

# 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 exemptions for a married couple) and standard deductions.

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

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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

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,



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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:

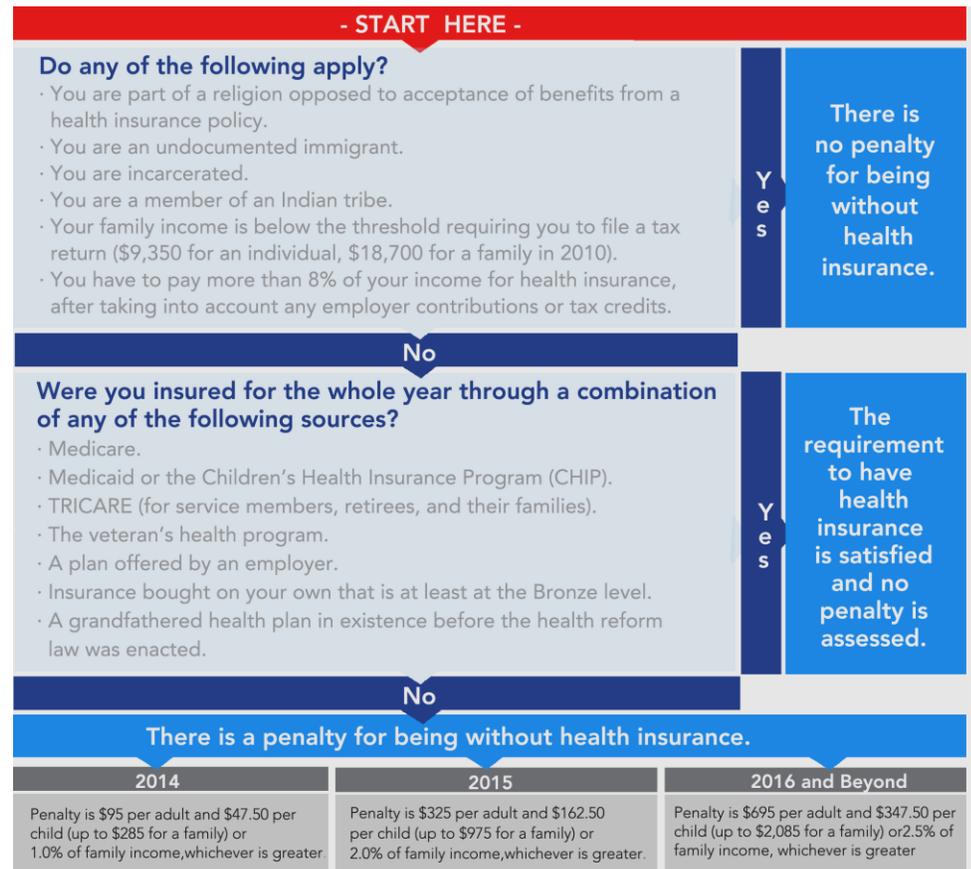
- Must generally have household income for the year between 100 percent and 400 percent of the federal poverty line (FPL) for the taxpayer's family size
- May not be claimed as a tax dependent of another taxpayer
- Must file a joint return, if married
- Must enroll in one or more qualified health plans 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)

## The following Flowchart illustrates how the Individual Mandate will work starting January 1, 2014



The penalty is pro-rated by the number of months without coverage, though there is no penalty for a single gap in coverage of less than 3 months in a year. The penalty cannot be greater than the national average premium for Bronze level coverage in an Exchange. After 2016, penalty amounts are increased annually by the cost of living.

