



Health Reform: **Beyond the Basics**

[healthreformbeyondthebasics.org](http://healthreformbeyondthebasics.org)

# Renewals, Reconciliation, and Exemptions

*Center on Budget and Policy Priorities*

October 23, 2014

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# Marketplace Renewal Process

Update eligibility and amount of premium tax credits and cost-sharing reductions.

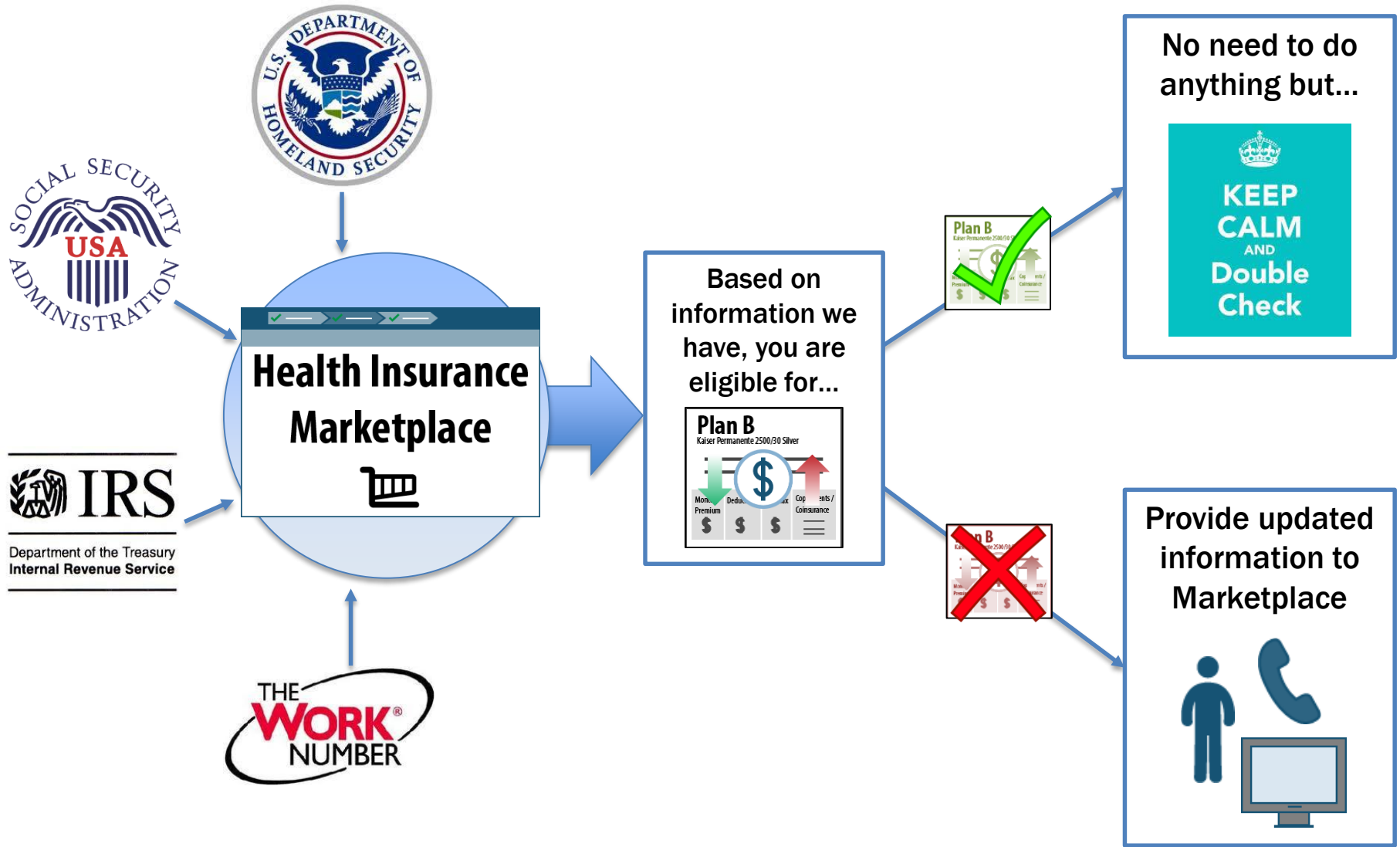
The screenshot shows a web interface with a progress bar at the top containing three steps, the second of which is marked with a green checkmark. Below the progress bar are two unchecked checkboxes. The main content area is titled "Eligibility Determination" and contains several horizontal lines for text input. At the bottom of this section is a prominent yellow button with the word "UPDATE" in black capital letters.

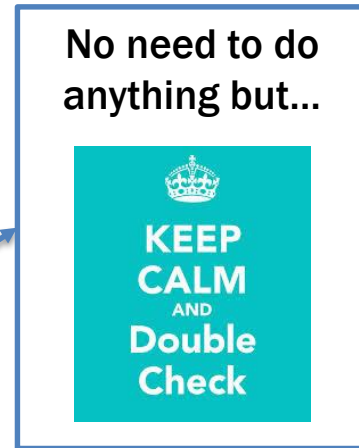
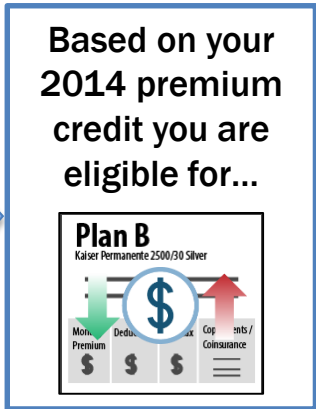
Review health plan options for 2015 and decide whether to select a new health plan.

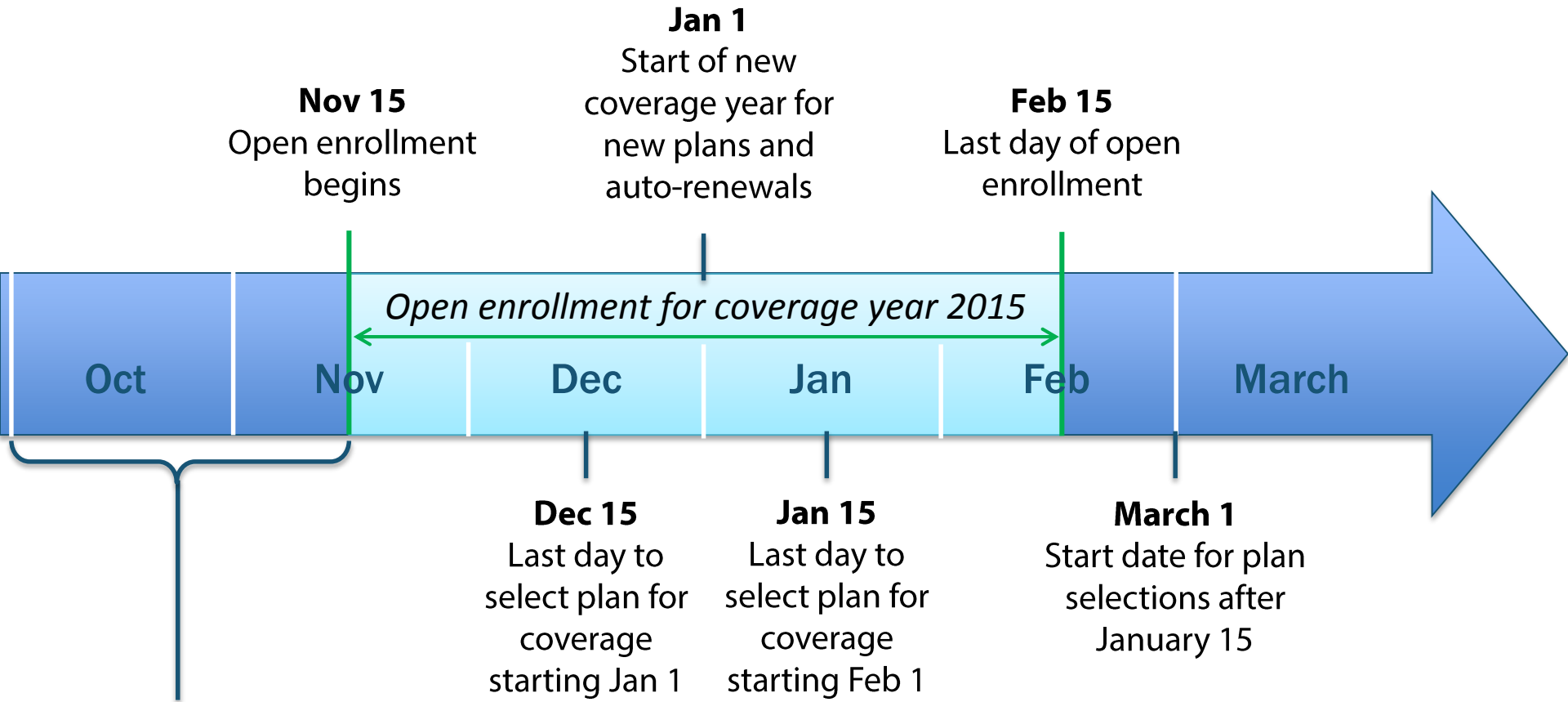
Three overlapping health plan cards are displayed. Each card has a header with the plan name and a sub-header with the provider name. Below the header is a table with four columns: Monthly Premium, Deductible, OOP Max, and Copayments/Coinsurance. The first three columns contain a dollar sign (\$) and the fourth contains a horizontal line. The cards are as follows:

- Plan A:** BlueChoice HSA Bronze
- Plan B:** Kaiser Permanente 2500/30 Silver
- Plan C:** Cigna Health Flex 5000 Silver

# Renewal Process as Originally Envisioned in Regulations







## Oct 1 - Nov 15

- Notices from the Marketplace sent to enrollees about open enrollment
- Notices from issuers sent to enrollees about renewal of 2014 coverage and (if applicable) information on product discontinuations

- Insurer Notices
  - Availability of current plan
  - If current plan not available, information on new plan or discontinuance of coverage
  - Premiums for current or new plan and 2014 APTC amounts
- Marketplace Notices
  - Three types of notices depending on enrollee's 2013 IRS information
    - Standard
    - Income-Based Outreach Notice
    - Special Notice

- Regulations set out a hierarchy for a person's current insurer to select a new plan for consumer:
  - Enroll consumer in the same type of Marketplace plan (i.e. HMO, PPO) at the same metal level if possible.
  - If not possible, enroll consumer in a different metal level and/or plan type or in a plan outside the Marketplace according to the hierarchy in the regulations.
- If the insurer is no longer offering coverage inside or outside the Marketplace, consumers must select a new plan from a different insurer.



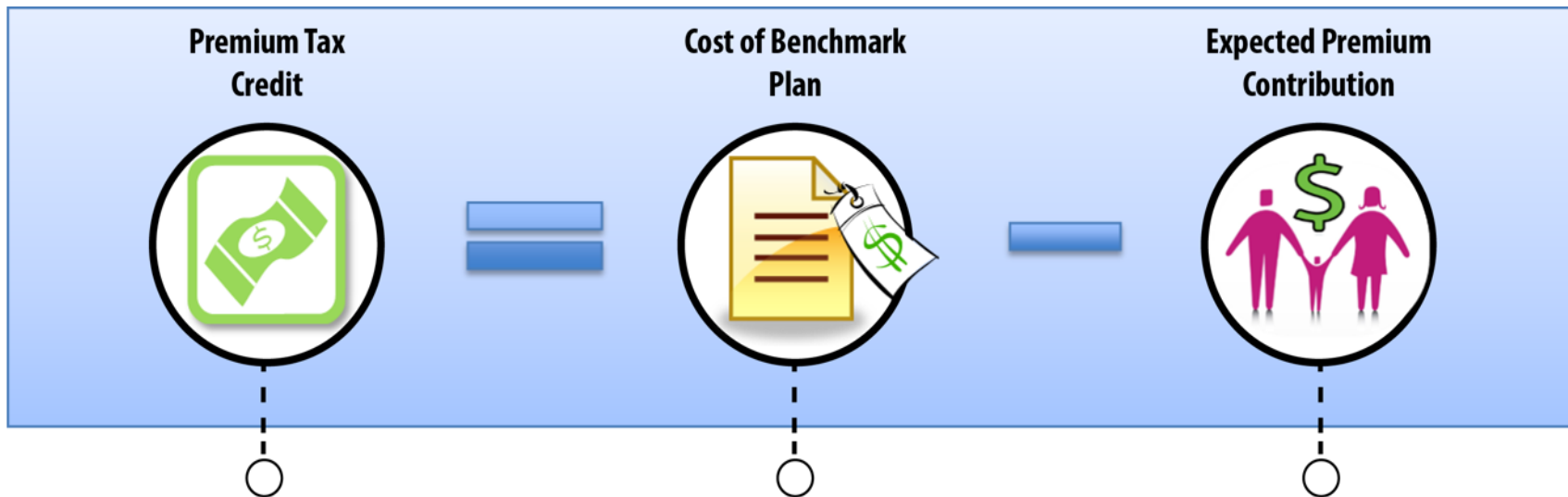
	Standard Notice		Special Notice	Income Based Outreach
	Standard Notice	If No Consent to Check Tax Data		
Recipients	Everybody	People who did not give consent to check 2013 IRS data	2013 tax income above 500% FPL	2013 tax income between 350% - 500% FPL or different from stated 2014 income by 50%, or no IRS info
Message	Dates for open enrollment, description of renewal, reminder to report changes, information about reconciliation	Return to Marketplace to provide consent and update eligibility	Likely to be over-income for APTCs and encouraged to return to Marketplace	Likely had changes and encouraged to return to Marketplace
Outcome	Renewed at 2014 levels and plan if no action taken	Renewed without APTCs/CSRs if no action taken	Renewed without APTCs/CSRs if no action taken	Renewed at 2014 levels and plan if no action taken

To receive a premium tax credit, a person must:

1. Be enrolled in a Marketplace plan, must be:
  - *Citizen or lawfully present*
  - *Not incarcerated (except if pending disposition of charges)*
  - *Resident of the service area of the Marketplace*
2. Have income between 100 and 400 percent of the federal poverty line
3. Have an eligible filing and dependent status
4. Be ineligible for minimum essential coverage (MEC), which includes most public and employer-sponsored coverage

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The **Premium Tax Credit** is the difference between the cost of the benchmark plan and what an individual is expected to contribute towards the cost of premiums. It is calculated monthly.

The **cost of the benchmark plan** is the second lowest cost silver plan available to each eligible household member  
*(Note: When no one plan covers every member, may be based on one or more policies)*

The **expected premium contribution** is based on an individual's income and is set on a sliding scale. It varies from 2% of income at 100% FPL to 9.5% of income beginning at 300% FPL.

## Credit amount affected by:

- Individual or family's expected contribution based on their **income**
- **Premium cost for benchmark plan**

- Family circumstances may be different
  - Income
  - Household size
  - Household composition
- Factors affecting price of 2014 coverage in 2015
  - Premium increases or decreases
  - Age rating
- Factors affecting calculation of premium credits for 2015
  - Changes in the benchmark plan
  - Use of 2014 poverty levels
  - Slight increase in percentage used to calculate expected contribution



## John:

Age: **24**

Income: **\$22,980**

(197% FPL in 2015)

Expected contribution: **\$1,425**

(6.2% of income in 2015)

## Why do John's costs change in 2015?

- The benchmark plan and John's expected contribution changed in 2015 affecting John's APTC calculation:
  - Benchmark plan cost for 2015: **\$2,200**
  - Expected Contribution for 2015: **\$1,425**
  - Premium Credit for 2015: **\$775**

## In Auto-Renewal Notice from Issuer:

*(John's premiums in his current plan rose 1%)*

John's 2014 Plan Cost: \$2,300

Premium Credit for 2014: \$1,087

John's 2015 Plan Cost: \$2,323

Premium Credit (PTC) for 2015: \$1,087

(auto-renewed at 2014 level)

John's Premium Cost: **\$1,236**



## What John Should Be Paying:

John's 2015 Plan Cost: \$2,323

Recalculated PTC for 2015: \$775

John's Actual Premium Cost: **\$1,548**

# Impact of Benchmark Plan Change on PTC Amount

## John:

Age: 24

Income: \$22,980

200% FPL in 2014

197% FPL in 2015



2014

Benchmark Plan: **\$2,535**  
 Expected Contribution: **\$1,448** (6.3% of income)  
 Premium Credit: **\$1,087**

2014 Plan Cost: **\$2,300**

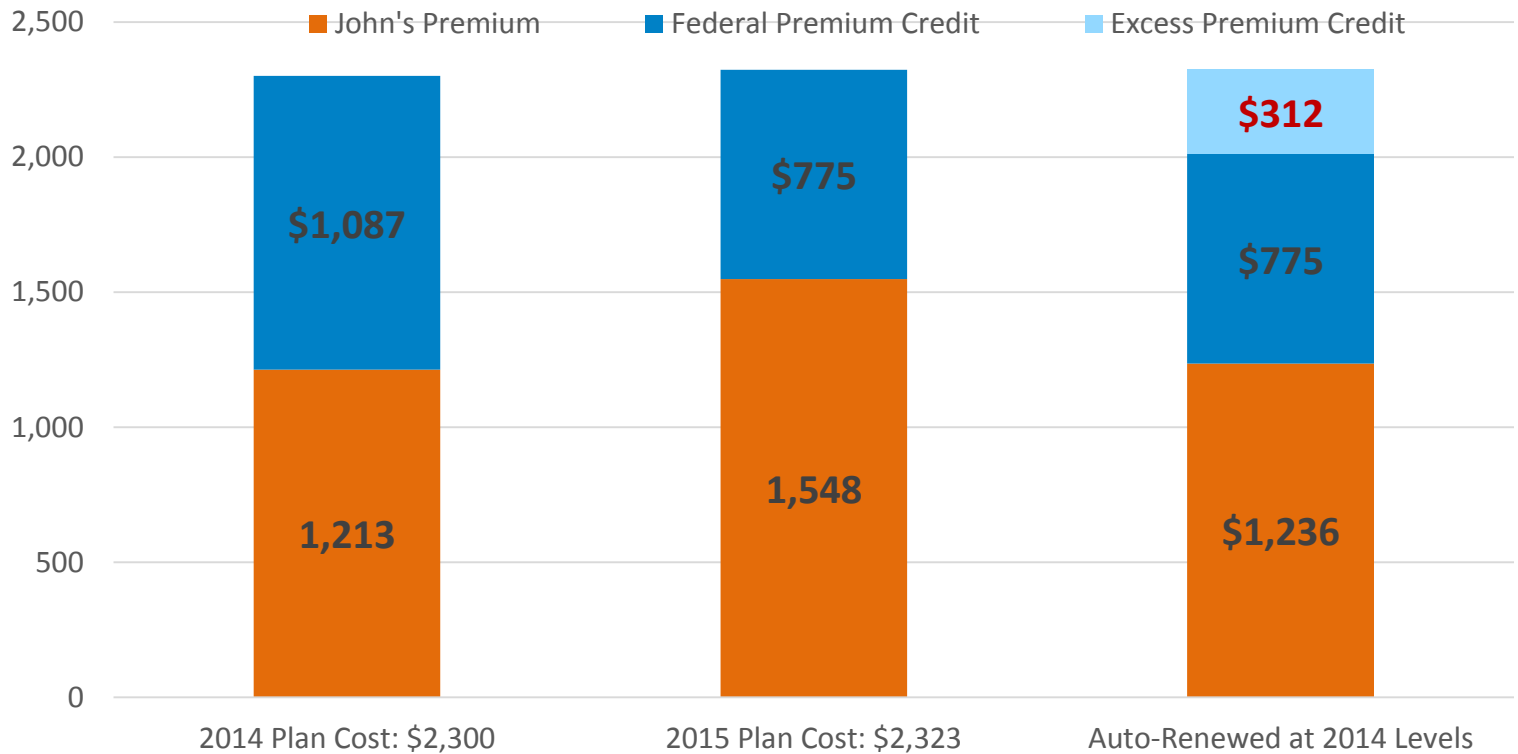
2015

Benchmark Plan: **\$2,200**  
 Expected Contribution: **\$1,425** (6.2% of income)  
 Premium Credit: **\$775**

2015 Plan Cost: **\$2,323**

Auto-Renewed at 2014 Levels

Auto-Renewed PTC: **\$1,087**  
 Actual Credit: **\$775**  
 Excess Credit: **\$312**  
 2015 Plan Cost: **\$2,323**



# How Age Rating Can Affect Premiums and PTCs

## Example: Lana and Adrianna



### Why do Lana and Adrianna's costs change in 2015?

- Because she turned 21, Adrianna is no longer considered a child, which increases her premiums. It also increases the amount of the family's premium credit.

**2014**

Lana Age: 45      Adrianna Age: 20  
 Income: 200% FPL (\$31,020)  
 Expected Contribution: 6.3% (\$1,954)  
 Benchmark Plan Cost: \$5,270  
 Premium Credit (PTC): \$3,316

Premium Cost for 2014: **\$1,954/year, \$163/month**

**2015**

Lana Age: 46      Adrianna Age: 21  
 Income: 200% FPL (\$31,460)  
 Expected Contribution: 6.34% (\$1,995)  
 Benchmark Plan Cost: \$6,338  
 Premium Credit (PTC): \$4,343

Premium Cost for 2015: **\$1,995/year, \$166/month**

### **If Auto-Renewed at 2014 Levels**

2015 Plan Cost: \$6,338  
 Premium Credit: \$3,316 (auto-renewed at 2014 level)

Premium Cost if Auto-Renewed: **\$3,022/year, \$252/month**



- Kaiser Family Foundation analysis of premium changes in 15 cities and DC
  - Average decrease in second lowest silver plan of 0.8%
  - In 12 out of 16 cities at least one insurer offering one of two lowest cost silver plans in 2014 no longer offering a low-cost silver plan in 2015
- New York Times analysis of McKinsey data (18 states and DC)
  - Average increase of 1 percent for cheapest silver plans
  - But not same as 2014 cheapest plans: Average increase in prices of those plans of 8.4 percent
  - And premiums of benchmark plans decreasing by 1.4 percent
- Conclusion: Most people can maintain coverage at similar price but may need to change plans to do that

# Many People Will Have Multiple Changes

## John:

Plan Cost: **\$2,535**

- Income increases
- Cost of benchmark decreases



2014

Income: **\$22,980**  
(200% FPL)

Benchmark Plan: **\$2,535**

Expected Contribution: **\$1,448**

Premium Credit: **\$1,087**

2015

Income: **\$25,674**  
(220% FPL)

Benchmark Plan: **\$2,200**

Expected Contribution: **\$1,808**

Premium Credit: **\$395**

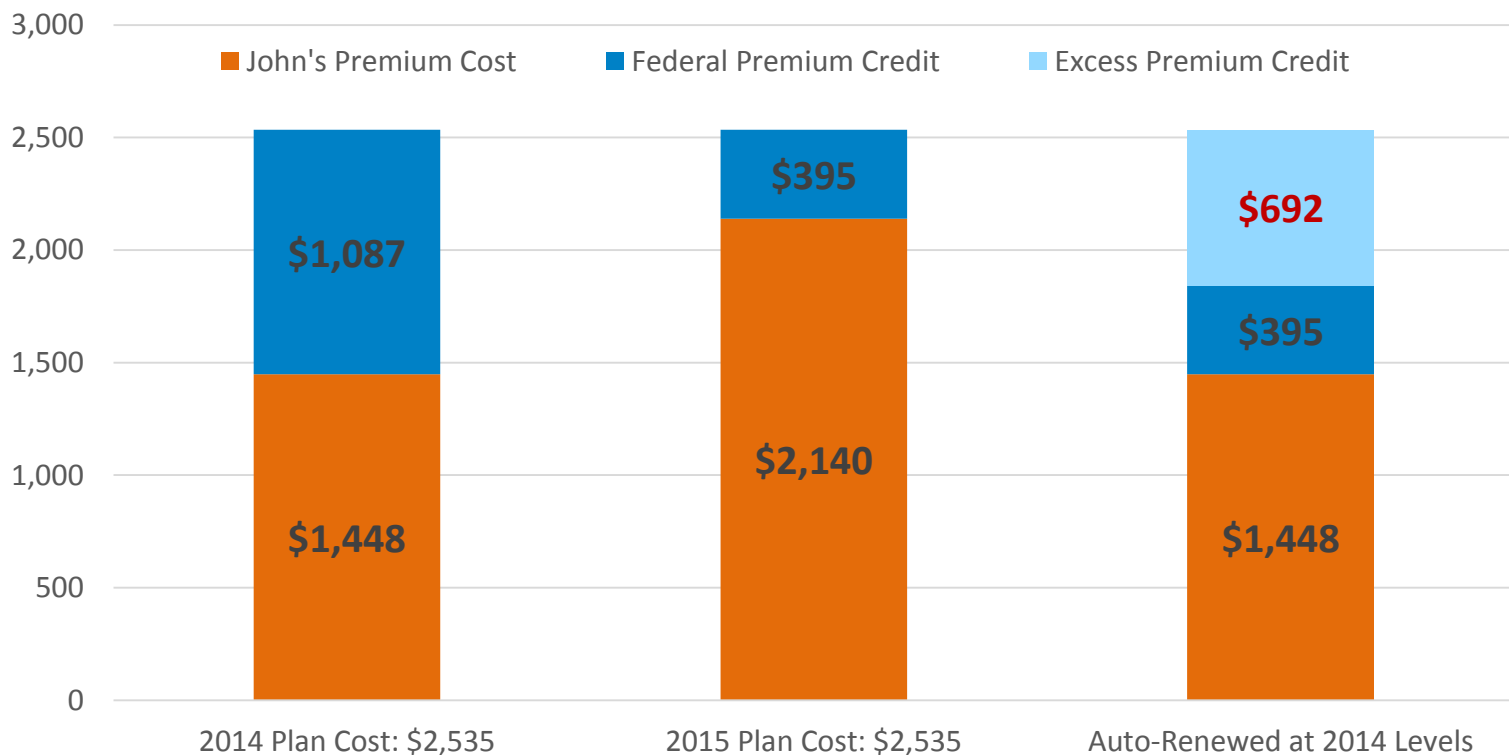
Auto-Renewed at 2014 Levels

Auto-Renewed PTC: **\$1,087**

Actual Credit: **\$395**

2015 Plan Cost: **\$2,535**

Excess Credit: **\$692**



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# Introduction to Reconciliation

# Steps in the Tax Return Related to the ACA


**There is a requirement to have health insurance coverage starting Jan. 1, 2014. People without coverage may pay a penalty.**

**Step 1**

**Did everyone on the tax return have coverage all year?**

**YES** →

**Taxes**

69	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	69	
60a	Household employment taxes from Schedule H	60a	
b	First-time homebuyer credit repayment. Attach Form 5405 if required	60b	
61	Health care: individual responsibility (see instructions) Full-year coverage 	61	

**NO** →

**Go to Step 2.**

**Step 2**

**Is anyone on the tax return eligible for an exemption from the coverage requirement for any month during the year?**

- Can this exemption be granted by the IRS on the tax return?

**OR**

- Does this exemption require approval from the Marketplace?

**Step 3**

**If no coverage and no exemption, calculate Individual Responsibility Payment using tax worksheet.**

**Step 4**

**If someone on the tax return purchased coverage in the Marketplace and qualifies for a premium tax credit, complete Form 8962.**

- The APTC is reconciled on the tax return
  - The amount of APTC is recalculated without regard to how it was calculated on the initial application.

REPAYMENT LIMITS ON APTC		
Income (as % of federal poverty line)	SINGLE taxpayers will pay back no more than ...	OTHER taxpayers will pay back no more than....
Under 200%	\$300	\$600
At least 200% but less than 300%	\$750	\$1,500
At least 300% but less than 400%	\$1,250	\$2,500
400% and above	Full reconciliation	Full reconciliation



## When He Applied:

Household MAGI: \$27,000 (235% FPL)

Expected contribution: 7.52% of income (\$2,032)

Benchmark: \$2,756

PTC Calculation:

$\$2,756 - \$2,032 = \$724$

**APTC: \$724**

John wins \$5,000 in a fantasy football prize league!

## On His 1040 (at tax time):

Household MAGI: \$32,000 (279% FPL)

Expected contribution: 8.88% of income (\$2,842)

Benchmark: \$2,756

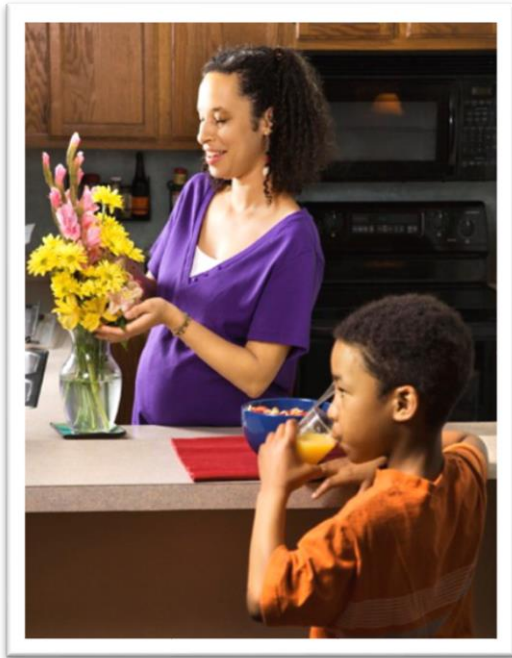
PTC Calculation:

$\$2,756 - \$2,842 = 0$

**PTC: \$0**

**Result:** John has a final PTC of \$0. He needs to repay the full amount of \$724.

- In general, a person must have income between 100-400% FPL to qualify for PTC.
  - *Exception:* Lawfully present immigrants who are not eligible for Medicaid because of their immigration status are eligible with income below 100% FPL
- A special rule applies when income falls below 100% FPL during the year if:
  - A person was enrolled in a qualified health plan (QHP)
  - The Marketplace estimated income between 100%-400% FPL
  - APTC were authorized for one or more months
  - The taxpayer was otherwise eligible for APTC
- If these rules are met, the person is still an *applicable taxpayer*
- The PTC will be calculated using *actual income*



## Lisa, Jackson, and David

- Lisa lives with her son, Jackson. She is divorced from Jackson's dad, David.
- Lisa and David alternate claiming of Jackson as a dependent on their tax return.
- When Lisa applied for coverage, she applied as a household of 1, expecting her son to be claimed by David in 2014.
- Lisa's financial situation:
  - \$15,400– Lisa's income
  - \$10,000 – Child support received by Lisa (not counted)



## Example: Income Falls Under 100% FPL

### When She Applied:

**Household MAGI:** \$15,400 (134% FPL for a household of 1)

**Expected contribution:** 3.06%

**APTC:** \$2,668 (Lisa lives in a non-expansion state)

David fails to pay child support. As a result, Lisa does not permit David to claim their son as a dependent.

### On Her 1040 (at tax time):

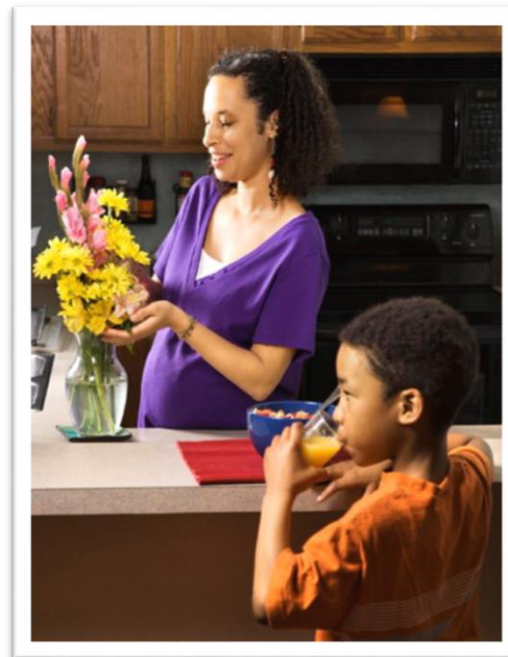
**Household MAGI:** \$15,400 (99% FPL for a household of 2)

**Expected contribution:** 2% (\$308)

**Benchmark:** \$3,139

**PTC:** \$3,139 - \$308 = \$2,831

**Result:** An additional \$163 added to Lisa's tax refund.



**Note:** The expected contribution is 2% in all households with income less than 133% FPL

## When to Count a Dependent's Income

- Household income = MAGI of tax filer and all tax dependents who are *required* to file a tax return

**In general, a single dependent under age 65 has a filing requirement if (2014 figures):**

- Unearned income of >\$1,000, OR
- Earned income of >\$6,200, OR
- Taxable gross income was more than the larger of: \$1,000 or earned income (up to \$5,850) plus \$350

*Note: In making this determination, Supplemental Security Income (SSI) and non-taxable Social Security benefits are not counted.*

- After determining that the dependent has a tax filing requirement, both taxable and non-taxable Social Security (but not SSI) count towards the household income.

## Example: Single Adult with Dependent

Jill (62) lives with Ryan, her 16-year-old grandson, and claims him as a tax dependent. She files as head of household.

- \$18,000 – Jill’s income
- \$7,000 – Ryan’s income from Social Security survivors’ benefits (*not counted*)
- Jill is uninsured; Ryan is enrolled in Medicaid

### When She Applied:

**Household MAGI:** \$18,000 (116% FPL for a HH of 2)

**Expected contribution:** 2%

**APTC:** \$6,924 (Jill lives in a non-expansion state)



Ryan works during the summer and earns \$6,500! Now he has a filing requirement and all of his income is included in MAGI.

### On Her 1040 (at tax time):

**Household MAGI:** \$31,500 (203% FPL for a HH of 2)

**Expected contribution:** 6.41%

**PTC:** \$5,265

**Result:** Jill has a final PTC of \$5,265. Because of the increase in MAGI, she received \$1,659 in excess PTC. Her repayment is capped at \$1,500.

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# Exemptions

# Exemption Granted by the Marketplace

## Form 8965 – Part I Exemptions Granted by the Marketplace

### Types of Exemption

- Hardship, including:
  - Life circumstances
  - Insurance is unaffordable (based on *projected* income)
  - State failure to expand Medicaid
  - Eligible for Indian Health services
  - Plan cancellation
- Member of certain religious sects
- Incarceration
- Membership in an Indian tribe

People who were granted an exemption will receive an ECN (exemption certificate number), a 6 digit letter/number code.

Form **8965** Health Coverage Exemptions  
 Department of the Treasury Internal Revenue Service  
 Attach to Form 1040, Form 1040A, or Form 1040EZ.  
 Information about Form 8965 and its separate instructions is at [www.irs.gov/form8965](http://www.irs.gov/form8965).

OMB No. 1545-0074  
**2014**  
 Attachment Sequence No. 75

Name as shown on return \_\_\_\_\_ Your social security number \_\_\_\_\_

Complete this form if you have a Marketplace-granted coverage exemption or you are claiming a coverage exemption on your return.

**Part I Marketplace-Granted Coverage Exemptions for Individuals:** If you and/or a member of your tax household have an exemption granted by the Marketplace, complete Part I.

	a Name of Individual	b SSN	c Exemption Certificate Number
1			
2			
3			
4			
5			
6			

**Part II Coverage Exemptions for Your Household Claimed on Your Return:**

7a Are you claiming an exemption because your household income is below the filing threshold? . . . . .  Yes  No

7b Are you claiming a hardship exemption because your gross income is below the filing threshold? . . . . .  Yes  No

**Part III Coverage Exemptions for Individuals Claimed on Your Return:** If you and/or a member of your tax household are claiming an exemption on your return, complete Part III.

	a Name of Individual	b SSN	c Exemption Type	d Full Year	e Jan	f Feb	g Mar	h Apr	i May	j June	k July	l Aug	m Sept	n Oct	o Nov	p Dec
8																
9																
10																
11																
12																

# Exemptions Granted by the Marketplace







- The consumer must **apply** to the Marketplace in a timely way with supporting documentation
  - Exception:** Some people who are eligible for the Medicaid coverage gap exemption don't need to submit an application.
- A consumer is eligible to purchase **catastrophic coverage** (even if age 30 or over) if:
  - they receive an exemption based on hardship or affordability, and
  - they are in an open or special enrollment period
- In most cases, a person who is granted an exemption by the Marketplace must **report a change in circumstances**.

Health Insurance Marketplace

Form Approved  
OMB No. 0938-1190

## Application for Exemption from the Shared Responsibility Payment for Individuals who are Unable to Afford Coverage and are in a State with a Federally Facilitated Marketplace

THINGS TO KNOW

<p> <b>Use this application to apply for an exemption from the shared responsibility payment</b></p>	<ul style="list-style-type: none"> <li>Starting in 2014, every person needs to have health insurance or make a payment on his or her federal income tax return. This is called the "shared responsibility payment."</li> <li>Some people are exempt from making this payment. This application includes one category of exemption. There are other applications for other categories of exemptions, and you'll also see some exemption categories when you file your federal income tax return.</li> <li>You don't need to ask for an exemption if you're not going to file a federal income tax return because your income is below the filing threshold. If you aren't sure, you may want to ask for an exemption.</li> </ul>
<p> <b>Who can use this application?</b></p>	<ul style="list-style-type: none"> <li>Use this application if you're unable to afford coverage. If you get this exemption, you may be able to buy catastrophic coverage.</li> <li>Use this application to ask for an exemption for months in the future. If you want this exemption for a whole calendar year, you need to request it before the year starts. You can also claim an exemption on your federal income tax return if you're unable to afford coverage.</li> <li>You can use one application to ask for this exemption for more than one person in your tax household.</li> </ul>
<p> <b>What you need to apply</b></p>	<ul style="list-style-type: none"> <li>Social Security numbers (SSNs), if you have them.</li> <li>Employer and income information for everyone in your family (for example, from pay stubs, W-2 forms, or wage and tax statements.)</li> <li>Information about any job-related health insurance available to your family.</li> <li>Proof of your yearly income for 2014. See page 9 for examples of documents you can send.</li> </ul>
<p> <b>Why do we ask for this information?</b></p>	<p>We ask for Social Security numbers and other information to make sure your exemption is counted when you file your federal income tax return. We'll keep all the information you give private and secure, as required by law. To view the Privacy Act Statement, go to <a href="http://HealthCare.gov">HealthCare.gov</a> or see instructions.</p>
<p> <b>What happens next?</b></p>	<p>Send your complete, signed application to the address on page 8. We'll follow-up with you within 1-2 weeks and let you know if we need additional information. If you get this exemption, we'll give you an Exemption Certificate Number that you'll put on your federal income tax return. If you don't hear from us, visit <a href="http://HealthCare.gov">HealthCare.gov</a>, or call the Health Insurance Marketplace Help Center at 1-800-318-2596. TTY users should call 1-855-889-4325.</p>
<p> <b>Get help with this application</b></p>	<ul style="list-style-type: none"> <li><b>Online:</b> <a href="http://HealthCare.gov">HealthCare.gov</a>.</li> <li><b>Phone:</b> Call the Health Insurance Marketplace Call Center at 1-800-318-2596.</li> <li><b>In person:</b> There may be counselors in your area who can help. Visit <a href="http://HealthCare.gov">HealthCare.gov</a> or call 1-800-318-2596 for more information.</li> <li><b>En Español:</b> Llame a nuestro centro de ayuda gratis al 1-800-318-2596.</li> </ul>





## Hardship Exemptions Granted by Marketplace

### Financial or domestic circumstances

- ◆ *Homelessness*
- ◆ *Eviction in the last 6 months or facing eviction or foreclosure*
- ◆ *Utility shut-off notice*
- ◆ *Bankruptcy*
- ◆ *Domestic violence*
- ◆ *Recent death of family member*
- ◆ *Disaster that resulted in significant property damage*
- ◆ *Debt from medical expenses*
- ◆ *High expenses caring for ill, disabled or aging relative*
- ◆ *Failure of another party to comply with a medical support order for a dependent child who is determined ineligible for Medicaid or CHIP*
- ◆ *Through an appeals process, determined eligible for a Marketplace QHP, PTC, or CSR but was not enrolled*
- ◆ *Individual health insurance plan was cancelled and Marketplace plans are considered unaffordable*
- ◆ *Other hardship in obtaining coverage (including for people in AmeriCorps, VISTA and NCCC who are enrolled limited duration or self-funded coverage)*

## Duration

At least one month before and after hardship

## When Can I Apply?

Up to 3 years after the month of the hardship (but documentation is required in most circumstances so earlier is better)



## Hardship Exemptions Granted by Marketplace

**Lack of affordable coverage based on projected income (>8% of household income)**

**Household income = adjusted gross income (including taxable portion of SS) + foreign income + tax-exempt interest**

- ◆ *For a person who is eligible for employer-sponsored insurance (ESI) that is minimum value, coverage is unaffordable if:*
  - For the employee: the lowest cost self-only plan costs more than 8% of household income.
  - For members of the employee's family: the lowest cost family plan costs more than 8% of household income.
  - ESI costs more than 8% of household income due to failure to qualify for wellness discounts.
- ◆ *For a person who is not eligible for employer-sponsored insurance (ESI) that is minimum value, coverage is unaffordable if:*
  - Lowest cost bronze plan (after premium tax credits) for all non-exempt members of the taxpayer's family costs more than 8% of household income.

## Duration

Future months in the year. To be exempt for the entire year, apply before the year starts.

Special rule: Applies regardless of change in circumstances

## When Can I Apply?

Apply during open enrollment or when you have a change that makes you potentially eligible for a special enrollment period.



Sonia Reyes is offered health insurance at work but she doesn't accept it.

- Household Income: \$47,000
- Sonia's premium for employee-only plan:  
\$196/month (\$2,350/year)  
*5% of income*
- Sonia's premium for employee plus children:  
\$392/month (\$4,700/year)  
*10% of income*
- No spousal coverage is offered



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**Do she and her family qualify for an exemption based on affordability?**

## Example: Affordability Exemption

### Test for Sonia (*an employee with an offer of ESI*)

Household Income: **\$47,000**

Sonia's premium for employee-only plan: **\$2,350/year (5% of income)**

Sonia's premium for employee plus children: **\$4,700/year (10% of income)**

**No spousal coverage** is offered



**Does the lowest-cost plan that covers only the employee cost more than 8% of household income?**

- No, the lowest cost employee-only plan is 5% of income. The plan is considered affordable. Sonia does not qualify for exemption on the basis of affordability.

## Example: Affordability Exemption

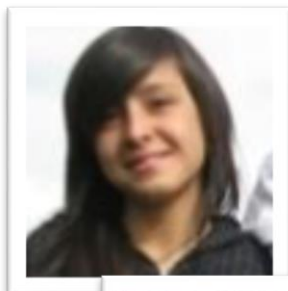
### Test for the kids (*family members with an offer of ESI*)

Household Income: **\$47,000**

Sonia's premium for employee-only plan: **\$2,350/year (5% of income)**

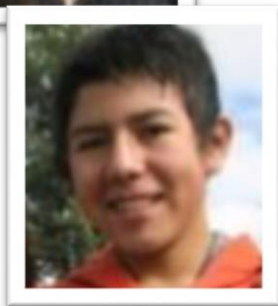
Sonia's premium for employee plus children: **\$4,700/year (10% of income)**

**No spousal coverage** is offered



**Does the lowest-cost plan that covers the kids cost more than 8% of household income?**

- Yes, the kids are eligible for an exemption because the cost of ESI is greater than 8% of household income.



#### **What about Medicaid or CHIP?**

The children may be eligible for Medicaid or CHIP, but eligibility for those programs is not taken into account in awarding this exemption.

## Example: Affordability Exemption

### Test for Gilberto (*a person without an offer of ESI*)

Household Income: **\$47,000**

Sonia's premium for employee-only plan: **\$2,350/year (5% of income)**

Sonia's premium for employee plus children: **\$4,700/year (10% of income)**

**No spousal coverage** is offered



**Does the lowest-cost bronze plan covering only Gilberto in the Marketplace, after accounting for premium tax credits, cost more than 8% of household income?**

- His lowest cost bronze plan is \$2,000 (4% of household income), taking into account premium tax credits. The plan is considered affordable. He is not eligible for this exemption.

# Marketplace Exemptions: Hardship

## Hardship Exemptions Granted by Marketplace

### Ineligible for Medicaid based on state decision not to expand

- ◆ *Exemption for people in the coverage gap with income up to 138% of the federal poverty line (even though people between 100 and 138% FPL may be eligible for PTC)*

## Duration

Entire year *unless there is a change in circumstance*

## When Can I Apply?

Apply for Medicaid at any time

### Exemption is automatic if you:

- Submitted an application via healthcare.gov anytime after October 1, 2013, **AND**
- Were determined/assessed to be ineligible for Medicaid due to the state's decision not to expand, **AND**
- Have income under 100% FPL.

### Apply for an exemption if you:

- Submitted an application via healthcare.gov anytime after October 1, 2013, were determined/assessed to be ineligible for Medicaid, and have income between **100-138% FPL**, **OR**
- Received a determination directly from your state Medicaid office.

# Example: Medicaid Coverage Gap

## Scenario 1

In January, Jane knew she was in the coverage gap and did not apply for Medicaid.

Jane's health insurance starts August 1.

Jane cannot claim the Medicaid exemption on her taxes for Jan-July because she didn't apply for Medicaid.

**JANE** is unemployed until she gets a job in July. Her insurance starts August 1.  
**Income:** \$11,000 (96% FPL for 2014)  
**Residence:** Texas



## Scenario 2

In January, Jane applies for coverage on healthcare.gov.

Her income is <100% FPL. She is denied because she's in the coverage gap.

Jane is automatically exempt Jan-July.



# Example: Medicaid Coverage Gap

## How can Jane get an exemption for 2015?

Jane applies for 2015 coverage at healthcare.gov



Her income is <100% FPL. She is denied because she's in the coverage gap.



Jane is automatically exempt for 2015. She must report changes in income that would cause her to lose the exemption.

**JANE** has been uninsured for all of 2014. She goes to an assister on Nov. 15 to get 2015 coverage.

**Income:** \$11,000  
(94% FPL for 2015)

**Residence:** Texas



## How can Jane get an exemption for 2014?

Does Jane qualify for an exemption on the tax return? Probably not.



On healthcare.gov, Jane indicates that she wants to be considered for 2014 coverage.



Jane gets a Medicaid determination and is eligible for exemption for all of 2014.

# Exemptions Granted by the IRS

## Form 8965 – Part II Coverage Exemptions for Your Household

- ### Type of Exemption
- Household income below filing threshold
  - Income (not including income of a dependent with a filing requirement) is below the filing threshold

Tax Filing Status	Tax Filing Threshold (in 2014)
Single	\$10,150
Head of Household	\$13,050
Married Filing Jointly	\$20,300
Married Filing Separately	\$3,950
Qualifying Widow(er) with Dependent Child(ren)	\$16,350

**Form 8965 Health Coverage Exemptions**  
 Department of the Treasury Internal Revenue Service  
 Attach to Form 1040, Form 1040A, or Form 1040EZ.  
 Information about Form 8965 and its separate instructions is at [www.irs.gov/form8965](http://www.irs.gov/form8965).

OMB No. 1545-0074  
**2014**  
 Attachment Sequence No. 75

Name as shown on return \_\_\_\_\_ Your social security number \_\_\_\_\_

Complete this form if you have a Marketplace-granted coverage exemption or you are claiming a coverage exemption on your return.

**Part I Marketplace-Granted Coverage Exemptions for Individuals:** If you and/or a member of your tax household have an exemption granted by the Marketplace, complete Part I.

	a Name of Individual	b SSN	c Exemption Certificate Number
1			
2			
3			
4			
5			

**Part II Coverage Exemptions for Your Household Claimed on Your Return:**

7a Are you claiming an exemption because your household income is below the filing threshold? . . . . .  Yes  No

b Are you claiming a hardship exemption because your gross income is below the filing threshold? . . . . .  Yes  No

~~**Part III Coverage Exemptions for Individuals Claimed on Your Return:** If you and/or a member of your tax household are claiming an exemption on your return, complete Part III.~~

	a Name of Individual	b SSN	c Exemption Type	d Full Year	e Jan	f Feb	g Mar	h Apr	i May	j June	k July	l Aug	m Sept	n Oct	o Nov	p Dec
8																
9																
10																
11																
12																



# Exemptions Granted by the IRS

## Form 8965 – Part III Coverage Exemptions for Individuals on Your Return

### Types of Exemption

- Insurance is unaffordable (based on *actual* income)
- Certain noncitizens
- Short coverage gap (< 3 months)
- Months prior to effective date of MEC that is effective on or before May 1, 2014
- Incarceration
- Membership in an Indian tribe

People who are eligible for exemption from the IRS will enter an exemption type (A-F).

Form **8965** Health Coverage Exemptions

Department of the Treasury Internal Revenue Service

OMB No. 1545-0074  
**2014**  
Attachment Sequence No. 75

▶ Attach to Form 1040, Form 1040A, or Form 1040EZ.  
▶ Information about Form 8965 and its separate instructions is at [www.irs.gov/form8965](http://www.irs.gov/form8965).

Name as shown on return \_\_\_\_\_ Your social security number \_\_\_\_\_

Complete this form if you have a Marketplace-granted coverage exemption or you are claiming a coverage exemption on your return.

**Part I Marketplace-Granted Coverage Exemptions for Individuals:** If you and/or a member of your tax household have an exemption granted by the Marketplace, complete Part I.

	a Name of Individual	b SSN	c Exemption Certificate Number
1			
2			
3			
4			
5			
6			

**Part II Coverage Exemptions for Your Household Claimed on Your Return:**

7a Are you claiming an exemption because your household income is below the filing threshold? . . . . .  Yes  No

7b Are you claiming a hardship exemption because your gross income is below the filing threshold? . . . . .  Yes  No

**Part III Coverage Exemptions for Individuals Claimed on Your Return:** If you and/or a member of your tax household are claiming an exemption on your return, complete Part III.

	a Name of Individual	b SSN	c Exemption Type	d Full Year	e Jan	f Feb	g Mar	h Apr	i May	j June	k July	l Aug	m Sept	n Oct	o Nov	p Dec
8																
9																
10																
11																
12																

## Exemptions Granted by the IRS at Tax Filing

### Income below filing threshold

*Single: \$10,150*

*Head of Household: \$13,050*

*Married Filing Jointly: \$20,300*

*Married Filing Separately: \$3,950*

*Qualifying Widow/er with Dependent Child: \$16,350*

\*Figures are for 2014, for taxpayers under age 65

- ◆ A taxpayer doesn't need to file a tax return in order to claim this exemption.

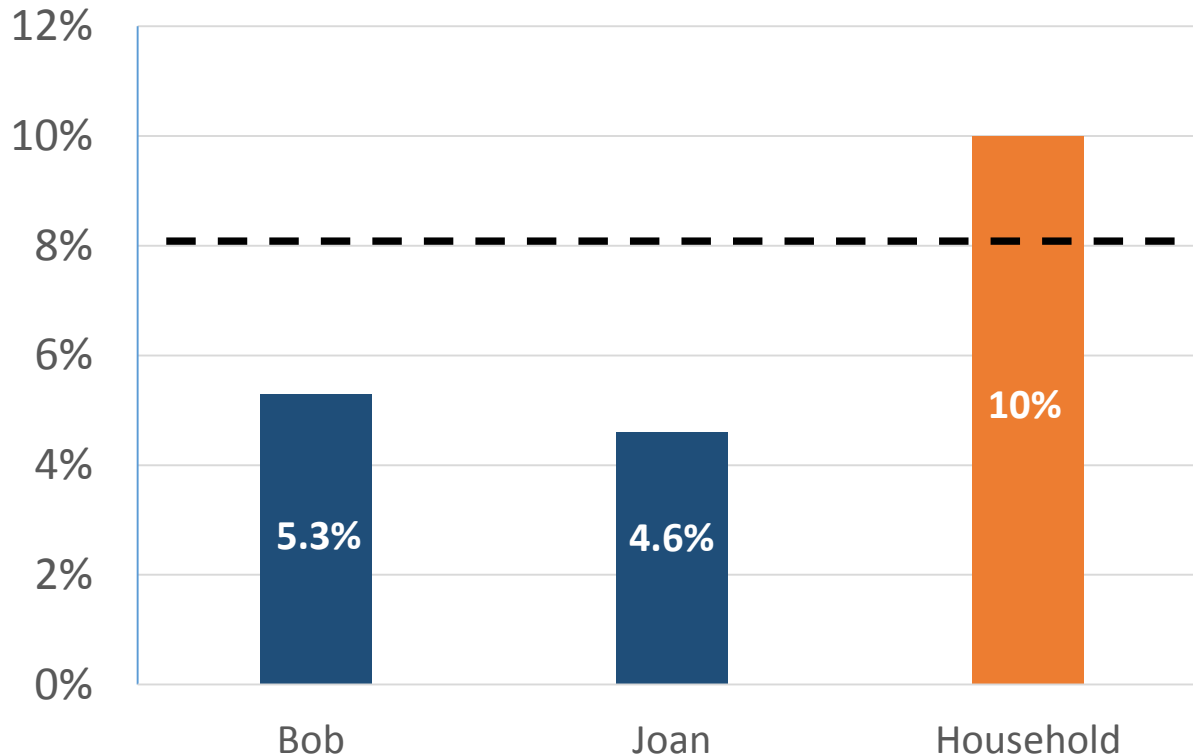
### Lack of affordable coverage (>8% of actual household income)

- ◆ Similar to the rules for a Marketplace exemption for lack of affordable coverage.
- ◆ Additional exemption available when both spouses are eligible for employer-sponsored insurance if the combined cost of coverage is greater than 8% of income.

# Exemption: Aggregate Cost of Coverage

Bob and Joan have jobs that offer health coverage to the employee only.

- **Household Income:** \$45,000
- **Premium cost for Bob:** \$2,400/year 5.3% of income
- **Premium cost for Joan:** \$2,100/year 4.6% of income
- **Aggregate cost:** \$4,500/year 10% of income



- ◆ Bob and Joan are not eligible for PTC because they each have affordable coverage.
- ◆ **However**, if they don't enroll in employer coverage, they can claim an exemption because the total cost exceeds 8% of income.

## Types of Exemptions Granted by the IRS

**Income below filing threshold**

**Insurance is unaffordable (>8% of actual household income)**

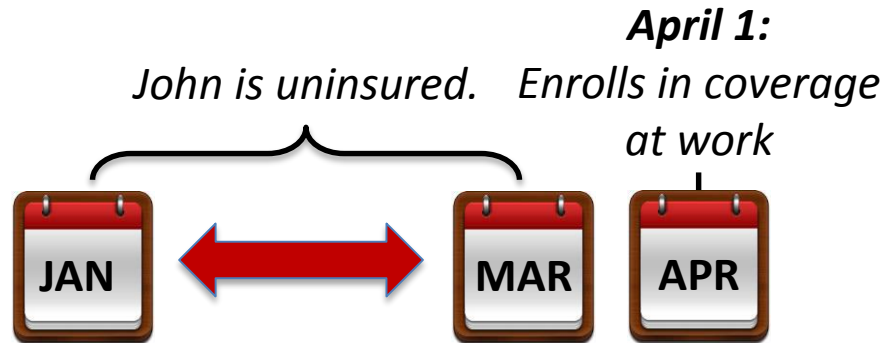
**Certain noncitizens (nonresident aliens or undocumented residents)**

**Short coverage gap (< 3 months)**

- ◆ If the coverage gap is 3 months or longer, none of the months in the gap qualify for exemption.
- ◆ If there are multiple gaps in a year, only the first gap qualifies.



- John doesn't have insurance in January, February or March.
- He gets a new job in March and his insurance starts April 1.



- John does not qualify for the exemption for a short coverage gap because the gap is not *less than* three full calendar months.

However, there is a another exemption...

## Types of Exemptions Granted by the IRS

**Income below filing threshold**

**Insurance is unaffordable (>8% of actual household income)**

**Certain noncitizens (nonresident aliens or undocumented residents)**

**Short coverage gap (< 3 months)**

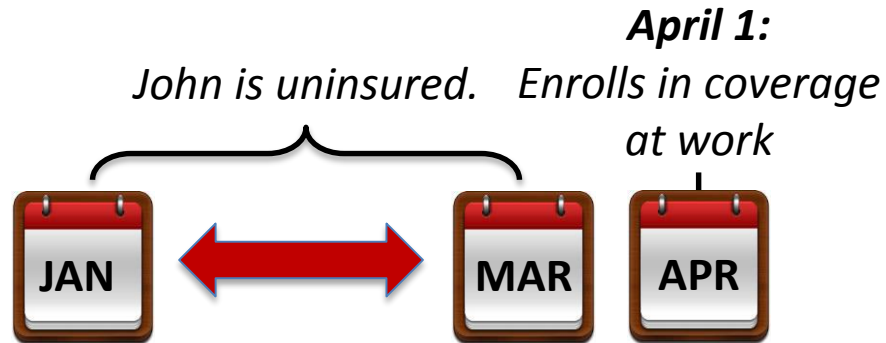
- ◆ If the coverage gap is 3 months or longer, none of the months in the gap qualify for exemption.
- ◆ If there are multiple gaps in a year, only the first gap qualifies.

**Months prior to effective date of MEC effective on or before May 1, 2014**

- ◆ A person who enrolls in Marketplace coverage or Medicaid or CHIP or other individual or group insurance with an effective date on or before May 1, 2014 can receive an exemption for their coverage gap at the beginning of 2014. Applies to FFM and SBMs.
- ◆ This only applies for 2014.



- John doesn't have insurance in January, February or March.
- He gets a new job in March and his insurance starts April 1.



- John qualifies for an exemption for months prior to the effective date of MEC that is effective on or before May 1.

## Types of Exemptions Granted by the IRS

**Income below filing threshold**

**Insurance is unaffordable (>8% of actual household income)**

**Certain noncitizens (nonresident aliens or undocumented residents)**

**Short coverage gap (< 3 months)**

**Months prior to effective date of MEC effective on or before May 1, 2014**

### **Transition rule for employer-sponsored coverage**

A person who had an offer of employer-sponsored coverage with a plan year that *began in 2013* is not subject to the shared responsibility payment for the months in 2014 covered by that plan year, even if the person failed to enroll in the plan.



## Example: Choosing among exemptions

- Jay and Kim are married. They are starting a dog walking service and estimate 2014 income of **\$18,000 (116% FPL)**.
- At healthcare.gov, they find out that they are not eligible for Medicaid (in a non-expansion state) but are eligible for PTC.
- But it's October 23 and they learn that enrollment is closed. They don't qualify for a SEP. They are uninsured for all of 2014.



Exemption	Are they eligible?	Duration of the exemption	What do they do to claim the exemption?
<b>Medicaid coverage gap</b>	Yes. Even though they are eligible for PTC, they qualify for this exemption.	All year but must report changes that would cause loss of eligibility	Submit a hardship application to Marketplace, with the eligibility determination as documentation
<b>Affordability based on projected income</b>	Not right now. Only available during a special or open enrollment period.	Future months in the year.	N/A
<b>Affordability based on actual income</b>	Maybe, if Marketplace coverage <i>after PTC</i> costs more than 8% of income	All year	This is claimed on the tax return.
<b>Below filing threshold</b>	Maybe. Projected income is \$18,000 but if their income is higher than expected, they may end up over the filing threshold (\$20,300 if MFJ) and ineligible	All year	This is claimed on the tax return, if one is filed. If no return is filed, the exemption applies automatically.

- [Final rule on renewal](#)
- [Guidance on renewal process in 2015](#)
- [KFF Analysis of 2015 Premium Changes in Marketplaces](#)
- [NY Times The Upshot: With New Health Law, Shopping Around Can be Crucial](#)

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For more information and resources, please visit:

[www.healthreformbeyondthebasics.org](http://www.healthreformbeyondthebasics.org)

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