The Affordable Care Act: An Overview

April 8, 2013

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Agenda/Objectives

- Introduction
- Individual Mandate
- Medicaid Expansion
- Employer Responsibilities
- Health Insurance Exchanges/Marketplaces
- Additional Considerations for Child Support Agencies
H.R. 3890

Our Hundred Eleventh Congress

United States of America

At the United States Capitol, in the City of Washington, this eighth day of July, in the year two thousand and six, the Thirty-eighth Congress, first session, was convened under the authority granted by the Constitution of the United States of America, pursuant to the call of the Speaker of the House of Representatives

In this Act:

Sec. 1. The President is authorized to take such steps as may be necessary to implement the Export Administration Act of 1979, as amended, and as may be necessary to implement the International Trade Agreements Act of 1988, as amended, including the implementation of the provisions of such Acts which require the President to take steps to ensure that the implementation of such Acts is consistent with the...
U.S Population

17 million Children in the Child Support Program

Source: 2000 U.S. Census
Major Coverage Requirements

The ACA seeks to expand coverage through four *shared responsibility* areas:

- Individual Mandate
- Medicaid Expansion
- Employer Requirements
- Health Insurance Exchanges/Marketplaces
Individual Mandate
Individual Responsibility Provisions

- Effective January 1, 2014
- Maintain *minimum essential coverage* or pay a penalty
- The adult or married couple who *may* claim a child as a dependent for federal income tax purposes is responsible for the penalty if the dependent does not have coverage or an exemption.
Penalty for Not Maintaining Coverage

Penalty = greater of

1. A flat dollar amount (set by the ACA) on each taxpayer and dependent:
   - For 2014: $95 for an adult, $47.50 for dependents under the age of 18
   - For 2015: $325 for an adult, $162.50 for dependents under 18
   - For 2016 and beyond: $695 for an adult, $347.50 for dependents under 18
   - Limited for a household to three times the fixed dollar amount for adults

or

2. A percentage of household income (MAGI) that exceeds the income tax filing threshold (e.g., $9,750 for a single individual for the 2012 tax year):
   - For 2014: 1.0%
   - For 2015: 2.0%
   - For 2016 and beyond: 2.5%
Penalty must be paid when an individual’s tax return is otherwise due (ie April 15).

Penalty is assessed and collected like most other taxes, except that taxpayers who fail to pay the penalty are subject neither to criminal penalties nor liens nor levies.

The IRS may reduce the amount of the individual’s tax refund in the future.
11 Types of Exemptions

- Hardship Exemptions
  - Individuals whom an Exchange projects will have no offer of affordable coverage
    - *Coverage that exceeds 8% household income*
  - Certain individuals who are not required to file an income tax return
    - *Approximately $10,000 for individuals and $20,000 for married couples*
  - Individuals who would be eligible for Medicaid, but their state decided not to expand Medicaid eligibility

- Individuals who have coverage for one day in a month are considered to be covered for that month.

- Individuals who are without coverage for less than three months in any year are not subject to the annual penalty.
Individual Mandate Affordability Test

- Single father
- 2 dependent children
- Annual household income: $40,000
- Self-only coverage: $200/month
- Family coverage: $300/month

- Is coverage affordable? (8% x $40,000 = $3,200)
  - Father: Yes
    - Self only contribution: $2,400
    - No penalty if father maintains employer coverage
  - 2 dependent children: No
    - Family coverage contribution: $3,600
    - If children remain uninsured the father will be exempt from paying a penalty
Medicaid Expansion
ACA required all states to expand Medicaid eligibility in January 2014 to individuals under 65 with incomes up to 133% of the Federal Poverty Level with virtually all of the costs of that expansion paid for by the federal government.

Supreme Court ruled 5-4 that the Medicaid expansion is constitutional.
- Ruled 7-2 that the penalty of potentially withholding all of a state’s existing Medicaid funds was unconstitutional.
- Five justices agreed that the remedy for that constitutional violation is to give the states a choice to reject the Medicaid expansion without any risk of losing existing Medicaid funding.

States now have the option of expanding their Medicaid programs to receive enhanced federal funding.
Medicaid Expansion Overview

- Up to 12M newly eligible lives
- Streamlines income eligibility from 8 coverage groups to 3
  - Children
  - Pregnant women
  - Families (Parents/Caretaker relatives)
- Creates newly eligible coverage group to include non-pregnant/childless adults
- Requires adoption of Modified Adjusted Gross Income (MAGI) methodology for determining eligibility
- Replaces multiple income disregards with one 5% disregard for all programs
Medicaid Expansion Guidance

- Must fully expand to 133/138% of federal poverty level (FPL)
- No decision deadlines
- States can drop out or undertake the expansion at any time
- New premium assistance option
Federal Financing of Medicaid Expansion

Federal match rates:
- 2014-2016: 100%
- 2017: 95%
- 2018: 94%
- 2019: 93%
- 2020+: 90%

Undecided states concerned about
- Woodwork effect of current eligible individuals enrolling in Medicaid
- Future cuts to federal share of Medicaid spending
State of the States Medicaid Expansion

As of 4.4.2013

- Undecided
- Planning to expand
- Leaning toward expansion
- Leaning toward partial expansion
- Planning to not expand
- Leaning toward not expanding

Washington, DC
Over four million Californians expected to be newly eligible for Medi-Cal

Two expansion options proposed:

- **Option 1: State-based approach**
  - *State would expand its existing state-administered Medi-Cal Program to cover the expansion population.*
  - *Expansion would cover only health care costs, not long term care costs.*

- **Option 2: County-based expansion.**
  - *Counties would build on the Low Income Health Program, “Bridge to Reform,” currently in place in 55 of 58 California counties.*
  - *Counties would assume fiscal and programmatic responsibility*

$350M “placeholder” in 2013-2014 budget proposal to cover cost of expansion
Employer Requirements
Employer Responsibility

- Effective January 1, 2014
- Large employers must offer coverage to full-time employees and their dependents or pay a tax penalty if any full-time employee purchases coverage through an Exchange coverage and qualifies for a premium tax credit.
  - Large employers: 50 more full-time employees or full-time equivalents in the preceding tax year
  - Full-time employees: works on average at least 30 hours per week
  - Dependents: children up to age 26 only
    - A son, daughter, stepson, or stepdaughter
    - An eligible foster child
    - A legally adopted child
If a large employer does not offer minimum essential coverage to full-time employees and their dependents, and one or more of their full-time employees receives a tax credit through the Exchange, the employer may be subject to a tax:

- $2,000 x the total number of full-time employees
- Employers may subtract the first 30 workers
Tax Penalty for Unaffordable Coverage

- Employee’s share of the self-only premium for the employer’s lowest-cost plan that provides minimum essential coverage exceeds 9.5% of household income and one or more of their full-time employees receives a tax credit through the Exchange.

- The lesser of $3,000 x the number of FTEs receiving a tax credit

or

- $2,000 x the total number of FTEs

Taxes for offering unaffordable coverage are capped not to exceed an employer’s potential tax for offering no coverage.
## Employer Communications with Employees, Exchanges, and the IRS

<table>
<thead>
<tr>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 3</th>
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<tbody>
<tr>
<td>Employer provides employees with information about coverage and availability of Exchanges</td>
<td>Employee provides Exchange with information to determine eligibility for the premium tax credit</td>
<td>Exchange verifies information and makes preliminary eligibility determination regarding the premium tax credit</td>
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<tr>
<th>Step 4</th>
<th>Step 5</th>
<th>Step 6</th>
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<tr>
<td>Exchange notifies employer that employee may receive a premium tax credit</td>
<td>Employer files information with IRS and employee</td>
<td>Assessment of employer tax penalties</td>
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<td>Employer has right to appeal Exchange’s determination of employee’s eligibility within 90 days</td>
<td>Employee files personal return</td>
<td>Employer has right to appeal tax liability to IRS</td>
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Employers Required to Report to IRS:

- Name, date, and employer identification number
- Whether minimum essential coverage is offered
- Length of wait period
- Months coverage was available
- Monthly premium for lowest-cost option
- Employer’s share of cost
- Number of full-time employees for each month during the calendar year
- Name, address, and TIN of each full-time employee and months employees (and dependents) received coverage
Health Insurance Exchanges/Marketplaces
Implementation deadline: January 1, 2014
- States can run own Exchange or partner with CMS
- Single streamlined application for enrollment in a QHP, premium tax credits, cost-sharing reductions, Medicaid, and CHIP
- Real-time eligibility determinations
- Premium tax credits and cost-sharing reductions available to those between 100% to 400% FPL
- Must offer a child-only plan
## Exchange Options for States

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<th>State-based Exchange</th>
<th>State Partnership Exchange</th>
<th>Federally-facilitated Exchange</th>
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<tr>
<td>State operates all activities but may use federal services for the following:</td>
<td>State operates activities for:</td>
<td>HHS operates, but state may elect to perform or use federal services for the following:</td>
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<tr>
<td>» Premium tax credit and cost-sharing reduction</td>
<td>» Plan Management</td>
<td>» Reinsurance program</td>
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<td>» Exemptions</td>
<td>» Consumer assistance</td>
<td>» Medicaid and CHIP eligibility: assessment or determination*</td>
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<td>» Risk adjustment program</td>
<td>» Both</td>
<td>*Coordinate with Medicaid and CHIP Services (CMCS) on decisions and protocols</td>
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<td>» Reinsurance program</td>
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State Exchange Decisions

State, Partnership, or Federal Health Insurance Exchange? Where States Stand So Far
(as of April 1, 2013)

Key
- 17 states and DC have been conditionally approved for a state-based exchange
- 7 states conditionally approved for a partnership exchange
- 26 states will have a federal exchange

* UT announced it will not pursue a state-run individual exchange although it received conditional approval.

KS, ME, MT, NE, OH, SD and VA will take on additional plan management functions in a “Marketplace Plan Management” model

Sources:
- StateReforum Exchange Governance Chart
  http://stateforum.org/exchange-governance-chart
- StateReforum Exchange Blueprint Chart
  http://www.stateforum.org/exchange-blueprint-chart
- StateReforum Exchange Policy Decisions Chart
  http://stateforum.org/exchange-policy-decisions-chart
Premium Tax Credits

- Available to eligible individuals enrolled in qualified health plans (QHPs) through an Exchange.
  - Family income between 100% and 400% FPL
  - Not eligible for Minimum Essential Coverage (MEC) from government sponsored coverage
  - May not have access to affordable employer sponsored coverage
    - Coverage is affordable is the employee’s contribution for the lowest-cost self-only premium is less than 9.5% of household income.

- Paid on a monthly basis directly to the QHP that an individual is enrolled in through a Exchange.
  - The amount received in advanceable premium tax credits is reconciled with actual MAGI reported when a taxpayer files a tax return for that tax year.
Tax credits can only apply to a dependent if that child is claimed as a dependent for federal income taxes purposes by the parent filing for the premium credit.

A non-custodial parents can cover their child under a QHP but are not eligible for the premium tax credit to offset the cost of coverage unless they can legitimately claim the child as a dependent on his or her income tax.

Non-custodial parents living in different states from their children, but claim the child as a dependent (in order to access a tax credit through the Exchange), would not be permitted to enroll the child in a state which is not the home state of the child.
Single mother
3 dependent children
Annual household income: $35,000
Self-only coverage: $275/month
Family coverage: $500/month

Is coverage affordable?
(9.5% x $35,000 = $3,325)
Mother: Yes
Self only contribution: $3,300
Yes, the mother is not eligible for tax credits through the Exchange since she has access to affordable employers sponsored coverage

2 dependent children: Yes
Self-only contribution: $3,300
The children are not eligible for tax credits through the exchange because the affordability test for tax credits does not take into consideration the cost of family coverage

If the mother declines the employer coverage both her and her children would be exempt from the individual mandate because the cost of coverage exceeds 8% of household income.
Employer Interaction with Exchanges/Federal Agencies

Employees
- Whether full-time employees are offered coverage through an employer sponsored plan
- Notification of exchange coverage options
- Length of enrollment waiting period
- Monthly premiums for lowest cost plan option
- Statement showing information reported to the IRS regarding employees
- Name of employees who receive coverage through the Exchange via a tax credit
- Name of employees who cease coverage in the Exchange under a Quality Health Plan
- Coverage of employees and dependents

Large Employers
- Value of vision and dental plans on form W-2
- Value of medical benefits for each employee on form W-2
- Details about the employer (name of business, employer ID#)
- Number of full-time employees for each month during the year

Exchanges
- Coverage of employees and dependents

IRS
- Name, address, tax ID #, etc., of each full-time employee and what months he/she was covered or eligible
- Details regarding employer sponsored plan (waiting period, availability, premium costs, applicable large-employer’s share of cost of benefits)

Employers who fail to offer coverage or who offer unaffordable coverage
- Individuals not enrolled in Exchange coverage and not listed by employer as having coverage

Employees seeking coverage in Exchange:
1. Employer name
2. Coverage details
Additional Considerations
Sources of Health Coverage: 2013 vs. 2023

Uninsured include:
1. Unauthorized immigrants
2. Individuals for whom insurance is still unaffordable,
3. Individuals who choose to pay the tax penalty rather than obtain insurance.

- Exchanges
- Nongroup and Other
- Uninsured
- Medicaid and CHIP
- Employer

Millions of non-elderly people by calendar year

Source: CBO’s February 2013 Estimate of the Effects of the ACA On Health Insurance Coverage
The ACA and California

- Covered California to begin enrollment in October 2013; coverage to begin in January 2014
  - 2.1 million Californians are expected to purchase coverage w/o subsidies through Covered California

- Moving forward with Medicaid expansion to 133/138% FPL
  - Approximately 1.2 to 1.6 million Californians will be newly covered under the Medi-Cal expansion

- Post full implementation estimates are that 92% of all residents will be covered through Employer Sponsored Insurance, Covered California, or Medi-Cal

- Elimination of Healthy Families—880,000 participating children to shift to Medi-Cal by 2014
Considerations For Child Support

- Special attention needed for complex coverage situations
- CSE and IRS duties may overlap
- Subsidy eligibility for child-only Exchange plans unclear
- Future of medical support enforcement uncertain
- MSE cooperation for tax credits
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