

THE FAMILY GLITCH

What does “affordable” mean?



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affordable

affordable *adjective*

- 1 being within the financial means of most people <once those electronic devices became *affordable*, sales skyrocketed>
- 2 costing little <they've added some *affordable* options>

The AFFORDABLE Care Act

Eligibility Criteria

- **In general, household income must be between 100 percent and 400 percent of the Federal Poverty Level.**
- **Cannot have access to minimum essential coverage, other than individual market coverage:**
 - Minimum essential coverage is defined as any coverage in the individual, small group or large group markets, Medicare, Medicaid, CHIP, TRICARE, veterans' health care and Peace Corps coverage, and any other coverage the Departments of Health and Human Services and IRS deem minimum essential coverage in future regulations.
 - There is an exception to this rule if coverage offered by an employer either does not meet a minimum value test (at least 60 percent actuarial value) or an affordability test (the employee share of the premium for self-only coverage cannot exceed 9.5 percent of household income).
- Credit only applies to coverage months for an individual market QHP purchased through an Affordable Care Act Exchange.
- **Married couples must file a joint tax return.**
- Those receiving advance premium tax credits are required to file a tax return for the taxable year in which the advanced payment is received.
- Must be a legal resident.
- Cannot be incarcerated.
- An individual cannot be an "applicable taxpayer" if the individual can be claimed as a dependent by another taxpayer
- Taxpayer's share of the premium for the coverage month must be paid in full by the taxpayer's tax filing date.

Can someone eligible for group coverage qualify for a subsidy?

**Only
if:**



The group coverage does not provide minimum value
(60% bronze level)



The group coverage is unaffordable
(EO premium vs. household income)

What about dependents?

“an eligible employer-sponsored plan is affordable for related individuals if the portion of the annual premium the employee must pay for self-only coverage (the required contribution percentage) does not exceed 9.5% of the taxpayer’s household income.”

Household
Income
\$45,000

\$45,000
x 9.5%
= \$4,275

\$4,275
/ 12 months
= \$356.25

If an employee’s household income is \$45,000 per year, he and his family members can only access a subsidy if his share of the single premium is more than \$356.25 per month.

Different from affordability exemption

“for purposes of applying the affordability exemption from the shared responsibility payment in the case of related individuals, the required contribution is based on the premium the employee would pay for employer-sponsored family coverage.”

Household
Income
\$45,000

\$45,000
x 8%
= \$3,600

\$3,600
/ 12 months
= \$300

If an employee’s household income is \$45,000 per year, he and his family members are exempt from the penalty if their share of the family premium is more than \$300 per month.

Bad News for Families with Modest Incomes

Ineligible for Subsidies

- [The family glitch] could leave millions of Americans with modest incomes unable to afford family coverage under their employers' health insurance but ineligible for subsidies to buy coverage in the Exchange. A Kaiser Family Foundation survey found that in 2012, employees' annual share of insurance premiums averaged \$951 for individual coverage and \$4,316 for family coverage. Under the I.R.S. rule, such costs would be considered affordable for an employee with a household income of \$35,000 a year — making the employee's spouse and children ineligible for a premium subsidy on a health exchange, even though that family would have to spend 12 percent of its income for the employer's family plan.

Exempt from Penalties

- The IRS said in a proposed rule also issued today that **most families in such a situation won't have to pay a penalty if they choose not to buy insurance coverage.** This helps some, but it still leaves families that can't afford health coverage either through an employer or on their own without the subsidy they need. There will be a substantial number of families who are priced out of needed health care.

As if it weren't confusing enough...

For 2015, the definition of “affordable” changes.

- To qualify for subsidies, the cost of single coverage on an employer-sponsored plan must exceed 9.56% of the household income.
- However, if the cost of family coverage exceeds 8.05% of the household income, the family is exempt from the individual mandate penalty.

