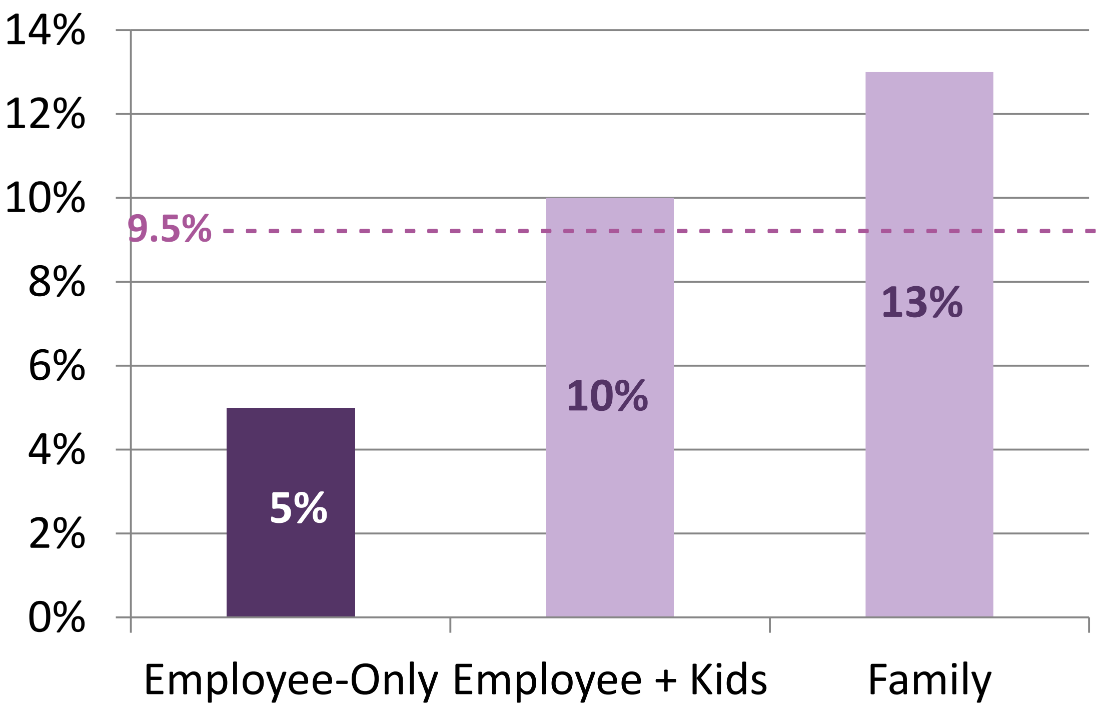
Dad

-Dad has **no offer** of coverage.

-He may be **eligible** for premium tax credits.

Affordability of Family Coverage (Conrad Family)

Family Income: $47,000
Employee-Only Plan: $196/mo ($2,350/yr) *5% of income*
Employee + Kids Plan: $392/mo ($4,700/yr) *10% of income*
Family Plan: $509/mo ($6,110/yr) *13% of income*



Any of these plans would be considered affordable because the cost of self-only coverage is <9.5% of income.

Jumping the Firewall: When is Coverage Adequate?

- Coverage is adequate if it has a minimum value (MV) of 60%
  - This generally means that the plan pays at least 60% of spending for coverage of essential health benefits for a typical population, after accounting for cost-sharing charges required under the plan.

Jumping the Firewall: When is Coverage Adequate?

- In 2014, small group coverage will generally meet MV
- Large employers may or may not meet this standard
  - Often self-insured
  - Coverage isn't required to fit into metal tiers

Is the Offer Affordable and Minimum Value?

Income: $47,000

Plan A: Employee-Only	**Plan A: Family**	**Plan B: Family**
Cost: $196/mo	Cost: $509/mo	Cost: $235/mo
5% of income	*13% of income*	*6% of income*
MV: 65%	MV: 65%	MV: 30%

Is employee-only plan affordable?
Yes, cost <9.5%

Is employee-only plan adequate?
Yes, MV >60%

Plan A is affordable and meets MV for the employee; therefore, no one in the family is eligible for subsidized Marketplace coverage.

If the family can't afford Plan A, Plan B is less costly but covers much less care.

Coverage Choices for Young Adults

Juliette is **24 years old**. She holds two part-time jobs.
One of the jobs offers coverage. **Income:** $17,000

Part-Time Job
Cost: $85/mo
6% of income
MV: 40%

Juliette could accept this offer, BUT because the plan has MV under 60%, the offer doesn't preclude premium tax credit eligibility.

Marketplace
-$150% FPL
Cost: $57/mo after premium tax credit
AV: 94% after cost-sharing reduction

Juliette can apply for premium tax credits & cost-sharing reductions

Dad's Plan
Cost: $0 to Juliette (Dad pays for family coverage)

Juliette can join her Dad's family plan because she is under age 26. Offer does not make her ineligible for a premium tax credit.

How Will an Employee Know if his Offer is Affordable or Adequate?

- Application has an appendix to be completed by the applicant (with help from his employer to indicate value and cost of the plan

Tell us about the **health plan** offered by this employer.

14. Does the employer offer a health plan that meets the minimum value standard*? ☐ Yes ☐ No

15. For the lowest-cost plan that meets the minimum value standard* offered **only to the employee** (don't include family plans): If the employer has wellness programs, provide the premium that the employee would pay if he/ she received the maximum discount for any tobacco cessation programs, and did not receive any other discounts based on wellness programs.

    a. How much would the employee have to pay in premiums for this plan? **$** ______________

    b. How often? ☐ Weekly ☐ Every 2 weeks ☐ Twice a month ☐ Once a month ☐ Quarterly ☐ Yearly

Verification of Employer Offer

- Final rules issued 7/5
- In most cases marketplaces will rely on information presented in the application
  - Federally facilitated marketplace (FFM) will check a sample of cases by contacting employers
  - State marketplaces can rely on information provided in the application until 2015

Wellness Programs Affect Affordability and Minimum Value Determinations

- Wellness programs reward or penalize people for meeting certain health goals
- Non-tobacco wellness rewards/penalties
  – Up to 30% of total premium cost
  – Measure affordability and MV as if the reward has not been earned (highest premium and cost-sharing)
- Tobacco-related wellness rewards/penalties
  – Up to 50% of total premium cost
  – Measure affordability and MV as if the reward has been earned (lowest premium and cost-sharing)

Example: Wellness Rewards

Acme is considering two wellness programs. If an employee fails to meet the goal, Acme will apply the largest premium surcharge allowable by law.

(1) BMI < 26   (2) Tobacco cessation

Income: $30,000

	Failure to achieve BMI < 26	Failure to end tobacco use
Total Premium	$6,000/yr	$6,000/yr
Employee Share	$2,400/yr cost to employee	$2,400/yr cost to employee
Penalty (max)	**30% surcharge** 30% of $6,000 = $1,800	**50% surcharge** 50% of $6,000 = $3,000
Maximum employee premium	$2,400 + $1,800 - $4,200 *14% of income*	$2,400 + $3,000 = $5,400 *16% of income*
Premium for determining plan affordability	**$4,200 (premium including non-tobacco wellness surcharge)** *14% of income*	**$2,400 (premium assuming tobacco-related wellness rewards are met)** *8% of income*
	Unaffordable. $4,200 > 9.5% of income	**Affordable.** $2,400 < 9.5% of income (though *actual* employee premium is 18% of income)

Cost-Sharing Reductions

Marketplace Plans – Metal Levels

Plan Level	Actuarial Value
Platinum	90%
Gold	80%
Silver	70%
Bronze	60%

Lower enrollee cost-sharing

Higher enrollee cost-sharing

Sample Cost-Sharing Reduction (CSR) Plans

	Standard Silver	CSR for up to 150% FPL	CSR for 151-200% FPL	CSR for 201-250% FPL
Actuarial Value	70%	94%	87%	73%
Deductible (Indiv)	$2,000	$0	$250	%1,750
Max. OOP limit (Indiv)	$5,500	$1,000	$2,000	$4,000
Inpatient hospital	$1,500 per admiss.	$100 per admiss.	$250 per admiss.	$1,500 per admiss.
Office visit	$30	$10	$15	$30

Same, but different

	SILVER # 1 (enrollee pays)	SILVER # 2 (enrollee pays)
Deductible (individual)	$2,000	$2,500
Maximum OOP Limit (individual)	$5,500	$6,350
Inpatient hospital (After deductible)	$1,500/admission	30%
Office visit (After deductible)	$30	$35

TENNESSEE JUSTICE CENTER

RULE*:

If your CLIENT falls between 100-250% of FPL, she should pick a SILVER plan.


Scarlett

Age: 24

Premium Credit: $ 3,552

Income: $22,980

	SILVER PLAN Yr. Premium: $5,000 Contribution: $121/mo. **AV w/CSR: 87%**	**BRONZE PLAN** Yr. Premium: $3,000 Contribution: $0/mo. **AV (w/out CSR): 60%**
	Sample Silver-CSR (enrollee pays)	Sample Bronze (enrollee pays)
Deduct.	$250	$3,000
OOP limit	$2,000	$6,350
Inpatient Hospital	$250/admission	50% of charge
Office visit	$15	$35

Scarlett

Age: 24

Premium Credit: $ 3,552

Income: $22,980

	SILVER PLAN Yr. Premium: $5,000 Contribution: $121/mo. **AV w/CSR: 87%**	**GOLD PLAN** Yr. Premium: $6,000 Contribution: $204/mo. **AV(w/out CSR): 80%**
	Sample Silver-CSR (enrollee pays)	Sample Gold (enrollee pays)
Deduct.	$250	$600
OOP limit	$2,000	$4,000
Inpatient Hospital	$250/admission	$1,000/admission
Office visit	$15	$25

But what if?

Rule:
No reconciliation at end of the year (for cost-sharing reductions)

Advocacy Tips

- SILVER!
- Cost-sharing reduction “cliffs” & no reconciliation
- Discuss likely health care expenses
- Deductible vs. co-payments
- Provider network and covered benefits

Practice Tips

TENNESSEE JUSTICE CENTER

Practice Tip #1

- Always choose Silver.

Practice Tip #2

- Be optimistic about income estimates if on the border of 100% of poverty.

Practice Tip #3

- Consider being pessimistic at "cliffs" of cost sharing.

Practice Tip #4

- Be alert to the possibility that the system and those helping individuals enroll might miss Medicaid categories.

Practice Tip #5

- Collect stories.