Todd Associates, Inc.
23825 Commerce Park Road
Suite A
Beachwood, Ohio 44122
(440) 461-1101
http://www.toddassociates.com

FREQUENTLY ASKED QUESTIONS ABOUT THE HEALTH MARKETPLACE

The health marketplaces (which are also called the exchange) are scheduled to open Jan.1, 2014. Most Americans will be eligible to enroll in the marketplace, and many will be eligible for assistance paying the premium. Each state will have its own marketplace. About one-third of the states will run the marketplace themselves and the federal government will run the marketplace on behalf of the state in the remaining two-thirds of the states.

Enrolling in the Marketplace

Q1: When is open enrollment for the marketplace?

A1: The first open enrollment will be from Oct. 1, 2013 - March 31, 2014. Coverage will begin on Jan. 1, 2014 for those enrolling by mid-December 2013. Coverage will begin on the first of the following month for those enrolling between mid-December 2013 and the end of March 2014. (For years after 2014, annual open enrollment for individuals will be from Oct. 15 - Dec. 7, with a Jan. 1 effective date.)

Q2: May a person who misses open enrollment enroll in a marketplace plan mid-year?

A2: Mid-year enrolments will only be allowed if the person has a special enrollment event. The person must request coverage within 60 days[1] after the triggering event. Special enrollment events are:

- Marriage, birth, adoption, placement for adoption, or placement in foster care
- Loss of eligibility for minimum essential coverage
- Becoming eligible or ineligible for the premium subsidy or cost-sharing subsidies
- Moving into a new marketplace region
- Becoming eligible for marketplace coverage as a result of becoming a citizen, national, or lawfully present individual

Q3: May a person in a marketplace plan voluntarily terminate marketplace coverage during the year?

A3: Yes. A person may drop their marketplace coverage during the year with 14 days' notice.

Eligibility for Marketplace Coverage

Q4: Who may enroll in the marketplace?

A4: All U.S. citizens, nationals and others who are lawfully present (e.g. in the U.S. on a visa) may enroll in the marketplace. People who are eligible for Medicaid or CHIP will be enrolled in those programs, rather the marketplace coverage, however.

Q5: May a person who is eligible for Medicare enroll in the marketplace?

A5: Yes, but a person may not have both Medicare and marketplace coverage.

Q6: May a person enroll in both employer and marketplace coverage?

A6: Yes. Coordination of benefits would be based on the terms of the plans. (Marketplace policies are considered individual policies unless provided through a small business health options program (SHOP) marketplace.)

Eligibility for Premium Subsidies

Q7: Who is eligible for a premium subsidy?

A7: A person is eligible for a premium subsidy if the person meets all of these requirements:

- Purchases coverage through the government marketplace
- Has a household modified adjusted gross income between 100 or 133 percent (depending on their state) and 400 percent of Federal Poverty Level (FPL)
- Is not eligible for minimum essential medical coverage through a government program such as Medicare, Medicaid or CHIP or through employer-provided coverage that both is minimum value[2] and affordable[3]
- Has not purchased employer-provided coverage (regardless whether it is affordable and minimum value)
- Is a U.S. citizen, national or alien lawfully present in the U.S. (e.g., on a visa)
- Is not eligible to be claimed as another person's tax dependent
- Files a tax return (if married, a joint return must be filed)

Q8: How does a person apply for a premium subsidy?

A8: When a person applies for marketplace coverage he will be screened for possible eligibility for the premium subsidy (or Medicaid). If the person may be eligible for a subsidy he will complete an application that includes information about income and access to affordable, minimum value coverage through an employer. The marketplace will contact the employer to verify that the employee's information is accurate. Employers will be encouraged, but not required, to respond to these verification requests.

Determining the Premium Subsidy Amount

Q9: How large is the premium subsidy?

A9: The amount of the premium subsidy depends on the person's household income. The percentage of income a person will be expected to pay for coverage ranges from two percent for someone whose income is 100 to 133 percent of FPL to 9.5 percent for someone whose income is 300 to 400 percent of FPL. Basically, the marketplace will look at how much a specific silver (70 percent value) plan costs in the marketplace and determine how much of that cost the person should pay based on their income.

Q10: What is Federal Poverty Level?

A10: For 2013 Federal Poverty Level (FPL) in the 48 contiguous states is $11,490 for a single household and $23,550 for household of four. It is $14,350/29,440 in Alaska and $13,230/27,090 in Hawaii.

Q11: How is household income determined?

A11: Household income essentially is the modified adjusted gross income, plus untaxed Social Security and investment income, of everyone listed as a spouse or dependent on the person's tax return.

Q12: How are adult children handled?

A12: Tax filing status controls. This means, for example, that if a 24-year old child is covered by the employee's health plan, but the child is employed and files his own tax return, the child's income will be disregarded for purposes of determining the employee's household income. In contrast, if the 24-year old was a student claimed as a tax dependent by the employee, the child's income would be added to the household income.

Q13: How is the premium subsidy calculated?

A13: The premium subsidy amount is based on the cost of coverage in the marketplace, not the cost of employer-provided coverage. The subsidy decreases as the person's income increases, using the following table. (A sliding scale, rounded to the nearest one-hundredth of one percent, applies between the minimum and maximum percentage.)

Household income as a percent of FPL	Applicable Percentage	
	Minimum percent	Maximum percent
Up to 133 percent	2.0	2.0
133 - 150 percent	3.0	4.0
150 - 200 percent	4.0	6.3
200 - 250 percent	6.3	8.05
250 - 300 percent	8.05	9.5
300 - 400 percent	9.5	9.5

The applicable percentage is multiplied by the person's household income to determine his required share of premiums for the second least expensive silver plan in the marketplace.

Q14: Does employer-provided coverage affect eligibility for the premium subsidy?

A14: Yes. An employee (or dependent) is not eligible for a premium subsidy if either:

- The person is eligible for affordable, minimum value coverage through an employer
- The person purchases employer-provided coverage even if that coverage is not affordable and minimum value

Receiving the Premium Subsidy

Q15: How is the premium subsidy paid?

A15: The premium subsidy actually is a tax credit that is available in advance. Each month, the government will pay the premium subsidy directly to the insurer. The person will pay his or her share directly to the insurer.

Everyone who receives a premium subsidy must file a federal income tax return. The tax return will be used to true-up the amount of subsidy the person received and the amount they were entitled to. If the subsidy was too large the person will have to pay extra tax (to a maximum). If it was too small, the person will get a refund.

Q16: What is the most a person would have to repay if they received a premium subsidy that is too great?

A16: The maximum amount an individual who received too great a subsidy would repay is:

- $300 if filing single and $600 if filing other than single if household income is less than 200 percent of FPL
- $750 if filing single and $1,500 if filing other than single if income is 200 percent up to 300 percent of FPL
- $1,250 if filing single and $2,500 if filing other than single if income is 300 to 400 percent of FPL.

Q17: Can a person get the premium subsidy amount adjusted during the year?

A17: Yes. Recipients will be encouraged to notify the marketplace of mid-year changes in income and number of dependents that might impact the amount of subsidy the person is eligible for.

Q18: Is a new employee eligible to receive a premium subsidy during the plan's eligibility waiting period?

A18: Yes.

Special Issues for Non-Calendar Year Plans

Q19: Is eligibility for the marketplace a Section 125 change in status event?

A19: Eligibility for the marketplace is not a Section 125 change in status event. However, employers with non-calendar year plans have the option to amend their Section 125 plan to treat the new availability of the marketplace as a one-time change in status event and allow the employee to drop coverage as of Jan. 1, 2014.

Q20: Should an employer amend its Section 125 plan to allow employees to terminate plan coverage to enroll in the marketplace?

A20: Each employer will need to decide whether it wants to encourage employees to enroll in the marketplace. Employers that wish to encourage marketplace enrollment will likely want to amend their Section 125 plan to allow for this. Employers that prefer that their employees remain in their plan likely will not want to amend their section 125 plan to allow employees to move to marketplace coverage.

Q21: Is the individual responsibility requirement a change in status event?

A21: The requirement that people have health coverage or pay penalties is not a Section 125 change in status event. However, employers with non-calendar year plans have the option to amend their Section 125 plan and health plan to allow employees who had previously declined coverage during open enrollment for the 2013 - 2014 plan year to enroll in the plan as of Jan. 1, 2014.

Q22: Should an employer with a non-calendar year plan amend its Section 125 plan to allow employees to enroll in the plan as of Jan. 1, 2014?

A22: Each employer will need to decide whether it wants to encourage employees to enroll in its plan. Employers that are considering offering a one-time enrollment opportunity should verify with their insurance or stop-loss carrier that this is acceptable to the carrier. Employers also should be aware that the individual responsibility penalty will not apply to employees who are eligible for coverage through a non-calendar year plan until the start of the 2014 plan year.

Q23: If a plan is on a non-calendar year plan, is the plan renewal date a special enrollment event for marketplace coverage?

A23: No, a plan renewal that occurs other than on Jan. 1 is not a special enrollment event since the employee remains eligible for employer-provided coverage.

Note: The combination of the rules described in Questions 3 and 23 means that it will be simple for an employee to move from marketplace coverage to employer-provided coverage at plan open enrollment if the employee wishes to do that. An employee who wishes to move to marketplace coverage likely will need to pay premiums for plan coverage on an after-tax basis so that he can drop plan coverage mid-year and move to the marketplace plan as of January 1.

Q24: If an employer wants to amend its Section 125 plan to treat the marketplace and/or individual responsibility requirement as a change in status event, when is the amendment due?

A24: The IRS has provided an extended amendment period, so employers have until Dec. 31, 2014 to prepare and sign the plan amendment.

[1] 30 days in the SHOP marketplace

[2] Minimum value means the plan has an actuarial value of at least 60 percent (is expected to cover at least 60 percent of claims)

[3] Affordable, for purpose of the premium subsidy, means the cost of single coverage is not more than 9.5 percent of household income

09.24.2013

Our access to PPACA Advisor resources can help you clear up PPACA questions and better craft your company's benefit strategy for the future.