A Guide to Coverage Under the Affordable Care Act

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Who Will be Affected?

Despite the rocky start, the Marketplace (also known as the Exchange) once fixed will provide consumers with a place to compare and shop for health insurance in a way that was never before available. Although some people have received cancellation notices from their health insurance companies because their coverage could leave them under-insured and possibly facing large medical bills, most Americans who have health care coverage will see no difference in their health care coverage. This includes most people on Medicare, those on or eligible for Medicaid, others covered by government programs such as Veterans' care and most people with employer-based coverage.

The Marketplace will primarily be a resource for four groups:

- The uninsured with incomes above 100% of the Federal Poverty Level or who are eligible for Medicaid.
- Older persons under age 65 or those with a pre-existing condition who have been rejected or charged unaffordable premiums.
- The self-employed, unemployed or employees of a company that doesn't offer health care coverage, who purchase their health care directly from an insurance plan.
- Small employers who want to provide coverage for their employees.

The Marketplace offers several important features:

- Insurers can no longer deny coverage for pre-existing conditions or health status, nor can they drop coverage because someone is sick.
- All plans have to provide "essential health benefits," including maternity care, hospitalization, mental health services, etc.
- U.S. citizens and legal Immigrants with household incomes between 100% and 400% of the Federal Poverty Level may be eligible for help paying their premiums, and those with incomes between 100% and 250% of the Federal Poverty Level may also be eligible for help paying for other out-of-pocket expenses, such as deductibles and coinsurance.
- Plans are standardized, so that consumers can make "apples to apples" comparisons.
- Consumers who obtain coverage through the Marketplace won't face "job-lock"—having to be stuck in an unsuitable job and afraid to seek other employment over health care coverage concerns.

Options will differ depending on two important factors:

- If coverage is available from an employer or a spouse's employer and
- household income.

Section 1: When Employer-based health care coverage is available for an employee or his/her dependents. (If no employer-based coverage is available, go to Section 2.)

The Affordable Care Act seeks to encourage people to take advantage of health care coverage offered by employers, by not providing tax credits through the Marketplace if employer-based coverage is affordable and adequate.

Is employer-based health care affordable for the employee? Health care coverage is deemed to be affordable if the cost for the employee's coverage (not spouse or dependent) is less than 9.5% of the household income. For example, the Smiths' family income is $47,000/year and they have two children. Mrs. Smith has coverage available through her employer at a cost of 5% for employee coverage, but it will cost 13% of family income for family coverage. No one in the Smith family is eligible for tax credits through the Marketplace, because the employee-only coverage is less than 9.5% of family household income. The children are eligible for coverage through the Children's Health Insurance Program (CHIP) and Mr. Smith can purchase coverage through the Marketplace at full price. If the employer did not offer family coverage, then Mr. Smith could purchase coverage and be eligible for tax credits through the Marketplace and the children would have coverage through CHIP.

Is employer-based health care adequate? Employer-based coverage is deemed adequate or generous enough if it has a minimum value of 60%. Employees should check with their employers to determine the minimum value of their employer-based coverage. If the cost of coverage for the employee only exceeds 9.5% of the household income or if the minimum value of the employer coverage is less than 60% and family income is between 100% and 400% of the Federal Poverty Level, then the employee and dependents are eligible for premium tax credits and coverage through the Marketplace.

Section 2: Insurance terms that are important to understand when comparing plans on the Marketplace

It is important to consider all potential costs and not just premiums, when comparing plans on the Marketplace. Important terms include:

- Premiums are the monthly payment to be made to the insurance company to maintain ongoing health care coverage. Tax credits may be available to reduce the premiums (see Section 5).
- Deductible is the amount of care the insured has to pay before the insurance company will begin to pay for some of the cost of care. For instance, with a $1,000 annual deductible, the insured would have to pay for the first $1,000 in health care costs before the insurance company pays anything (except for preventive care).
- Coinsurance is the share of the cost of the health care services that the insured must pay, which is usually a percentage. For instance, if the insurance plan's allowable amount for an office visit to a doctor is $100 and the coinsurance is 20%, once the insured had met the deductible, the coinsurance, which the insured would have to pay, is $20. Coinsurance for hospital care can be far more than the cost of annual premiums.
- Copayment is a fixed amount that the insured has to pay for a type of service. For instance, a $10 co-pay for brand-name drugs. Reductions in the copayment may be available for those with incomes between 100% and 250% of the federal poverty level (see Section 5).

Section 3: How to Enroll Through the Marketplace

There are multiple ways to enroll for health care coverage:

- Through a web site once it is fixed: www.healthcare.gov
- By phone: 1-800-318-2596, which is operational 24 hours a day, 7 days a week and has a language line with 150 languages. Hearing impaired callers should dial (using TTY/TDD technology): 1-855-889-4325.
- By mailing the application to the address on the application (available from www.healthcare.gov).
- Through someone trained to help you. Call 1-800-318-2596 for a list of organizations, which can assist you.

Once the web site is fixed, the best way to apply for coverage is online at www.healthcare.gov.

Timelines

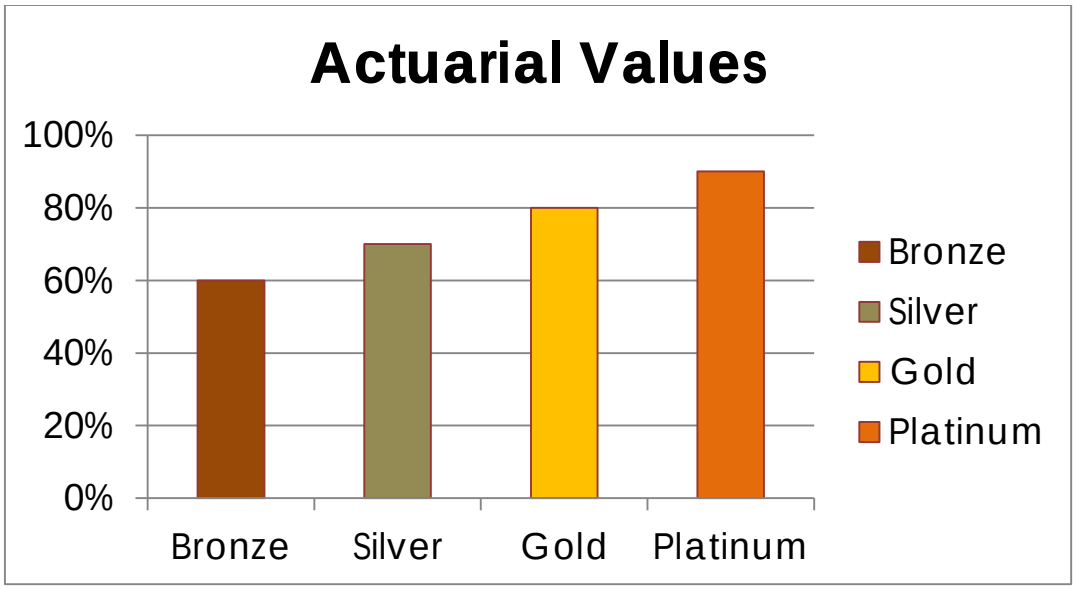
The Marketplace will accept enrollments starting October 1, 2013, with coverage beginning as early as January 1, 2014. Because this is a new program, the initial enrollment period will be longer than normal and will last from October 1, 2013 through March 31, 2014. After this initial enrollment period, individuals and families will only be allowed to enroll in Marketplace plans during the annual enrollment period and special enrollment periods. Annual enrollment periods are limited to seven weeks each fall: October 15th through December 7th.

Section 4: Plans available through the Marketplace

There are five types of plans available through the Marketplace based on the value of their coverage.

Catastrophic plans are available for people under age 30 and for people with a hardship exemption (see Section 6). These plans protect the consumer from very high medical costs and cover 3 primary care visits per year and preventive benefits at no cost. This plan requires the consumer to pay all other medical costs up to a certain amount (usually thousands of dollars). Catastrophic plans are not eligible for lower premiums through tax credits or assistance with out-of-pocket expenses. It is important to compare the cost of catastrophic care with the cost of a silver plan with tax credits. In some areas, the more comprehensive plan with tax credits is cheaper than the catastrophic plan.

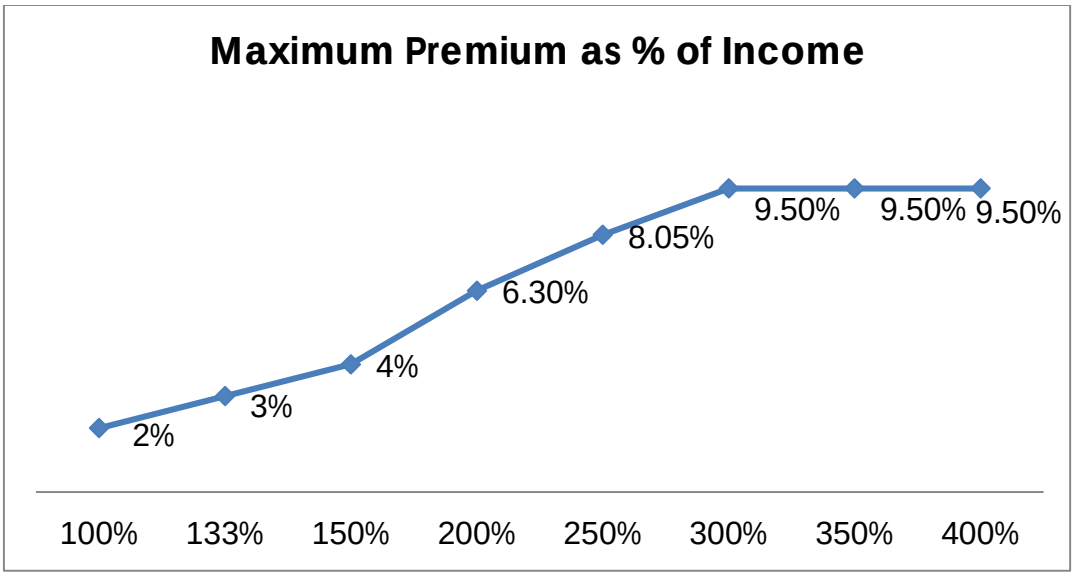
The Four "Metal Plans" vary only in the difference in their actuarial value. Generally, the lower the actuarial value, the more costs will need to be paid by the consumer. Those with chronic conditions, anticipating a hospitalization, etc. may want to consider a plan with a higher actuarial value. Even if the premiums are higher, the increased cost may be far less than the coinsurance and other costs the consumer will be expected to pay. The exception is for those with household incomes under 250% of the federal poverty level. (See Section 5 on who is eligible for assistance with out-of-pocket costs.)



Section 5: Help with paying premiums and out-of-pocket expenses are based on household income. The Federal Poverty Level is adjusted each year. Please see below for the 2013 federal poverty level chart for 2013.

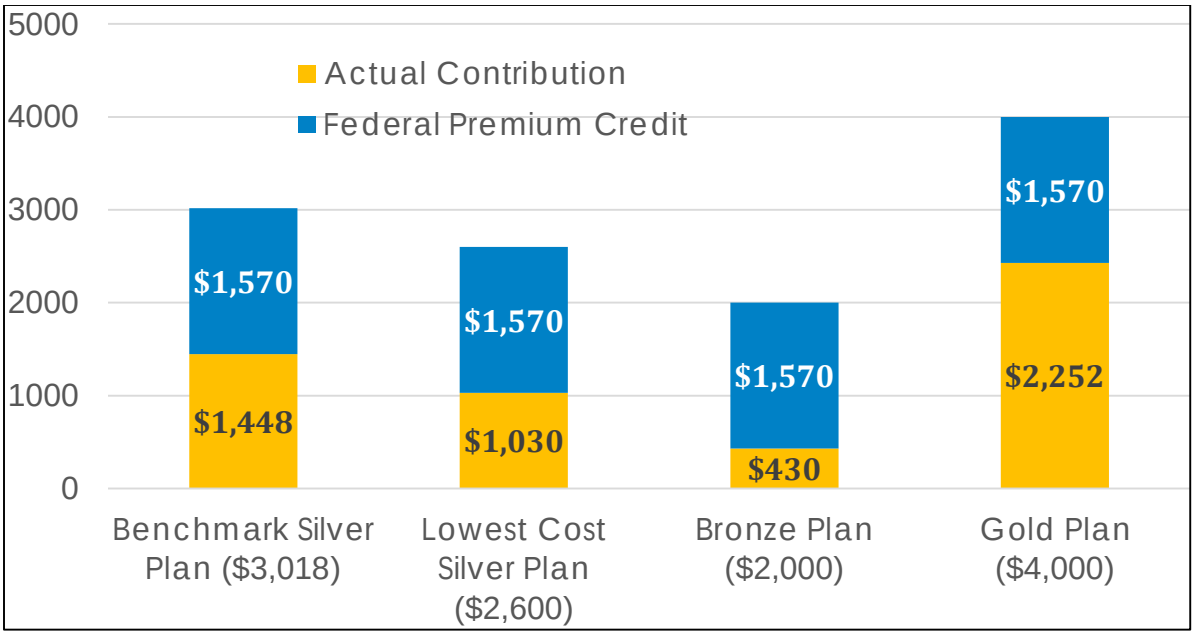
Family Size	100%	138%	150%	200%	250%	300%-400%
1	$11,490	$15,856	$17,235	$22,980	$28,725	$34,470-$45,960
2	$15,510	$21,404	$23,265	$31,020	$38,775	$46,530-$62,040
3	$19,530	$26,951	$29,295	$39,060	$48,825	$58,590-$78,120
4	$23,550	$32,499	$35,325	$47,100	$58,875	$70,650-$94,200
5	$27,570	$38,047	$41,355	$55,140	$68,925	$82,710-$110,280

The chart below shows the maximum premium to be paid based on household income for health care coverage available through the Marketplace. Those with incomes above 400% of federal poverty level pay the full premium. Tax credits are not available for those with incomes below 100% of the federal poverty level, even if they are ineligible for Medicaid.



An example: John who is age 24 and Paul who is age 64 both have incomes of 200% of the federal poverty level or $22,980/year. The premium for John's coverage is $3,018/year, but for Paul, because he is older, it is $9,054/year. Because they have the same income, the maximum they will be required to spend on premiums is 6.3% of their household income, which is $1,448/year or $120.67/month. John's tax credit will be $1,570 (premium of $3,018 minus his contribution of $1,448). Paul's tax credit will be $7,606 (premium of $9,054 minus his contribution of $1,448). Both will pay the same premium after the tax credit, because both have the same income.

There are 5 different types of plans and with multiple insurance companies offering plans, there are many different premium options. The benchmark premium upon which tax credits are determined is the second lowest cost silver plan. The tax credit will remain the same no matter what plan the consumer selects, but the consumer's premium will go up if she/he picks a plan above the benchmark premium or will go down if a plan below the benchmark is selected. For example, as can be seen in the chart below, John's tax credit will remain at $1,570/year no matter which plan he selects, but his premium will vary depending on his selection of plan from $35.83/month for the Bronze Plan to $187.67 for the Gold Plan.



Help with out-of-pocket expenses. Out-of-pocket expenses can be quite substantial, especially if one is hospitalized or has a chronic condition. The expenses will automatically be reduced for persons with incomes between 100% and 250% of the federal poverty level **if they select a silver plan**. The silver plan normally has a 70% actuarial value, however, for those with incomes below 150% of the federal poverty level (FPL), it is increased to 94%, for 150%-200%FPL it is 87% and for 201%-250% FPL it is 73%. This can make a huge difference.

For example, if John picked the Bronze Plan because of low premiums ($36/month vs. $121/month), he would not be eligible for help with out-of-pocket expenses available had he picked a silver plan. His plan would only have an actuarial value of 60% compared to 87% with silver. His deductible would be $5,000 vs. $250 under the silver plan. His maximum out-of-pocket would be $6,350 vs. $2,000 under the silver. An office visit will cost him $50 vs. $15 with the silver plan. The consumer's out-of-pocket expense will automatically be adjusted by the plan, and the federal government will pay the insurance company upfront.

Tax credits can be paid in advance by the federal government to the insurance company based on estimated income, or may be claimed at tax filing time. The final amount of the tax credit will be determined at tax filing time. If the actual income is above the amount upon which the advance tax credits were based, the consumer may have to repay the difference. If the actual income is lower, the consumer will receive an additional tax credit at tax time. There is a cap on repayment amounts for those with incomes below 400% of the federal poverty level.

Section 6: Tax Penalties for Uninsured without a Hardship Exemption

Tax penalties or the "individual shared responsibility payment" for uninsured are modest for 2014 but will increase significantly. They are the greater of:

- A flat amount per uninsured adult of $95 in 2014, $325 in 2015 and $695 in 2016 with kids at half that of an adult, or
- A percentage of household income that is in excess of the tax-filing threshold ($10,000) phased in at 1% in 2014, 2% in 2015, and 2.5% in 2016.

Paying the penalty does not entitle one to health care coverage, and health care costs still need to be paid.

Exemptions: one can qualify for an exemption if uninsured for less than 3 months in the year if the lowest cost plan available is more than 8% of household income, etc. (see: https://www.healthcare.gov/exemptions/). Hardship exemptions are also described in the link above.

Section 7: Options for small employers to obtain coverage for their employees through the Small Business Health Option Program (SHOP)

There is no penalty for small employees who do not offer health care coverage to their employees. The web site for small businesses to purchase coverage for their employees has been delayed a year, due to the problems the web site has experienced.

Section 8: Options for those with incomes below 100% FPL not eligible for Medicaid

Pennsylvania is one of 25 states that has not elected to expand Medicaid to 138% of the federal poverty level. Because of this, those with incomes below 100% of the federal poverty level, who are not presently eligible for Medicaid, will not be able to obtain help to pay for their health care coverage. However, Governor Corbett is seeking a waiver from the federal government to allow those who are not eligible for Medicaid now to be able to purchase health care through the Marketplace with financial help from the state and federal government. This will probably not be available until 2015. Some legislators are urging legislation to make coverage available in 2014 through the Medicaid HealthChoices plans. Health care on a sliding-scale cost may be available for them through their local Federally Qualified Health Center (see http://findahealthcenter.hrsa.gov/Search_HCC.aspx to find a nearby center).