



# EXPERT UPDATE



## Compliance Headlines from Henderson Brothers:

- PPACA Premium Subsidies: Qualifications & Maximum Annual Premiums



### **PPACA Premium Subsidies: Qualifications & Maximum Annual Premiums**

It is important for employers to understand what the Exchange premium subsidies (credits) are, who will likely be entitled to them, and how these subsidies will impact short and long term health plan strategy. For just about every plan sponsor who intends to continue to offer group coverage beyond 2014, attrition of the best risk is a concern. A critical part of the planning process in preparation for the Exchanges is to evaluate wages, benefit design, contributions, and enrollment status so there is a good understanding of the health plan's demographics. This careful study of the employee population along with quality benchmarking will give the employer the knowledge necessary so that appropriate changes can be made now in preparation for the 2014 Exchange marketplace. Regardless of whether Exchange coverage provided in your region is Federal or State-based, the same rules will essentially apply.

Individuals enrolling in Exchange coverage must have a "household income" of less than 400% of the Federal Poverty Level (FPL) in order to be eligible for the premium credit. Individuals get less or potentially no premium credit at all as their income approaches 400% FPL. The tables below represent the current 2012 Federal Poverty

Level. The household wages listed under “Poverty guideline” multiplied by four represent the premium credit ceiling (400% FPL).

2012 POVERTY GUIDELINES FOR THE 48 CONTIGUOUS STATES AND  
THE DISTRICT OF COLUMBIA

Persons in family/household Poverty guideline

1.....	\$11,170
2 .....	15,130
3 .....	19,090
4 .....	23,050
5 .....	27,010
6 .....	30,970
7 .....	34,930
8 .....	38,890

For families/households with more than 8 persons,  
add \$3,960 for each additional person.

2012 POVERTY GUIDELINES FOR ALASKA

Persons in family/household Poverty guideline

1 .....	\$13,970
2 .....	18,920
3 .....	23,870
4 .....	28,820
5 .....	33,770
6 .....	38,720
7 .....	43,670
8 .....	48,620

For families/households with more than 8 persons,  
add \$4,950 for each additional person.

2012 POVERTY GUIDELINES FOR HAWAII

Persons in family/household Poverty guideline

1 .....	\$12,860
2 .....	17,410
3 .....	21,960
4 .....	26,510
5 .....	31,060
6 .....	35,610
7 .....	40,160
8 .....	44,710

SOURCE: Federal Register, Vol. 77, No. 17, January 26, 2012, pp. 4034-4035

Regulations state that premium credits are available to those with an income that “exceeds 100 percent [FPL] but does not exceed 400 percent [FPL]....” PPACA then provides for lawfully present noncitizens who are at or below 100% FPL and who are not eligible for Medicaid to obtain premium credits. Non-aged citizens and legal permanent residents at or below 133% FPL will be eligible for Medicaid, and therefore ineligible for premium credits. There are a handful of states that have opted out of Medicaid expansion, and although there is a maximum annual premium (premium cap) that applies to individuals in this household income category, there is some talk as to whether this premium limit will be enough subsidy for these low income households.

According to the legislation, beginning in 2014, an employer’s coverage is not “affordable” when the employee’s contribution toward the employer’s lowest-cost self-only premiums would exceed 9.5% of household income. It is important to note that there is a proposed Safe Harbor that could change the definition of “affordable”. If the proposed Safe Harbor is passed, **employees have access to “affordable coverage” if the cost for single coverage for a plan that offers minimum essential coverage is equal to or less than 9.5% of the employee’s W-2 wages.**

**The safe harbor will apply ONLY for purposes of determining whether an employee’s coverage satisfies the 9.5% affordability test for purposes of the employer tax penalty. Employees who have the ability to enroll in affordable single-only coverage with their employer may still qualify for premium assistance via the Exchange when electing coverage if the household income for that employee falls below the 400% cap.**

For individuals eligible for a premium credit, the credit is based on what might be considered an affordable premium amount, based on a percentage of individuals’ income relative to the FPL.

Premium credits under the bill are based on the “applicable percentage”—that is, the maximum percentage of income that individuals will be required to pay toward the second-lowest cost “silver” exchange plan in the area. Silver plans are those in one of four cost-sharing tiers (plan designs) established in the exchanges. The other plans, or tiers, will be bronze, gold, and platinum. Of the four plans offered, silver plans will have the second-highest enrollee cost-sharing (deductibles and copayments) and thus will likely charge the second-lowest premiums. Individuals eligible for premium credits would also be eligible for cost-sharing subsidies.

Qualifying individuals between 300% and 400% FPL will have to pay no more than 9.5% of their income in premiums (if they enrolled in a plan not more expensive than

the second lowest cost silver plan). For qualifying individuals with income above 133% to 300% FPL, the percentage of income they will have to pay would range from 3% of income to 9.5% of income. Qualifying individuals at or below 133% FPL will pay no more than 2% of income toward premiums.

**Maximum Out-of-Pocket Premium Payments under PPACA, if Currently Implemented for the 48 contiguous states and the District of Columbia**

Federal Poverty Line (FPL)	Maximum Premium as a % Of Income (2014)	Maximum Annual Premium (current), by Family Size			
		1	2	3	4
100%	2.0%	\$217	\$291	\$366	\$441
133.00%	2.0%	\$288	\$388	\$487	\$587
133.01%	3.0%	\$487	\$656	\$824	\$992
150%	4.0%	\$650	\$874	\$1,099	\$1,323
200%	6.3%	\$1,365	\$1,836	\$2,307	\$2,778
250%	8.05%	\$2,180	\$2,932	\$3,685	\$4,438
300%	9.5%	\$3,087	\$4,152	\$5,218	\$6,284
350%	9.5%	\$3,601	\$4,845	\$6,088	\$7,332
400%	9.5%	\$4,115	\$5,537	\$6,958	\$8,379

Note: The Maximum Annual Premium chart for Alaska and Hawaii is available upon request.

In summary, the Act intends to improve health insurance affordability for individuals and families with income up to 400% of poverty, by ensuring that no individual or family would pay more than 9.5% of their income for a health insurance plan with an actuarial value of 70%. In addition, PPACA has intended to extend Medicaid coverage to 133% of poverty, which would enable individuals to enroll in coverage with relatively little or no premiums and cost sharing. Although the premium credits will not be available until 2014, many employers feel it is critical that they understand the variables involved now.

HBI will continue to communicate updates regarding Exchange coverage and premium subsidies. If you have any questions, please feel free to contact your HBI representative.

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