The Affordable Care Act: What Does it Mean for Individuals and Families?

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The Patient Protection and Affordable Care Act (ACA) includes provisions that will have significant implications for individuals, families and employers in 2014. These provisions include:

- The creation of Health Insurance Marketplaces (or Exchanges) for each State
- New requirements for all health insurance coverage that is offered for sale to individuals, families, and employers
- Tax credits or cost-sharing subsidies for individuals and families based on income level and family size
- Requirements for individuals to maintain health insurance coverage
- Requirements for some employers to offer health insurance coverage to their employees
- Tax credits for small business employers that offer health insurance coverage to their employees.

This publication is one of a series of four publications designed to provide information for individuals (including self-employed individuals), families, employers, and employees. Because the ACA is a large and complex piece of legislation, these publications are designed to meet the needs of a wide variety of users by providing only that information relevant to each group of users. These topics include the implications of the ACA for:

- Agricultural and Other Small Business Employers with one or more employees
- Self-Employed Individuals in Agricultural and Small Businesses
- Individuals and Families
- Health Insurance Marketplaces (Exchanges) available to individuals, families, employees and employees

Users are advised to consult all publications relevant to their circumstances. For example, an employer is advised to consult (1) the publication for employers (to determine the business decisions that will be necessary under the ACA) and (2) the publication about individuals and families (to determine the family decisions that will be necessary under the ACA).

Users' Guide to this Publication

This publication is designed to provide (a) an overview of the decisions individuals (including self-employed individuals) and families must make under the ACA and (b) the definitions and detailed information necessary to make such decisions. As such, it is organized to permit users to understand those parts of the ACA that are relevant to the decisions faced by individuals and families. This publication is organized as follows:

- **The introductory discussion** provides an overview of the provisions of the ACA.
- **Table 1** provides detailed definitions and requirements of the Affordable Care Act for individuals and families.
- **Information Sources** that include all IRS, HHS, and other government regulations are provided at the end of the publication for users seeking more details on the provisions of the ACA and its regulations.

Two aspects of Table 1 should be noted. First, the answers to the questions in Table 1 were obtained from Internal Revenue Service (IRS) and Department of Health and Human Services (HHS) information sources. Whenever possible, these answers are direct quotations from those sources. Unless otherwise noted, all ACA regulations will be applicable beginning January 1, 2014. Second, the "Comments" in Table 1 are provided as a general discussion of the ACA and its implications for individuals and families. These comments are the product of the publication's authors and are not official IRS or HHS regulations.

This series of publications is designed to provide a source of information for individuals, families, self-employed individuals, employers and employees. It is not intended to be the sole source of information used to make decisions about compliance with the ACA. These publications are consistent with IRS and HHS regulations at the time of their production and the sources of the regulations are provided at the end of each publication. These publications are intended to provide information for planning and management purposes and is not intended to provide legal, insurance or tax accounting advice. Users should consult their legal, insurance or accounting advisers to analyze the consequences of specific decisions and circumstances.

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Table 1: The Affordable Care Act – Rules for Individuals and Families.

General Provisions of the Affordable Care Act (ACA) for individuals and families	
Question 1: How can individuals (including self-employed individuals), employees, or families obtain health insurance coverage for the period beginning January 1, 2014? ***Comment: In this publication, the term "individuals" will be used to include self-employed individuals, individuals who are employees of an employer, and unemployed individuals.***	All individuals and families can obtain health insurance coverage from: (a) A health insurance issuer (private insurance company) on the Health Insurance Marketplace; (b) A health insurance issuer not on the Health Insurance Marketplace; (d) An individual's employer; (c) Government-provided health insurance coverage (e.g., Children's Health Insurance Program (CHIP), Medicaid, Medicare, TRICARE, etc.).
Question 2: What is a Health Insurance Marketplace?	A Health Insurance Marketplace is a government agency or non-profit entity that makes Qualified Health Plans (QHPs) available to individuals, families, and employers. Each State will have one Health Insurance Marketplace. ***Comment: A Health Insurance Marketplace is also known in the ACA legislative language as an "Exchange." This publication will use the term "Health Insurance Marketplace" which is the language that will be used to implement the ACA.***
Question 3: What is the purpose of the Health Insurance Marketplace?	Individuals, families, self-employed individuals, and employers who offer health insurance coverage to their employees will be permitted to purchase health insurance coverage on the Health Insurance Marketplace. Qualified health insurance issuers will be permitted to sell qualified health insurance coverage on the Health Insurance Marketplace. The Marketplace may also facilitate the transfer of payments between health insurance buyers and health insurance issuers. Each State will have **one** Health Insurance Marketplace for the residents of that State. Each State's Marketplace will be operational by October 1, 2013 to permit enrollment for the 2014 enrollment year. Links to each State's Marketplace can be found at: https://www.healthcare.gov/what-is-the-marketplace-in-my-state/

Question 4: Can an individual, family, or an employer use an insurance agent or broker to purchase health insurance coverage on or off the Health Insurance Marketplace?	**Yes.** A State may permit registered agents and brokers to enroll individuals, employers or employees in any Qualified Health Plan in the individual or small group market offered through the Health Insurance Marketplace in the State. The Marketplace will also provide "Navigators" who will be qualified to provide information about the health insurance coverage available on the Marketplace.
Question 5: What is a "Qualified Health Plan" (QHP)?	A **"Qualified Health Plan"** is a health insurance plan that **meets all of the following requirements**: (a) The **"Essential Health Benefits"** (EHB) required under the ACA; (b) The criteria for certification defined by the ACA and by the State's Marketplace; (c) The State and ACA licensing requirements for health insurance issuers offering health insurance coverage in the State.
Question 6: What are the "Essential Health Benefits" included in a QHP?	**Health insurance issuers** offering health insurance coverage in the individual or small group market **must provide** coverage that includes the **Essential Health Benefits** (EHB) package. The EHB package includes: (a) Ambulatory patient services. (b) Emergency services. (c) Hospitalization. (d) Maternity and newborn care. (e) Mental health and substance use disorder services, including behavioral health treatment. (f) Prescription drugs. (g) Rehabilitative and habilitative services and devices. (h) Laboratory services. (i) Preventive and wellness services and chronic disease management. (j) Pediatric services, including oral and vision care.
Question 7: How will premiums be determined for health insurance coverage sold on the Health Insurance Marketplace?	Health insurance premiums will be determined by the health insurance issuers offering coverage on the Health Insurance Marketplace. **Only the following factors** can be used in setting health insurance premium rates for a particular coverage or plan:

	(a) Whether the plan or coverage covers an individual or family and the size of the family; (b) Geographic rating area within the State; (c) Age (within a ratio of 3:1 for adults over 21); and (d) Tobacco use (within a ratio of 1.5:1).
Question 8: What levels of coverage will be available for health insurance coverage sold on the Health Insurance Marketplace?	The level of coverage provided by a health plan is determined by the plan's **"Actuarial Value"** (AV). A health plan's AV is **determined by** the **average share of medical spending that is paid by the plan**. A plan with an AV of 70%, for example, means that the insurer will pay 70% of an enrollee's medical expenses, while the enrollee will pay 30% through a combination of deductibles, co-pays, and coinsurance. The levels of coverage available are: (a) A **bronze health plan** has an AV of 60 percent. (b) A **silver health plan** has an AV of 70 percent. (c) A **gold health plan** has an AV of 80 percent. (d) A **platinum health plan** has an AV of 90 percent ***Comment: Combining Question 6 and Question 8, it should be noted that (a) all health care plans sold on the Marketplace will provide the Essential Health Benefits listed in Question 6 and (b) plans will vary only by their Actuarial Value (percentage of medical expenses paid by the by the insurer (60 to 90%).***
Question 9: Will an individual be permitted to purchase health insurance coverage that covers only "catastrophic" health care events?	Catastrophic coverage **will be available** for the following persons: (a) Persons who have not attained **the age of 30** prior to the first day of the plan or policy year; (b) Persons who have obtained a **hardship exemption** for the Individual Shared Responsibility provision (the Individual Shared Responsibility provision requires individuals to maintain health insurance coverage for themselves and for their dependents. See this publication beginning with Question 15 for discussion of the Individual Shared Responsibility provision).

	Catastrophic health insurance coverage is required to **provide 3 primary care visits per year** at no cost and also **provide preventative benefits** at no cost. The full list of preventative benefits is available at: https://www.healthcare.gov/what-are-my-preventive-care-benefits/
Question 10: If an individual has existing health insurance coverage or is enrolled in an existing group health insurance plan, can that individual retain that coverage even though it is not one of the four "metal" plans identified in Question 8?	**Yes, but only if**, the health insurance issuer continues to offer that coverage **without changes** in that coverage. The ACA defines **grandfathered health plan coverage** to be coverage provided by a group health plan, or a group or individual health insurance issuer, in which the individual **was enrolled on March 23, 2010**. A plan **will cease to have its grandfathered status** if changes (such as elimination of benefits or increases in cost-sharing provisions such as co-pay provisions) in the coverage occur. **It should be noted that** health insurance issuers offering grandfathered health plan coverage **are required to provide some** of the provisions contained in the ACA (Guaranteed Availability and Guaranteed Renewability – see Questions 11 and 12 for definitions), **but are not required** to provide all of the Essential Health Benefits required by the ACA (see Question 6 for definition of EHB). ***Comment: Users for whom this question is relevant should discuss the availability and grandfathered status of their coverage with their health insurance issuer or group health plan provider. Users should also inquire about which provisions of a QHP will not be provided by the grandfathered plan.***
Question 11: Can an individual be denied coverage under a QHP that is offered by a health insurance issuer?	**No.** A **health insurance issuer offering health insurance coverage** in the individual or group market in a State **must offer** to any individual or employer in the State **all** of the issuer's products **and must accept** any individual or employer that applies for those products. A health insurance issuer **can deny coverage** to **individuals or groups** for the following reasons: (a) Geographic reasons (the individual does not live or reside in the geographic region in which the coverage is sold or an employer's

	eligible individuals do not live, work, or reside in the geographic region in which the coverage or plan is sold). (b) The health insurance issuer has limited network or financial capacity that would limit additional enrollment. (c) An employer fails to satisfy minimum contribution or group participation requirements contained in State insurance regulations. ***Comment: This question refers to the "Guaranteed Availability" provision in the ACA and relates to the commonly called "pre-existing condition" issue.***
Question 12: If an individual has health insurance coverage through a health insurance issuer, can that coverage be cancelled by the issuer at the end of the coverage period?	**No.** A **health insurance issuer** offering health insurance coverage in the individual or group market **is required to renew** or continue in force the coverage **at the option of the individual** or group plan sponsor. An **issuer may refuse renewal or discontinue** health insurance coverage offered in the group or individual market **based only on one or more** of the following factors: (a) Nonpayment of premiums (b) Fraud (c) Violation of participation or contribution rules (d) Termination of the plan (i.e., the issuer terminates the plan for **all** individuals or groups) (e) The individual's movement outside the geographic region in which the coverage or plan is offered. (f) The individual ceases to be a member of the association offering the coverage. ***Comment: This question relates to the "Guaranteed Renewability" provision in the ACA.***
Question 13: How will individuals, families, and self-employed individuals apply for health insurance coverage at the Health Insurance Marketplace?	A sample form for **individuals who might be eligible for financial assistance** on the Health Insurance Marketplace can be found at: http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/marketplace-app-short-form.pdf A sample form for **families who might be eligible for financial**

	assistance on the Health Insurance Marketplace can be found at: http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/marketplace-app-standard.pdf A sample form for **individuals who are not eligible for financial assistance** on the Health Insurance Marketplace can be found at: http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/marketplace-app-no-financial-assistance.pdf A sample form for **individuals who obtain their health insurance coverage from their employers** via the Small Business Health Options Program (SHOP) on the Health Insurance Marketplace can be found at: http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/shop-employee-application-6-12-2013.pdf
Question 14: How will employers and their employees apply for health insurance coverage at the Health Insurance Marketplace through the Small Business Health Option Program (SHOP)?	If an employer offers health insurance coverage to its employees through the SHOP, **both the employer and the employees must apply for coverage** through the SHOP. A sample form for **individuals who obtain their health insurance coverage from their employers** through the Health Insurance Marketplace SHOP can be found at: http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/shop-employee-application-6-12-2013.pdf A sample form for **employers who offer health insurance coverage to their employees** through the Health Insurance Marketplace SHOP can be found at: http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/shop-employer-application-6-12-2013.pdf
Provisions of the Affordable Care Act Related to the Individual Shared Responsibility Requirement	
Question 15: What is the Individual Shared Responsibility provision in the ACA?	Starting on January 2014, the Individual Shared Responsibility (ISR) provision requires each individual to (a) **maintain minimum essential**

	health coverage (known as minimum essential coverage) for each month, (b) **qualify for an exemption**, or (c) **make a payment** when filing his or her federal income tax return. The amount of any payment owed is based on the number of months in a given year that an individual is without coverage or an exemption. ***Comment:*** ***The Individual Shared Responsibility provision is commonly called the "individual mandate."***
Question 16: Are children and other dependents included in the ISR provision?	**Yes.** The provision **applies to individuals of all ages, including children**. The adult or married couple who can claim a child or another individual as a dependent for federal income tax purposes is responsible for making the payment if the dependent does not have coverage or an exemption.
Question 17: Are foreign workers on work visas (such as seasonal agricultural workers on H2A visas) included in the ISR requirement to maintain health insurance coverage?	**Yes.** All persons legally present in the United States are required to maintain health insurance coverage under the ISR provisions. Such persons are eligible to participate in Health Insurance Marketplaces for premium credits and cost-sharing subsidies.
Question 18: If an individual does not maintain health insurance coverage for a month or more, when and how will the ISR payment be paid?	The ISR payment for each month will be included with a taxpayer's return for the taxable year in which the month occurs.
Question 19: What is an individual's ISR payment for a taxable year?	The **ISR payment** for a taxable year is **equal to the lesser of:** (a) The **sum of the monthly penalty** for all months in the taxable year, **or** (b) The **national average premium** for the QHPs which have **a bronze level of coverage** (for the family size involved) for the taxable year.
Question 20: How is the monthly ISR payment calculated?	The ISR payment **for each month** will be **equal to 1⁄12 of the greater of the following:** (a) A **flat dollar amount** equal to the applicable dollar amounts per individual (the applicable dollar amount equals $95 for the taxable year 2014, $325 for the taxable year 2015, $695 for the taxable year 2016 and $695 plus cost of living adjustments in all taxable years thereafter)

	or (b) A **percentage of income amount** equal to the applicable percentage (the applicable percentage equals 1.0 percent for the taxable year 2014; 2.0 percent for the taxable year 2015; and 2.5 percent for taxable years 2016 and thereafter) of the difference between taxpayer's household income for the taxable year the amount of gross income with respect to the taxpayer for the taxable year. ***Comment:* It should be noted that a monthly ISR payment will be assessed for an individual and for each dependent of that individual.**
Question 21: Are children or dependents included in the ISR payment provision?	**Yes.** The ISR payment is required **for all dependents** who do not maintain health insurance coverage for each month of a taxable year. If an individual has not attained the age of 18 on the first day of a month, the applicable dollar amount for the individual is **equal to one-half** of the applicable dollar amount identified in Question 20. For purposes of the ISR payment, an individual attains the age of 18 on the anniversary of the date when the individual was born. Thus, the flat dollar amount ISR payment for each dependent under age 18 would be $47.50 per person for the taxable year 2014; $162.50 per person for the taxable year 2015; $347.50 per person for the taxable year 2015; and $347.50 plus cost of living adjustments in all taxable years thereafter).
Question 22: What are the definitions of "family size," and "household income," and "modified adjusted gross income" used in calculating the ISR payment?	**Family size** is defined as the number of individuals for whom the taxpayer is permitted to claim a deduction for the taxable year. **Modified adjusted gross income** is defined as a taxpayer's **adjusted gross income plus** any amount excluded from gross income **plus** any amount of **interest received or accrued** by the taxpayer during the taxable year **which is exempt from tax**. **Household income** is defined as a taxpayer's **modified adjusted gross income plus** the aggregate **modified adjusted gross incomes of all**

	other individuals who were—(a) taken into account in determining the taxpayer's family size in determining the ISR payment and (b) were required to file a tax return for the taxable year.
Question 23: Are there any other penalties for failure to maintain health insurance coverage or failure to pay the ISR payment?	The ISR payment will be assessed and collected in the same manner as other assessable penalties under Internal Revenue Code. A taxpayer that fails to make an ISR payment in a timely manner **will not** be subject to any criminal prosecution or penalty, and a lien **cannot** be filed on the property of a taxpayer failing to pay an ISR payment.
Rules for Health Insurance Premium Tax Credits and Cost-sharing Subsidies available to Individuals and Families Under the ACA.	
Question 24: What tax credits or cost-sharing subsidies are available for individuals and families seeking to maintain health insurance coverage?	The ACA provides an **Advance Premium Tax Credit** (APTC) and cost-sharing subsidies for some individuals and families. Tax credits and subsidies will be based on income level and family size.
Question 25: Who is eligible for the Advance Premium Tax Credit?	To be eligible for the APTC an individual or family **must**: (a) Be enrolled in one or more qualified health plans through a Health Insurance Marketplace **and**; (b) **Not have access** to employer-sponsored health insurance that is **affordable and provides minimum coverage** as defined by the ACA **and**; (c) **Not be eligible** for other government-sponsored health insurance coverage (for example, Medicare, Medicaid, CHIP, TRICARE), **and**; (d) Have a household income of **at least 100 percent but not more than 400 percent** of the Federal Poverty Line for the taxpayer's family size for the taxable year **and**; (e) **Not** be claimed as a dependent of another taxpayer **and**; (f) File a joint tax return (if married).
Question 26: What income levels are eligible for the Advance Premium Tax Credit?	The APTC is based on the individual's or family's household income and family size. Individuals and families with household income **up to the following levels** would be eligible for the APTC: (a) Up to $45,960 for individuals (b) Up to $62,040 for a family of 2

	(c) Up to $78,120 for a family of 3 (d) Up to $94,200 for a family of 4 (e) Up to $110,280 for a family of 5 (f) Up to $126,360 for a family of 6 (g) Up to $142,440 for a family of 7 (h) Up to $158,520 for a family of 8 ***<u>Comment:</u> The income levels listed above are based on 2013 estimates and are likely to be slightly higher in 2014. Income levels will be adjusted on an annual basis after 2014.***
<u>Question 27:</u> How will individuals or families obtain the Advance Premium Tax Credit?	Individuals and families can obtain the APTC in the following manner: (a) By filing for the APTC as part of their 1040 tax return, **<u>or</u>** (b) By applying for the APTC when applying for health insurance coverage on a Health Insurance Marketplace. If an individual or family applies for the APTC when applying for health insurance coverage on a Health Insurance Marketplace, then the APTC is **"<u>Advanceable</u>"** with advance payments being made directly to the insurance company on the individual/family's behalf. The tax credit advance payments will be **<u>reconciled against</u>** the amount of the family's **<u>actual premium tax credit</u>**, as calculated on the family's federal income tax return (i.e., any overpayments or underpayments of the APTC advanced during the year will be reconciled against taxpayer's annual 1040 income tax return).
<u>Question 28:</u> What income levels are eligible for cost-sharing subsidies under the ACA?	Cost-sharing subsidies will be available for families with income levels below 250 percent of the Federal Poverty Line. These cost-sharing subsidies are designed to reduce the out-of-pocket expenses of health insurance coverage (i.e., deductibles, co-payments, and co-insurance).
<u>Question 29:</u> How can individuals or families obtain estimates of the APTC or cost-sharing subsidies for which they will be eligible?	A calculator for estimating the APTC or cost-sharing subsidy for an individual or family can be found at: http://kff.org/interactive/subsidy-calculator/

	Each State's Health Insurance Marketplace website will also provide calculators for estimating the APTC or cost-sharing subsidy.
Question 30: How will individuals or families obtain cost-sharing subsidies?	Individuals and families can obtain cost-sharing subsidies by applying for the subsidies when applying for health insurance coverage on a Health Insurance Marketplace.

References

Information contained in this publication was obtained from the following sources. Users are encouraged to consult qualified legal or tax accounting advisers to obtain updated information on all issues.

Glossary of ACA terminology

Available at: https://www.healthcare.gov/glossary/

Regulations related to tax provisions for individuals and families

Internal Revenue Service: *Affordable Care Act Tax Provisions for Individuals and Families*. Available at: http://www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions-for-Individuals-and-Families

Internal Revenue Service: *The Premium Tax Credit*. Available at: http://www.irs.gov/uac/The-Premium-Tax-Credit

Insurance Premium and Tax Credit Calculator for Individuals and Families

Available at: http://kff.org/interactive/subsidy-calculator/

Other information available at: https://www.healthcare.gov/how-can-i-get-an-estimate-of-costs-and-savings-on-marketplace-health-insurance/

Regulations related to the Individual Shared Responsibility Provision

Internal Revenue Service: *Questions and Answers on the Individual Shared Responsibility Provision*. Available at: http://www.irs.gov/uac/Questions-and-Answers-on-the-Individual-Shared-Responsibility-Provision

Internal Revenue Service. *26 CFR Parts 1 and 602. Shared Responsibility Payment for Not Maintaining Minimum Essential Coverage*. Available at: http://www.gpo.gov/fdsys/pkg/FR-2013-08-30/pdf/2013-21157.pdf