



Health Reform: **Beyond the Basics**

healthreformbeyondthebasics.org

Part IV:

Exemptions and Penalties

Center on Budget and Policy Priorities

October 29, 2015

- Shared responsibility payment
- IRS exemptions
- Marketplace exemptions
- Consequences of failure to reconcile PTC

Shared Responsibility Payment

(or Why Exemptions are Important)

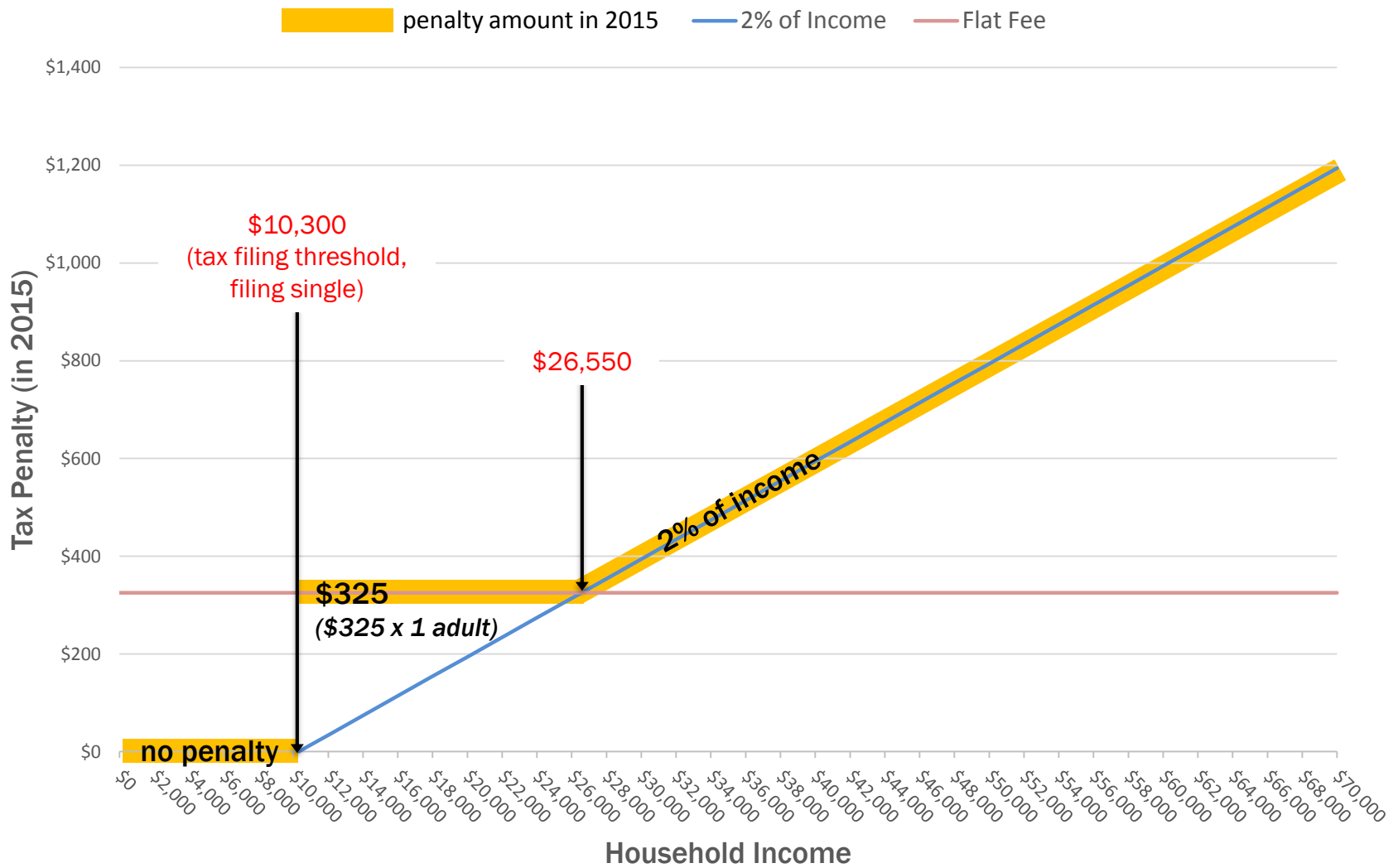
- Everyone in a household must have minimum essential coverage or an exemption from the coverage requirement
- If they do not, they owe an individual shared responsibility payment, or the penalty, for every month they are uninsured

Year	Full-year payment is the <u>greater</u> of:	
2015	2% of household income above tax filing threshold (up to cap*)	\$325 per adult, \$162.50 per child (up to cap of \$975)
2016	2.5% of household income above tax filing threshold (up to cap*)	\$695 per adult, \$347.50 per child (up to cap of \$2,085)
2017 and beyond	<i>Values increased by a cost-of-living adjustment</i>	

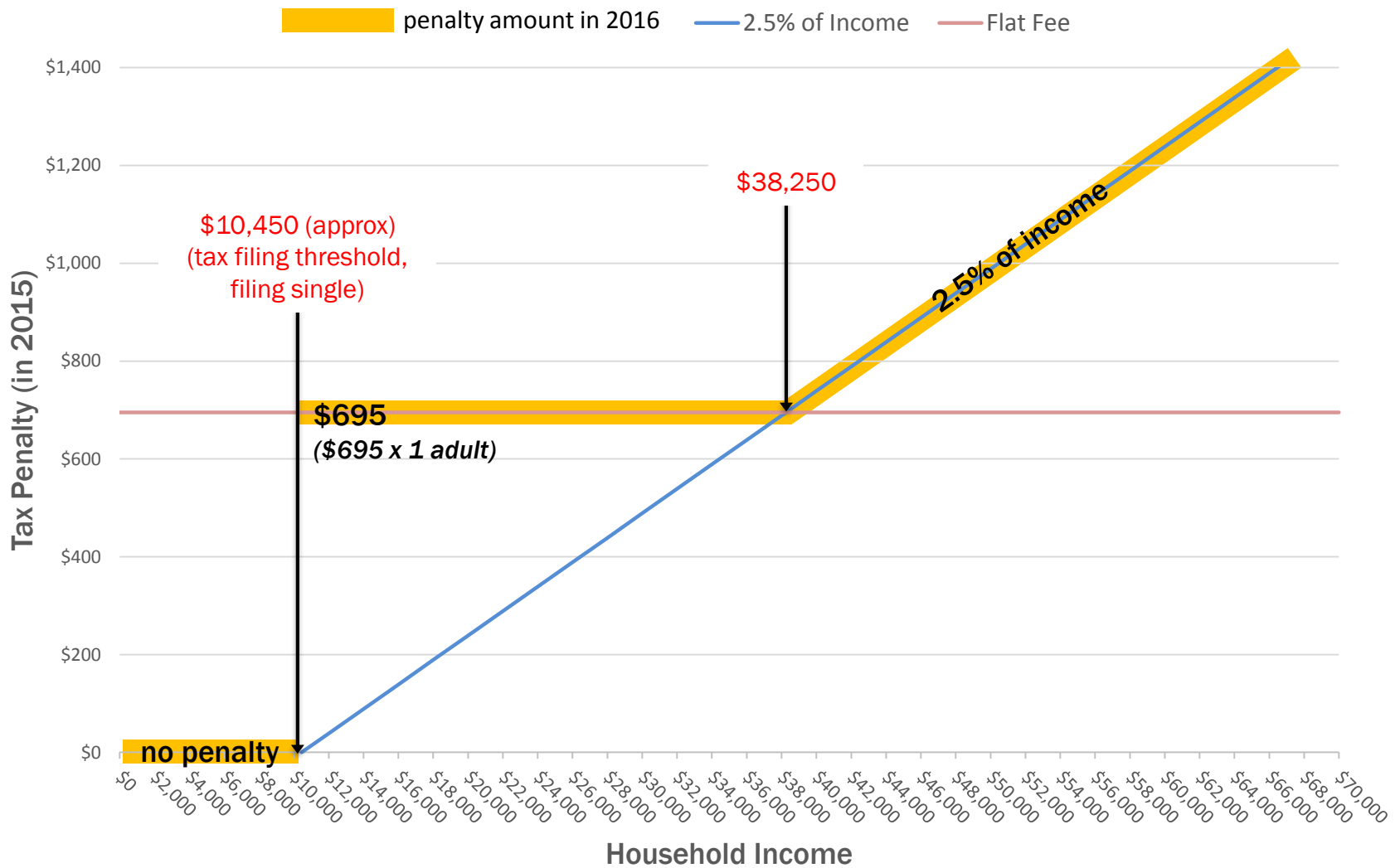
*Capped at national average premium of a bronze level plan purchased through a Marketplace.

- The payment is prorated for the number of months without coverage during the tax filing year

Calculating the Penalty: Filing Single (2015)



Calculating the Penalty: Filing Single (2016)



Example: John

Calculating the Penalty

- Income: \$17,000
- Filing Status: Single
- Adults: 1
- Children: 0
- Months uninsured: **7**
- Tax filing threshold in 2015: \$10,300



$$\begin{array}{r}
 1. \$17,000 - \$10,300 = \$6,700 \\
 \qquad \qquad \qquad \times 2\% \\
 \hline
 \qquad \qquad \qquad \$134.00
 \end{array}$$

$$2. \$325 \times 1 \text{ adult} = \mathbf{\$325.00}$$

$$\begin{array}{r}
 \$325.00 \\
 \times (7/12) \\
 \hline
 \mathbf{\$189.60}
 \end{array}$$

John's penalty
for 2015

Example: Ruiz Family

Calculating the Penalty

- Income: \$39,500
- Filing Status: Married Filing Jointly
- Adults: 2 (both uninsured)
- Children: 2 (both uninsured)
- Months uninsured: 12
- Tax filing threshold in 2015: \$20,600



$$\begin{array}{r}
 1. \ \$39,500 - \$20,600 = \ \$18,900 \\
 \qquad \qquad \qquad \qquad \qquad \qquad \times 2\% \\
 \qquad \qquad \qquad \qquad \qquad \qquad \hline
 \qquad \qquad \qquad \qquad \qquad \qquad \mathbf{\$378.00}
 \end{array}$$

$$2. \ \$325 \times 2 \text{ adult} + \$162.50 \times 2 \text{ children} = \mathbf{\$975.00}$$

**Ruiz family's
penalty for 2015**

Example: Ruiz Family

Calculating the Penalty

- Income: \$39,500
- Filing Status: Married Filing Jointly
- Adults: 2 (**one insured**)
- Children: 2 (**both insured**)
- Months uninsured: 12
- Tax filing threshold in 2015: \$20,600



$$1. \$39,500 - \$20,600 = \$18,900$$

$$\begin{array}{r} \\ \times 2\% \\ \hline \$378.00 \end{array}$$

Ruiz family's
penalty for 2015

$$2. \$325 \times 1 \text{ adult} = \$325.00$$

Exemptions

Two Types of Exemptions

All exemptions must be claimed at tax filing on Form 8965

Exemptions Granted by the Marketplace:

- Part I of Form 8965
- Must apply for the exemption through the Marketplace
- Need supporting documentation
- Takes time to process

Exemptions Granted by the IRS:

- Part II and III of Form 8965
- Can claim these exemptions directly on Form 8965 at tax time
- No supporting documentation needed
- Immediate

Form 8965
Department of the Treasury
Internal Revenue Service

Health Coverage Exemptions
▶ Attach to Form 1040, Form 1040A, or Form 1040EZ.
▶ Information about Form 8965 and its separate instructions is at 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																
13																

For Privacy Act and Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 37787G Form 8965 (2014)

Exemptions Granted by the Marketplace

- Hardships, including a state's failure to expand Medicaid
- Insurance is unaffordable
- Member of certain religious sects

Exemptions Granted at Tax Filing

- Income below filing threshold
- Insurance is unaffordable
- Certain noncitizens
- Short coverage gap (< 3 months)
- Resident of a state that did not expand Medicaid

Exemptions Granted by the Marketplace or at Tax Filing

- Indian tribe membership
- Incarceration
- Health care sharing ministry

PART II: Household Exemptions Granted by the IRS

Use Part II to claim exemptions that cover the entire household for the entire year

- Household income below filing threshold
- Gross income is below the filing threshold

Tax Filing Status (under age 65)	Tax Filing Threshold (2015)
Single	\$10,300
Head of Household	\$13,250
Married Filing Jointly	\$20,600
Married Filing Separately	\$4,000
Qualifying Widow(er) w/ Dependent Child	\$16,600

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.

OMB No. 1545-0074
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PART III: Individual Exemptions Granted by the IRS

Use Part III to claim exemptions for individual household members

- Can be claimed for monthly or for entire year
- A person can be eligible for multiple exemptions during the year, but only should report one exemption per month.

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.
 OMB No. 1545-0074
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Note: Enter an exemption type (A-H) if eligible for IRS exemption

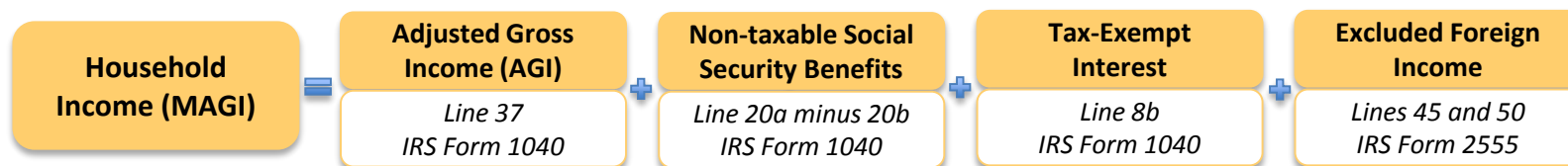


IRS Exemption Type	Code
Insurance is considered unaffordable <i>Minimum premium would have cost more than 8.05% of household income</i>	A
Short coverage gap <i>Uninsured for less than 3 consecutive months</i>	B
Citizens living abroad and certain noncitizens <i>Includes people who are not lawfully present</i>	C
Members of a health care sharing ministry	D
Members of an Indian tribe or eligible for services through an Indian health care provider or the Indian Health Service	E
Incarceration	F
Aggregate self-only coverage is considered unaffordable <i>Total cost of two or more family members' aggregate self-only coverage is more than 8.05% of household income</i>	G
Resident of a state that did not expand Medicaid	G
Member of the tax household born, adopted or died	H

Resident of a state that did not expand Medicaid

(Code G)

- Individuals who resided at any time during 2015 in a state that did not expand Medicaid, *and*
- Had household income below 138% FPL



Household Income	
Family Size	138% FPL (in 2015)
1	\$16,105
2	\$21,707
3	\$27,310
4	\$32,913

Applies to people who lived at any time in 2015 in one of the following states:

- Alabama
- Alaska
- Florida
- Georgia
- Idaho
- Indiana
- Kansas
- Louisiana
- Maine
- Mississippi
- Missouri
- Montana
- Nebraska
- North Carolina
- Oklahoma
- South Carolina
- South Dakota
- Tennessee
- Texas
- Utah
- Virginia
- Wisconsin
- Wyoming

Example: Medicaid Coverage Gap Exemption

Rashid, Miriam and Leila

- Rashid was uninsured for all of 2015
- His wife, Miriam, had insurance all year through her employer
- Leila was born in November and was covered by CHIP
- Household income for 2015: \$25,000 (129% FPL)
- They live in Texas



Does Rashid qualify for an exemption?

- ✓ YES, Rashid's household income is below 138% FPL and in 2015, he lived in a non-expansion state
 - Rashid qualifies for this exemption for the entire year even if he had other insurance options, such as coverage through his wife's employer or insurance in the Marketplace with PTCs

But what if...

- Rashid, Miriam and Leila moved to Oregon (a Medicaid expansion state) midway through 2015



Does Rashid qualify for an exemption?

- ✓ YES, Rashid's household income is still below 138% FPL and because he lived in a non-expansion state at some point in 2015, he is still eligible for this exemption
 - Rashid qualifies for this exemption even if he enrolled in Medicaid once he moved to Oregon

Citizens living abroad and certain noncitizens

(Code C)

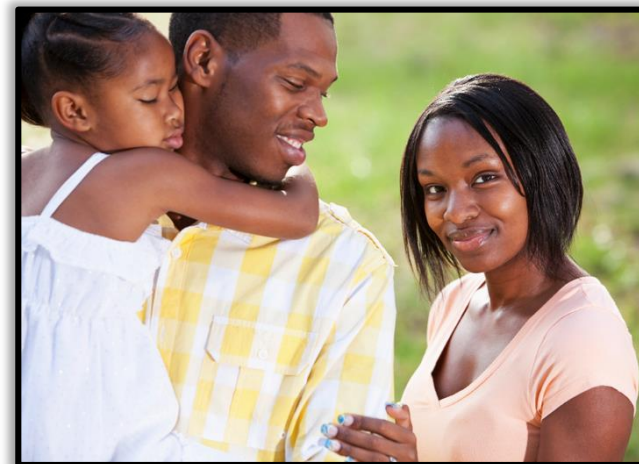
Applies to:

- Individuals who are not U.S. citizens, nationals or lawfully present (e.g., undocumented immigrants)
- Some other citizens living outside of the U.S., residents of territories, and 1040NR (or 1040NR-EZ) filers.
- [Anyone who does not have an eligible immigration status as defined by the ACA. All eligible statuses listed here: www.healthcare.gov/immigrants/immigration-status]

Example: Certain Noncitizens

Fatima, Nadif and Amina

- Fatima is a Deferred Action for Childhood Arrivals (DACA) grantee (“Dreamer”)
- Her husband and daughter are U.S. citizens



Is Fatima eligible for an exemption?

- ✓ YES, she will use exemption code C on Form 8965 at tax time

Short coverage gap

(Code B)

- **A coverage gap of less than 3 months (so, 1 or 2 months).** If the coverage gap is 3 months or longer, none of the months in the gap qualify for exemption.
- But remember that a person is considered to have coverage for the entire month if they have coverage for one day in the month.

NOTE: There is a look-back but no look-forward. Consecutive uninsured months at the end of 2014 count toward a gap at the start of 2015; uninsured months in 2016 do not.

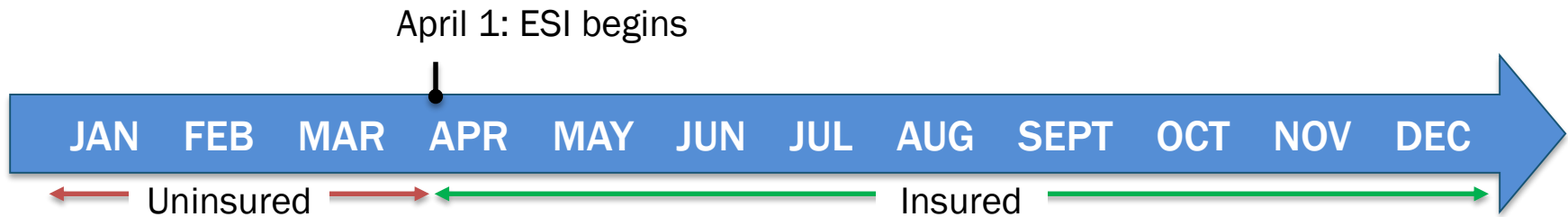
- *Example 1:* If Bob is uninsured Dec 2014, Jan 2015 and Feb 2015, he doesn't qualify for this exemption because the gap is not less than 3 months
- *Example 2:* If Bob is uninsured starting in December 2015 and is still uninsured when he files his taxes in March 2016, he can claim this exemption for December

John

- John is uninsured
- He gets a new job in March
- His ESI begins April 1



Is John eligible for this exemption?



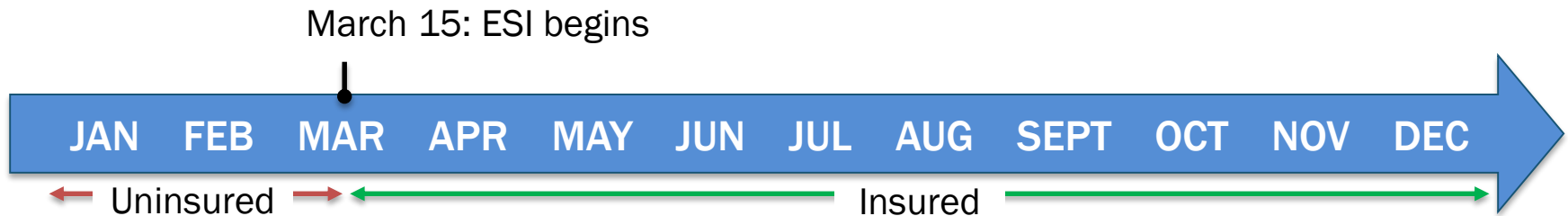
- ✗ NO, ineligible for an exemption based on a short coverage gap because the gap is not *less than* three full calendar months

But what if...

- John's new job offers ESI that begins March 15



Is John eligible for this exemption?



- ✓ YES, eligible for an exemption based on a short coverage gap because the gap is less than three full calendar months (Jan – Feb)

Insurance is considered unaffordable

(Code A or G)

- Lowest-cost premium available would have cost more than 8.05% of household income
- Additional exemption available when two family members are eligible for employer-sponsored insurance, if the combined cost of coverage is greater than 8.05% of income

Which offer of insurance is measured?

If eligible for an offer of employer-sponsored insurance (ESI):

- As an employee: the lowest cost self-only plan costs more than 8.05% of household income (Code A)
- As a member of the employee's family: the lowest cost family plan costs more than 8.05% of household income (Code A)
- Two people in the family are eligible for ESI: if both self-only plans are affordable (and no family coverage is affordable) and the combined cost of self-only coverage is more than 8.05% of household income (Code G)

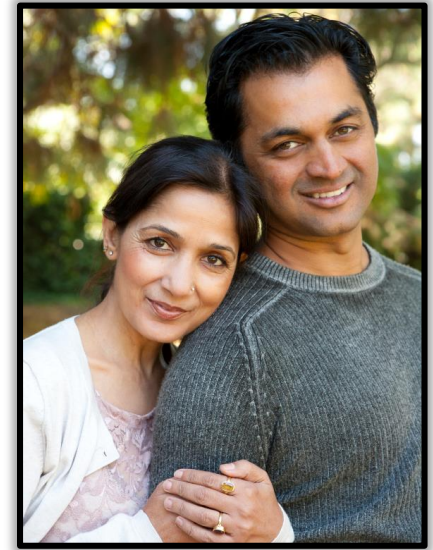
If not eligible for an offer of ESI:

- Lowest cost bronze plan (after PTCs) for all non-exempt members of the taxpayer's family costs more than 8.05% of household income

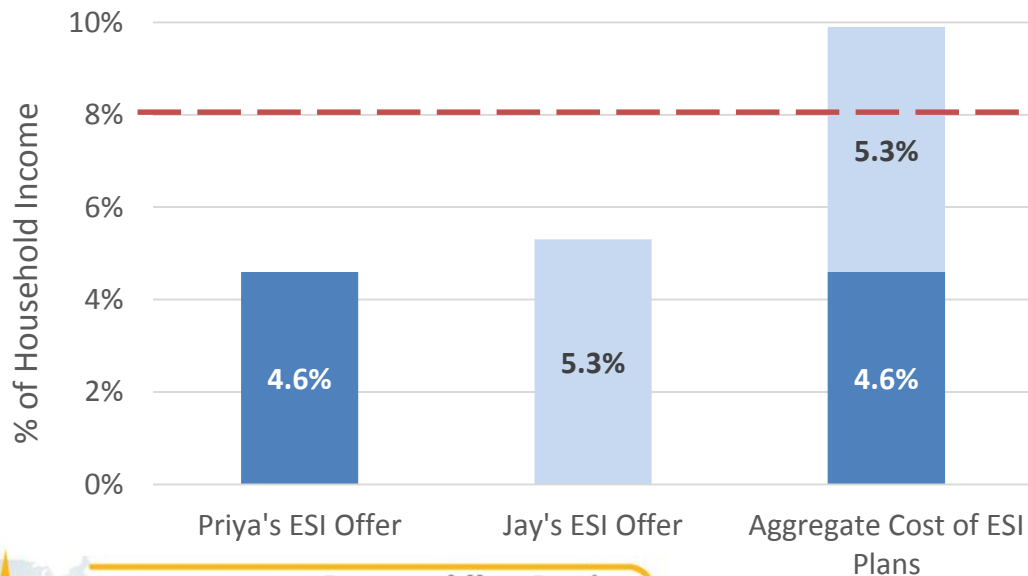
Example: Aggregate Cost of ESI

Jay and Priya

- Jay and Priya each have offers of self-only ESI from their employers but no affordable offer of family coverage
- **Household Income:** \$45,000
- Premium cost for Priya: \$2,100/year
- Premium cost for Jay: \$2,400/year
- Aggregate cost: \$4,500/year



Are Jay and Priya eligible for this exemption?



- ✓ YES, eligible for an exemption based on affordability because the aggregate cost of the two offers of ESI is more than 8.05% of income

Incarceration

(Code F)

- Can be claimed for months someone on the tax return was incarcerated for at least one day of the month
- Incarceration is prison or jail
 - Does not include time in jail pending disposition of charges (i.e., held but not convicted)
 - Does not include probation, parole or home confinement

Member of an Indian tribe

(Code E)

- Members of federally-recognized Indian tribe
- American Indian, Alaska Native, or spouse or dependent of those who are eligible for services from an Indian health care provider or through the Indian Health Service (IHS)

Marketplace Exemptions: Form 8965, Part I

PART I: Exemptions Granted by the Marketplace

Types of Marketplace Exemptions:

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

Note: If granted exemption, will receive an exemption certificate number (ECN), a digit letter/number code

Form **8965** Health Coverage Exemptions OMB No. 1545-0074
 Department of the Treasury Internal Revenue Service Attach to Form 1040, Form 1040A, or Form 1040EZ. **2014**
 Information about Form 8965 and its separate instructions is at www.irs.gov/form8965. 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.

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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
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Why apply for a Marketplace exemption?

- Some exemptions are not available at tax filing
 - Religious conscience and hardships can only be claimed by application to the Marketplace
- **Circumstances change!** A person who appears exempt early in the year may not be exempt at tax filing

Why apply for a Marketplace exemption?

Example: David

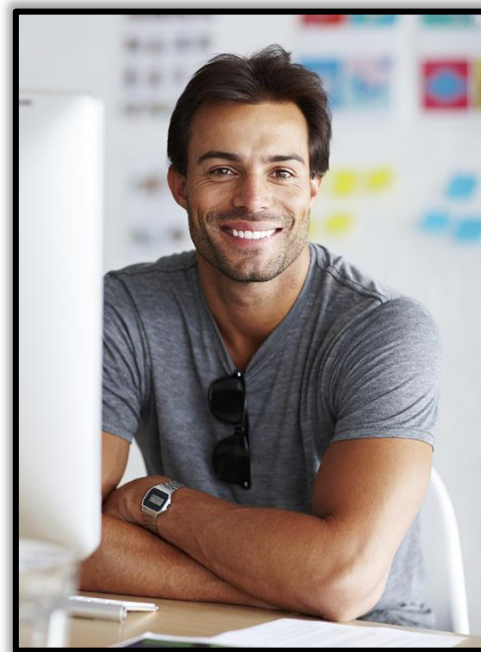
- David lives in Texas, a non-expansion state.
- He lost his job in December 2015 and asks about enrolling in health coverage in January 2016
- He doesn't qualify for unemployment benefits and has no income right now
- He feels really uncomfortable guessing about his income for 2016 because he really doesn't know
- He decides to wait and get insurance later
- An assister tells him about the exemptions that he appears eligible for to avoid penalty:
 - He is in the coverage gap
 - Based on his low projected income, insurance is likely unaffordable



Why apply for a Marketplace exemption?

Example: David

- In May, he gets a job and earns \$2,100/month (\$16,800 for the year)
- He still remains uninsured for the year
- At tax time for 2016, David doesn't qualify for any IRS exemptions:
 - ✗ His income is above the filing threshold
 - ✗ Based on year-end income, insurance is affordable (even for the months he had no income!)
 - ✗ His income is greater than 138% FPL (\$16,243 for coverage year 2016*)
 - ✗ No other exemption applies
- On his 2016 taxes, he will owe a \$695 penalty.



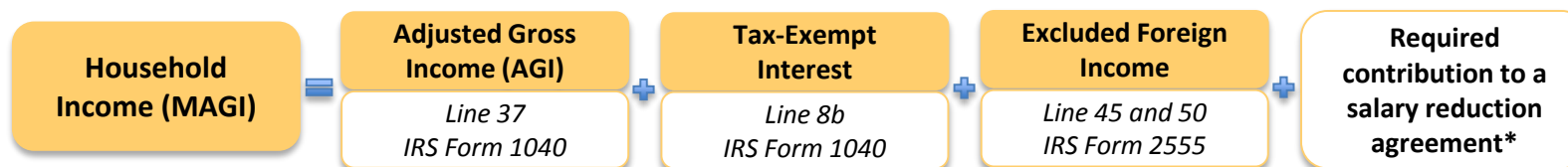
Lesson: If a person qualifies for an exemption early in the year, claim it!

Assisters can be most helpful on exemptions that:

- Can be forfeited if the consumer's situation changes over the course of the year (especially for people experiencing temporary job loss or reduced income)
 - ✓ Affordability
 - ✓ Medicaid coverage gap
- Are only claimed through the Marketplace
 - ✓ Hardships
 - ✓ Religious Conscience

Insurance is unaffordable

Lack of affordable coverage based on projected income (>8.05% of household income)



Note: As with the definition of household MAGI when determining eligibility for coverage programs, the MAGI of any tax dependent with a tax filing requirement should be included

What is considered unaffordable coverage?

If eligible for an offer of ESI:

- As an employee: the lowest cost self-only plan costs more than 8.05% of household income
- As a member of the employee's family: the lowest cost family plan costs more than 8.05% of household income.
- (OR ESI costs more than 8.05% of household income due to failure to qualify for wellness discounts)

If not eligible for an offer of ESI:

- Lowest cost bronze plan (after PTCs) for all non-exempt members of the taxpayer's family costs more than 8.05% of household income

Example: Affordability Exemption

Teresa, Antonio, Gaby and Michael

- Teresa's employer offers ESI for herself and her children
- She doesn't accept it and the family goes uninsured for the year
- **Household income: \$47,700**
- **Employee-only premium: \$196/month**
(4.9% of income)
- **Employee + children premium: \$392/month**
(9.9% of income)
- No spousal coverage is offered





Summary of Household Income and Plan Costs	
Household income:	\$47,700
Employee-only premium cost:	\$196/month
Employee + children premium cost:	\$392/month
Spousal coverage:	None



Is Teresa eligible for an exemption based on affordability?

Does the lowest-cost plan that covers only the employee cost more than 8.05% of household income?

- No, the lowest cost employee-only plan is 4.9% of income
- The plan is considered affordable

x Not eligible for exemption based on affordability



Summary of Household Income and Plan Costs	
Household income:	\$47,700
Employee-only premium cost:	\$196/month
Employee + children premium cost:	\$392/month
Spousal coverage:	None



Are Gaby and Michael eligible for an exemption based on affordability?

Does the lowest-cost plan that covers Gaby and Michael cost more than 8.05% of household income?

- Yes, the lowest cost plan that covers the children is 9.9% of income
- It is considered unaffordable

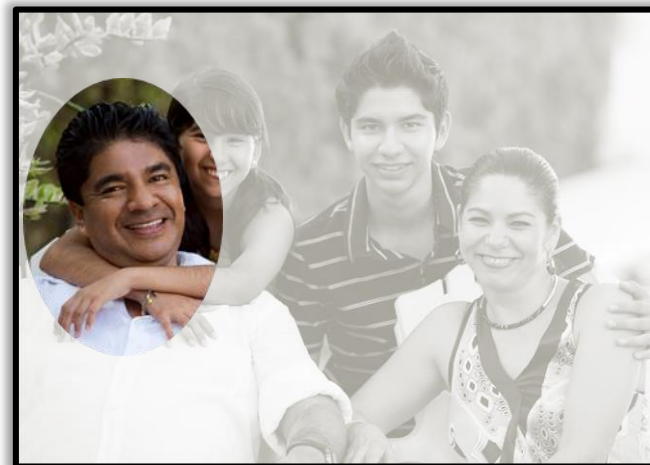
✓ **Eligible for exemptions based on affordability**

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.



Summary of Household Income and Plan Costs	
Household income:	\$47,700
Employee-only premium cost:	\$196/month
Employee + children premium cost:	\$392/month
Spousal coverage:	None



Is Antonio eligible for an exemption based on affordability?

Does the lowest-cost bronze plan covering only Antonio in the Marketplace, after accounting for PTCs, cost more than 8.05% of household income?

- The lowest cost bronze plan available to him is \$2,000 (4% of household income) after taking into account PTCs
- The plan is considered affordable

x Not eligible for exemption based on affordability

Application Form:

- FFM Application:
marketplace.cms.gov/applications-and-forms/affordability-ffm-exemption-2015.pdf
- SBM Application:
marketplace.cms.gov/applications-and-forms/affordability-sbm-exemption-2015.pdf
- Apply anytime but this exemption will be granted prospectively only.

Health Insurance Marketplace

10/2014

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

Use this application to apply for an exemption from the shared responsibility payment

- Every person needs to have health coverage or make a payment on his or her federal income tax return. This is called the “shared responsibility payment.”
- Some people are eligible for an exemption from making this payment. This application includes one category of exemption. There are other applications for other categories of exemptions. You may apply for certain other categories of exemptions when you file your federal income tax return.
- You don’t need to apply for an exemption if you’re not going to file a federal income tax return. If you’re not sure you’ll file a tax return, you may want to apply for an exemption anyway.

Who can use this application?

- **Use this application if you’re unable to afford coverage. If you get this exemption, you may be able to buy catastrophic coverage.**
- You can use one single application to ask for this exemption for more than one person in your tax household.

When can you get this exemption?

- 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’t get this exemption for time in the past.** If it’s after December 31 of the year you need the exemption for, you can apply for this exemption on that year’s tax return instead.

What you need to apply

- Social Security Numbers (SSNs), if you have them.
- Employer and income information for everyone in your tax household (for example, from pay stubs, W-2 forms, or wage and tax statements).
- Information about any job-related health coverage available to your family.
- Proof of your expected yearly household income for the year you need this exemption for. See page 10 for examples of documents you can send.

Why do we ask for this information?

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 HealthCare.gov or see instructions.

Get help with this application

- **Online:** HealthCare.gov/exemptions
- **Phone:** Call the Marketplace Call Center at **1-800-318-2596**. TTY users should call **1-855-889-4325**.
- **In person:** There may be counselors in your area who can help. Visit HealthCare.gov, or call the Marketplace Call Center at **1-800-318-2596** for more information.
- **En Español:** Llame a nuestro centro de ayuda gratis al **1-800-318-2596**.
- **Other languages:** If you need help in a language other than English, call **1-800-318-2596** and tell the customer service representative the language you need. We’ll get you help at no cost to you.

NEED HELP WITH YOUR APPLICATION? Visit HealthCare.gov, or call us at **1-800-318-2596**. Para obtener una copia de este formulario en Español, llame **1-800-318-2596**. If you need help in a language other than English, call **1-800-318-2596** and tell the customer service representative the language you need. We’ll get you help at no cost to you. TTY users should call **1-855-889-4325**.
FFM-AFFORDABILITY

Hardship Exemptions

Financial or domestic circumstances

1. *Homelessness*
2. *Eviction in the last 6 months or facing eviction or foreclosure*
3. *Utility shut-off notice*
4. *Domestic violence*
5. *Recent death of a close family member*
6. *Disaster that resulted in significant property damage*
7. *Bankruptcy in the last 6 months*
8. *Debt from medical expenses in the last 24 months*
9. *High expenses caring for ill, disabled or aging relative*
10. *Failure of another party to comply with a medical support order for a dependent child who is determined ineligible for Medicaid or CHIP*
11. *Through an appeals process, determined eligible for a Marketplace plan or lower costs, but was not enrolled*
12. *Determined ineligible for Medicaid because the state did not expand*
13. *Individual health insurance plan was cancelled and you believe Marketplace plans are unaffordable*
14. *Other hardship in obtaining coverage (including for people with limited Medicaid coverage)*

Duration:

At least one month before and after hardship

When to Apply:

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

Example: Hardship Exemption

Kurt

- Kurt had a difficult winter. After failing to pay his electric bill for three months, he received a notice in February that his electricity would be turned off.
- He scrambled to pay the bill and neglected other bills, including his insurance premium. After three months of non-payment his coverage was terminated retroactively.
- Kurt can use the utility shut-off notice to apply for a hardship exemption for the time he went without coverage.
- The Marketplace will determine the exact length of the exemption.





Hardship Exemptions

Duration:

Ineligible for Medicaid based on state decision not to expand (i.e., in the “coverage gap”)

Entire year

- Exemption for people with income up to 138% FPL
- Applies even though people between 100 and 138% FPL may be eligible for PTCs

When to Apply:

Apply for Medicaid at any time

Exemption is automatic if ALL are true:

- Submitted an application via Healthcare.gov
- Was determined/assessed to be ineligible for Medicaid due to the state’s decision not to expand
- Has income under 100% FPL

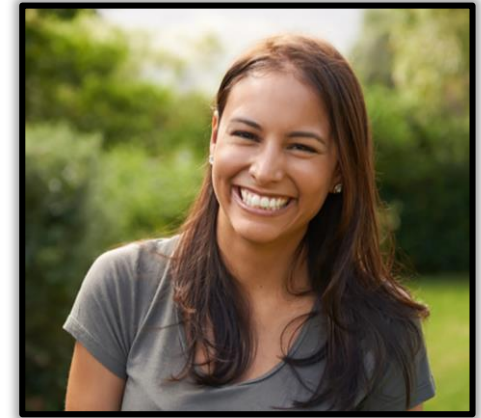
Apply for an exemption if EITHER are true:

- Has income between 100-138% FPL (*and submitted an application via Healthcare.gov and was determined/assessed to be ineligible for Medicaid*)
- Received a determination directly from your state Medicaid office

Example: Medicaid Coverage Gap Exemption

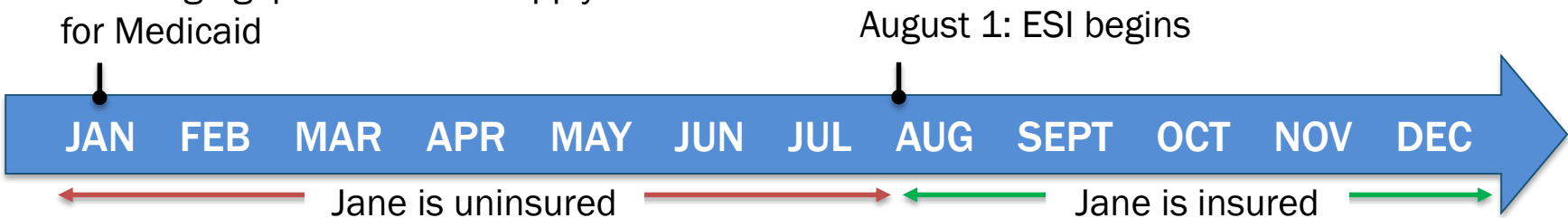
Jane

- Jane is unemployed until she gets a job that offers ESI
- **Monthly income (Aug–Dec):** \$2,200 (225% FPL)
- **Annual Income:** \$11,000 (93% FPL)
- **Residence:** Texas



Scenario 1: Jane does not apply for coverage

Jane knew she was in the Medicaid “coverage gap” and did not apply for Medicaid



- ✗ Not eligible for this exemption through the Marketplace because she didn't apply for Medicaid while uninsured. If her annual income is below 138% FPL for the year, she can claim this exemption through the IRS at tax time.

Example: Medicaid Coverage Gap Exemption

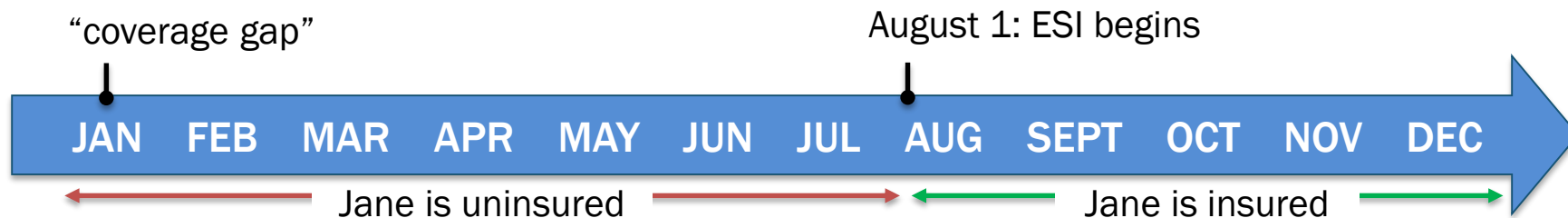
Jane

- Jane is unemployed until she gets a job that offers ESI
- **Monthly income (Aug–Dec):** \$2,200 (225% FPL)
- **Annual Income:** \$11,000 (93% FPL)
- **Residence:** Texas



Scenario 2: Jane does apply for coverage

Jane applies for coverage at Healthcare.gov and is denied because she is in the “coverage gap”

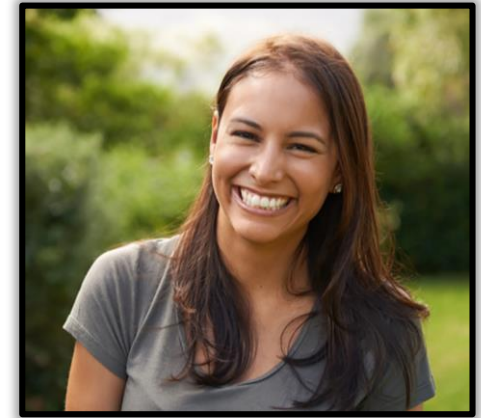


- ✓ Automatically receives exemption (and ECN to enter on her tax forms) for the time she went uninsured because she applied for Medicaid and received a denial

Example: Medicaid Coverage Gap Exemption

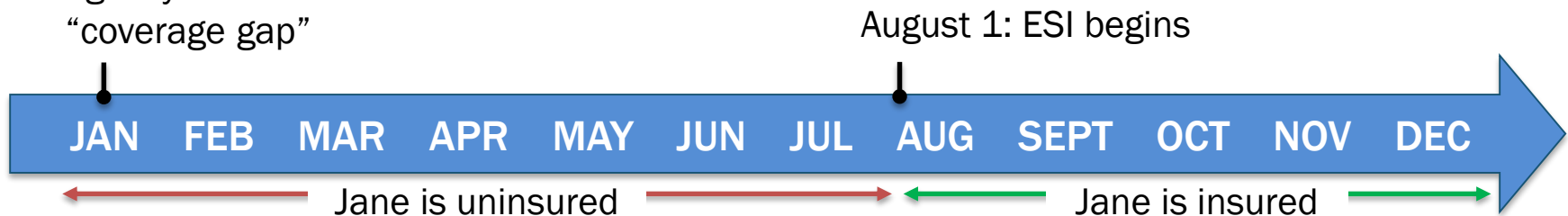
Jane

- Jane is unemployed until she gets a job that offers ESI
- **Monthly income (Aug–Dec):** \$2,200 (225% FPL)
- **Annual Income:** \$11,000 (93% FPL)
- **Residence:** Texas



Scenario 3: Jane applies through her state Medicaid agency



Jane applies for Medicaid through her state agency and is denied because she is in the “coverage gap”



- ✓ Is eligible for exemption but must apply for the exemption to receive an ECN

Application Form:

- All states (except Connecticut): marketplace.cms.gov/applications-and-forms/hardship-exemption.pdf
- Connecticut application: www.accesshealthct.com/AHCT/jsp/frontend/feiam/IndividualExemptionApplication.pdf



11/2014

Form Approved
OMB No. 0938-1190

Application for Exemption from the Shared Responsibility Payment for Individuals who Experience Hardships

Use this application to apply for an exemption from the shared responsibility payment

- Every person needs to have health coverage or make a payment on their federal income tax return called the "shared responsibility payment."
- Some people are exempt from making this payment. This application is for one category of exemption. You may apply for certain other categories of exemptions when you file your federal income tax return.
- You don't need to apply for an exemption if you're not going to file a federal income tax return. If you're not sure you'll file a tax return, you may want to apply for an exemption anyway.

Who can use this application?

- Use this application if you and/or anyone in your tax household have experienced a hardship that keeps you from getting health coverage. See page 1 for the list of hardships.
- If you get a hardship exemption, you may qualify for catastrophic coverage.
- You can use one single application to ask for this exemption for more than one person in your tax household.

What you need to apply

- Documents that support your claim of hardship (see page 1 for descriptions of which documents are needed for each hardship exemption.) The document(s) you submit must show dates from the same time period you're requesting this exemption for. If you can't obtain the documents, call the Health Insurance Marketplace Call Center at **1-800-318-2596**. TTY users should call **1-855-889-4325**.
- Social Security Numbers (SSNs), if you have them.
- Information about people in your tax household.

Why do we ask for this information?

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 HealthCare.gov or see instructions.

Get help with this application

- **Online:** HealthCare.gov/exemptions.
- **Phone:** Call the Marketplace Call Center at **1-800-318-2596**. TTY users should call **1-855-889-4325**.
- **In person:** There may be counselors in your area who can help. Visit HealthCare.gov, or call the Marketplace Call Center at **1-800-318-2596** for more information.
- **En Español:** Llame a nuestro centro de ayuda gratis al **1-800-318-2596**.
- **Other languages:** If you need help in a language other than English, call **1-800-318-2596** and tell the customer service representative the language you need. We'll get you help at no cost to you.

NEED HELP WITH YOUR APPLICATION? Visit HealthCare.gov, or call us at **1-800-318-2596**. Para obtener una copia de este formulario en Español, llame **1-800-318-2596**. If you need help in a language other than English, call **1-800-318-2596** and tell the customer service representative the language you need. We'll get you help at no cost to you. TTY users should call **1-855-889-4325**.
HARDSHIP

Re-Enrollment and Tax Filing

- A person that receives APTC must agree to file a tax return and reconcile the credit
- 1.8 million consumers that received APTC in 2014 failed to reconcile by the end of May
- When a consumer files a new 2016 application, updates an existing application, or is auto re-enrolled, the Marketplace will confirm with the IRS that a consumer has reconciled the 2014 APTC

- IRS sent notices in July–August to people who failed to reconcile
- Marketplace Open Enrollment Notices will warn about risk of loss of APTC in 2016 and will give several reasons:
 - Did not authorize the Marketplace to request updated tax information
 - Failure to file a tax return
 - Updated tax information indicates household income is too high to receive APTC

- Non-filers should file their 2014 taxes as soon as possible, then return to the Marketplace
- There will be a new question that allows someone to attest to filing

The screenshot shows the Alabama Marketplace application interface. At the top, there is a navigation bar with the Alabama state logo, the word "Alabama", and three buttons: "Apply" (highlighted in blue), "Get Results", and "Get Coverage". A "HELP" button with a question mark icon is in the top right corner. Below the navigation bar, the application ID "118305670" is displayed. On the left side, there is a vertical menu with four items: "GET STARTED" (with a green checkmark), "FAMILY & HOUSEHOLD" (with a green checkmark), "INCOME" (with a green checkmark), and "ADDITIONAL INFORMATION" (with a blue downward arrow). Under "ADDITIONAL INFORMATION", there are two sub-items: "1 John Carson" (highlighted in blue) and "2 Other questions". At the bottom of the menu is "REVIEW & SIGN". The main content area displays a question: "Did your household file a 2014 tax return and reconcile any premium tax credit you used?" with the word "Optional" to its right. Below the question is a radio button labeled "Yes, 2014 premium tax credits were reconciled". Underneath, it says "Check the box above only if all of these apply to you:" followed by three bullet points: "You used [advance payments of premium tax credits \(APTC\)](#) in 2014 to help lower your costs for Marketplace coverage.", "The tax filer for your household filed a federal income tax return for 2014.", and "The tax return filed compared the amount of APTC used in 2014 to the rest of the tax return information." Below the bullet points, it says "If all of these **don't** apply to you, select 'SAVE & CONTINUE' without checking the box above." and a link "[Learn more about tax filing](#)". At the bottom right of the form is a green button labeled "SAVE & CONTINUE".

- Even if APTC is discontinued January 1 because of a failure to file, a person may be auto-enrolled without APTC
- They can still file and have APTC reinstated!
 - File the tax return and return to the Marketplace between Dec. 16 – Jan. 15 for APTC to begin February 1st.
 - File the tax return and return to the Marketplace between Jan. 16 – Feb. 15 for APTC to begin March 1st.

What if the 1095-A is wrong?

- Call the Marketplace for an amendment
- Amendments don't always require filing delays
 - If an error doesn't affect the PTC calculation (e.g., incorrect address, social security number or birth date), seek a correction, but the consumer should file anyway.
 - If an error does affect the PTC calculation, wait for corrected information before filing. The consumer may be able to get the information over the phone.

Note: Second lowest cost silver plan (SLCSP) is often not amended.

- If it's wrong, use the look-up tool to find the correct one to use on Form 8962 (FFM tool: <https://www.healthcare.gov/taxes/tools/silver/>)

Penalty Calculator from Taxpayer Advocate Service:

www.taxpayeradvocate.irs.gov/estimator/isrp

Exemption Forms:

- All application forms from the Marketplace: marketplace.cms.gov/applications-and-forms/exemption-applications.html
- FFM Affordability Application: marketplace.cms.gov/applications-and-forms/affordability-ffm-exemption-2015.pdf
- SBM Affordability Application: marketplace.cms.gov/applications-and-forms/affordability-sbm-exemption-2015.pdf
- Hardship Application: marketplace.cms.gov/applications-and-forms/hardship-exemption.pdf
 - (CT Application: www.accesshealthct.com/AHCT/jsp/frontend/feiam/IndividualExemptionApplication.pdf)

Benchmark/SLCSP Cost Lookup Tool: www.healthcare.gov/taxes/tools/silver

- Tara Straw, tstraw@cbpp.org
- Halley Cloud, cloud@cbpp.org
- 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