



Advanced Payment of Premium Tax Credits (APTCs)

Presented By:

Alexander Alonso, JD, MPH, MA

Health Reform and Innovation Administration, DHCF



What are premium tax credits?



- Authorized by the Affordable Care Act
- Helps families purchase a health plan in a *health insurance exchange*
 - Only for people without other affordable coverage
 - Estimated 20 million people nationwide
- Credit based on income, family size, and premium cost
 - Average credit \$5,320 in 2014; \$7,500+ in 2022
- *Advanced* directly to the insurance company via health benefit exchanges
- Reconciled when individual files taxes



To claim credit, you must:



- Agree to file a tax return.
- If married, file a joint return.
- Certify that you are not a tax dependent.
- Attest you will claim personal exemption for each person identified in the coverage family.
- Purchase insurance in the Exchange.

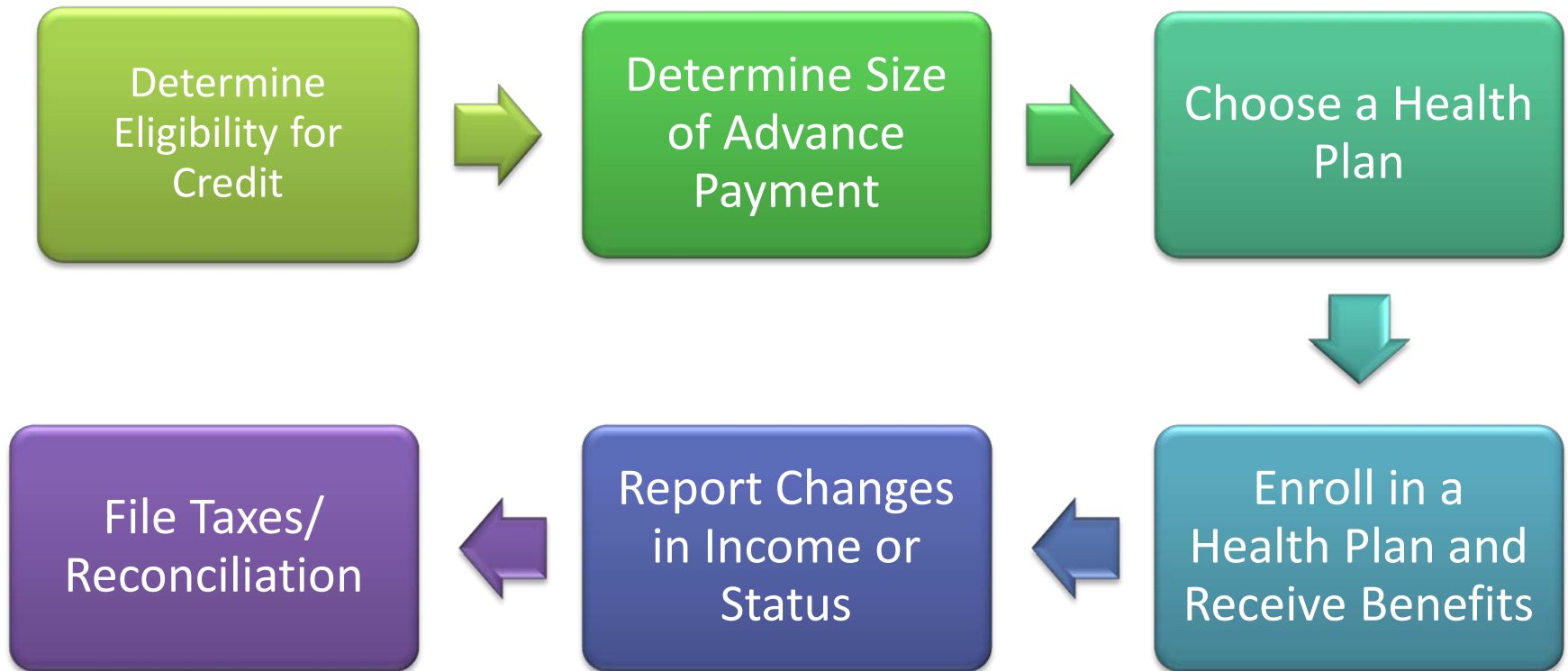


Health Insurance Exchange



- State-based market for insurance
- Will sell plans according to “medal tiers”
 - **Platinum** – covers 90% of expected medical costs (called actuarial value or “AV”)
 - **Gold** – 80% AV
 - **Silver** – 70% AV
 - **Bronze** – 60% AV
 - ▶ Tax credit amount is based on second-lowest cost silver plan
 - ▶ Additional cost-sharing help also available only for silver level plans.

★★★ The Premium Tax Credit Process ★★★





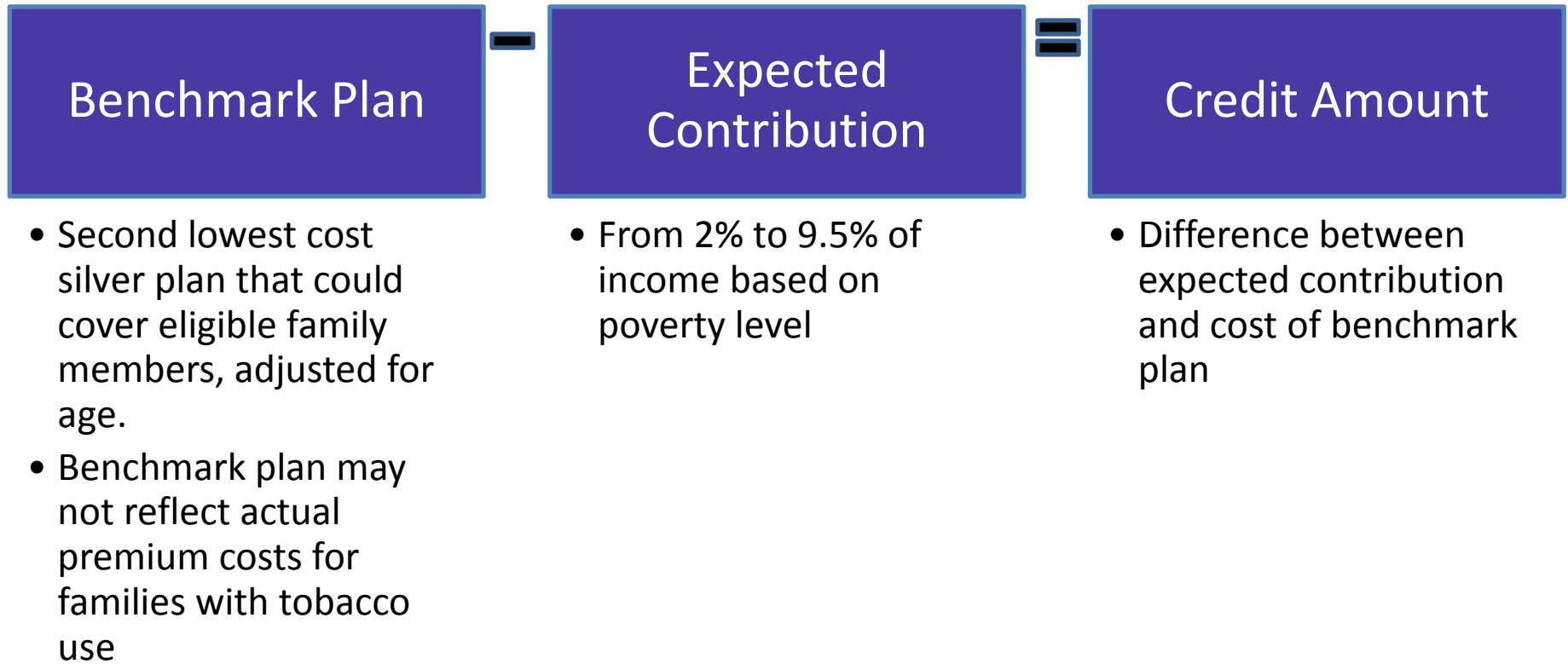
You are eligible for a premium tax credit if...



- Lawfully present in the U.S.
- Plan to file taxes for the benefit year
- Income between 100% and 400% of the federal poverty level (FPL)
 - Lawfully Present aliens not eligible for Medicaid can have income lower than 100% FPL
- Not eligible for government insurance (Medicaid, Medicare, CHIP, Tricare, VA)
- Not eligible for employer-sponsored insurance that is:
 - **Affordable:** premium for the employee is less than 9.5% annual family income at the time of enrollment
 - **Minimum value:** covers at least 60% of health costs

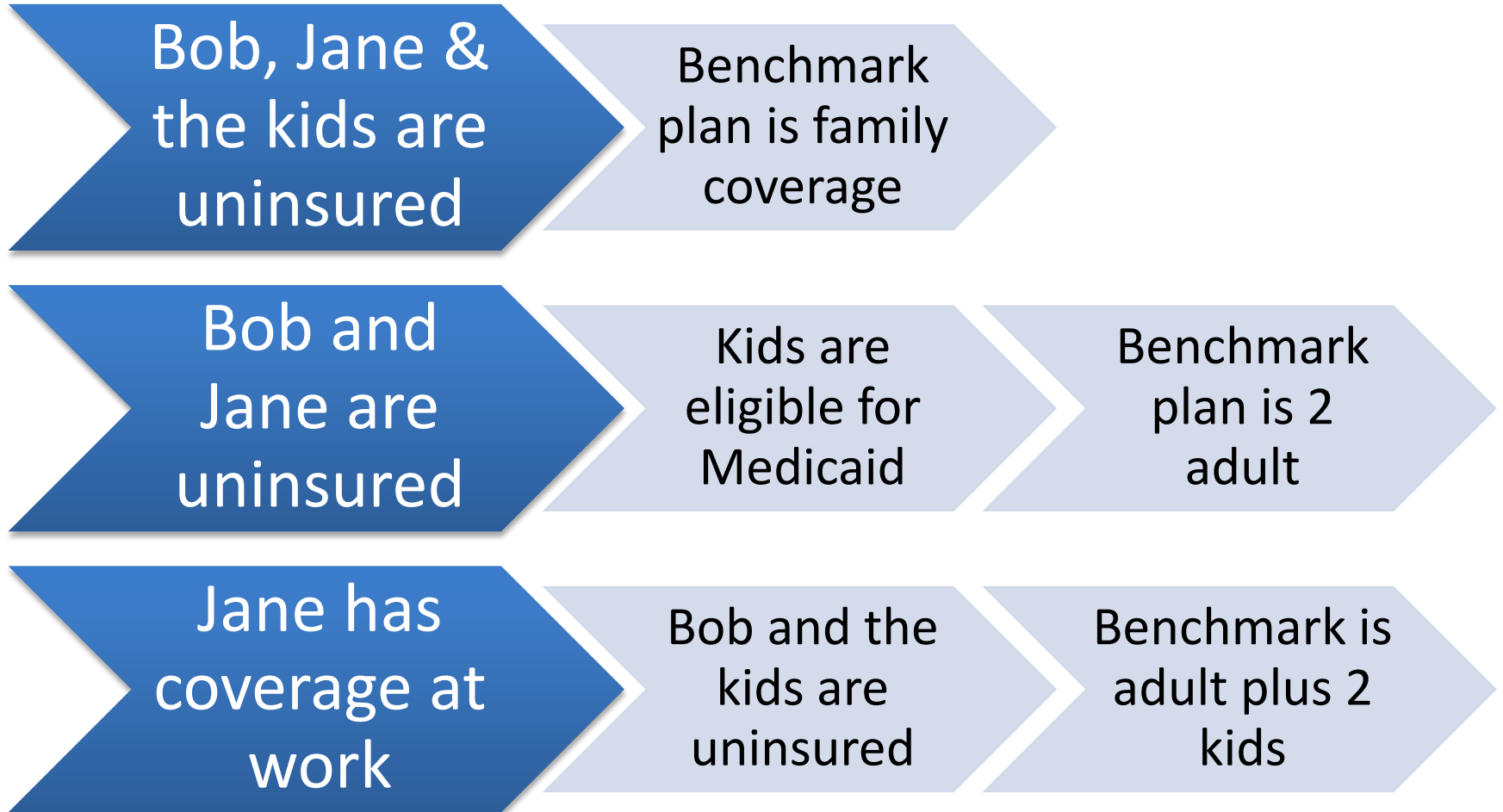


How do I determine my premium credit?





What is the right benchmark?





Federal Premium Subsidies

Modified Adjusted Gross Income	Consumer Premium Contributions Cannot Exceed
100-133% FPL	2% of income
>133-150% FPL	3 – 4% of income
>150-200% FPL	4 – 6.3% of income
>200-250% FPL	6.3 – 8.05% of income
>250-300% FPL	8.05 – 9.5% of income
>300-400% FPL	9.5% of income

Federal Cost-Sharing Subsidies

Modified Adjusted Gross Income	Actuarial Value of Plan Limited to:
100-150% FPL	94%
>150-200% FPL	87%
>200-250% FPL	73%
>250-400% FP	70%



Background

Family Size	100% FPL	133% FPL	150% FPL	200% FPL	250% FPL	300% FPL	350% FPL	400% FPL
1	\$11,170	\$14,856.10	\$16,775	\$22,340	\$27,925.0	\$33,510.0	\$39,095.0	\$44,680.0
2	\$15,130	\$20,122.90	\$22,695	\$30,260	\$37,825.0	\$45,390.0	\$52,955.0	\$60,520.0
3	\$19,090	\$25,389.7	\$28,635	\$38,180	\$47,725.0	\$57,270.0	\$66,815.0	\$76,360.0
4	\$23,050	\$30,656.50	\$34,575	\$46,100	\$57,625.0	\$69,150.0	\$80,675.0	\$92,200.0
Highest Allowable Annual Premium								
	2.0%	3.0%	4.0%	6.3%	8.05%	9.50%	9.50%	9.50%
1	\$223.40	\$445.68	\$671.00	\$1,407.42	\$2,247.96	\$3,183.45	\$3,714.03	\$4,244.60
2	\$302.60	\$603.69	\$907.80	\$1,906.38	\$3,044.91	\$4,312.05	\$5,030.73	\$5,749.40
3	\$381.80	\$761.69	\$1,145.40	\$2,405.34	\$3,841.86	\$5,440.65	\$6,347.43	\$7,254.20
4	\$461.00	\$919.70	\$1,383.00	\$2,904.30	\$4,638.81	\$6,569.25	\$7,664.13	\$8,759.00
Actuarial Value of Plan Limited To								
	.94	.94	.94	.87	.73	.70	.70	.70



Example 1

- David is a single, 53 y/o smoker who resides with his son, Mark (13), and daughter, Amy, (15).
- David's projected MAGI is \$62,424.30, which is equal to 327% of FPL.
- David's Children are not eligible for Medicaid.
- David does not have access to ESI or other Minimal Essential Coverage
- David's benchmark plan is the 2nd lowest cost silver plan that would cover a 53 y/o, 13 y/o, and 15 y/o in Washington DC (non-smokers)
 - Assume this plan (family coverage) cost \$16,606 per year in premiums
 - NOTE: David cannot actually buy this plan because he is a smoker; his 2nd lowest silver plan will be more expensive
- David's maximum premium contribution is \$5,930.31 (9.5% of income)
- David could receive an APTC in the amount of \$10,675.69 and would be billed \$494.19 per month for the benchmark plan



Example 2

- Claudia is a single, 43 y/o non-smoker who resides with her son, David, and daughter, Rachel, both under 18.
- Claudia's MAGI is \$50,206.70, which is equal to 263% of FPL.
- Claudia's Children are eligible for Medicaid.
- Claudia does not have access to ESI or other Minimal Essential Coverage
- Claudia's benchmark plan is the 2nd lowest cost silver plan for a single 43 y/o non-smoker in DC
 - Assume this plan (single coverage) costs \$5,222 per year in premiums
- Claudia's maximum premium contribution is \$4,230.92 (8.427% of income)
- Claudia could receive an APTC in the amount of \$991.08 and would be billed \$352.58 per month for the benchmark plan



Example 3

- Deborah is a 55 y/o non-smoker who lives with her husband, Julio (age 67).
- Deb & Julio's projected Joint MAGI is \$55,829.70, which is equal to 369% of FPL.
- Julio is eligible for and enrolled in Medicare
- Deb does not have access to ESI or other Minimal Essential Coverage
- Deb's benchmark plan is the 2nd lowest cost silver plan for a single 55 y/o non-smoker in DC
 - Assume this plan (single coverage) costs \$5,222 per year in premiums
- Deb's maximum premium contribution is \$5,303.82 (9.5% of income)
- Deb could not receive an APTC because her maximum contribution is more than the cost of the benchmark plan. She would also not be eligible for cost-sharing reductions.
- If she enrolled in the benchmark plan, she would be billed \$435.17 per month.



And then life happens...



Family Size Changes

- Birth or adoption of child
- Marriage
- Divorce

Income Changes

- New job
- Raise or increased hours
- Decrease in hours
- Job loss



Marriage during the tax year

- **General Rule:** Tax credit is computed based on family size and household income reported on tax return.
- **Problem:** Two people, each with annual income of \$22,340, marry. Separately, each person's expected contribution is 8.05%. But with combined income of \$44k, expected contribution is 9.5% of income. (may lead to payment due, *even with timely reporting* of status change.)
- **Alternative Calculation:** Credit for single months is computed as if each spouse earned half of actual household income (e.g., if household income is \$40k, allocation is one-half for each spouse, even if one earned \$10k and the other earned \$30k)
- Credit for married months is computed using actual household income



Divorce during the tax year



- Taxpayers who divorce must allocate:
 - the premium for the benchmark plan,
 - the premium for the plan in which they enroll, and
 - the advance payments
- Allocation can be in *any proportion*.
- Without agreement, allocation is 50%.



Married filing separately



- Like EITC, there is **no credit** for taxpayers who are married filing separately.
- *Problem:* The credit has already been used and must be repaid (up to repayment limit).
- Any credit received is evenly allocated between spouses (even if one has filed HoH).
- ***IRS is considering exceptions for abandoned spouses, domestic abuse, and other circumstances.***



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RECONCILIATION



Reconciling the premium tax credit...

- **Problem:** The credit for 2014 was calculated based on your 2012 tax return.
- But did 2012 income reflect life in 2014?
 - If you got too much premium tax credit based on your *actual* income, you **owe**.
 - If you got too little premium tax credit based on your *actual* income, you **get a refund**.

Income	Maximum Repayment (Single/Family)
<200% FPL	\$300/\$600
200%–300% FPL	\$750/\$1,500
300%–400% FPL	\$1,250/\$2,500
>400% FPL	No Cap