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# Employee Guide to the ACA Individual Mandate

# KNOW YOUR EMPLOYEE BENEFITS

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## What Does the Individual Mandate Mean to Me?

Health care reform explained

A key provision of the Affordable Care Act (ACA) is the “individual mandate,” which requires most individuals to purchase health insurance coverage or pay a penalty.

### What is the individual mandate?

Beginning in 2014, the ACA requires most individuals to obtain acceptable health insurance coverage for themselves and their family members or pay a penalty.

If you are covered under a health plan offered by your employer, or if you are currently covered by a government program such as Medicare, you can continue to be covered under those programs.

### How much will the individual mandate penalty cost me?

The penalty for not obtaining acceptable health insurance coverage will be phased in over a three-year period. The amount of the penalty is the greater of two amounts—the “flat dollar amount” and “percentage of income amount.”

**2014:** The penalty will start at \$95 per person or up to 1 percent of income.

**2015:** The penalty increases to \$325 per person or up to 2 percent of income.

**2016 and after:** The penalty increases to \$695 per person or up to 2.5 percent of income.

“Income” for this purpose is the taxpayer’s household income minus the taxpayer’s exemption (or

“Because this provision has the effect of “requiring” individuals to have coverage, it is often referred to as the “individual mandate.”

exemptions for a married couple) and standard deductions.

Families will pay half the penalty amount for children.

The penalty is calculated on a monthly basis, and will be assessed for each month in which an individual goes without coverage. There is no penalty for a single lapse in coverage lasting less than three months in a year.

### Who is exempt from the individual mandate?

You may be exempt from the penalty for not maintaining acceptable health insurance coverage if you:

- Cannot afford coverage (that is, a required contribution for coverage would cost more than 8 percent of your household income)
- Have income below the federal income tax filing threshold
- Are a member of certain Indian tribes
- Are given a hardship exemption by the Department of Health and Human Services (HHS)
- Experience a gap in coverage for less than a continuous three-month period (may only be used once per year)
- Qualify as a religious conscience objector
- Are a member of a health care sharing ministry
- Are incarcerated
- Are not a citizen, national or lawfully present in the United States



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According to the IRS, if you are eligible for an exemption for any one day of a month, you will be treated as exempt for the entire month.

## How do I qualify for a hardship exemption?

The hardship exemption is available through the Exchanges for individuals who face a "hardship" that prevents them from obtaining coverage. According to HHS, each of the following situations will always qualify as a hardship for purposes of the hardship exemption:

- Individuals who turn down coverage because the Exchange projects it will be unaffordable (even if his or her actual income for the year turns out to be higher, so that they are not eligible for the affordability exemption)
- Certain individuals who are not required to file an income tax return but who technically fall outside the statutory exemption for those with household income below the filing threshold
- Individuals who would be eligible for Medicaid under the expansion, but live in a state that chooses not to expand Medicaid eligibility

Individuals who face other unexpected personal or financial hardships may be eligible for a hardship exemption. This will be determined on a case-by-case basis.

## How will the penalty be collected?

Starting in 2015, everyone who files a federal tax return for the previous year will be required to report the following:

- Which members of their family (including themselves) are exempt from the individual mandate
- Whether each person who is not exempt had insurance coverage for that year

You will owe a penalty for each non-exempt family member who doesn't have coverage. If you and your spouse file a joint return, you are jointly liable for the penalties that apply to either or both of you.

If you are eligible to claim a dependent, you will be responsible for reporting and paying the penalty for that dependent.

## Is there financial assistance available to help me purchase health insurance coverage?

Federal subsidies in the form of premium tax credits and cost-sharing reductions will be available to low-income individuals who purchase health insurance through an Exchange. The Exchanges are scheduled to be operational in 2014, with enrollment beginning Oct. 1, 2013.

To be eligible for a premium tax credit, a taxpayer:

- Must generally have household income for the year between 100 percent and 400 percent of the federal poverty line (FPL) for the taxpayer's family size
- May not be claimed as a tax dependent of another taxpayer
- Must file a joint return, if married
- Must enroll in one or more qualified health plans through an Exchange
- Cannot be eligible for minimum essential coverage (such as coverage under a government-sponsored program or an eligible employer-sponsored plan)

The amount of the premium tax credit available varies based on the individual's household income.

Some individuals who are enrolled in coverage through an Exchange may also be eligible for cost-sharing reductions to help them pay their

medical expenses. Only those individuals with household incomes of up to 250 percent of FPL are eligible.

There are several premium subsidy calculators available online that you can use to predict your health care costs, including the following: [www.healthreform.kff.org/subsidycalculator.aspx](http://www.healthreform.kff.org/subsidycalculator.aspx)

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## Questions & Answers on the individual mandate

Will the health plan meet all the guidelines of the law?

Yes, the plan will provide all employees minimum value and will be affordable to employees as defined by the law when we have to comply.

When will Company X have to be in full compliance?

Our date for full compliance will be July 1, 2014. All of our plans & contributions will be updated if we need to make adjustments to be in full compliance at that time.

Can I go to the Exchange and buy coverage?

Yes, you can if you would like but there will be no company contribution towards your benefits for buying in an exchange. Also, you are able to pre-tax any contributions towards the cost of your health care and in the Federal Exchange the cost will be on an after tax basis.

Who is subject to the Individual Mandate?

This provision applies to individual 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. Medicare and Medicaid will satisfy the individual mandate.

When will I have to have coverage and coverage on my dependents to satisfy the mandate?

The provision goes into effect on Jan. 1, 2014. It applies to each month in the calendar year. The amount of any payment owed takes into account the number of months in a given year an individual is without coverage or an exemption.

Can my family members receive a subsidy in the Exchange?

No, you are offered coverage through the company that is deemed affordable. Your family also has access to this coverage and affordability is based on your contribution. If your family cost is over 8% of your household adjusted gross income, then your legal dependents will be eligible for an exemption and there will no fine assessed on them if they are exempt.

What are the benefits of our plan vs. an Exchange plan?

First, our company is contributing the majority of the cost of your individual health plan. Second, any costs incurred by you can be done on a pre-tax basis. Also, our plans are comprehensive and straight forward and we offer information, service, and education on all of our plans. By offering health coverage, our company is providing a valuable employee benefit and not subjecting our employees to a do it yourself public exchange.